

UNCLASSIFIED

**Annual Budget
Submission**

FY 1991

TUNISIA

JULY 1989



**Agency for International Development
Washington, D.C. 20523**

BEST AVAILABLE

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FY 1991 ANNUAL BUDGET SUBMISSION
 TABLE I - LONG RANGE PLAN BY APPROPRIATION ACCOUNT
 (\$000)

	FY 1988	FY 1989	--FY 1990--		FY 1991	-----PLANNING PERIOD-----				
	ACTUAL	ESTIMATE	CP	ESTIMATE	AAPL	1992	1993	1994	1995	
Development Assistance										
Total	28	--	--	40	40	40	40	40	40	40
Grants	28	--	--	40	40	40	40	40	40	40
Loans	--	--	--	--	--	--	--	--	--	--
International Disaster Assistance										
Total	800	100	--	--	--	--	--	--	--	--
Total DA Account										
Total	828	100	--	40	40	40	40	40	40	40
Grants	828	100	--	40	40	40	40	40	40	40
Loans	--	--	--	--	--	--	--	--	--	--
Economic Support Funds										
Total	10,845	11,250	12,500	12,540	12,540	12,540	12,540	12,540	12,540	12,540
Grants	10,845	11,250	12,500	12,540	12,540	12,540	12,540	12,540	12,540	12,540
Loans	--	--	--	--	--	--	--	--	--	--
DA and ESF Total										
Total	11,673 ^{a/}	11,350	12,500	12,540	12,540	12,540	12,540	12,540	12,540	12,540
Grants	11,673	11,350	12,500	12,540	12,540	12,540	12,540	12,540	12,540	12,540
Loans	--	--	--	--	--	--	--	--	--	--
PL 480										
Title I	30,000	25,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Title III	--	--	--	--	--	--	--	--	--	--
Title II	--	10,000 ^{b/}	--	--	--	--	--	--	--	--
Housing Guaranties										
	15,000	25,000	--	25,000	--	--	--	--	--	--
Operating Expenses (U.S.\$)										
	1,565	1,447	1,650	1,500	1,750	1,775	1,825	1,825	1,825	1,825
Trust Funds	--	--	--	--	--	--	--	--	--	--
US \$										
Work force										
OE/TF										
US	16	14	--	14	14	14	14	14	14	14
FN	33	35	--	37	38	38	38	38	38	38
Program										
US	1	1	--	1	--	--	--	--	--	--
FN	0	1	--	2	2	2	2	2	2	2

a/ FY 88 total includes \$843,000 of ESF and \$28,000 of DA reobligations;
 b/ Section 416.

FY 1991 ANNUAL BUDGET SUBMISSION
TABLE IV - PROJECT BUDGET DATA
WORK SHEET

BUREAU FOR ASIA AND NEAR EAST
664 - TUNISIA

PROJECT NO. PROJECT TITLE	L G	FY OF INITIAL OBLIG.	FY OF FINAL OBLIG.	-LIFE OF PROJECT- AUTHD PLANNED	-THROUGH FY 89- OBLIGA- TIONS	PIPE- LINES	-ESTIMATED FY 89- OBLIGA- TIONS	EXPEN- DITURES	-ESTIMATED FY 90- OBLIGA- TIONS	EXPEN- DITURES	-FY 1991 ANPL- OBLIGATIONS
664-K603/A COMMODITY IMPORT PROGRAM											
ES G	88	89	8,000	7,855	3,355	—	4,500	4,500	—	—	—
PROJECT TOTAL:			8,000	7,855	3,355	—	4,500	4,500	—	—	—
664-K-603B COMMODITY IMPORT PROGRAM											
ES G	90	90	—	4,250	—	—	—	—	4,250	4,250	—
PROJECT TOTAL:			—	4,250	—	—	—	—	4,250	4,250	—
664-K-604 COMMODITY IMPORT PROGRAM											
ES G	91	91	—	3,000	—	—	—	—	—	—	3,000
PROJECT TOTAL:			—	3,000	—	—	—	—	—	—	3,000
664-0296 RURAL COMMUNITY HEALTH											
HE G	78	81	1,955	1,955	1,955	14	—	14	—	—	—
HE L	78	81	5,374	5,374	5,374	—	—	—	—	—	—
PROJECT TOTAL:			7,329	7,329	7,329	14	—	14	—	—	—
664-0304 AGRICULTURAL TECHNOLOGY TRANSFER											
ES G	78	87	2,945	2,945	2,945	2,489	—	1,115	—	1,088	—
FN G	78	87	5,800	5,800	5,800	1	—	1	—	—	—
PROJECT TOTAL:			8,745	8,745	8,745	2,490	—	1,116	—	1,088	—

PROJECT NO. PROJECT TITLE	L /	FY OF INITIAL OBLIG.	FINAL OBLIG.	-LIFE OF PROJECT- AUMD PLANNED	-THROUGH FY 88- OBLIGA- TIONS	PIPE- LINES	-ESTIMATED FY 89- OBLIGA- TIONS	EXPEN- DITURES	-ESTIMATED FY 90- OBLIGA- TIONS	EXPEN- DITURES	-FY 1991 APPL- OBLIGATIONS
664-0312 CENTRAL TUNISIA RURAL DEVELOPMENT											
ES G	79	85	2,279	2,279	2,279	1,429	—	730	—	699	—
FN G	79	85	6,323	6,323	6,323	269	—	269	—	—	—
FN L	79	81	9,923	9,923	9,923	93	—	93	—	—	—
HE G	79	85	690	690	690	2	—	2	—	—	—
HE L	79	85	1,432	1,432	1,432	4	—	4	—	—	—
PROJECT TOTAL:			20,647	20,647	20,647	1,797	—	1,098	—	699	—
664-0315 TECHNOLOGY TRANSFER											
ES G	81	91	43,522	43,522	29,290	3,661	5,000	6,500	5,000	6,000	4,200
SD G	81	81	1,450	1,450	1,450	28	—	28	—	—	—
DA	88	88	28	28	28	28	—	28	—	—	—
PROJECT TOTAL:			45,000	45,000	30,768	3,717	5,000	6,556	5,000	6,000	4,200
664-0327 AGRICULTURE RESEARCH AND EXTENSION											
ES G	82	82	2,794	2,794	2,794	10	—	10	—	—	—
PROJECT TOTAL:			2,794	2,794	2,794	10	—	10	—	—	—
664-0328 PRIVATE SECTOR DEV AND TECH TRANSFER											
ES G	82	90	6,800	6,800	5,200	2,262	650	766	950	1,500	—
FN G	82	87	300	300	300	215	—	215	—	—	—
PROJECT TOTAL:			7,100	7,100	5,500	2,477	650	981	950	1,500	—
664-330 SMALL PROJECT ASSISTANCE/PC											
FN G	84	87	40	40	40	22	—	22	—	—	—
SD G	84	94	106	346	106	24	—	10	40	34	40
PROJECT TOTAL:			146	386	146	46	—	32	40	34	40

PROJECT NO. PROJECT TITLE	L /	FY OF INITIAL OBLIG.	FY OF FINAL OBLIG.	-LIFE OF PROJECT- AUTHD PLANNED	-THROUGH FY 88- OBLIGA- TIONS	PIPE- LINES	-ESTIMATED FY 89- OBLIGA- TIONS	EXPEN- DITURES	-ESTIMATED FY 90- OBLIGA- TIONS	EXPEN- DITURES	-FY 1991 ANPL- OBLIGATIONS
664-0331 FAMILY PLANNING AND POPULATION DEVELOPMENT											
ES G	85	87	5,532	5,500	5,000	3,150	500	2,500	---	671	---
HE G	85	87	285	285	285	285	---	285	---	---	---
PN G	85	87	2,500	2,500	2,500	1,108	---	38	---	1,070	---
PROJECT TOTAL:			8,317	8,285	7,785	4,543	500	2,823	---	1,741	---
664-0334 COMPUTER TECHNOLOGY											
ES G	85	85	3,500	3,500	3,500	1,608	---	1,294	---	314	---
PROJECT TOTAL:			3,500	3,500	3,500	1,608	---	1,294	---	314	---
664-0337 RURAL POTABLE WATER											
ES G	86	86	6,500	6,500	6,500	5,793	---	1,000	---	2,500	---
PROJECT TOTAL:			6,500	6,500	6,500	5,793	---	1,000	---	2,500	---
664-0343 AG POLICY IMPLEMENTATION											
ES G	87	90	5,141	5,141	4,239	3,411	600	1,416	300	1,885	---
FN G	87	87	99	99	99	99	---	99	---	---	---
PROJECT TOTAL:			5,240	5,240	4,338	3,510	600	1,515	300	1,885	---
664-0346 PRIVATE ENTERPRISE PROMOTION											
ES G	91	97	---	8,000	---	---	---	---	---	---	1,500
PROJECT TOTAL:			---	8,000	---	---	---	---	---	---	1,500
664-0350 TECHNOLOGY APPLICATIONS											
ES G	90	95	---	8,000	---	---	---	---	2,000	---	2,000
PROJECT TOTAL:			---	8,000	---	---	---	---	2,000	---	2,000

PROJECT NO. PROJECT TITLE	L /	FY OF INITIAL OBLIG.	FY OF FINAL OBLIG.	-LIFE OF PROJECT- AUTHD PLANNED	-THROUGH FY 88- OBLIGA- TIONS	PIPE- LINES	-ESTIMATED FY 89-		-ESTIMATED FY 90-		
							OBLIGA- TIONS	EXPEN- DITURES	OBLIGA- TIONS	EXPEN- DITURES	
	G	91	94								
664-0353 DEVELOPMENT STUDIES											
	ES G			5,000						800	
PROJECT TOTAL:				5,000						800	
664-0354 AGRIBUSINESS PROMOTION GRANT (DPRP)											
	ES G			25,000						10,000	
PROJECT TOTAL:				25,000						10,000	
664-0355 TRAINING FOR THE FUTURE											
	ES G			25,000						1,000	
PROJECT TOTAL:				25,000						1,000	
COUNTRY TOTALS:											
GRANTS:			123,318	201,631	101,407	26,005	11,250	20,939	12,540	20,011	22,540
LOANS :			106,589	184,902	84,678	25,908	11,250	20,842	12,540	20,011	22,540
			16,729	16,729	16,729	97		97			
--- APPROPRIATION SUMMARY ---											
AGR., RURAL DEV. & NUTRITION:											
POPULATION PLANNING:											
HEALTH:											
CHILD SURVIVAL FUND:											
AIDS:											
EDUCATION AND HUMAN RESOURCES:											
PRIVATE SECTOR, ENERGY AND ENVIRONMENT:											
SAHEL DEVELOPMENT:											
DEVELOPMENT FUND FOR AFRICA:											
SADCC:											

DEVELOPMENT POLICY
REFORM PROGRAM

Mission welcomes DPRP initiative and proposes a \$10 million Agribusiness Promotion Grant for fiscal year 1991 under the DPRP.

A DPRP Incentive Program would introduce the first sector program grant in Tunisia, enabling us to get a full year's headstart on implementing the new strategy directions for the 1992-1996 CDSS period approved during Program Week held in March 1989. Our strategy emphasizes employment, exports and enterprise, with agribusiness as a major new thrust. This program would also significantly enhance our influence in getting the GOT to reorient agricultural policy and investment in support of private commercial agricultural and livestock production, processing and market. It would clearly show our commitment to helping the GOT move in this direction by its additionality to our regular OYB.

This program will directly support the second phase of the Tunisian Economic Adjustment Program which is expected to go into effect in mid CY 1991. This second phase will tackle the

remaining challenges of continued agricultural market and price liberalization, parastatal privatization and reform, and private investment promotion in commercial high value agriculture and agro-industry. In view of Tunisia's bold reforms and impressive performance since 1986 in meeting virtually all its targets (which have been supported by the IMF and IBRD), we believe Tunisia is an excellent candidate for an incentive program like DPRP and that the proposed Agribusiness Promotion Grant can contribute directly to addressing the reform challenges in agriculture.

(See New Project Description Summary for full details).

TUNISIA

New Project Description Summary
FY 1990

Project Number and Title: (664-0350) Technology Applications
Project (TAP)

Funding: FY 1990-\$2 million, FY 91-\$2 million
FY 92-95 \$1 million per year, LOP \$8 million

Appropriation Account: ESF

Project Purpose: To identify and spread technologies for productive applications in Tunisia's economy.

Program Description: At Tunisia's present stage of technology development it is not yet able to effectively mobilize technology to serve its development objectives. Improvements across a wide spectrum are required if Tunisia is to generate domestic demand for improved technologies and to produce internationally competitive products and services.

The project will (1) identify productive technologies; (2) promote their applications either directly or through appropriate private and public sector institutions; (3) respond to requests for assistance from public and private sector entities to develop or modify technologies; (4) seek to engage the GOT and the Tunisian private sector in commercially viable technology investments. (5) examine impediments and help GOT formulate technology policy conducive to commercial application and private investment in technology.

The technology areas identified as most promising, and in which the U.S. has a comparative advantage, include informatics and telecommunications, irrigation and water management, management, agro-business and food processing, contraceptive research, mass media applications, and bio-technology. The project need not be limited to the areas already identified but can be expanded in response to market demand.

The project will initially be undertaken in modules grouped around either a particular technological need, such as improved irrigation systems and management, or targetted at a particular institution, such as IRSIT, ONFP or a trade association. During the course of the project, an intermediary institution will be identified to serve as the focus for increased investments and commercialization of new and adapted technologies.

Relationship of program to AID strategy: The program directly supports the growth and employment goals of the new strategy. Specific activities will support our sub-targets of more productive and efficient agricultural production, processing and marketing as well as private sector revitalization.

Target Group: Tunisian entrepreneurs, researchers and farmers will be targetted and will benefit from this effort.

Request for delegation of PID approval authority: This project appears as the Science and Technology project 0350 in the 1990 CP with an LOP of \$5 million. It is responsive to the objectives set out on pages 44-45 of the Action Plan options paper submitted and reviewed in February and March 1989. There are no policy problems and design is anticipated to occur without difficulties with Regional Legal Assistance and staff to arrive this summer. The Mission has sufficient resources to take the project to authorization stage. We request authority to do this and, on expiration of the FY 1990 CN to be submitted in FY 1990, to authorize and sign an agreement.

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TUNISIA

New Project Description Summary
FY 1991

Program Number and Title: 664-K-604 Commodity Import Program (CIP)

Project Funding FY 1991: \$3.0 million
LOP Cost: \$3.0 million

Appropriation Account: ESF

Project Purpose: To encourage use of US goods in the Tunisian private sector as well as provide local currency to Economic Adjustment related policy change efforts.

Program Description: This Commodity Import Program will continue AID's quick impact support for the Government of Tunisia's comprehensive medium-term Structural Adjustment Program which will enter its fifth year in FY 91. In FY 1991 the GOT will be completing the last year of the first phase of the Economic Adjustment program and will be transitting to the second phase. Greater private sector activity will demand technically sophisticated US goods as well as local currencies to effectuate policy changes. The Commodity Import Program will provide foreign exchange for needed U.S. commodity imports. To the extent feasible, commodities provided under this program will demonstrate U.S. advanced technology and should, by example, demonstrate that a market for new sorts of U.S. technology exists. At the same time domestic sales of these imports will generate local currency to finance implementation of reform oriented activities supportive of the economic adjustment program.

Relationship of Program to AID Strategy: The new USAID direction target growth and employment. Program emphases include export expansion and privatization. U.S. goods will be important to Tunisia in building capacities on these areas and the CIP will provide some of these goods. As well, the local currencies generated will support various aspects of implementation of policy changes undertaken pursuant to the economic adjustment program. Local currencies generated will be used for research and analyses on private sector activities with an emphasis on support for privatization and for locally done definitional efforts to improve the match of labor supply and skills with market demand.

Policy Issues: There is a question as to whether the CIP should be restricted to Private Sector beneficiaries or be made available to public enterprises. The management of a Private Sector CIP with several commodities will also be labor intensive. A decision on direction will be made by mid 1990.

Beneficiaries: The Prime beneficiaries will be the private or public sector firms which use the commodities. Secondly beneficiaries will be those partners which benefit from policy changes expedited by the use of CIP generated local currencies.

Request for PID Approval Authority: As the issues to be resolved are relatively uncomplicated and the project will be under \$5 million delegation for approval of PID and PAAD are requested for the field.

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664-TUNISIA

NEW PROJECT DESCRIPTION SUMMARY

FY 1991

Project Name and Title: (664-0346) Private Enterprise Promotion

Project Funding: FY 1991: \$1.5 million
FY 1992: \$1.5 million
LOP Cost: \$8.0 million FY 91-97

Appropriations Account: ESF

Project Purpose: To support emergence of a more market-driven, export-oriented economy in Tunisia through private sector revitalization and expansion.

Project Description Summary: This project follows upon USAID's private sector project (664-0328) by providing a concentrated focus on private sector revitalization and expansion through assistance to five key areas: (1) privatization, (2) financial intermediation, (3) investment promotion, (4) deregulation and (5) export expansion.

The project context is an ambitious but serious effort by the Government of Tunisia ("GOT") to reform its economy into a dynamic, market-driven, export oriented one. The GOT is now in the fifth year of an economic structural adjustment process ("SAP") which began in 1986. Tunisia's economic performance under the SAP has been impressive, resulting in significant improvement in public finances and exports, on-going deregulation of control over many sectors and a liberalization of the GOT's policy framework as it affects private production, trade and investment.

A number of changes in policy and procedures can be partially attributed to USAID's ongoing policy dialogue and privatization, financial markets and trade and investment assistance inputs initiated under USAID's first private sector project.

In 1991 the GOT adjustment program will enter a second, more difficult phase of economic transformation. The GOT strategy which entails a shift from a state-controlled, import-substituting economy to a private-led, outward-looking one will call for new approaches, new skills, new capacities and new technologies, along with stepped-up private investment. U.S. assistance can continue to play a vital role in this transformation process.

The project will provide funding for technical assistance, training, targetted studies of constraints, seminars and conferences in the five key areas of concentration. In privatization the project will continue a program of technical assistance to the Prime Ministry which will include at least one long term advisor in privatization policy and practice plus a

number of medium and short term advisors to facilitate specific privatization actions and follow-up. Training will be provided in several disciplines, such as management auditing, financial asset evaluation, finance, etc. Targetted studies will also be funded.

In the financial markets component the project will continue financing of advisor services to the Stock Exchange to provide advice on needed policy and legislative changes, market procedures and mechanics and the development of new financial instruments -- ones with standing both domestically and, in time, internationally. Training will focus on both private sector and stock exchange personnel and include not only market mechanics and operations but also finance, financial management and analysis.

In the areas of investment promotion the project will continue to provide appropriate technical assistance to the Joint Commission on Trade and Investment as well to several Tunisian service agencies. The project will also provide financing for targetted studies on constraints to domestic and international investment.

In terms of deregulation, a key area of emphasis will be studies analyzing regulatory constraints on the ability of firms to operate profitably in Tunisia. Follow-on seminars which address issues raised in the studies will also be financed.

The export expansion component will finance both technical assistance to improve Tunisian abilities to grade, package, market and price high value exports as well as technical assistance to develop exporter services to broaden export risk products and coverage. Some export promotion visits to important markets may also be funded.

Relationship to USAID Strategy: The project directly supports private sector revitalization and expansion goals of the new strategy. Specific activities will support our five sub-targets of: privatization, financial intermediation, investment promotion, deregulation and export expansion.

Target Group: Private savers and investors, enterprise owners and employees, trade associations and GOT policy makers will be targetted and will benefit from this effort.

Request for Delegation of PID Approval Authority:

This project appears as the Private Sector Development Project Number (0346) in the 1990 CP with an LOP of \$5.0 million. It is responsive to the objectives set forth on pages 36 through 39 of the Action Plan options paper submitted and reviewed in February and March 1989. No policy issues are present in the project as

each of the areas of emphases is consistent with published AID policy papers, the USAID/Tunis Private Sector Strategy and the GOT development policy. It is anticipated that the Mission has sufficient resources and regional backstopping to take the project to the authorization stage. Accordingly, we request AID/W concurrence in PID approval at post.

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TUNISIA

New Project Description Summary
FY 1991

Project Number and Project Title: (664-0355) Training for the Future Project (TFP)

LOP: 7 years (FY 1991-FY 1997)

Project Funding: FY 1991 Funding: \$1 million, \$4 million per year thereafter; LOP cost: \$25 million

Appropriation Account: ESF

Project Purpose: To provide training in both the public and private sectors in support of Tunisia's transformation to a market driven economy.

Project Description: In 1986 the Government of Tunisia embarked on a major structural adjustment program which aims to transform the economy from one with a state-controlled, import-substitution orientation into one with a dynamic, market-driven, export-oriented focus. In order to achieve this goal the country will need increasing numbers of well trained people with good managerial skills, capable of staying abreast of changing technological advances and current in international market trends and demand for exports.

The project will provide both short and long term (academic) training to both public and private sector entities across the entire economy. The project will work directly with the private sector to help set up internship programs as an appropriate training vehicle both in Tunisia and the USA. Specific emphasis will be upgrading skills needed to manage a market-driven economy and which will enable Tunisia to play a prominent role in the application and dissemination of modern technologies throughout the Maghreb and the entire continent of Africa.

Relationship to AID Strategy: The project will provide direct support to the Mission's new areas of emphasis in technology applications and agro-business development and will support initiatives being undertaken in the sphere of trade and investment. Nevertheless, opportunities will be made available for participants to receive specialized training enabling them to stay current in sectors not directly supported by the Mission. The project reflects the Mission's new strategy directions and is based on ten years experience with a large participant training project. Priority areas of emphasis where training is required will be identified by a

private sector needs assessment and an evaluation of the Technology Transfer Project to be undertaken during FY 90. A participant follow-up system is being installed at the Mission and in the government which will allow improved tracking of project outputs in the future.

Target Group: Public sector and private sector employees, university staff.

Request for Delegation of PID Approval Authority: The Mission has extensive experience in participant training. Major efforts are being made to align our current participant training project with the future needs of the Tunisian economy and the assessments proposed above will provide guidance in the development of this new project. It is responsive to the objectives set out on page 45 of the Action Plan Options paper submitted and reviewed in February and March 1989. There are no policy problems; and it is anticipated Mission staff and PD&S funded assistance will undertake design. These resources will be sufficient to take the project to authorization stage. We request authority to do this and, on expiration of the FY 1991 CN to be submitted in FY 1991, to authorize and sign an agreement.

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TUNISIA

NEW PROJECT DESCRIPTION SUMMARY

FY 1991

Project Name and Title: 664-0353 - Development Studies Project

Project Funding: FY 1991 \$.8 million; LOP cost \$5.0 million; Last proposed obligation FY 1995

Appropriation Account: ESF

Project Purpose: To assist the Government of Tunisia (GOT) to identify, analyze, and formulate policy options and policy implementation plans in support of its on-going structural adjustment program, including its anticipated extension into the VIIIth Plan period.

Project Description Summary: The GOT initiated a far reaching medium-term structural adjustment program in mid-1986 as part of their VIIth Plan (1987-91). Progress to date has been very good, with the GOT generally meeting or exceeding reform targets set forth in their plan document and scheduled in various IMF and IBRD agreements. Both the IBRD and the IMF have given the GOT high marks for their performance. Nevertheless, many of the easier (largely macro) aspects of the structural adjustment process have been addressed and the GOT is increasingly faced with dealing with the more intractable aspects.

The problem facing the GOT is the growing requirement for detailed policy analysis, policy formulation and policy implementation planning. Broad strategy directions per se are on target but the myriad details required for implementation of the strategy are not easily developed, particularly at the level of specific sectoral policies, changes in laws and regulations, establishing new institutions and institutional processes, etc. The GOT has committed itself to broad reforms not only in the traditional areas of pricing, trade, exchange, monetary, fiscal, credit and banking policies but also to major reforms specific to the agriculture, industry, public sector enterprise, education and training, and labor market sectors. Given the breadth and complexity of these reform issues, the GOT will need to undertake detailed analyses to generate specific policies with feasible implementation plans.

The proposed project would provide key decision makers the ability to obtain timely, pragmatic and flexible assistance in addressing key policy reform issues and formulating feasible policy implementation plans. The project would finance technical assistance in the form of policy research and consulting teams as the situation dictates. The technical assistance could be drawn from both U.S. and Tunisian sources as appropriate to the situation. We would generally see mixed teams as most appropriate, with the bulk of the team made up of Tunisian specialists. However, we would foresee situations, either because of timing or requirements for expertise, where all individuals are either American or Tunisian. In designing the project, the experience of similar projects in Indonesia and elsewhere will be taken into account. We would anticipate the project would be located either in the Office of the Prime Minister or the Ministry of Plan and Finance. We would anticipate a relatively quick, simple procedure for reviewing and approving specific requests under the project, with USAID participating as an observer/member of a Tunisian board of review.

The Project will also assist the USAID in implementing its own assistance strategy (which is focused largely on certain aspects of the GOT's structural adjustment) by reserving an average of \$1.5 million per year for project development and special studies related thereto.

Relationship of Project to CDSS: The approved strategy directions of the USAID Mission (4/89) are predicated on the continuing support of the GOT medium-term structural adjustment and its extension into the VIIIth Plan (1992-96). The Mission specifically will support private sector revitalization and expansion, more productive and efficient agricultural production, processing and marketing, and improved matching of labor supply and skills with market demand. The proposed project will directly assist both in the implementation of the GOT structural adjustment program and the implementation of the USAID assistance program.

Relationship of Project to Agency's Research Priorities: The project strongly supports Agency mandates for policy related research. We would anticipate policy research and program design and evaluation assistance in the areas of employment, private sector and capital market promotion, privatization, agro processing, and high value agricultural export crop development among others.

Target Groups: This project will benefit the population as a whole, with generally net positive employment and income effects resulting from faster and fuller implementation of the GOT structural adjustment program.

Request for Delegation of PID Approval Authority: USAID plans to obligate \$0.8 million in FY 1991, with subsequent obligations of \$4.2 million. No policy issues are present in the proposed project. The project purpose is consistent with published AID policy papers, the approved USAID/Tunis strategy development directions, and current GOT policy directions. LOP costs are \$5.0 million and a LOP of four years is anticipated. Accordingly, USAID requests AID/W concurrence in PID approval at post.

1974P-p.7

TUNISIA
NEW PROJECT DESCRIPTION SUMMARY
(SECTOR PROGRAM GRANT)
FY 1991
DPRP

Project Number and Title: 664 - 0354 - Agribusiness Promotion
Grant (APG)

Project Funding: FY 1991 \$10 million; LOP \$25 million. Last
proposed obligation FY 1994. Annual tranches of \$5 million.

Appropriation Account: ESF.

Purpose: To expand private sector investment and returns in high
value commercial agriculture and livestock production, processing,
and marketing.

Program Description:

This Sector Program Grant will combine technical assistance, a
commodity import program, and local currency programming in
support of Tunisia's agricultural sector reform program and
agribusiness expansion.

The Tunisian structural adjustment program enters its 5th year,
having made substantial progress in liberalizing product and
input markets and prices. There remain, however, additional
policy reforms involving:

- restructuring or privatization of key agricultural
parastatals;
- rationalizing policies relating to basic commodities;
- reorienting sectoral investment toward high value crop
and livestock enterprises;
- removal of remaining input subsidies;
- deregulation and simplification of procedures governing
private investment in the sector.

Likewise there remains the challenge of facilitating private
sector investment in products where the country has a
comparative advantage and in industries that add value to the
sector's output.

This Sector Program will help address these problems by providing:

- (1) Technical assistance support for policy analysis and implementation, building on the success of APIP.
- (2) Commodity import assistance to private businesses and entrepreneurs engaged in high value commercial agriculture production and processing.
- (3) Local currency financing for local research in support of high value crops and agro-processing and for bank credit schemes designed for the private agro-industrial or commercial entrepreneur or buyers of public enterprises.

Relationship of the Program to A.I.D. Strategy.

This program directly supports A.I.D.'s new strategy directions in Tunisia which emphasize market led, export oriented growth. The development of private agricultural enterprises and agro-industry is an important component of this strategy. The quick disbursing commodity import assistance provides needed foreign exchange and generates local currency which reinforces our policy dialogue and supports private investment.

Policy Issues.

The main policy issue concerns the potential for competition with U.S. exports. The Mission will carefully review all commodity groups in terms of their potential for competition with U.S. exports. Sector Grant Assistance will be used only in support of activities relating to commodity groups that do not compete with the U.S.

Beneficiaries.

The major beneficiaries will be the private entrepreneurs who take advantage of new opportunities for investment and imports as a result of policy reform and restructuring of the agricultural sector. Agricultural laborers are also expected to benefit from increased employment opportunities resulting from expanded private investment in agro-business and commercial agriculture.

Program Outputs.

This Sector Grant will support implementation of major policy reforms, efficiency improvements, and expanded private investment. Examples of expected outputs include:

- Privatization of activities of the Cereals Office.
- Adoption of a new commercial code favoring private investment and business activity in the sector.
- Deregulation of the purchase, marketing, transportation, and export of selected commodities.
- Increased efficiency of irrigation water use.
- Improved export packaging.
- Expanded trade associations.
- Successful U.S. Tunisian joint ventures in agriculture.

PID Approval Authority.

In view of the export policy issue and the newness of the Sector Program Grant in Tunisia, we recommend PAIP approval by AID/W. USAID will develop PAAD for Mission approval.

AID-Financed Inputs*.

	(\$ millions)		
	FY 1991	1992-1994	Total
TA	2	3	5
CIP	8	12	20
TOTAL	10	15	25

* First year obligation would draw on Administrator's special incentive fund. Thereafter Sector Grant would be funded from OYB.

AID PROGRAM IN FY 1991
ANNUAL BUDGET SUBMISSION
TABLE V - PROPOSED PROGRAM RANKING

DECISION UNIT	RANK	PROJECT	TITLE	NEW ONGOING	DPRP	PROGRAM FUNDING (\$000)			WORKFORCE (OE/TP)			(PROGRAM)		
						APPROP	INCR		US	FN	PN	US	FN	PN
Mission Management														
MCC Level														
	0315		Technology Transfer	0	ES	4,200			6.2	5.3		1	2	
	K604		Commodity Import Program	N	ES	2,925								
	0350		Technology Applications Project	0	ES	2,000								
	0346		Private Enterprise Promotion Workforce	N	ES	1,500			14.1	37.9		1	2	
			Subtotal MCC			10,625								
AAPL Level														
1	0315		Technology Transfer	0	ES	4,200			6.2	5.3		1	2	
2	K604		Commodity Import Program	N	ES	3,000								
3	0350		Technology Applications Project	0	ES	2,000								
4	0346		Private Enterprise Promotion	N	ES	1,500								
5	0355		Training for the Future	N	ES	1,000								
6	0353		Development Studies Workforce	N	ES	800								
			AAPL Level			12,500								
1	0354		Agro-business Promotion Grant	N	*	10,000			1	2				
			TOTAL			22,500			15.1	39.9		1	2	

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05/24/89-W1015P

664 TUNISIA

Local Currency Use Plan
1991

Source: PL 480 Title I

PL 480 Title I resources support the GOT Structural Adjustment Program including key policy changes. The largest portion of the proceeds (\$57 million equivalent) is currently used to support the Chantiers Régionaux Program, a GOT "Safety net" program which was initiated in support of the agricultural structural adjustment program. This not only provides jobs to those who have been affected by the structural adjustment program and the severe drought of the past 2 years but implements productive projects in soil and water conservation and forestry management. Approximately 35,000 jobs per year have been provided under this program.

An increased portion of the overall PL 480 program is anticipated to be directed toward Section 108 private sector activities. (We expect to sign up an additional \$5.4 million in 1990 and 1991). Areas of particular relevance to agricultural sector reform and privatization and promising strong economic paybacks in the short-term will be given special consideration and support.

It is expected that PL 480 Title I proceeds will be used to support the continuation of the economy adjustment process in 1991 and out years. We expect that some of these resources will be used in conjunction with a programmed Agribusiness Promotion Grant which will be a centerpiece of a new CDSS Strategy.

Local currencies generated under PL 480 Title I are deposited in a Special GOT Account and regular monitoring occurs on the condition of this account.

Source: Economic Support Fund

Commodity Import Programs 664-K-602/K-603/603A and Future CIPs

Local currency expenditures are and will continue to be made for structural adjustment-related actions through joint programming and will be additional to normal budget resources. While the financing of selected agreed upon activities may be incorporated into the Government's budget, it is not a condition to disbursement of CIP proceeds.

Principal activities are in direct support of policy recommendations generated by the Agricultural Policy Implementation Project 664-0343 and our Private Sector Development project 664-0328, although other

structural adjustment related activities will also be considered for funding.

Recent examples are disbursement in response to a policy change made in agricultural credit (\$2.9 million equivalent) and in response to a commitment to broaden insurance support for Tunisian trade (\$1.8 million equivalent). Local currency was also used to support the locust campaign and to assure GOT readiness (\$1.3 million equivalent). In 1991 and out years increased attention will be devoted to using the local currency to support both privatization and agribusiness, with an emphasis on high value crops. Support of the new mission strategy will be an important criterion for approval of the use of local currency resources.

Proceeds are deposited in a special account and programmed by a GOT committee charged by the Ministry of Planning and Finance. USAID concurrence for all uses is required. Regular reporting by the GOT on the Special Account is required and received.

Source: Economic Support Fund

Agribusiness Promotion Grant - Local currencies will be generated by the sale of imported agricultural commodities to private businesses and entrepreneurs. These funds will be used for local research in support of high value crops and agro-processing and for bank credit schemes designed for the private agro-industrial or commercial entrepreneurs or buyers of public-enterprises. The funds will be in a jointly managed special account.

Annex F
 FY 1991 Annual Budget Submission
 Table VI: Expenditures of Local Currency Generations
 (all in U.S. dollar equivalents, and in \$ Millions)

<u>Source/Purposes</u>	<u>1988</u> Actual	<u>1989</u> Est.	<u>1990</u> Planned	<u>1991</u> Prop
I. ECONOMIC SUPPORT FUND (CIP 664-K-601/602/603/603A/603B/604)				
A. Public Dev. Activities				
1. Development of forage reserves for private farmers in Central Tunisia, ag. credit and other SA support activities	4.0	6.5		
2. Emergency assistance (Locust)		1.3		
B. Private Sector Programs				
1. Export promotion	1.8		2.0	1.5
2. Activities generated by APIP No. 664-0343			1.0	1.0
3. Other Private Sector activities			2.9	1.5
C. Public Sector Recurrent Budget				
1.				
D. A.I.D. Operating Expenses (Trust Fund)				
E. Local Currency Monitoring (Trust Fund)				
<hr/>				
SUBTOTAL OF ESF LC EXPENDITURES	5.8	7.8	5.9	4.0
(UNEXPENDED ESF LC BALANCE AT END OF EACH YEAR, I.E. THE PIPELINE)	9.3	5.9	4.0	2.8
<hr/>				
II. DEVELOPMENT ASSISTANCE AND DEVELOPMENT FUND FOR AFRICA				
A. Public Development Activities				
1.				
B. Private Sector Programs				
1. e.g., PVO, Micro Enterprise Development				
C. Public Sector Recurrent Budget				
1.				
D. A.I.D. Operating Expenses (Trust Fund)				
E. Local Currency Monitoring (Trust Fund)				
<hr/>				
SUBTOTAL OF DA or DFA LC EXPENDITURES				
(UNEXPENDED DA LC BALANCE AT END OF EACH YEAR, I.E. THE PIPELINE)				

FY 1991 Annual Budget Submission
 Table VI: Expenditures of Local Currency Generations
 (all in U.S. dollar equivalents, and in \$ Millions)

<u>Source/Purposes</u>	<u>1988</u> <u>Actual</u>	<u>1989</u> <u>Est.</u>	<u>1990</u> <u>Planned</u>	<u>1991</u> <u>Prop</u>
II. <u>PL 480</u>				
A. Public Development Activities				
1. Structural Adjustment Support	20.1	8.0	10.0	12.5
2. Emergency Drought Support to Small Farmers		5.5		
3. USAID/GOT project support			2.1	
4. Section 416 Drought Assistance		5.0		
B. Private Sector Programs				
1. Section 108		3.5	2.9	2.5
2.				
C. Public Sector Recurrent Budget				
1. e.g., Child Survival				
D. Trust Fund (if any) for PL 480 Monitoring and Implementation				
<hr/>				
SUBTOTAL OF PL 480 LC EXPENDITURES	20.1	22.0	15.0	15.0
(UNEXPENDED PL 480 LC BALANCE AT END OF EACH YEAR, I.E. THE PIPELINE)	27.0	14.0	15.0	13.5
<hr/>				
GRAND TOTAL ALL LC EXPENDITURES	25.9	29.8	20.9	19.0
(GRAND TOTAL ALL UNEXPENDED LC BALANCES (i.e. THE PIPELINE))	36.3	19.9	19.0	16.3

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TABLE VII: LIST OF PLANNED EVALUATIONS
 FY 1991 ANNUAL BUDGET SUBMISSION
 USAID/TUNISIA

PROJECT LIST (Project No. and Title)	LAST EVAL COMPLETED (Mo./Yr.)	FY 1990		FY 1991		REASONS/ISSUES	FUNDING SOURCE	USAID PERSON DAYS	COLLATERAL ASSISTANCE	
		START (Qtr.)	TO AID/M (Qtr.)	TO AID/M (Qtr.)	TO AID/M (Qtr.)					
Agriculture Technology Transfer Project 664-0304	1/86	4		1		PACD: 12/90 Final evaluation. No issues.	Project Runds	25	15	IQC for 2 U.S. consultants for 2 weeks each; AID/M TDY for 2 weeks.
Technology Transfer 664-0315	10/87	2	3			PACD: 9/92 To evaluate project progress in accordance with recently agreed upon directions and assess GOV/MUST project im- plementation and performance; provide guidance for future training activities.	Project Runds	80	12	Four U.S. consultants for 4 weeks each.
Private Sector Dev. and Technology Transfer 664-0328	6/86	3	4			PACD: 9/91 Evaluation will assess impact of project's new 3-pronged approach to private sector support; will address major Center for Privatization component, including long term technical assistance to the Prime Ministry and to the Stock Exchange.	Project Runds	30	14	Five weeks U.S. contract consultant.

Mission Evaluation Officer: Nancy Hoeff (58)
 Program Officer

PROJECT LIST (Project No. and Title)	LAST EVAL COMPLETED (Mo./Yr.)	FY 1990		FY 1991		REASONS/ISSUES	FUNDING SOURCE	USAID PERSON DAYS	COLLATERAL ASSISTANCE
		START (Qtr.)	TO AID/W (Qtr.)	START (Qtr.)	TO AID/W (Qtr.)				
Rural Potable Water Institutions 664-0337	9/89			2		<p>PACD: 3/91</p> <p>Mid-term evaluation field work completed 2nd qtr FY 89. Expect to submit final PES 9/89. A final project evaluation is expected by PACD of 3/91. Final evaluation will assess project impact in Central Tunisia and concomitant development of national strategy in provision of potable water to dispersed populations.</p>	Project Funds	14	Buy-in to WASH proj for 5 consultants for 4 weeks each.
Ag. Policy Imp. Project (APIP) 664-0343	N/A			1		<p>PACD: 4/91</p> <p>Mid-term evaluation. No issues. Measure progress and impact on Structural Adjustment, as well as on USAID's development strategy. Specifically measure GOT use of project analysis and policy options appropriate for implementation.</p>	Project Funds	10	IOC for 3 U.S. consultants for 3 weeks each.
Housing Guaranty 664-HG-004B and 664-HG-004C	5/89 (89-005)			2		<p>PACD: N/A</p> <p>This evaluation will verify the project's progress drawing from lessons learned and principle recommendations of Interim Project Evaluation of 5/89.</p>	PRE/H	7	2 U.S. consultants for 2 weeks or 2 local consultants for 4 weeks
PL 480 Title I	6/89			1		<p>PACD: N/A</p> <p>Annual assessment of PL 480 Title I Work Relief Program (Chantiers Régionaux) as well as other GOT L.C. use and Self Help measures.</p>	PD&S	5	One consultant for 6 weeks.

Country/Office 664 Tunisia

FY 1991 ANNUAL BUDGET SUBMISSION

TABLE XI

P.L. 480 TITLE I/III REQUIREMENTS
(Dollars in Millions, Tonnage in Thousands)

	<u>ACTUAL</u> <u>FY 1989</u> <u>\$</u>	<u>MT</u>	<u>ESTIMATED</u> <u>FY 1990</u> <u>\$</u>	<u>MT</u>	<u>PROJECTED</u> <u>FY 1991</u> <u>\$</u>	<u>MT</u>
<u>COMMODITIES</u>						
<u>Title I</u>						
Corn	9,600	83	7,500	79	7,500	81
Wheat	15,400	86	7,500	47	7,500	50
<u>TOTAL</u>	<u>25,000</u>		<u>15,000</u>		<u>15,000</u>	
of which						
Title III						

Total
COMMENT:

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05/22/89-W1019P

FY 1991 ANNUAL BUDGET SUBMISSION

PRIVATIZATION PLAN

1. The Context

Privatization continues to be a major element of the Government of Tunisia's ("GOT") plan to move away from a state dominated economy to a more market-driven, export-oriented economy based on private ownership and private production of goods and services. According to the Governor of the Central Bank, the ratio of public to private-sector ownership in Tunisian enterprises is approximately 60% to 40%. Through its structural adjustment process and selected privatization the GOT wants to reverse this ratio.

Parastatal enterprises dominate the economy. They provide 60% percent of exports, 20% of GDP and 33% of all wages. Public enterprises employ nearly 50% of the workforce in the formal productive sector, and more than 10% of all productive employment (this excludes public administration). They account for 36% of gross value-added in the economy.

There are approximately 500 state owned enterprises ("SOEs") in Tunisia, of which about 200 have more than 50% direct or indirect state ownership. The remaining SOEs have minority state ownership of at least 10%. In 1988 the revenue of 40 major public enterprises was 1,950.6 million dinars, with a net loss of 168.3 million dinars, a cash flow of 61.9 million dinars and a total debt of approximately 3,165.8 million dinars (D 1.000 - \$ 0.967).

About 40 of the 100% state-owned enterprises (excluding the administrative sector), are considered "strategic" and will not be eligible for privatization (e.g., the public telephone system, phosphate mines, the petroleum industry, and other, mainly public service, enterprises). Public enterprises also own a large portfolio consisting of subsidiaries and participations in different sectors.

The GOT can no longer afford the financial burden of its present public enterprise system -- a system which has incurred chronic deficits and has not produced to meet effective market demand. Given the limited revenues and high debt obligations of most of Tunisia's public enterprises, privatization has become both a financial necessity and a policy imperative for the GOT in its structural adjustment process.

2. The Framework

On August 2, 1987 the Tunisian Parliament passed Law 87-47, which created a framework for restructuring and privatizing state-owned enterprises. The law represented a landmark decision by the GOT to pursue privatization in a systematic fashion. It provided for the creation of three decision-making bodies: (1) an Inter-Ministry Commission to select enterprises to be privatized, (2) Restructuring/Privatization Commission to undertake required analyses and to structure the privatization transaction, and (3) a Follow-up Commission to carry out the individual privatization transactions.

On February 1, 1989, the Parliament, under the administration of President Ben Ali, passed a new Law 89-9 which merged the above three commissions into one with full decision-making and operational power. This commission is known as the Commission for Restructuring Public Enterprises (French acronym "CAREP"). It is chaired by the Prime Minister and includes the Ministers of Finance and Plan, of Interior and of Social Affairs as well as the Chairman of the Central Bank and the General Secretariat of the Government. The CAREP meets frequently to review and discuss plans for restructuring and privatizing selected public enterprises. Since January 1988 ten partial or total activities have been privatized (hotels, textile activities, a wood products firm, a marble company, etc.). An additional 50 public enterprises have been scheduled for privatization in the next several years.

3. The Political Decision

The political decision to pursue privatization has been made. Legislation has been passed and the Prime Ministry is directing implementation of the program. Actual implementation, however, raises a number of difficult issues: the employment impacts of privatization, the weakness of capital markets and the minor role of the Stock Exchange in financial markets. In these areas, among others, the GOT has requested advice and expertise in the planning and implementation of its privatization program.

4. The Progress So Far - Procedurally

Privatization continues to move at a systematic pace in accordance with the new government's step by step approach. However, since January 1989, with the arrival in Tunisia of the USAID-funded technical advisor to the Prime Ministry, a new strategic focus and procedural certainty concerning privatization seems to have developed in the CAREP.

Specifically, in January 1989 the CAREP approved an action plan for privatization which moved away from a case-by-case, ad hoc approach to a more organized approach which included: (1) an overall strategy and program for privatization of public enterprises and their portfolios, (2) an approval of a series of studies related to privatization to be made by Tunisian and international consultants and (3) an authorization to undertake a seminar on the rationale and methodologies for Employee Leveraged Management Buy-outs (ELMBOs).

At the end of January, 1989 a first, overall study and listing of subsidiaries and participations of major public enterprises eligible for privatization was forwarded to the CAREP. This was followed in February 1989 by a compilation of key financial data on all 200 companies being considered for privatization.

In mid-February, 1989 selected members of the CAREP and its technical advisory committee, went to London for two weeks to study the privatization process in the UK. The trip was organized in a collaborative fashion by the British Central Office of Information for Foreign Countries and the Commonwealth, USAID/Tunis and the Center for Privatization's technical advisor -- who, along with the British Ambassador to Tunisia, accompanied the group to London.

In April 1989 an expanded listing of additional public companies and holdings considered eligible for privatization was presented to the CAREP. Currently a final statistical study, including recommended methods which might be applied to the various privatizations, is being prepared.

At the end of May, 1989 a seminar on the Employee Leveraged Management Buy-out ("ELMBO") method of privatization took place in Tunis. The seminar, organized by the Center for Privatization's technical advisor on privatization to the Prime Ministry, and jointly sponsored by the Prime Ministry and USAID, brought international experts on ELMBO's to Tunisia to speak with members of the CAREP, directors of public companies, bankers and representatives of Tunisian unions on the employee/management buy-out methodology of privatization.

5. Progress So Far - Privatization Actions

Since January 1988, the following privatizations and restructurings have taken place:

<u>Company Name</u>	<u>Type of Enterprise</u>	<u>Method of Privatization/Restructuring</u>
FLUOBAR	Mining	Increased its asset base with private sector and World Bank/IFC investment, decreasing GOT share from 95% to 45%. ARMICO, an Arab bank holds 39% of the shares and World/Bank IFC own 11%.
Subsidiary of Societé Hotelière et Touristique	Hotels (3)	Private sale of assets after bid offers. Sold to Swiss Group.
Hotel International	Subsidiary of Maghreb Tourism	Private sale of assets after bid offer. Sold to Tunisian Group.
Les Carrelages de Thala	Tiling	Private sale of assets after bid offer. Sold to Tunisian businessman.
Cafe Tunis, Tunis Club (subsidiaries of Societé de Developpement ("SDT").	SDT as holding company for hotels and restaurants.	Private sale of assets after bid offers. Sold to Tunisian businessman.
SFAX Shipyard (Part of EMACOR assets)	Holding of EMACOR (100% subsidiary of Office Nationale des Pêches)	Private sale through bid offers in process.
STIPEC Societé Tunisian/ Italien des Pêches	51% owned by Tunisian Public Enterprises.	Privatization of assets/trawlers. Private sale through bid offers in process.
Societé les Carrelages Tunisian	Subsidiary of SOTIMACO; Tunis unit for Fabrication of girders.	Privatization of asset elements by bid. Algerian company bought the unit.

<u>Company Name</u>	<u>Type of Enterprise</u>	<u>Method of Privatization/Restructuring</u>
Tunisie-Bois	Large wood products subsidiary.	Public offering by tender at Stock Exchange. Now 98% private.
SITER (Soc. des Industries Textiles Réunies)	Subsidiary of SOGITEX, a state holding company.	The World Bank/IFC restructured the capital through Guaranteed Recovery of Investment Principal (GRIP).
SITEX (Société Industrielles des Textiles)	Subsidiary of SOGITEX also.	Privatized via capital restructuring, i.e., prior to private sale and public share offering, the capital and asset base of the company was increased in order to attract potential investors.
Marbrerie de Thala	Marble subsidiary	Sold following bid offers to a private group supported by the Tunisian-Saudi Arabian Bank.
Société Regionale de Transport	Public Transport	SRT was partially privatized, i.e., the freight operations were spun off and sold.
Comptoir Sfaxien	Subsidiary manufacturing porcelain sinks, etc.	92% of its capital was purchased by private interest via tender at the Stock Exchange.

A number of other public enterprises and/or participations are currently being reviewed by the CAREP and decisions on privatization or restructuring are expected within the year.

6. USAID Support for the Tunisian Privatization Program

USAID's top priority for private sector development is to support the GOT's privatization program. USAID is currently providing technical advice/expertise and training to the Prime Ministry's National Restructuring Commission, to the Tunisian Stock Exchange and is prepared to provide some technical advice to selected privatized companies. USAID is also funding seminars on savings

mobilization and development of financial markets in the Maghreb and the methodology of Employee Leveraged Management Buy-outs. The ultimate objective of this assistance is to increase the size and the efficiency of productive private enterprise in Tunisia. USAID's present and proposed support can be summarized in the following four general categories:

A. POLICY DIALOGUE: USAID will continue to provide assistance to improve the policy framework for privatization. This will include assistance to promote changes in the legal, fiscal, regulatory and institutional environment, which in turn affects privatization.

Significant steps toward bringing these policy issues into discussion were taken through the USAID-financed Privatization Conferences held in April 1987 and in April 1988, and the Savings Mobilization and Financial Markets Development Conference which took place in May, 1989.

B. TECHNICAL ASSISTANCE: USAID is currently providing long and short term expertise to the National Commission to assist in the "how to" of privatization. To date this has encompassed assistance in privatization planning; financial analyses and audits; company valuation. Additional assistance will be furnished to provide advice concerning the marketing of public enterprises and the financing arrangements involved in privatization. Technical assistance also may be provided to selected privatized companies to improve performance.

C. STUDIES/ASSESSMENTS: AID-financed studies during Summer 1989 will examine the employment impacts of privatization. Investor protection after privatization also will be reviewed. The Prime Ministry has asked that the fiscal and commercial codes be reviewed to improve their structure and to make them more relevant for a growing private sector economy.

D. CREDIT: A potential use for the PL 480, Section 108 funds would be to provide medium and long-term investment capital to privatized public sector enterprises. USAID continues to explore other innovative uses of Section 108 funds to support privatization, such as financing leveraged buyouts and underwriting small mutual funds comprised of privatized companies.

7. USAID's Program with the Center for Privatization

In the FY 1989 and FY 1990 ABS Privatization Plans, USAID presented short-term strategies for addressing privatization in Tunisia. These plans suggested the organization and financing of two regional privatization conferences as vehicles for substantive policy dialog which were expected to increase the motivation of the GOT in pursuing a privatization program.

USAID successfully undertook the two conferences and firmly established a policy forum at the GOT Prime Ministry and the Stock Exchange on three interrelated development issues: (1) privatization, (2) capital markets development, and (3) trade liberalization and expansion.

Directly resulting from our conferences and dialog, USAID signed a subproject agreement with the Prime Ministry for a program of technical assistance and training to support the GOT's nascent privatization program. The program is being implemented by the Center for Privatization. This \$1 million buy-in is financing two long-term advisors: a privatization policy advisor attached to the Prime Ministry and a financial markets advisor attached to the Tunis Stock Exchange.

The buy-in is also financing a number of short and medium-term consultancies to perform specific privatization and financial markets-related tasks. The Employee Leveraged Management Buy-out Seminar is also being financed under the buy-in.

The initial buy-in to the CFP contract was for a one year period to September 29, 1989. The GOT Prime Ministry and the Tunis Stock Exchange are the implementation agents for the Center for Privatization programs in Tunisia. Currently USAID is exploring options for continuing this program beyond September 1989. Consistent with the Mission private sector strategy, USAID has added \$650,000 to the Private Sector Development Project 664-0328, via a Project Agreement Amendment No. 7, for follow-on privatization, financial markets and trade/investment support.

Following upon the above activities, and assuming funds availability, USAID plans to design a new private sector project for an expected FY 1991 obligation to finance additional activities in the strategic emphasis areas of: privatization, financial markets, investment promotion, deregulation and export expansion.

We anticipate that our privatization program will continue to be the centerpiece of our concentrated focus on private sector development in Tunisia for the next several years and over the course of the GOT's continuing structural adjustment process.

FY 1991 Annual Budget Submission

Table to Annex K

Micro, Small, and Small Farm Enterprises

ESF and DA
Dollar Commitments for Micro
And Small Enterprise Programs
(U.S. Dollars Thousands)

	<u>FY 88</u> <u>Actual</u>	<u>FY 89</u> <u>Est.</u>	<u>FY 90</u> <u>Req.</u>	<u>FY 91</u> <u>AAPL</u>
I. ESF Dollar Commitments				
A. For Micro Enterprise				
1. For Credit	6			
2. For TA/Training				
B. For Small Enterprise				
1. For Credit				
2. For TA/Training				
C. For Small Farmer				
1. For Credit				
2. For TA/Training				
II. DA Dollar Commitments				
A. For Micro Enterprise				
1. For Credit				
2. For TA/Training				
B. For Small Enterprise				
1. For Credit				
2. For TA/Training				
C. For Small Farmer				
1. For Credit				
2. For TA/Training				

WANG NO. 1981P

The Commitment of Non-Project Assistance
 Local Currency Generations for Micro and Small Enterprise
 Programs
 (In Thousands of U.S. Dollars Equivalents)

	<u>FY 88</u> Actual	<u>FY 89</u> Est.	<u>FY 90</u> Req.	<u>FY 91</u> AAPL
I. From ESF Generations				
A. For Micro Enterprises				
1. For Credit				
2. For TA/Training				
B. For Small Enterprises				
1. For Credit				
2. For TA/Training				
C. For Small Farmer				
1. For Credit				
2. For TA/Training				
II. From DA Generations				
A. For Micro Enterprises				
1. For Credit				
2. For TA/Training				
B. For Small Enterprises				
1. For Credit				
2. For TA/Training				
C. For Small Farmer				
1. For Credit				
2. For TA/Training				
III. From P.L. 480 Generations				
A. For Micro Enterprises				
1. For Credit				
2. For TA/Training				
B. For Small Enterprises				
1. For Credit				
2. For TA/Training				
C. For Small Farmer				
1. For Credit	1.3			
2. For TA/Training				

WANG NO. 1981P

Commodity Import Program

Project Number 664-K-603^B Date 5/89

Fiscal Year 1990

Africa Only

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
AGIN	100				
MPR	100				
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

** Only African Bureau Members should fill out this Column See Reverse Side

Commodity Import Program

Project Number 664-K-604 Date 5/89

Fiscal Year 1991

Africa Only

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
AGIN	100				
\$1 MPR	100		\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Amount**	Activity Code	Percent	Amount**
\$1		\$1		
\$1		\$1		
\$1		\$1		
\$1		\$1		
\$1		\$1		
\$1		\$1		
\$1		\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

** Only Africa Missions should fill out this Column. See Reverse Side

Technology Transfer

Project Number 664-0315 Date 5/89

Fiscal Year 1991 OY#
Africa Only

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
EDID	100	_____	_____	_____	_____
\$1 TAC	100	_____	\$1 _____	_____	_____
\$1 TUS	100	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
_____	_____	_____	_____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
_____	_____	_____	_____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
_____	_____	_____	_____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____
\$1 _____	_____	_____	\$1 _____	_____	_____

** Only Africa Bureau Managers should fill out this Column See Reverse Side

Private Sector Development and Technology Transfer

Project Number 664-0328 Date 5/89

Fiscal Year 1990 OYB _____
Africa Only

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PEPZ	20				
\$1 PSD	100		\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PETI	20				
\$1 PSD	100		\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PEFM	20				
\$1 PSD	100		\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PEBD	20				
\$1 PSD	100		\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PEDR	20				
\$1 PSD	100		\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

** Only Africa Bureau Missions should fill out this Column. See Reverse Side

Small Project Assistance/PC

Project Number 664-0330 Date 5/89

Fiscal Year 1991

Africa Only

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
AGIM	100				
PCV	100				
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

** Only Africa Bureau Missions should fill out this Column. See Reverse Side

Family Planning and Population Development

Project Number 664-0331 Date 5/89

Fiscal Year 1989

Africa Only

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PNSD	50				
DCO	100				
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PNMP	20				
SMA	80				
TTE	80				
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PNSU	20				
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
HEDD	10				
CHS	100				
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

** Only Africa Bureau Missions should fill out this Column. See Reverse Side

Agriculture Policy Implementation Policy

Project Number 664-0343 Date 5/89

Fiscal Year 1990

Use Only

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
AGPR	70				
SI AGAB	80		SI		
SI SPR	100		SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PEDR	10				
SI AGAB	80		SI		
SI SPR	100		SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PEBD	10				
SI AGAB	100		SI		
SI SPR	100		SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PEPZ	10				
SI SPR	100		SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
SI			SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		

** Only Africa Bureau Managers should fill out this Column. See Reverse Side

Private Enterprise Promotion

Project Number 664-0346 Date 05/89

Fiscal Year 1991 OYB _____

Africa Only

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PEPZ	25				
SI PSD	100		SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PEFM	25				
SI PSD	100		SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PETI	25				
SI PSD	100		SI		
SI EXP	60		SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PEDR	25				
SI PSD	100		SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
SI			SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		
SI			SI		

** Only Africa Bureau Missions should fill out this Column. See Reverse Side

Technology Applications Project

Project Number 664-0350

Date 5/89

Fiscal Year 1991

Agency Code

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
AGIR	20		PNMP	10	
AGAB	80		DCO	30	
PSD	50		RDV	80	

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
INCO	20				
PSD	50				

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
AGAB	20				
PSD	100				

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PERD	20				
PSD	100				

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PETI	10				
PSD	100				

** Bureau Managers should fill out this Column. See Reverse Side

Development Studies

Project Number 664-0353 Date 5/89

Fiscal Year 1991

Africa Only

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PSMF	20				
\$1 REC	100		\$1		
\$1 MPR	100		\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PEDR	20				
\$1 REC	100		\$1		
\$1 MPR	100		\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PETI	20				
\$1 REC	100		\$1		
\$1 MPR	100		\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PEBD	20				
\$1 REC	100		\$1		
\$1 MPR	100		\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
PEFE	20				
\$1 REC	100		\$1		
\$1 MPR	100		\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

** Only 4 row Missions should fill out this Column. See Reverse Side

Agribusiness Promotion Grant

Project Number 664-0354 Date 5/89

Fiscal Year 1991

Africa Only

Account Code	Percent	Amount**	Activity Code	Percent	Amount**
AGPR	100				
AGAB	70				
SPR	50				
EXP	40				

Account Code	Percent	Amount**	Activity Code	Percent	Amount**

Account Code	Percent	Amount**	Activity Code	Percent	Amount**

Account Code	Percent	Amount**	Activity Code	Percent	Amount**

Account Code	Percent	Amount**	Activity Code	Percent	Amount**

** Only Africa Bureau Members should fill out this Column See Reverse Side

Training for the Future

Project Number 664-0355 Date 5/89

Fiscal Year 1991 OYB Africa Only

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
EDID	100				
\$1 TAC	100		\$1		
\$1 TUS	80		\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

Activity Code	Amount**	Activity Code	Percent	Amount**
\$1		\$1		
\$1		\$1		
\$1		\$1		
\$1		\$1		
\$1		\$1		
\$1		\$1		

Activity Code	Percent	Amount**	Activity Code	Percent	Amount**
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		
\$1			\$1		

** Only Africa Bureau Members should fill out this Column. See Reverse Side