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Department of Foreign Affairs
and International Trade

Ministère des Affaires étrangères
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**World Bank Group Operations in
the Republic of Tunisia:
A Canadian Business Guide**

Canada

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A Canadian Business Guide:

World Bank Group Operations in the Republic of Tunisia

Dept. of External Affairs
Min. des Affaires extérieures
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IBRD/IDA Operations

Introduction

Over the last decade, the Republic of Tunisia has undergone a profound economic transformation. The country's considerable efforts towards reform have led it to have the most advanced and liberalized economy in North Africa. Many of the country's reforms, such as introducing convertibility of the Tunisian dinar, have sent a clear message to the international community that Tunisia is serious and committed to economic progress. This, in turn, has laid the groundwork for continued economic development in the future.

The direct result of Tunisia's reforms has been undeniable. The country's reentry into international financial markets in 1992 was a success, and this greater access to international financing has facilitated the diversification and development of the country's economy. Although the country's financial system remains somewhat underdeveloped, both domestic and foreign investors have provided much support and investment. The result has been a reduction of the number of Tunisians living in poverty. Much to the country's credit, Tunisia boasts social indicators far superior to those of neighbouring countries.

Having crossed the long and difficult stabilization period, Tunisia is now ready to embark on the next step - the post-adjustment phase. More particularly, social and economic improvements must continue, the remains of the close regulation era must be eliminated, and the privatization process must be accelerated. Environmental issues also need to be addressed. Although much remains to be done, Tunisia is one of the best performing countries among Bank members and is poised to further integrate its economy more fully with that of the rest of the world.

Country Assistance Strategy

The World Bank has historically played a major role in Tunisia's development. But as Tunisia's development needs evolve, so too will the priorities of the World Bank for this country. The projects that the Bank will choose to finance will reflect the changing priorities of Tunisia in helping restore sustainable growth, increasing competition, attracting private

investment and integrating the country into the global economy.

(1) Development of private sector

One of the Bank's greatest priorities will be to enable the private sector to assume a larger role in an increasingly outward-looking economy. Emphasis will be placed on strengthening the banking system, enhancing the quality of education to improve the labor force, and removing constraints to low-cost housing construction.

(2) Improvement of public sector resources management

The Bank will help the Tunisian public sector play a supportive role, rather than a controlling role, by helping the civil administration adapt to a more liberalized and decentralized environment. The particular problems of the phosphate industry will also be addressed.

(3) Emphasis on social sectors / elimination of poverty

The Bank will seek to support Tunisia's traditional concern for social sectors and poverty alleviation. Here, the Bank will also stress higher efficiency of the social protection system. It will also deal with the worst pockets of poverty that still remain in Tunisia.

(4) Management of natural resources and the environment

More support will be given to Tunisia in its efforts to protect its scarce water reserves. More specifically, projects in sewerage, environmental management and agriculture will seek to improve environmental management in Tunisia.

(5) Integration of the economy into world markets

The Bank will attempt to assist the country integrate itself into world markets. Moreover, it will seek to assist Tunisia in diversifying its economy and accessing international financial markets.

In the past, the public sector has been the largest beneficiary of Bank operations in Tunisia. The five new pillars in the Bank's Tunisian Country Assistance Strategy attempt to shift this benefit towards the private sector. In the social and infrastructure sectors, Bank funds will continue to be channelled through public entities, although the role of the private sector will continue to grow.

An impediment to Tunisia's development, which is also harmful to its all important tourism industry, remains poor infrastructure, particularly in telecommunications, transport, water and sewage systems.

Lending Priorities

As of December, 1995, the World Bank lending pipeline for Tunisia totalled US\$955 million, and can be broken-down sectorally as follows:

- (1) Agriculture - No Projects in Pipeline;
- (2) Education - US\$85 million (8.9%);
- (3) Energy - No Projects in Pipeline;
- (4) Environment - US\$40 million (4.2%);
- (5) Finance - No Projects in Pipeline;
- (6) Industry - US\$50 million (5.2%);
- (7) Infrastructure - No Projects in Pipeline;
- (8) Population, Health & Nutrition - US\$50 million (5.2%);
- (9) Power - No Projects in Pipeline;
- (10) Private Sector Development - US\$100 million (10.5%);
- (11) Public Sector Development - No Projects in Pipeline;
- (12) Social Sector - No Projects in Pipeline;
- (13) Structural Adjustment - US\$100 million (10.5%);
- (14) Telecommunications - No Projects in Pipeline;
- (15) Transport - US\$225 million (23.6%);
- (16) Urban Development - No Projects in Pipeline; and
- (17) Water Supply/Sanitation - US\$305 million (31.9%).

Contract Awards Data for Canadian Firms

The following prior review contracts were awarded to Canadian firms in Tunisia between fiscal years 1990 and 1994 (value of contracts in equivalent of US dollars):

FY 1994

C / L NUMBER	NAME OF PROJECT	DESCRIPTION OF CONTRACT	SUPPLIER NAME	VALUE OF CONTRACT
NO PRIOR REVIEW CONTRACTS WERE AWARDED TO CANADA IN TUNISIA FOR FY 1994				

FY 1993

C / L NUMBER	NAME OF PROJECT	DESCRIPTION OF CONTRACT	SUPPLIER NAME	VALUE OF CONTRACT
L30640	FIFTH URBAN	COMPUTERIZATION OF MASTER PLAN FOR THE HOUSING BANK	SOCIÉTÉ TECHNOLOGIQUE DESJARDINS	\$643,726
L35070	MUNICIPAL SECTOR INV	GIS PLANNING FOR CPSCL	SOCIÉTÉ DESJARDINS	\$130,451
L24290	URBAN TRANSPORT II	PROGICIEL EMME/ 2 3 COPIES	SIDES/INRO	\$39,348
				\$813,525

FY 1992

C / L NUMBER	NAME OF PROJECT	DESCRIPTION OF CONTRACT	SUPPLIER NAME	VALUE OF CONTRACT
NO PRIOR REVIEW CONTRACTS WERE AWARDED TO CANADA IN TUNISIA FOR FY 1992				

FY 1991

C / L NUMBER	NAME OF PROJECT	DESCRIPTION OF CONTRACT	SUPPLIER NAME	VALUE OF CONTRACT
NO PRIOR REVIEW CONTRACTS WERE AWARDED TO CANADA IN TUNISIA FOR FY 1991				

FY 1990

C / L NUMBER	NAME OF PROJECT	DESCRIPTION OF CONTRACT	SUPPLIER NAME	VALUE OF CONTRACT
NO PRIOR REVIEW CONTRACTS WERE AWARDED TO CANADA IN TUNISIA FOR FY 1990				

IFC and MIGA Operations

Introduction

1995 saw the International Finance Corporation (IFC) continue to be dynamic in the Central Asia, Middle East and North Africa region. This region has begun to reap the benefits of economic reform and, apart from the former centrally-planned economies, GDP has been growing at a healthy pace. In the last year alone, the IFC has approved investments in 34 projects in 9 different countries in the region, in addition to three multi-national projects. This marks a healthy increase over fiscal year 1994 and is testimony to the IFC's commitment to the region.

The IFC's principal goal is to help the region address some of its principal difficulties, such as underdeveloped financial markets, inadequate infrastructure, large and inefficient public sectors and the private sector's lack of access to term finance. The Corporation finances projects that will help the region develop more efficient capital markets, particularly in the Central Asian countries. It also gives priority to privately financed projects that will improve infrastructure. The IFC's other priorities for the region include projects that foster growth and production in natural resources and manufacturing, as well as providing technical advice on privatizing public enterprises and reforming the legal and regulatory framework.

The IFC has proven to be very dynamic and creative in assisting the region. For example, the IFC created an Islamic financial instrument that enables it to syndicate large funds from financial institutions in the Gulf Cooperation Council. Another example is the IFC's role in financing Tunisia's first Private Equity Fund that improves private companies' access to equity finance. The Corporation also helped launch the first Middle Eastern fund to be publicly offered and listed on the New York Stock Exchange. The IFC furthermore collaborated with the Arab Rating Fund to create the InterArab Rating Company.

A significant achievement of the IFC in 1995 in the region was the amount of syndications it placed, totalling US\$327 million, of which US\$100 million was for its own account. One of the IFC's most important priorities for 1995 was opening the region's infrastructure sector to private capital, and the Corporation has actively counselled countries on the

region on this matter. For example, the IFC's counsel led to the first joint venture in the telecommunications field in Jordan. The IFC's strategy stresses more judicious development of natural resources, particularly in Central Asia. One of the most important prongs of the Corporation's strategy has been advising on and financing privatization. The IFC was particularly successful on that front in Morocco, where it IFC supported the establishment of a special privatization fund. Finally, the IFC has provided countries in the region with many technical assistance and advisory assignments.

IFC Operations in Tunisia

As of June 30, 1995, IFC held investments in Tunisia totalled US\$39 million, almost all of which took place before 1992. However, two projects were approved in 1995 which should re-establish the IFC's importance in Tunisia. Firstly, the IFC decided to invest US\$6.3 million, representing roughly 14% of total project cost, in a project designed to create an off-shore equity fund to realize long-term capital gains from equity investments in privately held companies and privatizing public enterprises. Secondly, the IFC approved a project aimed at establishing a merchant bank offering services such as trade financing, portfolio management and underwriting, and will invest US\$300,000 in equity in the project.

The IFC has always offered significant technical assistance and advice for projects in Tunisia. In 1995, this assistance was given through the Foreign Investment Advisory Service (FIAS), which conducted a study of the attractiveness of certain manufacturing sectors to foreign investors.

In the coming years, the IFC will continue to place focus on the sectors it has traditionally emphasized, such as tourism and manufacturing of chemicals, pharmaceuticals, construction materials and textiles. At the same time, the IFC is expected to diversify its efforts in Tunisia. For example, the IFC has invested in Tunisia's first leasing company. The IFC will continue to contribute to the development of Tunisia's capital market, through the creation of specialized financial institutions. As the dinar becomes convertible and privatization takes effect, the climate for private sector investment will improve significantly.

Canadian Involvement in IFC Projects in Tunisia (FY 1989 to 1995)

The following table outlines Canadian involvement in IFC

projects in Tunisia between 1989 and 1995. The firm included in the table is domiciled in Canada, and the project cost reported is the total US dollar cost of the project. The Canadian portion of this cost is not reported separately.

Metal Mining Corporation

Project Name	Sector	Project Cost (US\$ 000's)	Year of Approval	Type of Involvement
Société Minière de Bougrine	Financial Services	74,152	1992	Technical Partner

MIGA Operations in Tunisia

In 1995, MIGA issued its first loan guarantee for a project in Tunisia, in the amount of US\$64.8 million to a British gas company for an offshore gas project. Of that total, US\$14.9 million was reinsured by Great Britain's Export Credits Guarantee Department. For this project, MIGA insurance will cover the risks of currency transfer, expropriation, and war and civil disturbance. In addition to this project, MIGA has received one application for an investment in textiles, which does not involve any Canadian investors.

World Bank Annexes: Appendix 1

World Bank Macro-Economic and Fiscal Overview for Tunisia

1. The following has been taken from the World Bank Country Brief on Tunisia dated April, 1995.

2. Tunisia is a country of medium size that, despite only modest natural resources, has made considerable economic and social progress without incurring excessive debt. Much of the country is arid or semi-arid; only 6 percent of arable land is irrigated and the output of rainfed agriculture fluctuates substantially according to rainfall. It has petroleum resources and, for a brief period, from the mid-1970s to the mid-1980s, the earnings from oil exports were substantial. But reserves are being depleted: extraction began to decline in 1980, and since 1994 Tunisia has become a net oil importer. There is a considerable phosphate mining and processing industry, but it is constrained by the low grade of ores. Most importantly, Tunisia's historic sites, beautiful beaches, and unusual scenery (and, of course, the climate), have made tourism a major industry and source of export earnings.

3. The GNP per capita in 1993 of US\$1,740 was exceeded in the whole of Africa only by some OPEC economies, Mauritius and South Africa. The new estimates show that the rate of absolute poverty has fallen from an estimated 11.2 percent in 1985 to 7.4 percent in 1990 and identify poverty as essentially a rural phenomenon. Since 1970, life expectancy has risen from 48 years to 68 years and infant mortality has fallen from 145 per thousand to 38 per thousand, thus reaching a level surpassed in Africa only by Mauritius. Over this period adult literacy rose from 15 percent to 65 percent. Similarly, primary school completion ratios have gone from 33 percent in the early 1970s to 62 percent by 1993. Population growth has declined continuously and is now growing by less than 2.0 percent per annum. But the growth of the labor force was higher, 3.0 percent p.a. for period 1986-1993, because of the increasing entry of women and the high proportion of young in the population. Despite the pace of economic growth, unemployment continues to increase to an estimated rate of 16 percent and constitutes one of the greatest concerns of the authorities. The Government, with Bank assistance, will be

focusing their attention on strategies to achieve higher and more persistent growth rates (7-8 percent) compared to the past five year average rate of 5 percent p.a., as a means of addressing the employment issue.

4. Stabilization and structural adjustment: 1987-89. Along with stabilization measures the on-going structural adjustment program was initiated in 1986/1987 with the aim of orienting the economy outward and relying increasingly on the private sector. The Bank has supported this program with a series of adjustment loans and the IMF with a Stand-by and an Extended Arrangement, both of which were successfully concluded. The authorities recognized that the future of Tunisia, with its small domestic market and diminishing oil earnings, would depend on its export performance and that, tourism apart, little of the domestic economy could compete internationally. Although the "off-shore" sector had caused exports to grow fast, it did not stimulate efficiency and innovation in the economy as exports normally do, because it used almost no domestic inputs, beyond labor and non-tradable goods and services. Other potential inputs are mostly not yet competitive internationally.

5. From the start the adjustment process had a wide span. The requirements of prior authorizations for investment and bank loans were dropped and a medium term program of liberalization of trade and prices was begun; interest rates on bank loans were largely freed; antiquated and distortionary taxes were replaced by a VAT on production and wholesale (except foodstuffs and agriculture) and the corporate income tax rate was reduced to a maximum rate of 35 percent; and a number of agricultural prices, including producer prices of cereals, were aligned with international market prices. A privatization program was started and the State began to withdraw from a number of activities, notably in agriculture.

6. These measures were quickly accompanied by a robust economic performance. Despite droughts in 1988 and 1989, GDP growth remained positive, whereas previously droughts had normally caused GDP to fall. The average annual growth for the period was 3.5 percent. In 1980-86 it had been 3.8 percent. Especially successful was the export performance; non-oil exports grew at an annual average of 14.7 percent in volume, as compared to 5.4 percent in 1980-86. The deficit on current account of the balance of payments fell, as a consequence of this and of stringent demand management, to an 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 in January 1993 the IMF announced that Tunisia was in compliance with the current account convertibility conditions of Article 8. The third and final tranche of the EFRSL was released in September 1994.

10. In 1991, 72 percent of production in agriculture and manufacturing had been protected by quantitative restrictions. By the end of 1994, an estimated 24 percent remained protected by restrictions. Eighty-five percent of all producer prices (weights) have been liberalized and about 70 percent of distribution margins are free.

11. Following the reform of direct taxes and the introduction of the VAT, the Government reformed stamp duties and registration fees and started reform of local taxation. It has also reformed the taxation of financial instruments, which had caused distortions that hindered the development of financial markets. The upshot is a simple tax system with moderate rates, a wider incidence and no multiple taxation of income. This opened the way for reform of the numerous investment codes, which afforded tax and other financial advantages, by reducing the need for them. A new unified code has been approved by the Chamber of Deputies in January 1994 with more modest advantages accorded only to investments that fulfil the objectives of the code. These reforms move in the direction of a more equitable tax regime between off-shore and domestic companies.

12. Reform in the financial sector has included the introduction of a new regulatory framework for banking, notably strict prudential regulations, and the removal of a cap on the spread of deposit bank lending rates over the money market rate in April 1994. Government borrowing through the obligatory purchase by banks of low-yielding bonds is being replaced by an auction process resulting in much higher yields for the banks and public. The stock market has also undergone reforms to modernize its regulations. These and the tax reforms have created the conditions for a potentially active and diversified financial market, although at present few companies are listed and there is very little trading.

13. Privatization began in 1987 but is proceeding at a slow pace. Out of nearly 200 enterprises in which the State had majority shares only about 40 small ones have been privatized. The diffusion of responsibilities that caused certain delays had the benefit of ensuring a measure of transparency and public acceptance. In 1993, the Ministry of Planning and Regional Development, now called the Ministry of Economic Development, was given the responsibility for privatization, but the process remains essentially on hold.

14. By deepening structural reforms, Tunisia could attain its objective of increasing the efficiency of investment through a gradual decline of the 5-year ICHOR from its level of over 6

in the early 1980s to 4.5 by the late 1990s. A GDP growth rate of 5 percent in the mid- 1990s could be achieved with a level of total investment averaging a quarter of GDP. Part of the decline in the ICHOR would be due to an increase in the share in GDP of private sector investment, while that of public sector investment would fall. The other part would be due to changes in relative prices, notably the increase in the cost of capital relative to wages due to the wage restraint and the real depreciation of the Tunisian dinar since 1985.

15. The lower level of investment needed to achieve the above growth rates, as compared to the levels in the late 1970s and early 1980s, would, given that domestic saving is only expected to increase modestly from around 20 percent of GDP in recent years to around 22 percent in the second half of the 1990s, result in current account deficits small enough for debt indicators to improve steadily. Tunisia's non-interest current account would be close to balancing after 1995 and the current account deficit, after reaching 8.1 percent of GDP in 1993, would decline to less than 3 percent by 1996/97. External debt to GDP and debt service ratios would decline from 1992 levels (53.6 percent and 21 percent respectively) to 52 percent and 16.4 percent, respectively in the late 1990s. The nominal size of the external debt will increase, however, and much of the growth will be from a resumption of borrowing on financial markets in the coming years on the basis of Tunisia's good credit standing.

World Bank Annexes: Appendix 2

World Bank Lending Pipeline for Tunisia

1. The following has been taken from the World Bank Monthly Operational Summary for Tunisia dated December, 1995.

Education/Training

* **Employment and Training II**

--The objectives of the proposed project are (a) to promote private sector competitiveness by enhancing the relevance of vocational training vis-a-vis the needs of enterprises and (b) to develop employment services for workers effected by economic restructuring. Appraisal mission is scheduled for January 1996. PID: TNPA05745.

US\$ 50.0 (IBRD). Consultants will be required for studies. Ministry of Vocational Training and Employment • 13, rue de Khartoum • 1002 Tunis • Tunisia • Tel: (216-1) 792-432 • Fax: (216-1) 794-615

Education/Training

* **Higher Education II**

--The project will support increased efficiency in the higher education system. Project preparation is under way.

Environmental Assessment Category C.

US\$ 35.0 (IBRD). Consultant services to be determined. Implementing agency is to be determined.

Environment

* **Natural Resources Management**

--The project is a pilot operation to (a) promote a participatory approach to management of soil, rangeland, and other resources and (b) strengthen administrative capacity to provide support services to resource management. Project preparation is under way. Environmental Assessment Category to be determined.

US\$ 40.0 (IBRD). Consultants will be required for implementation.

Ministry of Agriculture

Industry

* **Industrial Competitiveness (PSD I)**

--The project will provide parallel financing to the EU's program for enhancing competitiveness in support of a national program to upgrade to international standards of already or potentially competitive private industrial firms. Appraisal report is being prepared. Environmental Assessment Category B.

US\$ 50.0 (IBRD). Consulting services to be determined.

Implementing agency to be determined.

Population, Health and Nutrition

* **Health Sector**

--The project will (a) help strengthen the Ministry of Health's policy formulation and monitoring capacity; (b) promote increased private sector provision of health and family planning services; and (c) support further improvement in the organization and management of the public health system.

Project is being identified. Environmental Assessment Category C.

US\$ 50.0 (IBRD). Consultant services to be determined.

Ministry of Public Health • Bab-Saadoun • Tunis • Tunisia •

Tlx: 934 15235 • Tel: (216-1) 562-350 • Fax: (216-1) 567-

100 • Contact: SEM Mr. Hedi M'Henni

Private Sector Development

* **Economic Competitiveness Adjustment I (formerly Private Sector Development)**

--The project will support a post-adjustment program of reforms to establish the environment for an internationally competitive private sector. The program will have four aims: (a) reinforcing long-run macro-economic stability; (b) integrating the economy more fully into world market for goods, services, and capital; (c) reforming regulations to improve the functioning of the domestic market; and (d) accelerating privatization. Appraisal mission was scheduled for November 1995. Environmental Assessment Category C.

US\$ 100.0 (IBRD). Consulting services will be required for project preparation and implementation.

Ministry of Economic Development

Structural Adjustment

* **Economic Competitiveness**

--The loan will support measures to improve the policy and institutional environment of enterprises. Identification mission is scheduled for early 1996. Environmental Assessment Category C.

US\$ 100.0 (IBRD). Consultant services to be determined.

Implementing agency is to be determined.

Transport

*** Roads Improvement**

--The project will include (a) modernization of the trunk road network; (b) construction of town bypasses and bridges; (c) improvements to road safety; (d) assistance for privatization or road maintenance; and (e) construction of motorways with private financing under build-operate-transfer schemes. Project preparation is under way. Environmental Assessment Category B.

US\$ 75.0 (IBRD). Consultants will be required.

Ministry of Equipment and Housing • Directorate of Roads and Bridges • Blvd. Habib Chrita • Tunis • Tunisia • Tel: (216-1) 28-77-79 • Fax: (216-1) 78-70-62

Transport

*** Transport Sector Development**

--The project will (a) increase productivity and promote modernization and rehabilitation of railways, ports, and airports; and (b) improve road transport organizations through deregulation, road safety measures, and road user charge adjustments. Further processing awaiting the government decision, which is linked to the preparation of the next five year national plan. PID: TNPA05724.

US\$ 150.0 (IBRD). Consultant services to be determined.

Ministère des Transports et de l'Équipement et de l'Habitat • Direction des Ponts et Chaussées (DPC) • Cite Jardin, Boulevard Habib Chrita • Tunis • Tunisia • Tlx: 14428 • Tel: (216-1) 681-801 • Fax: (216-1) 780-397

Water Supply/Sanitation

*** Fourth Sewerage**

--The project includes (a) expansion of sewerage systems and (b) construction of pilot treatment plant using duckweed-based wastewater treatment process and other systems, and (c) institutional strengthening of Office National d'Assainissement (ONAS). Pre-appraisal mission is in the field.

US\$ 80.0 (IBRD). Consultants are conducting feasibility studies and an environmental assessment.

ONAS • 32 rue de la Monnaie • Tunis • Tunisia • Tel: (216-1) 343-200 • Fax: (216-1) 350-411

Water Supply/Sanitation

*** Rural Water Supply**

--The project will seek (a) to increase the percentage of the rural population served with water services to 75 percent from its present 65 percent by equipping rural centers with water systems during the 9th five-year plan (1996-2000); (b) assist in the formulation of the institutional/financial framework and regulations of the water users associations and define the

responsibility of the Société Nationale d'Exploitation et Distribution des Eaux (SONEDE) in the rural areas; and (c) design a public health program that will cover the use and protection of a potable water supply. Environmental Assessment Category B.

US\$ 125.0 (IBRD). A Japanese Grant is requested to prepare the studies.

SONEDE • Direction de Genie Rural (DGR) • 23 rue Jaweher Lel Nehru • Monfleury • Tunis • Tunisia • Tlx: 14262 • Tel: (216-1) 493-700 • Fax: (216-1) 399-356

Water Supply/Sanitation

* Water Sector

--The project will promote integrated development and management of surface water, groundwater, and wastewater to meet the demand for urban water supply and irrigation. It will include physical works for water storage, wastewater treatment and reuse, rehabilitation and installation of meters, studies, and technical assistance. Project preparation is under way.

US\$ 100.0 (IBRD). Consultants will be required for technical assistance in water management.

Ministry of Agriculture.

World Bank Annexes: Appendix 3

Status of World Bank Projects in Execution for Tunisia

1. The following has been taken from the World Bank Status of Projects in Execution dated September, 1995, at which point there were a total of 25 World Bank projects in execution in Tunisia.

Ln.2573-TUN Irrigation Management Improvement Project: US\$17 million Loan (after cancellation; original amount: US\$22 million) of July 9, 1985; Effective Date: July 28, 1986; Closing Date: June 30, 1995; Implementing Agencies: CRDAs of Ministry of Agriculture. The Project consists of: (a) provision of equipment and vehicles for O&M activities and of safety stocks of spare parts, rehabilitation of irrigation and drainage systems; (b) setting up an efficient management information system and defining improved planning, financial and operating procedures in OMVs (now integrated into CRDAs), strengthening water users' associations, introducing adequate pricing policies for CRDA services; (c) technical assistance and training; and (d) on-farm development. Under the investment component, the supply of goods and equipment is practically complete. However, in 1992/93 the rehabilitation of hydro and electro-mechanical equipment for irrigation networks suffered delays due to procurement problems. At the request of the Borrower, the closing date was extended by one year to June 30, 1995 to ensure financing of remaining contracts of the rehabilitation component signed by June 30, 1994.

Ln. 2735-TUN Energy Conservation Demonstration Project: US\$4.0 million Loan of July 18, 1986; Effective Date: March 17, 1987; Closing Date: June 30, 1994; Implementing Agency: Agence de Maîtrise de l'Énergie. The loan was closed on June 30, 1994. An ICR was issued on June 22, 1995.

Ln.2736-TUN Fourth Urban Project: US\$30.2 Million Loan of July 18, 1986; Effective Date: April 17, 1987; Closing Date: June 30, 1995; Implementing Agency: Ministry of Public Works. ARRU and Housing Bank (BH). The loan closed on June 30, 1995. An ICR will be issued.

Ln. 2870-TUN Forestry Project: US\$20.0 million Loan of September 28, 1987; Effective Date: April 28, 1988; Closing Date: December 31, 1995; Implementing Agency: Directorate of Forests of the Ministry of Agriculture. The Project includes (a) thinning of some 50,000 ha of conifer plantations and exploitation of some 21,000 ha of natural forest together with a corresponding regeneration program; (b) establishment of some 10,600 ha of fast-growing plantations; (c) improvement of integrated forest management of two degraded natural forests (6,600 ha); (d) improvement of some 3,400 ha of pasture and rangeland adjacent to forest regeneration; (e) preparation of a national inventory and development plan for forestry resources; (f) provision of technical assistance, training, and equipment to forestry-related departments; (g) improvement of seed collection and forest nurseries, and distribution of selected trees; and (h) provision of nature conservation measures. The sylvo-pastoral inventory and the forestry development plan are also on schedule. Project costs remain in line with SAR estimates and the loan is expected to have a small balance by completion.

Ln.2896-TUN Highways Maintenance and Rehabilitation Project: US\$63.0 Million Loan of January 15, 1988; Effective Date: October 17, 1988; Closing Date: June 30, 1995; Implementing Agency: Ministry of Public Works and Ministry of Transport. The loan closed on June 30, 1995. An ICR will be issued.

Ln.2911-TUN Second Small and Medium Scale Industry Project: US\$28 Million Loan of April 13, 1988; Effective Date: February 2, 1989; Closing Date: June 30, 1995. Implementing Agencies: Banque de Développement Economique de Tunisie, Banque du Sud, Banque de Tunisie. Banque de Tunisie et des Emirats d'Investissement and Société Tunisienne de Banque. The loan was closed as of June 30, 1995. An ICR will be prepared in FY96.

Ln.3023-TUN Petroleum Exploration Promotion Project: US\$ 5.5 million loan of May 10, 1989; Effective Date: December 21, 1989; Closing Date: December 31, 1993; Implementing Agency: Entreprise Tunisienne d'Activités Pétrolières (ETAP). The loan was closed on December 31, 1993. Unused funds after this date were cancelled. A ICR was issued on June 19, 1995.

Ln.3054-TUN Education and Training Sector Project: US\$ 95.0 million loan of June 30, 1989; Effective Date: October 30, 1989; Closing Date: March 31, 1996; Implementing Agencies: Ministry of Education and Sciences and the

Tunisian Agency for Vocational Training (ATFP). This loan supports the first phase of implementation of the Government's education and training sector reform and assists the Borrower in carrying out reform activities during this phase. This reform program will mainly consist of the following policy changes: 1) allocation of a larger share of resources to basic education (grades 1-9); 2) promotion of pre-service and in-service training in collaboration with companies in the productive sectors, and mobilization of additional resources for training. To support the above mentioned policies, the loan is financing a core set of high-priority investments, which include: A. Education sector: 1) rehabilitation of some 1,600 primary and 330 upper basic schools; 2) construction of 800 school canteens; 3) construction of some 130 new upper basic education schools; 4) distribution of educational materials and reading books; and 5) technical assistance to improve the quality of programs and the efficiency of educational management. B. Vocational Training: the project will assist in the development of sector-specific vocational training centers in collaboration with industry associations, based on a sub-project approach. Progress in implementation is as follows: A. School construction, rehabilitation, equipment and technical assistance has been completed. The totality of funds has been fully disbursed. B. ATFP requested TA to improve its capacity for improvement in the links between the training and the labor market. ATFP is also preparing a monitoring system of the vocational training system. Construction of the final two VT centers is nearing completion.

Ln.3064-TUN Urban V Project: US\$58.0 Million Loan of June 30, 1989. Effective Date: January 23, 1990; Closing Date: June 30, 1996; Implementing Agency: Banque de l'Habitat, Ministry of Equipment. The project includes: (i) Housing finance: a line of credit to the restructured Housing Bank in the amount of US\$51.0 million, as well as training and technical assistance; (ii) institutional strengthening for the Ministry of Equipment and Housing; and (iii) land information management including the modernization of land registration and the production of base topographical maps. The line of credit is almost completely disbursed.

Ln. 3078-TUN Second Agricultural Sector Adjustment Loan: US\$84.0 million Loan of June 30, 1989: Effective Date: August 27, 1990; Closing Date: June 30, 1995; Implementing Agency: Ministry of Agriculture. The Project was closed on June 30, 1995. An ICR is being prepared.

Ln.3217-TUN Agricultural Research and Extension Loan: US\$17 Million Loan of September 24, 1990; Effective Date: May 21, 1991; Closing Date: June 30, 1996; Implementing Agency: Ministry of Agriculture: Institution de Recherche et de l'Enseignement Supérieur Agricole (IRESA) and Agence de la Vulgarisation et de la Formation Agricoles (AFVA). The Project supports reorganization and strengthening of research at the national level through (a) the introduction of programming and budgeting by objectives; (b) strengthening organizational, managerial, monitoring and evaluation capacities; (c) construction and improvement of laboratories, workshops, offices, research centers; (d) provision of equipment, fellowships and technical assistance. For extension, the Project's objectives will be accomplished through: (a) improvement of extension support; (b) strengthening of 15 regional extension services, construction of local extension centers; (c) equipment, training and consultancy; and (d) a program for women. Research continues to make good progress and disbursements are picking up. The extension component remains without major problems. The accounting system has been overhauled; consolidated audits for 1992/1993 have been prepared.

Ln. 3255-TUN Employment and Training Fund: US\$12.0 million Loan of September 24, 1990; Effective Date: March 21, 1992; Closing Date: June 30, 1995; Implementing Agencies: Tunisian Employment Agency (ATE). The project has been physically completed and the loan account closed. An ICR is under preparation.

Ln.3307-TUN Population and Family Health Project: US\$ 26.0 million Loan of May 22, 1991; Effective Date: October 2, 1991; Closing Date: March 31, 1997; Implementing Agency: Ministry of Public Health. The Population and Family Health project aims to assist the Government of Tunisia (GOT) to lower both fertility and mortality, by targeting basic health care services to underprivileged groups with a strong focus on mothers and children. The project provides: (a) works and equipment to BHC facilities to accommodate the strengthening of FP/MCH services and upgrade the technical quality of the services; (b) mobile clinics and vehicles to deliver family planning and other basic health services with a strong focus on under-served areas; (c) ambulances and equipment for the district hospitals; (d) works and equipment for 4 peri-urban diagnostic centers; (e) educational materials and expert services for a comprehensive pre- and in-service training program for staff who are to deliver the services; (f) expert services to improve strategic planning and monitoring capacities; and (g) spare parts and

expert services for the development of a maintenance program for vehicles, equipment and buildings. Overall implementation of the project is satisfactory. Bids for lab and medical equipment (as part of the rehabilitation of district hospitals and BHC centers), and for vehicles for the 1994 program are being reviewed. Training is now progressing satisfactorily. Five of the six studies are being carried out though at a slower pace than anticipated; TORs for the remaining study are under preparation.

Ln. 3308 - TUN Hospital Restructuring Support Project:

US\$30.0 million Loan of May 22, 1991; Effective Date:

January 9, 1992; Closing Date: September 30, 1997;

Implementing Agency: Ministry of Public Health. The project

finances the following components: (a) Development of management capabilities and policy adjustments: technical assistance, training and office technology (hardware and software) to develop and implement: (i) financial management and performance evaluation procedures; (ii) a Management Information System; (iii) the reorganization of the administration and patient registration units; and, (iv) sectoral strategies and reform program management: a framework and action plan for new burden-sharing arrangements, a medium-term strategic plan for hospital development, hospital architectural master plans and reform program management.

(b) Improvement of service quality: (i) the replacement of priority medical equipment; (ii) the hygiene of hospital maintenance units; and, (iii) improvements in patient accommodations, hospital and handling of medical wastes; as of January 94, 17 of the 21 hospitals concerned have been transformed into autonomous Public Health establishments - New management procedures have been elaborated and are being implemented in these hospitals - software for the administration and patient registration has been developed and is gradually being introduced in qualifying hospitals. Hospital rehabilitation activities planned under the project have started. Contracts for procurement of medical equipment for a first group of hospitals have been signed; bids for computer equipment have been launched, selection has been made and contracts signed. Bids for another group of hospitals are being launched. Slightly delayed because of late appointments, management training for staff of 12 out of the 17 hospitals converted took place in May/June 1994 and was completed in September 1994. Preparation of hospital architectural master plans are underway. The study for hospital waste management and health financing related studies is completed and final reports have been received.

Ln. 3418-TUN Gas Infrastructure Development Loan:

US\$60.0 Million Loan of May 5, 1992. Effectiveness Date: September 25, 1992; Closing Date: June 30, 1996:
Implementing Agency: Société Tunisienne de l'Electricité et du Gaz (STEG). The project would develop a gas transmission system linking the north and the south of the country and would also enhance the flexibility of the distribution network in the City of Tunis. It will also provide services and training in support of these services as well as planning for future infrastructure development and enhancement of security of supply. The project consists of: (a) a gas transmission pipeline in the North of M'Saken to the existing industrial gas network in the South, primarily to supply the Gabes industrial area; (b) city distribution mains of 11 km to complete an existing loop to connect the western and eastern parts of Tunis network; and (c) gas sub-sector development and rationalization study, and technical assistance and training. The 240 km pipeline has been commissioned and the remaining components of the project are progressing satisfactorily. US\$49 million (82%) have been disbursed and the full amount of the loan is committed through signed contracts. The project is expected to be completed before the loan closing date of June 30, 1996.

Ln. 3424-TUN Economic & Financial Reforms Support Loan:

US\$250.0 Million Loan of December 13, 1991, Effective Date: December 23, 1993; Closing Date: December 31, 1994; Implementing Agency: Ministry of Planning & Regional Development. The Loan was closed in December 1994. An ICR was issued on July 19, 1995.

Ln. 3456-TUN Higher Education Restructuring Loan:

US\$75.0 million Loan of April 11, 1992. Effectiveness Date: February 12, 1993; Closing Date: December 31, 1998:
Implementing Agency: Ministry of Education and Sciences. The loan supports the government strategy of modernizing and diversifying higher education programs to enhance labor market relevance and student choice and shorten the average length of studies. It will do by developing an alternative model of para-university institutions linked to business needs, by providing direct incentives for internal change within existing universities, through a competitive fund for university quality improvement sub-projects, and by improving evaluation and resource management capacity throughout the system. The first component is being implemented: (i) construction of two ISETs (Sousse, Sfax) is nearly complete and the third (Tunis) is under preparation; (ii) initial projects have been approved by the Selection Committee; (iii) the third component (strengthening of the managerial capacity in the MES) is getting off to a slow start.

Ln.3507-TUN Municipal Sector Investment Project: US\$75.0 Million Loan of October 7, 1992; Effective Date: April 22, 1993; Closing Date: December 31, 1999; Implementing Agencies: Ministry of Interior. The project finances the following components: (a) institutional strengthening for the municipalities, MOI, and Ministry of Finance (MOF); (b) institutional strengthening for the Municipal Development Fund (CPSCL); and (c) priority infrastructure investments for municipalities and regional councils. The municipal investment component has started expeditiously. The project is disbursing satisfactorily. However, the Municipal staff training component is starting slowly and the local tax reform is almost two years late.

Ln.3601-TUN Second Forestry Development Project: US\$69.0 million Loan of December 22, 1993; Effective Date: April 14, 1994; Closing Date: December 31, 2000; Implementing Agency: Directorate General of Forests (DGF) of the Ministry of Agriculture. The Project includes: (a) execution of infrastructure (firebreaks, housing, roads, observation towers), preparation of management plans covering 85,000 ha across sites selected for environmental services and production potential, silvicultural works for cork oak (5,000 ha) and of Aleppo pine (14,200 ha) regeneration, and thinning operations over 2,300 ha of cork oak coppices, 20,600 ha of young stands of natural aleppo pine, 7,800 ha of eucalyptus coppices, and 21,200 ha of pine plantation; (b) establishment of plantations (25,400 ha) on National Forest Estate, 4,100 ha of stream banks plantations for riparian protection, 500 ha of plantations on farmland, and establishment and improvement of nurseries; (c) establishment of prairies (1,550 ha), shrub plantations (7,150 ha), improved natural rangeland (2,350 ha), cactus plantations (1,550 ha), and rehabilitation of existing pastures (1,400 ha); studies, technical assistance, training and equipment to forestry-related departments; (f) supporting the implementation of a research program focussing on testing forest bio-systems; (e) strengthening forest related institutions at central and regional levels.

Ln. 3661-TUN Agricultural Sector Investment Loan (ASIL): US\$120 million Loan of December 22, 1993; Effective Date: April 13, 1994; Closing Date: June 30, 1999; Implementing Agency: Ministry of Agriculture (MOA). The central objective of the Project is sectoral growth through improved management of public resources, complementary policies and finance for public investments. This would be achieved through commitments to finance line items in the MOA's annual investment budgets for 1994-97, contingent on progress

in implementing a Development Action Plan of key actions and policy reforms necessary for effective use of selected investments. Sub-sectors include: (i) irrigation and water-use efficiency; (ii) natural resource management; (iii) animal health and production; and (iv) land consolidation. Policy reforms consist of expanding the legal basis for Government interventions in rainfed areas. Finally, to achieve greater efficiency of public investment, the Government's planning and implementation capacity would be strengthened.

Ln.3671-80-TUN Private Investment Credit Project: US\$120 Million Loan of February 14, 1994. Effective Dates: 6/14/94 through 6/06/95 for various lines of credit. Closing Date December 31, 1999: Implementing Agencies: Ministère de la Coopération Internationale et de l'Investissement Extérieur and nine financial institutions (FIs): ATB, BDET, BIAT, BTEI, CFCT, STUSID, TL, UBCI, UTL. The project is designed to finance the needs of new and existing private enterprises by channeling funds through eligible FIs, including two financial leasing companies. The project includes (a) direct lines of credit to nine FIs meeting minimum eligibility criteria to be on-lent for viable private investments; (b) a loan to the Republic of Tunisia: (i) to be passed as subsidiary loans to all FIs meeting minimum eligibility requirements; (ii) to refinance two PPFs put in place on behalf of STB, a large commercial bank, to install a new accounting system. The Central Bank of Tunisia will be the executing agency for the loan to the Republic of Tunisia. The funds are being committed over a three-year period, 1994-1996. As of September 1995, about half of the total loan amounts, or US \$60 Million, had been committed and disbursements are well ahead of schedule.

Ln. 3691-TUN Northwest Mountainous Areas Development Project: US\$27.5 million loan of February 23, 1994: Effective Date: August 23, 1994: Closing Date: June 30, 2000: Implementing Agency: Office de Développement Sylvo-Pastoral du Nord-Ouest (ODESYPARO). The Project addresses the important problems of rural poverty and natural resource degradation. It would support development of a participatory approach to watershed rehabilitation in about 50 micro-catchments in the Governorates of Beja, El Kef, Siliana, Jendouba and Bizerte over a six-year period. The Project would also provide such basic infrastructure as feeder roads, potable water, health centers and schools. The Project would strengthen the planning, coordination, and implementation capacity of the executing agency and village groups. The Project would provide for demand-driven, short-term applied research to address key development constraints in the region. The micro-enterprise development component would promote,

on a pilot-scheme basis, the development of the informal sector and the establishment of village credit associations.

Ln. 3782, 3783 -TUN Water Supply and Sewerage Project:
US\$58 million Loan of September 21, 1994; Effective Date: Not yet effective; Closing Date: June 30, 2002; Implementing Agencies: Société Nationale d'exploitation et de distribution des Eaux and Office National de l'Assainissement (SONEDE and ONAS). The Project will assist the Government design and implement a water demand management program, and improve the operational efficiency, and technical and financial capacity of SONEDE and ONAS making them more autonomous and self-financing, provide safe, adequate and easily accessible water supply and sanitation services in urban and rural areas by expanding and rehabilitating existing facilities, promote the reuse of treated wastewater for industrial and agricultural use, and encourage SONEDE and ONAS to contract out some of their activities to the private sector. The Loan was signed September 21, 1994, and was declared effective in January 1996. Most of the ICB bids have been launched for the Greater Tunis and Sewage Components. About US\$ 3 Million have been disbursed so far, mainly on Rural Water Supply systems.

Ln. 3786-TUN Basic and Secondary Education Support Project: US\$98.3 million loan of August 23, 1994; Effective Date: January 9, 1995; Closing Date; June 30, 2000; Implementing Agency: Ministry of Education and Sciences. The project assists the Government in implementing the ongoing reform of basic and secondary education. The reform includes measures to: (i) reduce repetition and increase retention rates; (ii) improve transition rates between levels and regulate pupil flows in line with affordability and sustainability, (iii) restructure curricula at all levels, improve teacher training and pupil orientation and selection procedures, and (iv) formulate new attainment targets and develop national assessment instruments. Project Objectives are: (i) implementing the basic and secondary education reform program aimed at achieving improved quality and efficiency; and (ii) improving access to accommodate the projected increase in upper-basic and secondary school enrollments. The project has 2 components: (i) improve the quality and efficiency of educational delivery mechanisms; and (ii) improve access by financing construction and rehabilitation of schools and delivering educational equipment. To permit the monitoring and evaluation of project activities, the Government has developed a list of impact indicators, in coordination with the Bank. Project implementation is satisfactorily underway.

Ln. 3840 TUN Rural Roads Project: US\$58.0 million loan of January 31, 1995; Effective Date: February 14, 1995; Closing Date: December 31, 2002; Implementing Agency: Ministry of Equipment. The project objectives are public sector restructuring, budgetary reforms, private sector development, the development of improved road standards, the reduction of disparities between urban and rural areas, the reduction of rural to urban migration, and improving the delivery of social services to poor population. These objectives will be realized through improving maintenance of rural roads, particularly unpaved ones; decentralizing road management responsibilities to local governments, without developing new entities; establishing a link between budgets and road classification; strengthening budgetary discipline, transparency and accountability; targeting specific road maintenance tasks for execution by contract to improve efficiency and to create new development opportunities for a dynamic private sector; and finally minimizing life-cycle costs by making optimum use of gravel road techniques. The project is still in the start-up phase.

Notes

The 1990 ERM Road Project, US\$18.0 million, BOTON
 January 31, 1992, Effective Date, February 14, 1992, Closing
 Date, December 31, 2002, Implementing Agency, Ministry of
 Highway. The project objectives are public sector
 reform, budgetary reform, private sector development,
 the development of improved road standards, the reduction of
 disparities between urban and rural areas, the reduction of
 road to urban migration, and improving the efficiency of social
 capital to poor population. These objectives will be realized
 through improving maintenance of rural roads, particularly
 improved cost accounting road management responsibilities
 to local governments, without developing new entities,
 establishing a link between budget and road classification,
 strengthening budgetary discipline, transparency, and
 accountability, including specific road maintenance tasks for
 execution by contract to improve efficiency, and to create new
 development opportunities for a dynamic private sector, and
 finally minimizing life-cycle costs by seeking optimum use of
 fixed road investment. The project is still in the start-up
 phase.



Ministère des Affaires étrangères
et du Commerce international

Department of Foreign Affairs
and International Trade

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Introduction

La République tunisienne a connu une profonde transformation économique dans les dix dernières années. Les réformes de réforme en ont fait l'économie la plus avancée et la plus

Guide canadien des affaires :

**Les opérations du
Groupe de la Banque mondiale en
République tunisienne**

Préparé en décembre 1995 par

le Bureau de liaison avec les
institutions financières internationales

Ambassade du Canada
Washington, D.C.

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Opérations BIRD/IDA

Introduction

La République tunisienne a connu une profonde transformation économique dans les dix dernières années. Ses grands efforts de réforme en ont fait l'économie la plus avancée et la plus libéralisée de l'Afrique du Nord. Plusieurs de ces réformes, comme l'introduction de la convertibilité du dinar tunisien, ont clairement montré à la communauté internationale que la Tunisie est sérieusement attachée au progrès économique. Et elles ont ouvert la voie à un développement économique durable.

Les réformes en Tunisie ont eu un effet direct indéniable. La rentrée du pays sur les marchés financiers internationaux en 1992 a été un succès, et ce meilleur accès au financement international a facilité la diversification et le développement de l'économie nationale. Bien que le système financier du pays reste un peu sous-développé, les investisseurs locaux et étrangers ont fourni beaucoup d'appuis et de capitaux. Ce qui a permis de réduire le nombre des Tunisiens vivant dans la pauvreté. Grâce en bonne partie à ses propres efforts, la Tunisie s'est donné des indicateurs sociaux nettement supérieurs à ceux de ses voisins.

Après avoir traversé une longue et difficile période de stabilisation, la Tunisie peut maintenant entamer la phase post-ajustement. Elle doit plus particulièrement poursuivre les améliorations sociales et économiques, éliminer les reliquats du régime de réglementation stricte et accélérer le processus de privatisation. Elle doit aussi s'attaquer aux problèmes environnementaux. Bien qu'il lui reste beaucoup à faire, la Tunisie est l'un des pays membres de la Banque les plus performants et a de véritables chances de mieux s'intégrer à l'économie mondiale.

Stratégie d'aide au pays

La Banque mondiale a toujours joué un rôle majeur dans le développement de la Tunisie. Mais l'évolution des besoins de développement de la Tunisie entraînera un réaménagement des priorités de la Banque pour l'aide à ce pays. Les projets que la Banque choisira de financer refléteront les nouvelles priorités de la Tunisie, soit rétablir une croissance durable, intensifier la concurrence, attirer l'investissement privé et intégrer le pays à l'économie mondiale.

1) Développement du secteur privé

L'une des grandes priorités de la Banque sera de permettre au secteur privé d'assumer un rôle plus important dans une économie de plus en plus tournée vers l'extérieur. Elle veillera prioritairement à renforcer le système bancaire, à rehausser la qualité de l'éducation pour améliorer la main-d'oeuvre, et à éliminer les obstacles posés à la construction d'habitations à bon marché.

2) Amélioration de la gestion des ressources du secteur public

La Banque aidera le secteur public tunisien à jouer un rôle de soutien plutôt que de contrôle et ce, en aidant l'administration civile à s'adapter à un environnement plus libéralisé et décentralisé. Les problèmes particuliers de l'industrie du phosphate seront aussi pris en compte.

3) Insistance sur les secteurs sociaux et sur l'élimination de la pauvreté

La Banque veillera à appuyer les efforts traditionnels de la Tunisie pour valoriser les secteurs sociaux et pour alléger la pauvreté. Dans ce domaine, la Banque s'attachera aussi à améliorer l'efficacité du système de protection sociale. Elle s'attaquera également aux pires foyers de pauvreté qui subsistent encore en Tunisie.

4) Gestion des ressources naturelles et de l'environnement

La Banque appuiera davantage les efforts de la Tunisie pour protéger ses maigres réserves en eau. Dans les domaines de l'assainissement, de la gestion environnementale et de l'agriculture, elle financera des projets qui visent à améliorer la gestion de l'environnement national.

5) Intégration de l'économie aux marchés du monde

La Banque tentera d'aider le pays à s'intégrer aux marchés du monde. De plus, elle s'efforcera d'aider la Tunisie à diversifier son économie et à accéder aux marchés financiers internationaux.

Par le passé, c'est le secteur public qui a le plus bénéficié des opérations de la Banque en Tunisie. Les cinq nouveaux piliers de la stratégie de la Banque pour l'aide à ce pays visent maintenant à privilégier le secteur privé. Dans les secteurs des services sociaux et des infrastructures, la Banque continuera à

acheminer ses fonds par l'entremise des entités publiques; mais le rôle du secteur privé continuera à s'accroître.

Le développement de la Tunisie est encore entravé par une infrastructure déficiente, surtout dans les domaines des télécommunications, du transport ainsi que des systèmes d'adduction et d'assainissement. Cette déficience nuit aussi à la très importante industrie du tourisme.

Priorités de prêt

Au mois de décembre 1995, la filière des prêts de la Banque mondiale pour la Tunisie totalisait 955 millions \$ US. La répartition s'établit comme suit :

- 1) Agriculture - Aucun projet dans la filière.
- 2) Éducation - 85 millions \$ US (8,9 %).
- 3) Énergie - Aucun projet dans la filière.
- 4) Environnement - 40 millions \$ US (4,2 %).
- 5) Finances - Aucun projet dans la filière.
- 6) Industrie - 50 millions \$ US (5,2 %).
- 7) Infrastructure - Aucun projet dans la filière.
- 8) Population, Santé et Nutrition - 50 millions \$ US (5,2 %).
- 9) Énergie électrique - Aucun projet dans la filière.
- 10) Développement du secteur privé - 100 millions \$ US (10,5 %).
- 11) Développement du secteur public - Aucun projet dans la filière.
- 12) Secteur social - Aucun projet dans la filière.
- 13) Ajustement structurel - 100 millions \$ US (10,5 %).
- 14) Télécommunications - Aucun projet dans la filière.
- 15) Transport - 225 millions \$ US (23,6 %).
- 16) Développement urbain - Aucun projet dans la filière.

17) Adduction et assainissement - 305 millions \$ US
(31,9 %).

Marchés adjugés à des firmes canadiennes

Les marchés suivants ont été adjugés à des firmes canadiennes en Tunisie entre les AF 1990 et 1994 (valeur des contrats en équivalent dollars US) :

AF 1994

N° C / L	NOM DU PROJET	DESCRIPTION DU CONTRAT	NOM DU FOURNISSEUR	VAL. DU CONTRAT
AUCUN MARCHÉ EN TUNISIE N'A ÉTÉ ADJUGÉ AU CANADA POUR L'AF 1994				

AF 1993

N° C / L	NOM DU PROJET	DESCRIPTION DU CONTRAT	NOM DU FOURNISSEUR	VAL. DU CONTRAT
L30640	CINQUIÈME PROJET URBAIN	INFORMATISATION DU PLAN DIRECTEUR POUR LA BANQUE DU LOGEMENT	SOCIÉTÉ TECHNOLOGIQUE DESJARDINS	643 726 \$
L35070	SECTEUR MUNICIPAL-INV	PLANIFICATION SIG POUR CPSCL	SOCIÉTÉ DESJARDINS	130 451 \$
L24290	TRANSPORT URBAIN II	PROGICIEL EMME/ 2 3 COPIES	SIDES/INRO	39 348 \$
				813 525 \$

AF 1992

N° C / L	NOM DU PROJET	DESCRIPTION DU CONTRAT	NOM DU FOURNISSEUR	VAL. DU CONTRAT
AUCUN MARCHÉ EN TUNISIE N'A ÉTÉ ADJUGÉ AU CANADA POUR L'AF 1992				

AF 1991

N° C / L	NOM DU PROJET	DESCRIPTION DU CONTRAT	NOM DU FOURNISSEUR	VAL. DU CONTRAT
AUCUN MARCHÉ EN TUNISIE N'A ÉTÉ ADJUGÉ AU CANADA POUR L'AF 1991				

AF 1990

N° C / L	NOM DU PROJET	DESCRIPTION DU CONTRAT	NOM DU FOURNISSEUR	VAL. DU CONTRAT
AUCUN MARCHÉ EN TUNISIE N'A ÉTÉ ADJUGÉ AU CANADA POUR L'AF 1990				

Opérations de la SFI et de l'AMGI

Introduction

En 1995, la Société financière internationale (SFI) a maintenu son dynamisme en Asie centrale, au Moyen-Orient et en Afrique du Nord, une région qui a commencé à récolter les avantages de la réforme économique et où le PIB s'accroît à bon rythme, exclusion faite des économies auparavant centralement planifiées. Depuis un an, la SFI a approuvé des investissements dans 34 projets menés dans 9 pays de la région, en plus de trois projets multinationaux. Cet accroissement marqué de son activité par rapport à l'année financière 1994 témoigne de son engagement envers la région.

La SFI a pour principal objectif d'aider la région à surmonter certains de ses grands problèmes : par exemple, marchés financiers sous-développés, infrastructure inadéquate, secteurs publics importants et inefficients, et nonaccès du secteur privé au financement à terme. La Société finance des projets qui aideront la région à développer des marchés de capitaux plus efficaces, surtout dans les pays de l'Asie centrale. Elle donne aussi la priorité aux projets à financement privé qui amélioreront l'infrastructure. La SFI privilégie aussi les projets qui stimulent la croissance et la production dans les domaines des ressources naturelles et de la fabrication, et elle fournit des conseils techniques sur la privatisation des entreprises publiques et sur la réforme du cadre juridique et réglementaire.

La SFI a fait preuve de beaucoup de dynamisme et de créativité dans son aide à la région. Elle a par exemple créé un instrument financier islamique qui lui permet de syndiquer d'importants fonds d'institutions financières associées au Conseil de coopération du Golfe. Un autre exemple est le rôle de la SFI dans le financement du premier fonds tunisien de souscriptions privées qui améliore l'accès de l'entreprise privée au financement par capitaux propres. La Société a aussi aidé à lancer le premier fonds moyen-oriental à être publiquement offert en souscription et coté à la Bourse de New York. La SFI a également collaboré avec l'*Arab Rating Fund* pour établir l'*InterArab Rating Company*.

Autre élément notable de son aide à la région en 1995, la SFI a placé pour 327 millions \$ US en syndicats, dont 100 millions \$ US pour son compte propre. L'une des

principales priorités de la SFI pour 1995 a été l'ouverture du secteur des infrastructures régionales au capital privé. La Société a d'ailleurs conseillé activement les pays de la région en la matière. À titre d'exemple, elle a facilité par ses conseils l'établissement de la première coentreprise de télécommunication en Jordanie. La stratégie de la Société met l'accent sur un développement plus judicieux des ressources naturelles, surtout en Asie centrale. L'un des principaux volets de cette stratégie visait la prestation de conseils sur la privatisation et le financement des initiatives prises en ce sens. La SFI a connu plus particulièrement de succès sur ce front au Maroc, où elle a appuyé l'établissement d'un fonds spécial de privatisation. Enfin, la SFI a fourni aux pays de la région nombre de services et missions d'assistance technique et de consultation.

Opérations de la SFI en Tunisie

Au 30 juin 1995, la SFI avait pour 39 millions \$ US d'investissements en Tunisie, essentiellement réalisés avant 1992. Mais deux projets approuvés en 1995 devraient rétablir l'importance de la SFI en Tunisie. La Société a en effet décidé d'investir 6,3 millions \$ US, soit environ 14 % du coût total de ses projets, dans un projet visant à créer un fonds d'actions offshore pour profiter à long terme des gains en capital tirés des prises de participation dans des sociétés privées et dans des entreprises publiques privatisées. La SFI a aussi approuvé un projet visant l'établissement d'une banque d'affaires offrant des services comme le financement du commerce extérieur, la gestion de portefeuille et la souscription de titres; elle y investira 300 000 \$ US en capitaux propres.

La SFI a toujours offert d'importants services d'assistance technique et de conseil à l'appui de projets réalisés en Tunisie. En 1995, cette assistance a été fournie par l'entremise du Service de conseil en investissements étrangers (FIAS), qui a mené une étude sur certains secteurs manufacturiers susceptibles d'intéresser les investisseurs étrangers.

Dans les prochaines années, la SFI continuera à mettre l'accent sur les secteurs qu'elle a toujours jugés prioritaires - comme le tourisme, les produits chimiques, les produits pharmaceutiques, les matériaux de construction et les textiles. Elle devrait par ailleurs diversifier ses efforts en Tunisie. Elle a par exemple investi dans la première société tunisienne de crédit-bail.

La SFI continuera à contribuer au développement du marché financier local par la création d'institutions financières

spécialisées. La convertibilité du dinar et la privatisation entraîneront une amélioration marquée du climat de l'investissement privé.

Participation canadienne aux projets de la SFI en Tunisie (AF 1989 à 1995)

Le tableau suivant illustre la participation canadienne aux projets de la SFI en Tunisie entre 1989 et 1995. La firme qui y est mentionnée est domiciliée au Canada, et le coût du projet mentionné au tableau représente le coût total du projet en dollars US. La portion canadienne de ce coût n'est pas déclarée séparément.

Metal Mining Corporation

Nom du projet	Secteur	Coût du projet (milliers \$ US)	Année d'approbation	Type de participation
Société Minière de Bougrine	Services financiers	74 152	1992	Partenaire technique

Opérations de l'AMGI en Tunisie

En 1995, l'AMGI a souscrit sa première garantie de prêt pour un projet en Tunisie. Cette garantie de 64,8 millions \$ US a été offerte à une société gazière britannique pour un projet gazier offshore. Sur ce montant, 14,9 millions \$ US ont été réassurés par l'*Export Credits Guarantee Department* de la Grande-Bretagne. La garantie de l'AMGI couvrira les risques associés au transfert de devises, à l'expropriation, à la guerre et aux troubles publics. Outre ce projet, l'AMGI a reçu une proposition d'investissement dans une opération de production de textiles qui ne concerne aucun investisseur canadien.

Étude de la Banque mondiale sur la situation macro-économique et budgétaire de la Tunisie

1. Le texte qui suit est directement tiré du *Country Brief* de la Banque mondiale sur la Tunisie daté d'avril 1995 et est présenté en langue originelle.

2. Tunisia is a country of medium size that, despite only modest natural resources, has made considerable economic and social progress without incurring excessive debt. Much of the country is arid or semi-arid; only 6 percent of arable land is irrigated and the output of rainfed agriculture fluctuates substantially according to rainfall. It has petroleum resources and, for a brief period, from the mid-1970s to the mid-1980s, the earnings from oil exports were substantial. But reserves are being depleted: extraction began to decline in 1980, and since 1994 Tunisia has become a net oil importer. There is a considerable phosphate mining and processing industry, but it is constrained by the low grade of ores. Most importantly, Tunisia's historic sites, beautiful beaches, and unusual scenery (and, of course, the climate), have made tourism a major industry and source of export earnings.

3. The GNP per capita in 1993 of US\$1,740 was exceeded in the whole of Africa only by some OPEC economies, Mauritius and South Africa. The new estimates show that the rate of absolute poverty has fallen from an estimated 11.2 percent in 1985 to 7.4 percent in 1990 and identify poverty as essentially a rural phenomenon. Since 1970, life expectancy has risen from 48 years to 68 years and infant mortality has fallen from 145 per thousand to 38 per thousand, thus reaching a level surpassed in Africa only by Mauritius. Over this period adult literacy rose from 15 percent to 65 percent. Similarly, primary school completion ratios have gone from 33 percent in the early 1970s to 62 percent by 1993. Population growth has declined continuously and is now growing by less than 2.0 percent per annum. But the growth of the labor force was higher, 3.0 percent p.a. for period 1986-1993, because of the increasing entry of women and the high proportion of young in the population. Despite the pace of economic growth,

unemployment continues to increase to an estimated rate of 16 percent and constitutes one of the greatest concerns of the authorities. The Government, with Bank assistance, will be focusing their attention on strategies to achieve higher and more persistent growth rates (7-8 percent) compared to the past five year average rate of 5 percent p.a., as a means of addressing the employment issue.

4. Stabilization and structural adjustment: 1987-89. Along with stabilization measures the on-going structural adjustment program was initiated in 1986/1987 with the aim of orienting the economy outward and relying increasingly on the private sector. The Bank has supported this program with a series of adjustment loans and the IMF with a Stand-by and an Extended Arrangement, both of which were successfully concluded. The authorities recognized that the future of Tunisia, with its small domestic market and diminishing oil earnings, would depend on its export performance and that, tourism apart, little of the domestic economy could compete internationally. Although the "off-shore" sector had caused exports to grow fast, it did not stimulate efficiency and innovation in the economy as exports normally do, because it used almost no domestic inputs, beyond labor and non-tradable goods and services. Other potential inputs are mostly not yet competitive internationally.

5. From the start the adjustment process had a wide span. The requirements of prior authorizations for investment and bank loans were dropped and a medium term program of liberalization of trade and prices was begun; interest rates on bank loans were largely freed; antiquated and distortionary taxes were replaced by a VAT on production and wholesale (except foodstuffs and agriculture) and the corporate income tax rate was reduced to a maximum rate of 35 percent; and a number of agricultural prices, including producer prices of cereals, were aligned with international market prices. A privatization program was started and the State began to withdraw from a number of activities, notably in agriculture.

6. These measures were quickly accompanied by a robust economic performance. Despite droughts in 1988 and 1989, GDP growth remained positive, whereas previously droughts had normally caused GDP to fall. The average annual growth for the period was 3.5 percent. In 1980-86 it had been 3.8 percent. Especially successful was the export performance; non-oil exports grew at an annual average of 14.7 percent in volume, as compared to 5.4 percent in 1980-86. The deficit on current account of the balance of payments fell, as a consequence of this and of stringent demand management, to an

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

January 1993 the IMF announced that Tunisia was in compliance with the current account convertibility conditions of Article 8. The third and final tranche of the EFRSL was released in September 1994.

10. In 1991, 72 percent of production in agriculture and manufacturing had been protected by quantitative restrictions. By the end of 1994, an estimated 24 percent remained protected by restrictions. Eighty-five percent of all producer prices (weights) have been liberalized and about 70 percent of distribution margins are free.

11. Following the reform of direct taxes and the introduction of the VAT, the Government reformed stamp duties and registration fees and started reform of local taxation. It has also reformed the taxation of financial instruments, which had caused distortions that hindered the development of financial markets. The upshot is a simple tax system with moderate rates, a wider incidence and no multiple taxation of income. This opened the way for reform of the numerous investment codes, which afforded tax and other financial advantages, by reducing the need for them. A new unified code has been approved by the Chamber of Deputies in January 1994 with more modest advantages accorded only to investments that fulfil the objectives of the code. These reforms move in the direction of a more equitable tax regime between off-shore and domestic companies.

12. Reform in the financial sector has included the introduction of a new regulatory framework for banking, notably strict prudential regulations, and the removal of a cap on the spread of deposit bank lending rates over the money market rate in April 1994. Government borrowing through the obligatory purchase by banks of low-yielding bonds is being replaced by an auction process resulting in much higher yields for the banks and public. The stock market has also undergone reforms to modernize its regulations. These and the tax reforms have created the conditions for a potentially active and diversified financial market, although at present few companies are listed and there is very little trading.

13. Privatization began in 1987 but is proceeding at a slow pace. Out of nearly 200 enterprises in which the State had majority shares only about 40 small ones have been privatized. The diffusion of responsibilities that caused certain delays had the benefit of ensuring a measure of transparency and public acceptance. In 1993, the Ministry of Planning and Regional Development, now called the Ministry of Economic Development, was given the responsibility for privatization,

but the process remains essentially on hold.

14. By deepening structural reforms, Tunisia could attain its objective of increasing the efficiency of investment through a gradual decline of the 5-year ICHOR from its level of over 6 in the early 1980s to 4.5 by the late 1990s. A GDP growth rate of 5 percent in the mid- 1990s could be achieved with a level of total investment averaging a quarter of GDP. Part of the decline in the ICHOR would be due to an increase in the share in GDP of private sector investment, while that of public sector investment would fall. The other part would be due to changes in relative prices, notably the increase in the cost of capital relative to wages due to the wage restraint and the real depreciation of the Tunisian dinar since 1985.

15. The lower level of investment needed to achieve the above growth rates, as compared to the levels in the late 1970s and early 1980s, would, given that domestic saving is only expected to increase modestly from around 20 percent of GDP in recent years to around 22 percent in the second half of the 1990s, result in current account deficits small enough for debt indicators to improve steadily. Tunisia's non-interest current account would be close to balancing after 1995 and the current account deficit, after reaching 8.1 percent of GDP in 1993, would decline to less than 3 percent by 1996/97. External debt to GDP and debt service ratios would decline from 1992 levels (53.6 percent and 21 percent respectively) to 52 percent and 16.4 percent, respectively in the late 1990s. The nominal size of the external debt will increase, however, and much of the growth will be from a resumption of borrowing on financial markets in the coming years on the basis of Tunisia's good credit standing.

Annexes - Banque mondiale : Appendice 2

Filière des prêts de la Banque mondiale à la Tunisie

1. Le texte qui suit est directement tiré de l'État mensuel des projets de la Banque mondiale pour la Tunisie daté de décembre 1995 et est présenté en langue originelle.

Education/Training

* **Employment and Training II**

--The objectives of the proposed project are (a) to promote private sector competitiveness by enhancing the relevance of vocational training vis-a-vis the needs of enterprises and (b) to develop employment services for workers effected by economic restructuring. Appraisal mission is scheduled for January 1996. PID: TNPA05745.

US\$ 50.0 (IBRD). Consultants will be required for studies. Ministry of Vocational Training and Employment • 13, rue de Khartoum • 1002 Tunis • Tunisia • Tel: (216-1) 792-432 • Fax: (216-1) 794-615

Education/Training

* **Higher Education II**

--The project will support increased efficiency in the higher education system. Project preparation is under way.

Environmental Assessment Category C.

US\$ 35.0 (IBRD). Consultant services to be determined.

Implementing agency is to be determined.

Environment

* **Natural Resources Management**

--The project is a pilot operation to (a) promote a participatory approach to management of soil, rangeland, and other resources and (b) strengthen administrative capacity to provide support services to resource management. Project preparation is under way. Environmental Assessment Category to be determined.

US\$ 40.0 (IBRD). Consultants will be required for implementation.

Ministry of Agriculture

Industry

* **Industrial Competitiveness (PSD I)**

--The project will provide parallel financing to the EU's program for enhancing competitiveness in support of a national program to upgrade to international standards of already or potentially competitive private industrial firms. Appraisal report is being prepared. Environmental Assessment Category B.

US\$ 50.0 (IBRD). Consulting services to be determined.
Implementing agency to be determined.

Population, Health and Nutrition

* **Health Sector**

--The project will (a) help strengthen the Ministry of Health's policy formulation and monitoring capacity; (b) promote increased private sector provision of health and family planning services; and (c) support further improvement in the organization and management of the public health system. Project is being identified. Environmental Assessment Category C.

US\$ 50.0 (IBRD). Consultant services to be determined.

Ministry of Public Health • Bab-Saadoun • Tunis • Tunisia •
Tlx: 934 15235 • Tel: (216-1) 562-350 • Fax: (216-1) 567-100 • Contact: SEM Mr. Hedi M'Henni

Private Sector Development

* **Economic Competitiveness Adjustment I (formerly Private Sector Development)**

--The project will support a post-adjustment program of reforms to establish the environment for an internationally competitive private sector. The program will have four aims: (a) reinforcing long-run macro-economic stability; (b) integrating the economy more fully into world market for goods, services, and capital; (c) reforming regulations to improve the functioning of the domestic market; and (d) accelerating privatization. Appraisal mission was scheduled for November 1995. Environmental Assessment Category C.

US\$ 100.0 (IBRD). Consulting services will be required for project preparation and implementation.

Ministry of Economic Development

Structural Adjustment

* **Economic Competitiveness**

--The loan will support measures to improve the policy and institutional environment of enterprises. Identification mission is scheduled for early 1996. Environmental Assessment Category C.

US\$ 100.0 (IBRD). Consultant services to be determined.

Implementing agency is to be determined.

Transport

*** Roads Improvement**

--The project will include (a) modernization of the trunk road network; (b) construction of town bypasses and bridges; (c) improvements to road safety; (d) assistance for privatization or road maintenance; and (e) construction of motorways with private financing under build-operate-transfer schemes. Project preparation is under way. Environmental Assessment Category B.

US\$ 75.0 (IBRD). Consultants will be required.

Ministry of Equipment and Housing • Directorate of Roads and Bridges • Blvd. Habib Chrita • Tunis • Tunisia • Tel: (216-1) 28-77-79 • Fax: (216-1) 78-70-62

Transport

*** Transport Sector Development**

--The project will (a) increase productivity and promote modernization and rehabilitation of railways, ports, and airports; and (b) improve road transport organizations through deregulation, road safety measures, and road user charge adjustments. Further processing awaiting the government decision, which is linked to the preparation of the next five year national plan. PID: TNPA05724.

US\$ 150.0 (IBRD). Consultant services to be determined.

Ministère des Transports et de l'Équipement et de l'Habitat • Direction des Ponts et Chaussées (DPC) • Cite Jardin, Boulevard Habib Chrita • Tunis • Tunisia • Tlx: 14428 • Tel: (216-1) 681-801 • Fax: (216-1) 780-397

Water Supply/Sanitation

*** Fourth Sewerage**

--The project includes (a) expansion of sewerage systems and (b) construction of pilot treatment plant using duckweed-based wastewater treatment process and other systems, and (c) institutional strengthening of Office National d'Assainissement (ONAS). Pre-appraisal mission is in the field.

US\$ 80.0 (IBRD). Consultants are conducting feasibility studies and an environmental assessment.

ONAS • 32 rue de la Monnaie • Tunis • Tunisia • Tel: (216-1) 343-200 • Fax: (216-1) 350-411

Water Supply/Sanitation

*** Rural Water Supply**

--The project will seek (a) to increase the percentage of the rural population served with water services to 75 percent from its present 65 percent by equipping rural centers with water systems during the 9th five-year plan (1996-2000); (b) assist in the formulation of the institutional/financial framework and regulations of the water users associations and define the

responsibility of the Société Nationale d'Exploitation et Distribution des Eaux (SONEDE) in the rural areas; and (c) design a public health program that will cover the use and protection of a potable water supply. Environmental Assessment Category B.

US\$ 125.0 (IBRD). A Japanese Grant is requested to prepare the studies.

SONEDE • Direction de Genie Rural (DGR) • 23 rue Jaweher Lel Nehru • Monfleury • Tunis • Tunisia • Tlx: 14262 • Tel: (216-1) 493-700 • Fax: (216-1) 399-356

Water Supply/Sanitation

* Water Sector

--The project will promote integrated development and management of surface water, groundwater, and wastewater to meet the demand for urban water supply and irrigation. It will include physical works for water storage, wastewater treatment and reuse, rehabilitation and installation of meters, studies, and technical assistance. Project preparation is under way.

US\$ 100.0 (IBRD). Consultants will be required for technical assistance in water management.

Ministry of Agriculture.

Annexes - Banque mondiale : Appendice 3

État des projets de la Banque mondiale exécutés en Tunisie

1. Le texte qui suit est directement tiré de la publication de septembre 1995 de la Banque mondiale intitulée *Status of Projects in Execution* (la Banque mondiale avait alors 25 projets en voie d'exécution en Tunisie); le texte est présenté en langue originelle.

Ln.2573-TUN Irrigation Management Improvement Project:
US\$17 million Loan (after cancellation; original amount: US\$22 million) of July 9, 1985; Effective Date: July 28, 1986; Closing Date: June 30, 1995; Implementing Agencies: CRDAs of Ministry of Agriculture. The Project consists of: (a) provision of equipment and vehicles for O&M activities and of safety stocks of spare parts, rehabilitation of irrigation and drainage systems; (b) setting up an efficient management information system and defining improved planning, financial and operating procedures in OMVs (now integrated into CRDAs), strengthening water users' associations, introducing adequate pricing policies for CRDA services; (c) technical assistance and training; and (d) on-farm development. Under the investment component, the supply of goods and equipment is practically complete. However, in 1992/93 the rehabilitation of hydro and electro-mechanical equipment for irrigation networks suffered delays due to procurement problems. At the request of the Borrower, the closing date was extended by one year to June 30, 1995 to ensure financing of remaining contracts of the rehabilitation component signed by June 30, 1994.

Ln. 2735-TUN Energy Conservation Demonstration Project:
US\$4.0 million Loan of July 18, 1986; Effective Date: March 17, 1987; Closing Date: June 30, 1994; Implementing Agency: Agence de Maîtrise de l'Energie. Loan was closed on June 30, 1994. An ICR was issued on June 22, 1995.

Ln.2736-TUN Fourth Urban Project: US\$30.2 Million Loan of July 18, 1986; Effective Date: April 17, 1987; Closing Date: June 30, 1995; Implementing Agency: Ministry of Public Works. ARRU and Housing Bank (BH). The loan closed on June 30, 1995. An ICR will be issued.

Ln. 2870-TUN Forestry Project: US\$20.0 million Loan of September 28, 1987; Effective Date: April 28, 1988; Closing Date: December 31, 1995; Implementing Agency: Directorate of Forests of the Ministry of Agriculture. The Project includes (a) thinning of some 50,000 ha of conifer plantations and exploitation of some 21,000 ha of natural forest together with a corresponding regeneration program; (b) establishment of some 10,600 ha of fast-growing plantations; (c) improvement of integrated forest management of two degraded natural forests (6,600 ha); (d) improvement of some 3,400 ha of pasture and rangeland adjacent to forest regeneration; (e) preparation of a national inventory and development plan for forestry resources; (f) provision of technical assistance, training, and equipment to forestry-related departments; (g) improvement of seed collection and forest nurseries, and distribution of selected trees; and (h) provision of nature conservation measures. The sylvo-pastoral inventory and the forestry development plan are also on schedule. Project costs remain in line with SAR estimates and the loan is expected to have a small balance by completion.

Ln.2896-TUN Highways Maintenance and Rehabilitation Project: US\$63.0 Million Loan of January 15, 1988; Effective Date: October 17, 1988; Closing Date: June 30, 1995; Implementing Agency: Ministry of Public Works and Ministry of Transport. The loan closed on June 30, 1995. An ICR will be issued.

Ln.2911-TUN Second Small and Medium Scale Industry Project: US\$28 Million Loan of April 13, 1988; Effective Date: February 2, 1989; Closing Date: June 30, 1995. Implementing Agencies: Banque de Développement Economique de Tunisie, Banque du Sud, Banque de Tunisie. Banque de Tunisie et des Emirats d'Investissement and Société Tunisienne de Banque. The loan was closed as of June 30, 1995. An ICR will be prepared in FY96.

Ln.3023-TUN Petroleum Exploration Promotion Project: US\$ 5.5 million loan of May 10, 1989; Effective Date: December 21, 1989; Closing Date: December 31, 1993; Implementing Agency: Entreprise Tunisienne d'Activités Pétrolières (ETAP). The loan was closed on December 31, 1993. Unused funds after this date were cancelled. A ICR was issued on June 19, 1995.

Ln.3054-TUN Education and Training Sector Project: US\$ 95.0 million loan of June 30, 1989; Effective Date: October 30, 1989; Closing Date: March 31, 1996; Implementing Agencies: Ministry of Education and Sciences and the

Tunisian Agency for Vocational Training (ATFP). This loan supports the first phase of implementation of the Government's education and training sector reform and assists the Borrower in carrying out reform activities during this phase. This reform program will mainly consist of the following policy changes: 1) allocation of a larger share of resources to basic education (grades 1-9); 2) promotion of pre-service and in-service training in collaboration with companies in the productive sectors, and mobilization of additional resources for training. To support the above mentioned policies, the loan is financing a core set of high-priority investments, which include: A. Education sector: 1) rehabilitation of some 1,600 primary and 330 upper basic schools; 2) construction of 800 school canteens; 3) construction of some 130 new upper basic education schools; 4) distribution of educational materials and reading books; and 5) technical assistance to improve the quality of programs and the efficiency of educational management. B. Vocational Training: the project will assist in the development of sector-specific vocational training centers in collaboration with industry associations, based on a sub-project approach. Progress in implementation is as follows: A. School construction, rehabilitation, equipment and technical assistance has been completed. The totality of funds has been fully disbursed. B. ATFP requested TA to improve its capacity for improvement in the links between the training and the labor market. ATFP is also preparing a monitoring system of the vocational training system. Construction of the final two VT centers is nearing completion.

Ln.3064-TUN Urban V Project: US\$58.0 Million Loan of June 30, 1989. Effective Date: January 23, 1990; Closing Date: June 30, 1996; Implementing Agency: Banque de l'Habitat, Ministry of Equipment. The project includes: (i) Housing finance: a line of credit to the restructured Housing Bank in the amount of US\$51.0 million, as well as training and technical assistance; (ii) institutional strengthening for the Ministry of Equipment and Housing; and (iii) land information management including the modernization of land registration and the production of base topographical maps. The line of credit is almost completely disbursed.

Ln. 3078-TUN Second Agricultural Sector Adjustment Loan: US\$84.0 million Loan of June 30, 1989: Effective Date: August 27, 1990; Closing Date: June 30, 1995; Implementing Agency: Ministry of Agriculture. The Project was closed on June 30, 1995. An ICR is being prepared.

Ln.3217-TUN Agricultural Research and Extension Loan: US\$17 Million Loan of September 24, 1990; Effective Date: May 21, 1991; Closing Date: June 30, 1996; Implementing Agency: Ministry of Agriculture: Institution de Recherche et de l'Enseignement Supérieur Agricole (IRESA) and Agence de la Vulgarisation et de la Formation Agricoles (AFVA). The Project supports reorganization and strengthening of research at the national level through (a) the introduction of programming and budgeting by objectives; (b) strengthening organizational, managerial, monitoring and evaluation capacities; (c) construction and improvement of laboratories, workshops, offices, research centers; (d) provision of equipment, fellowships and technical assistance. For extension, the Project's objectives will be accomplished through: (a) improvement of extension support; (b) strengthening of 15 regional extension services, construction of local extension centers; (c) equipment, training and consultancy; and (d) a program for women. Research continues to make good progress and disbursements are picking up. The extension component remains without major problems. The accounting system has been overhauled; consolidated audits for 1992/1993 have been prepared.

Ln. 3255-TUN Employment and Training Fund: US\$12.0 million Loan of September 24, 1990; Effective Date: March 21, 1992; Closing Date: June 30, 1995; Implementing Agencies: Tunisian Employment Agency (ATE). The project has been physically completed and the loan account closed. An ICR is under preparation.

Ln.3307-TUN Population and Family Health Project: US\$ 26.0 million Loan of May 22, 1991; Effective Date: October 2, 1991; Closing Date: March 31, 1997; Implementing Agency: Ministry of Public Health. The Population and Family Health project aims to assist the Government of Tunisia (GOT) to lower both fertility and mortality, by targeting basic health care services to underprivileged groups with a strong focus on mothers and children. The project provides: (a) works and equipment to BHC facilities to accommodate the strengthening of FP/MCH services and upgrade the technical quality of the services; (b) mobile clinics and vehicles to deliver family planning and other basic health services with a strong focus on under-served areas; (c) ambulances and equipment for the district hospitals; (d) works and equipment for 4 peri-urban diagnostic centers; (e) educational materials and expert services for a comprehensive pre- and in-service training program for staff who are to deliver the services; (f) expert services to improve strategic planning and monitoring capacities; and (g) spare parts and

expert services for the development of a maintenance program for vehicles, equipment and buildings. Overall implementation of the project is satisfactory. Bids for lab and medical equipment (as part of the rehabilitation of district hospitals and BHC centers), and for vehicles for the 1994 program are being reviewed. Training is now progressing satisfactorily. Five of the six studies are being carried out though at a slower pace than anticipated; TORs for the remaining study are under preparation.

Ln. 3308 - TUN Hospital Restructuring Support Project:

US\$30.0 million Loan of May 22, 1991; Effective Date: January 9, 1992; Closing Date: September 30, 1997;

Implementing Agency: Ministry of Public Health. The project finances the following components: (a) Development of management capabilities and policy adjustments: technical assistance, training and office technology (hardware and software) to develop and implement: (i) financial management and performance evaluation procedures; (ii) a Management Information System; (iii) the reorganization of the administration and patient registration units; and, (iv) sectoral strategies and reform program management: a framework and action plan for new burden-sharing arrangements, a medium-term strategic plan for hospital development, hospital architectural master plans and reform program management. (b) Improvement of service quality: (i) the replacement of priority medical equipment; (ii) the hygiene of hospital maintenance units; and, (iii) improvements in patient accommodations, hospital and handling of medical wastes; as of January 94, 17 of the 21 hospitals concerned have been transformed into autonomous Public Health establishments - New management procedures have been elaborated and are being implemented in these hospitals - software for the administration and patient registration has been developed and is gradually being introduced in qualifying hospitals. Hospitals rehabilitation activities planned under the project have started. Contracts for procurement of medical equipment for a first group of hospitals have been signed; bids for computer equipment have been launched, selection has been made and contracts signed. Bids for another group of hospitals are being launched. Slightly delayed because of late appointments, management training for staff of 12 out of the 17 hospitals converted took place in May/June 1994 and was completed in September 1994. Preparation of hospital architectural master plans are underway. The study for hospital waste management and health financing related studies is completed and final reports have been received.

Ln. 3418-TUN Gas Infrastructure Development Loan:

US\$60.0 Million Loan of May 5, 1992. Effectiveness Date: September 25, 1992; Closing Date: June 30, 1996:
Implementing Agency: Société Tunisienne de l'Electricité et du Gaz (STEG). The project would develop a gas transmission system linking the north and the south of the country and would also enhance the flexibility of the distribution network in the City of Tunis. It will also provide services and training in support of these services as well as planning for future infrastructure development and enhancement of security of supply. The project consists of: (a) a gas transmission pipeline in the North of M'Saken to the existing industrial gas network in the South, primarily to supply the Gabes industrial area; (b) city distribution mains of 11 km to complete an existing loop to connect the western and eastern parts of Tunis network; and (c) gas sub-sector development and rationalization study, and technical assistance and training. The 240 km pipeline has been commissioned and the remaining components of the project are progressing satisfactorily. US\$49 million (82%) have been disbursed and the full amount of the loan is committed through signed contracts. The project is expected to be completed before the loan closing date of June 30, 1996.

Ln. 3424-TUN Economic & Financial Reforms Support Loan:

US\$250.0 Million Loan of December 13, 1991, Effective Date: December 23, 1993; Closing Date: December 31, 1994;
Implementing Agency: Ministry of Planning & Regional Development. The Loan was closed in December 1994. An ICR was issued on July 19, 1995.

Ln. 3456-TUN Higher Education Restructuring Loan:

US\$75.0 million Loan of April 11, 1992. Effectiveness Date: February 12, 1993; Closing Date: December 31, 1998:
Implementing Agency: Ministry of Education and Sciences. The loan supports the government strategy of modernizing and diversifying higher education programs to enhance labor market relevance and student choice and shorten the average length of studies. It will do by developing an alternative model of para-university institutions linked to business needs, by providing direct incentives for internal change within existing universities, through a competitive fund for university quality improvement sub-projects, and by improving evaluation and resource management capacity throughout the system. The first component is being implemented: (i) construction of two ISETs (Sousse, Sfax) is nearly complete and the third (Tunis) is under preparation; (ii) initial projects have been approved by the Selection Committee; (iii) the third component (strengthening of the managerial capacity in the MES) is getting off to a slow start.

Ln.3507-TUN Municipal Sector Investment Project: US\$75.0 Million Loan of October 7, 1992; Effective Date: April 22, 1993; Closing Date: December 31, 1999; Implementing Agencies: Ministry of Interior. The project finances the following components: (a) institutional strengthening for the municipalities, MOI, and Ministry of Finance (MOF); (b) institutional strengthening for the Municipal Development Fund (CPSCL); and (c) priority infrastructure investments for municipalities and regional councils. The municipal investment component has started expeditiously. The project is disbursing satisfactorily. However, the Municipal staff training component is starting slowly and the local tax reform is almost two years late.

Ln.3601-TUN Second Forestry Development Project: US\$69.0 million Loan of December 22, 1993; Effective Date: April 14, 1994; Closing Date: December 31, 2000; Implementing Agency: Directorate General of Forests (DGF) of the Ministry of Agriculture. The Project includes: (a) execution of infrastructure (firebreaks, housing, roads, observation towers), preparation of management plans covering 85,000 ha across sites selected for environmental services and production potential, silvicultural works for cork oak (5,000 ha) and of Aleppo pine (14,200 ha) regeneration, and thinning operations over 2,300 ha of cork oak coppices, 20,600 ha of young stands of natural aleppo pine, 7,800 ha of eucalyptus coppices, and 21,200 ha of pine plantation; (b) establishment of plantations (25,400 ha) on National Forest Estate, 4,100 ha of stream banks plantations for riparian protection, 500 ha of plantations on farmland, and establishment and improvement of nurseries; (c) establishment of prairies (1,550 ha), shrub plantations (7,150 ha), improved natural rangeland (2,350 ha), cactus plantations (1,550 ha), and rehabilitation of existing pastures (1,400 ha); studies, technical assistance, training and equipment to forestry-related departments; (f) supporting the implementation of a research program focussing on testing forest bio-systems; (e) strengthening forest related institutions at central and regional levels.

Ln. 3661-TUN Agricultural Sector Investment Loan (ASIL): US\$120 million Loan of December 22, 1993; Effective Date: April 13, 1994; Closing Date: June 30, 1999; Implementing Agency: Ministry of Agriculture (MOA). The central objective of the Project is sectoral growth through improved management of public resources, complementary policies and finance for public investments. This would be achieved through commitments to finance line items in the MOA's annual investment budgets for 1994-97, contingent on progress

in implementing a Development Action Plan of key actions and policy reforms necessary for effective use of selected investments. Sub-sectors include: (i) irrigation and water-use efficiency; (ii) natural resource management; (iii) animal health and production; and (iv) land consolidation. Policy reforms consist of expanding the legal basis for Government interventions in rainfed areas. Finally, to achieve greater efficiency of public investment, the Government's planning and implementation capacity would be strengthened.

Ln.3671-80-TUN Private Investment Credit Project: US\$120 Million Loan of February 14, 1994. Effective Dates: 6/14/94 through 6/06/95 for various lines of credit. Closing Date December 31, 1999: Implementing Agencies: Ministère de la Coopération Internationale et de l'Investissement Extérieur and nine financial institutions (FIs): ATB, BDET, BIAT, BTEI, CFCT, STUSID, TL, UBCI, UTL. The project is designed to finance the needs of new and existing private enterprises by channeling funds through eligible FIs, including two financial leasing companies. The project includes (a) direct lines of credit to nine FIs meeting minimum eligibility criteria to be on-lent for viable private investments; (b) a loan to the Republic of Tunisia: (i) to be passed as subsidiary loans to all FIs meeting minimum eligibility requirements; (ii) to refinance two PPFs put in place on behalf of STB, a large commercial bank, to install a new accounting system. The Central Bank of Tunisia will be the executing agency for the loan to the Republic of Tunisia. The funds are being committed over a three-year period, 1994-1996. As of September 1995, about half of the total loan amounts, or US \$60 Million, had been committed and disbursements are well ahead of schedule.

Ln. 3691-TUN Northwest Mountainous Areas Development Project: US\$27.5 million loan of February 23, 1994: Effective Date: August 23, 1994: Closing Date: June 30, 2000: Implementing Agency: Office de Développement Sylvo-Pastoral du Nord-Ouest (ODESYANO). The Project addresses the important problems of rural poverty and natural resource degradation. It would support development of a participatory approach to watershed rehabilitation in about 50 micro-catchments in the Governorates of Beja, El Kef, Siliana, Jendouba and Bizerte over a six-year period. The Project would also provide such basic infrastructure as feeder roads, potable water, health centers and schools. The Project would strengthen the planning, coordination, and implementation capacity of the executing agency and village groups. The Project would provide for demand-driven, short-term applied research to address key development constraints in the region. The micro-enterprise development component would promote,

on a pilot-scheme basis, the development of the informal sector and the establishment of village credit associations.

Ln. 3782, 3783 -TUN Water Supply and Sewerage Project:
US\$58 million Loan of September 21, 1994; Effective Date: Not yet effective; Closing Date: June 30, 2002; Implementing Agencies: Société Nationale d'exploitation et de distribution des Eaux and Office National de l'Assainissement (SONEDE and ONAS). The Project will assist the Government design and implement a water demand management program, and improve the operational efficiency, and technical and financial capacity of SONEDE and ONAS making them more autonomous and self-financing, provide safe, adequate and easily accessible water supply and sanitation services in urban and rural areas by expanding and rehabilitating existing facilities, promote the reuse of treated wastewater for industrial and agricultural use, and encourage SONEDE and ONAS to contract out some of their activities to the private sector. The Loan was signed September 21, 1994, and was declared effective in January 1996. Most of the ICB bids have been launched for the Greater Tunis and Sewage Components. About US\$ 3 Million have been disbursed so far, mainly on Rural Water Supply systems.

Ln. 3786-TUN Basic and Secondary Education Support Project: US\$98.3 million loan of August 23, 1994; Effective Date: January 9, 1995; Closing Date: June 30, 2000; Implementing Agency: Ministry of Education and Sciences. The project assists the Government in implementing the ongoing reform of basic and secondary education. The reform includes measures to: (i) reduce repetition and increase retention rates; (ii) improve transition rates between levels and regulate pupil flows in line with affordability and sustainability, (iii) restructure curricula at all levels, improve teacher training and pupil orientation and selection procedures, and (iv) formulate new attainment targets and develop national assessment instruments. Project Objectives are: (i) implementing the basic and secondary education reform program aimed at achieving improved quality and efficiency; and (ii) improving access to accommodate the projected increase in upper-basic and secondary school enrollments. The project has 2 components: (i) improve the quality and efficiency of educational delivery mechanisms; and (ii) improve access by financing construction and rehabilitation of schools and delivering educational equipment. To permit the monitoring and evaluation of project activities, the Government has developed a list of impact indicators, in coordination with the Bank. Project implementation is satisfactorily underway.

Ln. 3840 TUN Rural Roads Project: US\$58.0 million loan of January 31, 1995; Effective Date: February 14, 1995; Closing Date: December 31, 2002; Implementing Agency: Ministry of Equipment. The project objectives are public sector restructuring, budgetary reforms, private sector development, the development of improved road standards, the reduction of disparities between urban and rural areas, the reduction of rural to urban migration, and improving the delivery of social services to poor population. These objectives will be realized through improving maintenance of rural roads, particularly unpaved ones; decentralizing road management responsibilities to local governments, without developing new entities; establishing a link between budgets and road classification; strengthening budgetary discipline, transparency and accountability; targeting specific road maintenance tasks for execution by contract to improve efficiency and to create new development opportunities for a dynamic private sector; and finally minimizing life-cycle costs by making optimum use of gravel road techniques. The project is still in the start-up phase.

