

average of 1.1 percent of GDP, as compared to 7.9 percent for 1980-86, while the budget deficit fell to 3.5 percent as compared to 8.6 percent.

7. The continuation of adjustment: 1989-1994. Over the past five years, the country has achieved reasonable growth rates with relatively low inflation. From 1989 to 1994, GDP growth rates averaged around 5 percent p.a., but the annual rate fluctuated considerably depending on the weather and tourism. GDP growth in 1991 was 3.9 percent. 1992 was a year of recovery; tourism unexpectedly recovered to surpass its 1990 level and, with a reasonably good agricultural year, GDP growth reached 8.0 percent. The performance would have been better still had the recession in Europe not made itself felt in a fall in the growth of rate of manufactured exports to 3.5 percent in 1990-1993. A severe drought in 1993 brought GDP growth down to 2.1 percent and in 1994 it was 4.4 percent, which was below the projected 6 percent level primarily due to inadequate rainfall.

8. The Tunisian authorities succeeded in limiting the current account deficit in 1991 to 4.4 percent of GDP, after it had reached 5.4 percent in 1990. Beginning in 1992 and estimated through 1995, the current account deficit is high due to large oil and gas investments, peaking in 1993 at 8.1 percent of GDP. This rate is expected to fall sharply beginning in 1996 to around 3 percent. The budget deficit rose slightly in 1991, to 4 percent of GDP from 3.8 percent in 1990, both because of the loss of revenues from lost exports and because of the cost of large stocks of cereals and olive oil from the abundant crops, but it fell to 2.6 percent of GDP in 1993 and is estimated to have been 2.0 percent in 1994. The perseverance of the authorities paid off in several respects. One was the decline in inflation, which until then had averaged about 7 percent p.a., to below 6 percent in 1992 and down to 4.5 percent in 1993 and again in 1994. Another was an improvement in external debt indicators; the share of debt servicing in exports has fallen steadily from 23.8 percent in 1991 to 20.2 percent in 1994.

9. The balance of payments shock caused by the Gulf crisis gave fresh impetus to the adjustment process. In response to the Government's request for support, the Bank approved in December 1991 an adjustment loan, the Economic and Financial Reform Support Loan. The IMF also supported Tunisia by prolonging its Extended Arrangement, which was due to expire in July 1991, to a fourth year. (Tunisia had remained in compliance but had not drawn on it.) The Arrangement was successfully completed in July 1992 and is