R. Ashton

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AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

PROGRAM ASSISTANCE
APPROVAL DOCUMENT
(PAAD)

TUNISIA: FY 1988 Commodity Import Program
(CIP) 664-K-603 - (664-0347)

March 25, 1988

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AID 1120-1

PAAD

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROGRAM ASSISTANCE APPROVAL DOCUMENT

1. PAAD NO: Grant 664-K-603 (664-0347)

2. COUNTRY: TUNISIA

3. CATEGORY: Commodity Standard Financing Procedure

4. DATE: March 28, 1988

5. TO: James Norris, A/AA/ANE

6. OYB CHANGE NO: Not Applicable

7. FROM: Charles F. Weden, Jr., Director USAID/Tunisia

8. OYB INCREASE: None

TO BE TAKEN FROM: ESF BPC QES8-88-37664-KG-32

9. APPROVAL REQUESTED FOR COMMITMENT OF: $ 3,355,000

10. APPROPRIATION - 72-118/91037 Allotment: 870-63-664-00-59-81

11. TYPE FUNDING	12. LOCAL CURRENCY ARRANGEMENT	13. ESTIMATED DELIVERY PERIOD	14. TRANSACTION ELIGIBILITY DATE
☐ LOAN ☒ GRANT	☐ INFORMAL ☒ FORMAL ☐ NONE	3/88 9/88	Authorization Date

15. COMMODITIES FINANCED

Animal Feeds (Corn or Soyameal pellets)

16. PERMITTED SOURCE		17. ESTIMATED SOURCE	
U.S. only:	3,355,000	U.S.:	3,355,000
Limited F.W.:		Industrialized Countries:	
Free World:		Local:	
Cash:		Other:	

18. SUMMARY DESCRIPTION

To assist with the Tunisian import requirements for animal feed (soya or corn) and to help ameliorate foreign exchange shortages of the nation, this CIP grant provides a portion of the foreign exchange needed to purchase corn from the U.S.A.

Local currency generated from the sale of corn to feed mills will be utilized for jointly-approved activities which support the Tunisian Structural Adjustment Program and AID - Government of Tunisia development projects. These efforts will assist agricultural production and increased private sector activities in the economy.

19. CLEARANCES	DATE
REG/DP PBenedict	3/24/88
GC/ANE ~~REG/GC~~ JSilverstone	3/24/88
AA/PPC DAdams	3/24/88
M/FM CChristensen	3/25/88
M/SER/~~COM~~ OPS/OS MMcDaniel	3/25/88
~~AA/PRE~~ ANE/MENA:GKamens	3/24/88
ANE/PD:RVenezia	
DAA/ANE:WFuller	

20. ACTION

☒ APPROVED ☐ DISAPPROVED

AUTHORIZED SIGNATURE: W Norris — DATE: 3/25/88

TITLE: Assistant Administrator, ANE

CLASSIFICATION:

GLOSSARY

ASAL	Agricultural Sector Adjustment Loan (IBRD)
APIP	Agriculture Policy Implementation Project (AID)
ATO	Agriculture rade Office (U.S. Embassy)
BCT	Central Bank of Tunisia
CIP	Commodity Import Program
COTUNACE	National Export Insurance Corporation
CY	Calendar Year, January 1 - December 31
FAA	Foreign Assistance Act
GDP	Gross Domestic Product
GOT	Government of Tunisia
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
MT	Metric Tons
MTSAP	Medium-Term Structural Adjustment Program
OC	Office des Céréales
PAAD	Program Assistance Approval Document
PACD	Program or Project Activity Completion Date
Plan	Government of Tunisia, Seventh Five-Year Plan 1988-1991
PL 480	Public Law 480 (U.S. Food Aid)
RFQ	Request for Quotes
SAP	Structural Adjustment Program
TD	Tunisian dinars
UMR	Usual Marketing Requirements
USDA	U.S. Department of Agriculture
USG	United States of America Government
WFP	World Food Program (United Nations)

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TUNISIA FY 1988 CIP

TABLE OF CONTENTS

I. INTRODUCTION

The FY 1988 Commodity Import Program (CIP) is a continuation of the U.S. effort to provide rapid-disbursing generalized balance of payments support to the Tunisian economy. Local currency proceeds from the CIP will provide important support for selected development activities. The grant is closely linked to Tunisia's economic Structural Adjustment Program. As the CIP provides both foreign exchange for needed imports and local currency generations for development projects, it is a doubly attractive means of economic support to Tunisia.

The Mission plans to proceed with the CIP as soon as the FY 1988 Operational Year Budget (OYB) for Tunisia is provided. Important U.S. resources in the drafting of the proposal include input and assistance from the Agriculture Trade Office and Economic Section, U.S. Embassy Tunis, and various private individuals. Also used were a number of publications, including: Government of Tunisia (GOT) Statistiques Financières (Dec., 1986 and September, 1987), GOT Budget Economique 1988 (11/87), GOT Seventh Plan of Economic and Social Development: 1987-1991 (1986), International Bank for Reconstruction and Development (IBRD) Release of the Second Tranche of the ASAL (10/87), International Monetary Fund (IMF) Tunisia - Recent Economic Developments (10/87), Institut National de la Statistique Bulletin Mensuel de Statistiques (10/87), and IMF Tunisia - Staff Report for the 1987 Article IV Consultation and Review under the Stand-by Arrangement (9/87).

The proposed Commodity Import Program (CIP) has been written by AID/W and USAID, with participation of personnel from the Government of Tunisia and individuals from the private sector. As the program is a continuation of support initiated in FY 1987, it has not been necessary to review with the Government of Tunisia (GOT) the entire structure and provisions of the CIP, nor has it been necessary to establish additional administrative systems or operations.

USAID/Tunisia and AID/Washington staff have met with officials in the Ministry of Finance and Planning for formalization of the program, with the Ministry of Crop Production and Office of Cereals for commodity selection and determination of operational criteria, and with the Groupement de Bois (Lumber Consortium) and the Office National des Huiles (Edible Oils Office) to discuss various commodities. Over a period of several months, the Mission has explored numerous possibilities for commodity assistance. The criteria for selection has included; U.S. commodity competitiveness, expansion of U.S. markets, relative ease of transaction, conformity with Usual Marketing Requirements, availability from the U.S., productive nature of commodity, and level of need in Tunisia.

II. SUMMARY AND RECOMMENDATIONS

A. Overview

Tunisia continues to require foreign borrowing to finance a balance of payments deficit brought on by reduced investment flows, rising debt service payments, and insufficient export of goods and services to cover essential imports. Austerity brought on by the need to reduce this deficit has created high levels of unemployment and low production in industries producing for domestic markets. Although the economic situation improved in 1987, especially through increases in tourism and exports and through reduction in government deficits, Tunisia will require assistance to cover purchase of imported food and productive goods to meet the essential needs of the economy.

The shortfall in the current account for 1988 is estimated at $423 million. This will be met with grants and borrowing as well as investment flows. Since total external debt will exceed the equivalent of 60 percent of GDP and debt service will absorb nearly 30 percent of export earnings, borrowing should be considered a temporary measure. The reduction in the borrowing requirement is a major goal of the Government of Tunisia (GOT) Structural Adjustment Program. The Medium-Term Structural Adjustment Program (MTSAP) has begun and will continue implementation of major reforms in the manufacturing, farming, and service sectors. Revisions focus on liberalization of pricing, trade, and regulation, and on the privatization of productive business activities. The GOT has begun reduction and elimination of subsidies, liberalization of rules controlling imports, promotion of exports, and divestiture of government-owned business enterprises. It is committed generally to market forces determination of the direction in the nation's economy.

The AID program continues to support the thrust of the Structural Adjustment Program, utilizing Economic Support Fund resources to strengthen initiatives focused on liberalization of the agricultural and private sectors and on a reduced role of the GOT in the Tunisian economy. Past and current AID activities, including previous Commodity Import Programs, have been directed towards the goals of strengthening the private sector in enterprise development and in its role within the agriculture sector and the economy as a whole.

B. Recommendation

It is proposed that the FY 1988 CIP, in a generalized, foreign exchange grant of up to $ 8 million (the currently authorized level is $3.355 million), be used to procure U.S. agricultural products (corn or soya meal pellets) for animal feed needs in Tunisia. It has been determined that corn (maize), to be locally manufactured into poultry and dairy feeds, is the most appropriate commodity to provide through the program. As a viable alternative, soya pellets could also be procurred through the

CIP. At a funding level of $ 8 million, used for procurement and shipping (for 50 percent of commodity on U.S. flag vessels), the program can provide an estimated 22 percent of Tunisia's annual corn (maize) need, equivalent to 56,000 metric tons.

The choice of animal feeds is appropriate, as it best fits the selection criteria of U.S. commodity competitiveness, expansion of U.S. markets, relative ease of transaction, conformity with Usual Marketing Requirements, availability from the U.S., production nature of the commodity, and a demonstrable need in Tunisia.

The corn will be sold through the GOT Office of Cereals to private feed mills. The mills will blend it with various other components and sell the animal feed to distributors and poultry/dairy farmers. The GOT will deposit local currency equivalent to the U.S. dollar costs into a Special Account. These funds will be used to assist a number of activities which support the Structural Adjustment Program, contribute to a growth in employment, domestic production, and assist Tunisia's agricultural and private sectors.

III. POLITICAL SITUATION

A. Background

Invoking a constitutional provision allowing for a change in the Office of President when he is incapable of continuing his duties, the then Prime Minister Zine El-Abidine Ben Ali replaced Habib Bourguiba as President of the Republic on November 7, 1987. In his initial public statements, President Ben Ali has committed the Government of Tunisia to giving the people a greater say in government. Subsequently, he has relaxed control of the media, promised to liberalize the rules governing political parties, promoted free mass organizations, and freed political prisoners. The bulk of Tunisians applauded President Ben Ali's assumption of power and have welcomed the first steps he has taken towards democratization.

The new government, which has seen the change of four Ministers and numerous mid and high-level officials in November and December, 1987, finds a country that has undergone vast and dramatic socio-economic changes during Habib Bourguiba's thirty years as President. The standard of living and the level of education have risen significantly. The populace is now relatively sophisticated and expect economic prosperity and a voice in politics. Balance of payments shortfalls in recent years, coupled with rising unemployment and labor demands, led to serious riots in 1984 when the GOT tried to reduce subsidies by doubling the price of bread. The GOT was forced to rescind the draconian price change, yet economic readjustments remain a priority. President Ben Ali is considered an advocate and supporter of the structural adjustment program and Seventh Plan of Economic and Social Development (see Section V). The prices of bread, sugar, cooking oil, pharmaceuticals, gasoline, electricity, fertilizer, and public transport have been increased in gradual stages since 1986. In October 1987, the GOT took measures to encourage private investment. Both the International Monetary Fund and the World Bank have praised Tunisia's management of its external debt and the steps the nation is taking to improve the economic situation. The new government has made clear its committment to economic readjustment, a policy that enjoys broad support among Tunisians.

B. U.S. - Tunisian Relations

Relations between the United States and Tunisia have been and are excellent. As the smallest nation in the Maghreb, Tunisia appreciates USG's assurances of support for Tunisia's sovereignty. The U.S.A. views Tunisia as an important, strategically-placed country which has consistently adhered to a moderate, pro-western foreign policy. Trade relations, although not major, have been fully satisfactory. In the last few years, the U.S. has exported to Tunisia about 15 percent of required food imports and about 5 percent of the nation's total imports. The U.S. Government has expressed its support for the new government and welcomes its committment to democratization.

C. U.S. Economic Assistance Programs

The U.S. began bilateral economic and technical assistance to Tunisia in 1957. Since that time, this assistance has amounted to funding of over $2 billion, including grants, loans, and food aid. Annual levels have fluctuated, with a reduction in 1984, but have been increased since then. In the period from 1985-1986, new project committments have exceeded $40 million, with food aid (PL480) of over $37 million for the same period. In 1987, project and program aid was over $16 million, with food aid of $25 million. Housing guarantees during the decade have exceeded $60 million. Assistance to Tunisia is expected to continue at levels approximating those in 1987.

IV. ECONOMIC SITUATION

A. Structure and Recent Developments

The economic slowdown of the early 1980s, and the Structural Adjustment Program begun by the GOT in 1986 in response to this, are slowly changing the structure of the Tunisian economy. This response to the economic slowdown is described in the 1987 CIP PAAD (pp 6-14), and is updated here.

The Tunisian economy is relatively broad-based, with agriculture and manufacturing each contributing 14 percent to GDP and services being the most important contributor to GDP (44 percent) and to employment (see Table 5; all references are to Annex C). Manufacturing output has grown 6.4 percent annually since 1982, while agricultural growth has varied greatly but averaged 5.4

percent annually for the period. Real GDP, which grew at 5.3 percent in 1982-85, declined by 1.6 percent in 1986, but has recovered to approximately 5.5 percent real growth for 1987, as good agricultural and tourism sector performance plus firm petroleum prices turned around declines experienced in 1986.

The rapid economic growth (6.3 percent per annum for real GDP) during the 1970s and early 1980s was propelled by energy and mineral exports which financed a large public investment program. As oil production levelled off, other factors in both the current and capital account, combined with rapid changes in commodity and product prices, led to instability and decline in export earnings. With both domestic consumption and investment levels maintained through macroeconomic policy, the fall in savings associated with the decline in GDP led to a large external resource gap (10.8 percent of GDP in 1984). Since the decline in exogenous capital inflows escaped the notice of policy makers, early corrective actions were not taken.

The foreign exchange crisis of 1986 was the joint result of several unrelated trends, long-term shifts, and coincidental exogenous negative shocks to the Tunisian economy (especially to its trading sectors). Despite a better-than-average current account deficit, these combined to cause a "cash-flow" or liquidity crisis during which net foreign reserves became exhausted, even negative. Foreign debt equal to 55 percent of GDP was high (compared to e.g. 43 percent as recently as 1983), but not in comparison with that of other countries compelled to undertake a structural adjustment program. Debt service absorbed 28 percent of export revenues (Table 1), also high but not cause for panic (nor, as a consequence, a source of continuing external donor policy leverage). This liquidity crisis provided an opportunity for a reformist group of Tunisian policy makers (who, since a change in Government in November 1987, predominate in both political and economic leadership) to undertake not just stabilization measures which restore external balance, but fundamental economic restructuring which should assure competitiveness in a changed world environment. These concepts are incorporated into the Seventh Five-Year Economic Plan 1986-1991 (Plan), the draft of which was analyzed extensively in the 1987 CIP (PAAD, pp 16-20). A subset of this Plan, supported by the World Bank, the IMF and bilateral donors including AID, comprises the Medium Term Structural Adjustment Program (MTSAP, described in Section V).

For 1987 the macro-economic situation has improved. The effects of exogenous shocks for the most part have been favorable. These include weather conditions (providing a strong rebound in agricultural production, volume growth in agricultural and agro-industrial exports, and decline in grain imports), tourism, and general statements of "investor confidence". Debt has continued to rise, to a level equal to 61 percent of GDP, though debt service has declined slightly, to 27 percent of exports due to increased exports, loan rescheduling and an increased share of concessional lending in the credit mix. Domestic markets absorbed the combined weight of the stabilization and adjustment programs: production levels for domestic markets rose only 1.2 percent, while construction declined by 5 percent. On the demand side, real private consumption rose only 1.1 percent, and investment declined by 10.4 percent. Neither the trends nor the sudden shifts have reversed, nor have investors begun to support the Plan by increasing fixed investment. Unemployment has worsened (especially in affected localities), as parastatal enterprises have retrenched and restructured. However, the good agricultural season absorbed a large number of rural workers, while a significantly expanded rural public works (chantiers régionaux) program supported by PL 480 resources provided two million person-days of employment in 1987. Firms and sectors which have expanded production have done so by increasing utilisation of their existing work force and equipment.

B. Fiscal Analysis

As data on the economic improvement in 1987 became available, the GOT revised its target GDP growth rate from 3.5 percent to 4.4 percent, and it is likely that real growth has exceeded 5 percent (the GOT estimates 5.5 percent, based on September data). This has not been so for all elements of demand: real investment is expected to decline by about 8 percent despite new investment incentives, while consumption is expected to show only a moderate increase; the resulting growth in savings will reduce the external resource gap to about 6 percent of GNP. Export oriented production increased by 13.8 percent in real terms, while production for domestic markets suffered: up 1.2 percent for manufacturing, down 5 percent for construction. The projected deficit on the current account (TD -240 million) was less than half that predicted in the Plan. After receiving donor support from the Consultative Group in providing concessional assistance, the overall balance of payments is projected to show a surplus of TD 180 million in 1987, restoring foreign exchange reserves to the equivalent of 1.9 months of imports. Reduced domestic demand and firm monetary policy contained the rate of inflation at 8 percent, despite a 3 percent effective depréciation of the dinar in real terms during the first six months (Table 9) and continuing price liberalization now covering 45 percent of manufactured products (Table 3).

The 1988 GOT economic budget reflects the government's intention to continue liberalization, to shift incentives toward investment and toward export, and to reduce subsidies and transfers. Taxes which previously had been earmarked for various funds (particularly the price stabilization/subsidy fund) and thus concealed the funds' total resource cost, were centralized in 1987 in order to strengthen the mechanisms for expenditure control and clarify the fiscal position of the funds

(See V.B.3 below). The tax on interest on bank loans has been reduced by 60 percent in order to further encourage investment and reduce distortions in the price system. However, this will cause a TD 30 million shortfall in revenues on an annual basis and lead to a deficit slightly higher (4.2 percent of GDP) than planned in the MTSAP (4.1 percent), but still an improvement over 1986 (5 percent. See Table 10). Further, the improvement in oil revenues partially represents a one-time settlement of arrears on payment of oil bills by parastatal enterprises, and cannot be expected to provide additional revenue from 1987 onward.

The subsidy budget of the Caisse Générale de Compensation will be held constant in nominal terms in 1988 at TD 188 million. The subsidy apparatus continues to exert a large and unpredictable effect on the Treasury (although less than would have been if unit subsidies had not been reduced). In 1986 actual subsidy expenditures were TD 218 million. The 1987 budget shows TD 184 million, and the September estimate stands at TD 206 million.

Work continued in 1987 to design a value-added tax to replace a series of turnover taxes. It is scheduled, after a delay, for introduction in the second semester of 1988. The VAT will have three rates (6, 17, and 29 percent) corresponding generally to the current incidence of production and consumption taxes, but be simpler and permit tax rebates to exporters as allowed under GATT. The 6 percent rate favors priority economic sectors. The change is not expected to have a revenue impact for the GOT.

For 1988 the GOT proposes introduction of a new income tax, with a lower maximum and consolidating different tax programs for different income sources into simplified single individual and corporate income tax schedules. This will cause a minor revenue loss to the Treasury.

The GOT required banks to reduce medium- and long-term interest rates by two percentage points to promote investment further. While rates are still positive in real terms, the rationale for this gesture, which was resisted by the Central Bank, lies outside the liberalization effort.

It is still too early to predict the medium-term balance of payments outcome for Tunisia. While the current balance deficit halved in 1987, part of this was due to dinar devaluation and government policy changes, and part to exogenous factors, but little to investor commitment which is not yet evident. The overall predicted surplus for 1987 is the result of donor commitments to help Tunisia rebuild its exhausted reserves to a level which will remove foreign exchange constraints on production and trade. If grants and term lending (including commercial) had remained at the 1986 level, the outturn would have been a deficit of TD 146 million.

The projected level of reserves at end 1987 is 1.9 months of imports, 20 percent ahead of the MTSAP target. This cannot be compared with previous figures, however, since some foreign exchange reserves held unofficially (and illegally) offshore by traders will be repatriated and counted in official reserves following the 1987 liberalization of foreign exchange regulations, so a larger level of official reserves will be necessary to support any given level of foreign trade.

As a result of the surplus in the overall balance for 1987, the GOT does not intend to obtain nonconcessional commercial credit (except trade finance) in 1987. For 1988, the GOT anticipates receiving $350 million in World Bank financing (including adjustment and project aid) and desires to negotiate another IMF Standby or Extended Financing Facility (7-10 years) with no additional conditionality beyond that of the existing Standby. This would not represent new resources, but would be incremental in the sense that it would delay the repayment of reserves borrowed under the current Standby. The GOT may borrow TD 100 million on a commercial basis in 1988. Debt service, which peaked at 32 percent of exports, is predicted to decline to 29 percent in 1987 and 1988.

C. Macro-Policy Agenda

The GOT states its 1988 goals as resumed economic growth and optimal resource allocation. The two goals frequently conflict, as evident in the 1988 economic budget. Pursuing the former, but constrained by the IMF stabilization program, the GOT stresses increasing aggregate demand through exports and non-public sector investment, both through reducing market imperfections which discriminate against export and investment, and through providing new market imperfections discriminating in their favor. The latter policy preserves an administrative apparatus whose existence prevents efficient response to market incentives and creates an environment where ability to deal with the bureaucratic apparatus perpetuates a comparative advantage unrelated to optimal resource use. In December 1987, the number of required import permits was reduced from 12 to 4 and private trade and countertrade was simplified, while quality control procedures for exports were decentralized and simplified. Although the administrative apparatus was left largely intact, it's deadline for response to applications has been shortened considerably, and the need for Central Bank approval of one form eliminated.

For 1988 both the rigid planners and those who promote liberalizatio. agree that stabilization must yield to growth of domestic demand. With the fiscal role of government contained, the GOT is providing incentives to private investment and to the construction industry. Changes in the tax system, the foreign trade regime, in the investment regime, and in the financial system are intended to remove disincentives to investment and export, and to liberalize and encourage the economy.

Protection of infant industries continues, and the GOT is proposing assistance in 1988 to restructuring -- but not liquidation -- of uneconomic, formerly protected industries which have been hurt by liberalization. If it is unable to do so, eventual policy modification permitting liquidation is likely.

The reduction in interest rates in November 1987 was only one element of a strategy encouraging investment. In December the tax on loan interest (taxe sur les prestations des services) was reduced by 60 percent (from 14.29 to 6 percent) in order to reduce the spread between cost of funds and cost to the borrower, and encourage borrowing for investment. A tax amnesty forgave 50 percent of taxes in arrears if the funds were used for approved investments.

In 1987 the GOT eliminated taxes on agricultural production. Further steps included liberalization of the tariff regime (see V.B.3), liberalization of imports made by exporters for their needs and on associated foreign exchange bank accounts, elimination of 18 special funds of the Treasury (leaving, however, 22) and tax earmarks associated with such funds, reduction of the need for Central Bank approval of medium size loans and the beginnings of a liberalization of deposit interest rates and some lending rates despite the forced reduction on term lending (Section V.B.3).

The sectoral policy agenda of the GOT is fairly closely in line with that proposed in its Plan. As this was analyzed in the 1987 CIP (pp 14-21), the analysis is not repeated here. The GOT appears committed to liberalization, as a component of its efforts to continue export growth while resuming domestic growth through increasing investment.

V. STRUCTURAL ADJUSTMENT PROGRAM

A. Background

Faced with exhausted foreign exchange reserves in 1986, the GOT undertook a Structural Adjustment Program designed to restore external balance and transform the economy away from import substitution and toward market-oriented and export activities. In 1986-87 it concluded several closely related agreements: an 18-month Standby with the IMF for SDR 103.65 million and a Compensatory Financing Facility for SDR 114.71 million, both signed in November 1986; a rescheduling with commercial and government creditors of both commercial and official debt repayments, following and tied to the Standby; major World Bank loans of $150M Agricultural Sector Adjustment Loan (ASAL) in September 1986, $150M Industrial and Trade Policy Adjustment Loan in February 1987, with planned loans in 1988 for structural adjustment, public enterprise rehabilitation, and ASAL II; and the AID-financed the CIP and an Agricultural Policy

Implementation Project, both in support of the ASAL, plus the PL 480 Title I safety net program for those most hurt by the adjustment. The Government's Seventh Five Year Plan 1988-1991 provides the core for these agreements, the adjustment aspects of which are referred to as the Medium Term Structural Adjustment Program (MTSAP).

The MTSAP calls for reducing the external imbalance through tight demand management as an interim measure, improving the external competitiveness of the economy through depreciation of the effective exchange rate, and undertaking substantial steps toward an eventual across-the-board liberalization of the economy, especially with regard to domestic prices, investment, and imports. The policy measures agreed to under the adjustment program and the compliance with these measures are described in Table 2 (references are to Annex C).

B. Current status Report

The progress of the MTSAP must be judged both by its contribution to stabilization, including the short-term problem of foreign exchange, and to its contribution to structural adjustment.

1. Stabilization

The MTSAP exceeded most of its stabilization goals in 1986 and is likely to do so in 1987. These goals and the outturns are as follows (failure to meet a particular target is marked with an *):

	1986		1987	
	Prog	Actual	Prog	Revised
Growth real GDP (%)	0.7	-1.0	3.5	5.5
Current Acct deficit (% of GDP)	9.0	7.9	7.4	3.0
Budget deficit (% of GDP)	6.0	5.3	3.9	4.1 *
Gross official reserves (Mo. of imports)	0.8	1.3	1.5	1.8
External debt (incl IMF) (% of GDP)	55.2	55.5 *	63.4	63.4
External debt service (% current receipts)	25.3	26.7 *	27.2	29.4 *

Real investment declined for the second year in 1987, by 10.4 percent, while consumption was flat, growing 1.1 percent. As a result, the significant 5.5 percent real GDP growth translates into an increase in the savings rate, which reduced greatly the external resource imbalance as the stabilization effort intended.

Employment was slower to respond, however. The safety net program, which the IMF and IBRD have left to the U.S. in their calculations concerning donor assistance to transformation, provided 2 million person-days of labor, while the good agricultural season provided temporary employment. Otherwise, the lack of growth of the economy has led to an increase in unemployment under stabilization which the structural adjustment has yet to affect.

2. Transformation

Output responded immediately to the devaluation and MTSAP. Production for domestic markets, much of it heavily protected in the past, was flat or decreased in 1986-87, while export markets showed strong growth (Table 5). It is too soon to observe any shift in resource utilization to sectors in which Tunisia has a comparative advantage. This is likely to be a slow process, made slower still by the GOT political need to soften the blow to domestic industries.

The lack of investment in export industries has been ascribed by observers as due to uncertainty regarding the ability of the previous government to survive and its willingness to stay the course of the MTSAP. These doubts have been largely laid to rest by the actions of the new government. There is evidence that private investment, which is intended to respond to the investment incentives and liberalization measures described later, is still constrained by the time and effort required to satisfy documentary requirements. There is not yet any evidence of labor flows out of the safety net program into growing sectors, except for the exceptional agricultural season and the employment it offered. As the Safety Net started in October 1987, it is too soon to observe such flows.

The GOT is attempting to help restructure the no-longer-competitive import substitution industries, but (probably for political reasons) there is no mention in the 1988 economic budget of liquidation in order to free misutilized resources, whereas the gains to be achieved under restructuring of these enterprises are limited. In conclusion, although output is responding and despite incentives being offered by the GOT, transformation of the productive economic structure has not yet begun.

3. Liberalization

In January 1987 virtually all import restrictions on raw materials and spare parts were removed. Imports of semifinished goods were opened up for qualifying enterprises exporting at least 15 percent of their turnover. In October, this was extended to permit almost complete free importation and holding of associated foreign currency deposits by exporting firms. Foreign currency bank accounts were permitted for individuals and firms with such sources of income, and repatriation of formerly "illegal" offshore accounts was encouraged through an amnesty program. This served to acknowledge that such accounts were being held offshore. Tariff reform began in January (see section 3(c) below), with a 1991 goal of a uniform effective protection rate of 25 percent. Internally, price liberalization for manufactured products expanded to cover 45 percent of all manufactures (Table 3). Ceilings on bank discretion for loan approvals were raised and then abolished for 1988, while many interest rates were freed completely (Table 8). Active emphasis has been given to privatization, liquidation or rationalization of public enterprises.

Low investor response, however, suggests that the prediction of investor caution in the 1987 PAAD was correct. The mechanism for administrative approval of investment, although automatic in theory, continues in practice to impose a burden on investment and production choice. The consumption taxes which were introduced in order to replace the revenues lost to tariff reduction should not differentiate between imports and local products. In fact, the tax base is narrowly defined in a specific list of imported close substitutes for local products, maintaining a high degree of protection but creating strong disincentives for local firms to diversify into such related products. For 1988 the highest tariffs have been lowered, but the lowest have not yet been raised. This continues to enhance the effective rate of protection of domestic production.

Lending interest rates remain capped, and are linked to an administered, rather than market determined, "money market" interest rate (at which banks can, in fact, deal only with the Central Bank). This money market rate will be freed at the start of 1988. Strict ratios which force bank lending to the government are no longer binding, released after GOT's agreement with the IMF limiting its domestic borrowing. A tension between market liberalization (so that investors can determine the most profitable sector) and market guidance providing artificial incentives to borrow, invest and export, continues to be evident within the GOT, and will be resolving itself only as experience is acquired with these liberalization steps and additional ones proposed, based on local experience.

a. Subsidies

The GOT has announced a general decrease in subsidies both per unit of good subsidized and as a percentage of total cost of such goods (Table 11b). It has met the goals set by the IBRD, the IMF, and AID (Table 2). Animal feed subsidies, the subject of policy negotiations under the 1987 CIP, and which benefit mostly the upper income groups, decreased by 98 percent from 1986 to 1987, consisting of a 92 percent decrease in the barley subsidy and complete removal of subsidies on corn and soybean meal (Table 11a). Direct food subsidies, which benefit the lower income groups disproportionately, were frozen but not reduced as scheduled, due to the evident political costs of such a reduction. Together, these measures reduce subsidies for higher income groups much more than for lower income groups (see below), improving crudely the targetting of the subsidy regime. The fertilizer subsidy was reduced both on a per unit and a per share of value basis, but the saving to the government budget was more than offset by an increase in quantity of fertilizer purchased in response to good agricultural conditions in the 1986-87 seasons.

The effect of the subsidy regime on the government budget was discussed in Section IV.B. Consumer subsidies (cereals) now represent a larger share of this total, though some (pasta processing) have been eliminated (Table 11a).

Opposing liberalization, sugar subsidies were increased by 39 percent per unit in 1987. Even where rates of subsidy are now nil, the GOT has postponed dismantling the subsidy apparatus. The tension between the competing strategies of administratively establishing price incentives, and liberalizing prices, is inevitable.

Beginning in 1987 the GOT eliminated the self-financing of the subsidy apparatus by terminating the special tax and tariff earmarks which have served to conceal the full economic cost of subsidies from both policy-makers and the public. The full subsidies now appear in the budget (see Table 11a) and can be analyzed for their contribution to socio-economic and political goals in comparison to alternative interventions or uses of general revenues. There is some evidence that the subsidy already receives more political scrutiny as a result. The GOT has advanced the MTSAP timetable for eliminating regressive subsidies (those favoring the rich relatively more than the poor), while postponing the elimination of progressive ones.

b. Interest rates

Under the MTSAP, the Central Bank is shifting from quantitative control over monetary and credit policy toward a market-based mechanism. Such a shift takes time, not only to win consensus within the government, but to design and implement the mechanism for monetary control. Before reform, the Central Bank set limits by bank, and interbank borrowing was prohibited. The "money market" was not an interbank market, but rather a window at which the Central Bank would buy and sell the excess reserves of individual banks. The "money market interest rate" was not a market-determined rate, but the intervention price of the Central Bank.

In 1987, under the MTSAP, deposit interest rates were liberalized, as were most lending rates with the important proviso that they could not exceed the "money market" rate by more than three percentage points. This rate remained highly managed in 1987, with the daily maximum and minimum both 10.0 percent through September; for each of October and November the rate was decreased by 1/8 point in response to lower inflation, to 9.75 percent. Three sectors--agriculture, exports, and small scale enterprises--remain "priority" sectors with subsidized interest rates and a rediscount facility; their interest rates have been raised but are still below market rates. Largely due to the rapid expansion of export financing in 1987 under MTSAP, these represent approximately 30-35 percent of credit; the balance has been liberalized. The range of lending rates remains compressed and distorted by priority rates, particularly to small enterprises which would be expected to pay a premium on commercial rates to cover intermediation costs.

The 1988 economic budget proposes several significant improvements. As of December 1987 the lending ceiling above which Central Bank authorization had to be received, which had just been raised from TD 1 million to TD 5 million under the Standby, was abolished by the GOT. Banks can now determine sectors and amounts themselves, subject only to financial prudence. Second, the "fictional" money market will become real in January 1988, with the Central Bank no longer sole agent allowed to deal with each bank, but rather an equal market member in transactions among banks, implementing monetary policy through the market mechanism. Third, the Central Bank will no longer supervise the balance sheet of each bank individually in setting reserve ratios and lending limits, but will only supervise the global banking system. The required organizational changes will probably delay implementation slightly.

The system of ratios and priority sectors will continue, however. Given the current economic downturn, the global credit ceiling agreed with the IMF under the Standby is not operative, yet even this is less than that implied by the Central Bank ratio for government lending. With these constaints slack, de facto liberalization of the banking system will occur in 1988. With the exception of the October 1987 2-point decrease, attempts by special constituencies within the GOT to lower interest rates in spite of the market have been successfully resisted by the monetary authorities. The reduction is largely the fiscal decrease in the tax on loan interest which reduces the spread between lending rates and cost of funds (Section IV.B).

c. Tariffs

Tariff reform began in January 1987 with the minimum tariff on imports being raised to 15 percent, the maximum lowered to 50 percent, and intermediate rates reduced by 6 percent. In 1988 tariffs above 25 percent will be reduced a maximum of 9 points to approach or reach 25 percent while lower tariffs will be unchanged; the goal is eventual compression of effective protection toward a uniform rate of 25 percent. To replace the revenue they generated and to tax luxuries, consumption taxes were introduced or raised on some items in 1987, and will be raised in 1988 to one of two rates, 20 percent or 25 percent. As designed (see section V.B.3) these still serve to protect local production and discourage diversification. Aside from this, compliance with the MTSAP terms is complete.

Quantitative controls on intermediate goods still exist, however, with 24 percent of such goods freed from coverage by the Temporary Import Certificate. The liberalization is to be extended to 47 percent of intermediate goods in 1988, with the important exception of an exclusion list of products produced locally, i.e. import substitutes. The GOT is considering accelerating this liberalization to 67 percent, since it contributes to growth and costs little in terms of balance of payments.

c. Price system

For liberalization to succeed, the price system must be capable of guiding individual initiative into profitable niches which use resources efficiently, not into exports per se. Regulations, price controls and subsidies which distort this choice are being reduced, but often are not eliminated, and conceal the relation between supply and demand in some markets. This led to rigidities in the past, which are slowly but not completely being reduced.

As a result of the devaluation in 1986, immediate gains have occured in the price-sensitive export sectors of tourism, textiles, chemicals, fertilizers, and citrus, aided by the abolition of import restrictions which limit exporters' ability to increase production.

As described earlier, the GOT has been active in removing taxes which distort the price system, such as that on loan interest which increases the spread between banks' cost of funds and their lending rate. The subsidy regime has been reduced and better targetted, with futher planned reductions suspended. The program of liberalization of the prices of manufactured goods is proceeding on or ahead of schedule, without causing undue inflationary pressures. At the same time, the GOT has actively distorted the price system to create investment and export incentives, through the maintenance of subsidized priority credits (including for export), through the design of a tax base for the consumption tax which treats close substitutes very differently, and through the awarding of subsidies to investment in favored sectors.

The GOT is committed to divestiture (where domestic or international competition exists) and rationalization or restructuring (for monopolies) of 100 state-owned enterprises, 30 of which are scheduled for 1988. Various modalities such as employee participation, share sale of export industries to non-residents, and establishment of tax advantages which encourage popular share ownership, were legislatively introduced in August 1987. USAID support to the divestiture efforts, targetted at both policy and implementation, will commence in early 1988. It will focus on divestiture plans and financial market development.

C. Projections and Prognosis

A structural adjustment process is a long one, with rational political opposition to be expected at most steps. Basically the Tunisian program is on track or ahead of schedule, due to a commitment from the key Ministers concerned with the economy, and to a change in government which will inspire confidence and further encourage reform. Major components are given here.

1. Investment

The lack of response in investment has probably been due to uncertainty which attended the previous government and to a lesser extent, to the obstacles created for individual initiative. The political uncertainty has possibly been resolved. Low domestic demand continues to discourage investment in production for local markets. Despite the efforts taken by the GOT to liberalize investment by removing the need for many government authorizations, incentives are still created artificially for investors to go through the vetting process to get their investments to qualify as "priority" ones, while the administrative procedure has been automated but not eliminated for potential investors in non-priority areas. As analyzed in the following section, it is unlikely that private investor demand will be restored during 1988, after its 10 percent real decline in 1987, in a measurable monetary sense. Such a response, if it is to come, will become visible only late in the year as decisions being made now are implemented, and will continue into 1989. The government continues to show apparent commitment over the longer term to the process.

2. Balance of Payments

The GOT projections for the balance of payments in 1988 is given in Table 1a, with Mission estimates in Table 1b and dollar equivalents in Table 1c. The GOT's rationale for its projection is given in the Budget Economique. While the assumptions are reasonable, they are conservative (as evidenced by the 1987 budget outturn). The Mission doubts several of these assumptions, moreover. The motivation for what admittedly are rough revisions is given here.

Concerning exports, the GOT projects 15 percent nominal growth in agricultural exports on top of the 24 percent 1987 growth.

Given the poorer expected harvest, particularly of olives, this is too optimistic, so 12 percent is used in analysis. On the other hand, the 16 percent predicted nominal growth in textile exports, and 13 percent in leather goods, is conservative given the expansion in the previous two years and no immediate quota constraints, so this is revised to 25 percent (5 points below the 1987 rate) and 17 percent (equal to 1987), respectively. The Mission has misgivings concerning the sustainability of electrical and mechanical appliance exports, but also on the pessimism of the GOT projection given, so accepts the GOT figure reluctantly. For tourism the GOT figure, which is highly uncertain and sensitive to external shocks, is accepted only on the higher 1987 base of TD 560 million now predicted based on a good off-season fourth quarter. As a result, nominal exports are predicted to increase by 13 percent in 1988, to TD 3155 million, or $3994 million.

A similar adjustment to the assumptions is necessary for imports. Given remaining barriers to investment, the 13 percent decline in equipment imports in 1987, and the inevitable slowness of investors translating confidence into investment, the GOT equipment projection of 14 percent growth is reduced to 10 percent. Primary and secondary goods, however, should grow at close to the rate of growth of non-energy goods exports, that is, 18 percent instead of 14 percent. The 13 percent expected increase in foodstuffs imports is probably low, given harvest projections, but is accepted reluctantly. The figure for consumer goods is surely low, given liberalization and 22 percent growth in this category in 1987, so the 10 percent figure is replaced with 20 percent. Finally, liberalization and structural adjustment are incompatible with the growth rates given for travel and government expense, for each of which 15 percent would be a better approximation -- the category is a minor one at any rate. Overall, imports are expected to increase faster than exports, at 15 percent in current prices.

Following liberalization in holding of foreign currency bank accounts, the worker transfer estimate appears low, and the 12 percent of 1987 sustainable. It is unlikely that this represents one-time repatriation of savings following liberalization, since a higher growth rate was observed in 1986. The remaining transfer categories appear correct, given the MTSAP. The result is an estimated current account deficit of TD 334 million ($423 million), 39 percent worse than the low one of 1987.

Finally, the figure on expected unrequited transfers, TD 30 million, is too high given lower U.S. aid levels and anticipated donor fatigue elsewhere. It is arbitrarily reduced to TD 25 million. The projected 19 percent increase in direct investment, while it appears high relative to flat 1985 and plunging 1986 levels, yields a flow of TD 95 million which is well below 1985 levels and appears realistic. Improved investment inflows arising from improved confidence should be notable beginning only in 1989.

Tunisia's balance of payments projections show a positive outcome (TD 156 million, or $197 million) in 1988. Aided by further drawdown of the IMF Standby, gross reserves will increase to 1.9 months of imports in 1987 and 2.3 months in 1988. This appears in line with the MTSAP's goal of attaining normal external accounts by 1991: the targets for the two years under the Standby were 1.5 and 2.0 months, respectively. By the end of 1988, the current account deficit should decline to 3.9 percent of GDP, an improvement on the 5.6 percent target. However, due to the borrowing necessary to achieve this, according to GOT debt service estimates the debt service ratio will only decline to 29 percent of exports, against 26.5 percent projected, which is also still high compared to historical values.

3. Government budget

The Budget predicts the consolidated government budget deficit to decline from 5.6 percent of GDP in 1986 to 4.2 percent of GDP in 1987 (slightly greater than the 4.1 percent agreed in the Standby); the 1988 Budget is not yet approved by the National Assembly at the time of preparation of the PAAD. In 1987, revenues and grants grew 4.9 percent, less than the 5.9 percent targetted under the MTSAP, with the deficit improvement arising from expenditures being held to 2.6 percent growth (better than the 3.3 percent target).

For 1988, the income tax amnesty (with 50 percent of tax arrears forgiven if directed to approved investments) is unlikely to cause a one-time revenue gain, since those who paid some taxes are exempted from audit during the period, while those who formerly paid none may prefer to stay off the tax lists. The various tax reforms discussed above--reduction of interest tax, VAT, and income tax reform--are carefully analyzed for their revenue impact in the economic budget, with alternative income sources identified. It would be difficult to improve on the GOT's estimating process here, and thus on its projection of a 6.2 percent increase in revenue in 1988.

On the expenditure side of the budget, the largest item will be the 5 percent real increase in civil service salaries, done for political reasons and to forestall discontent after a two-year wage freeze. Interest expenses on government debt are projected to increase 10 percent. This will contribute to an 8 percent rise in the Government's current expenses, within which the Stabilization Fund budget has been frozen at TD 168 million, or will decline in real terms. Government investment is expected to increase 4.2 percent, of which direct productive investment will decline 3.1 percent, in line with privatization and disengagement of the Government from the productive economy under the Plan. Other expenses are straight-lined for 1988.

As a non-budgetary item, the social security fund will make loans available against policies for mortgages and car purchases, in order to encourage spending in these slack sectors. This will serve to increase the deficit on the GOT's consolidated cash budget and so will increase net borrowing needs, to the extent it is successful. This will be a minor item.

4. Donor leverage

Not much need or possibility for exerting additional leverage appears to exist. The GOT is performing as well as, and better than, the IMF/IBRD/AID performance criteria, except for some targets missed concerning the budget deficit. At the same time, it still has some distance to go in generating the exports which will cover its debt payments and possibly reduce that debt. The current differences between planners and liberalizers is one of basic philosophy, but this difference is not an impediment to the current status of structural transformation, given constraints on the public investment imposed by the MTSAP and the shared desire to increase private investment and export.

Policy dialogue possibilities include privatization, given the GOT's evident interest in this, and other aspects of reducing overtight control on the private sector. The slow movement toward disassembling the administrative and regulatory apparatus which impedes the dissemination of market signals as incentives will require small steps, with the GOT and its various factions becoming comfortable with the results of each change, rather than a single giant step which may be impossible to obtain through leverage at any rate.

Donor resources are important in a macroeconomic sense, providing the foreign exchange "bridging" reserves during stabilization and structural adjustment. In a budget sense, the flows provide relatively large levels of resources at the ministerial or sub-ministerial level which provide the resources necessary for both the GOT and the donor community to make informed policy decision, to help implement policies, and as a result, to engender constructive policy dialogue.

VI. PROPOSED U.S. ASSISTANCE

A. Problem Identification

Tunisian trade balances have improved over the last year, although the nation still faces considerable economic difficulties, as stated in the previous sections. The positive effects of the Structural Adjustment Program are clearly identifiable, as reduced government spending, reduced subsidies, and increased export revenues have contributed to an improved economic performance over the last year. Improvements in tourist trade and a moderately successful harvest have also contributed to the reduction in the trade deficit. Despite improvements, the Government must still borrow to obtain foreign to meet its balance of payments deficit.

The balance of payments is expected to achieve an overall surplus of TD 180 million for CY 1987, working towards the goal of a three month foreign exchange reserve by the end of CY 1991. This is largely due to foreign assistance totaling an estimated TD 570 million (financed by a variety of instruments, see Annex C, Table 12). Certainly, the balance of payments position has improved over previous years, as the current account was a negative TD 560 million in 1986 and is now estimated at a negative TD 240 million for 1987. Yet it remains a critical problem for the nation and a weakness of the Structural Adjustment Program.

The GOT has also had considerable difficulty financing development activities beyond any already budgeted. Budgetary strictures have reduced GOT budget receipts and outlays. Dinar availability through commercial channels to support private sector development has been limited and any new efforts are severely constrained.

B. Program Assistance Description

Through a commodity import program, the U.S.A. can provide balance of payments support for goods needed and essential to Tunisia. The kinds of commodities available from the U.S. are myriad, as listed in Regulation 1 (Handbook 15, Appendix C). For the Tunisia Program, certain criteria were used in selecting the commodity types most appropriate in the current environment. The criteria include the following: U.S. commodity competitiveness, possible expansion of U.S. markets/exports, relative ease of transaction, no conflict with U.S. Usual Marketing Requirements (UMR), availability from the U.S., productive nature of the commodity, and the level of need in Tunisia.

U.S. commodity competitiveness as compared to the competitiveness of similar products from other countries is an important consideration. Funds should be used to procure the greatest amount of goods possible of an acceptable quality. Also the attractiveness of the commodity to the user/consumer is directly related to price and quality. Therefore, these factors were incorporated into the selection process. The expansion of world markets for U.S. products is also a consideration, as increased trade and access to markets are essential for a strong, flexible world economy. The goods to be included in the CIP should be relatively easy to obtain from U.S. markets in suitable quantities for the Tunisian market. Both Tunisian importers and U.S. exporters should clearly understand the standards and specifications for the commodities, where all parties are fully cognizant of the type and grade of goods to be supplied. This is especially important when attempting to establish new markets, where language and specification differences may lead to misunderstandings and problems. Under the U.S. Usual Marketing Requirements, the commodity should not infringe on normal U.S.-Tunisian commercial transactions. Although this is not a necessary consideration under the CIP, UMR conflicts should be avoided when market expansion is an objective. The commodities, from the USAID programmatic perspective, should be of a productive nature and used in a manufacturing, processing, or other productive mode. The alternatives (fully processed goods, direct consumables, luxury items, etc.) are much less useful to the Tunisian economy. The level of need in Tunisia should be equal to or greater than the amount of commodities supplied through the CIP, so that the available foreign exchange and goods purchased are fully utilized in a timely, quick-disbursing fashion.

Combining these criteria with the available information on commodity import needs of Tunisia, a number of potential commodities were identified. These included telecommunications equipment, aircraft, wheat, soya bean oil, computers, corn, lumber, and soya meal pellets. They were identified through contacts and discussions with various entities within the private sector, the GOT, and the U.S. Embassy (other potential commodity procurements were considered, but were rejected for a variety of reasons). Following are brief descriptions of possible imports under the CIP, which were rejected as inappropriate this year, but worthy of consideration in the future.

Tunisia is in the process of evaluating proposals for the renovation/upgrading of certain portions of the national telecommunications system. These proposals are being made by a number of firms, including ones from the U.S., but actual selection, award, purchase and installation will probably not be initiated until late in 1988. Therefore, assistance through the CIP, when the timing and source of equipment are not known, is not appropriate for this fiscal year.

Tunis Air, the national airline, is in the process of determining whether to purchase Boeing 737's or Airbus A 320's. The actual purchase, for three aircraft estimated at $100 million, will probably not take place until 1989-1990, although advance deposits will be made. Because of the uncertainty of the award and the timing, the CIP is judged to be an inappropriate vehicle for partial down-payment at this time.

Computers were considered as another potential commodity. However, virtually all marketing and procurement in Tunisia are done through European subsidiaries and problems of language, source, and maintenance exist for any U.S.-built computer. Also, computer firms offer very attractive credit terms, delaying the foreign exchange use and so diminishing the relative value of CIP financing.

Soya bean oil is imported in quantities of roughly 100,000 metric tons per year. The traditional source has been Europe. Strong consideration was given for U.S. export through the CIP, but ultimately it was decided that the resources would be more effectively used for other commodities. The major factor is the price differential between U.S. and European soya oil. The European price is currently $280 per metric ton delivered, whereas the U.S. is $386 plus shipping (estimated at $50 per ton). Other commodities have been identified which permit a more effective use of scarce foreign exchange resources. Also, U.S. soya bean oil is being sold commercially through the USDA, using the Export Enhancement Program. Approximately 60,000 tons are to be purchased early in CY 1988.

In direct response to the GOT request, soft (bread) wheat was considered as another possible commodity. Soft wheat is used for blending in flour used for baking bread. Total annual projections of Tunisian requirements for soft wheat are about 850,000 metric tons per annum (see Annex B.3.). Production in the 1987 harvest was about 295,000 tons, leaving an import requirement of about 560,000 tons (slight increase in reserves included). Over the last decade U.S. soft wheat has been exported to Tunisia, supplying a major portion of the nation's requirements. U.S. quality, price, ease of transactions, and availability from the U.S. have all been positive factors in the decisions to import U.S. soft wheat. The U.S. soft wheat has been procured commercially and through PL 480 programs.

The quantity historically imported per year (using a three year average) was 420,000 MT from commercial purchases, 48,000 MT in counter-trade, 73,000 MT from PL 480 and 79,000 MT from WFP for an average total of 620,000 tons per annum. Current imports for the period 7/87-6/88 have totaled 475,000 tons (400,000 MT commercial and 75,000 MT from PL 480). The estimated import requirement (see Annex B.3.) is for a total of 556,000 MT or an additional 81,000 MT in FY 1988. Because of USDA calculations on UMR restrictions, which do not differentiate between soft and hard wheat, soft wheat is not considered this year. The UMR for all wheat (commercial purchase level) has been set by USDA at 650,000 MT per annum and total import requirements, until July 1, 1988, are estimated at about 550,000 MT.

Lumber imports are used for everything from construction and scaffolding to furniture manufacture and handicrafts. The average annual growth rate, in real terms, has been over 8 percent through the last five years for the woodworking sub-sector. Levels of imports have ranged from TD 40 million to TD 55 million (US$ 50 million to $66 million) per annum over the last five years. Principal sources have been the USSR and Eastern Europe, with smaller amounts from Northern Europe and Africa. The U.S.A. has not supplied lumber in the past, as the specifications for lumber size, type and quality do not conform to those understood by potential U.S. suppliers. Through the AID/W Commodities Office and U.S. Department of Agriculture, specifications meaningful to

U.S. enterprises have been provided for the purpose of estimating availability and price. Lumber is procurred on a competitive basis by private Tunisians firms, through international, open bidding procedures coordinated by the Groupement du Bois et Dérivés (Lumber Consortium). Payment for lumber is made by individual buyers who are members of the Groupement du Bois and guaranteed by the Groupement.

Use of the CIP for procurement of lumber could be attractive for several reasons:

(1) It would open a new market for U.S. products.
(2) Lumber is used for productive purposes beyond immediate consumption, as it is used in the construction industry and in furniture manufacturing.
(3) Goods manufactured from wood are also exported and earn scarce foreign exchange.
(4) Lumber would be supplied directly to the private sector through existing channels.

There are certain drawbacks, however, in using the CIP for lumber procurement. U.S. sellers have very little experience with the near-east market and none with Tunisia. Misunderstandings and complications concerning specifications and transactions between U.S. suppliers and Tunisian buyers may arise. There are indications that the USSR and Eastern Europe may use lumber as a counter-trade item with Tunisia. Numerous Tunisian buyers would be making individual payments, broadening the possibility of default or non-payment to the special account. There would be no GOT assurance or guarantee of transactions (only that of the Lumber Consortium). Presently, further details on Tunisian needs with U.S.-type pro-forma invoices are required. U.S. firms contacted showed little interest and have been unresponsive, indicating that direct contact with Tunisian buyers is essential and that considerable person-to-person negotiations would be needed. This may be possible over the next year and the Mission will continue to assist with communications between U.S. suppliers and the Lumber Consortium.

1. Commodities

Two commodities have been identified which fit within the criteria laid out in the previous sub-section. These are corn (maize) and pelletized soya meal. Both can be considered appropriate for importation under the CIP, having varying strengths and weaknesses associated with them. Depending on the particular circumstances that may prevail at the time of procurement, the final decision on selection should be deferred until that time. At this point, because of GOT preference, corn is shown as the commodity selected (see Annex A, the GOT Letter of Request).

Corn is considered an appropriate commodity for the CIP. Corn is used as a component in the animal feed for the dairy and poultry industries. Corn has been supplied to Tunisia through the Office des Céréales from a variety of sources. The annual requirement has varied (over the last three years it has averaged 222,000 MT per year) and is projected for CY 1988 at 260,000 MT. Poor grain harvests increase the demands for animal feed. The 13 percent reduction in acreage planted in grains this crop year due to late rains and the projected 33 percent reduction in harvests (OC figures) have led to the higher projected needs for corn in Tunisia during CY 1988. Also this year's good harvest and lower purchases (see Annex B.2) left Tunisia with a reduced reserve.

USDA has determined the Usual Marketing Requirement level for corn in Tunisia at 198,000 tons. In accordance with the 1987 PL 480 Agreement, the OC has contracted to purchase commercially 100,000 MT of corn from the U.S. and will take delivery in early 1988. Although CIP purchases do not conflict with the UMR accords, it is preferable to leave U.S. commercial purchases in their normal channels. Outside of normal commercial channels, according to the USDA (whose figures the Mission considers high) formula, the Tunisians will need to procure 62,000 MT in 1988. At a price estimated at $100 per ton, with 50 percent shipped on U.S. flag vessels at an estimated cost of $75 per ton through the CIP at a level of $8,000,000, AID will be able to finance procurement of over 58,000 MT of corn.

Pelletized soya meal is considered a viable alternative to corn as the commodity to be procurred through the FY 1988 CIP. Soya pellets are being supplied to Tunisia through the FY 1987 CIP. Shipments are being received in December (the first shipment arrived on December 9, 1987 at Bizerte). The Government of Tunisia, through the Office des Céréales, has indicated its interest in continuing use of the CIP for procurement of soya pellets for animal feed. Annual requirements are estimated at 110,000 MT (see Annex B.1.). No complications or difficulties have arisen with the FY 1987 CIP (See Section VI. D), although the U.S. price was considered somewhat high. Purchases from CIP resources were not made until October, 1987, at which time market prices were above those anticipated originally. The November 17, 1987 price in the U.S. was quoted at $226 per metric ton of soy meal. With pelletization, the cost would be about $236 per ton with 48 percent minimum protein. Brazilian soya pellets (45-46 percent protein) were quoted at $217 a ton for the same date. Prices fluctuate considerably and apparently U.S. prices are within the world competitive range and the quality is considered highly consistent. Shipping costs are higher (on U.S. flag vessels), but this is not considered a decisive factor. The local import requirement is projected at 110,000 metric tons. At a price of $236 per ton and with shipping of 50 percent on U.S. flag vessels estimated to cost $75 per ton, with a total CIP of $ 8 million, about 29,000 tons could be supplied to Tunisia.

2. Uses of Local Currency Generations

Through the CIP, Tunisian dinars valued at $ 8 million will be generated and deposited in a new special account at the Central Bank of Tunisia. Such deposits are non-interest bearing accounts, as is normal Tunisian practice for official GOT accounts. The amount to be deposited will equal the dollar value provided through the CIP grant, used to purchase the corn and finance shipping, on U.S. flag vessels for one-half of the commodity. At a rate of TD 0.8 per U.S. $1, an estimated TD6,400,000 will be generated.

The Tunisian dinars deposited in the special account will be disbursed according to the proposals made by the CIP Disbursement Coordinating Committee and concurred to by USAID (described in Section VII. E). Local currency uses will be supportive of the reform efforts of the Structural Adjustment Program and the joint AID-GOT development activities. Activities will be those which contribute to a growth in employment, domestic production within the nation, and the Gross Domestic Product. These contributions will be linked to development efforts within and in support of Tunisia's agriculture and private sectors.

As provided as an illustrative list of proposed uses in the FY 1987 CIP PAAD (pp 44-45), the following list again points out activities which could be supported through local currency operations. These were approved by the GOT and AID/W and reflect the accepted strategy of the USAID program in Tunisia. In summary form, they are listed as follows.

1. Financial support for the transfer of responsibilities and assets for production, importation, storage, and distribution of agricultural inputs from the GOT and parastatal enterprises to private sector enterprises.

2. Funding for pilot tests of new irrigation technologies used in lowering costs of irrigation water and improve water management.

3. Meeting certain expenses of pilot irrigation associations which increase the role of the private sector in water management, input distribution water pricing, group marketing, and land ownership.

4. Provision of funds for credit to livestock producer cooperatives for financing increased production of forage and feeds.

5. Financial support for the development and implementation of social safety-net programs assisting vulnerable, low-income groups.

6. Funding to help develop and install an agriculture price and markets information service.

7. Funding for improved on-farm and regional market warehousing/storage.

8. Financial support for the development of improved mechanisms for forecasting and determining agriculture import requirements.

9. Provision of funding for credit through the banking system to private agricultural inputs distributors, assisting with purchase of vehicles and equipment, rent/purchase of storage facilities, and for operational funds.

10. Provision of funding for credit through the banking system to Tunisian farmers and traders for short-term production needs and for purchase and storage of agricultural produce.

11. Funding through banks to private agro-businesses for operations and plant modernization.

12. Funding for entrepreneural credit support for new product development and import substitution activities.

In addition to the above, two additional activities have been identified which warrant consideration. In keeping with the criteria used for activity selection, support for funding of Tunisian efforts to increase certain exports is appropriate. This could include assistance to export insurance, export market analysis, etc... Another activity could include support for the adoption of modern scientific and technological methods and approaches to Tunisian development efforts.

3. Linkages to USAID Portfolio and Strategy

The CIP is an integral part of the USAID program and portfolio in Tunisia. It directly supports the GOT Structural Adjustment Program, through help in alleviating balance of payments constraints on imports and through funding selected activities which are part of that same Structural Adjustment Program (see Section V). Strengthening of the private sector in enterprise development and a greater role in the Tunisian economy and agriculture production and diversity are the focal points of AID assistance in Tunisia. Local currency generations utilized effectively will directly enhance the roles of agriculture and the private sector in the economy.

The integral nature of the Mission portfolio is apparent in the project activities identified under the Agriculture Policy Implementation Project (APIP, No. 664-0343), which will utilize financial support from CIP-generated funds for implementation. The Private Sector Development Project (664-0345), currently being designed, is also linked to the Structural Adjustment Program and support is expected through use of CIP local currency generations. CIP funds will support identified activities of these projects, including: increased efficiency of resource allocation, free market pricing adjustments, increased privatization in the agricultural sector, and a reinforced capacity to analyze and implement structural adjustment policy reform measures. PL 480 Title I resources also complement these activities through support of an innovative safety-net program created to assist those people most severely affected by the Structural Adjustment Program. The use of proceeds is congruent with those anticipated in the Mission Local Currency Plan.

C. Analysis of Program Effectiveness

Through the CIP, funding will be available to purchase approximately 58,000 metric tons of corn. Is is assumed that one-half of the shipping will be done on non-U.S. flag vessels, funded directly by the Tunisians, and that the CIP will fund one-half of the shipment (on U.S. flag vessels). The price for corn is estimated at $100 per metric ton. U.S. flag vessel shipments are estimated at $75 per metric ton. With annual requirements of 260,000 MT, the CIP will supply approximately 22 percent of Tunisia's needs. If the alternative of soya pellets is procured through the CIP, the 29,000 MT will represent 25 percent of the projected annual needs.

Because of drought, increased poultry farming, and expanded dairy operations, Tunisia's imports of animal feed components have been increasing steadily. This pattern should continue, despite the removal of all subsidies on animal feeds. A major constraint has been the availability of foreign exchange. The CIP will, of course, help relieve this constraint.

The impact of the CIP on the Tunisian current account deficit is not very large, but will make a difference of about 1.9 percent and will reduce the trade deficit to $316 million. The effect of the various uses of local currency generations is much harder to measure, since no allocations have yet been made and the funding support will be a partial assistance for existing activities. The Agriculture Policy Implementation Project activities, Private Sector Development Project activities, and the support for privatization and improved agriculture have the potential to contribute to the nation's growth and income. Analysis of effectiveness should be made on a case-by-case basis, once particular activities are selected for local currency support and quantitative indicators are developed which provide information for review.

D. Performance of Previous CIPs

Two CIPs were granted to Tunisia in FYs 86 and 87, for the following amounts:

FY 86 (664-K-601) $ 4.774 million
FY 87 (664-K-602) $ 6.258 million

The FY 86 CIP was used to procure a total of 41,692 metric tons of corn, delivered in Tunisia during the months of September and August 1986. The corn was distributed by the Office of Cereals (OC) to feedmills for preparing poultry and cattle feeds. The local currency generated from the sale of corn to feedmills (Tunisian Dinars 3.953 million) was deposited in a special account at the Central Bank of Tunisia (as per letter dated 7/17/87 number 502656, see Annex F). USAID has approved the local currency uses for program activities presented by GOT. Starting in CY 1987, local currency proceeds will be used for the development of forage production, establishment of forage and pasture reserves, and support of soil and water conservation works. These activities are in accordance with the terms of the CIP agreement.

The FY 87 CIP was used to procure a total of 33,879 metric tons of soya meal pellets, to be delivered in two shipments. The first one arrived December 9 and the second is scheduled for December 17, 1987. The soy meal pellets will be distributed by OC to various feed mills for inclusion in feed mixes for livestock. The GOT agreed to a plan for elimination of animal feed subsidies by the end of 1988. All animal feed subsidies have already been removed, with the exception of a slight subsidy on barley (reduced by 92 percent). The local currency that will be generated from the sale of soya pellets will be deposited in a special account at the Central Bank of Tunisia, as per a GOT Order dated October 5, 1987 from the Minister of Planning and Finance (see Annex F).

There have been no complications with either CIP to date, as commodities arrived as planned for the FY 1986 CIP and as the FY 1987 deliveries are proceeding well. No problems are expected with deposits or disbursements from the Special Accounts.

VII. IMPLEMENTATION AND ADMINISTRATION

A. Implementation Plan

Use of the CIP for the procurement of corn (or soya pellets) enables the economy to quickly utilize the foreign exchange, to help with the balance of payments position, and to provide dinars for various development activities. The following schedule assumes that the corn or soya pellets will be purchased in the first quarter of CY 1988 and that local currency generations will be deposited in the Special Account within six months of commodity delivery.

Activity	Implementors	Date
Finalization of PAAD	USAID/Tunis - AID/W	12/87
PAAD Approval	USAID/Tunis - AID/W	1/88
Draft/Sign ProAg	USAID - GOT	2/88
Establishment of Special Account	GOT	2/88
RFQ for Purchase and Shipping of corn (maize)	USAID/Tunis - GOT	3/88
Award of Tender and Shipment	GOT - Contractor(s)	4/88
Arrival of Shipment and Commodity Distribution	GOT - feed mills	5/88
Full Distribution and Initial Sales	GOT - feed mills	6/88
Deposit of Local Currency in Special Account	GOT	12/88
Initial Disbursement of Local Currency Generations	GOT- USAID/Tunis	12/88
PACD and Program Completion Report	USAID/Tunis - GOT	6/89

B. Administrative Responsibilities

USAID/Tunisia designated a manager for the CIP in FY 1987. This individual will continue those managerial responsibilities for the FY 1988 CIP as well. Some of the duties include: maintaining records of all purchases, shipments and distribution of the corn; monitoring all movement of the corn; maintaining and monitoring all Special Account transactions, both deposits and disbursements; and serving as the representative of USAID in all meetings and discussions concerning disbursements of local currency generations.

The Ministry of Crop Production's Office des Céréales (OC) will provide documentation to USAID/Tunisia showing purchase, shipment, and distribution of the corn. The Central Bank of Tunisia will provide quarterly statements on all transactions and balances of the FY 1988 CIP Special Account. Both the CIP manager and the USAID controller will have the responsibility of monitoring all transactions, making sure that the transactions and balances agree with approved disbursements/uses and deposits. Local currency deposits must total the amounts agreed upon in the Program Grant Agreement. All records are to be maintained and stored by the USAID Controller.

Disbursements from the Special Account must be approved and authorized by the CIP Disbursement Coordinating Committee and be concurred upon by USAID/Tunisia. Decisions on the use of funds from the Special Account are to be reached by the Committee (as under the FY 1987 CIP). Operations of the Committee will be started through a Project Implementation Letter as was done with the FY 1987 CIP. Withdrawals from the Special Account must be tracked by the USAID controller and CIP manager until they have been certified as deposited into accounts for activities approved by the Disbursement Coordinating Committee or are paid directly for agreed-upon purposes. It is the responsibility of the GOT or recipient to provide documentation of such transfers or transactions.

As in the FY 1987 CIP, formal evaluation of the FY 1988 CIP will not be stipulated in the Program Grant Agreement. Decisions on whether to conduct evaluations will be made by the Mission, depending on the Mission's assessment of the need and benefit of such evaluations. A Program Activity Completion Report should be done by the Mission when all local currency generations from the Special Account have been disbursed. This may, in fact, occur after a period of two to three years beyond the signing of the Program Grant Agreement.

C. Special Account

The Government of Tunisia will establish a Special Account for the FY 1988 CIP at the Treasury of Tunisia in the Central Bank of Tunisia. This account will be separate and distinct from any other special account. Local currency generations will be deposited into the account in an amount agreed upon by USAID/Tunisia and the GOT and stated in the Program Grant Agreement. The amount may be reduced by actual and documented handling/distribution charges incurred by the Office des Céréales, but these expenses must be concurred with by USAID/Tunisia. It is the full responsibility of the Government of Tunisia, through the OC or other designated body, to ensure that the full amount of dinars is deposited in the Special Account within six months (180 days) of delivery in country of the corn (or soya pellets)

Once funds are deposited in the Special Account, the Central Bank of Tunisia will be required to provide quarterly statements of the account, showing balances and all transactions. The statements will be provided to the GOT and to USAID/Tunisia. The USAID CIP manager and the controller will be responsible for monitoring the Special Account.

Disbursements from the Special Account will be made only upon the authorization of GOT Secretary of State for International Cooperation or designated official and the USAID/Tunisia Director or appointee. Such disbursements will be made for purposes and activities fully agreed upon in the manner stipulated in the Program Grant Agreement. Once a disbursement is made, whether as a direct payment for goods or services or into the account of a chosen project or activity, the local currency is considered to have been expended and any further monitoring/tracking under the CIP will not be required.

Once all local currency required by agreement has been both deposited and disbursed, the Special Account will be closed and all responsibilities for management and monitoring will be completed.

D. Bellmon Determination

The Bellmon Determination is required for all PL 480 activities, as an amendment to Section 401. It is not required for Commodity Import Programs, but serves a model for determining the appropriateness of providing a particular agricultural commodity. It must be satisfactorily determined that adequate storage facilities are available in Tunisia, both at the port of entry and at the feed mills where the corn (or soya pellets) is processed and stored. It was must be determined that the importation of corn into Tunisia will not result in a substantial disincentive to domestic production or marketing.

Information necessary for making a Bellmon Determination on handling and storage facilities was provided in a series of cables, starting with Tunis 3808 (April, 1987) and with updates in Tunis 8145 (July, 1987) and Tunis 11581 (October, 1987). Three ports are now capable of bulk handling and storage of corn, including Bizerte, Sfax, and Gabes. All have a storage capacity of over 20,000 MT in bulk storage and 15,000 in bag warehousing. All require, at present, that soya meal/soya meal pellets be bagged on board by hand and that the rate of unloading is 80-90 tons per hour. OC storage in-country exceeds 258,000 MT, mostly unused. Imports for animal feed production have averaged over 350,000 MT per year, without handling or storage difficulties. The handling and storage facilities in Tunisia are fully adequate for receiving, holding, and distribution of all imported animal feed components, including corn or soya pellets (see Annex B.5).

As corn is not grown in any quantity in Tunisia and is an essential part of the feed used for the dairy and poultry industries, the commodity is not displacing any Tunisia commodities, nor is its importation serving as a disincentive to domestic production and marketing. On the contrary, its availability complements the local production of barley, included in the formula for the poultry and cattle feeds.

Although a Bellmon Determination is not needed for the CIP, nevertheless the CIP and Tunisia meet all requirements for a positive judgement. Tunisia has adequate storage and handling facilities and the importation of corn (and soya pellets) will not result in any disincentives to domestic production.

E. Effect of CIP on U.S. Balance of Payments

The CIP, by its nature, has a small, but positive impact on the U.S. balance of payments, as the grant is used for the purchase of U.S. agricultural products and for shipping on U.S. flag vessels. Additionally, the CIP supports on-going trade relations between the USA and Tunisia.

F. Initial Entivonmental Examination

The CIP will have no direct impact on the environment. There is no construction component and funds are used to procure agricultural products used for animal feed. A request for a negative determination is included as Annex D and has been signed by the Asia/Near East Bureau Environmental Officer.

G. Procurement and Contractual Arrangements

The preparation of request for quotes, the receipt of quotes and award, contracting for the purchase and shipment of goods, and the receipt of goods will be the responsibility of the GOT. Signatories to such contracts will be designated by the Secretary of State for International Cooperation (generally to the Office de Céréales). In any case, implementation has been carried out by the OC. The AID Mission will be responsible for monitoring all actions and checking compliance with all pertinent AID regulations.

Distribution of the corn, both to millers and to distributors, is also the purview of the OC, and reports on distributions are required by the Mission. Tunisian port and warehouse capabilities are considered adequate for receiving and storing corn (or soya pellets). There have been some receiving bottlenecks in the past, due to weather-related and harvest congestion problems, but basically the system is adequate. The OC has shown its professional capability to carry out appropriate programming and scheduling for CIP grain purchases, shipment and distribution. The Program Agreement should state that it is the full responsibility of the GOT to absorb the cost of delays and/or any losses that may occur in shipping.

VIII ANNEXES

A. GOT Letter of Request for Assistance

B. Soya Meal and Corn Import Data

C. Economic Statistical Tables

D. Initial Environmental Examination

E. Statutory Checklists

F. FY 1986 and FY 1987 CIP Compliance Documents

REPUBLIQUE TUNISIENNE

MINISTERE
DES
AFFAIRES ETRANGERES

N° NH/FH 82/2

S.E.C.1

ANNEX A

Tunis, le 10 Dec. 1987

Received in CTR
12/10/87

/7/ MONSIEUR LE DIRECTEUR DE LA MISSION
SPECIALE AMERICAINE DE COOPERATION
ECONOMIQUE ET TECHNIQUE EN TUNISIE

- TUNIS -

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O B J E T / Coopération Tuniso-américaine
programme E.S.F de 1988.

J'ai l'honneur de porter à votre connaissance que dans le cadre de la programmation de l'enveloppe Fonds de Soutien Economique (Don - E.S.F) pour l'année 1988, le gouvernement tunisien a décidé d'affecter huit (8) millions de $ US sur cette enveloppe pour le programme C.I.P - 1988.

Ce programme d'importation service à importer, des Etats-Unis d'Amérique, et en priorité :

- du blé tendre
- ou du maïs

L'importation de bouchon de soja (Soja en Pellets) n'est pas à exclure sur ce programme au cas où le blé tendre ou le maïs ne seraient pas disponibles sur le marché américain.

Veuillez agréer, Monsieur le Directeur l'expression de ma considération distinguée.

ACTION | INFO

Mohamed BOUGHZALA

Directeur de la Coopération Bilatérale et Régionale avec les Pays de l'OCDE les Démocraties Populaires et les Pays Latino Américains.

5

ANNEX B.1.

TUNISIA CORN (MAIZE) REQUIREMENTS*
(in metric tons)

	1985	1986	1987	1988**
Opening Stock	14,354	23,668	52,700	30,171
Imports: Commercial	173,650	141,000	98,966	260,000
Concessional	-	41,690	-	?
CIP/PL 480	48,664	70,342	91,505	?
Consumption	213,000	224,000	213,000	240,000
Closing Stock	23,668	52,700	30,171	50,171

* Based on OC figures

** Projections, based on an annual estimated requirement of 240,000 MT and a reserve of 2-3 months consumption.

TUNISIA SOYA MEAL REQUIREMENTS*
(in metric tons)

	1985	1986	1987	1988**
Opening Stock	34,550	15,150	26,150	15,000
Imports: Commercial	70,600	103,000	63,950	110,000
Concessional	-	-	-	?
CIP	-	-	33,879	?
Consumption	90,000	92,000	108,979	100,000
Closing Stock	15,150	26,150	15,000	25,000

* In the form of pellets. Figures provided by the OC.

** Projections are based on an annual estimated requirement of 100,000 metric tons and an increased reserve.

ANNEX B.2.

TUNISIA WHEAT IMPORTS
(in thousand metric tons)

Soft Wheat

	Commercial	Counter-trade	PL 480	WFP	Total
7/85-6/86	485,079	72,186	- 0 -	22,323	579,588
7/86-6/87	373,664	72,801	94,061	115,328	655,854
7/87-6/88*	399,755	- 0 -	125,000	100,000	624,755
3 yr. AVERAGE	419,499	48,329	73,020	79,217	620,065

Hard Wheat

	Commercial	Counter-trade	PL 480	WFP	Total
7/85-6/86	72,624	- 0 -	- 0 -	6,176	78,800
7/86-6/87	443,551	24,641	- 0 -	5,000	473,192
7/87-6/88**	100,000	23,645	60,225	- 0 -	183,870
3 yr. AVERAGE	205,392	16,095	20,075	3,725	245,287

Total Wheat

	Commercial	Counter-trade	PL 480	WFP	Total
7/85-6/86	557,703	72,186	- 0 -	28,499	658,388
7/86-6/87	817,215	97,442	94,061	120,328	1,129,046
7/87-6/88	499,755	23,645	185,225	100,000	808,625
3 yr. AVERAGE	624,891	64,424	93,095	82,942	865,352

*/ Estimated figures. As of 12/87, commercial purchases have totaled 399,755 metric tons and PL 480 at 73,227 metric tons. WFP (Canada) is supplying an additional 100,000 MT in Dec/Jan and an additional 50,000 MT may be supplied from PL 480 sources in early CY 1988.

**/ Estimated figures. The 100,000 MT in commercial purchases is an estimate. All other figures are actuals as of 12/87.

All actual figures are taken from OC Compliance Reports.

ANNEX B.3.

TUNISIA WHEAT REQUIREMENTS
(in thousand tons)

	GOT Figures (7/88-6/89)			USDA (ATO) Figures		
Requirements	Hard Wheat	Soft Wheat	Total	Hard Wheat	Soft Wheat	Total
Opening Stock (1)	90	73	163	100	79	179
Domestic Production (2)	700	21	721	700	21	721
Imports (All) (3)	380	847	1,227	469	711	1,180
Total	1,170	941	2,111	1,269	811	2,080
Domestic Consumption (4)	1,078	867	1,945	1,166	730	1,896
Closing Stock (5)	92	74	166	103	81	184

Notes on Tunisian Wheat Requirement
7/88 - 6/89

GOT

1. Opening Stock - Based on carry-over from 6/31/88 estimate, the level represents one month's consumption average.

2. Domestic Production - Published figures for harvest of 1988 are shown. These are based on poor to average yields.

3. Imports (All) - This represents the level required to maintain a closing stock as shown in figure 5.

4. Domestic Consumption - Figures represent adjustments of 2 1/2 percent over levels used in 7/87 - 6/88 estimates. This level just maintains per capita consumption.

5. Closing Stock - These, as in 7/87 - 6/88 figures, represent one twelfth of domestic consumption plus 2 1/2 percent growth.

USDA/ATO

1. Opening Stock - Using estimates at close of 7/87 - 6/88 period.

2. Domestic Production - This follows GOT estimates.

3. Imports - This represents the level required to maintain a closing stock as shown in figure 5.

4. Domestic Consumption - As in previous years, figure represents a 2 1/2 percent increase over the 7/87 - 6/88 period.

5. Closing Stock - Shows an increase of 2 1/2 percent over the level established in the previous year.

ANNEX B.4.

TUNISIA WHEAT REQUIREMENTS
(in thousand tons)

Requirements	GOT Figures (7/87-6/88) Hard Wheat	GOT Figures (7/87-6/88) Soft Wheat	GOT Figures (7/87-6/88) Total	USDA (ATO) Figures Hard Wheat	USDA (ATO) Figures Soft Wheat	USDA (ATO) Figures Total
Opening Stock (1)	56	68	124	23	96	119
Domestic Production (2)	1,065	295	1,360	1,065	295	1,360
Imports (All) (3)	21	556	577	150	400	550
Total	1,141	919	2,061	1,238	791	2,029
Domestic Consumption (4)	1,052	846	1,898	1,138	712	1,859
Closing Stock (5)	90	73	163	100	79	179

ANNEX B.5.

TUNISIA CEREAL STORAGE*
(in thousands of metric tons)

Port/Storage Place	Product	Bulk Storage	Warehouse
Gabes	All	30	15
La Goulette	Wheat	30	-0-
Bizerte	All	30	15
Sfax	All	20	15
Sousse	Soya	-0-	5
		110	50
Bir El Kassâa	All	50	50
Djebel Djelloud	All	60	60
Manouba	All	54	50
Kalâa Essghira	All	28	25
Beja	All	18	15
Dahmani	All	28	25
Gafsa	All	10	10
Small silos (504,000)	Maize, wheat	20	-0-
		258	240

*Figures provided by OC. Port storage is used only temporarily and cereals are moved to mills as soon as trains or trucks are available.

\V

ANNEX C

Economic Statistical Tables

Table	Description:
1	Balance of payments
	1-A GOT Projection in current dinars
	1-B Mission Projection in current dinars
	1-C Mission Projection in current U.S. dollars
2	Summary of Medium-term Structural Adjustment Program (MTSAP), Progress July 1986 to December 1987
3	Price liberalization timetable
4	IMF performance criteria and indicative targets
5	Gross Domestic Product
6	Money supply and GDP growth
7	Monetary survey
8	Interest rates
9	Effective exchange rate
10	Consolidated financial operations of Central Government
11	Price stabilization fund
12	Other donor assistance

Notes on Tunisian Wheat Requirement
7/87 - 6/88

1. Opening Stock - Based on historical figures, provided by OC, for 7/1/87. ATO/USDA figures source unknown.

2. Domestic Production - Based on the harvest for summer, 1987, provided by OC. Numbers include purchases from farmers, made by OC, of 500,000 MT hard wheat and 220,000 MT soft wheat.

3. Imports - This is the import level required to maintain a closing stock (figure 5) at the level of one month's average consumption.

4. Domestic Consumption - Domestic consumption represents OC sales, plus the calculated balance between domestic production and commercial sales. The difficulty arises when it is realized that domestic production figures may not be accurate. Hard wheat domestic commercial consumption (CY 87) was shown as 619,000 MT and 630,000 MT (CY 88 projection). Domestic production not bought/sold by OC was 565,000 MT in CY 87 and projected at 490,000 MT in CY 88. Therefore, 1,052 MT is used for hard wheat. Soft wheat domestic commercial consumption was shown as 787,000 MT in CY 87 and 740,000 MT in CY 88. Domestic production not bought/sold by OC was 75,000 MT in CY 87 and estimated at 90,000 in CY 88. Therefore, 846,000 MT is used for soft wheat.

5. Closing stock - OC indicates that for June, 1988, a desirable stock level or reserve is equal to only one month's consumption - as new cereals from domestic production will be harvested in the following month. One-twelfth of 1,052 MT hard wheat equals 88,000 tons and one-twelfth of 846,000 MT equals 71,000 MT. Increasing this by a 2 1/2 percent population growth rate provides final estimates at a level of 90,000 MT and 73,000 MT.

ATO figures were taken from TUNIS 08274 (TOFAS 119).

Table 1-A, Part 1 of 2
Tunisia, Balance of Trade
(Current Dinars, millions)
COT Estimates

	1982	1983	1984	1985	1986	Est. 1987	Proj. 1988	Growth rates: Actual '85-86	Est. '86-87	Proj. '87-88
Trade Balance	-505.9	-473.6	-728.8	-423.2	-509.8	-240.0	-280.0	-20.5%	52.9%	-16.7%
Exports	1773.3	1947.8	2113.7	2253.1	2161.2	2725.0	3045.0	-4.1%	26.1%	11.7%
Goods	1169.4	1262.6	1399.1	1443.0	1403.8	1750.0	1925.0	-2.7%	24.7%	10.0%
Goods (ex. energy)	631.5	698.0	779.8	839.4	1063.9	1331.0	1523.0	26.7%	25.1%	14.4%
Agriculture etc	107.0	97.3	147.0	143.5	174.8	217.0	250.0	21.8%	24.1%	15.2%
Phosphates, chem	206.2	239.5	244.0	267.9	303.5	360.0	394.0	13.3%	18.6%	9.4%
Energy	537.9	564.6	619.3	603.6	339.9	419.0	402.0	-43.7%	23.3%	-4.1%
Textiles)	236.6	270.3	(249.4	286.7	389.6	505.0	585.0	35.9%	29.6%	15.8%
Leather, shoes)			(20.1	23.9	34.2	40.0	45.0	43.1%	17.0%	12.5%
Electr/mech. prod.)	81.7	90.9	(88.4	74.5	106.0	130.0	150.0	42.3%	22.6%	15.4%
Other)			(30.9	42.9	55.8	79.0	99.0	30.1%	41.6%	25.3%
Services	603.9	685.2	714.6	810.1	757.4	975.0	1120.0	-6.5%	28.7%	14.9%
Tourism	340.0	389.2	357.5	416.0	385.8	500.0	575.0	-7.3%	29.6%	15.0%
Transp. & insur.	150.1	158.4	164.9	165.5	150.9	185.0	220.0	-8.8%	22.6%	18.9%
Gas adjust.		8.1	36.6	49.0	32.4	45.0	48.0	-33.9%	38.9%	6.7%
Other	113.8	129.5	155.6	179.6	188.3	245.0	277.0	4.8%	30.1%	13.1%
Imports	2279.2	2421.4	2842.5	2676.3	2671.0	2965.0	3325.0	-0.2%	11.0%	12.1%
Goods (CIF)	2002.0	2106.4	2511.0	2287.0	2303.7	2538.0	2835.0	0.7%	10.2%	11.7%
Freight/insur	101.2	119.8	157.1	142.0	124.0	138.0	150.0	-12.7%	11.3%	8.7%
Goods (FOB)	1900.8	1986.6	2353.9	2145.0	2179.7	2400.0	2685.0	1.6%	10.1%	11.9%
Equipment	609.4	539.7	652.0	503.2	504.8	440.0	500.0	0.3%	-12.8%	13.6%
Primary, semi-mfd.	620.9	623.7	769.0	744.6	818.0	990.0	1130.0	9.9%	21.0%	14.1%
Energy	222.7	235.6	289.4	308.4	199.9	273.0	280.0	-35.2%	36.6%	2.6%
Foodstuffs	210.5	294.8	363.0	278.2	287.0	235.0	265.0	3.2%	-18.1%	12.8%
Consumption goods	338.5	412.6	437.6	452.6	494.0	600.0	660.0	9.1%	21.5%	10.0%
Services	378.4	434.8	488.6	531.3	491.3	565.0	640.0	-7.5%	15.0%	13.3%
Travel	87.2	92.0	109.9	105.3	84.9	90.0	100.0	-19.4%	6.0%	11.1%
Transp. & insur.	200.7	217.9	230.1	230.4	216.1	235.0	268.0	-6.2%	8.7%	14.0%
Government expense	62.6	90.1	98.6	136.8	131.6	170.0	190.0	-3.8%	29.2%	11.8%
Other	27.9	34.8	50.0	58.8	58.7	70.0	82.0	-0.2%	19.3%	17.1%

44

Table 1-A, Part 2 of 2
Tunisia, Balance of Payments
(Current Dinars, millions)
COT Estimates

	1982	1983	1984	1985	1986	Est. 1987	Proj. 1988	Growth rates: Actual '85-86	Est. '86-87	Proj. '87-88
I. Trade balance	-505.9	-473.6	-728.8	-423.2	-509.8	-240.0	-280.0	-20.5%	52.9%	-16.7%
Transfers	52.6	64.1	48.8	-68.0	-49.9	-60.0	-100.0	26.6%	-20.2%	-66.7%
Worker transfers	219.6	243.8	245.9	225.8	287.1	320.0	335.0	27.1%	11.5%	4.7%
Interest on debt	-120.5	-141.3	-188.9	-214.1	-258.2	-300.0	-350.0	-20.6%	-16.2%	-16.7%
Other (net)	-46.5	-38.4	-8.2	-79.7	-78.8	-80.0	-85.0	1.1%	-1.5%	-6.3%
II. Current Account:	-453.3	-409.5	-680.0	-491.2	-559.7	-300.0	-380.0	-13.9%	46.4%	-26.7%
III. Capital Account:	469.3	399.5	563.7	399.4	402.0	420.0	495.0	0.7%	4.5%	17.9%
Grants	11.2	17.2	22.2	30.5	32.2	30.0	30.0	5.6%	-6.8%	0.0%
Direct investment	237.6	151.9	160.0	116.4	123.1	80.0	95.0	5.8%	-35.0%	18.8%
MT + LT Loans	371.2	470.0	545.2	545.0	600.0	810.0	930.0	10.1%	35.0%	14.8%
Loan Amortization	-185.1	-235.5	-290.3	-332.7	-435.3	-520.0	-560.0	-30.8%	-19.5%	-7.7%
ST, Other, E & O	34.4	-4.1	126.6	40.2	82.0	20.0	--			
IV. Val. Adjustment	-5.2	13.1	50.1	49.1	--	--	--			
V. Overall Surplus	10.8	3.1	-66.2	-42.7	-157.7	120.0	115.0			
IMF, AMF, Other	--	--	--	--	212.1	38.6	27.7			
VI. Changes in Reserves (increase -)	-10.8	-3.1	66.2	42.7	-54.4	-158.6	-142.7			
Ratios:										
Debt service/exports	17.2%	19.3%	22.7%	24.3%	32.1%	30.1%	29.9%	32.2%	-6.2%	-0.7%
Reserves (mo. imports)	1.9	2.0	1.4	0.8	1.1	1.6	1.9	29.8%	49.9%	21.2%
Curr. acct. bal./GDP	-9.5%	-7.5%	-10.9%	-7.1%	-8.0%	-3.8%	-4.4%	-12.1%	52.5%	-15.9%
Memorandum items:										
GDP (Curr prices)	4788	5485	6240	6910	7025	7935	8670	1.7%	13.0%	9.3%
Exch Rate/ SDR	0.6510	0.7250	0.7960	0.8440	0.9320	1.0560	1.1960	10.4%	13.3%	13.3%
Gross official reserves (SDR Millions)	550	548	421	218	256	376	452	17.3%	46.9%	20.0%

4/6

Table 1-B, Part 1 of 2
Tunisia, Balance of Trade
(Current Dinars, millions)
Mission Estimates

	1982	1983	1984	1985	1986	Est. 1987	Proj. 1988	Growth rates: Actual '85-86	Est. '86-87	Proj. '87-88
Trade Balance	-505.9	-473.6	-728.8	-423.2	-509.8	-180.0	-256.2	-20.5%	64.7%	-42.3%
Exports	1773.3	1947.8	2113.7	2253.1	2161.2	2785.0	3155.1	-4.1%	28.9%	13.3%
Goods	1169.4	1262.6	1399.1	1443.0	1403.8	1750.0	1966.1	-2.7%	24.7%	12.3%
Goods (ex. energy)	631.5	698.0	779.8	839.4	1063.9	1331.0	1564.1	26.7%	25.1%	17.5%
Agriculture etc	107.0	97.3	147.0	143.5	174.8	217.0	243.0	21.8%	24.1%	12.0%
Phosphates, chem	206.2	239.5	244.0	267.9	303.5	360.0	394.0	13.3%	18.6%	9.4%
Energy	537.9	564.6	619.3	603.6	339.9	419.0	402.0	-43.7%	23.3%	-4.1%
Textiles)	236.6	270.3	(249.4	286.7	389.6	505.0	631.3	35.9%	29.6%	25.0%
Leather, shoes)			(20.1	23.9	34.2	40.0	46.8	43.1%	17.0%	17.0%
Electr/mech. prod.)	81.7	90.9	(88.4	74.5	106.0	130.0	150.0	42.3%	22.6%	15.4%
Other)			(30.9	42.9	55.8	79.0	99.0	30.1%	41.6%	25.3%
Services	603.9	685.2	714.6	810.1	757.4	1035.0	1189.0	-6.5%	36.7%	14.9%
Tourism	340.0	389.2	357.5	416.0	385.8	560.0	644.0	-7.3%	45.2%	15.0%
Transp. & insur.	150.1	158.4	164.9	165.5	150.9	185.0	220.0	-8.8%	22.6%	18.9%
Gas adjust.		8.1	36.6	49.0	32.4	45.0	48.0	-33.9%	38.9%	6.7%
Other	113.8	129.5	155.6	179.6	188.3	245.0	277.0	4.8%	30.1%	13.1%
Imports	2279.2	2421.4	2842.5	2676.3	2671.0	2965.0	3411.3	-0.2%	11.0%	15.1%
Goods (CIF)	2002.0	2106.4	2511.0	2287.0	2303.7	2538.0	2912.3	0.7%	10.2%	14.7%
Freight/insur	101.2	119.8	157.1	142.0	124.0	138.0	150.0	-12.7%	11.3%	8.7%
Goods (FOB)	1900.8	1986.6	2353.9	2145.0	2179.7	2400.0	2762.3	1.6%	10.1%	15.1%
Equipment	609.4	539.7	652.0	503.2	504.8	440.0	484.0	0.3%	-12.8%	10.0%
Primary, semi-mfd.	620.9	623.7	769.0	744.6	818.0	990.0	1163.3	9.9%	21.0%	17.5%
Energy	222.7	235.6	289.4	308.4	199.9	273.0	280.0	-35.2%	36.6%	2.6%
Foodstuffs	210.5	294.8	363.0	278.2	287.0	235.0	265.0	3.2%	-18.1%	12.8%
Consumption goods	338.5	412.6	437.6	452.6	494.0	600.0	720.0	9.1%	21.5%	20.0%
Services	378.4	434.8	488.6	531.3	491.3	565.0	649.0	-7.5%	15.0%	14.9%
Travel	87.2	92.0	109.9	105.3	84.9	90.0	103.5	-19.4%	6.0%	15.0%
Transp. & insur.	200.7	217.9	230.1	230.4	216.1	235.0	268.0	-6.2%	8.7%	14.0%
Government expense	62.6	90.1	98.6	136.8	131.6	170.0	195.5	-3.8%	29.2%	15.0%
Other	27.9	34.8	50.0	58.8	58.7	70.0	82.0	-0.2%	19.3%	17.1%

Table 1-B, Part 2 of 2
Tunisia, Balance of Payments
(Current Dinars, millions)
Mission Estimates

	1982	1983	1984	1985	1986	Est. 1987	Proj. 1988	Growth rates: Actual '85-86	Est. '86-87	Proj. '87-88
I. Trade balance	-505.9	-473.6	-728.8	-423.2	-509.8	-180.0	-256.2	-20.5%	64.7%	-42.3%
Transfers	52.6	64.1	48.8	-68.0	-49.9	-60.0	-78.2	26.6%	-20.2%	-30.3%
Worker transfers	219.6	243.8	245.9	225.8	287.1	320.0	356.8	27.1%	11.5%	11.5%
Interest on debt	-120.5	-141.3	-188.9	-214.1	-258.2	-300.0	-350.0	20.6%	16.2%	16.7%
Other (net)	-46.5	-38.4	-8.2	-79.7	-78.8	-80.0	-85.0	-1.1%	1.5%	6.3%
II. Current Account:	-453.3	-409.5	-680.0	-491.2	-559.7	-240.0	-334.4	-13.9%	57.1%	-39.3%
III. Capital Account:	469.3	399.5	563.7	399.4	402.0	420.0	490.0	0.7%	4.5%	16.7%
Grants	11.2	17.2	22.2	30.5	32.2	30.0	25.0	5.6%	-6.8%	-16.7%
Direct investment	237.6	151.9	160.0	116.4	123.1	80.0	95.0	5.8%	-35.0%	18.8%
MT + LT Loans	371.2	470.0	545.2	545.0	600.0	810.0	930.0	10.1%	35.0%	14.8%
Loan Amortization	-185.1	-235.5	-290.3	-332.7	-435.3	-520.0	-560.0	30.8%	19.5%	7.7%
ST, Other, E & O	34.4	-4.1	126.6	40.2	82.0	20.0	--			
IV. Val. Adjustment	-5.2	13.1	50.1	49.1	--	--	--			
V. Overall Surplus	10.8	3.1	-66.2	-42.7	-157.7	180.0	155.6			
IMF, AMF, Other	--	--	--	--	212.1	38.6	27.7			
VI. Changes in Reserves (increase -)	-10.8	-3.1	66.2	42.7	-54.4	-218.6	-183.3			
Ratios:										
Debt service/exports	17.2%	19.3%	22.7%	24.3%	32.1%	29.4%	28.8%	32.2%	-8.2%	-2.0%
Reserves (mo. imports)	1.9	2.0	1.4	0.8	1.1	1.9	2.3	29.8%	72.6%	21.6%
Curr. acct. bal./GDP	-9.5%	-7.5%	-10.9%	-7.1%	-8.0%	-3.0%	-3.9%	12.1%	-62.0%	27.5%
Memorandum items:										
GDP (Curr prices)	4788	5485	6240	6910	7025	7935	8670	1.7%	13.0%	9.3%
Exch Rate/ SDR	0.6510	0.7250	0.7960	0.8440	0.9320	1.0560	1.1960	10.4%	13.3%	13.3%
Gross official reserves (SDR Millions)	556	548	421	218	256	433	517	17.3%	69.1%	19.5%

Table 1-C, Part 1 of 2
Tunisia, Balance of Trade
(Dollars million)
Mission Estimates

	1982	1983	1984	1985	1986	Est. 1987	Proj. 1988	Growth rates: Actual '85-86	Est. '86-87	Proj. '87-88
Trade Balance	-856.4	-697.7	-938.2	-507.1	-642.1	-221.4	-324.3	-26.6%	65.5%	-46.5%
Exports	3002.0	2869.5	2721.0	2699.9	2721.9	3425.6	3993.8	0.8%	25.9%	16.6%
Goods	1979.7	1860.0	1801.1	1729.2	1768.0	2152.5	2488.7	2.2%	21.7%	15.6%
Goods (ex. energy)	1069.1	1028.3	1003.9	1005.9	1339.9	1637.1	1979.9	33.2%	22.2%	20.9%
Agriculture etc	181.1	143.3	189.2	172.0	220.2	266.9	307.6	28.0%	21.2%	15.3%
Phosphates, chem	349.1	352.8	314.1	321.0	382.2	442.8	498.7	19.1%	15.8%	12.6%
Energy	910.6	831.8	797.2	723.3	428.1	515.4	508.9	-40.8%	20.4%	-1.3%
Textiles)	400.5	398.2	(321.1	343.6	490.7	621.2	799.1	42.8%	26.6%	28.6%
Leather, shoes)			(25.9	28.6	43.1	49.2	59.2	50.4%	14.2%	20.4%
Electr/mech. prod.)	138.3	133.9	(113.8	89.3	133.5	159.9	189.9	49.5%	19.8%	18.7%
Other)			(39.8	51.4	70.3	97.2	125.3	36.7%	38.3%	29.0%
Services	1022.3	1009.4	919.9	970.8	953.9	1273.1	1505.1	-1.7%	33.5%	18.2%
Tourism	575.6	573.4	460.2	498.5	485.9	688.8	815.2	-2.5%	41.8%	18.3%
Transp. & insur.	254.1	233.4	212.3	198.3	190.1	227.6	278.5	-4.2%	19.7%	22.4%
Gas adjust.	0.0	11.9	47.1	58.7	40.8	55.4	60.8	-30.5%	35.6%	9.8%
Other	192.7	190.8	200.3	215.2	237.2	301.4	350.6	10.2%	27.1%	16.4%
Imports	3858.5	3567.2	3659.2	3207.1	3364.0	3647.0	4318.0	4.9%	8.4%	18.4%
Goods (CIF)	3389.2	3103.1	3232.5	2740.6	2901.4	3121.8	3686.4	5.9%	7.6%	18.1%
Freight/insur	171.3	176.5	202.2	170.2	156.2	169.7	189.9	-8.2%	8.7%	11.9%
Goods (FOB)	3217.9	2926.6	3030.3	2570.4	2745.2	2952.0	3496.5	6.8%	7.5%	18.4%
Equipment	1031.7	795.1	839.3	603.0	635.8	541.2	612.7	5.4%	-14.9%	13.2%
Primary, semi-mfd.	1051.1	918.8	990.0	892.3	1030.2	1217.7	1472.5	15.5%	18.2%	20.9%
Energy	377.0	347.1	372.6	369.6	251.8	335.8	354.4	-31.9%	33.4%	5.6%
Foodstuffs	356.4	434.3	467.3	333.4	361.5	289.1	335.4	8.4%	-20.0%	16.0%
Consumption goods	573.0	607.8	563.3	542.4	622.2	738.0	911.4	14.7%	18.6%	23.5%
Services	640.6	640.5	629.0	636.7	618.8	695.0	821.5	-2.8%	12.3%	18.2%
Travel	147.6	135.5	141.5	126.2	106.9	110.7	131.0	-15.3%	3.5%	18.3%
Transp. & insur.	339.8	321.0	296.2	276.1	272.2	289.1	339.2	-1.4%	6.2%	17.4%
Government expense	106.0	132.7	126.9	163.9	165.7	209.1	247.5	1.1%	26.2%	18.3%
Other	47.2	51.3	64.4	70.5	73.9	86.1	103.8	4.9%	16.5%	20.6%

Table 1-C, Part 2 of 2
Tunisia, Balance of Payments
(Current dollars, millions)
Mission Estimates

	1982	1983	1984	1985	1986	Est. 1987	Proj. 1988	Growth rates: Actual '85-86	Est. '86-87	Proj. '87-88
I. Trade balance	-856.4	-697.7	-938.2	-507.1	-642.1	-221.4	-324.3	-26.6%	65.5%	-46.5%
Transfers	89.0	94.4	62.8	-81.5	-62.8	-73.8	-99.0	22.9%	-17.4%	-34.1%
Worker transfers	371.8	359.2	316.6	270.6	361.6	393.6	451.6	33.6%	8.9%	11.5%
Interest on debt	-204.0	-208.2	-243.2	-256.6	-325.2	-369.0	-443.0	26.7%	13.5%	20.1%
Other (net)	-78.7	-56.6	-10.6	-95.5	-99.2	-98.4	-107.6	3.9%	-0.8%	9.3%
II. Current Account:	-767.4	-603.3	-875.4	-588.6	-704.9	-295.2	-423.2	-19.8%	58.1%	-43.4%
III. Capital Account:	794.5	588.5	725.7	478.6	506.3	516.6	620.3	5.8%	2.0%	20.1%
Grants	19.0	25.3	28.6	36.5	40.6	36.9	31.6	11.0%	-9.0%	-14.2%
Direct investment	402.2	223.8	206.0	139.5	155.0	98.4	120.3	11.2%	-36.5%	22.2%
MT + LT Loans	628.4	692.4	701.9	653.1	755.7	996.3	1177.2	15.7%	31.8%	18.2%
Loan Amortization	-313.4	-346.9	-373.7	-398.7	-548.2	-639.6	-708.9	37.5%	16.7%	10.8%
ST, Other, E & O	58.2	-6.0	163.0	48.2	103.3	24.6	--			
IV. Val. Adjustment	-8.8	19.3	64.5	58.8	--	--	--			
V. Overall Surplus	18.3	4.6	-85.2	-51.2	-198.6	221.4	197.0			
IMF, AMF, Other	--	--	--	--	267.2	47.5	35.1			
VI. Changes in Reserves (increase -)	-18.3	-4.6	85.2	51.2	-68.6	-268.9	-232.1			
Ratios:										
Debt service/exports	17.2%	19.3%	22.7%	24.3%	32.1%	29.4%	28.8%	32.2%	-8.2%	-2.0%
Reserves (mo. imports)	1.1	1.3	1.1	0.7	0.9	1.7	2.1	23.5%	96.1%	23.1%
Curr. acct. bal./GDP	-9.5%	-7.5%	-10.9%	-7.1%	-8.0%	-3.0%	-3.9%	12.1%	-62.0%	27.5%
Memorandum items:										
GDP (Curr prices)	8106	8080	8033	8280	8848	9760	10975	6.8%	10.3%	12.4%
Exch Rate/ SDR	0.6510	0.7250	0.7960	0.8440	0.9320	1.0560	1.1960	10.4%	13.3%	13.3%
Exch Rate/ $	0.5907	0.6788	0.7768	0.8345	0.7940	0.8130	0.7900			
Gross official reserves (SDR Millions)	556	548	421	218	256	481	595	17.3%	87.6%	23.9%

Source for Table 1: Budget économique 1988, and estimates as explained in text. Reserves position data from IMF, with reconciliation performed by Mission.

Table 2

Summary of Adjustment Program to December 1987

I. No change policy scenario for 1986

- A. Overall consolidated budget deficit: 6.6 percent of GNP
- B. Current account balance of payments deficit: 9.7 percent of GNP
- C. Gross official reserves (end-June): SDR 66 million (10 days of imports)

II. Adjustment program scenario

A. Objectives

	1986 Prog.	1986 Act.	1987 Prog.	1987 Rev.
1. Annual growth of real GDP	0.7	-1.2	4.4	5.0
2. External current account deficit (% of GNP)	9.0	7.9	6.9	5.8
3. Gross official reserves (end-period; in months of imports)	0.8	1.3	1.8	1.8
4. External debt (incl. IMF; % of GNP)	55.2	54.0	63.4	60.0
5. External debt service (% of current receipts)	25.3	29.2	27.6	27.0

B. Measures

Measures	Status/Calendar of Implementation in the Program	Current Status of Implementation
1. Price liberalization		
i. Services	Mostly free of administrative controls.	
ii. Agriculture		
a. Subsidized consumer goods	Price increases in August and during the last quarter of 1986. Further annual reduction of at least 5 percent in the annual subsidy bill. Number of products to be subsidized to be reduced.	Implementation overall on track, but with delays for certain products.
b. Subsidized inputs	To be eliminated completely in accordance with the timetable agreed with the World Bank.	Implementation on schedule.
c. Producer prices	Raised by 6-16 percent in August in agreement with the World Bank to align them with international levels by 1988.	Implementation on schedule.
iii. Manufactured goods	Cumulative 65 percent of production to be liberalized by 1988.	
Approximately 25 percent	Liberalized in September 1986.	Implemented.
" 35 percent	To be liberalized in January 1987.	"
" 45 percent	To be liberalized in July 1987.	"
" 55 percent	To be liberalized in January 1988.	
" 65 percent	To be liberalized in July 1988.	
2. Investment liberalization and state enterprises		
i. Liberalization of investment controls on projects requesting no special advantages from the Government	To be incorporated in new investment code	Implemented August 1987.
ii. Revised investment code involving:		
a. Focusing fiscal advantages for new investments on specific activities on the basis of specific criteria	To be introduced in January 1987 after discussions with the World Bank.	"
b. No distinction in the granting of advantages as between new investments and investments for replacement or extension of existing capacity	"	"
iii. Public enterprises		
a. Limit state control of existing enterprises to approximately 160	Appropriate legislation already passed. Specific timetable to be finalized before end-1986.	
b. Gradual sale to the private sector of the Government's share in those enterprises in which the Government has presently up to 34 percent of equity participation	" "	Appropriate legislation promulgated August 1987.
c. Improve the financial viability of those enterprises that are to remain in the public sector	" "	Systematic review in progress.
3. Import liberalization		
i. All imports (with a small number of exceptions) to be liberalized by 1991, with the following specified timetable	Policy announced.	
a. Raw materials and semifinished products for industries exporting at least 25 percent of their turnover, and spare parts for agriculture and other specified sectors	Implemented in August 1986.	
b. Investment goods for newly approved projects and raw materials for medicines (a. and b. will bring the proportion of imports on the free list to 31 percent from the present 18 percent.)	September 1986	

c. All other raw materials and spare parts; semifinished products for industries exporting at least 15 percent of their turnover and for industries reasonably well integrated	January 1987.	Implemented on schedule.
d. Semifinished products for remaining industries up to the value of their exports	...	Introduced June 1987.
e. Investment goods for projects judged as of "intermediate" priority by the Investment Agency.	Early 1987 after the promulgation of the revised Investment Code.)	Announced October 1987
f. All remaining imports of investment goods, and semifinished products with the exception of imports by weakly integrated industries (c. through e. will raise the proportion of imports on the free list to 60 percent.)	January 1988.)	
ii. Tariff reform Reform of import tariff to reduce effective protection to a reasonably uniform rate of about 25 percent by 1991. During the program period:	Policy announced	
a. Reduce maximum import duties to 50 percent.) b. Reduce by 6 percent present rates between 26 and 55 percent (with minimum of 25 percent)) c. Set minimum tariff of 15 percent.	January 1987.	Implemented on schedule.
d. Additional specified changes	January 1988.	
4. Exchange rate and external debt		
i. Depreciate the nominal effective exchange rate of the dinar by 22 percent (in foreign currency terms) compared with the end-1985 level.	Implemented by end-August 1986.	
ii. Maintain the real effective value of the exchange rate at its post-August devaluation level through, if necessary, periodic adjustments of the nominal rate. Additional corrections if balance of payments position requires.	Being implemented.	Being implemented.
iii. Limit nonconcessional external debt of 1-12 years' maturity, with sublimits on that in the maturity range of 1-5 years.	Established for the program period through 1987.	Being implemented.
iv. Limit short-term debt (of maturity up to 1 year) excluding import-related credits to present level.		
5. Public finance		
i. Limit 1986 consolidated budget deficit to D 429 million (6 percent of GDP).	Appropriate supplementary measures already announced.	Outcome: 5.6 percent of GDP
ii. Limit 1987 consolidated budget deficit to 3.9 percent of GDP (D 318 million).	The draft 1987 budget consistent with this objective will be discussed with the staff in November 1986. The budget for 1987 will also be one of the subjects of discussion during the first program review.	The 1987 budget incorporated a deficit of D 322 million equivalent to 4.1 percent of GDP. Present projections are for a deficit of D 33[illegible] million equivalent to 4.2 percent of GDP.
iii. Cancel all outstanding but unused budgetary authorizations in respect of investment expenditures.	January 1987.	Implemented on schedule; subsequently D 600 million have been reauthorize as provided for in the program.
iv. Introduce a VAT with specified timetable of various intermediate steps. v. Establish a timetable for unification of income and profit taxes.	January 1988 for the VAT; both will be subjects of discussion under the second review of the program.	Preparations on schedule.
6. Credit and monetary policies		
i. Limit domestic credit to D 4,348 million at end-1986 and to D 4,714 million at end-1987. ii. Limit net bank credit to the Government to D 635 million at end-1986 and to D 684 million at end-1987.	Performance criteria with intermediate quarterly limits also as performance criteria.	Observed through June 1987.
iii. Liberalize interest rates, with the exception of preferential lending rates and savings deposit rates (which will be related to rates prevailing in the money market).	To be introduced in January 1987.	Implemented on schedule.
iv. Channel most of the intervention of the Central Bank through the money market in relation to the credit and monetary targets.	To be introduced in January 1987.	Implemented on schedule.

Table 2 (page 3 of 3): Summary of Adjustment Program to December 1987

7. Monitoring of the program

i. Quarterly and annual performance criteria relating to:
   a. Domestic credit
   b. Net bank credit to Government
   c. Limits on nonconcessional external debt of up to 1 year original maturity (excluding import-related credits) and on the contracting or guaranteeing by the Government of external debt with 1-12 years' original maturity, with a subceiling on that of 1-5 years' original maturity.
   d. External payments arrears (no accumulation)
   e. Customary clauses with respect to restrictions

ii. Quarterly and annual indicative targets relating to:
   a. Consolidated budget deficit (triggering consultation with management)
   b. Total revenue and grants
   c. Total expenditure (excluding amortization), including net lending
   d. Net foreign assets of the monetary system (triggering consultation with management)

iii. Reviews with the Fund to be completed:
   a. Before end-February 1987
   b. Before end-September 1987
   c. Before end-January 1988

Source: IMF

Table 3
Price Liberalization Timetable

Implemented 1986 (25% of manufactures)

Building materials (except lime, cement, sanitary fixtures)
Textiles (except underwear and jute products)
Mechanical and electrical: Automobile parts (including batteries); hardware; TV antennae and accessories
Foods: Sardines, preserved and semipreserved
Miscellaneous: Plastic products; graphics; watches and watch parts; cabinets; cork products; chandeliers; footwear and accessories; tanned goods; paper and carton packaging; printing supplies (except ink); notions.

Implemented 1987 (cumulative 45%)

Mechanical and electrical: Electrical switches and connectors; cable; refrigerators and stoves; boilers
Foods: Tuna, tomatoes and harissa (preserved and semi-preserved); yogurt; cheeses (except spreads); beverages
Carpentry supplies
Glue, Ink
Liquid detergents and soap (except laundry soap)
Tires and rubber products
Furniture
Fertilizers: phosphoric acid; hyperphosphate; SPS; SPT; dicalcium phosphate; MAP; TPP; compound fertilizers.

Scheduled January 1988 (cumulative 55%)

Mechanical and electrical:
- Loudspeakers and accessories
- Plumbing fixtures
- Bicycles and mopeds
- Batteries for other than automobiles.

Animal feed (99 percent implemented in 1987)
Parachemicals:
- Paints and varnishes
- Detergents and laundry soap
- Essential oils
- Linseed oil
- Perfume
- Insecticides and pesticides

Scheduled July 1988 (cumulative 65%)

Household articles of stainless steel and aluminum
Copper products
Aluminum cabinets
Electric motors, transformers
Agricultural products and foods:
- Tomato paste
- Vegetables and fruits, preserved and semipreserved

Table 4. Tunisia: Performance Criteria and Indicative Targets, December 1986–December 1987

	1986		1987							
	December		April		June		Sept.		Dec.	
	Prog.	Actual	Prog.	Actual	Prog.	Actual	Prog.	Rev. prog.	Prog.	Rev. prog.
	(In millions of dinars)									
A. Performance criteria										
1. Domestic credit	4,348	4,263	4,368	4,271	4,480	4,372	4,550	4,550	4,714	4,714
2. Net credit to the Government	635	627	653	597	666	665	675	695	684 1/	718 1/ 2/
	(In millions of SDRs)									
3. External public debt 2/										
3a. 0-1 year (amount outstanding excluding import- related credit)	120	69	120	10	120	10	120	120	120	120
3b. New nonconcessional external borrowing (cumulative amounts)										
(i) 1-5 years	15	14	65	25	65	27	65	65	65	65
(ii) 1-12 years	100	68	450	78	450	78	450	450	450 3/	450 3/
4. External payments arrears (amount outstanding)	—	—	—	—	—	—	—	—	—	—
	(In millions of dinars)									
B. Indicative targets										
1. Consolidated budget deficit 4/	-429	-372	-77	20	-72	-71	-97	-125	-322	-338
2. Total revenue and grants 4/	2,458	2,448	803	770	1,228	1,170	1,885	1,850	2,591	2,564
3. Total expenditure and net lending (excluding amortization) 4/	-2,886	-2,820	-880	-750	-1,300	-1,241	-1,982	-1,975	-2,913	-2,902
	(In millions of SDRs)									
4. Net foreign assets of the monetary system	10	39	-122	-57	-132	-69	48	48	134	134

1/ If net external financing of the Government is higher than D 207 million this ceiling will be reduced pro tanto to the benefit of credit to the economy.
2/ Contracted or guaranteed by the Government.
3/ This ceiling will be reduced to the extent that net capital inflows exceed the original provision of SDR 674 million.
4/ Cumulative amount for the fiscal year.

Table 5
Gross Domestic Product

(1980 Dinars, millions, except current)	1984	1985	1986	Est. 1987	Proj. 1988	Growth rates: Actual 1986	Est. 1987	Proj. 1988
GDP, Market Prices	6240	6910	7025	7935	8670	1.7%	13.0%	9.3%
GDP, 1980 Prices	4115	4348	4278	4512	4623	-1.6%	5.5%	2.5%
Real GDP by Sector:								
Agriculture & Fisheries	553.0	649.0	570.0	670.0	640.0	-12.2%	17.5%	-4.5%
Manufactures	555.9	584.6	612.6	636.8	674.5	4.8%	4.0%	5.9%
Agro-industry, food	131.5	131.0	137.1	142.0	143.0	4.7%	3.6%	0.7%
Construction materials	83.0	92.0	93.0	97.4	103.1	1.1%	4.7%	5.9%
Electric, mechanical ind.	80.4	84.8	85.1	85.2	92.2	0.4%	0.1%	8.2%
Chemicals	63.0	67.2	77.2	79.9	90.1	14.9%	3.5%	12.8%
Textiles, clothes, leather	120.6	125.8	132.9	140.6	149.5	5.6%	5.8%	6.3%
Other	77.4	83.8	87.3	91.7	96.6	4.2%	5.0%	5.3%
Non-manufacturing industry	748.6	743.4	709.4	689.9	693.5	-4.6%	-2.7%	0.5%
Mining	51.5	44.3	55.5	59.4	60.5	25.3%	7.0%	1.9%
Hydrocarbons	370.2	364.3	354.5	338.0	325.4	-2.7%	-4.7%	-3.7%
Electricity	48.0	51.8	54.4	57.2	60.1	5.0%	5.1%	5.1%
Water	24.0	25.1	26.0	27.3	28.5	3.6%	5.0%	4.4%
Building, Public Works	254.9	257.9	219.0	208.0	219.0	-15.1%	-5.0%	5.3%
Services	1742.2	1826.3	1850.6	1950.8	2036.6	1.3%	5.4%	4.4%
Transport	161.7	165.5	155.5	166.4	174.4	-6.0%	7.0%	4.8%
Communications	36.6	41.6	44.8	47.7	51.5	7.7%	6.5%	8.0%
Tourism	121.0	148.0	147.0	194.0	204.0	-0.7%	32.0%	5.2%
Housing	190.5	197.2	206.0	217.1	227.8	4.5%	5.4%	4.9%
Commerce and Misc.	763.8	786.7	805.1	825.6	867.9	2.3%	2.5%	5.1%
Government services	468.6	487.3	492.2	500.0	511.0	1.0%	1.6%	2.2%
GDP at Factor Cost	3599.7	3803.3	3742.6	3947.5	4044.6	-1.6%	5.5%	2.5%
Ind. taxes and subsidies	514.9	544.2	535.4	564.5	578.4	-1.6%	5.4%	2.5%
GDP at Market Price	4114.6	4347.5	4278.0	4512.0	4623.0	-1.6%	5.5%	2.5%

Source: GOT, Budget economique 1988.

Table 6

Growth in Money Supply and Nominal GDP
1984-1987

	VALUE (TD Million)			Growth Rate (12 mo.)		
	M1	M2	GDP	M1	M2	GDP
Dec 1983	1653	2431	5497			
Dec 1984	1765	2715	6237	6.8%	11.7%	13.4%
Dec 1985	1987	3091	6904	12.6%	13.8%	10.7%
Dec 1986	2058	3266	7112	3.6%	5.7%	3.0%
Dec 1987*	2110	3593	7971	2.5%	10.0%	12.1%
Jun 1986	1795	2972		4.7%	8.2%	
(6 mo.)				-18.4%	-7.6%	
Jun 1987	1689	3207		-5.9%	7.9%	
(6 mo.)				-32.6%	-3.6%	

* Program

Source: Banque Centrale de Tunisie, Statistiques Financières No. 81 (Sept. 1987), Tables No. III-2, XVI-2; Ministry of Plan and Finance, Budget économique 1988, Table VI-1; and IMF, Tunisia, Staff Report for the 1987 Article IV Consultations and Review Under Standby Arrangement, 17/9/87, Tables 8, A-4.

Table 7. Tunisia: Monetary Survey, 1985-87

(In millions of dinars)

	1985	1986 March	1986 June	1986 Sept.	1986 Dec.	1986 Dec. Prog.	1987 April Act.	1987 April Prog.	1987 June Act.	1987 June Prog.	1987 Sept. Rev. Prog.	1987 Dec. Rev. Prog.	1987 Dec. Prog.
						(End of period)							
Monetary system													
Net foreign assets	201	24	-51	18	54	11	-60	-121	-73	-131	83	154 1/	149
Central Bank	209	40	51	9	37	11	-62	-137	-83	-147	67	137	133
Deposit money banks	-8	-15	—	9	16	—	2	16	10	16	16	16	16
Domestic credit	3,935	3,896	4,038	3,973	4,263	4,348	4,292	4,396	4,372	4,480	4,550	4,714	4,714
Net credit to the Government	554	525	599	498	627	635	600	653	665	666	695	718	684
Credit to the economy	3,381	3,371	3,440	3,476	3,636	3,713	3,692	3,743	3,707	3,814	3,855	3,996	4,030
Money plus quasi-money	3,091	2,948	2,972	2,976	3,266	3,266	3,134	3,097	3,261	3,140	3,523	3,693	3,593
Other items, net	1,045	971	1,015	1,015	1,051	1,093	1,098	1,178	1,038	1,209	1,110	1,175	1,270
						(In percent)							
Memorandum items:													
Increase over same period of previous year													
Domestic credit	17.2	11.8	12.7	7.0	8.3	10.5	8.1	10.7	8.3	11.0	14.5	10.6	10.6
Net credit to Government	23.0	10.3	23.7	8.7	13.2	14.6	8.9	18.5	11.1	11.2	39.6	13.8	9.1
Credit to the economy	16.3	12.0	11.0	6.8	7.5	9.8	8.0	9.5	7.8	10.9	10.9	10.0	10.8
Money plus quasi-money	13.8	9.2	8.1	4.0	5.7	5.7	7.1	5.8	9.7	5.7	18.4	13.1	10.0

Sources: Data provided by the Tunisian authorities; and staff estimates.

1/ The holdings of net foreign assets at end-December 1986 have been revised upward by D 5 million and the projection for December 1987 has been adjusted accordingly.

Table 8 Tunisia: Selected Interest Rates Charged in Credit Operations, 1978–87

(In percent per year)

	January 5, 1978	April 1, 1981	April 22, 1985	January 1, 1987
Central Bank				
Short-term rediscounts				
Commercial paper	5.75	7.00	9.25	...
Export financing	4.25	4.75	4.00	4.00
Advances for cereals, olive oil, and wine	4.25	4.25	5.50	5.50
Agricultural seasonal credit	3.75	3.75	4.50	4.50
Advances for other essential merchandise, advance against commercial warranties	5.75	6.75	9.25	...
Financing of public bidding	6.00	6.00	7.25	...
Credit guaranteed by the Government	5.75	6.75	9.25	...
Other financial paper	6.00	7.25	10.25	...
Medium-term rediscounts				
Agricultural equipment	3.50	3.50	5.50	5.50
Housing with government guarantee	4.00	4.00	4.00	...
Investment of export industries	4.00	5.00	6.50	6.50
Large industrial complexes in priority zones	5.25	6.75	6.50	...
Investment of small- and medium-sized enterprises	...	6.75	6.50	6.50
Other	5.25	7.00	11.00	...
Long-term rediscounts	...	7.25–7.50	10.50–11.50	...
Government paper	5.75	7.00	9.25	...
Money market rate	6.25	7.63	9.38	10.00
Deposit money banks				
Short-term credits				
Overdrafts	8.50–8.75	10.00–10.50	11.50	Free

	Rediscountable	Nonrediscountable	Rediscountable	Nonrediscountable	Rediscountable	Nonrediscountable	
Tunisia commercial paper	6.75–7.25	8.00–8.25	8.00–8.50	9.25–9.50	9.50–10.0	11.0	Free
Foreign commercial paper	5.50–6.00	6.25–6.50	6.00–6.50	6.75–7.00	6.50	...	6.00
Pre-financing of exports	5.50–6.00	6.25–6.50	6.00–6.50	6.75–7.00	6.00	...	6.00
Advances for cereals, olive oil, and wine	5.50	...	5.50	...	6.75	...	6.75
Agricultural seasonal credit	6.00	...	6.00	...	6.75	...	6.75
Advances for essential merchandise	7.00–7.50	8.00–8.25	8.00–8.50	9.00–9.25	9.50–10.00	11.00)	
Financing of public bidding	7.25–7.75	8.50–8.75	7.25–7.75	8.50–8.75	8.00–8.50	9.50)	Free
Other short-term with government guarantee	7.00–7.50	8.00–8.25	8.00–8.50	9.00–9.25	9.50–10.00	11.00)	
Other short-term	7.25–7.75	8.50–8.75	8.50–9.00	9.75–10.00	10.00–10.50	12.625)	
Medium-term credits							
Agricultural equipment	6.25	...	6.25	...	7.00	7.00	7.00
Housing with government guarantee	5.50	...	5.50	...	5.50	...	...
Investment of export industries	6.75–7.00	...	7.75–8.00	...	8.00	8.50	8.00
Investment of small industries and handicrafts	...	...	6.25	...	6.25	6.25	6.25
Investment of small- and medium-sized enterprises	...	...	9.50–9.75	10.00–10.25	8.00	8.50	8.00
Large industrial complexes in priority zones	8.00–8.25	8.50–8.75	9.50–9.75	10.00–10.25	8.00	8.50	Free
Other investments	8.00–8.25	8.50–8.75	9.75–10.00	10.25–10.50	11.50	12.00	Free
Long-term credit (minimum)	...	...	10.50	...	12.50		Free

Source: Central Bank of Tunisia, Statistiques Financières.

Note: Lending rates of deposit money banks are freely determined within a maximum that is determined by the money market rate plus three percentage points.

Table 9
Effective Exchange Rates[1]

Year	Exchange Rate Nominal	Exchange Rate Real[2]
1982	100.2	107.9
1983	100.1	106.8
1984	99.8	103.6
1985	98.5	102.8
1986 (Prelim.)	84.4	94.1
1987 (Prog.)	72.0	

Notes:

1. Weighted by total trade (except petroleum) and tourism. 1980 = 100. Source: IMF.
2. Based on wholesale price index

V

Table 10. Tunisia: Consolidated Financial Operations of the Central Government, 1983-87 1/

	1983	1984	1985	1986 Program 2/	1986 Outturn	1987 Program 3/	1987 Revised proj.
	(In millions of dinars)						
Revenue and grants	1,862.7	2,285.4	2,450.9	2,457.5	2,430.0	2,591.4	2,564.3
Tax revenue	1,479.6	1,652.3	1,832.2	1,860.2	1,877.7	1,986.0 4/	1,932.7
On international transactions	(580.9)	(647.4)	(656.2)	(631.2)	(606.2)	(634.0)	(624.0)
Other	(898.7)	(1,004.9)	(1,176.0)	(1,229.0)	(1,271.5)	(1,352.0)	(1,308.7)
Other revenue and grants	383.1	633.1	618.7	597.3	552.3	605.4	631.6
Nonpetroleum-related	(111.0)	(248.7)	(239.0)	(265.3)	(239.6)	(248.4) 4/	(234.1)
Petroleum	(272.1)	(384.4)	(379.7)	(332.0)	(312.7)	(357.0)	(397.5)
Total expenditure and net lending 5/ 6/	2,311.2	2,655.2	2,764.3	2,886.0	2,828.8	2,913.6 7/	2,902.7
Current	1,576.5	1,761.1	1,914.3	2,009.4	1,955.4	2,105.8	2,094.8
Wages and salaries	(573.6)	(633.2)	(691.4)	(740.8)	(743.8)	(777.7)	(777.7)
Other goods and services 6/	(308.9)	(232.8)	(215.4)	(219.5)	(182.7)	(214.0)	(218.5)
Interest payments	(130.0)	(168.5)	(196.0)	(239.8)	(223.6)	(291.0)	(268.4)
Subsidies and transfers	(564.0)	(726.6)	(811.5)	(809.3)	(805.3)	(823.1)	(830.2)
Of which:							
Consumer subsidies 8/	(169.6)	(255.1)	(232.2)	(226.0)	(213.0)	(184.0)	(184.0)
Transfers, other than to households	(202.7)	(273.8)	(359.5)	(279.3)	(301.3)	(308.7)	(312.3)
Capital and net lending	734.7	894.1	850.0	876.6	873.4	807.8	807.9
Direct investment	(247.4)	(318.7)	(314.3)	(337.2)	(393.6)	(346.1)	(338.6)
Capital transfers and equity	(269.1)	(267.6)	(368.7)	(287.0)	(314.2)	(326.1)	(305.5)
Net lending	(218.2)	(307.8)	(167.0)	(252.4)	(165.6)	(135.6)	(163.8)
Deficit (commitment basis) 9/	-448.5	-369.8	-313.4	-428.5	-398.8	-322.2	-338.4
Adjustment for the complementary period	22.8	16.0	57.1	--	78.3	-15.0	-15.0
Deficit (payment order basis) 10/	-425.7	-353.8	-256.3	-428.5	-320.5	-337.2	-353.4
Financing	425.7	353.8	256.3	428.5	320.5	337.2	353.4
Foreign	284.1	207.0	212.4	281.9	213.7	223.0	207.0
Drawings	(415.0)	(377.4)	(418.6)	(535.4)	(470.6)	(521.0)	(510.0)
Budgetary	(79.6)	(112.9)	(215.6)	(256.4)	(230.6)	(285.0)	(274.0)
Extrabudgetary	(335.4)	(264.5)	(203.0)	(279.0)	(240.0)	(236.0)	(236.0)
Amortization	(-130.9)	(-170.4)	(-206.2)	(-253.5)	(-256.9)	(-298.0)	(-303.0)
Domestic	141.6	146.8	43.9	146.6	106.8	114.2	146.4
Banks	(47.0)	(97.0)	(102.5)	(81.0)	(72.7)	(57.0)	(91.0)
Other 11/	(94.6)	(49.8)	(-58.6)	(65.6)	(34.1)	(57.2)	(55.4)
	(In percent of GNP) 12/						
Memorandum items:							
Revenue and grants	33.5	36.4	35.9	34.2	34.4	32.7	32.2
Expenditure	41.6	42.3	40.5	40.1	40.0	36.8	36.4
Deficit (commitment basis)	-8.1	-5.9	-4.6	-6.0	-5.6	-4.1	-4.2
Deficit (payment order basis)	-7.7	-5.6	-3.7	-6.0	-4.5	-4.3	-4.4

Sources: Data provided by the Tunisian authorities; and staff projections.

1/ Includes current and capital budgets, Special Funds, Fonds de Concours, extrabudgetary operations financed abroad, net treasury operations, and social security funds.
2/ EBS/86/236.
3/ EBS/87/87.
4/ Includes minor reclassifications, in particular receipts of Fonds de Concours, from nontax to tax revenue.
5/ On a payments orders issued basis for the budget year, including expenditures of the complementary period; the data coincide closely with the commitments of the calendar year.
6/ Figures for 1983-86 do not include accumulation of domestic arrears at early stages of the expenditure process, amounting to a float of about D 26 million; the expenditure figure for 1987 includes a provision of D 14 million toward the elimination of such arrears.
7/ The breakdown of total expenditures and net lending reflects work undertaken to refine economic classifications, particularly as regards capital expenditures and net lending. Revised figure for wages and salaries also reflects update in amounts of social security contributions and family allowances to be netted from wages and salaries. Economic classifications of 1986 expenditures are on same basis.
8/ Figures for 1983-86 include subsidy costs financed by net treasury advances; corresponding adjustments have been made to net lending.
9/ Reflecting content of footnote 5.
10/ Payment orders issued in the calendar year.
11/ Including payment float.
12/ Taking into account revisions of GNP for 1986 and 1987.

Table 11a

Operations of the Price Stabilization Fund
1983-1987
(TD Millions)

	1983	1984	1985	1986	1987[1]	1988
Expenditures:						
Cereals, Animal Feed						
(ONC Actual):	131.0	162.7	159.1	114.7	117.2[2]	
(Budget):	112.9	164.0	157.6	133.2	110.3	
(Cereals)				(122.4)	(110.1)	
(Animal Feeds)				(10.8)	(0.2)	
Fertilizer	14.9	15.6	16.5	16.9	20.6	
Vegetable Oil	15.2	38.4	50.0	24.8	24.8	
Milk	7.5	8.8	7.9	9.2	10.4	
Sugar	0.0	12.3	15.7	19.9	23.6	
Meat	12.6	7.5	0.0	0.0	0.0	
Misc.	11.5	13.5	14.5	14.5	16.0	
Resources:						
Earmarked taxes	94.7	137.4	138.3	135.0	0.0	0.0
Budget/treas. transfer	--	106.0	90.0	75.0	189.0	188.0
Surplus/Deficit 3/	-37.1	-16.7	-33.8	-8.0	-16.7	

(See table 11b for sources and notes.)

Table 11b

Unit Subsidies of the Price Stabilization Fund
1986-1987
(Units in metric tons except as noted)

	Unit Subsidy (Dinars)			Unit Subsidy (Shr Cost)		
	1986	1987[4]	Change	1986	1987	Change
Cereals						
Soft wheat	61.97	60.61	-2.2%	46.1%	45.5%	-1.3%
Durum wheat	80.95	82.67	2.1%	47.9%	47.4%	-1.0%
Bread processing	59.07	27.75	-53.0%	29.3%	13.2%	-54.9%
Pasta processing	28.00	--	-100.0%	11.1%	--	-100.0%
Vegetable Oil						
Oil mix (edible)	220.00	178.20	-19.0%	42.3%	35.6%	-15.8%
Acid oil (soap)	295.00	190.00	-35.6%	68.6%	49.3%	-28.1%
Milk (000 liters)	78.00	32.30	-58.6%	22.1%	9.6%	-56.6%
Sugar	92.00	128.10	39.2%	27.7%	31.4%	13.4%
Animal feed						
Barley	14.29	1.25	-91.3%	12.4%	0.1%	-99.2%
Corn (maize)	17.60	--	-100.0%	12.3%	--	-100.0%
Soybean meal	43.33	--	-100.0%	17.3%	--	-100.0%
Fertilizer						
Ammonitre	65.00	55.70	-14.3%	45.6%	38.7%	-15.1%
SCP	40.00	25.70	-35.8%	50.8%	36.6%	-28.0%
TSP	81.00	78.00	-3.7%	54.1%	48.8%	-9.8%
DAP	140.00	90.00	-35.7%	57.7%	42.3%	-26.7%

Sources: Ministry of Planning and Finance, reported by IMF; Office National de Ceréales.

Notes:
1. Excluding the effect of anticipated price increases for 1987.
2. Estimate as of 30 Sept.
3. Most of these deficits are financed through direct Treasury advances to the Cereals and Oil Boards.
4. Including the effect of anticipated price increases for 1987.

Table 12
Planned Donor Assistance
(Disbursements)
1988

Budgeted by GOT:

IBRD	TD	250	million
African Development Bank		84	"
Italy		84	"
France		40	"
U.S.		20	"

In advanced preparation:

IBRD	TD	125	"
Japan		35	"
France		15	"

Source: as reported in Budget économique 1988.

ANNEX D

ACTION MEMORANDUM

TO : Regional Environmental Officer, S. Lintner

THROUGH : Mission Environmental Officer, M. Karns

FROM : Mission Director, Charles F. Weden Jr.

SUBJECT : Initial Environmental Examination - Negative Determination for FY 88 CIP (664-K-603)

PROBLEM: For the FY 1987 Commodity Import Program a determination must be made whether or not an environmental examination is required.

DISCUSSION: Section 216.2(c)(i) of the FAA states that when "The action does not have an effect on the natural or physical environment...", the action should be granted a negative determination. The FY 1988 CIP for Tunisia provides balance of payments support in the form of corn (maize) purchased with foreign exchange. The corn is used as a component in animal feeds for poultry and dairy animals. As a consumable item, already procured by Tunisia through imports, the corn will not have an impact on the Tunisian environment.

RECOMMENDATION: That you approve a negative determination for the Initial Environmental Examination required under the Tunisia FY 1988 CIP.

APPROVED: Stephen F. Lintner

DISAPPROVED: ____________

DATE: December 15, 1987

ANNEX E

5C(1) - COUNTRY CHECKLIST

Listed below are statutory criteria applicable to: (A) FAA funds generally; (B)(1) Development Assistance funds only; or (B)(2) the Economic Support Fund only.

A. GENERAL CRITERIA FOR COUNTRY ELIGIBILITY

1. FY 1987 Continuing Resolution Sec. 526. Has the President certified to the Congress that the government of the recipient country is failing to take adequate measures to prevent narcotic drugs or other controlled substances which are cultivated, produced or processed illicitly, in whole or in part, in such country or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents or from entering the United States unlawfully?

   NO

2. FAA Sec. 481(h). (This provision applies to assistance of any kind provided by grant, sale, loan, lease, credit, guaranty, or insurance, except assistance from the Child Survival Fund or relating to international narcotics control, disaster and refugee relief, or the provision of food or medicine.) If the recipient is a "major illicit drug producing country" (defined as a country producing during a fiscal year at least five metric tons of opium or 500 metric tons of coca or marijuana) or a "major drug-transit country" (defined as a country that is a significant direct source of illicit drugs significantly affecting the United States, through which such drugs are transported, or through which significant sums of drug-related profits are laundered with the knowledge or complicity of the government), has the President in the March 1 International Narcotics Control Strategy Report (INSCR) determined and certified to the Congress (without

   N/A
   Tunisia is not a major illicit drug-producing country nor a drug-transit country.

Congressional enactment, within 30 days of continuous session, of a resolution disapproving such a certification), or has the President determined and certified to the Congress on any other date (with enactment by Congress of a resolution approving such certification), that (a) during the previous year the country has cooperated fully with the United States or taken adequate steps on its own to prevent illicit drugs produced or processed in or transported through such country from being transported into the United States, and to prevent and punish drug profit laundering in the country, or that (b) the vital national interests of the United States require the provision of such assistance?

3. Drug Act Sec. 2013. (This section applies to the same categories of assistance subject to the restrictions in FAA Sec. 481(h), above.) If recipient country is a "major illicit drug producing country" or "major drug-transit country" (as defined for the purpose of FAA Sec 481(h)), has the President submitted a report to Congress listing such country as one (a) which, as a matter of government policy, encourages or facilitates the production or distribution of illicit drugs; (b) in which any senior official of the government engages in, encourages, or facilitates the production or distribution of illegal drugs; (c) in which any member of a U.S. Government agency has suffered or been threatened with violence inflicted by or with the complicity of any government officer; or (d) which fails to provide reasonable cooperation to lawful activities of U.S. drug enforcement agents, unless the President has provided the required certification to Congress pertaining to U.S. national interests and the drug control and criminal prosecution efforts of that country?

N/A

4. FAA Sec. 620(c). If assistance is to a government, is the government liable as debtor or unconditional guarantor on any debt to a U.S. citizen for goods or services furnished or ordered where (a) such citizen has exhausted available legal remedies and (b) the debt is not denied or contested by such government? NO

5. FAA Sec. 620(e)(1). If assistance is to a government, has it (including any government agencies or subdivisions) taken any action which has the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property of U.S. citizens or entities beneficially owned by them without taking steps to discharge its obligations toward such citizens or entities? NO

6. FAA Secs. 620(a), 620(f), 620D; FY 1988 Continuing Resolution Sec. 512. Is recipient country a Communist country? If so, has the President determined that assistance to the country is vital to the security of the United States, that the recipient country is not controlled by the international Communist conspiracy, and that such assistance will further promote the independence of the recipient country from international communism? Will assistance be provided directly to Angola, Cambodia, Cuba, Iraq, Libya, Vietnam, South Yemen, Iran or Syria? Will assistance be provided to Afghanistan without a certification? NO

7. FAA Sec. 620(j). Has the country permitted, or failed to take adequate measures to prevent, damage or destruction by mob action of U.S. property? NO

8. FAA Sec. 620(l). Has the country failed to enter into an investment guaranty agreement with OPIC? NO

9. FAA Sec. 620(o); Fishermen's Protective Act of 1967 (as amended) Sec. 5. (a) Has the country seized, or imposed any penalty or sanction against, any U.S. fishing vessel because of fishing activities in international waters? (b) If so, has any deduction required by the Fishermen's Protective Act been made?

NO

10. FAA Sec. 620(q); FY 1988 Continuing Resolution Sec. 518. (a) Has the government of the recipient country been in default for more than six months on interest or principal of any loan to the country under the FAA? (b) Has the country been in default for more than one year on interest or principal on any U.S. loan under a program for which the FY 1988 Continuing Resolution appropriates funds?

NO

11. FAA Sec. 620(s). If contemplated assistance is development loan or to come from Economic Support Fund, has the Administrator taken into account the percentage of the country's budget and amount of the country's foreign exchange or other resources spent on military equipment? (Reference may be made to the annual "Taking Into Consideration" memo: "Yes, taken into account by the Administrator at time of approval of Agency OYB." This approval by the Administrator of the Operational Year Budget can be the basis for an affirmative answer during the fiscal year unless significant changes in circumstances occur.)

Yes. Taken into account by the Administrator at the time of approval of AID OYB.

12. FAA Sec. 620(t). Has the country severed diplomatic relations with the United States? If so, have relations been resumed and have new bilateral assistance agreements been negotiated and entered into since such resumption?

NO

13. FAA Sec. 620(u). What is the payment status of the country's U.N. obligations? If the country is in arrears, were such arrearages taken into account by the A.I.D. Administrator in determining the current A.I.D. Operational Year Budget? (Reference may be made to the Taking into Consideration memo.)

    Tunisia is current in its payments

14. FAA Sec. 620A. Has the President determined that the recipient country grants sanctuary from prosecution to any individual or group which has committed an act of international terrorism or otherwise supports international terrorism?

    NO

15. FY 1988 Continuing Resolution Sec. 576. Has the country been placed on the list provided for in Section 6(j) of the Export Administration Act of 1979 (currently Libya, Iran, South Yemen, Syria, Cuba, or North Korea)?

    NO

16. ISDCA of 1985 Sec. 552(b). Has the Secretary of State determined that the country is a high terrorist threat country after the Secretary of Transportation has determined, pursuant to section 1115(e)(2) of the Federal Aviation Act of 1958, that an airport in the country does not maintain and administer effective security measures?

    NO

17. FAA Sec. 666(b). Does the country object, on the basis of race, religion, national origin or sex, to the presence of any officer or employee of the U.S. who is present in such country to carry out economic development programs under the FAA?

    NO

18. FAA Secs. 669, 670. Has the country, after August 3, 1977, delivered to any other country or received nuclear enrichment or reprocessing equipment, materials, or technology, without specified arrangements or safeguards, and without special certification by the President? Has it transferred a nuclear explosive device to a non-nuclear weapon state, or if such a state, either received or detonated a nuclear explosive device? (FAA Sec. 620E permits a special waiver of Sec. 669 for Pakistan.)

    NO

19. FAA Sec. 670. If the country is a non-nuclear weapon state, has it, on or after August 8, 1985, exported (or attempted to export) illegally from the United States any material, equipment, or technology which would contribute significantly to the ability of a country to manufacture a nuclear explosive device? NO

20. ISDCA of 1981 Sec. 720. Was the country represented at the Meeting of Ministers of Foreign Affairs and Heads of Delegations of the Non-Aligned Countries to the 36th General Assembly of the U.N. on Sept. 25 and 28, 1981, and did it fail to disassociate itself from the communique issued? If so, has the President taken it into account? (Reference may be made to the Taking into Consideration memo.) NO

21. FY 1988 Continuing Resolution Sec. 528. Has the recipient country been determined by the President to have engaged in a consistent pattern of opposition to the foreign policy of the United States? NO

22. FY 1988 Continuing Resolution Sec. 513. Has the duly elected Head of Government of the country been deposed by military coup or decree? If assistance has been terminated, has the President notified Congress that a democratically elected government has taken office prior to the resumption of assistance? NO

23. FY 1988 Continuing Resolution Sec. 543. Does the recipient country fully cooperate with the international refugee assistance organizations, the United States, and other governments in facilitating lasting solutions to refugee situations, including resettlement without respect to race, sex, religion, or national origin? YES

B. FUNDING SOURCE CRITERIA FOR COUNTRY ELIGIBILITY

1. Development Assistance Country Criteria

FAA Sec. 116. Has the Department of State determined that this government has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, can it be demonstrated that contemplated assistance will directly benefit the needy?

Assistance is from the ESF account.

FY 1988 Continuing Resolution Sec. 538. Has the President certified that use of DA funds by this country would violate any of the prohibitions against use of funds to pay for the performace of abortions as a method of family planning, to motivate or coerce any person to practice abortions, to pay for the performance of involuntary sterilization as a method of family planning, to coerce or provide any financial incentive to any person to undergo sterilizations, to pay for any biomedical research which relates, in whole or in part, to methods of, or the performance of, abortions or involuntary sterilization as a means of family planning?

N/A

2. Economic Support Fund Country Criteria

FAA Sec. 502B. Has it been determined that the country has engaged in a consistent pattern of gross violations of internationally recognized human rights? If so, has the President found that the country made such significant improvement in its human rights record that furnishing such assistance is in the U.S. national interest?

NO

FY 1988 Continuing Resolution Sec. 549. Has this country met its drug eradication targets or otherwise taken significant steps to halt illicit drug production or trafficking?

YES

5C(3) - STANDARD ITEM CHECKLIST

Listed below are the statutory items which normally will be covered routinely in those provisions of an assistance agreement dealing with its implementation, or covered in the agreement by imposing limits on certain uses of funds.

These items are arranged under the general headings of (A) Procurement, (B) Construction, and (C) Other Restrictions.

A. PROCUREMENT

1.	FAA Sec. 602(a). Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?	Yes, under AID-established procedures.
2.	FAA Sec. 604(a). Will all procurement be from the U.S. except as otherwise determined by the President or under delegation from him?	YES
3.	FAA Sec. 604(d). If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company?	Tunisia does not discriminate against U.S. marine insurance companies.
4.	FAA Sec. 604(e); ISDCA of 1980 Sec. 705(a). If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.)	No such procurement is contemplated.
5.	FAA Sec. 604(g). Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those	N/A

countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.)

6. FAA Sec. 603. Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates?

   NO

7. FAA Sec. 621(a). If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

   No technical assistance is contemplated under this program.

8. International Air Transportation Fair Competitive Practices Act, 1974. If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

   YES

9. FY 1988 Continuing Resolution Sec. 504. If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

   No such contract is contemplated. However, if a direct contract is executed, it will contain such a provision.

10. FY 1988 Continuing Resolution Sec. 524. If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

   N/A

14

B. <u>CONSTRUCTION</u>

1. FAA Sec. 601(d). If capital (e.g., construction) project, will U.S. engineering and professional services be used?	N/A
2. FAA Sec. 611(c). If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable?	N/A
3. FAA Sec. 620(k). If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the CP), or does assistance have the express approval of Congress?	N/A

C. <u>OTHER RESTRICTIONS</u>

1. FAA Sec. 122(b). If development loan repayable in dollars, is interest rate at least 2 percent per annum during a grace period which is not to exceed ten years, and at least 3 percent per annum thereafter?	N/A. Program is grant-financed.
2. FAA Sec. 301(d). If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights?	N/A
3. FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a mannar which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries?	YES

4. Will arrangements preclude use of financing:

a. FAA Sec. 104(f); FY 1987 Continuing Resolution Secs. 525, 538. (1) To pay for performance of abortions as a method of family planni or to motivate or coerce persons to practice abortions; (2) to pay for performance of involuntary sterilization as method of family planning, or to coerce or provide financial incentive to any person to undergo sterilization; (3) to pay for any biomedical research which relates, in whole or part, to methods or the performance of abortions or involuntary sterilizations as a means of family planning; or (4) to lobby for abortion? — Yes to (1) through (4)

b. FAA Sec. 483. To make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? — YES

c. FAA Sec. 620(g). To compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? — YES

d. FAA Sec. 660. To provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? — YES

e. FAA Sec. 662. For CIA activities? — YES

f. FAA Sec. 636(i). For purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? — YES

\\\

g. FY 1988 Continuing Resolution Sec. 503. To pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? YES

h. FY 1988 Continuing Resolution Sec. 505. To pay U.N. assessments, arrearages or dues? YES

i. FY 1988 Continuing Resolution Sec. 506. To carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? YES

j. FY 1988 Continuing Resolution Sec. 510. To finance the export of nuclear equipment, fuel, or technology? YES

k. FY 1988 Continuing Resolution Sec. 511. For the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? YES

l. FY 1988 Continuing Resolution Sec. 516; State Authorization Sec. 109. To be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? YES

3(A)2 - NONPROJECT ASSISTANCE CHECKLIST

The criteria listed in Part A are applicable generally to FAA funds, and should be used irrespective of the program's funding source. In Part B a distinction is made between the criteria applicable to Economic Support Fund assistance and the criteria applicable to Development Assistance. Selection of the criteria will depend on the funding source for the program.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED?

A. GENERAL CRITERIA FOR NONPROJECT ASSISTANCE

1. FY 1987 Continuing Resolution Sec. 523; FAA Sec. 634A. Describe how authorization and appropriations committees of Senate and House have been or will be notified concerning the project.

   An Advice of Program Change and an Activity Data Sheet have been submitted to Congress.

2. FAA Sec. 611(a)(2). If further legislative action is required within recipient country, what is basis for reasonable expectation that such action will be completed in time to permit orderly accomplishment of purpose of the assistance?

   No legislative action is required.

3. FAA Sec. 209. Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

   NO

   Assistance is not expected to encourage regional development programs.

4. FAA Sec. 601(a). Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

   Program can help foster international trade and private initiatives/competition.

   Program will have a small, positive impact re C-F.

5. FAA Sec. 601(b). Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

   Program will increase U.S. trade. Program will have minimal impact on encouragement of U.S. private sector in foreign assistance programs.

6. FAA Secs. 612(b), 636(h); FY 1987 Continuing Resolution Secs. 507, 509. Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

   N/A
   Program provides foreign exchange for the purchase of U.S. feed grains.

7. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

   NO

8. FAA Sec. 601(e). Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise?

   YES

9. FAA 121(d). If assistance is being furnished under the Sahel Development Program, has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of A.I.D. funds?

   N/A

10. FY 1987 Continuing Resolution Sec. 532. Is disbursement of the assistance conditioned solely on the basis of the policies of any multilateral institution?

B. FUNDING CRITERIA FOR NONPROJECT ASSISTANCE

1. Nonproject Criteria for Economic Support Fund

a. FAA Sec. 531(a). Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA?	YES YES
b. FAA Sec. 531(e). Will assistance under this chapter be used for military or paramilitary activities?	NO
c. FAA Sec. 531(d). Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106?	YES YES
d. FAA Sec. 609. If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?	YES. These are included in the Program.
e. FY 1988 Continuing Resolution. If assistance is in the form of a cash transfer: (a) are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds? (b) will all local currences that may be generated with funds provided as a cash transfer to such a country also be deposited in a special account to be used in accordance with FAA Section 609 (which requires such local currencies to be made available to the U.S. governnent as the U.S. determines necessary for the requirements of the U.S. Government, and which requires the remainder to be used for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by the FAA	N/A. Program is an ESF Commodity Import Program Grant.

would themselves be available)? (c) Has Congress received prior notification providing in detail how the funds will be used, including the U.S. interests that will be served by the assistance, and, as appropriate, the economic policy reforms that will be promoted by the cash transfer assistance?

f. FY 1988 Continuing Resolution. Have local currencies generated by the sale of imports or foreign exchange by the government of a country in Sub-Saharan Africa from funds appropriated under Sub-Saharan Africa, DA been deposited in a special account established by that government, and are these local currencies available only for use, in accordance with an agreement with the United States, for development activities which are consistent with the policy directions of Section 102 of the FAA and for necessary administrative requirements of the U. S. Government?

N/A

2. Nonproject Criteria for Development Assistance

a. FAA Secs. 102(a), 111, 113, 281(a). Extent to which activity will (a) effectively involve the poor in development, by expanding access to economy at local level, increasing labor-intensive production and the use of appropriate technology, spreading investment out from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using the appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward better life, and otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries?

N/A. Activity is an ESF Program.

b. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Is assistance being made available (include only applicable paragraph which corresponds to source of funds used; if more than one fund source is used for assistance, include relevant paragraph for each fund source):

(1) [103] for agriculture, rural development or nutrition; if so (a) extent to which activity is specifically designed to increase productivity and income of rural poor; [103A] if for agricultural research, account shall be taken of the needs of small farmers, and extensive use of field testing to adapt basic research to local conditions shall be made; (b) extent to which assistance is used in coordination with efforts carried out under Sec. 104 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people; and (c) extent to which activity increases national food security by improving food policies and management and by strengthening national food reserves, with particular concern for the needs of the poor, through measures encouraging domestic production, building national food reserves, expanding available storage facilities, reducing post harvest food losses, and improving food distribution.

N/A. Activity is an ESF Program.

(2) [104] for population planning under Sec. 104(b) or health under Sec. 104(c); if so, extent to which activity emphasizes low-cost, integrated delivery systems for health, nutrition and family planning for the poorest people, with particular attention to the needs of mothers and young children, using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems, and other modes of community outrearch. N/A

(3) [105] for education, public administration, or human resources development; if so, (a) extent to which activity strengthens nonformal education, makes formal education more relevant, especially for rural families and urban poor, and strengthens management capability of institutions enabling the poor to participate in development; and (b) extent to which assistance provides advanced education and training of people of developing countries in such disciplines as are required for planning and implementation of public and private development activities. N/A

(4) [106] for technical assistance, energy, research, reconstruction, and selected development problems; if so, extent activity is:

(i)(a) concerned with data collection and analysis, the training of skilled personnel, research on and development of suitable energy sources, and pilot projects to test new methods of energy production; and (b) facilitative of research on and development and use of small-scale, decentralized, renewable energy sources for rural areas, emphasizing development of energy resources which are environmentally acceptable and require minimum capital investment; N/A

(ii) concerned with technical cooperation and development, especially with U.S. private and voluntary, or regional and international development, organizations;

(iii) research into, and evaluation of, economic development processes and techniques;

(iv) reconstruction after natural or manmade disaster and programs of disaster preparedness;

(v) for special development problems, and to enable proper utilization of infrastructure and related projects funded with earlier U.S. assistance;

(vi) for urban development, especially small, labor-intensive enterprises, marketing systems for small producers, and financial or other institutions to help urban poor participate in economic and social development.

(5) [120-21] for the Sahelian region; if so, (a) extent to which there is international coordination in planning and implementation; participation and support by African countries and organizations in determining development priorities; and a long-term, multi-donor development plan which calls for equitable burden-sharing with other donors; (b) has a determination been made that the host government has an adequate system for accounting for and controlling receipt and expenditure of projects funds (dollars or local currency generated therefrom)? N/A

c. FAA Sec. 107. Is special emphasis placed on use of appropriate technology (defined as relatively smaller, cost-saving, labor using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? N/A

d. <u>FAA Sec. 281(b)</u>. Describe extent to which the activity recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

N/A

e. <u>FAA Sec. 101(a)</u>. Does the activity give reasonable promise of contributing to the development of economic resources, or to the increase of productive capacities and self-sustaining economic growth?

N/A

RÉPUBLIQUE TUNISIENNE

MINISTERE
DES
AFFAIRES ETRANGERES

N° NH/SL/84/1

S.E.C.I.

504041

ANNEX F

AW 660-K-601 PROG

CIP -

- 3 OCT. 1986

Tunis le

Received in CM 10/6/86

Monsieur le Directeur de la Mission Spéciale Américaine de Coopération Economique et Technique en Tunisie

O B J E T /Coopération Tuniso-Américaine.
Projet de Sauvergarde de Cheptel.

P. JOINTE / Une (1)

ACTION | INFO
DIR
A/DIR
EXO
PER
PROG
TRG
PRE
CONT
S & T
PC 2
PO
EMB ADMIN
EMB ECO
POL
ECON
C & R USAID
CHRON
RF

J'ai l'honneur de porter à votre connaissance que dans le cadre du programme de sauvergarde de Cheptel financé sur les Fonds de contre-partie de l'aide alimentaire d'urgence, le Ministère de l'Agriculture envisage la réalisation des actions figurant dans le document ci-joint.

A cet effet, je vous saurais gré de bien vouloir prendre les dispositions nécessaires pour la réalisation du programme en question.

Veuillez agréer, Monsieur le Directeur l'expression de ma considération distinguée.

P. Le Secrétaire d'Etat auprès du Ministre des Affaires Etrangères Chargé de la Coopération Internationale
Le Directeur Général de la Coopération Internationale

Hamed Ammar

Attachment sent to PO.

6

ANNEX 1

PROJET DE CREATION DE RESERVES ET D'AMELIORATION DES RESSOURCES FOURRAGERES DANS LE CENTRE DE LA TUNISIE

I/INTRODUCTION

Le présent document est une fiche d'identification de projet. Elle trace les grandes lignes d'une stratégie destinée à la création de ressources fourragères et pastorales supplémentaires et une infrastructure de stockage et de distribution susceptibles d'améliorer les capacités du pays à faire face aux besoins trés importants en aliments de bétail nécessaire à la sauvegarde du cheptel national dans le centre du pays. Cette action devie impérieuse durant les périodes de soudures ou de disettes prolongées qui sont assez fréquentes dans la région. La durée de ce projet est de deux ans.

Les actions à entreprendre dans le cadre de ce projet et à finance sur les fonds provenants de la vente du mais (3.341.000^{D}) objet du don AID N°. 664-K-601 concerneront :

A. l'amélioration pastorale, qui comportera l'amélioration des productions pastorales herbacées mais surtout la création de plantations fourragères arbustives destinées à servir comme réserve fourragère sur pieds.

B. la création du points d'eau sur les parcours, pour permettre l'installation des arbustes et améliorer les conditions d'abreuvement du cheptel. Ces points d'eau peuvent être, suivant les sites pastoraux considéres soit, des bassins de retentions, soit des puits de surface ou profonds.

C. la consolidation d'ouvrages de conservation des eaux et du sol, par l'établissement de plantations arbustives fourragères ou autres, ou la création de bandes enherbées, ou toute autre technique susceptible de mainteni les ressources en eau et sol en place.

D. l'augmentation des capacités de traitement de la paille à l'ammoniac dans le centre du pays par l'acquisition de nouveaux matériels de transport et d'injection.

.../...

E. la construction d'abrits de stockage d'aliments de bétail, sous forme de foin, d'aliment concentré ou de bouchon de son. C'est à partir de ces centres de stockage qu'aura lieu la distribution des aliments du bétail, il est nécessaire de prévoir du matériel de transport dans un ou plusieurs centres pour couvrir un ou plusieurs gouvernorats. Ces abrits pourront être convertis en atelier d'engraissement ou de récupération d'agneaux, qui au moment des disettes sont vendus à la boucherie à des poids trés réduits (14 à 20 kg poids vif).

II/ LES ACTIONS A ENTREPRENDRE

1. L'amélioration pastorale

Cette action pourrait être exécutée rapidement avec la conjuguaison des efforts de la direction des forêts et de l'Office de l'Elevage. La directi des forêts prendrait à charge d'installer 1600 ha d'accacia cyano-phylla et 1500 ha de cactus sur les terres collectives privées. L'Office de l'Elevage prendrait en charge l'installation de 2000 ha de cactus inerme dans les parcours privées et collectifs.

Les incidences financières du ce programme sont indiquées au tableau suivant :

Tableau 1 : Coût estimatif des actions d'amélioration pastorale et d'installation d'arbustes fourragers

Organisme intervenant	Nature de l'intervention	Superficie hectares	Coût Total (D)
Direction des forêts	Plantation d'arbustes	1600 ha	800.000
Direction des forêts	Plantation de Cactus	1500 ha	364.000
O.E.P.	Plantat. Cactus	2000 ha	300.000
Action des deux organismes	Diverses actions d'amélioration pastorale	5100 ha	1464.000

2. Création de points d'eau sur, ou autours des parcours

Les sites pastoraux n'étant pas définis, il n'est pas possible, pour le moment, de dire avec précision qu'elles seraient les types de points d'eau à mettre en place. Toutefois, il serait judiscieux de prévoir une envelop financière d'environ 274.000 ^{D} qui serait confiée à la direction du génie rural pour lui permettre, une fois les sites d'installation définis, de pouvoir entamer l'ensemble des actions prévues :

points d'eau 274.000 D

3. Consolidation d'ouvrages CES

Ces interventions concerneront la mise en place d'arbustes fourrages ou d'herbacées pluriannuels pour stabiliser les ouvrages du conservation des sols, nouvellement crées.

Le coût de ses interventions serait du l'ordre de :

-plantations de consolidation des ouvrages sur 5727 ha : 630.00(

4. Traitement de la paille à l'ammoniac

Cette action se concretisera par l'installation de citernes mobiles de grande capacité (20 T) qui permettraient de rapprocher la source d'ammoniac aux régions où s'accomplit le traitement. Ainsi, il est prévu d'installer 3 citernes tractées par camions dans les gouvernorats du Kairouan, Zaghouan, et El Kef. Cette distribution permettra non seulement de reduire le temps de transport passé entre l'usine SAEPA du Gabes et le lieu de traitement mais, éventuellement aussi de desservir en ammoniac les unités de l'OEP ou d'autre organismes qui opereraient dans le nord du pays.

- 3 citernes tractées par camion de 20 T
  3 x 112 000 ^{D} = 336.000^{D}

5. La construction de centres de sauvegarde de cheptel

Ces centres seront destinés au stockage des aliments de bétail et à la récupération et à l'engraissement d'agneaux.

Ils seront construits en charpente mettaliques et en dur. Ils permettront de stocker environ 1500 T d'aliment de bétail par centre sous la forme de bouchons de son, de luzerne, de pulpe de betterave ou d'aliment concentré. Ces centres seront implantés dans cinq gouvernorats de la Tunisie centrale et des zones marginales (Gafsa, Sidi Bouzid, Kairouan, Zaghouan et El Kef).

Trois de ces centres disposeront d'un camion avec semi remorque de 30 T qui permettront le transport des produits stockés soit, des centres ver les régions où le besoin en aliments de bétail et ressenti, soit des lieux de production ou d'importation des aliments vers le centres de stockage.

Ces mêmes centres de stockage joueraient aussi le role d'atelier de récupération et d'engraissement d'agneaux pour permettre à l'OEP, d'une part, de pouvoir liquider les vieux stocks d'aliments de bétail en installant des ateliers d'engraissement d'agneaux lors des bonnes années ; d'autre part, de permettre à l'OEP d'intervenir lors des périodes d'extreme sécheresse pour récupérer les agneaux qui seraient vendus prématurement à la boucherie à des poids réduits (entre 14 et 20 kg).

-construction de 5 centres de sauvegarde du cheptel
2000 m2 /centre x 49^{D}/m2 (genie civil + charpente) = 98 000^{D}

98 000 x 5 =	490 000 D
-2 camions avec semi remorques de 30 T	
73 500 ^{D} x 2 =	147 000 D
TOTAL	637 000 D

III/ RECAPITULATIF DES ACTIONS PREVUES ET LEUR INCIDENCE FINANCIERE PAR OPERATEUR

Voir page suivante.

FONDS DE CONTRE-PARTIE AID

ACTIONS A ENTREPRENDRE	O.E.P. Importance Coût/D	DIRECTION (Forêt) Importance Coût/D	DIRECTION (C.E.S.) Importance Coût/D	DIRECTION (G.R.) Importance Coût/D	TOTAL (Dinars)
Plantation d'accacia	-	1600 800.000	-	-	800.000
Plantation de cactus	2000 Ha 300.000	1500 364.000	-	-	664.000
Création de points d'eau	-	-	-	X 274.000	274.000
Consolidation d'ouvrages de CES	-	-	5727 Ha 630.000	-	630.000
Traitement paille à l'ammoniac	3 unités mobiles. 336.000				336.000
Construction centres de sauvegarde du cheptel + 3 camions	5 centres 637.000	-	-	-	637.000
TOTAL	1.273.000	1.164.000	630.000	274.000	3.341.000

REPARTITION DES ACTIONS PAR GOUVERNORAT

DU FONDS AID

(O.E.P., D/FORETS, C.E.S., D/GENIE RURAL)

GOUVERNORATS / ACTIONS	KAIROUAN	SIDI BOUZID	GAFSA	KASSERINE	KEF	SILIANA	ZAGHOUAN	TOTAL
Plantation d'accacia (Ha)	400	300			400	200	300	1.600
Plantation cactus (Ha)	750	650		1.100	400	300	300	3.500
Création de points d'eau	-	-	-	-	-	-	-	X
Consolidation ouvrages CES (Ha)	500	700	500	2.000	427	1.200	400	5.727
Traitement paille à l'ammoniac	1 unité				1 unité		1 unité	3 unités
Centres de sauvegarde	1	1	1		1		1	5

REPUBLIQUE TUNISIENNE

ANNEX F

MINISTERE
DES
AFFAIRES ETRANGERES

~~DCAT~~
~~FAL~~
~~PROT~~

Tunis, le 17 JUIL. 1987

Received in ctn
7/22/87 Rec'd 7/20

USAID

N° NH/FH 84/1
S.E.C.I

532656

PROG
GI

MONSIEUR LE DIRECTEUR DE LA MISSION
SPECIALE AMERICAINE DE COOPERATION
ECONOMIQUE ET TECHNIQUE EN TUNISIE

K-601
K-602
F-786 operational

- TUNIS -

OBJET / Coopération Tuniso-américaine
Programmes d'importation (C.I.P)
sur les fonds de Soutien Economique
des années 1986 et 1987.

P. JOINTE / Spécimen de signature.

--oo--

ACTION	INFO
DIR ✓	
A. DIR	
EXO	
PER	
PROG ✓	
TAG	
F.E	
CONT ✓	
PMC	
HUDO	
R.C.	
/ADMIN	
OSO	
POL	
ECON	
C & R USAID	
✓	

Monsieur le Directeur,

J'ai l'honneur de porter à votre connaissance que l'équivalent en dinars tunisiens des 4,7 Millions de $ US prelévés sur les Fonds de Soutien Economique de l'année 1986 a été viré le 24 Avril 1987 au compte spécial ouvert à cet effet à la Banque Centrale de Tunisie.

Ce montant se chiffre à 3.953.685,201 dinars tunisiens.

Par ailleurs vous voudriez bien trouver ci-joint, le spécimen de signature de Monsieur Zein EL MESTIRI, Directeur Général de la Coopération au Ministère du Plan et des Finances, désigné comme représentant du gouvernement tunisien pour la programmation des fonds de con[illegible] partie provenant de la dotation E.S.F de l'année 1987 pour le programme d'importation de l'année en cours.

.../...

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Veuillez agréer, Monsieur le Directeur l'expression de ma considération distinguée.

Mohamed BOUGHZALA

Directeur de la Coopération Bilatérale et Régionale avec les Pays de l'OCDE les Démocraties Populaires et les Pays-Latino Américains.

NISIENNE

DU PLAN ET
ES FINANCES

SPECIMEN DE SIGNATURE

DE Mr. ZEIN EM MESTIRI

Directeur Général de la Coopération Internationale

1969 - 1971	Development Assistance Advisor, U.S. Mission to the O.E.C.D. (DAC donor coordination with emphasis on burden-sharing and concessionality, monitoring and evaluation of OECD Development Center and Technical Cooperation Pro tram, representation at relevant meetings of OECD Budget Committee, participation on U.S. delegations to UNCTAD Trade and Development Board);
1966 - 1969	AID Operations Officer, USAID/Niger and USAID/Upper Volta (commencing as Deputy AOO, USAID/Niger and finishing as sole USAID representative in both countries as regional emphasis transformed former bilateral programs: duties included project monitoring, evaluation, supervision of extensive contract staff, negotiations with host governments, UNDP, and bilateral donor agencies);
1962 - 1966	Department of Examinations, University of London (administration of university examination system);
1958 - 1959	Estates Administrator, Royal Trust Company of Canada (management of estates and trusts).
Degrees:	M.Sc.(Econ./International Law), University of London, 1962;
	Postgraduate Diploma (International Affairs), University of London, 1960;
	B.A. (International Relations), Stanford University, 1958;
Languages:	French -- Used constantly during all overseas UN and AID assignments (UN Language Proficiency Certificate awarded 1973);
	Italian -- Moderate fluency ~~following three years' high school in Rome~~ and used during some UN assignments. ~~in Somalia and Portugal;~~
Awards: 1981	Department of State group Superior Honor Award to State/IO Evaluation and Planning Division; unit
1968	AID Meritorious Honor and Cash Incentive Awards while Acting AOO, USAID/Niger; title
Address:	6923 Espey Lane, McLean, Virginia 22101 (tel. 703-734-0058);
Office:	AID/ANE/PD/EA, Rm 3313-A N.S. (tel. 202-647-9639).

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