TUNISIA: ECONOMIC REPORT

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TUNISIA: SUMMARY ECONOMIC TABLE

millions of $US

	1977	1978	1979	1980	1981	1982	1983 Prov	1984 Proj
GENERAL INDICATORS								
Exchange Rates								
dinars/$US (period average)	0.429	0.4162	0.4065	0.405	0.4938	0.5907	0.6785	0.7615
dinars/SDR (end period)	0.5005	0.5255	0.5215	0.534	0.6002	0.6792	0.7644	
$US/SDR (period average)	1.16752	1.252	1.292	1.30153	1.17916	1.10401	1.069	1.03121
International Trade Prices								
Terms of Trade			87.5	100	107.8	104.7	98.3	96.2
Export Goods								
Petroleum ($US/barrel)	12.40	12.70	17.26	28.67	32.50	33.47	29.31	28.60
Phosphate Rock ($US/mt)	30.67	29.00	33.00	44.96	49.50	41.79	36.92	38.50
Import Goods								
Wheat ($US/bushel)	2.81	3.48	4.36	4.70	4.76	4.36	4.28	4.18
Domestic Prices								
GDP price deflator	76.5	80.1	87.2	100.0	111.2	130.2	141.1	150.5
percent change (%)	--	4.8%	8.9%	14.7%	11.2%	17.1%	8.4%	6.7%
consumer price index	80.1	84.4	90.9	100.0	109.9	124.9	136.1	147.9
inflation rate (%)	6.7%	5.4%	7.7%	10.0%	9.9%	13.6%	9.0%	8.6%
Minimum Wage								
Ag. workers (dinars/day)	1.20	1.33	1.44	1.63	2.00	2.40	2.64	
Other workers (dinars/hr)	0.19	0.21	0.23	0.26	0.31	0.41	0.46	
Average annual wage (dinars)				1227	1391	1713	1990	2046
percent change				8.6%	13.4%	23.1%	16.2%	2.8%
real percent change				-1.4%	3.4%	9.5%	7.2%	-5.8%
Money Supply								
money plus quasi-money (mill D)	876.0	1049.8	1217.6	1444.6	1724.0	2050.0	2429.5	2871.0
(money supply/GDP)	0.40	0.42	0.41	0.41	0.42	0.42	0.44	0.47
AGGREGATE PRODUCTION								
GNP (millions current $US)	--	--	--	8721.0	8446.7	8291.9	8135.6	8145.8
GDP (millions current $US)	5097.9	5973.1	7220.2	8666.7	8373.8	8197.1	8084.0	8106.4
GDP (millions current dinars)	2187.0	2486.0	2935.0	3510.0	4135.0	4842.0	5485.0	6173.0
GDP (millions 1980 dinars)	2861.0	3103.0	3365.0	3[illegible]0	3709.0	3720.0	3888.0	4102.0
Real GDP growth rate (%)	4.3%	7.1%	8.4%	4.3%	5.7%	0.3%	4.5%	5.5%

I. BACKGROUND

Tunisia is a country of 7 million people, of which 55 percent is urban. Much of Tunisia's 164,000 square kilometers is arid or semi-arid. Only three percent of arable land is irrigated, and areas where rainfed agriculture is possible are subject to severe year-to-year fluctuation in rainfall. Tunisia's most important raw materials are petroleum, natural gas and phosphates. While the known exploitable reserves of oil and gas are approaching depletion, and the phosphate deposits are of relatively low quality, there have recently been promising indications of new hydrocarbon reserves, although it is too early to assess their exact potential. The country also has considerable tourism potential, and efforts have been made during the last decade to develop it rapidly.

Since independence in 1956, Tunisia has undertaken a massive effort towards development of its human resources, paying special attention to family welfare, education, and technical and vocational training. As a result, the infant mortality rate declined from 150 in the early 1960s to 90 at the end of the 1970s, the adult literacy rate increased from under 15 percent to about 62 percent, and average caloric supply per capita increased from about 80 to 115 percent of minimum standard requirements. An active family planning policy pursued by the Government led to a decrease in birth rates from 47 to 34 per thousand since 1960. However, since at the same time mortality rates also decreased, the annual natural demographic growth rate decreased only slightly from 2.6 percent in the 1960s to 2.4 percent in the 1970s. Moreover, after 1976, the net emigration of Tunisians abroad was sharply reduced by restrictive measures taken in the EEC countries and Libya. Urban growth continues, however, at an even more rapid pace of 4 percent.

To accelerate job creation, more than half of the total investments of the Fifth Plan (1976-81) was allocated to directly productive sectors, but the direct employment effects of the leading sectors (petroleum, phosphate mining and processing, and tourism) are small. Agriculture still occupies nearly one out of every three Tunisians in the labor force. These leading sectors, however, make a vital contribution to GDP, public savings, and exports. They provided 52 percent of the country's foreign exchange earnings in 1983, while manufacturing activities, except phosphate-based chemicals, provided 19 percent.

During the Fifth Plan period (1976-81) the growth performance differed from the impressive growth achieved from 1971 to 1976: output in agriculture and in food industries has grown on average below the demographic rate since 1976, partially as a result of bad weather conditions, while textile production and tourism development grew at a slower pace mainly because of difficulities in European markets. By contrast, manufacturing industry other than textiles, as well as energy, phosphate processing, construction, and construction materials expanded at a fast pace.

In spite of the considerable increase in domestic demand, particularly in investments, the balance of payments situation remained favorable from

1976 to 1981. Imports in current prices grew at a slower pace than exports, and the terms of trade improved significantly due to sharply higher post-1974 export prices for crude oil. As a result, the resource gap remained relatively small and domestic savings financed on average over 76 percent of investment, with investment increasing from an average of 23 percent of GDP for 1972-76 to 30 percent for 1977-81. The current account deficit was easily financed; grant aid and private investments (mainly for oil exploration) provided about 30 percent, while the remainder was mainly covered by long-term foreign borrowing. Thus, during the 1970s total foreign debt increased little relative to GDP, and the debt service ratio (debt service payments divided by exports of goods, services and transfers) dropped from 15 percent in 1971 to 10 percent in 1979.

The public sector has played a major role in mobilizing and redistributing domestic resources. Central Government revenues were equivalent to about one-third of GDP on average for the Fifth Plan period, one of the highest shares among middle-income countries. Over 30 percent of these revenues was saved, and public savings financed close to two-thirds of total Government capital expenditures. This comfortable public finance situation permitted a rapid increase in payments to private consumers and public enterprises. Such transfers, including those for social security, accounted for 19 percent of total current budget outlays and over 7 percent of GDP in 1981.

The main objectives of the Fifth Development Plan were achieved, except for the employment target; open and hidden unemployment remain a serious problem for the Tunisian economy. Actual GDP growth fell short by 1.2 percentage points of the planned annual rate of 7.3 percent, mainly because of poor performance in agriculture. While the investment objective of 30 percent of GDP was fully met, completion of some large projects in the public sector (steel and expansion of the oil refinery) was delayed. In contrast, private sector investments, both foreign and national, exceeded Plan targets. Non-agricultural sectors of the economy could not absorb all new job seekers, while continuing migration out of agriculture and slowed migration to Libya and Europe put increasing pressure on these sectors to generate more jobs. Overall unemployment has probably increased above the estimated 12 percent of the labor force in 1980.

II. SOCIAL ISSUES

Since independence, the country has come a long way towards meeting the basic needs of its population and reducing absolute poverty. About 16 percent of GDP is now devoted to social programs. However, unemployment among the young and regional pockets of poverty still present serious social problems.

Recently published data show that the continued attention of the Government to poverty oriented social programs resulted in a reduction of the ratio of people under a minimum standard income from 17 percent of the total population in 1975 to 13 percent in 1980. During this period, the overall number of this group declined in urban areas but remained the same in some rural zones in the center of the country, as a consequence of poor agricultural performance. Income differentials between the coast (East) and the interior (West) widened, in part because the system of price controls and subsidies as well as budgetary expenditures had a weak redistributive impact. The Government is focusing on the zones of poverty, with a view to eradicating them before the end of this century. Reducing the demographic growth rate is considered an important factor in this endeavor.

Education expenditures rank first among budgetary outlays. The comprehensive education system provides free access to all students, and the gross enrollment rate has reached 100 percent for primary education, and 30 percent for secondary education. Performance of the education system could, however, be improved by expanding vocational training programs, improving their relevance and responsiveness to labor demand, and to the special needs of the poor and rural groups.

Public health services are second among social expenditures, and their overall beneficial effect is reflected in the improvement of the vital statistics cited in the Background section. There remain, however, regional disparities in the availability of hospital beds, doctors and nursing personnel; health services have concentrated largely on curative medicine, and the medical referral system is not functioning properly. As a result, the rural poor are often excluded. Closely linked to nutritional deficiencies, infant mortality remains high relative to other middle-income countries.

A severe problem of skyrocketing recurrent costs in the health sector may be just around the corner. Apparently, there have been a large number of large hospitals built in Tunis and in the major provincial capitals since 1980 which will begin operation shortly. Skilled personnel to operate these hospitals will be difficult to find and the relatively high cost of operating them is likely to to impose even greater strain on an already deteriorating fiscal situation.

In the Sixth Plan, investment in education, health, housing and water supply focuses more on deprived areas, provided at lower costs (health, shelter), and made more relevant to the needs of the economy (training). In education, two reforms are under discussion: the first one would provide a nine-year schooling period for all children, and the second would create polytechnical high schools combining basic and technical education. In health, the Sixth Plan allocates more resources to preventive medicine and nutrition education. Finally, as regards housing, attempts are being made to direct public subsidized programs to the neediest population groups. The housing demand from households above the minimum standard income can be satisfied by the private sector.

III. RECENT ECONOMIC DEVELOPMENTS

Overview

In 1982 and 1983 the current economic situation suffered a series of setbacks, with real GDP growth stagnating in 1982. Consequently, growth in the early part of this decade has proceeded at 3.5 percent, compared to 7.7 percent achieved during the period 1977-80 and the longer-term growth rate of 6.3 percent during the entire decade of the 1970s. Three factors accounted for this poorer performance: adverse weather conditions which depressed agricultural output and consequently, agro-industrial output; recession in Europe which reduced exports, particularly chemicals and tourism; and exceptional technical problems in key intermediate industries. GDP is estimated to have increased by 4.5 percent in 1983, reflecting a stronger performance in the industrial sector.

The slowdown in output, coupled with a large increase in minimum wages and some price liberalization, led to unusually high inflation in 1982 (14 percent). In 1983, inflationary pressures were slowed by an administered reduction in producer prices and sales prices of industrial products, and also by an intensification of price controls. The consumer price index was up about 9 percent in 1983.

During 1982-83, the current account deficit of the balance of payments experienced a sharp deterioration reflecting: the fall in petroleum export receipts and the reduction in exports of agricultural products; the increase in imports of food products and consumer goods; and the slowdown in tourism due to the unfavorable international economic environment. The deterioration in the trade balance led to a steady drain in the level of foreign reserves in the first half of 1983 and recourse to over $100 million of foreign commercial credit. This trend was reversed in the second half of the year as petroleum exports picked up. Foreign exchange reserves at the end of 1983 were equivalent to only 1.3 months of imports.

THE MAIN ECONOMIC SECTORS IN 1980

(in percent)

	GDP	Employment	Exports*
Agriculture	15.8	36.4	7.5**
Energy/Mining	14.9	3.1	27.4
Manufacturing	14.1	19.7	25.5
Tourism	4.6	1.6	23.1
Construction and services	38.2	25.2	14.0
Administration	12.4	14.0	2.5

Note: *goods and non-factor services

**including processed food

Sectoral Production and Employment

Agricultural production was down 10 percent in 1982, stagnating at that lower level in 1983 because cereal production fell off by 25 percent. Improved weather conditions in 1984 indicate that agricultural production will increase 9 percent, but will still not regain the 1981 level. Since the government is pursuing a policy of steady increases in producer prices of cereals and vegetables, production of these products should increase in the near term, weather permitting.

Manufacturing is one of the leading sectors in Tunisia for growth, job creation and export earnings. In 1983 the sector recovered from a poor year in 1982 caused by a decline in food processing, induced by the decline in agriculture (fruit and vegetable production). But manufacturing is projected to recover in 1984 because of better agricultural production and the increase in capacity of the fertilizer industry. The construction industry has stagnated from 1982 through 1984.

Crude oil production has peaked at 5.5 million tons and is ulikely to reach 6 million tons because the recently discovered new fields are small. Enery consumption, in contrast, grew at an annual rate of 11 percent during the Fifth Plan period (1976-81), although pricing policies and other conservation measures has brought the rate of growth down to half that during 1982-83.

The labor force stood at over 1.6 million in 1980 and has grown at a 3.8 percent annual rate since then. Job creation has not been able to match this pace and the rate of unemployment is estimated to have increased from 11 percent in 1981 to 13 percent in 1983. Not enough jobs were created, even though job creation is one of the major goals of the Sixth Development plan, because of a lower than projected growth rate, an inadequate shift of invenstment toward labor-intensive projects, and high wage increases since 1982.

Fiscal Situation

Public savings fell in 1982 and 1983, in spite of the continued increase in revenues which reached one-third of GDP in 1982. Savings fell because current expenditures have grown faster than revenues, both of which having outstripped GDP growth. Capital expenditures, in contrast, have just kept pace with GDP, accounting for 12-13 percent of GDP but a declining share of total government expenditures. From 1977 to 1983 subsidy payments have been the single cause of increased current expenditures. Public enterprises have not been a drain on the budget, their financing needs taken over by the recently established development banks. But consumer subsidies, subsidies to households (social security and welfare), and other subsidies all jumped up in 1979, and again in 1981. As a consequence, the overall budget deficit is once again at 5 percent of GDP, up an amount equivalent to the decline in public savings, and the 1984 budget forecasts a deficit in excess of 7 percent of GDP. Tunisia is financing this defict almost entirely from domestic sources, in an attempt to restrain the growth of foreign debt.

Balance of Payments

The current account deficit reached $740 million in 1983, and is projected to grow to about $1.0 billion in 1986. New loan commitments from abroad are projected at $1.2 billion per year on average (at 1983 dollar exchange rates) with official development assistance (ODA) providing half of the total. After falling from 15 to 10 percent during the 1970s, the external debt service ratio has risen from 12 to 16 percent since 1980, but is not expected to increase signficantly in the medium term.

Prospects depend on a timely implementation of policy changes to curb domestic demand, promote exports, and improve public sector savings. It should be noted, however, that the Sixth Plan recommended a low growth scenario in order to preserve the country's relatively high financial stability and creditworthiness. This objective remains even more crucial if the country is to succeed in mobilizing the large inflows of direct foreign capital assumed in the Plan. Foreign investments were small during most of the 1970s but have gained momentum during the last three years, in line with increased activities in the oil sector and new incentives offered to foreign investors in manufacturing. The newly created development banks are expected to play a significant role in this context (see chapter VI for further details).

The balance-of-payments outlook in the medium term will depend on developments in the hydrocarbon sector and on the policy changes to be initiated during the next few years. Considering its long record of prudent balance-of-payments and external debt management, there are good grounds to assume that the Government will apply the necessary policy changes and Tunisia will continue to be creditworthy for future donor lending. There is a role for dialogue with the Government on several policy aspects at the macro and micro level in connection with the implementation of these policy changes.

Foreign Debt

During the second half of the 1970s, the growth of foreign borrowing was modest, and a growing share of foreign funds was provided by public sources at relatively soft terms. Foreign loan commitments averaged about $700 million per annum, 62 percent of which in the form of official assistance (ODA). About 65 percent of ODA commitments came from bilateral sources, chiefly France, the Federal Republic of Germany, Canada, and some oil-surplus countries. About 24 percent of total ODA was committed by the World Bank Group, and some 11 percent by other multilateral sources. Borrowing terms were favorable, averaging 5.8 percent interest and 18.5 years maturity, including a grace period of 5 years. At the end of 1983, debt outstanding and disbursed was estimated at about $3.7 billion, or 45 percent of GNP; debt service was 17 percent of export revenues in 1983.

IV. MEDIUM-TERM PROSPECTS

The main objectives of the Sixth Development Plan (1982-86) are employment generation, export promotion, and more rapid growth in the three least developed regions of the country (North-West, Center-West, and South). Sectoral priority is to be given to agriculture, engineering industries, and tourism.

The outlook for investment and growth will partly depend upon future developments in the oil and natural gas sector. Oil and gas exploration programs under way have been encouraging. Based on known reserves, and with the possible exploitation of smaller fields that recently became profitable, it is generally expected that domestic oil and gas production could be stabilized at about its present annual level of about 6 million tons of oil equivalent until the end of the decade. Barring large new oil or gas discoveries, and given the rise in domestic demand for energy (projected to grow at 7-8% annually), Tunisia will have to face the consequences of a decline in energy export revenues. The surplus for export is projected by the IMF to decline by 25% during 1983-88 and may become exhausted by the early 1990s. To meet the challenge of maintaining economic growth in the post-hydrocarbon era of the 1990s the Government has introduced policy changes in the Sixth Plan to reduce growth in energy consumption (to 8 percent per year), emphasize labor-intensive investments (with special attention to the private sector), redress regional inequalities, and avoid major balance-of-payments problems.

The GDP growth objective of the Sixth Plan of 6.0 percent per annum will be difficult to achieve in view of the poor performance in 1982 and 1983. GDP growth in 1984, however, is projected at 5.5 percent, near the Plan objective. Growth of traditional exports (tourism, textiles, and phosphate-based chemicals) will be insufficient to compensate for the projected decline in oil export revenues. In fact, European summer tourism declined slightly during 1984, increased Libyan and Algerian tourists may allow tourist revenues to remain stable in 1984.

Production diversification and export promotion, in particular for engineering products, will take time to bear fruit. The Government's strategy, therefore, rightly aims at containing domestic demand in order to control import growth. Terms of trade are unlikely to improve. This would not only affect the external account but also result in slower growth of domestic savings, particularly public savings.

Consequently, the Sixth Plan projected a decline in the fixed investment rate from 30 percent of GDP in 1977-81. A major objective was also to correct recent capital intensive biases in projects by appropriate sectoral allocation of investments. These two objectives will be difficult to achieve; investment remained near 30 percent of GDP through 1983 and job creation fell short of the projected level. Therefore, more resources will have to be allocated to small and medium size manufacturing enterprises in order to ease the umemployment problem. Investment is, however, projected to fall to 28 percent of GDP in 1984 because of a shift away from infrastructure, toward directly productive agriculture and industry. If income disparities between rural and urban areas are to be reduced, such investments will have to be directed toward the more underdeveloped regions.

Since June 1981, a new set of policy measures has targeted the incentive system toward these objectives. The Investment Code was modified to establish industrial zones and offer direct subsidies for job creation in new projects in underdeveloped regions, and a Promotion Fund for Handicrafts and Household Workshops was created. In order to promote a more efficient technical and financial management of the public and private modern sectors, the Plan assigns a major role in project promotion and supervision to an expanded network of new development banks (two opened in 1981 and four in 1982). They are joint ventures with foreign investors and have already reduced the pressure on the budget to finance too large a share of public investments.

Increasing budgetary constraints require a reassessment of the present policies of subsidies for energy, basic foodstuffs, transportation, and public sector enterprises. In addition, interest rate policy and a better-adjusted fiscal system should be used to restrain final consumption and stimulate savings. As first encouraging steps in 1981 and 1982, sizable price increases in energy and agricultural products were implemented, and the whole interest rate structure was revised upward, rates on saving accounts and term deposits and industrial lending rates being increased by 1.5 to 2 points. Early in 1984, the Government announced its decision to increase bread prices sharply and remove the subsidy on bread, cereals and cereal products, a subsidy which represents about 2 percent of GNP. The price increases triggered social unrest and the Government had to abrogate its decision and revise the initially presented budget. The increase in consumer subsidies and renewed transfers to public enterprises will cause the subsidy drain on the budget to jump up again in 1984, just as it did in 1979 and 1981.

The sizable increases in the legal minimum wage in 1982 and 1983 were mainly to improve the low-wage earners' living conditions. Nevertheless, the Government recognizes that overall wage and salary policies should keep labor cost increases (including social costs chargeable to enterprises) in line with productivity increases, particularly since Tunisia wants to stimulate tourism, and improve its international competitiveness for exports of manufactured goods.

VI. MACROECONOMIC POLICY ISSUES

There are political and economic reasons that motivate the U.S to reestablish an aid program in Tunisia. Although the political reasons are beyond the scope of this report, the economic reasons bear directly on the type of policy issues that should be addressed in Tunisia. The Tunisian economy has undergone a mild, albeit consistent deterioration over the past four years as measured by decreased public savings and an increase in the current account deficit of the balance of payments. Foreign dispersed debt as a percent of GDP and the debt service ratio have also inched upward since 1980. Unemployment, particularly in the urban areas, is a growing problem, as is the existence of regional income inequalities.

Tunisian authorities recognize the importance of these problems:

medium-term stability in the balance of payments is one of three principal goals of the Plan, along with employment generation and regional development; maintaining control of foreign borrowing is crucial so that Tunisia can enter the post-hydrocarbon era of the 1990's without an unduly heavy debt burden; and reducing fiscal budget deficits will help control inflationary pressures as well as balance of payments imbalances by limiting the need to borrow in foreign capital markets.

The question remains, however, whether the GOT has a clear idea of how to implement the necessary macroeconomic policies to correct these problems, and perhaps more importantly, whether it has the political will to do so. U.S. foreign assistance can play a positive role as regards both the elaboration of an implementation plan for recognized policy reforms and in support for GOT efforts to follow through.

A policy reform agenda for the U.S.A.I.D. mission in Tunisia could address all or a subset of the following policies:

- financial reform
    - interest rate structure
    - administration of the financial sector
- fiscal reform
    - subsides
    - management of social services, particularly health
- employment generation
    - promotion of private enterprise
    - technical training

wage rate policy

interest rate policy

rationalization of public enterprises

management of foreign debt

The U.S. should work closely with other donors in Tunisia in addressing each of these areas of policy reform. In particular, the World Bank is already working closely with the GOT in most of these areas and might welcome U.S. cooperation.

APPENDICES

Appendix A

DONOR OPERATIONS IN TUNISIA

U.S. Assistance

The U.S. has provided ecaonomic and military aid to Tunisia since the latter's independence in 1956. U.S. economic aid through 1983 totalled $1.09 billion: A.I.D. and its predecessor organizations have provided $260 million in loans and $190 million in grants through 1983; Food for Peace an additional $500 million, 65 percent of which has been in the form of grants; and the Export-Import Bank almost $100 million in additional credits for a variety of imports from the U.S. The Majority of U.S. military assistance has been provided since 1976, coming to almost $320 during the eight-year period 1976-83 (out of a total $370 million since 1956). Of this total, the vast majority (over 80 percent) has been in the form of loans. The grand total of U.S. eaconomic and military aid to Tunisia is approaching $1.5 billion, of which over $.5 billion has been repaid. [Note: a disaggregation of A.I.D. and predessor agency assistance will be made available by the PPC-sponsored Tunisia Program evaluation being undertaken in late 1984.]

World Bank Group

Since 1962, the World Bank has committed to Tunisia sixty-two loans and ten IDA credits amounting respectively to $1,260 million and $75 million, of which forty loans and credits have been fully disbursed. The Bank and IDA accounted for about 30 percent of total public commitments to Tunisia during 1979-1982. Their share in total debt outstanding and disbursed at the end of 1982 (including loans from private sources) was about 12 percent, and their share in debt service during 1982 was 11 percent. The share of the Bank and IDA in Tunisia's disbursed external debt is expected to be about 11 percent and their share in the debt service to increase to about 13 percent through 1986.

The Bank's lending strategy in Tunisia aims at supporting Government efforts to: (a) increase employment; (b) encourage more balanced growth and distribution of income among regions and income groups, with particular emphasis on rural areas and on operations targeted to low-income population groups; (c) promote export-oriented policies, technological changes and improvements in labor productivity; and (d) provide selective support for the development of basic infrastructure and for institution building in key public services.

Past lending emphasized support for long-term investments in infrastructure and social development. Lending for urban and social development including water supply, sewerage, education, health, urban development and the Tunis planning and public transport project has accounted for 34 percent of Bank/IDA commitments in Tunisia since 1971. Lending for transport, power and tourism infrastructure has accounted for 27 percent. Agriculture and fisheries have received 22 percent, and industrial and hotel financing, mostly through the Economic Development

Bank of Tunisia (BDET), 17 percent of total commitments. In addition, the Bank has made two loans for technical assistance, the first aimed at improving the Government's capability for project identificaion and preparation in the agriculture, industry and energy sectors, and the second designed to rationalize and develop the mining industry.

The Bank's economic and sector work centers on the analysis of economic issues and policies related to the necessary adaptation process from a petroleum exporting to a petroleum importing country. This analysis, which was included in the special economic report entitled "Tunisia - Review of the Sixth Development Plan (1982-86)" dated June 29, 1983, is being pursued through two special studies on hydrocarbon development and industrial employment creation. A review of the mid-term performance under the Sixth Plan took place in April 1984. Further economic and sector work will include a financial sector study, an industrial policy review, studies of educational finance and administration and housing finance, and a review of the transport sector.

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Table A-1
TUNISIA: A.I.D. RESOURCES FLOWS
millions of $US

	thru 1960	1961-65	1966-70	1971-75	1976-80	1981-83	Total	Repaymnts & Intrest	Total - (R+Int)
Economic Assistance:									
AID and Predec. Agencies	100.6	128.5	72.6	37.1	61.2	51.3	451.3	238.3	213.0
Loans	35.6	83.4	59.5	21.0	25.6	35.3	260.4	238.3	22.1
Grants	65.0	45.1	13.1	16.1	35.6	16.0	190.9		190.9
Food for Peace	34.6	166.8	105.8	85.6	71.3	36.9	501.0	128.5	372.5
Title I		38.9	32.5	39.6	40.4	28.8	180.2	128.5	51.7
Loans		31.7	32.3	39.6	40.4	28.8	172.8	128.5	44.3
Grants		7.2	0.2				7.4		7.4
Title II	34.6	127.9	73.3	46.0	30.9	8.1	320.8		320.8
Other U.S. Grants		3.0	5.4	4.1	5.0	2.9	20.4		20.4
Other U.S. Loans		4.2	5.7	17.6	31.6	56.9	116.0	63.9	52.1
Export-Import Bank		2.5		3.5	31.6	56.9	94.5	40.3	54.2
All Other loans		1.7	5.7	14.1			21.5	23.6	-2.1
Total Economic	135.2	302.5	189.5	144.4	169.1	148.0	1088.7	430.7	658.0
Loans	35.6	119.3	97.5	78.2	97.6	121.0	549.2	430.7	118.5
Grants	99.6	183.2	92.0	66.2	71.5	27.0	539.5		539.5
Military Assistance:									
Total Military	2.8	15.6	11.7	23.5	103.8	213.9	371.3	112.4	258.9
Loans	2.8	0.5	-0.3	9.7	100.0	197.0	309.7	112.4	197.3
Grants		15.1	12.0	13.8	3.8	16.9	61.6		61.6
Total Economic and Military	138.0	318.1	201.2	167.9	272.9	361.9	1460.0	543.1	916.9
Loans	38.4	119.8	97.2	87.9	197.6	318.0	858.9	543.1	315.8
Grants	99.6	198.3	104.0	80.0	75.3	43.9	601.1		601.1

SOURCE: AID, U.S. Overseas Loans and Grants, issues dated 1960-83.

Appendix B

THE SIXTH DEVELOPMENT PLAN (1982-86)

Overall Objectives

The Sixth Development Plan is designed to provide a smooth transition from a high consumption economy based largely on growing hydrocarbon exports (over 50 percent of exports), to one better able to live within the means provided by declining hydrocarbon exports foreseen for the late 1980s, and that will be able to build a non-hydrocarbon export base.

Its main objectives are to ease as much as possible the growing unemployment problem and reduce inter-regional income disparities, in order to maintain the country's long term social stability, while simultaneously maintaining the country's creditworthiness at a time of growing financial and balance-of-payments constraints caused by the expected decline in hydrocarbon exports.

In addition to the assumption of no new hydrocarbon discoveries, it further assumes a moderate deterioration in the country's terms of trade. Lacking the two main factors that allowed Tunisia in the past 5-8 years to simultaneously expand investments, recurrent public expenditures, and private consumption at a rapid pace, continuation of past growth trends concerning investments, consumption, and imports would create an unmanageable drain on the balance-of-payments that could jeopardize the country's external creditworthiness even before the end of the Sixth Plan period, but certainly soon thereafter.

Major structural changes are, therefore, unavoidable. They will have to include a substantial slow down in the future growth of private consumption that used to expand faster than overall GDP, as well as a reduction in the past very high investment rate of over 30 percent of GDP. In this context, two sets of policy issues take on particular importance:

- how to minimize the negative impact of the worsening hydrocarbon cum terms of trade outlook on the balance of payments and on domestic savings, so as to minimize the unavoidable reduction in the future investment rate, that is, how to maintain the volume of investments through improved capital financing mechanisms;

- how to make the best of the declining investment rate from the point of view of employment creation and income distribution, that is, how to improve the quality of investments so as to create more employment and a better regional income distribution with less investment.

Plan Financing

The level of foreign borrowing is explicitly used as the main limiting factor in setting the overall investment targets for the Sixth Plan.

Tunisian perception of the vital importance to enter the post-hydrocarbon era with a limited foreign debt that will not become an unmanageable burden during the most difficult later part of the 1980's reflects that country's historical prudence in matters of foreign debt management.

Once the maximum level of foreign borrowing was agreed upon, and given the likely decline of the main export item (hydrocarbons), the maximum sustainable level of investments depends largely on the Government's success in influencing these three policy variables: growth of domestic consumption and savings, growth of exports other than hydrocarbons (plus some possibilities for import substitution) and the likely inflow of foreign direct investment.

consumption & savings

Government's concrete macro-economic objectives are (1) to prevent growth of total GDP from declining below 6.0 percent p.a. in real terms during the Sixth Plan as compared to 6.3 percent during the Fifth plan; but (2) to slow down growth of private consumption from 7.6 to 6.5 percent p.a., and (3) to reduce the resource gap from 7.4 to 6.7 percent of GDP through a rapid expansion of non-hydrocarbon exports and a marked slow down in the growth of imports. Such a scenario would make it possible to maintain domestic savings at about 20 percent of GDP, while reducing the investment rate by only four percentage points (26 percent as compared to 30 percent of GDP).

Success depends vitally on a marked slow down in the growth rate of consumption as the only means to avoid a major worsening in the domestic savings performance at a time of rapidly declining profits from hydrocarbon exports. A series of policy measures have already been implemented in 1980 and 1981, while others are discussed in the Plan documents. It is generally agreed that budgetary savings (which had contributed a high 35-44 percent towards total domestic savings during the Fifth Plan cannot be expected to further improve. The tax burden is already exceptionally high and is more likely to decline than to increase during the 1980s considering the high direct and indirect impact of hydrocarbon export earnings on budgetary revenues. Public enterprises' savings, however, could and should be improved considerably by improved management, but even more so by changes in the Government's price and tariff policies that often have not allowed these enterprises to charge remunerative prices.

The main effort to reduce growth of consumption and to maintain savings, however, has to be made in the private sector. Among the many different possible policy instruments, income policies, dealing with wages and salaries as well as with non-wage incomes are probably the single most important to slow down the rate of growth of private consumption. Since well over 60 percent of all economically active Tunisians are wage and salary earners, wage and salary policies take on particular importance. They not only have a major impact on the purchasing power of private households, but also on enterprises, profits and savings; on the cost of current budget outlays; and, thus, on the level of budgetary savings. Real wages increased rapidly over the 5-6 years up to 1982, faster than per capita GDP. A continuation of this trend would almost certainly preclude attainment of the Plan's savings objectives. In addition, it would sharply slow down the envisaged substantial growth in non-hydrocarbon exports, lead to lower than projected investments in the key private sector, to less new employment and a higher unemployment rate.

Growth of consumption by non-wage income earners could best be curtailed through a mix of policy measures, such as (i) reducing profit margins and dividend income in domestic manufacturing and trade through increased competition, (ii) reenforcing the fight against fiscal fraud, particuarly in the informal sector, and (iii) stimulating savings and reinvestments by enterprises and individuals. Finally, farmers' incomes need to be stimulated rather than curtailed to create the necessary incentives for increased investments and production in the rural sector.

Accesory measures to dampen private consumption include reductions in the heavy consumer subsidies that tend to encourage over-consumption and waste, as well as certain changes in tax policies. Taxes on personal incomes are more likely to reduce consumption than taxes on enterprises' profits, while special taxes on luxury goods (including construction of luxury housing) might lead to reduced consumption by the most well-to-do consumers. The taxation aspects are being discussed presently in Tunisia within the framework of an overall tax reform. Several important steps were taken in 1982 to reduce subsidies. While the 1983 attempt to reduce bread subsidies has been sidetracked, further reform of public enterprise pricing is being seriously debated.

Financial market policies are classical means to stimulate private savings. Interest rates have been historically low in Tunisia, and at present most of them are substantially negative in real terms; even after the 1981 rate increases, they are still below their early 1970s level. Such a situation is not conducive to increased private savings. Instead, it stimulates speculative investments in real estate and encourages investments in overly capital intensive manufacturing and service sectors. In addition to higher interest rates, private savings could be further stimulated by providing more attractive investment opportunities to the small and medium-sized private investor.

export promotion

The Plan puts major emphasis on the stimulation of exports to reduce the balance-of-payments constraint as well as to achieve higher investment and production. It points out that in many sectors the narrow local market does not allow achievement of an optimal production size without substantial exports. In addition to the well established main export sectors such as textiles, agriculture and tourism, which will be further developed, electrical and mechanical industries are planned to become an important new export activity. Considering the country's well skilled labor force and its advantegeous geographical location, the country's longer term export prospects are optimistic, given the right policy changes. Among them, appropriate price and wage policies are probably the most important. Obviously, to realize a successful export drive, the country has to preserve and even enhance its international competitiveness, largely determined by its labor costs. Increased import liberalization and more competitive minded domestic price policies would help to better develop the country's considerable export potential. In addition, continuation of the flexible exchange rate policy begun in early 1981 and improvements in the country's export marketing capability, the latter a major weakness in the present structure, would further stimulate exports. Increased imports of foreign technology and marketing know-how are particularly important at this stage of development, when export industries will have to become more sophisticated, diversifying beyond raw materials and simple textiles into medium and higher technology electrical and mechanical products and fashion oriented clothing.

direct foreign investment

In such a development strategy, an increased inflow of <u>direct foreign investment</u> is important for two reasons: as a means to finance part of the resource gap as well as an effective instrument to stimulate the inflow of foreign technology and marketing know-how that often can only be acquired through attracting private foreign investors. In the past, foreign private capital concentrated largely on the hydrocarbon sector plus a few offshore ventures. More systematic efforts to relax the present rather rigid and burdensome administrative procedures concerning new investments, price changes, re-exports, etc. are needed to promote and diversify these flows. The creation of a number of development banks in the form of joint ventures between the Government, several Arab countries and France could facilitate the inflow of foreign risk capital.

Qualitative Investment Priorities

Successful implementation of the set of policy changes discussed above will help to limit the negative impact of declining hydrocarbon exports and worsening terms-of-trade on domestic savings and the resource gap; nevertheless, Tunisia will not be able to avoid a sizeable decline in the investment rate. Under these conditions, to maintain a satisfactory rate of employment creation, of export growth and of overall economic growth, the Sixth Plan investment program foresees some significant qualitative changes in investment patterns. Increasing emphasis is given to investments that are: 1) directly productive (to stimulate overall growth), 2) labor intensive (to create employment), and 3) export oriented (plus some import substitution) to ease the resource gap. Five sectors fulfill these selection criteria best, and, thus, receive highest priority: 1) agriculture, 2) EMIs, 3) textile, 4) miscellaneous manufacturing industries, and 5) tourism. Medium priority is given to hydrocarbon and phosphate development, considering their importance for overall economic growth and for export earnings (while their employment creation is marginal). Low priority is attributed to all other sectors, particularly capital intensive manufacturing, transport, and social infrastructure with the exception of health.

In line with these priorities, the Plan foresees a near doubling of investments for the high priority group in real terms, a stagnation for the second group, but a 4 percent decline for the third, with an overall increase in total investments of slightly under 16 percent. Two main constraints will have to be faced in this respect: the ability to increase investments as rapidly as forseseen in the new Plan, and the willingness of the private sector to do so. They take on particular importance for the Sixth Plan because of two major structural changes that distinguish it from its predecessors: 1) sizeable shift in investments from the public to the private sector, and 2) from very large projects to small and medium-sized investments.

In the five priority sectors, investments are planned to be overwhelmingly labor intensive and mostly small and medium sized. As a result, the number of very large projects that can be planned, prepared and implemented easily in a turn key fashion by foreign contractors would decline, and more of these tasks will fall on the shoulders of local institutions. In consequence, their capacities for project design and execution in the five priority sectors have to be expanded urgently; lack of well experienced staff is likely to become a serious bottleneck in this respect. Development of institutions in these sectors provides an opportunity for expanded AID programs in Tunisia.

At least as important as strengthening the technical/organizational capability to invest is the need to improve the willingness of private investors to step up investments. Since private enterprises are expected to step-up their investments by nearly 40 percent in real terms, and even more in the five priority sectors, they will be the main provider of new jobs, while public investments will continue to concentrate on economic and social infrastructure plus a few capital intensive production sectors. Consequently, prudent wage and salary policies are not only crucial for achieving the Plan's domestic savings targets; they are equally important for achieving its private sector investment targets in manufacturing and service. This is particularly so since a large part of private enterprises' investments are planned to be export oriented, and, thus, are dependent on a further improvement in the country's international competitiveness. In this context a realistic exchange rate policy is an important instrument for achieving Plan objectives. To stimulate private investments in agriculture, domestic price policies are particularly important. The growing erosion of rural purchasing power over the last years has to be reversed and more attractive rural producer prices granted.

While it is important to achieve the quantitative investment objectives, it is even more important and more difficult to achieve the qualitative investment targets, concerning labor intensity, regional income distribtuion, and export orientation. The labor intensity of new investments has to be watched particularly, because during implementation of the Fifth Plan, this priority was gradually eroded and labor intensive projects were replaced more and more by easily implementable capital intensive investments. If absorptive capacity bottlenecks make it impossible to achieve the planned volume of high priority projects, it would seem preferable to reduce total investments (so as to reduce foreign borrowing and increase the margin for future borrowing) rather than to step up the volume of lower priority investments.

Better balanced regional development will require a joint effort by Government and the private sector. The Plan proposes an important decentralization in the present administrative and decision making structure so as to give more power to the regions. A beginning has already been made in the last years by the successive creation of a number of regional development authorities, culminating in the establishment of a Regional Development Commissariat at the central level. For manufacturing and services, the new incentive law provides special incentives for investments in the less developed regions. Not discussed in the Plan, however, is the possibility of introducing regional salary differentials, as they exist in many other countries. Finally, all measures contemplated to facilitiate development of the informal sector will help reduce regional imbalances.

Appendix C

TABLES

USTUNRESGAP

Table 1
TUNISIA: AGGREGATE CONSUMPTION, SAVINGS AND INVESTMENT
millions of $US

	1977	1978	1979	1980	1981	1982	1983 Prov	1984 Proj
Available Resources:								
GDP	5097.9	5973.1	7220.2	8666.7	8373.8	8197.1	8084.0	8106.4
plus: Imports*	2035.0	2421.9	3161.1	3987.7	4200.1	3844.6	3552.0	3525.9
less: Exports*	1512.8	1847.7	2802.0	3518.5	3487.2	3001.5	2837.1	2829.9
Resource Gap	522.1	574.2	359.2	469.1	712.8	843.1	714.8	696.0
(as % of GDP)	10.2%	9.6%	5.0%	5.4%	8.5%	10.3%	8.8%	8.6%
Domestic Resources	5620.0	6547.3	7579.3	9135.8	9086.7	9040.1	8798.8	8802.4
Domestic Expenditures:								
Total Consumption	4139.9	4728.5	5458.8	6619.8	6362.9	6377.2	6344.9	6399.2
(as % of GDP)	81.2%	79.2%	75.6%	76.4%	76.0%	77.8%	78.5%	78.9%
Public Consumption	827.5	975.5	1092.3	1259.3	1259.6	1334.0	1357.4	1352.6
(as % of total consumption)	20.0%	20.6%	20.0%	19.0%	19.8%	20.9%	21.4%	21.1%
(as % of GDP)	16.2%	16.3%	15.1%	14.5%	15.0%	16.3%	16.8%	16.7%
Private Consumption	3312.4	3753.0	4366.5	5360.5	5103.3	5043.2	4987.5	5046.6
(as % of total consumption)	80.0%	79.4%	80.0%	81.0%	80.2%	79.1%	78.6%	78.9%
(as % of GDP)	65.0%	62.8%	60.5%	61.9%	60.9%	61.5%	61.7%	62.3%
Gross Investment	1482.5	1821.2	2120.5	2516.0	2722.0	2662.9	2453.9	2403.2
(as % of GDP)	29.1%	30.5%	29.4%	29.0%	32.5%	32.5%	30.4%	29.6%
Gross Fixed Investment	1482.5	1838.1	2199.3	2424.7	2610.6	2607.1	2395.0	2298.1
Public Investment	972.3	1124.7	1300.1	1260.5	1368.4	1464.9	1420.8	1331.6
(as % of fixed invest)	65.6%	61.2%	59.1%	52.0%	52.4%	56.2%	59.3%	57.9%
(as % of GDP)	29.1%	30.8%	30.5%	28.0%	31.2%	31.8%	29.6%	28.3%
Government	255.9	303.7	323.5	403.7	433.2	435.2	434.0	377.5
Public Enterprises	716.3	821.0	976.6	856.8	935.2	1029.6	986.7	954.0
Private Investment	510.3	713.4	899.1	1164.2	1242.2	1142.2	974.2	966.5
(as % of fixed invest)	34.4%	38.8%	40.9%	48.0%	47.6%	43.8%	40.7%	42.1%
(as % of GDP)	14.1%	13.7%	13.5%	9.9%	11.2%	12.6%	12.2%	11.8%
Change in Stocks	0.0	-16.8	-78.7	91.4	111.4	55.9	59.0	105.1
Domestic Expenditures	5622.4	6549.7	7579.3	9135.8	9084.9	9040.1	8798.8	8802.4
Savings:								
Domestic Savings	--	1240.0	1761.4	2046.9	2010.9	1814.8	1739.1	1707.2
(as % of GDP)	--	20.8%	24.4%	23.6%	24.0%	22.1%	21.5%	21.1%
plus: Net Factor Income	--	--	--	54.3	72.9	94.8	51.6	39.4
National Savings	914.7	--	--	2101.2	2083.8	1909.6	1790.7	1746.6
(as % of GDP)	17.9%	--	--	24.2%	24.9%	23.3%	22.2%	21.5%
Financing Gross Investment:								
in terms of GDP								
Domestic Savings	--	1240.0	1761.4	2046.9	2010.9	1814.8	1739.1	1707.2
(as % of total savings)	--	68.3%	83.1%	81.4%	73.8%	68.3%	70.9%	71.0%
Foreign Savings (Resource Gap)	--	574.2	359.2	469.1	712.8	843.1	714.8	696.0
(as % of total savings)	--	31.7%	16.9%	18.6%	26.2%	31.7%	29.1%	29.0%
Total Savings	--	1814.3	2120.5	2516.0	2723.8	2657.9	2453.9	2403.2
in terms of GNP								
National Savings	914.7	--	--	2101.2	2083.8	1909.6	1790.7	1746.6
Current Account Balance	622.4	527.9	431.2	446.9	488.1	690.7	663.2	--
Total Savings	1537.1	--	--	2548.1	2571.9	2600.3	2453.9	--

NOTE: * Exports and Imports of goods and non-factor services.
SOURCE: IMF, Tunisia - Recent Economic Developments, SM/81/33 Tables I & XIV, SM/82/110 Tables 1 & 5, SM/83/118 Tables 1 & VII, and SM/84/130 Tables 2 & IV.

DTUNRGAP

Table 1a

TUNISIA: AGGREGATE CONSUMPTION, SAVINGS AND INVESTMENT

millions of dinars

	1977	1978	1979	1980	1981	1982	1983	1984
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Available Resources:								
GDP	2187.0	2486.0	2935.0	3510.0	4135.0	4842.0	5485.0	6173.0
plus: Imports*	873.0	1008.0	1285.0	1615.0	2074.0	2271.0	2410.0	2685.0
less: Exports*	649.0	769.0	1139.0	1425.0	1722.0	1773.0	1925.0	2155.0
Resource Gap	224.0	239.0	146.0	190.0	352.0	498.0	485.0	530.0
Domestic Resources	2411.0	2725.0	3081.0	3700.0	4487.0	5340.0	5970.0	6703.0
Domestic Expenditures:								
Total Consumption	1776.0	1968.0	2219.0	2681.0	3142.0	3767.0	4305.0	4873.0
Public Consumption	355.0	406.0	444.0	510.0	622.0	788.0	921.0	1030.0
Private Consumption	1421.0	1562.0	1775.0	2171.0	2520.0	2979.0	3384.0	3843.0
Gross Investment	636.0	758.0	862.0	1019.0	1344.1	1573.0	1665.0	1830.0
Gross Fixed Investment	636.0	765.0	894.0	982.0	1289.1	1540.0	1625.0	1750.0
Public Investment	417.1	468.1	528.5	510.5	675.7	865.3	964.0	1014.0
Government	109.8	126.4	131.5	163.5	213.9	257.1	294.5	287.5
Public Enterprises	307.3	341.7	397.0	347.0	461.8	608.2	669.5	726.5
Private Investment	218.9	296.9	365.5	471.5	613.4	674.7	661.0	736.0
Change in Stocks	0.0	-7.0	-32.0	37.0	55.0	33.0	40.0	80.0
Domestic Expenditures	2412.0	2726.0	3081.0	3700.0	4486.1	5340.0	5970.0	6703.0
Savings:								
Domestic Savings	--	516.1	716.0	829.0	993.0	1072.0	1180.0	1300.0
plus: Net Factor Income	--	--	--	22.0	36.0	56.0	35.0	30.0
National Savings	392.4	--	--	851.0	1029.0	1128.0	1215.0	1330.0
Financing Gross Investment:								
in terms of GDP								
Domestic Savings	--	516.1	716.0	829.0	993.0	1072.0	1180.0	1300.0
Foreign Savings (Resource Gap)	--	239.0	146.0	190.0	352.0	498.0	485.0	530.0
Total Savings	--	755.1	862.0	1019.0	1345.0	1570.0	1665.0	1830.0
in terms of GNP								
National Savings	392.4	--	--	851.0	1029.0	1128.0	1215.0	1330.0
Current Account Balance	267.0	219.7	175.3	181.0	241.0	408.0	450.0	0.0
Total Savings	659.4	--	--	1032.0	1270.0	1536.0	1665.0	1330.0

NOTE: * Exports and Imports of goods and non-factor services.

SOURCE: IMF, Tunisia - Recent Economic Developments, SM/81/33 Tables I & XIV, SM/82/110 Tables 1 & 5, SM/83/118 Tables 1 & VII, and SM/84/130 Tables 2 & IV.

TUNSGDP

Table 2

TUNISIA: SECTORAL STRUCTURE OF VALUE ADDED

% of GDP at factor cost

	1977	1978	1979	1980	1981	1982	1983 Prov	1984 Proj
Primary	20%	19%	18%	18%	18%	16%	16%	16%
Agriculture	19%	18%	17%	16%	16%	15%	14%	15%
Mining	1%	1%	1%	1%	2%	1%	1%	1%
Industry	29%	30%	32%	35%	35%	34%	34%	34%
Energy, power, water	9%	9%	11%	14%	14%	14%	14%	13%
Manufacturing	12%	12%	13%	14%	14%	13%	14%	14%
Construction	9%	9%	8%	7%	7%	7%	7%	7%
Services	51%	51%	50%	48%	47%	50%	50%	50%
Transport & communications	7%	7%	7%	6%	5%	5%	6%	6%
Tourism	4%	4%	5%	5%	4%	4%	4%	4%
Commerce	26%	26%	25%	25%	25%	27%	26%	25%
Government wages & salaries	14%	14%	13%	12%	12%	13%	14%	14%
GDP at factor cost	100%	100%	100%	100%	100%	100%	100%	100%
Indirect taxes minus subsidies	18%	17%	17%	16%	14%	15%	15%	15%
GDP at market prices	118%	117%	117%	116%	114%	115%	115%	115%

SOURCE: IMF, Tunisia - Recent Economic Developments, SM/81/33 and SM/84/130, Table I.

$TUNSGRW

Table 3

TUNISIA: SECTORAL GROWTH RATES OF VALUE ADDED

per cent

	1977*	1978*	1979	1980	1981	1982	1983 Prov	1984 Proj	1977-80*	1980-83	1979-8 Pr
Primary									6.1%	0.2%	3.
Agriculture	-7.7%	4.0%	-4.1%	9.4%	8.8%	-9.9%	0.5%	9.0%	5.9%	-0.5%	3.
Mining	0.9%	-3.7%	11.5%	12.1%	8.2%	-5.3%	20.2%	5.9%	7.7%	7.2%	7.
Industry									9.5%	4.7%	5.
Energy, power, water	11.0%	9.2%	21.8%	4.4%	-2.9%	-1.5%	6.7%	-0.6%	11.0%	0.7%	1.
Manufacturing	5.7%	8.5%	14.2%	13.0%	12.8%	2.6%	9.3%	10.6%	9.8%	8.2%	9.
Food processing	-13.4%	14.2%	2.6%	8.5%	13.4%	-7.5%	3.5%	15.7%	2.9%	10.5%	6.
Construction materials	33.7%	27.1%	19.8%	25.4%	17.2%	1.7%	15.5%	10.5%	25.7%	25.0%	13.
Mechanical/electircal	17.2%	12.5%	20.8%	10.4%	16.2%	9.4%	10.1%	11.3%	15.4%	14.7%	11.
Chemical & rubber	56.2%	9.6%	31.2%	25.0%	7.3%	4.1%	10.7%	10.3%	25.5%	18.1%	11.
Textiles, clothing, etc	7.2%	-8.4%	16.4%	11.2%	11.6%	4.3%	7.7%	5.5%	5.5%	5.6%	8.
Woodwork, paper, other	8.0%	12.2%	15.6%	12.2%	10.8%	12.2%	12.8%	10.9%	12.0%	13.5%	10.
Construction	5.8%	7.8%	10.3%	2.8%	14.3%	3.2%	0.1%	-1.3%	5.9%	5.7%	3.
Services									7.6%	4.2%	4.
Transport & communications	14.8%	4.8%	8.5%	5.6%	5.2%	3.7%	8.3%	9.5%	11.1%	5.7%	6.
Tourism	-8.1%	7.5%	27.1%	6.5%	3.6%	-9.5%	-8.1%	6.3%	7.5%	-4.9%	-0.
Commerce	4.0%	5.8%	7.4%	7.6%	5.5%	3.0%	4.1%	5.3%	5.8%	4.2%	5.
Government wages & salaries	10.0%	8.1%	5.1%	2.3%	8.7%	5.4%	5.1%	4.0%	8.2%	6.4%	5.
GDP (at market prices)	4.3%	7.1%	8.4%	4.3%	5.7%	0.3%	4.5%	5.5%	7.7%	3.5%	4.

Note: * indicates growth rates for that year calculated on the basis of constant 1972 prices.
All other growth rates are based on constant values in 1980 prices.

SOURCE: IMF, Tunisia - Recent Economic Developments, SM/81/33 Table III, SM/83/118 Table II, and SM/84/130, Table 1.

$TUNEXP

Table 8
TUNISIA: EXPORTS OF MERCHANDISE AND NON-FACTOR SERVICES
millions of $US

	1977	1978	1979	1980	1981	1982	1983 Prel	1984 Proj
Merchandise Exports, f.o.b.:								
Agricultural products	157.1	199.2	233.5	169.9	238.6	181.1	142.2	193.0
of which: olive oil	60.4	87.7	112.9	61.5	101.5	96.0	36.6	79.2
Hydrocarbons	388.6	433.2	868.4	1347.4	1308.0	910.6	833.0	742.0
Phosphates	51.3	45.7	44.8	54.6	46.0	41.1	39.8	37.7
Chemicals	97.7	125.4	175.2	295.6	319.0	307.9	310.4	303.7
Mechanical and electrical	25.4	51.4	68.1	76.0	81.0	99.0	85.6	85.4
Textiles and leather	180.2	244.8	354.0	420.7	400.4	400.5	393.1	394.0
Other	28.2	25.7	43.8	31.1	62.4	39.3	59.0	63.0
Total merchandise exports	928.4	1125.4	1787.7	2395.3	2455.2	1979.7	1863.1	1818.8
(as % of GDP)	18.2%	18.8%	24.8%	27.6%	29.3%	24.2%	23.0%	22.4%
Non-factor Service (nfs) Exports:								
Freight and insurance	116.3	147.5	212.5	242.0	247.1	253.9	243.2	--
Tourism	314.7	400.5	539.2	642.0	597.4	575.6	552.7	--
Other travel	20.3	27.4	64.2	39.5	34.4	45.7	36.8	--
Government	56.2	70.2	85.1	88.6	70.9	81.3	44.2	--
Other services	46.9	77.6	118.1	170.4	164.0	181.1	176.9	--
Total nfs exports	554.3	723.2	1019.2	1182.5	1113.8	1137.6	1053.8	--
(as % of GDP)	10.9%	12.1%	14.1%	13.6%	13.3%	13.9%	13.0%	--
Total Exports	1482.8	1848.6	2806.9	3577.8	3569.1	3117.3	2916.9	--
(as % of GDP)	29.1%	30.9%	38.9%	41.3%	42.6%	38.0%	36.1%	--
Composition of Total Exports:								
Merchandise Exports	62.6%	60.9%	63.7%	66.9%	68.8%	63.5%	63.9%	--
Agricultural Products	10.6%	10.8%	8.3%	4.7%	6.7%	5.8%	4.9%	--
Olive oil	4.1%	4.7%	4.0%	1.7%	2.8%	3.1%	1.3%	--
Hydrocarbons	26.2%	23.4%	30.9%	37.7%	36.6%	29.2%	28.6%	--
Phosphates	3.5%	2.5%	1.6%	1.5%	1.3%	1.3%	1.4%	--
Chemicals	6.6%	6.8%	6.2%	8.3%	8.9%	9.9%	10.6%	--
Mechanical and electrical	1.7%	2.8%	2.4%	2.1%	2.3%	3.2%	2.9%	--
Other merchandise	12.2%	13.2%	12.6%	11.8%	11.2%	12.8%	13.5%	--
Non-factor Service Exports	37.4%	39.1%	36.3%	33.1%	31.2%	36.5%	36.1%	--
Freight and insurance	7.8%	8.0%	7.6%	6.8%	6.9%	8.1%	8.3%	--
Tourism	21.2%	21.7%	19.2%	17.9%	16.7%	18.5%	18.9%	--
Other travel	1.4%	1.5%	2.3%	1.1%	1.0%	1.5%	1.3%	--
Government	3.8%	3.8%	3.0%	2.5%	2.0%	2.6%	1.5%	--
Other services	3.2%	4.2%	4.2%	4.8%	4.6%	5.8%	6.1%	--

SOURCE: IMF, Tunisia -- Recent Economic Developments, SM/81/33 Tables XXVIII & XXX, SM/82/110 Table XXXIII & XXXIV, SM/83/118 Tables X & XI, and SM/84/130 Tables IX & X.

$TUNIMP

Table 9
TUNISIA: IMPORTS OF MERCHANDISE AND NON-FACTOR SERVICES
millions of $US

	1977	1978	1979	1980	1981	1982	1983 Prel	1984 Proj
Merchandise Imports, c.i.f.:								
Foodstuffs	216.3	253.5	368.5	387.9	428.1	356.4	423.4	380.8
of which: cereals	82.1	105.0	145.1	180.7	176.4	152.2	182.9	0.0
Energy	198.4	226.3	490.3	799.3	747.1	377.0	345.9	387.4
Raw materials/semi-finished	552.0	588.2	792.9	1098.8	1061.8	1051.1	940.0	958.6
Investment goods	539.9	677.6	687.1	742.0	960.1	1031.7	796.6	761.7
Other consumer goods	317.5	416.1	506.5	594.6	581.8	573.0	603.4	590.9
Total merchandise imports	1824.0	2161.7	2845.3	3622.5	3778.9	3389.2	3109.4	3079.4
(as % of GDP)	35.8%	36.2%	39.4%	41.8%	45.1%	41.3%	38.5%	38.0%
Non-factor Service (nfs) Imports:								
Freight and insurance	185.5	208.6	281.4	328.4	328.1	318.3	294.8	--
Tourism	39.4	58.9	59.8	66.7	70.9	106.7	97.3	--
Other travel	23.3	28.4	32.0	39.5	38.5	40.6	35.4	--
Government	40.6	43.2	40.1	113.1	99.2	106.7	103.2	--
Other services	122.4	114.4	158.2	155.6	162.0	165.9	154.8	--
Total nfs imports	411.2	453.4	571.5	703.2	698.7	738.1	685.3	--
(as % of GDP)	8.1%	7.6%	7.9%	8.1%	8.3%	9.0%	8.5%	--
Total Imports	2235.2	2615.1	3416.7	4325.7	4477.5	4127.3	3794.7	--
(as % of GDP)	43.8%	43.8%	47.3%	49.9%	53.5%	50.4%	46.9%	--
Composition of Total Imports:								
Merchandise Imports	81.6%	82.7%	83.3%	83.7%	84.4%	82.1%	81.9%	--
Foodstuffs	9.7%	9.7%	10.8%	9.0%	9.6%	8.6%	11.2%	--
Cereals	3.7%	4.0%	4.2%	4.2%	3.9%	3.7%	4.8%	--
Energy	8.9%	8.7%	14.3%	18.5%	16.7%	9.1%	9.1%	--
Raw materials/semi-finished	24.7%	22.5%	23.2%	25.4%	23.7%	25.5%	24.8%	--
Investment goods	24.2%	25.9%	20.1%	17.2%	21.4%	25.0%	21.0%	--
Other consumer goods	14.2%	15.9%	14.8%	13.7%	13.0%	13.9%	15.9%	--
Non-factor Service Imports	18.4%	17.3%	16.7%	16.3%	15.6%	17.9%	18.1%	--
Freight and insurance	8.3%	8.0%	8.2%	7.6%	7.3%	7.7%	7.8%	--
Tourism	1.8%	2.3%	1.7%	1.5%	1.6%	2.6%	2.6%	--
Other travel	1.0%	1.1%	0.9%	0.9%	0.9%	1.0%	0.9%	--
Government	1.8%	1.7%	1.2%	2.6%	2.2%	2.6%	2.7%	--
Other services	5.5%	4.4%	4.6%	3.6%	3.6%	4.0%	4.1%	--

SOURCE: IMF, Tunisia - Recent Economic Developments, SM/81/33 Tables XXVIII & XXXIII, SM/82/110 Tables XXXII & XXXIII, SM/83/118 Tables X & XI, and SM/84/130 Tables IX & X.

DTUNEXP

Table 8b

TUNISIA: FOREIGN TRADE IN MERCHANDISE AND NON-FACTOR SERVICES

millions of dinars

	1977	1978	1979	1980	1981	1982	1983 Prel	1984 Proj
Merchandise Exports, f.o.b.:								
Agricultural products	67.4	82.9	94.9	68.8	117.8	107.0	96.5	147.0
of which: olive oil	25.9	36.5	45.9	24.9	50.1	56.7	24.8	60.3
Hydrocarbons	166.7	180.3	353.0	545.7	645.9	537.9	565.2	565.0
Phosphates	22.0	19.0	18.2	22.1	22.7	24.3	27.0	28.7
Chemicals	41.9	52.2	71.2	119.7	157.5	181.9	210.6	231.3
Mechanical and electrical	10.9	21.4	27.7	30.8	40.0	58.5	58.1	65.0
Textiles and leather	77.3	101.9	143.9	170.4	197.7	236.6	266.7	300.0
Other	12.1	10.7	17.8	12.6	30.8	23.2	40.0	48.0
Total merchandise exports	398.3	468.4	726.7	970.1	1212.4	1169.4	1264.1	1385.0
Non-factor Exports:								
Freight and insurance	49.9	61.4	86.4	98.0	122.0	150.0	165.0	
Tourism	135.0	166.7	219.2	260.0	295.0	340.0	375.0	
Other travel	8.7	11.4	26.1	16.0	17.0	27.0	25.0	
Government	24.1	29.2	34.6	35.9	35.0	48.0	30.0	
Other services	20.1	32.3	48.0	69.0	81.0	107.0	120.0	
Total non-factor exports	237.8	301.0	414.3	478.9	550.0	672.0	715.0	
Total Exports	636.1	769.4	1141.0	1449.0	1762.4	1841.4	1979.1	
Merchandise Imports, c.i.f.:								
Foodstuffs	92.8	105.5	149.8	157.1	211.4	210.5	287.3	290.0
of which: cereals	35.2	43.7	59.0	73.2	87.1	89.9	124.1	
Energy	85.1	94.2	199.3	323.7	368.9	222.7	234.7	295.0
Raw materials/semi-finished	236.8	244.8	322.3	445.0	524.3	620.9	637.8	730.0
Investment goods	231.6	282.0	279.3	300.5	474.1	609.4	540.5	580.0
Other consumer goods	136.2	173.2	205.9	240.8	287.3	338.5	409.4	450.0
Total merchandise imports	782.5	899.7	1156.6	1467.1	1866.0	2002.0	2109.7	2345.0
Non-factor Services Imports:								
Freight and insurance	79.6	86.8	114.4	133.0	162.0	188.0	200.0	
Tourism	16.9	24.5	24.3	27.0	35.0	63.0	66.0	
Other travel	10.0	11.8	13.0	16.0	19.0	24.0	24.0	
Government	17.4	18.0	16.3	45.8	49.0	63.0	70.0	
Other services	52.5	47.6	64.3	63.0	80.0	98.0	105.0	
Total non-factor imports	176.4	188.7	232.3	284.8	345.0	436.0	465.0	
Total Imports	958.9	1088.4	1388.9	1751.9	2211.0	2438.0	2574.7	

SOURCE: IMF, Tunisia - Recent Economic Developments, SM/81/33 Tables XXVIII & XXXIII, SM/82/110 Tables XXXII & XXXIII, SM/83/118 Tables X & XI, and SM/84/130 Tables IX & X.

$TUNDEBT

Table ~~8~~ 10

TUNISIA: OUTSTANDING DISBURSED DEBT

millions of $US

	1977	1978	1979	1980	1981	1982	1983
	----	----	----	----	----	----	----
Bilateral Debt by Creditor							
Aggregate Debt:							
Total L & MT Debt	2175.9	2860.1	3367.3	3486.0	3381.5	3297.4	0.0
Official creditors	1314.7	1565.4	1823.0	2005.6	2122.1	2301.5	
multilateral	285.3	327.4	380.2	440.4	513.9	587.1	~~0.0~~ 2206.1
bilateral	1029.4	1238.0	1442.8	1565.2	1608.2	1714.4	
Private creditors	861.2	1294.7	1544.3	1480.4	1259.4	995.9	
Military Credits							
Short term Credits							
IMF Credits							
Total Disbursed Debt	2175.9	2860.1	3367.3	3486.0	3381.5	3297.4	0.0
Macroeconomic Aggregates							
GNP	5088	5965	7234	8721	8352	7948	
Exports*	1511	1892	2888	3314	3654	3222	
Imports*	2135	2399	3257	3837	4141	3940	
International Reserves	376	479	667	700	610	692	
Debt-related Indicators							
L & MT Debt/GDP (%)	42.7%	47.9%	46.6%	40.2%	40.4%	40.2%	0.0%
Disbursed Debt/GDP (%)	42.7%	47.9%	46.6%	40.2%	40.4%	40.2%	0.0%
Reserves/L & MT Debt (%)	17.3%	16.7%	19.8%	20.1%	18.0%	21.0%	ERR
Reserves/Imports* (months)	2.1	2.4	2.5	2.2	1.8	2.1	ERR

NOTE: * Imports and Exports of goods and services.

SOURCE: World Bank, World Debt Tables, 1984.

$TUNKFLOW

Table ~~10~~ 11
TUNISIA: ANNUAL CAPITAL FLOWS
millions of $US

	1977	1978	1979	1980	1981	1982	1983
	----	----	----	----	----	----	----
Loan Disbursements	714.9	576.9	628.8	521.7	585.1	455.6	0.0
Official creditors	353.1	225.9	258.1	333.3	385.3	362.2	0.0
multilateral	60.0	51.5	69.9	81.6	108.0	119.4	
bilateral	293.1	174.4	188.2	251.7	277.3	242.[illegible]	
Private creditors	361.8	351.0	370.7	188.4	199.8	93.4	
Principal Repayments	88.5	114.4	149.6	211.1	302.5	304.1	0.0
Official creditors	44.3	52.2	67.6	72.8	135.5	101.5	0.0
multilateral	11.4	12.7	17.6	19.4	26.2	39.9	
bilateral	32.9	39.5	50.0	53.4	109.3	61.6	
Private creditors	44.2	62.2	82.0	138.3	167.0	202.6	
Net Capital Flows	626.4	462.5	479.2	310.6	282.6	151.5	0.0
Official creditors	308.8	173.7	190.5	260.5	249.8	260.7	0.0
multilateral	48.6	38.8	52.3	62.2	81.8	79.5	0.0
bilateral	260.2	134.9	138.2	198.3	168.0	181.2	0.0
Private creditors	317.6	288.8	288.7	50.1	32.8	-109.2	0.0
Terms of New Credit							
All Creditors							
interest (%)	6.3	7.3	7.1	7.3	3.1	7.1	
maturity (years)	15.8	13.6	15.7	12.5	16.0	20.4	
grace period (years)	4.3	4.1	4.3	3.7	3.8	4.7	
grant element (%)	22.8	16.8	18.5	15.2	13.8	20.1	
Official Creditors							
interest (%)	4.9	4.9	5.7	5.8	7.0	7.1	
maturity (years)	20.9	19.0	19.6	19.4	18.7	20.7	
grace period (years)	5.6	5.3	5.2	5.7	4.3	4.8	
grant element (%)	35.0	34.1	28.1	28.5	19.1	20.3	
Private Creditors							
interest (%)	7.6	8.9	9.7	8.5	12.7	7.8	
maturity (years)	10.7	9.9	8.8	7.3	5.8	7.0	
grace period (years)	3.1	3.3	2.8	2.3	1.8	1.7	
grant element (%)	10.8	4.9	1.3	5.4	-7.0	6.5	

SOURCE: World Bank, World Debt Tables, 1984.

$TUNDBTSV

Table ~~11~~ 12
TUNISIA: ANNUAL DEBT SERVICE
millions of $US

	1977	1978	1979	1980	1981	1982	1983 Prlim
Principal Repayments	88.5	114.4	149.6	211.1	302.5	304.1	0.0
Official creditors	44.3	52.2	67.6	72.8	135.5	101.5	0.0
multilateral	11.4	12.7	17.6	19.4	26.2	39.9	
bilateral	32.9	39.5	50.0	53.4	109.3	61.6	
(principal to US)							
Private creditors	44.2	62.2	82.0	138.3	167.0	202.6	
Interest Payments	55.4	98.5	162.3	215.5	204.4	190.9	0.0
Official creditors	36.0	55.9	72.1	84.6	86.1	82.6	0.0
multilateral	16.1	19.7	23.8	28.1	32.5	34.6	
bilateral	19.9	36.2	48.3	56.5	53.6	48.0	
(interest to US)							
Private creditors	19.4	42.6	90.2	130.9	118.3	108.3	
Total Debt Service	143.9	212.9	311.9	426.6	506.9	495.0	0.0
Official creditors	80.3	108.1	139.7	157.4	221.6	184.1	0.0
multilateral	27.5	32.4	41.4	47.5	58.7	74.5	0.0
bilateral	52.8	75.7	98.3	109.9	162.9	109.6	0.0
(debt service to US)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Private creditors	63.6	104.8	172.2	269.2	285.3	310.9	0.0
Debt Service-related Indicators							
Debt service/GDP	2.8%	3.6%	4.3%	4.9%	6.1%	6.0%	0.0%
Debt service/Exports*	9.5%	11.3%	10.8%	12.9%	13.9%	15.4%	ERR
Debt service/Reserves	38.3%	44.4%	46.8%	60.9%	83.1%	71.5%	ERR

NOTE: * Exports of goods, services and transfers.
SOURCE: World Bank, World Debt Tables, 1984.

Appendix D

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