--Minutes of Mission Meetings--
TUNISIA- 1978 Consultation Mission

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INTERNATIONAL MONETARY FUND

Tunisia--1978 Article XIV Consultation

(February 28-March 14, 1978)

List of Meetings

Number	Date and Time		Place
1	Wednesday, March 1, 1978	- 8:15 am	Banque Centrale
2	Wednesday, March 1, 1978	- 10:00 am	Ministry of Planning
3	Wednesday, March 1, 1978	- 5:00 pm	Ministry of Finance
4	Thursday, March 2, 1978	- 9:00 am	Ministry of Planning
5	Thursday, March 2, 1978	- 10:30 am	Ministry of Planning
6	Thursday, March 2, 1978	- 3:15 pm	Ministry of Finance
7	Thursday, March 2, 1978	- 3:30 pm	Ministry of Planning
8	Friday, March 3, 1978	- 8:30 am	Institut National des Statistiques
9	Friday, March 3, 1978	- 10:00 am	Ministère de 1'Industrie
10	Friday, March 3, 1978	- 11:30 am	Ministère du Commerce
11	Monday, March 6, 1978	- 9:00 am	Ministère du Commerce
12	Monday, March 6, 1978	- 11:00 am	Direction des Douanes
13	Monday, March 6, 1978	- 3:00 pm	Ministère du Plan
14	Monday, March 6, 1978	- 4:00 pm	Ministry of Social Affairs
15	Tuesday, March 7, 1978	- 10:00 am	Ministry of Finance
16	Tuesday, March 3, 1978	- 3:00 pm	Banque Centrale
17	Wednesday, March 8, 1978	- 9:00 am	Ministère du Commerce
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19	Wednesday, March 8, 1978	- 3:00 pm	Banque Centrale
20	Wednesday, March 8, 1978	- 5:30 pm	Agence de Promotion des Investissements

Number	Date and Time		Place
21	Thursday, March 9, 1978	- 8:30 am	Banque Centrale
22	Thursday, March 9, 1978	- 9:30 am	Office National de l'Huile
23	Thursday, March 9, 1978	- 11:00 am	Direction des Impôts
24	Friday, March 10, 1978	- 10:00 am	Banque Centrale
25	Friday, March 10, 1978	- 3:45 pm	Banque Centrale
26	Saturday, March 11, 1978	- 9:00 am	Ministry of Commerce
27	Saturday, March 11, 1978	- 10:00 am	Office des Céréales
28	Saturday, March 11, 1978	- 11:00 am	Ministry of Industry and Energy
29	Monday, March 13, 1978	- 10:00 am	Ministry of Finance
30	Monday, March 13, 1978	- 3:00 pm	Banque Centrale
31	Monday, March 13, 1978	- 5:30 pm	Ministry of Finance

INTERNATIONAL MONETARY FUND

Tunisia--Article XIV Consultation

Meeting No. 1, Wednesday, March 1, 1978--8:15 a.m.

Banque Centrale de Tunisie

Tunisian representatives	Fund representatives
Mr. Ghenima, Governor, Banque Centrale de Tunisie	Mr. C. François
Mr. Boudaouara, Direction des Etudes	Mr. A. Basu
	Mr. H. Horie
	E. E. Maciejewski

The mission paid a courtesy visit to Mr. Ghenima, Governor of the Central Bank. He welcomed the mission very cordially, and stated that the Central Bank would do all it could to help the mission in its work and discusssions. He also said that most of the basic tables related to production, consumption, monetary accounts, balance of payments and external debt, were already prepared and that some of the tables relating to the budget and public finance were still under preparation but would be made available before the end of the week.

Subsequently, the discussions covered the following topics:

1. Domestic credit and monetary policy in 1977

A summary note (see attachment) on the main trends in money and credit was provided to the mission. Reviewing domestic credit policy in 1977, Mr. Ghenima stated that this was principally geared to financing the productive sectors (manufacturing and agriculture). He pointed out that a special effort was made to extent larger credit increases to medium-size agricultural units (ranging from 20 to 30 ha), in order to help them to increase their respective average yields per hectare (from a low 3 or 4 tons to 10 tons per ha). In addition, several special mutual financing societies (Sociétés de caution mutuelle) were set up, while the Banque Nationale de Tunisie provided special financing and technical assistance.

Mr. Thenima said that the Central Bank further encouraged the deposit money banks to provide credit on a priority basis, to manufacturing and to other related productive sectors. By contrast, in 1977, the share of credit to commerce and services (tourism excluded) was significantly reduced in 1977 to 45 per cent only (as compared to slightly more than 50 per cent in 1976. Mr. Ghenima stated that the Central Bank significantly contributed to the 1977 growth of domestic credit; its share in total outstanding credit to the economy increased from 14 to 17 per cent. He indicated furthermore that in 1978 the deposit money banks are expected to reach the overall development finance ratio (ratio global de financement de développement) of 43 per cent of which 20 per cent would result from additional purchase of equipment bonds (as compared to 16 to 17 per cent only in 1977), 5 per cent from obligatory credits to the CNEL, and 18 per cent from medium term credit to the private sector.

Mr. Ghenima also reviewed briefly the main developments in the monetary aggregate. He indicated that broad money increased by 13 per cent (16 per cent in 1976), while domestic credit increased by 15 per cent (13-14 per cent in 1976). He mentioned that the rate of growth of quasi-money declined to 16 per cent (as compared to a high 34 per cent in 1976), as the liquidity position of the public enterprise sector (petroleum, phosphate, etc.) tightened somewhat.

2. Interest rate policy

Mr. Ghenima stated that interest rates were increased in September 1977, when some moderate revisions within the structure of interest rates were made, these decisions followed the completion of a study on interest rates, which was previously suggested by the IBRD. In this context, Mr. Ghenima pointed out the particular circumstances which limit a more active interest rate policy in Tunisia, as many enterprises are still relatively young and still suffer from low levels of cash-flow. He said, however, that the Central Bank continues to study this issue.

3. Wage and price policies

Referring to the development in prices in 1977, Mr. François asked about the major trends in prices and wages and the prospects for 1978. Mr. Ghenima, commenting on the "Pacte Social" of January 19, 1977 said that, according to the latest statistics, an inflation rate of about 9 per cent was experienced over the February 1977-February 1978 period. It is expected therefore, that wages will be increased next April, he recalled that the provisions of the "Pacte Social" allow for an increase in wages if the rate of inflation exceeds 5 per cent on an annual basis. Turning to the relatively good performance in prices experienced in 1977, Mr. Ghenima stated that this performance was mainly due to increased subsidies provided by the Caisse Générale de Compensation. He indicated moreover that the subsidies to be provided in 1978 are likely to amount to D 60 million (of which D 20 million for wheat; D 10 million for edible oil and the remaining mainly for meat and petroleum). He suggested that under present circumstances any significant improvement in current price policies regarding subsidies and transfers could hardly be envisaged and that the financial disequilibrium of the Caisse Générale de Compensation could be reduced only gradually.

4. External assets

Replying to Mr. François, Mr. Ghenima stated that developments in foreign assets was a major concern in 1977. They declined sharply in the first five months of 1977 to an amount representing only 40 to 45 days of import payments, as compared to about three months at the end of 1976. The overall balance of payments deficit is expected to increase from D 16-17 million in 1976 to D 29 million in 1977. Commenting on the reasons explaining such unfavorable developments, he indicated that Tunisia had to import more than it was initially planned and that export earnings and external financial grants during the first semester were unusually delayed. Mr. Ghenima stated that Tunisia further increased its recourse to foreign borrowing, more especially on international capital markets, including a loan of US$125 million which was very well received, Tunisia initially planned a loan of US$100 million.

5. Exchange rate policy

Mr. François suggested that, taking into account the recent developments in the external sector of the Tunisian economy and the present international environment, Tunisia's exchange rate policy has become an important element in shaping economic policies. In this context, he asked whether any major changes happened in 1977 and if the Tunisian authorities were presently considering changes in the present exchange rate system. Mr. Ghenima suggested that this issue could be discussed in detail during a subsequent technical meeting with Mr. Toumi. Mr. François said a few words about the forthcoming implementation of the Second Amendment (in particular, the notification of Exchange Arrangements under Article IV, Section 8. Mr. Ghenima replied that he felt that the dinar exchange rate system should be classifed among regimes based on a set of economic indicators rather than among regimes based on a basket of currencies. It was agreed that these issues would be reviewed at subsequent meetings.

6. Tunisia's exchange and trade legislation and controls

Mr. François asked whether any change was made in the exchange and trade legislation during 1977. Commenting on Tunisia's exchange and trade legislation which had taken place in January 1976, Mr. Ghenima said that a decree on the codification of this 1976 Law was issued in July 1977 and that subsequent textes d'application (avis and circulars) are expected to be issued in the coming months. He stated that the code made provision for a less rigorous application of exchange regulations and for the elimination of the differentation in the exchange system which had existed between the French franc area and all other countries. Mr. Ghenima also mentioned that the administration (Ministry of Commerce) introduced more flexible procedures and practices in controlling imports subject to licensing. In this context, the Governor pointed out that imports of capital goods, raw materials and spare parts under either "certificat d'importation" or "Autorisation annuelle d'importation" were practically totally liberalized, therefore, only consumer's goods were still subject to restrictions. Regarding existing restrictions, Mr. Ghenima expressed a few personal ideas on possible improvements of the present system of controls on trade and payments and mentioned that the option of increasing import taxes on certain goods could be an appropriate substitute to maintaining restrictions on consumer goods. He felt that the present procedures and practices were leading to some undesirable discrimination among importers and to some non-essential imports.

It was agreed that these issues would be discussed at subsequent technical meetings either at the Central Bank (Mrs. Abed) or at the new Ministry of Commerce, and at subsequent general discussions at the Central Bank (Mr. Bousbia, Directeur Gpnéral).

DIRECTION DES ETUDES
SERVICE DES ETUDES MONETAIRES

L'EVOLUTION MONETAIRE EN 1977

La persistance du resserrement de la liquidité bancaire provoqué par l'action restrictive des facteurs exogènes et notamment les sorties de devises et l'accroissement de la quantité de monnaie échangée en dehors du système bancaire a amené l'Institut d'émission à intensifier son intervention sur le marché monétaire pour assurer un financement adéquat de l'activité économique et plus particulièrement des secteurs productifs en difficulté.

Cette intervention a pris notamment la forme d'assouplissement des mesures restrictives de la politique monétaire. Dicté par l'évolution de la conjoncture monétaire, l'abaissement du taux de la réserve obligatoire sur les dépôts intérieurs, qui a été ramené de 5,5 à 3 % en avril puis à 1 % au début du mois de juillet, a permis de restituer aux banques des liquidités gratuites pour 7,6 millions de dinars et 6,4 millions de dinars respectivement.

L'abaissement du taux de la réserve obligatoire est venu renforcer les effets expansifs du relèvement, décidé en janvier et en décembre 1976, des cotes de réescompte qui ont été portées successivement de 12 à 18 millions de dinars puis à 20 millions de dinars ; ce qui a permis aux banques de recourir davantage au refinancement dans le cadre du réescompte auprès de la Banque Centrale.

Aussi, les concours de la Banque Centrale sont-ils passés de 109,4 millions de dinars en fin décembre 1976 à 149,7 millions de dinars à fin décembre 1977, s'inscrivant ainsi en augmentation de 40,3 millions de dinars ou 36,8 % et représentant 24,3 % de l'ensemble des dépôts bancaires au lieu de 20,7 % à fin 1976.

L'essentiel du refinancement a été réalisé dans le cadre du marché monétaire au sein duquel l'intervention de l'Institut d'émission a presque quadruplé passant d'une année à l'autre, de 11,9 à 39,8 millions de dinars.

En dépit de cette situation, les taux d'intérêt sur le marché monétaire ont été maintenus à des niveaux raisonnables pour ne pas provoquer un renchérissement des crédits à l'économie ou peser lourdement sur les marges des banques. Ils ont évolué, en effet, entre 5,5 % et 7,25 % avec une moyenne de 6,5 % et n'ont atteint le maximum de 7,25 % que rarement. Certaines banques, qui ont dépassé les plafonds fixés au refinancement, ont dû, certains jours, payer des taux de pénalisation.

L'intensification de l'intervention de la Banque Centrale dans le refinancement des banques s'est traduite par une sensible augmentation de sa part dans le financement de l'économie qui est passée durant l'année 1977 de 14 % à 16,7 % après avoir atteint un maximum de 20,0 % à la fin du mois d'août 1977.

En fait, la Banque Centrale a financé une grande partie de l'augmentation nette des concours à l'économie – crédits et portefeuille-titres – puisque les concours nourris sur les ressources ordinaires et spéciales des banques n'ont augmenté que de 9 % entre décembre 1976 et décembre 1977 alors que ceux financés par la Banque Centrale se sont inscrits en hausse de 43,6 %. La part de ces derniers dans l'accroissement des concours à l'économie s'est ainsi élevée à 45,8 % au lieu de 40,9 % à la fin de 1976 après avoir atteint un maximum de 75,8 % à la fin du mois de septembre 1977.

L'intensification de l'intervention de la Banque Centrale a permis, en outre, une réorientation des crédits au profit des secteurs vitaux en difficulté. C'est ainsi que l'agriculture a bénéficié, durant les onze premiers mois d'un concours accru, en augmentation de 9,8 millions de dinars. Il en a été de même pour les industries manufacturières (+ 70,3 millions de dinars) et le bâtiment et travaux publics (+ 11,2 millions de dinars). Du côté des services, alors que les crédits au commerce ont décliné, ceux accordés au tourisme se sont accrus de 7,1 millions de dinars.

Ainsi la part du secteur des services est revenue de 50,4 % à la fin du mois de novembre 1976 à 44,9% en novembre 1977 alors que celles de l'agriculture et de l'industrie ont enregistré une amélioration sensible passant respectivement de 7,5 % à 7,7 % et de 42,1 % à 47,4 % dans le même intervalle.

Cette évolution comporte un assainissement du schéma de financement de l'économie qui s'était dégradé en 1973 et 1974, années au cours desquelles les liquidités étaient abondantes et les banques enclines à accorder des crédits à des secteurs non prioritaires et spéculatifs.

Elle est, en partie, imputable à la révision de la structure des taux d'intérêts débiteurs qui a visé notamment à inviter les banques à intensifier leur intervention dans le financement des activités productives. L'abaissement des taux d'intérêt des crédits finançant les secteurs prioritaires s'est accompagné, en effet, d'une amélioration de la marge des banques sur ces types, de crédits obtenue grâce à un abaissement des taux de réescompte de l'Institut d'émission.

Le détournement de ces ressources des secteurs productifs explique, en partie tout au moins, les difficultés financières que rencontrent ces derniers depuis 1976 et l'aisance relative dans laquelle paradoxalement se trouvent certaines activités de services intermédiaires, malgré le resserrement de la liquidité générale de l'économie.

Les banques de dépôt ont utilisé une part de plus en plus importante de leurs ressources dans le financement du secteur public en souscrivant régulièrement aux émissions de bons d'équipement effectuées conformément à un calendrier arrêté au début de l'année. Le total des souscriptions nettes s'est élevé à 27,2 millions de dinars en 1977 contre 18 millions de dinars une année auparavant, ce qui a permis au ratio d'emploi en effets publics de se redresser de 3 points passant de 12,8 à la fin de l'année 1976 à 15,8 % à la fin de l'année 1977.

Enfin, l'aggravation du déficit de la balance des paiements qui passe de 16,6 millions de dinars en 1976 à 29,1 millions de dinars en 1977 conjuguée à un contrôle du pouvoir de création monétaire ont été à l'origine du ralentissement du rythme d'expansion des disponibilités monétaires qui est revenu de 15,6 % en 1976 à 13,4 % en 1977.

Le ralentissement proviendrait des disponibilités quasi-monétaires qui, ont augmenté de 16,2 % un taux qui demeure largement inférieur à celui enregistré en 1976 (34,4 %).

En revanche, la monnaie a accusé une accélération de son rythme d'expansion pour s'accroître de 12,1% en 1977 au lieu de 8,1 % en 1976.

Ce résultat a été obtenu à concurrence de 5,5 % au cours du seul mois de décembre en raison de l'accentuation du rythme des dépenses du Trésor dont les ressources ont été consolidées par un recours au marché financier international pour un montant de 51,6 millions de dinars.

INTERNATIONAL MONETARY FUND

Tunisia--1978 Article XIV Consultation

Meeting No. 2. Wednesday, March 1, 1978--10:00 a.m.

Ministry of Planning

Tunisian representatives	Fund representatives
Mr. Zaanouni, Ministre Délégué du Premier Ministre Charge du Plan	Mr. François
Mr. Boudaouara, Direction des Etudes, Central Bank of Tunisia	Mr. Basu
	Mr. Horie
	Mr. Maciejewski

Mr. Zaanouni welcomed the mission and stated that he and his colleagues would gladly assist the mission in its work. The mission invited the Minister to comment on overall economic developments, the financing of investments, the recent evolution of foreign trade, and the employment situation.

1. Overall economic developments

The Minister expressed that the year 1977, the first year of the Fifth Development Plan, was relatively favorable. Because of the drought, the economic growth rate in real terms was 4.1 per cent compared with the initial forecast of 5 per cent. However, the growth rate in nonagricultural sectors amounted to 7.9 per cent, slightly higher than the initial forecast (7.8 per cent). After the successive decline in 1975 and 1976, exports recovered during the first 11 months of 1977 and foreign investment (approved by the API) increased by more than 30 per cent in the same period. At the same time imports increased considerably, since 90 per cent of the total imports, consisting of equipment goods, raw materials and semi-finished goods, were essential for the continuation of normal production and investment activities.

In 1978, although dry weather (since the end of January) will lead to lower livestock and cereal production, compared to the forecasts in the Budget Economique, the overall economic performance is certainly expected to be more favorable. Since the social unrest manifest in August 1977, in connection with the "pact social", is broadly considered to have been overcome, foreign investment would continue to inflow. Consequently, nothing will be changed in the investment policies foreign borrowing and the foreign trade. There might only be slight changes in implementing big projects (such as those related to ammonium production, a petrol refinery and a cement factory) for which the rate of return calculations now do not appear as favorable as earlier expected.

2. Financing of investments

Recourse to the external resources is going to grow at a rapid rate as projected in the Plan, and the debt service ratio is estimated to reach 20 per cent by 1986 compared with 11.5 per cent in 1977. Forty per cent of the total external financing will be mobilized in the form of loans on concessionary terms, another 40 per cent from the international financial markets, and the remainder from foreign direct investment.

Self-financing of investments by public enterprises has declined sharply in recent years mainly because of wage increases, which amounted to 125 per cent over the past three years, substantially exceeding 100 per cent increase in the value added and 47 per cent rise in savings in this sector. In response to an urgent need to improve the financial situation of the public enterprises, some service fares, such as public transportation, electricity and other public utilities are to be raised further in a few years. However, the Government is strongly concerned about the resulting inflation and intends to limit the inflation rate below two digits by all means. As to the "pacte social", the Government allowed, before the general strike in January 1978, wage increases totaling D 2 million for workers of the National Rail (SNFCT) and the Sfax-Gafsa. These increases, which exceeded the more moderate ones obtained from the formula of the "pacte social", will be taken into account when deciding new wage increases in April 1978.

3. Foreign trade

(i) Exports

Tunisia's exports of textile and clothing have been adversely affected by the EEC's recent import restrictions, but the export of olive oil was affected only slightly. Import quotas for textile and clothing products are basically decided on the basis of the actual import during the first semester of 1977, and the EEC authorities have explained that the restriction is just transitional (imposed in the light of the economic depression) and will not last more than one year. The Government has since last year continued a negotiation with the EEC, and consequently the 1978 exports of textile and clothing would amount to a level which is between the estimate prepared taking into account the full impact of the restriction throughout the year and the original Plan forecast. Given the growth of the protectionism and the reducing of the trade deficit, the Government is developing new markets. Stocks of textile and clothing that resulted from the EEC's restrictions are expected to be exported to the East European countries, especially to Yugoslavia. A large volume of olive oil and tomato has already been contracted for export to Lybia. The Government is also seeking a new type of trade, called "Operation liée", which allows Tunisia only to import from a country that has committed to import from Tunisia. The agreement with Hungary contains exports of phosphate in exchange of imports of wagons, and that with Turkey envisages exports of phosphate against imports of wheat.

Exports of olive oil has been better than expected, and in 1978 stocks may decline below an unacceptable level. Annual average production amounts to 120,000 tons, of which 70,000 tons are exported. At the same time 40,000 tons of soja oil are imported annually to meet the domestic vegetable oil consumption of about 100,000 tons.

As to phosphates, so far no problems have been encountered with exports of processed phosphate products (superphosphate, phosphorus acid, etc). In 1977, the posted price of phosphoric acid increased by 10 per cent (contrary to expectation). However, as exports of phosphate rock have suffered from low prices, substantially greater emphasis is being put on enlarging processing capacity. By 1979 new processing plantholding 1.3 million tons of capacity will be completed.

The citrus fruits, production of which are mainly exported to the EEC (30,000 tons a year) is now estimated to be about 20,000 tons. New markets in the East European countries are being developed.

(ii) Imports

As long as the Tunisian people's diet remains unchanged, any reduction in foodstuff imports would be unlikely. Accordingly, in the Plan the Government aims at achieving an equilibrium between foodstuff imports and agricultural exports (auto-suffisance) by 1981. By that time Tunisia would be self-sufficient in meat. As the producer price of tomato is high, exceeding those prevailing in Europe, there is an overproduction of 10,000 tons. Prices of cereals (D 6 per quintal) are still lower than world market prices, and so these may be raised. Retail prices of cereals continue to be subsidized through the Caisse Générale de Compensation. Although subsidizing prices of bread leads to its wastage, raising the retail prices requires a political decision. If the deficit of the Caisse is expected to grow to an unacceptable level, then new measures to secure additional resources, such as a new tax on luxury imports, would be introduced.

(iii) Exchange rate

Effective exchange rate of the Tunisian dinar appreciated during 1974-75, however, no adverse influence on profitability of exports has so far been observed. Consequently no major change in the dinar's exchange rate is necessary. Indeed, appreciation of the dinar have had no effect on hampering exports of petroleum, processed phosphate, olive oil, wine, and even textile. There has been only limited effect on exports of tomato and citrus fruits.

4. Employment

Currently the unemployment, including seasonal and part-time workers, amounts to 170,000, or 13 per cent of the economically active population, and the largest part of the unemployment is young people. At present, there are little prospects of exceeding the Plan's targets for creating new employment opportunities. It is even suggested that achieving the Plan target would not be so easy. While most young people are not willing to enter blue-collar jobs, there is at the same time a shortage of skilled workers in agriculture and construction, particularly at tourism season. In order to overcome this situation, the Government is preparing two programs. First, the "loi de service civil", which was approved by the cabinet and is waiting for adoption at the National Assembly, calls for unemployed young people to work as a blue-collar worker for at least one year to acquire practical skills. If they are not considered to become skilled by the end of the first year, they will have to continue for another year. One year military service is not included in these periods. Ninety per cent of these young people would come from the graduates of "écoles primaires". Secondly, the Government is planning to encourage more mobility of workers among different regions, in order to reduce the uneven distribution of workers across regions.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 3, Wednesday, March 1, 1978 - 5.00 p.m.

Ministry of Finance

Tunisian Representatives	Fund Representatives
Mr. A. Mathari, Minister of Finance	Mr. François
Mr. N. Koubaa, Director of the Budget	Mr. Basu
Mr. M. Boudaoura, Chef du Service des Etudes Monétaires, B.C.T.	Mr. Horie
	Mr. Maciejewski

The mission paid a courtesy visit to the new Minister of Finance, who cordially welcomed the mission and offered the assistance and cooperation of his staff. It was agreed that Mr. Koubaa would arrange for the mission's public finance tables to be completed and handed over to the mission by Thursday (March 2, 1978); arrangements would also be made for detailed technical and policy discussions with various officials of the Ministry.

Mr. François briefly outlined the purpose of both the Article XIV consultation, and the special consultation related to the World Economic Outlook exercise. He mentioned that, in particular, the mission would like to discuss (a) the fiscal performance in 1977, in the light of revenue and expenditure developments, and of policies with regard to domestic and external financing; (b) the estimates for 1978 fiscal operations (covering revenues, expenditures, and financing strategy); and (c) the Government's policy intentions with regard to domestic and external financing for the current plan period as a whole (1977-81).

Mr. Koubaa then provided a brief resumé of 1977 developments and of 1978 estimates as follows:

1. 1977 developments in government finance

a. Revenues

Mr. Koubaa stated that as 1977 was the first year of the new Plan, several important revenue measures were taken to strengthen revenue performance. He explained that some of the revenue measures were of a qualitative nature, and were introduced essentially with the idea of reducing the scope for tax evasion and improving the revenue yield of the existing structure of direct taxation (particularly, of incomes of those in the liberal professions). In addition to measures of a qualitative nature, there were upward adjustments in the rates of selected indirect taxes (e.g., droits de douane, taxes sur les carburants). Mr. Koubaa estimated that about D 8 million (or one tenth) of the 1977 increase in revenues was essentially due to the new revenue measures as such, and that the remainder of the increase could be attributed to the growth in tax bases (such as economic activity, imports, etc.). On the whole, Mr. Koubaa felt that it was still too early to be able to fully assess the impact of the qualitative measures.

b. Expenditure

Mr. Koubaa stated that in 1977 consolidated current expenditures grew by about 12-13 per cent. About three-fifths of current expenditures was wage and salary disbursements, and it accounted for a major part of the overall increase in current expenditures. The increase in personnel compensation reflected (a) the first tranche of the salary increases agreed in 1977, (b) the normal promotions, and (c) some increase in the numbers employed. Other elements in the increase in total current expenditure were (a) higher outlays for material and equipment (the costs of which have grown with price inflation) and (b) larger outlays for various social and public services (administered by specialized offices or agencies, e.g., those concerned with agricultural extension services, training facilities, etc.). He also noted that there was some increase in the subsidy operations of the Caisse Générale des Compensations, with cereals and olive oil continuing to account for a major part of the total subsidy operations.

2. 1978 Government finance forecasts and prospects

a. Revenues

In 1978, as a result of the 1977 tax measures and a forecast buoyancy in economic activity, total budgetary revenues are projected to increase by about 15 per cent. The main sources of increased tax receipts are expected to be indirect taxes, petroleum-based revenues, and monopoles fiscaux (tobacco and matches). No new major tax measures have been included in the 1978 budget.

b. Expenditures and overall deficit

On the expenditure side, current outlays are to rise by about 15.5 per cent, primarily due to the second tranche of the salary increases agreed in 1977.

The current budget estimates provide for a larger current surplus of D 120 million (about D 10 million higher than the 1977 current surplus). Capital expenditures are expected to grow by 13 per cent to D 368 million.

The overall deficit is projected to be around D 148 million, of which roughly one half would be financed from domestic resources and the remaining half by recourse to foreign financing. In 1978 the amount to be mobilized for international financial markets is D 51 million. The Minister was emphatic in indicating that external resources mobilized from the international capital markets would be utilized specifically for high yield projects (included in the capital budget).

3. External debt situation

Mr. Koubaa provided approximate indications about the present situation with respect to external debt. In relation to total current (foreign exchange) receipts, debt service payments amounted to about 11.5 per cent in 1977 and are expected to gradually rise to about 17.5 per cent during the Plan period. As a ratio of GDP, the outstanding external debt amounted to 36 per cent in 1977 and is expected to reach 47 per cent over the Plan period.

The Minister and Mr. Koubaa expressed some concern about the perceptible gradual hardening of the conditions of borrowing in the international capital markets. They added that, with the improved and strong economic performance of the Tunisian economy, the traditional lenders are now less inclined to lend to Tunisia on concessional terms. The proportion of concessional aid in Tunisia's foreign borrowing has been declining. The interest rates on foreign loans have drifted upward; and even technical assistance which was earlier available on concessional terms, is now to be substantially paid for by Tunisia.

4. World Economic Outlook

Mr. François stated that the Fund's forthcoming World Economic Outlook exercise would deal extensively with the subject of "protectionism" and recent trends in this area. The Minister stated that for Tunisia, the principal export products adversely affected by "protectionism" abroad, were manufactured textiles and olive oil. He, therefore, looked forward to the mission's enquiries and findings on the subject.

5. Use of Fund resources - EFF, Trust Fund

As a matter of general interest, the Minister raised the topic of Use of Fund Resources by LDCs, and Mr. François briefly summarized the special features of the EFF and the Trust Fund.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 4, Thursday, March 2, 1978 - 9.00 a.m.

Ministry of Planning
Direction des Ressources Humaines

Tunisian Representatives	Fund Representatives
Mr. Taoufik Cheikhrouhou, Directeur	Mr. François
Mr. Taoufik Baccar, Chef de Service à la Direction	Mr. Basu
Mr. Faouzi El Aouam, Chef de Service	Mr. Horie
Mr. Belahouane Khelil, Chef de Service	Mr. Maciejewski
Mr. Mohamed Skouri, Ingénieur des Travaux Statistiques	
Mr. Sadok Rouai, B.C.T.	

The purpose of this meeting was to review the situation of employment during 1977, as well as to discuss prospects and problems related to 1978 and the Plan period. The topics discussed were as follows:

1. Developments in 1977

Mr. Cheikhrouhou stated that on the whole, during 1977 there were more entries into the labor market than there were new jobs created. The number of new nonagricultural job opportunities created during 1977 was about 45-46,000. The number of new entries was about 55,000. The demand pressures on the labour market were somewhat aggravated by the poor performance in the agricultural sector. The latter has caused both a migration from rural to urban areas (into the textiles and construction sectors).

The overall gross emigration situation was, however, favorable. In 1977, as political relations with Libya improved, emigration to that country rose substantially. Total gross outflow of emigrants was 29,817, of which 27,313 went to Libya, 1,364 went to France, and most of the remainder to Middle Eastern countries.

The net emigration during 1976 and 1977 showed a reversal, as 1976 was characterized by a net inflow into Tunisia of 19,000 and 1977 showed a net outflow from Tunisia of 24,000.

2. Acrive population

Mr. Cheikhrouhou clarified the concept of active population as it has been used in the context of the Plan's labour and employment statistics. Essentially, the Ministry of Planning considers active population to be made up of three elements, namely (a) the occupied or employed labour force, (b) the population which is currently demanding employment, after having been in one or more jobs prior to being unemployed, and (c) the population that is seeking employment for the first time.

In the census carried out in May 1975 the active population, defined as above, was estimated as follows:

Total in age group 15 years or more	1,622,000
Population with occupations	1,367,000
Population unemployed after holding at least one job before	136,000
Population seeking job for the first time	119,000

Commenting on a different definition of active population, as used by the Ministry of Social Affairs (MSA), Mr. Cheikhrouhou stated that although more restrictive in age coverage (15 years and above, up to a maximu, of 64 years), it was broader in a more basic sense, because it included the student population of about 240,000, housewives, retired persons, and invalids (in addition to other males and females).

3. Unemployment

Mr. Cheikhrouhou pointed out that the age classification of "15 years and above", used to estimate active population in the Plan, was inappropriate for calculating unemployment figures. This is mainly because persons less than 18 years are not considered de facto as eligible for employment. Thus, he said that, while according to the last two components of the Plan's (May 1975 census) estimates of active population, unemployment is calculated to be 255,000 (equal to 136,000 + 119,000), according to the 1975 Census estimates of unemployment in the age group"18 years or more", the figure is 172,000 (of which, 147,000 are males and 25,000 are females). The latter corresponds to an unemployment rate of about 12.8 per cent of the age group "18 years and above".

In 1977 the Ministry of Planning introduced further refinement in their measure of unemployment on the basis of the ILO concepts. The May 1977 Census estimate of unemployment explicitly excluded from its estimate of unemployed persons (a) those who were temporarily out of work due to sickness and/or vacation during the week prior to the census, (b) those who voluntarily left their job with the intention of searching for a better job, and (c) those who are not searching a salaried fixed employment. The new estimate of unemployment, after correcting for these three factors, showed 113,000 seeking employment , of which 106,000 were in the age group of "18 years and above". However, these figures were for 1977; as such the data not comparable with the 1975 estimates.

What was clear from the discussions was that (a) a substantial part of unemployed numbers continue to exist, and (b) a large proportion of the unemployed are young in age.

4. The nature of the problems and policies

The Tunisian representatives recognized the fact that economic growth under the current Plan alone would not of itself solve the unemployment problem. Government policies are thus directed at providing scope for additional vocational and technical training facilities for the young, and at employing the unskilled youth who are school dropouts (about 100,000 per year and with no intention to work) in a compulsory work program (in various project sites).

In order to rehabilitate and provide primary school dropouts with meaningful training, the Government is now experimenting with the possibility of absorbing primary school dropouts after the sixth year into two additional years of special training programs. The seventh year will provide such a student with a second chance to pass the sixth year examinations and at the same time provide practical training in some manual or technical occupation. The eighth year will provide a higher dosage of practical training. The scheme has been discussed with the IBRD for possible financing from that agency.

In the agricultural sector, conditions of employment have been generally less favorable than in other sectors, and this has led to migration out of the traditional rural occupations. Although prior to 1977, Government wage policy was such that, substantially larger adjustments were made in the SMAG than in the SMIG, the other conditions of work in agriculture have been relatively much worse. In particular, agricultural occupations are somewhat less permanent and have little or no social security coverage other than coverage for medical and hospitalization services. There are no allowances for family size and for invalids. A comprehensive social security scheme for agricultural workers is presently being developed by the Government.

In addition, the Government intends to continue to directly encourage industries (through the FOPRODI and the 1972 Law), which use labour intensive techniques of production and contribute to employment expansion.

INTERNATIONAL MONETARY FUND

Tunisia--Article XIV Consultation

Meeting No. 5, Thursday, March 2, 1977--10:30 a.m.

Ministry of Planning

Tunisian representatives	Fund representatives
Mr. Mohamed Ghannouchi, Directeur de Planification Générale	Mr. François
Mr. Rouai, Direction des Etudes, Central Bank of Tunisia	Mr. Basu
	Mr. Horie
	Mr. Maciejewski

This meeting was held to discuss mainly the overall economic performance in 1977 and the prospects for 1978.

1. 1977 performance

In 1977 the growth rate of real GDP slowed down to 4.1 per cent, which is below the forecast in the Fifth Plan. This was because some of the major exports such as olive oil, phosphates and textiles were adversely affected by weaker world demand, and in the case of textiles, by the EEC's restrictive measures: moreover, agricultural production declined substantially as a result of irregular weather conditions. In particular, the production of cereals declined by one-half. Accordingly, excluding agriculture, the growth rate amounted to 7.9 per cent, slightly above the Plan forecast.

Final national accounts data for 1977 have not yet become available. Petroleum production is estimated to have increased to 4.3 million tons. In the phosphate sector, although there was a small recovery of world market prices, phosphate production amounted to only 3.6 million tons compared with the forecast of 3.8 million tons. Textile production was also inferior to the forecast because of the EEC's import restriction, whose initial impact was so big that Tunisia's textile exports stopped for a while, resulting in a substantial increase in stocks. The exports resumed after the new agreement with the EEC, which divides textile imports from Tunisia into "produits sensibles" and "produits hyper sensibles"; for the latter category quota is fixed on the basis of existing production capacity. Mr. Gannouchi stated that since the introduction of the restrictions a certain reluctance to invest has been observed, and accordingly, the investment as well as employment target of this sector in the Plan may not be achieved. Finally, despite an increase in the number of foreign visitors, tourism stagnated in 1977 due to shortening of average length of stay. This reflects changes in tourism structure in Tunisia, namely, an increasing number of Libyan and Algerian tourists and a decreasing number of Europeans. Rises in tourism costs were also a factor causing tourism stagnation.

2. 1978 prospects

Mr. Ghannouchi mentioned that there was no new information which could be used to carry out a major updating of the existing forecast contained in the Budget Economique. The real GDP growth is expected to be 10 per cent because of improved production prospects in agriculture, petroleum and manufacturing.

Following a return to normal weather, agricultural production is projected to increase by 13 per cent to the 1976 level. While livestock production has been adversely affected by the recent dry weather (resulting in a large volume of imports of cattle feed), cereal production is expected to increase from 670,000 tons to 1,050,000 tons, with a good harvest in the northern region and a lower than average harvest in the central and southern regions. Production of citrus fruits will rrise from 200,000 tons compared with 160,000 tons in 1976. Vegetable production will also increase, since with the extension of irrigation, the production is becoming more and more independent of weather conditions.

Petroleum production will continue to grow as a result of implementation of the water injection program at El Borma and Ashtart fields. Among manufacturing, olive oil production is expected to increase from 85,000 tons to 100,000 tons. Production of construction materials is projected to expand by 30 per cent reflecting both an enlarged production capacity and an increasing domestic demand. A cement plant at Gabès entered into full operation in the latter half of 1977 and the second cement plant at Bizert (capacity 2 million tons) will begin to operate in 1978. As a result, imports of cement will decline from 950,000 tons to between 700,000 and 800,000 tons. Following an increase in production, "céramique rouge" is expected to be exported to Libya. Production of mechanical and electrical goods are expected to grow by 15 per cent, as a number of small projects (mainly private) are completed. Chemical production will rise by 10 per cent with a moderate increase in export-oriented fertilizers and a larger increase in domestically marketed products such as detergent, tyre and paint. Textile production will expand by only 6 per cent, with a major increase in nonrestricted products.

Investment in 1978 is expected to amount to D 785 million, slightly less than the forecast in the Plan. The big projects are the first tranche of the offshore natural gas project (amounting to D 20 million and the second phase of the ammonia plant at Gabès. Private investment, which declined in 1977 after a completion of two big chemical projects in the previous year, is projected to stagnate in 1978, it mainly reflects a conservative (or prudent) forecast. There is no change in the financing program of investment.

2. Price movements

In 1977, the increase in the consumer price index was limited to 6.7 per cent despite substantial wage increases and unfavorable trends in agricultural production. This was mainly because major basic necessities, in particular, cereals and vegetable oil, continued to be subsidized through the Caisse Générale de Compensation (of which total outlays equaled D 33 million), and also because the Government successfully maintained the price control system of fixing maximum prices for some products (such as fruit, egg and potato), to exclude speculation. The latter system was reinforced by actively importing products in shortage in the market (for example potatoes in 1977). Indeed, as a result of these policies, foodstuff prices increased only 4.7 per cent, while transportation prices went up by 16.1 per cent on account of increases in official transportation fare.

In 1978, the Government intends to limit the price increase to about 5 per cent. Wages and salaries, whose increase is determined by taking into account both price increases and productivity improvement, are likely to be raised between 5 and 10 per cent during the forthcoming negotiations in April. The Government is now preparing a new consumer price index for the indexation of the SMIG.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 6, Thursday, March 2, 1978, 3.15 p.m.

Ministry of Finance

Tunisian Representatives	Fund Representatives
Mr. Karay, Sous-Directeur des Relations Economiques	Mr. Basu
Mr. Snnoussi, Chef du Service des Entreprises Publiques	Mr. Horie
Mr. Amor Safi, B.C.T.	

This meeting was held to discuss the financial situation of public enterprises. The subjects coverd were as follows:

1. Statistical data

Mr. Karay stated that the data requested by the mission had been prepared in a preliminary form and could be completed in a day or two. He showed us the work sheets containing detailed data of enterprises' sales receipts, current expenditures, and profit and loss positions during the years 1973-77, which we used as a basis for our discussion. Mr. Karay agreed to provide a coverage of 51 enterprises in the final tables which are to be sent through Mr. Safi (BCT) to the mission by Monday (March 6, 1978). He said that in the final tables, the agricultural sector's data coverage would be expanded to include olive oil marketing and that the coverage of enterprises in the "textiles and paper" and the "steel and chemicals" branches would be increased and made comparable for the entire sample period 1973-77.

On being asked about whether published annual reports and financial balance sheets of public enterprises could be made available to us, Mr. Karay said that no such reports were presently in publication form. He, however, indicated that a consolidated overall balance sheet for public enterprises was presently being developed in the Ministry of Finance, and that the related work was still in its preliminary stages.

2. Sales turnovers or receipts in 1977

The preliminary data on public enterprises' receipts or earnings during 1977 were discussed. Mr. Karay explained the major sectoral developments as follows:

a) In the transport sector, receipts had grown mainly because of the upward adjustments in final prices (or tarifs); some of the increase also resulted from the expansion in the volume of traffic or services rendered.

b) The increase in the mining sector resulted from a recovery in production (especially of Sfax-Gafsa).

c) The petroleum sector's receipts grew due to a higher level of production, which in turn reflected the successful installation of water reinjection facilities at the oilfields.

d) The receipts of the construction materials sector increased largely due to the price increases (15 per cent) in cement and other products during the year.

3. Expenditures, profits and losses of public enterprises, 1977

The overall profit and loss position of the public enterprises (covered in the tables) showed a marked deterioration in 1977. Net overall profits were lower by some D 12 million. This deterioration reflected rising costs in almost all sectors, both because of increases in wage rates and due to higher costs of raw materials. However, the principal adverse development in 1977 was a substantial net loss in the agro-industries, which had shown some net profits earlier in 1976. This was due mainly to a much weaker financial performance of the "Office des Céréales", partly because producer prices were higher and partly because import prices exceeded the price maintained for domestic sales. He was not clear as to whether the data we were looking at showed the position after taking into account government subsidies on the receipts side.

The sector where there was a marginal improvement in the overall profit position, was mining and in most others the overall situation showed little change.

4. Scope of "Opérations Financières" (capital budget)

On being asked to explain the nature of "opérations financières" in the capital budget, Mr. Karay said that this was primarily the Government's purchases of share capital in public enterprises. He explained that as enterprises' annual investment levels have risen, the Government has expanded its capital participation in such enterprises to strengthen and broaden their financial positions. At times, this was a necessary precondition, before foreign investors could be attracted to finance specific investments projects. When asked whether some of the government lending was in the form of concessional loans to cover losses or infrastructure costs, Mr. Karay said that this was not an important element in the "opérations financières" being channeled into the public enterprises (covered by the tables we discussed).

5. Taxation of petroleum companies

Mr. Karay indicated that new taxation arrangements were introduced in 1977, for the petroleum companies SFTP (French) and SITEP (Italian). The ratio of foreign to domestic participation was changed from 72/28 to 50/50. The new taxation arrangements were summarized as follows:

a) For tax purposes, all production is considered as being divided between the Government and the foreign partner, with each getting 50 per cent. On this basis, the Government then receives a royalty payment equivalent to its share of production in barrels multiplied by $4.00 per barrel; (at this stage, it does not actually get half the company's production in barrels).

b) In addition, the petroleum companies actually surrender to the Government one-fifth (20 per cent) of their production at a price of $4.00 per barrel.

c) Thirdly, on the remaining 30 per cent of the companies' production, which is not covered by items (a) and (c), the Government levies a profit tax of 25 per cent on profits net of royalty charges paid.

Altogether, the 3 elements (a) - (c) are estimated to be equivalent to a tax rate of 83.75 per cent on the companies' sales turnover (valued at the actual price of $14.00 per barrel). Mr. Karay mentioned that the new element in the above arrangements was item (b). It was agreed that Mr. Karay would provide (through Mr. Safi) a numerical illustration showing the elements of the tax arrangement and its equivalence to 83.75 per cent of sales turnover.

6. Financial prospects of 1978 and Plan period

The mission requested Mr. Karay to comment on whether the public enterprises would be able to meet their overall savings target as envisaged in the Fifth Plan. The mission inquired whether unfavorable conditions in external markets, such as adverse trends in export prices and restrictions on textile exports to the EEC, could continue to dampen export performance in the near future, and thus prevent a substantial improvement in the financial situation of public enterprises. Also, would domestic wage increases produce additional cost pressures?

Mr. Karay responded by saying that for 1978 and the Plan period as a whole, he was more optimistic about public enterprises' financial prospects. He based his assessment on the following factors:

a) There was already a vigorous ongoing effort to diversify export markets. Olive oil sales were being pushed in Arab markets (e.g., Libya) and would be promoted in the U.S.

b) Textile exports are being directed to neighboring countries (Algeria and Libya).

c) The agreement with the EEC on the quota restrictions on textiles provides for annual upward adjustments of quotas (that are expected to be around 5 per cent per year).

d) In the transport sector, the merchant fleet of ships had been expanded and has good financial prospects.

e) The phosphate sector also is expected to improve its financial position, with increasing production of derivates. The 1978 overall export price prospects are also expected to be somewhat better.

f) On the whole, agro-industries (based on cereals and olive oil) are expected to improve their financial performance in 1978.

FONDS MONETAIRE INTERNATIONAL

Tunisie - 1978 Article XIV Consultation

Réunion No. 7, jeudi, 2 mars, 1978, 3:30 p.m.

Ministère du Plan

Ministère du Plan	Membres de la Mission
M. Triki, Ministère du Plan	M. François
M. Rouai, Banque Centrale	M. Maciejewski

Le but de cette réunion technique était d'examiner les données relatives à la balance des paiements et è la dette extérieure fournies par les Autorités Tunisiennes, et en particulier les données préparées par M. Triki sur les résultats de 1977 et les projections initiales pour 1978.

M. Triki a confirmé les résultats relatifs aux exportations, et a légèrement modifié certains chiffres relatifs aux services et transferts et aux apports de capitaux nets pour 1977. Il a indiqué que les services du Plan n'envisageaient pas, pour le moment, de modifier les prévisions pour 1978, formulées dans le Rapport Economique 1978 (publié en Novembre 1977). Une révision éventuelle de ces prévisions ne pourrait être envisagée qu'en avril prochain. M. Triki a également indiqué (dans les grandes lignes) les méthodes utilisées par les services du Plan pour prévoir la valeur des importations. En réponse à une question de M. François, il a indiqué que l'estimation faite pour les importations en 1977 devait être révisée à la hausse. D'après les dernières estimations de la Douane, les importations tunisiennes en 1977 sont maintenant évaluées à 757,9 millions de dinars (c.i.f.) ou 691,2 millions de dinars (f.o.b.), au lieu de 735 millions de dinars et 670 millions de dinars respectivement. M. Triki a expliqué que cette révision à la hausse était principalement due à une importation accrue des postes "autres biens de consommation" et "alimentation et boissons". En réponse à une question de M. François, il a expliqué que la hausse enregistrée pour le poste "autres biens de consommation" était due, pour l'essentiel, à une progression extremement rapide des biens importés (en particulier de textiles) admis temporairement en franchise, conformément à la loi de 1972 sur les industries exportatrices, et à l'autorisation, accordée depuis 1977, d'importer des sous-ensembles téléviseurs. Une question posée par M. François au sujet de la baisse enregistrée pour le poste "produits énergétiques" n'a pas reçu de réponse explicite. Il a été décidé de reconsidérer le problème des importations avec l'Institut National de la Statistique, le Ministère du Commerce, et M. Triki lui-même, le lundi, 13 mars à son retour de voyage.

Cette rencontre téchnique avec M. Triki a été particulièrement utile pour faire un premier bilan des statistiques relatives au commerce extérieur, à la balance des paiements et à la dette extérieure.

INTERNATIONAL MONETARY FUND

Tunisia--Article XIV Consultation

Meeting No. 8, Friday, March 3, 1978--8:30 a.m.

Institut National des Statistiques

Tunisian representatives	Fund representatives
Mr. Abdellaziz Jouauahdou, Sous-Directeur	Mr. François
Mr. Abdelkuder Saddoud, Ingénieur (Indice des prix)	Mr. Basu
Mr. Mohsen Jallouli, Central Bank of Tunisia	Mr. Horie
Mr. Badredelui, Central Bank of Tunisia	Mr. Maciejewski

The purpose of this meeting was to discuss recent price evolution, the new consumer price index and the 1977 final import statistics. The mission was given "Statistiques de commerce extérieur 1976", "Bulletin mensuel November-December 1977".

1. Recent evolution of prices

In 1977 the consumer price index increased by 6.7 per cent on the average last 12 month period ending December 31, 1977. In response to a query from Mr. François whether the figure of 6.7 per cent represents a correct measure of price changes in Tunisia, Mr. Saddoud felt that taking into account price movements of non-reported items and in other areas than Tunis, the real price increase might amount to some 8 per cent.

2. New price indexes

A new consumer price index starting from January 1977, based on the consumption survey undertaken in 1975, has not yet been finalized. The new index covers a larger number of items (about 580), almost twice as many as in the present index, and also covers price movements in 12 main urban centers in Tunisia compared to only the greater Tunis area in the present index. The consumption basket of the new index covers the expenditure pattern of the middle income class, whose monthly salary is D 175. The index consists of 5 groups of items, namely, foodstuffs, clothing, housing, services and others. Prices of foodstuffs are collected daily, while prices of the other 4 groups of items are gathered on a monthly basis. All the prices are in the form of market prices and not official prices as in the present index.

The new index was at first going to be used for indexation of wages. However, following the proposal of the Prime Minister, this index will not be used for wage indexation and instead, a third consumer price index specifically for the purpose of the indexation of the SMIG is now under consideration. Although the inter-ministerial commission has not yet taken any decision on the concrete procedure, the third index would cover only expenditures of low income people whose monthly income is between D 100 and D 160 and would be based on the consumption survey of 1975.

2. Import statistics

Mr. François inquired as to the main reasonf for a large increase in imports of "other consumer goods" during 1977. Mr. Jouuahdou pointed out that these were mainly clothing material imported by the export-oriented enterprises established under the Law 72-38, which are in turn processed to garments and reexported. In 1977, of the total imports of "other consumer goods" (D 134 million) about D 42 million or 31 per cent was imported by the export-oriented enterprises. These enterprises undertook exports of D 56.7 million of the total exports of "other consumer goods" (D 74.7 million). As to a sharp decline of kerosene in 1977, Mr. Jouauahdou explained that from 1977 the statistics do not include the imported kerosene (for airplane) that is kept in bonded warehouses.

For further discussion on import statistics, a meeting was arranged between Mr. Jouauahdou and Mr. Maciejewski on Tuesday next, March 7, 1978.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 9. Friday, March 3, 1978 - 10:00 a.m.

Ministère de l'Industrie

Tunisian representatives	Fund representatives
Mr. Rachid Sfar, Ministre de l'Industrie, des Mines et de l'Energie	Mr. François Mr. Basu Mr. Horie Mr. Maciejewski

Le Ministre de l'Industrie invite M. François à exposer les questions que la mission souhaiterait traiter. M. François, tout en rappelant le but et l'esprit des consultations annuelles au titre de l'Article XIV, indique que la mission souhaiterait beaucoup avoir des indications sur l'orientation actuelle de la politique industrielle de la Tunisie; il évoque à cet égard l'importance toute particulière de l'industrie dans le développement économique du pays, les progrès considérables qui ont été accomplis et, pose la question des perspectives de développement au cours des toutes prochaines années face à un environnement international qui s'avère de plus en plus difficile. M. François indique également que la mission souhaiterait mieux connaître la situation financière des entreprises publiques, s'informer sur les nouveaux arrangements pétroliers et savoir dans quelle mesure les actions d'assouplissement entreprises dans le domaine du contrôle des changes et du commerce extérieur ont eu — ou peuvent avoir — une incidence positive sur les approvisionnements requis par le développement industriel.

1. Politique industrielle de la Tunisie

Le Ministre se félicite d'avoir la possibilité d'exposer ses idées sur la politique industrielle de la Tunisie en précisant qu'il s'agit pour lui d'une occasion exceptionnelle et vivement souhaitée de pouvoir non seulement exposer ses idées mais, grâce à la présence de la mission, de les confronter avec celles du Ministère des Finances ou d'autres ministères intéressés. Il indique que c'est pour lui et pour les autorités tunisiennes une excellente occasion de réfléchir sur un problème extrêmement important de la politique de développement économique, notamment dans le cadre des circonstances internationales actuelles qui sont devenues sensiblement moins favorables.

Rappelant la première question de M. François, le Ministre introduit sa réponse en exposant sa vision de la politique industrielle pour les toutes prochaines années. A son sens, la politique industrielle conçue avec le Vème Plan nécessite une certaine réorientation. Compte tenu de la conjoncture actuelle, cette politique devrait être formulée davantage à partir d'actions spécifiques et correctives de la politique industrielle suivie jusqu'en 1977. De tels correctifs sont — et seront — rendus nécessaires par l'évolution de la conjoncture internationale qui a frappé durement une des industries les plus prometteuses et dynamiques, les textiles, et par le développement de nouveaux besoins au sein même de la société et de l'économie du pays. Le Ministre fait part de son inquiétude face à la nouvelle attitude de certains

grands pays industriels qui semblent avoir recours de plus en plus souvent à des procédés qu'ils décourageaient vivement auparavant. Il suggère, néanmoins, que la crise récente a fourni l'occasion d'engager une réflexion approfondie sur la politique industrielle suivie jusqu'alors et qu'elle préparera les industriels nationaux à mieux s'adapter aux contraintes tant extérieures qu'intérieures.

Sur le plan de la réflexion, le Ministre indique clairement que son pays essaie de reconsidérer sa politique industrielle en envisageant des moyens d'actions de corrections et de soutiens différents de ceux de la plupart des pays industriels. Il précise, par exemple, que la Tunisie n'envisage ni "cordon protectionniste sanitaire," ni politique de subventions à l'industrie. En dehors d'une politique douanière très souple, sélective et ponctuelle, les autorités tunisiennes envisagent de mettre en oeuvre une politique susceptible d'inciter les entreprises à faire jouer au maximum leurs potentialités techniques et humaines; une telle politique se traduirait pour l'essentiel par des efforts et des mesures visant à améliorer la productivité. Une telle amélioration, à laquelle le Ministre croit fortement, devrait être favorisée par l'amélioration récente du climat social qui, selon lui, est déjà sérieusement engagée. Passant en revue les principales industries, le Ministre mentionne que la productivité peut être considérablement et rapidement augmentée dans les mines grâce à une meilleure organisation technique du travail, de l'administration et de la gestion et grâce à un mielleur choix des équipements nouveaux; le secteur du ciment devrait, avec la mise en place de nouveaux projets (Gabès atteindra sa pleine de production en 1978 et étendra ses capacités en 1978), être caractérisé par des progrès rapides. Une meilleure motivation du personnel serait nécessaire dans les autres secteurs des industries manufacturières.

Evoquant plus spécialement les industries textiles, le Ministre explique que ce secteur connaît actuellement, et connaitra pendant plus mois encore, une sorte de pause qui sera consacrée à une réflexion sur les investissements à effectuer; cette réflexion est devenue indispensable afin d'identifier de nouveaux crénaux pour privilégier les complémentarités. Il convient maintenant de faire précéder les décisions d'investir par une connaissance plus approfondie des facteurs externes et des besoins locaux ou de certains marchés non-européens. Selon lui, il convient de considérer désormais, qu'aucun marché extérieur n'est véritablement garanti; à l'avenir et notamment en ce qui concerne les industries d'exportations, la politique industrielle sera guidée par un souci de diversification plus intelligente et par un choix plus judicieux des crénaux à retenir; pour répondre à ce problème d'identification, il conviendra, par conséquent, de renforcer les structures de promotion industrielle à travers notamment une extension du rôle de l'API ou du CNI. En réponse à une question de M. François, il ajoute que ce souci de diversification est également partagé par les investisseurs industriels et que l'inquiétude qui caractérisait encore les promoteurs locaux devrait être surmontée assez rapidement; selon lui, les retards qu'elle a engendré en matière d'investissements, devraient se résorber dans les prochains mois. En fait, le Ministre pense que les investissements engendraient une plus grande valeur ajoutée et une plus importante mobilisation de main-d'oeuvre qualifiée seront naturellement considérés avec beaucoup de soins et seront certainement priviligiés. En outre, le Ministre indique que les nouveaux investissements devront favoriser la "sous-

traitance nationale;" celle-ci, en permettant de préserver l'idée de justice tout en stimulant l'initiative privée, lui paraît être une solution souhaitable dans les prochaines phases d'investissement. Il a également le sentiment que le moment est venu de promouvoir une véritable décentralisation industrielle et le développement des petites et moyennes entreprises (PME). Au sujet des PME, il mentionne qu'une certaine communauté d'idées avec la Banque Mondiale existe déjà; les PME sont à la dimension des besoins et projets d'une société politique, économique et sociale moyenne à laquelle la Tunisie peut légitimement aspirer. A cet égard, le Ministre mentionne les mesures qui ont été prises - ou seront prises prochainement - pour développer des structures appropriées au développement de ce type d'entreprises, telles que l'installation d'une antenne de l'API dans chaque gouvernorat, l'aménagement de zones industrielles ou encore l'institutionalisation éventuelle d'une ligne de crédit automatique en faveur des PME dans le cadre des prêts de la Banque mondiale.

2. Négociations pétrolières et effets

Le Ministre indique qu'en fait il n'a que parachevé ces négociations; celles-ci avaient déjà fait l'objet d'un protocole général avant son entrée au Ministère de l'Industrie et que ce qui vient d'être conclu se résume surtout à un alignement sur les normes des accords internationaux. Se félicitant de l'esprit et du succès de la concertation avec les partenaires français, le Ministre précise que l'Etat tunisien, qui est devenu actionnaire d'Ashtar à 50 pour cent, a également accru sa participation financière dans CEREP (de 13 à 50 pour cent) et augmenté la participation des cadres tunisiens à la gestion et à la recherche. Sur le plan strictement fiscal, le Ministre affirme que l'impact a été marginal en 1977, qu'il sera important en 1978 et qu'il progressera régulièrement jusqu'en 1980; il rappelle que les projections correspondantes ont été prises en compte dans les opérations du Trésor dans l'élaboration du Vème Plan.

3. Approvisionnements des entreprises industrielles

Le Ministre rappelle que la "libération" du système de contrôle des changes et du commerce extérieur devrait plutôt être envisagée comme un processus de simplification graduelle des procédures. D'après ses contacts récents, il a le sentiment que les entrepreneurs privés ont d'ores et déjà reconnu que des progrès importants ont été accomplis dans ce domaine, notamment à travers les licences globales. En fait, quelques produits seulement ne sont pas encore intégrés dans ce régime de licences globales et continuent à faire l'objet d'examens particuliers par l'Administration. Il signale enfin que différentes formules sont actuellement à l'étude, conjointement avec d'autres ministères intéressés (Ministère du Commerce et la Banque centrale). Selon lui, une "formule par étapes" serait la plus appropriée pour "supprimer" ce que l'Administration a encore de pesant dans ce domaine particulier. De toutes façons, des modifications tarifaires ou un assouplissement accru du système actuel de contrôle des changes et du commerce extérieur continueront, conformément à la tradition tunisienne, à être réalisés dans un souci de raison et d'équilibre.

4. Situation financière des entreprises publiques

M. François évoque l'importance des entreprises publiques dans la mise en oeuvre de la politique industrielle de la Tunisie et demande dans quelle mesure les développements défavorables qui semblent caractériser la situation financière de plusieurs de ces entreprises ne risquent pas de compromettre le développement industriel proprement dit; il demande également si des ajustements dans la politique des prix de certaines entreprises ne sont pas d'ores et déjà devenus indispensables.

Au sujet de la situation financière des entreprises publiques, le Ministre prévoit des déficits pour le secteur des mines où la marge de manoeuvre est déjà fort limitée du fait des perspectives défavorables d'exportation et de la baisse des prix sur les marchés extérieurs (phosphates bruts et acide phosphorique). En ce qui concerne les entreprises publiques non orientées vers l'exportation, le Ministre craint que la situation, pour des raisons politiques et sociales évidentes, ne s'aggrave ou, tout au moins, ne puisse trouver de solution satisfaisante rapidement. Retrouver rapidement un équilibre entre les contraintes sociales et la viabilité financière de ces entreprises, même si c'est hautement désirable et urgent, paraît être difficile; la solution réaliste réside dans une politique de corrections successives et graduelles des prix de certains produits; mais, cette tendance souhaitable vers la vérité des prix ou encore vers une harmonisation des prix et des charges ne saurait être précipitée. Le secteur de l'électricité (STEG) figure actuellement parmi les secteurs en difficultés. D'autres secteurs également, tels que les unités de production agro-alimentaires (minoteries, usines de pâtes, etc.) ou la Caisse de Compensation Générale, voient également leur situation financière respective s'aggraver. En outre, certains produits alimentaires essentiels (le blé et ses dérivés, l'huile et certains produits énergétiques) se caractérisent déjà par un déphasage de plus en plus marqué. Au sujet des produits énergétiques, le Ministre indique que l'Etat a déjà engagé une politique de redressement en passant un accord avec l'Algérie pour récupérer le gaz perdu et financer la construction d'une bretelle de liaison avec les champs de pétrole d'El Borma.

M. François, se demandant si les ajustements n'ont pas déjà été un peu tardifs, évoque un certain nombre d'idées susceptibles de former la base d'une politique visant à améliorer la situation financière des entreprises publiques et à réduire les coûts d'intervention en faveur des produits subventionnés. En réponse, le Ministre explique, qu'une véritable stratégie de redressement s'organiserait vraisemblablement autour de corrections par paliers pour atteindre peu à peu les niveaux des prix internationaux correspondants. Selon lui, il est très difficile et sans doute peu judicieux d'envisager une stratégie fondée sur les seuls calculs mathématiques; il lui paraît fondamental de prendre en compte à la fois les calculs mathématiques et les effets pervers qui ne manqueraient pas de résulter de toute tentative de relèvement trop prononcé des prix. Le Ministre rappelle enfin qu'en dépit de salaires moins chers qu'en Europe et de sources d'énergie moins coûteuses, le secteur public n'a pas encore de fonds propres suffisants ni de technologies prouvées pour soutenir ou supporter une politique de vérité des prix; en outre, contrairement à ce qui se passe dans d'autres pays, l'Etat ne subventionne pas l'industrie. Un autre élément de la stratégie industrielle à mettre en place, compte tenu du fait que les salaires moyens tunisiens (masse des salaires et des interventions de la Caisse de Compensation Générale) sont encore relativement peu élevés, serait d'introduire

des normes de production par secteur, par entreprise, et dans certains cas par atelier.

En résumé, le Ministre de l'Industrie dit que l'amélioration générale de la productivité, l'optimisation des potentialités de production existantes en contenant les coûts salariaux et, un choix judicieux des nouveaux investissements productifs constituent les trois axes majeurs de la politique industrielle de la Tunisie pour les prochaines années.

INTERNATIONAL MONETARY FUND

Tunisia - Article XIV Consultation

Réunion No. 10, vendredi 3 mars, 1978--11:30 a.m.

Ministère du Commerce

Tunisian representatives	Fund representatives
M. Slaheddine M'Bgrek, Ministre du Commerce	Mr. C. François
M. M. Darragi, Sous-Directeur attaché de Cabinet	Mr. A. Basu
	Mr. H. Horie
	Mr. E. Maciejewski

1. Système de contrôle des changes et des paiements extérieurs

Le Ministre du Commerce rappelle que, depuis 1972, la Tunisia a entrepris et mis en oeuvre une politique d'assouplissement des procédures qui matérialise une libéralisation progressive du commerce extérieur et notamment des importations. En 1977, dit il, 81 pour cent des importations concernent des produits soit libérés soit "quasi-libérés" c'est-à-dire faisant l'objet de procédires souples et automatiques. La répartition des importations serait en 1977, la suivant:

- 20 per cent du total ont été importés comme produits libérés soumis au régime du certificat d'importation,

- 30 per cent du total ont été importés sous le régime de la licence globale annuelle c'est-à-dire sur la base d'un programme annuel d'importations agréé par l'administration et faisant l'objet de l'octroi d'une licence globale et unique, valable pour toute l'année;

- 24 per cent du total ont fait l'objet d'un programme spécial déterminé dans le cadre des commissions administratives d'achats pour les produits une licence d'importation est délivrée automatiquement et dans des délais extrêment brefs;

- 7 per cent du total ont été importés dans le cadre d'une nouvelle procedure instituée en 1977, en faveur des commerçants (grandes maisons de commerce, en général) spécialisés dans l'importation à grande échelle de biens de consommation. Selon cette procedure, le Ministère du Commerce donne son accord pour un programme spécifique d'importation en début d'année mais les importateurs doivent obtenir une licence pour chaque opération entreprise dans le cadre de ce programme; le dépôt de titres individuels exigé pour chaque opération constitue, dans cette procédure, la différence principale par rapport au régime de la licence globale annuelle.

En définitive, 19 pour cent seulement (140 millions de dinars) des importations ont donné lieu en 1977 à l'octroi de licences, individuelle examineés cas pas cas, en fonction de la politique commerciale, des besoins du marché intérieur ou de la production locale; ces 19 pour cent recouvreraient surtout des biens de consommation, non essentiels.

Répondant à une question de M. François, le Ministre du Commerce estime que d'une façon générale une part croissante des importations, tant en valeur ralative qu'en valeur absolue a été libérée en 1977 comparativement à 1976.

2. Les restrictions à l'exportation des textiles

Le Ministre du Commerce déplore les actions restrictives prises par la France et la CEE en 1977 qui ont affecté les exportations tunisiennes de textiles. Ces mesures ont certainement freiné les exportations tant en volume qui en recettes; la balance des produits textiles reste déficitaire. Cependant, à son sens, l'impact le plus sérieur est constitué par le choc psychologique provoqué hes les investisseurs qui ont non seulement retardé ou même arrêté leurs investissements mais qui risquent de se détourner de ce secteur, considéré comme essentiel par le Ve Plan. Il ajoute également que ces mesures ont entraîné une accumulation anormale des stocks de textiles qu'il sera difficile d'écouler en raison de leur nature même (articles de mode pour la plupart), même sur le marché intérieur (Tunis).

Quant à l'accord provisoire passé avec la CEE, le Ministre précise qu'il est relativement satisfaisant à court-terme c'est-à-dire pour 1978 mais qu'il ne lève en aucune façon l'incertitude qui pèse sur les possibilités d'exportation au-delà de 1978. Pour l'essentiel, cet accord se résume par la fixation d'un volume d'exportation de textiles correspondant à la capacité de production existante. Le Ministre précise également que cet accord fait l'objet d'une procédure annuelle de renégociation; ses propos indiquent une certaine inquiétude et une déception évidente du fait du coup de frein imprévu donné au developpement de l'industrie textile, sans comptes les effets dont irréversibles subis en 1977 usines fermées et réduction d'effectifs.

M. François, s'interrogeant sur l'impact des mesures restrictives sur les exportations de textiles, indique que la mission souhaiterait avoir des précisions quantifiéés sur l'importance relative de cet impact en termes de perte potentielle à l'exportation. Le Ministre suggère que les éléments de réponse à cette question se trouvent dans un document préparé conjointement par les services du Plan et par ses propres services et que des précisions pourront être apportées lors de discussions ultérieures avec ses services, si c'est nécessaire.

Faisant part de sa surprise et de son inquiétude au sujet des perspectives globales d'exportations de textiles et du développement en général de cette branche, le Ministre a exprimé son étonnement face aux mouvements protectionists qui semblent se multiplier dans les pays industriels ou à structure économique avancée, pays qui ont longtemps proclamé les vertus du libéralisme des échanges. Il se demande si des grandes instances internationales, comme le Fonds Monétaire International, ne pourraient pas intervenir plus activement pour contenir de tels mouvements protectionnists que les autorités tunisiennes croient néfastes tant pour leur propre avenir que pour celui des autres pays.

2. Price policy

The Minister began by stating that the rate of price increase, as measured by the official cost of living index, was 9 per cent in 1975, 5.5 per cent in 1976, and 6.7 per cent in 1977. According to his judgement, these increases in the cost of living index were realistic measures of price inflation for the

basket of commodities covered by the index. He also added that in 1977 the rate of price increase could be considered as moderate, especially since 1977 was a year of poor agricultural harvests. For the three years 1975-77, he explained that the main factors contributing to inflation were (a) rising import prices, (b) periodic domestic shortages in some essential commodities, and (c) to some extent, upward adjustments in producers' price policies as follows:

a. Price subsidies

For essential commodities, such as edible oils and cereals, and for commodities which experienced abnormally sharp (conjoncturel) increases in world prices, the official agency Caisse Générale de Compensation administers the Government's price stabilization policy by granting subsidies to the appropriate marketing offices.

b. Imports in areas of shortage

When shortages of commodities occur, as in the case of meat and eggs during Ramadan, of cattle feed during a drought (which occurred recently), and of potatoes in specific regions remote from the producing areas, the Government's policy is to import adequate quantities of such products for distribution in key shortage areas.

c. Encourage production, discourage speculation, ane ensure efficient marketing

The Government has tried to ensure an increasingly closer contact between producers (farmers) and the marketing channels, by creating special wholesale outlets on a test basis, which are spaced out rationally in various regions of the country. In times of shortages, these wholesale outlets are used to market the Government's imported supplies. Through official agents, the Government tries to steady the demand and supply conditions in market areas across the country, in order to be able to decide on the form and magnitude of official intervention (e.g., in the case of injection of new imported supplies). In fact, the Ministry follows the prices of some 70 articles across about 10 urban (consumption) centers in the country. Situations of shortages are analyzed, and an assessment of the pressures on prices, whether temporary or structural, is made. Only then appropriate action is taken.

The Government's policies are also directed at improving packaging, ensuring sanitary conditions in sales outlets, and standardizing the units or weights in which products are sold. The Government's close contact with market areas enables it to limit the scope for speculation and ensure the smooth flow of supplies of basic commodities across the country.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 11, Monday, March 6, 1978 - 9:00 a. m.

Ministère du Commerce

Tunisian representatives	Fund representatives
Mr. Raouf Henayen, Directeur, D.R.E.E.	Mr. François
Mr. Sadok Nafti, Sous-Directeur, D.R.E.E.	Mr. Basu
Mr. S. M'Rabet, BCT	Mr. Horie
Mr. Mohsen Jallouli, BCT	Mr. Maciejewski

Cette réunion technique a été consacrée, pour l'essentiel, à un examen approfondi des procédures pratiques suivies actuellement en matière de contrôle de changes et du commerce extérieur et, dans une moindre mesure , à une revue des aspects réglementaires du régime actuel.

1. Aspects réglementaires et textes

M. Henayen indique que la Loi du 21 janvier 1976 portant réforme du régime de changes et du commerce extérieur a été suivie d'un décret d'application publié le 27 juillet 1977 portant codification de cette réforme. Il précise que la codification a pratiquement atteint sa phase finale et qu'il ne reste plus qu'à faire paraître les textes d'application tels que avis et arrêtés; les textes sont actuellement soumis au Conseil des Ministre et les premiers avis et/ou arrêtés devraient, en principe, paraître avant la fin du premier semestre 1978. En d'autres termes, il ne reste plus, actuellement, qu'à mettre en pratique les éléments légaux contenus dans la Loi de janvier 1976 et dans les dispositions réglementaires prévues dans le décret de juillet 1977.

Répondant à une question de M. François, Monsieur Henayen précise que le nouveau régime supprime la distinction entre produits importés des pays de la zone franc et des pays hors de la zone franc; par conséquent, ce nouveau régime ne prévoit plus qu'une distinction entre produits libérés et produits faisant l'objet d'une licence d'importation, quelles que soient l'origine et la provenance. M. Henayen indique indique que dans ce nouveau régime, la libération est de principe et la prohibition, l'exception. De plus, les produits soumis à l'octroi préalable de licences feront l'objet de procédures simplifiées où les délais d'étude seraient réduits à 10 jours (au lieu de 15 actuellement). Par ailleurs, des efforts seront faits pour réduire la multiplicité des titres qui doivent être actuellement traités par l'administration. M. Henayen précise qu'une étude est en cours pour évaluer l'importance relative des produits soumis à la licence et il pense que la liste des produits effectivement libérés sera sensiblement augmentée.

M. François demande s'il ne serait pas possible d'avoir une idée plus précise de l'importance relative des produits libérés ou "quasi-libérés." M. Henayen confirme que 20 pour cent des importations réalisées en 1977 concernent des produits totalement libérés et importés sur simple présentation de certificats d'importation. Les produits "quasi-libérés" représentent, selon lui, environ 60 pour cent des importations. Bien que soumis à une licence d'importation, ces produits font l'objet d'un simple contrôle administratif, et à des procédures simplifiées. C'est ainsi,

dit Monsieur Henayen, que 80 pour cent des importations sont actuellement considérées par l'administration libérées ou pratiquement libérées, bien que juridiquement 20 pour cent seulement de ces importations soient formellement libérées.

2. Les principales procédures d'importation

M. Henayen indique qu'une commission d'études a proposé en 1977 un certain nombre de recommendations en faveur d'un assouplissement progressif des différents régimes d'importation et à la mise en place de nouvelles procédures de contrôle administratif.

a. Programmes annuels d'importations pour commerçants

M. Henayen précise que, parmi ces pratiques, celle des "programmes annuels d'importation" pour les commerçants a reçu un accueil très favorable de la part des intéressés et a donné satisfaction à l'administration. Cette pratique, qui a été introduite en 1977, consiste pour l'essentiel à établir en début d'année le programme des produits à importer pendant l'année. Ce programme donne lieu à la délivrance d'une licence globale unique d'importation prévoyant les quantités et valeurs de produits à importer pendant l'année. Il ne reste plus à l'importateur qu'à présenter des licences d'importation pour chaque opération envisagée dans le cadre du programme agrée. Cette pratique s'adresse surtout aux grand commerce (grossistes, gros détaillants et grands magasins de distribution) et concerne les produits de consommation et d'approvisionnement importés sur une grande échelle. Le but recherché est de permettre la réalisation d'opérations d'importations au meilleur prix et en fonction des impératifs de la demande. En principe, l'administration laisse agir les commerçants et, bien qu'elle encourage les achats au meilleur prix, n'exerce pas de contrôle restrictif; l'administration exerce toutefois un rôle d'orientation au moment de la préparation du programme annuel. M. Henayen, en réponse à une question de la mission indique que cette procédure, instituée et testée sur 40 commerçants en 1977, a été étendu à 60 comemrçants en 1978; les produits importés dans le cadre de cette pratique ont représenté 7 pour cent des importations réalisées en 1977 (en dehors des importations effectuées sous régimes suspensifs).

M. Henayen pense, en outre, qu'un certain nombre d'autres produits (produits agricoles, insecticides et engrais destinés au secteur agricole et produits complétant la production tunisienne) seront soumis également aux programmes annuels. Ces programmes annuels feront l'objet, après détermination des besoins par l'administration, d'une licence globale qui donnera lieu à une émission automatique de licences d'importation.

b. Procédure des autorisations annuelles globales d'importation

Ces autorisations annuelles d'importation sont délivrées sous forme d'un titre unique valable pour toute l'année. M. Henayen précise que 30 pour cent des importations réalisées en 1977 (en dehors de régimes suspensifs) ont été effectuées dans le cadre de cette procédure. Environ 675 entreprises industrielles bénéficieront de cette pratique en 1978 (contre 610 en 1977); cette pratique a été mise en place dans le cadre de l'Avis 112 de 1972 et a été progressivement étendue à toutes les entreprises industrielles et aux hôtels.

c. Procédure dite des "commissions d'achats"

M. Henayen présente ensuite une troisième procédure dite des "comissions d'achats" qui concerne les produits régis par le Décret 75-540 du 4 août 1975, tels que les viandes (ovins et bovins), le thé, le café, le lait (y compris le lait en poudre), les produits laitiers (beurre, fromages), les céréales (blé, orge, maïs), le riz, les huiles végétales, le sucre, le ciment et certains autres produits du règne végétal. Près de 24 pour cent des importations réalisées en 1977 (hors des régimes suspensifs) ont été effectuées dans le cadre de cette procédure; tous ces produits donnent lieu à l'octroi de licences automatiques. Cette pratique concerne surtout les importations effectuées par les sociétés d'état, telles que ELLOUHOUM (viandes de boucherie), l'Office des Céréales (blé), l'ETAP (pétrole), la STIL (lait, beurre, fromages) et l'Office du Commerce (pour le sucre, le café ou le thé). M. Henaye précise que la pratique des commissions d'achats couvre la plupart des produits jugés essentiels.

d. Le régime de la licence d'importation

Le régime de la licence d'importation est applicable aux produits qui ne sont pas libérés ou qui ne font pas l'objet d'autorisations annuelles globales ou de programmes annuels commerçants. Ces produits représentent 19 pour cent des importations réalisées en 1977 (autres qu'importations sous régimes suspensifs). Ces 19 pour cent comprennent des produits de consommation non-indispensables qui sont soumis à un examen administratif cas par cas. Comme indiqué ci-dessus (page 2(a)), uen partie des produits compris dans cette catégorie fera l'objet de programmes d'importations commerçants à partir de 1978, et de procédures de contrôle administratif simplifiée; ces programmes seront discutés entre l'administration et les organisations professionnelles concernées. Les produits concernés sont les articles de quincaillerie, la verroterie, certains biens de consommation ménagers (machine à coudre) et certains produits sidérurgiques. Les produits retenus donneront lieu à l'émission automatique d'une licence. Grâce à cette nouvelle pratique, le commerçant pourra savoir ce qu'il peut obtenir de l'administration dès le début de l'année et n'aura plus à déposer une licence individualisée chaque année. Cette pratique concernerait environ 10 pour cent des autorisations réalisées en 1977 (hors régimes suspensifs). Les autres produits (c'est-à-dire environ 9 pour cent des importations réalisées en 1977) continueront à faire l'objet d'une délivrance de licence d'importation en fonction notamment des disponibilités en devises.

m. Henayen conclut en indiquant que toutes ces pratiques constituent un effort pour raccourcir les formalités de contrôle administratif (80,000 titres ont été traités par l'administration en 1977).

e. Les régimes suspensifs

Répondant à M. François qui s'interroge sur l'importance relative des importations faisant l'objet d'admissions temporaires, M. Henayen précise que les importations effectuées dans le cadre des régimes suspensifs atteignaient environ 72 millions de dinars en 1976 (environ 10 pour cent du total). Des indications chiffrées pour 1976 sont données dans le tableau ci-dessous :

Admissions temporaires pour transformations	12 millions de dinars
Entrepôts industriels	19.7
Entrepôts francs	38.7
dont : textiles	(28.0)
Importations pour transformation et réexportation	1.6
Total	72.0

3. Le contrôle des exportations

Les exportations sont pratiquement entièrement libérées. Seuls quelques produits agricoles (poissons, mollusques, peaux d'ovins et de bovins, cheptel vivant) restent soumis à un contrôle administratif pour des impératifs d'approvisionnements intérieurs. Les exportations de pétrole sont en principe non libérées et soumises à une commission de ventes.

4. Conclusion

M. Henayen rappelle que des études sont en cours pour continuer à assouplir le régime actuel relatif au contrôle du commerce extérieur. Ces études s'inscrivent dans la nouvelle réglementation qui va être prochainement appliquée et qui se proposent de synthéser les pratiques suivies par l'administration ainsi que les dispositions réglementaires prévues dans les textes antérieurs (notamment les Avis 483, 109, ou 119). Ces études envisagent un élargissement de la liste des produits libérés pour lesquels les certificats d'importation requis seront équivalents à des simples autorisations de transfert. Les autres produits seront soumis à contingents et nécessiteront, par conséquent, une licence d'importation. La liste de produits libérés regroupera tous les produits jugés essentiels pour les industries locales et l'approvisionnement du pays ainsi que tous les produits d'équipement. Les produits figurant sur cette liste seront considérés comme libérés mais l'administration gardera un droit de contrôle sur certains d'entre eux afin d'éviter le surstockage. Un certain nombre d'autres produits seront soumis à une surtaxe ou à un système de cautionnement. Répondant à une dernière question de M. François, M. Henayen estime que le régime actuel du contrôle des changes et du commerce extérieur est, dans la pratique, plus libéral qu'il n'apparaît à travers les aspects réglementaires.

Une réunion supplémentaire a été fixée pour le 11 mars avec M. Nafti pour préciser un certain nombre de points (voir Minute No. 26).

INTERNATIONAL MONETARY FUND

Tunisia - Article XIV Consultation

Meeting No. 12, Monday, March 6, 1978--11:00 a.m.

Direction des Douanes

Tunisian representatives	Fund representatives
Mr. Ali Azzouz, Directeur Général des Douanes	Mr. C. François
Mr. Béchir Lahiani, Sous-Directeur	Mr. A. Basu
Mr. A. Safi, Central Bank of Tunisia	Mr. Horie
	Mr. E. Maciejewski

In 1977 total import tax receipts (including droits de douanes), taxe de formalité, taxe à la production and taxe de consommation) increased by 28 per cent to D 141 million, largely exceeding the forecast of D 125 million. Mr. Azouz explained that, in addition to increases in tax rates under the droits de douane by about 8 to 10 per cent and in rates of the taxe de formalité from 2.5 to 3 per cent, the increase in tax receipts was due to an expansion in import value from D 656 million to D 757 million, particularly, of imports of consumer goods (20 per cent increase) which are the main source of import tax receipts. The abolition of exempting import taxes or applying preferential tax rates to certain imports from the EEC or France since July 1976 also caused, to a lesser extent, a large increase in tax receipts. In 1978 total import tax receipts are forecast to remain virtually unchanged. This official forecast in the Economic Budget was made in June 1977 and has not since been revised. Mr. Azouz stated that the forecast will not be changed until June 1978. During 1978 no changes in tax rates are envisaged.

After a sharp increase from D 30.9 million in 1976 to D 42.1 million in 1977, receipts from the droit de douane are expected to show only a slight increase to D 43.4 million in 1978. To explain this, Mr. Azouz pointed out an expected increase in the share of nontaxable imports. He mentioned that (i) imports of equipment goods, which are exempted from the droits de douane, are expected to increase substantially, (ii) the droit de douane for agricultural materials has been abolished since 1977; (iii) the share of tax exempted imports by the enterprises established under the law 74-74, such as imports financed by the FOPRODI, are expected to increase and finally (iv) the margin for imports of luxury goods was not likely to increase.

An increase in receipts from the taxe de formalité from D 12.3 million in 1976 to D 18.8 million in 1977 reflected a substantial increase in total import value as well as an increase in the rate of the tax. The taxe de formalité covers a much wider range of imports than the droit de douane. In 1977 receipts from the "droit à la production régime importaion" also increased from D 67.3 million to D 80.1 million. As this tax is assessed after the droit de douane and the taxe de formalité has been applied on the basic value of import, a higher droit de douane and taxe de formalité automatically results in higher receipts from the taxe à la production. In general the rate of tax is 21 per cent, although in some cases it is 55 per cent. Agricultural materials are exempted from this tax. The taxe de consommation also increased from D 9.1 million to D 12 million in 1977 following the increase in total imports.

In reply to a query from Mr. François on taxes for the Caisse Générale de Compensation, Mr. Azouz said that these taxes (prélèvement) are imposed on certain products, in addition to the usual import taxes. The most important of these taxes are the taxes on petroleum products, whose current rates are D 6.5 per hl for gasoline (super and regular), D 0.036 per hl for fuel, D 0.235 for gasoline (super and regular), D 0.036 per hl for fuel, D 0.235 per hl for gas-oil and D 0.035 per kg for lubricants. There are also special taxes on consumption of shoes, textile, alcoholic beverages, dates and tomatoes.

Mr. Lahiani explained that at the end of 1976 a new form of custom declaration was made, with a detailed guide which was published for the first time for public use. It was because of this new form that the statistics on consumer goods that are imported by export-oriented enterprises for reexports became available. The Direction des Douanes are now preparing the new practical guide for customs declaration which is to be published soon, and in 1978 almost all imports will be declared in the new form.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 13. Monday March 6, 1978 - 3:00 p.m.

Ministère du Plan

Tunisian representatives	Fund representatives
Mr. D. Benna, Département de Conjoncture et des Textiles	Mr. Horie
Mr. M. El Ayech, BCT	Mr. Maciejewski

Cette réunion technique a été consacrée à l'examen de l'impact des mesures restrictives prises par la CEE sur les exportations tunisiennes de produits textiles. M. Benna rappelle que les mesures restrictives prises d'abord par la France et par la CEE ensuite affectent une dizaine de produits textiles. Parmi ceux-ci, cinq sont considérés comme "hypersensibles," car ils concernent tous les pays de la CEE. Cinq autres sont considérés comme "sensibles" et sont soumis à des contingents fixés au niveau d'un seul pays. Les tissus de coton (dénim) et les pantalons représentent les deux principaux produits "hypersensibles" directement affectés par les contingentements imposés en 1977 et maintenus dans l'accord passé entre la CEE et la Tunisie à la fin de juillet 1977. M. Benna précise que les services du Plan ont préparé une note (voir annexe)[1/] sur l'impact des contingents prévus dans cet accord sur les exportations de produits textiles tunisiens. Cette note n'étant pas disponible au Plan, il suggère de prendre contact avec le Ministère du Commerce (M. Ali Khamasi ou M. Mondlur Znaidi) qui pourrait, en outre, communiquer éventuellement le texte de l'accord.

Selon M. Benna, l'essentiel de cet accord se ramène à la fixation de contingents pour une dizaine de produits "hypersensibles" et "sensibles" en fonction des capacités de production existantes à la fin de 1977; cet accord ne couvre que l'année 1978. Il devra faire l'objet d'une renégociation en cours d'année pour fixer les nouveaux contingents pour 1979. En ce sens, M. Benna estime que cet accord, qui peut paraître satisfaisant à court terme (c'est-à-dire pour 1978), reste, sur le fond, très défavorable à moyen terme. Les autorités tunisiennes auraient souhaité passer un accord pluri-annuel prévoyant une augmentation régulière des contingents et couvrant la période 1978-1981. S'agissant de l'impact progrement dit des mesures restrictives prises par la CEE, M. Benna indique que les décisions ont eu pour principal effet de ralentir, voire même de stopper, les nouveaux investissements dans le secteur des industries textiles et, par conséquent, de compromettre le développement industriel. Il souligne que ces mesures n'ont pas eu, en fait, de conséquences défavorables en 1977 et que l'accord n'apparaît pas vraiment défavorable sur le plan des recettes en devises, car les exportations prévisibles pour 1978 sont proches des capacités de production existantes et des prévisions du Budget Economique 1977 (voir tableau 1, donné ci-après). En définitive, un seul produit "hypersensible" (les tissus de coton dénim) a été véritablement affecté en 1977; il le sera également en 1978 et dans les deux

1/ Cette note a été communiquée à la mission le 9 mars 1978.

ou trois prochaines années (voir tableau 2, ci-après). Le manque à gagner pour la plupart des autres produits textiles (faisant généralement partie de la confection) a pu être atténué par une réorientation des exportations opérée en 1977 et au début 1978. En 1978, l'incidence sera également largement atténuée part une reconversion de la production que permet la relative souplesse des capacités existantes.

S'agissant de l'impact des mesures de contingentement sur les recettes d'exportation du secteur des textiles, les précisions chiffrées communiquées par M. Benna sont résumées dans les deux tableaux en annexe.

Tableau 1. Evaluation globale de l'impact des mesures de contingentement

(millions de dinars)

	1977	1978
Produits textiles affectés par mesures de contingentement		
1. Prévisions d'exportation dans le Budget Economique 1977	42.3	47.0
2. Prévisions révisées sur la base des performances réalisées au cours du ler semestre 1977 et en l'absence de restrictions	60.0	70.0
3. Réalisations attendues, compte tenu des restrictions ou contingentement	48.3	55.0
4. Impact : (2) - (3)	11.7	15.0
(en pourcentage des exportations totales)	(3.0)	(3.5)
Pour mémoire :		
Total recettes réalisés au titre des exportations de textiles (chiffre préliminaire)	51.5	
Total recettes attendues (compte tenu des contingentements)		60.0

Tableau 2. Evolution des exportations de deux groupes de produits "hypersensibles"

(millions de dinars)

	1976	1977	1978
1. Tissus de coton (y compris tissus denim)			
Prévisions (sans contingentement)		10.0	15.0
Réalisations attendues (compte tenu contingentements, sauf en 1976)	5.8	7.0	10.0
2. Confection et bonneterie (y compris pantalons)			
Prévisions (sans contingentement)		32.0	
Réalisations	30.0	52.0	

ATTACHMENT TO MINUTE NO. 13

REPUBLIQUE TUNISIENNE

PREMIER MINISTERE

MINISTERE DU PLAN

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() B J E T /: Exportations textiles.

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Durant l'année 1976 les exportations en produits du textile se sont élevées à 40,4 MD dont 38,8 MD soit 96,1% sur le marché de la CEE. Au cours des huit premiers mois de l'année 1977 elles ont été de 41,6 MD dépassant ainsi les exportations de l'année 1976. Cette progression aurait pû être plus importante si ce n'était la politique de restriction des importations inaugurée par la France au mois de Mai 1977 et entérinée par l'ensemble des pays du marché commun. Cette politique n'a pas manqué d'inquiéter les autorités tunisiennes quant à ses répercussions sur les industries tunisiennes du textile dont le développement est asée principalement sur les exportations qui devaient représenter durant le Ve Plan 13,5 % de l'ensemble des exportations tunisiennes de biens. La gravité de la situation peut se mesurer aussi par l'importance des objectifs assignés au secteur textile soit la création de 42.000 emplois ce qui représente 46,7 % des créations dans les industries manufacturières et la réalisation de 100 MD d'investissement soit 10,5% de l'ensemble des investissements dans les industries manufacturières.

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Conscient de la gravité de la situation, les autorités tunisiennes entamèrent des négociations avec la CEE ; lesquelles négociations ont permis de fixer pour l'année 1978 les contingents suivants :

1 - Catégorie hypersensible : cette catégorie comprend 5 produits pour lesquels des contingents ont été fixés au niveau de l'ensemble des pays de la CEE.

a) tissus "Indigo-denim" : 6.793 tonnes
b) Ther Shirt : 3.797.000 pièces
c) Pantalons : 8.190.000 pièces
d) Chemisiers dames : 1.500.000 pièces
e) Chemisiers hommes : 6.405.000 pièces

Ces contingents correspondent sensiblement aux capacités de production installées en Tunisie ce qui permet aux entreprises existantes de fonctionner dans de bonnes conditions. Toutefois s'ils sont maintenus à ce niveau ces contingents constituant une entrave à toute expansion future en ces produits.

Il est à noter que d'orès et déjà 2 projets sont compromis à savoir l'extension de l'usine de Ksar-Hellal pour porter sa capacité de 8.000 tonnes de tissus Denium indigo à 12.000 tonnes et la création d'une unité de production de draps de lits d'une capacité de 15 millions de mètres.

2 - Catégorie sensible

Cette catégorie englobe cinq produits pour chacun desquels un contingent a été fixé au niveau d'un seul pays ou groupe de pays laissant la liberté d'accès à nos produits aux autres marchés de la CEE. Cette dernière stipulation est de nature à permettre une certaine expansion de notre production en ces produits.

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a) Slips : 2 millions de pièces sur la France
b) Anoraks : 350.000 pièces sur la France
c) Robes jupans : 500.000 pièces sur la France
d) Jupes culottes : 350.000 pièces sur le BENELUX
e) Soutien-gorges : 3 millions de pièces sur le BENELUX

Compte tenu de ces contingents et dans l'hypothèse de leur maintient à ce niveau pour les autres années du Ve Plan les exportations tunisiennes seraient durant la période 1978-1981 d'environ 179 MD (44 MD pour le tissu et 135 MD pour la confection et la bonnetterie) contre une prévision de 291 MD (124 MD pour le tissu et 167 MD pour la confection et la bonnetterie.

Dans l'hypothèse d'une augmentation de 10% par an, taux que nos partenaires de la CEE semblent admettre, les exportations seraient durant la période 1978-1981 deprès de 218 MD.

Il s'avère donc que même dans cette hypothèse qui semble être, à priori, optimiste les prévisions du Plan ne se réaliseraient pas.

Catégorie hypersensible

Contingent accordé en 1978

2 ## [illegible] * Indigo denim : 6793 t. (Capacité [illegible]
(Possibilité d'augmenter au cas où les capacités sont [illegible] utilisées)

* Thee shirt (3 797,000 pièces)
* Pantalons (8. 190 000 pièces) [illegible]
* Chemisiers dames (1500 000 pièces)
* ——— hommes (1405 000 pièces)
* ———

Catégorie sensible

* Slips (2 000 000 pièces sur la France)
liberté pour les autres pays
* Anoraks (350 000 pièces sur la Fce)
liberté pour les autres pays
* Robes japons (500 000 pièces sur la Fce)
liberté pour les autres pays
* Jupes Culottes (325 000 pièces sur le BENELUX)
liberté pour les autres pays
* Soutiens - gorges (3 000 000 pièces sur le BENELUX)
liberté pour les autres pays

Remarques

- Les produits importés pour être exportés ne sont pas comptabilisés dans le contingent.
- Sous les produits de sous traitance la part comptabilisée dans le contingent est de 50%.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 14, Monday, March 6, 1978 - 4.00 p.m.

Ministry of Social Affairs

Tunisian Representatives	Fund Representatives
Mr. Mohamed Jomaa, Ministre des Affaires Sociales	Mr. François
Mr. Gadok Hadj Hassine, Chef de Bureau du Plan et de la Coopération Internationale	Mr. Basu

The Minister welcomed us very cordially. Mr. François explained the objectives of the Article XIV consultation discussions, and requested the Minister to outline the main elements of the Government's incomes policies. The major points discussed were as follows:

1. Wage policies

a. Legal framework

The Minister first explained the legal framework within which wage negotiations are undertaken. About 80 per cent of the private sector is covered by 39 separate collective conventions or agreements ("conventions collectives"); remaining 20 per cent consist of small enterprises with less than 20 workers. A list of the branches of activity and the agreements related to them was provided to us. In the public sector, including public (or mixed) enterprises and the civil service, wage negotiations are governed by statutes and are undertaken by committees (the Commissions Paritaires). In the case of public enterprises, representatives of different ministries and from the enterprises participate jointly in the negotiations.

The "conventions collectives" and the "statutes" (for the public sector) are legal contracts, in which the Government (represented by the Ministry of Social Affairs), and labor and management related to specific branches of activity are all partners.

b. Pacte social

The mission was provided with the text of the Pacte Social, which was signed on January 21, 1977. This agreement was signed jointly by representatives of employers , trade unions (UTICA, UNA, UGTT), and by the Ministry of Social Affairs (as representative of the Government). The first element of the Pacte Social is that (i) each year, in the month of April, the partners to the pact will meet to review the movement in prices, and if a rate of price increase of at least 5 per cent has been observed continuously over a period of six months, then an upward adjustment in salaries (SMIG and SMAG) would be agreed upon. Secondly, one of the factors to be taken into account in the process of deciding on the adjustment of

salaries would be the evolution of production and productivity. In the interval between the signing of the pact and April 1978, there was to be no increases in salaries.

In line with the Pacte Social, monthly wages and salaries of government employees were raised by D 1. The Government is presently preparing for the April 1978 wage negotiations for the private sector. The Government will make an assessment of the rate of price increase that has occurred since the pact was signed. It is expected to allow some upward adjustments in salaries. In the forthcoming negotiations, the Government is not expected to consider changes in productivity as an important real constraint in granting wage adjustments, as this can only be decided on a case by case basis for each enterprise.

The Pacte Social called for the construction of a special price index, based on the consumption pattern of the low income group (SMIG and SMAG). However, as such a new index is still under preparation, the existing general cost of living index will be used in assessing price developments (in the April 1978 negotiations). The new price index is expected to be ready by end-1978.

c. Wage adjustments in 1977

During 1977, a decision was taken to increase civil servants' wages by a total of D 55 over the five years of the Fifth Plan; the increases are to be granted in annual phases of D 11 each year. For the SMIG and SMAG the increase granted was 33 per cent, and it took into account (i) an overall increase in prices of 14.5 per cent for 1976-77, plus an additional margin of 2 per cent to partly compensate for earlier declines in real income, and (ii) a multiplicative factor of 2 to be applied to the combined percentage calculated under (i). The latter was done with the objective of granting the same absolute increase to SMIG and SMAG income-earners as that granted to the higher income earners, so as to reduce the wage disparity between the two income groups (each of which accounts for half the total wage bill).

d. Wage adjustments in 1978

In the period between February 1, 1977 and January 31, 1978, the existing price index has risen by 9.3 per cent, corresponding to a monthly average of 0.74 per cent. Assuming the same rate of increase in February and March, the increase in the index during the 14-month period (February 1977-March 1978), is roughly equal to 10.8 per cent. The projected decrease in the real purchasing power of SMIG and SMAG is estimated to be 8.7 per cent (10.8 per cent minus 2.1 per cent representing the additional margin granted in 1977. As half the total wage bill consists of low-income (SMIG and SMAG) wage-earners, in order to grant low incomes the same absolute increase as that granted to the higher incomes, the SMIG and SMAG levels are expected to be adjusted upwards by about 17 per cent (roughly equal to 8.7 × 2).

In the April 1978 wage negotiations, the partners to the Pacte Social will examine problems that relate to existing labor statutes and

conventions collectives, and look into the need for new laws for sectors not yet covered by such labor legislation. The Government's role would be essentially that of a mediator.

Regarding fringe benefits granted to certain sectors (transport, phosphate, petroleum) following strikes during December 1977 and January 1978, the Minister stated that these will not be reconsidered and, hence, no questions will be raised about them in future negotiations.

2. Price subsidies and price stablization policies

The Minister stated that the Fifth Plan envisages an annual rate of price increase of about 5-6 per cent. As a means of ensuring such a moderate rate of inflation, the Government would continue to subsidize the prices of essential imports in such a way as to neutralize sharp adverse fluctuations. He mentioned cereals and edible oils, among others, as the essential items of consumption that would continue to be subsidized. At the same time, he stated that other efforts, including more efficient marketing, closer contact between producers and tradesmen, and an expanded network of wholesale stores, would be made to avoid price speculation. He stated that the Government would closely wath producer prices and profit margins at the marketing outlets to cut out all chances of unjustified price speculation.

In the case of cereals, producer prices are periodically adjusted, particularly since the prices of agricultural inputs have been rising. However, as final prices are subsidized the cost increases are not passed onto the consumer. Apart from cereals, edible oils are also subsidized. The Minister explained that the latter was necessary because imported soyabean oil was combined with domestic olive oil.

Referring to the financial situation of public enterprises (e.g., the services sector such as transport), the Minister stated that the Government would give due consideration to the need to ensure that price adjustments are consistent with a viable financial situation, and in particular, one that would enable the enterprises concerned to undertake the investments targeted for them under the Fifth Plan. If the financial equilibrium of enterprises, and their capacity to undertake investments targeted under the Plan is imperilled, then the final prices of such enterprises may be adjusted upwards to improve their financial prospects.

The Minister stated that the Government's intention is to proceed with prudence and aim at a balance between (i) the need to protect low salaries from the adverse impact of price increases, and (ii) the need to prevent unjustifiable increases in wages that could endanger the financial situation and the competitivity of the economy. Moreover, he said that the Government would make every effort to reduce the high degree of social tension that was manifest during 1976-77, when some 450 labor strikes are reported to have occurred.

3. More progressivity in taxation

The Minister felt that little would be gained from a larger degree of progressivity in taxation. He said that, according to the latest 1975 census of consumption expenditures, only 5 per cent of the population

earned more than D 400 per month. Moreover, the Minister felt that the higher income brackets were already heavily taxed; and that further progressivity would lead to tax evasion and fraud. Annual incomes of more than D 4,000 are at present subject to a marginal tax rate of 85 per cent on the amount earned in excess of D 4,000. Thus, apart from reasons of social equity, the Minister argued that a strong case cannot be made for increased progressivity in taxation.

Attachment to Minute No. 14

LE PACTE SOCIAL

Dans le cadre des objectifs du Plan.

- Considérant que le Vème Plan comporte des objectifs économiques et sociaux ambitieux, qui nécessitent des efforts accrus de production, de productivité et d'investissement.

- Considérant que de tels efforts doivent être fournis par toutes les catégories de la population et que leurs résultats doivent bénéficier aussi bien aux agents actuels de la production qu'aux générations futures.

- Conscients de la nécessité d'une paix sociale durable comme condition de la poursuite de l'effort de développement économique et de progrès social et de la réalisation des objectifs du Vème Plan.

- Reconnaissant la nécessité d'une sécurisation des travailleurs salariés sur leur pouvoir d'achat et des employeurs sur l'essor de leurs entreprises et sur les résultats de leurs investissements.

- Désireux d'assurer des conditions favorables au démarrage du Vème Plan et de provoqueur une mobilisation de toutes les énergies pour la réalisation de ses objectifs.

- Conviennent des dispositions suivantes :

1/- Les partenaires sociaux souscrivent à un pacte social correspondant à la période du Vème Plan et s'engagent pendant cette période à préserver la paix sociale, à accroître la production, à améliorer le pouvoir d'achat et les conditions de vie et de travail des travailleurs salariés.

2/- Dans le but de préserver le pouvoir d'achat des travailleurs salariés, une révision des salaires interviendra chaque fois que les prix auront augmenté de plus de 5% et se seraient stabilisés à ce niveau pendant 6 mois consécutifs.

3/- Les normes et objectifs de production seront établis dans l'ensemble des entreprises, au cours de l'année 1977 grâce à une action concertée entre les employeurs, les syndicats et les représentants de l'administration.

4/- A partir du 1er Février 1977, le SMIG sera augmenté de 33%, le salaire horaire du manoeuvre passera de 145 millimes l'heure à 193 millimes et le salaire mensuel sera équivalent à 40 dinars pour un horaire hebdomadaire de travail de 48 heures par semaine.

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5/- Tous les salaires des entreprises des secteurs public et privé non agricole seront majorés à partir de la même date d'un montant uniforme correspondant à l'augmentation du SMIG, soit 10 dinars environ (9d,855).

6/- Dans le but de préserver le pouvoir d'achat des ouvriers et afin de maintenir les prix de certains produits de première nécessité tels que le pain, les pâtes alimentaires, le sucre et le thé, à leur niveau actuel, le Gouvernement compensera l'augmentation des coûts de la production due à l'augmentation des salaires. Pour les autres produits, toute évolution des prix se fera selon la procédure administrative actuellement en vigueur au Ministère de l'Economie Nationale.

7/- Le SMAG sera augmenté de 33%, ce qui correspond à un salaire de 10,200 par journée de travail.

8/- Les salaires des ouvriers agricoles qualifiés seront augmentés d'un montant uniforme correspondant à l'évolution du SMAG (0d,300 par jour).

9/- Des mesures spécifiques d'incitation destinés à accroître la production agricole et à aider les petits et moyens agriculteurs, seront déterminées prochainement par le gouvernement après consultation avec la profession.

10/- Les traitements et salaires des fonctionnaires agents et ouvriers de l'Etat, des Etablissements publics administr tifs et des Collectivités Publiques Locales seront révalorisés dans le cadre d'une harmonisation progressive des rémunérations applicables aux différentes catégories de personnels et de la nécessité d'aboutir à une rémunération de type indiciaire. Cette valorisation étant donné son objectif, ne concernera pas les catégories des personnels bénéficiant déjà des indemnités de logement et de transport. Elle est fixée au départ et à compter de la même date à un montant uniforme de 11 dinars par mois.

11/- En outre des avantages spécifiques seront accordés au personnel enseignant et au personnel paramédical selon des conditions qui seront précisées par voie réglementaire.

12/- Les salaires dans le secteur privé seront réexaminés annuellement et à compter d'Avril 1978 à la lumière de l'évolution du coût de vie et de l'amélioration de la production et de la productivité.

13/- Les Conventions Collectives qui viendront à échéance et que les partenaires sociaux auraient convenu de réviser ne comporteront pas, durant la quinquennie de modifications susceptibles d'entraîner des charges nouvelles pour les entreprises intéressées.

.../...

En outre, les partenaires sociaux conviennent de faire de l'année 1977 l'année de l'amélioration de la production et de la productivité grâce à une action concertée d'orientation, d'information et de mobilisation pour la réussite des objectifs du Plan.-

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 15. Tuesday, March 7, 1978 - 10:00 a.m.

Ministry of Finance

Tunisian representatives	Fund representatives
Mr. Mohamed Haddar, Chef de Service, Direction du Budget	Mr. François
Mr. Mohsen Thabet, Inspecteur	Mr. Basu
Mr. Amor Saafi, BCT	Mr. Horie

As Mr. Koubaa, Directeur du Budget, was currently away from Tunisia, the discussions focused primarily on technical aspects of recent fiscal data. Mr. Haddar mentioned that fiscal figures for 1976 have not been revised from the ones given to the mission duirng the last consultation discussions.

1. Receipts

Most tax receipts reflect only those of the Titre I, and tax receipts in all other accounts are included mainly in the category "autres taxes" (Table 9). The bulk of fiscal receipts of the special accounts, principally those of the Caisse Générale de Compensation, are accordingly included in "divers" under "autres taxes," and part of them in "impôts sur le revenu et bénéfices nets." An expected large increase in "divers" in 1978 is partly due to a new tax measure introduced in August 1977 for the Fonds de Promotion de Logement pour les Salariés (D 12.5 million).

In 1978 "taxe à la production pétrolière" is expected to increase substantially reflecting the payment of outstanding dues (D 8 million) by petroleum companies as well as the new petroleum agreement on participation between the Government and ELF Aquitaine. The new agreement, which applies only to the Ashtart field, was described as follows:

	New Agreement	Old System
Government	50%	--
Royalty	12.5% of the company take (50%) at the international price	15% of the total production at the price of US$14
Delivery to the local market	20% of the company take at a price 10% below the international price	35% of the total production at the price of US$4
Tax on the profits	55% on net profits	50% on net profits

2. Expenditures

"Traitements et salaires" increased by D 30 million in 1977, of which D 25 million was caused by the first tranche increases in salaries and the rest D 5 million by an increase in government employment (Table 10). In 1978 total increase is projected to be D 39 million, of which D 30 million reflects the second tranche increases in salaries and D 9 million is for an increase in employment.

"Subvention et transferts aux ménages, divers" covers mainly the expenditures of the Caisse Générale de Compensation (except those for petroleum). The data showed large increases in this category in 1977 and in 1978; in 1977 it was due to subsidy operations of the Caisse and of the rural development program, and in 1978 the increase was due to housing subsidies (D 12 million). "Subvention et transferts aux entreprises d'Etat" includes teh Caisse's expenditures for petroleum.

Table 13 (Capital transfers and lending to public enterprises), the category "commerce et services" includes health and electricity (STEG), which account for D 3.5 million and D 4.1 million, respectively, of the total D 10.9 million in 1977.

3. Treasury financing (Table 14)

a. Private sector

The category "Emprunts obligatoires" represents old government bonds which are now being liquidated. "Bons d'équipement" are mainly brought by insurance companies. "Dépôts" consists mainly of private sector deposits at the CCP and at the CENT (Caisse d'Epargne Nationale Tunisienne). In 1977 "dépôts" declined because a part of CENT deposits (D 13 million) was utilized to purchase equipment bonds. The counterpart of this amount is included in the category "bons d'équipement" in the public sector. In 1978 further D 9.5 millbn CENT deposits are expected to be used for buying equipment bonds.

b. Public sector

"Dépôts des entreprises publiques" represent deposits (under NBIS accounts) of unspent government funds channeled to public enterprises of a non-administrative character. In 1977 the deposits more than doubled because of a lag in utilizing funds transferred near the end of the year, principally to the SNIT (Société Nationale Immobilière Tunisienne) and the SNCFT (the railway company). A decline in the deposits in 1978 was tentatively envisaged although the CNSS (Caisse Nationale de Sécurité Sociale), is expected to increase its deposits with the Treasury.

"Dépôts d'autres institutions" represent deposits from all public administrative organizations including local authorities.

c. Banking system

Changes in Central Bank borrowing (net) represent only the movements of Treasury deposits at the Central Bank, while commercial bank borrowing reflects principally net purchases of equipment bonds.

d. External borrowing

In 1978 external borrowing is expected to grow substantially reflecting (i) larger project loans (from Abu Dhabi), mainly for phosphate exploitation, cement plants and hydroelectric plants, and (ii) D 60 million borrowing from international financial markets (D 51.6 million in 1977.

4. Caisse Générale de Compensation (Table 15)

In 1977 the total expenditure of the Caisse was about the same level as in the previous year. However, the actual price subsidies were much higher than expenditures shown in Table 15, mainly for cereals and olive oil. Because of shortage of resources, the Caisse incurred payment arrears to the Office National de l'Huile and the Office des Céréales et des Légumes.

In 1978, the Caisse's final expenditures (tentatively forecast to be D 48 million) will depend on the revenue performance. The present forecast assumes unidentified revenue of D 17.6 million under "autres recettes courantes" in Table 15. Mr. Haddar stated that these additional receipts might be secured by raising the tax rates on luxurious imports (accompanied by some steps to liberalize such imports). These receipts are included in "taxes sur le chiffre d'affaires à l'importation" in Table 9.

Subsidies on olive oil will continue to increase in 1978, as a result of a change in the mix of olive oil and soja oil being sold in the domestic market, from 20 per cent (olive oil) and 80 per cent (soja oil) in 1976, to 80 per cent (olive oil) and 20 per cent (soja oil) in 1977. On the other hand, receipts from the tax on olive oil exports will decline following the abolition of this tax on November 1, 1977.

For further discussions, a meeting was arranged for Friday, March 10 at 9:30 a.m.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 16, Tuesday, March 7, 1978 - 3.00 p.m.

Banque Centrale de Tunisie

Tunisian Representatives	Fund Representatives
Mr. M. Bousbia, Directeur Général	Mr. François
Mr. Abdelaziz Ktari, Directeur de la Direction du Crédit et des Banques	Mr. Basu
Mr. Enis Mezghenni, Direction du Crédit et des Banques	Mr. Horie
Mr. Naji Skhiri, Direction du Crédit et des Banques	Mr. Maciejewski
Mr. Ali Rekik, Direction des Changes et du Commerce Extérieur	
Mr. Abdelmajid Dimassi, -do-	
Mr. Hédi Toumi, Directeur, Direction des Services Bancaires Etrangers	
Mr. Chaabane Chebaane -do-	
Mr. Abdelmajid Fredj -do-	
Mr. Mounir Boustangi -do-	
Mrs. Annie Abed, Direction Juridique	
Mr. Moncef Boudaouara, Direction des Etudes	
Mr. Rachid El Hakim, -do-	
Mr. Sadok Rouai, -do-	
Mr. Mohamed El Ayah -do-	

This meeting was held to discuss developments in money and credit, and policies with regard to the exchange rate, external reserves, and the system of exchange restrictions. The topics discussed were as follows:

A. Money and banking

1. Overall developments and policies in 1977

Mr. Bousbia stated that the main elements of central bank policy during 1977 were (a) an increase in the ordinary credit ceiling for rediscounts (cote ordinaire) granted to deposit money banks, (b) a reduction in bank's obligatory reserve requirements, (to 1 per cent of deposits), (c) a larger volume of central bank intervention or rediscounts outside the rediscount ceiling (hors cote), and (d) a substantially larger central bank intervention in the money market.

During the year as a whole, the liquidity situation of the deposit money banks was relatively tight, partly because of loss in external reserves and partly due to a sizable decline in the bank deposits of public entreprises (such as Sfax-Gafsa and STEG, who in the past were large depositors). In these circumstances, the deposit money banks utilized their own deposits at the Central Bank, sought recourse to central bank rediscounts under the

"cote ordinaire" and "hors cote", and finally, as a last resort, obtained funds from the money market.

Mr. Bousbia explained that the rediscounts "hors cote" were granted selectively, in a manner that encouraged priority activities of investment and production. In response to a query, he confirmed that interest rate in the money market is higher than the rate of interest for rediscounts under "hors cote" and "cote ordinaire". Each deposit money bank's recourse to the Central Bank's resources, obtained through the money market and through rediscounts under "cote ordinaire", remained limited to 15 per cent of their total deposits.

On the side of demand for credit, Mr. Bousbia explained that while demand for agricultural credit and related marketing operations (for cereals and olives) was reduced due to the poor harvests, there was at the same time a large increase in the demand for credit from public enterprises, whose cash flow situation had weakened. The latter fact, had contributed not only to a decline in the deposits of banks, but also to additional demand for credit. When the mission enquired as to whether the price subsidy operations of official marketing agencies had been partially covered by bank credit, Mr. Bousbia replied in the affirmative. He said that the Caisse de Compensation did not fully cover the cost of all price subsidy operations, particularly, for olive oil and cereals. Thus the Office de l'Huile and the Office des Cereales financed part of the respective price subsidy operations partly by using their own resources and partly by recourse to the banking system. Mr. Bousbia added that the Government's intention is to approach a more realistic price subsidy policy only gradually over the medium-term.

Referring to measures taken to alleviate the tight financial situation of public enterprises, Mr. Bousbia stated that enterprises' foreign borrowing from the international financial markets were being supplemented by special credit (relai) lines obtained from the Paris based bank UTB, which afforded three major benefits to the enterprises. Firstly, the rate of interest on "crédit de relai" was lower than that on external medium-term loans. Secondly, it enabled the enterprises to avoid paying a fee, namely, the "commission d'engagement", on the medium-term credit mobilized from the international financial markets. Thirdly, it enabled the enterprises to obtain a longer period of credit on the whole, roughly two years for "crédit de relai" plus seven years for the medium-term loan mobilized from the international financial markets.

Apart from the above-mentioned policies, the Central Bank made special efforts to inform the deposit money banks of the direction of official credit policies, and of the goals and objectives to which credit policy was to be geared. As a result, bank credit to individual clients, and to some services sectors, showed noticeable decreases during 1977.

2. Adjustments in interest rates

Mr. Bousbia briefly reviewed the rationale of the changes introduced in the structure of interest rates. He said that the rate of interest on deposits

had been raised with a view to stimulating the growth of household savings, in accordance with the objectives of the Fifth Plan. As regards the rate of interest to be charged on bank loans or credit, Mr. Bousbia stated that these too were raised with two considerations in mind. First, the increase was thought necessary in order to provide banks with a reasonable profit margin over the higher interest rates payable on the banks' deposit liabilities. Secondly, there was a need to bring domestic lending rates more in line with the interest rates on foreign loans.

Mr. Bousbia stated the interest rate adjustments made in 1977 were based on the findings of a special study prepared within the B.C.T., and that this study would be updated to take account of both the movements in lending rates in international financial centers, and the evolution of financial savings in relation to the Plan's objectives. In this sense, Mr. Bousbia stated that the 1977 interest rate adjustments were possibly only a first step.

3. 1978 monetary projections and credit policy

Mr. Bousbia gave preliminary indications on the above subject. He said that credit to the Government was expected to go up by 31 per cent, and that credit to the rest of the economy was to be expanded by 19 per cent. The latter was thought appropriate because of the increased credit needs of (a) the agricultural sector (due to larger cereal and olive harvests), (b) the larger credit requirements of the export sector as a whole, and (c) the financing needs of the growing investment effort.

The mission enquired about the BCT's assumptions regarding the ratio of broad money to nominal GDP. The Tunisian representatives replied that (contrary to the Plan's assumptions), the ratio of broad money to nominal GDP could be expected to remain stable.

The mission asked about the monetary authorities' objectives with regard to external reserves. Mr. Bousbia explained that the objective was to maintain a minimal amount of external reserves roughly in the range of D 130 million to D 140 million, which was thought adequate for covering normal foreign transaction needs. He said that the reason for this policy is that Tunisia was borrowing in the international financial markets on costly terms, and as such, the authorities did not consider it appropriate to hold an unnecessarily large amount of foreign reserves. On the whole, this policy implied that for 1978 monetary survey projections, the net foreign assets position could be assumed to remain unchanged from the end 1977 level.

The mission stated that by the end of 1977, the commercial banks' liquidity situation remained tight, with banks' cash and deposits with the Central Bank at very low levels. In this context, and given that domestic credit was to be increased substantially by 19 per cent in 1978, the mission enquired about the policies the Central Bank would follow in financing the operations of the deposit money banks.

Mr. Bousbia stated that at the end of 1977, the deposit money banks were still within the "15 per cent limit" on their combined recourse to ordinary rediscounts and the money market. He said that this margin would be utilized. He added that if the need arose, then the rediscount ceilings would be raised

and the overall "15 per cent limit" itself could also be adjusted. At the same time, all rediscounts outside the ordinary rediscounts will continue to be subject to a penalty rate of interest.

The mission mentioned that the 1978 forecasts of Treasury financing operations include an assumption that the Caisse Nationale de Sécurité Sociale (CNSS) will be making sizable deposits with the Treasury, on the hypothesis that the CNSS would be drawing down its deposits with the banks and channeling them into the Treasury. The mission stated that this would squeeze the banks' already tight liquidity situation even further, and that this in turn could imply a more expansionary credit policy on the part of the Central Bank than would be the case otherwise.

Mr. Bousbia said that the CNSS' deposits with the banks were time deposits and not easily encashable. Secondly, the CNSS has a large construction program in the immediate future, which would not leave it with any sizable additional liquidity. As such, Mr. Bousbia did not foresee the possibility of the CNSS providing large amounts of deposits to the Treasury. Moreover, Mr. Bousbia explained that if enterprises' bank deposits were to be channeled into the Treasury, then it may become necessary for the Treasury to cover more of the financing needs of public enterprises, especially of those entrusted with price subsidy operations.

B. Régime de contrôle des changes et du commerce extérieur

Le Directeur Général précise tout d'abord que les textes publiés en 1976 (loi) et en 1977 (décret d'application) sont des textes cadres et qu'ils ne reflètent pas toujours - voire même pas assez - la réalité des "assouplissments" successifs, apportés au régime de contrôle des changes et du commerce extérieur depuis 1976. Il indique, en outre, que la nature même de ces "textes cadres" permet aussi bien des applications libérales que des applications plus restrictives. Cependant, les assouplissements apportés depuis plusieurs années ont été tels, qu'ils ont abouti à une libération de fait de plus en plus larges des procédures et des contrôles administratifs. Le Directeur Général rappelle brièvement les principales procédures de contrôle pratiquées actuellement.

En réponse à une question de M. François au sujet de l'esprit qui caractérisent ces pratiques, M. Bousbia confirme que l'administration adopte une attitude essentiellement libérale. Il précise néanmoins que la "liberté contrôlée" qui a été donnée à certaines entreprises a favorisé, dans certains cas, l'importation de produits (jugés non indispensables) par des importateurs non habilités à le faire. C'est pourquoi, à son avis, il conviendrait de procéder à une politique de libération non pas par importateurs mais plutôt en fonction de la nature des produits; il pense, par exemple, que la procédure de l'autorisation globale devrait être élargie aux commerçants, afin d'éviter les inconvénients des pratiques actuelles qui permettent aux industriels d'importer des produits relevant plutôt de la compétence des commerçants. Une libération réelle devrait mettre sur pied d'égalité tous les agents économiques. Enfin, pour tendre à une libération totale du commerce, il conviendrait d'abord de reviser le système de taxation actuellement en vigueur.

M. François indique que, sur la base des informations, communiquées à la mission, la Tunisie semble avoir progressé en 1977 dans le sens d'une plus grande libération. Il relève, par ailleurs, que la liste des produits libérés n'a pas augmenté sensiblement. Il se demande, pour clarifier ce point, s'il ne serait pas préférable d'envisager une nouvelle réunion spécialement consacrée à ce problème. M. Bousbia pense, en effet, qu'il serait préférable de réexaminer ce problème dans le détail lors d'une réunion technique ultérieure et rappelle qu'en fait l'administration n'a exercé en 1977 un véritable "contrôle d'opportunité" que pour 9 à 10 pour cent du total des importations réalisées en dehors des régimes suspensifs.

C. Politique de changes

M. François se demande dans quelle mesure les autorités tunisiennes, sur la base de l'expérience pensent que le système de cotation des devises répond aux nécessités de l'économie. En réponse à cette question, M. Bousbia informe la mission que la Banque Centrale a procédé à un certain nombre d'études visant à comparer les résultats du système de cotation actuel avec les résultats calculés à partir d'autres méthodes. Il indique, par exemple, que les résultats obtenus à partir d'une méthode consistant à pondérer l'évolution d'un certain nombre de devises (3 ou 5) par leur part relative dans le total des règlements sont sensiblement les mêmes que les résultats obtenus à partir du système de cotation actuel.

M. Bousbia rappelle que les autorités tunisiennes sont ouvertes à tous les conseils dans ce domaine et qu'elles n'ont pas en outré, de doctrine particulière. Il indique qu'en fait le problème de la fixation de la valeur du dinar par rapport aux grandes monnaies étrangères se ramène, à un problème de l'impact de la valeur extérieure du dinar sur l'équilibre financier des entreprises tunisiennes. Il précise que, du fait de l'importance de certaines transactions libéllées en dollar U.S., on peut penser qu'en 1977, certains secteurs comme celui des phosphates ou de l'huile d'olive ont pu être affectés par la relative appréciation du dinar. Il doute cependant, que la dépréciation du dollar U.S. vis-à-vis du dinar, ait limite le volume des exportations tunisiennes; elle pourrait éventuellement affecter en 1978 les exportations d'huile d'olive et de phosphates bruts; selon lui, le secteur pétrolier qui représente plus des 2/5 du total des exportations reste encore très rentable.

Rappelant l'importance relative des transactions en dollars M. François demande si les éléments nouveaux ont été introduits dans le système de quotation des devises. M. Bousbia informe la mission que les autorités tunisiennes ont commencé à s'intéresser davantage au rôle du dollar. Jusqu'au début de 1977 le système de cotation était fondé sur la relation existant entre le franc français et de deutsche mark; depuis un certain temps cependant, le système de cotation s'est surtout efforcé de contenir l'appréciation du dinar vis-à-vis du dollar à un plafond maximum de 5 pour cent. L'évolution du dollar U.S. est considérée maintenant comme un paramètre important dans la fixation de la valeur extérieure du dinar. M. Bousbia faisant part des préoccupations tunisiennes face aux fluctuations prononcées et à la vulnérabilité apparente du dollar U.S., indique que les autorités tunisiennes envisagent de mettre au point un système de couverture de change à terme.

M. François informe la Banque Centrale que, dans le cadre de ses nouveaux status, qui sont sur le point d'être ratifiés, le FMI interrogera chaque pays membre sur leur système respectif de détermination du taux de change et de cotation des devises; il se demande si, dans ce contexte, il ne serait pas possible lors d'une réunion ultérieure de discuter de façon informelle la description la plus adéquate du système tunisien. D'après les éléments d'information disponibles, le système tunisien devrait être classé parmi les régimes caractérisés par une politique de fixation relativement flexible basée sur la prise en compte d'un certain nombre d'indicateurs spécifiques.

M. Bousbia approuve cette idée et suggère qu'une prochaine réunion soit effectivement fixée pour discuter ces différents points.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No.17, Wednesday, March 8, 1978 - 9.00 a.m.

Ministère du Commerce
Direction des Prix et du Commerce Intérieur

Tunisian Representatives	Fund Representatives
Mr. Ali Bouslama, Directeur	Mr. François
Mr. Moncef Frini, Sous-directeur du Commerce Intérieur	Mr. Basu
Mr. Salah Lahsini, Sous-directeur des Prix	Mr. Horie
Mr. Rachid Aïssi, B.C.T.	

The meeting was held mainly to discuss the operation of the Price Stabilization Fund. Mr. François enquired how much the real expenditure amounted to for stabilizing prices in 1977 over the amount (D 33.1 million) indicated in the fiscal Table 15 of the Ministry of Finance. Mr. Bouslama replied that in 1977 expenditure of the Fund was limited within its revenues, and so, no deficit, exposed or unexposed, was observed.

In 1978, since expenditure of D 48.4 million was adopted in the budget, the actual expenditure will not be able to exceed this amount. However, expenditure by commodity has not yet been finally fixed. Usually, when a shortage of receipts restrict the expenditure, either retail prices will be raised or the expenditure will be carried over to the next year. Mr. François asked as to the source of additional receipts amounting to D 17.6 million in 1978. Mr. Bouslama, commenting that the Ministry of Commerce is not concerned in receipt side, mentioned that increases in taxes on luxurious products imports are now being studied. Although the tax increases should be substantial to secure all D 17.6 million additional resources only by this measure, it will hit only people who can afford imported luxurious products. In order to alleviate the intervention of the Fund, olive oil will relatively easily be coped with by raising its retail price.

Mr. Bouslama promised the mission to provide for retail and cost prices in 1977 for all commodities subsidized by the Fund, as well as global and unit subsidies for the same commodities.

INTERNATIONAL MONETARY FUND

Tunisia - Article XIV Consultation

Meeting No. 18, Wednesday, March 8, 1978--11:00 a.m.

Office National du Tourisme

Tunisian representatives	Fund representatives
Mr. S. Bouraoui, Directuer Général	Mr. C. François
Mr. Naidi, Directeur Général adjoint	Mr. A. Basu
Mr. Guerfali, Directeur des Etudes	Mr. H. Horie
Mr. R. Aissi, Central Bank of Tunisia	Mr. E. Maciejewski

Mr. François invited Mr. Bouraoui to comment on developments in tourism in 1977 and on the 1978 prospects for the sector. Mr. Bouraoui confirmed the data supplied by the National Tourist Office showing a 6 per cent increase in receipts from tourism in 1977 and a 5 per cent increase in the number of tourists visiting Tunisia during 1977. He pointed out that, despite a reduction in the absolute number of nights (-8 per cent) and a reduction of the average stay, daily per capita expenditure increased significantly, partly because prices in Tunisia increased on average by 11-12 per cent. Then Mr. Bouraoui reviewed the main developments in the principal markets in 1977 namely, that the inflow of French and German markets had increased and that the expansion of Algerian and Libyan tourists was substantial. At the same time, the number of tourists from the United Kingdom and from the Scandinavian countries had declined. Mr. Bouraoui also said that, on the basis of preliminary indicators, the number of tourists visiting Tunisia is projected to increase in 1978 and that receipts from tourism should increase by 10 per cent to D 145 million.

Mr. François invited Mr. Bouraoui to comment on the competitiveness of Tunisia's tourist sector. Mr. Bouraoui explained that, on the basis of comparative costs and increases in prices, the Tunisian tourist sector has remained competitive in 1977. Competitiveness is expected to be maintained in 1978, as the projected price increase (7 to 8 per cent) for this year is likely to be lower than the price increases in the main competing countries. Furthermore, about 80 per cent of the tourists visiting Tunisia come under "package deals" offered by foreign travel agencies, and for this form of tourism, Tunisia remains strongly competitive (in terms of relative prices) vis-à-vis other countries (e.g. Spain, Greece, and Italy) where such travel agencies operate on a similar basis. Mr. Bouraoui feels that even a price increase up to 15 per cent would not seriously affect this competitive edge.

Commenting on the accommodations ahd the plans for investments, Mr. Bouraoui said that the Fifth Plan has projected a much lower increase of beds (+18,000) than the Fourth Plan (35,000). He pointed out that the current policy of investment aims at a larger diversification toward such necessary infrastructure, as golf courses, marinas, etc., in order to encourage individual tourism and to attract an upper class of tourists; such investments will be mainly promoted in existing touristic resorts such as Souse-Nord, Monastir, Djerba, or Hammamet.

In reply to a question on the financial situation of the sector and the overall profitability, Mr. Bouraoui replied that the financial position is still rather tight for a few large hotel companies such as SHTT, which invested in heavily in the past years; he indicated, however, that their general financial operation had improved somewhat and that the sector as a whole had remained profitable. He concluded by suggesting that specific actions to further improve the financial position of certain enterprises and the quality of tourism.

The substance of this discussion proved to be very similar to that included in Meeting No. 7, Thursday, February 24, 1977--3:00 p.m. (1977 Article XIV Consultation).

INTERNATIONAL MONETARY FUND

Tunisia--Article XIV Consultation

Meeting No. 19, Wednesday, March 8, 1978--3:00 p.m.

Banque Centrale de Tunisie

Tunisian representatives	Fund representatives
Mr. Hédi Toumi, Directeur, Services Bancaires Etrangers	Mr. C. François
Mr. Chaabane Chebaâne, Deputy Director, Services Bancaires Etrangers	Mr. E. Maciejewski
Mr. Abdelmajid Fredj, Assistant to the Director	
Mr. Mounir Boustangi, Services Bancaires Etrangers	
Mr. Mohamed El Ayech, Direction des Etudes	

The purpose of the meeting was to review the mechanism for fixing the exchange rates for the dinar and to discuss a possible description of Tunisia's exchange rate system, in the context of the forthcoming implementation of the Second Amendment and the related provision of Notification of Exchange Arrangements under Article IV, Section 2. A preliminary description (see attachment 1) of Tunisia's Exchange Rate System was tentatively agreed.

Mr. Toumi explained that the Central Bank had recently undertaken several studies to compare the actual nominal exchange rates of the Tunisian dinar with the exchange rates obtained from a basket approach. On the basis of these studies, it appeared that trends in the actual nominal exchange rates of the dinar were relatively close to the trends which would have resulted if exchange rate adjustments were made on the basis of a three currency basket, (deutsche mark, the French franc and the U.S. dollar, an d that the actual nominal rates fluctuated more widely (around the trend) than the simulated currency-weighted rates.

Mr. Toumi stated that further studies were under preparation in order to identify the relative importance of the U.S. dollar within total payments made in foreign currencies (règlements effectifs en devises étrangères). He felt that the current trends in payments would suggest an increasing role of the U.S. dollar and that more emphasis will be put in the near future on the U.S. dollar. Mr. Toumi indicated that the present policy for fixing the exchange rates for the dinar had already taken into account the evolution of the U.S. dollar, with a view to slowing down ("amortir") the appreciation of the dinar against the U.S. dollar. It appeared, on the bases of Mr. Toumi's explanations that the so-called "adjustment factor", which is obtained "a posteriori", is no longer the basic factor in establishing the exchange rates for the dinar. Because of the excessive appreciation of the deutsche mark, the exchange rates of several other currencies are now taken into account to maintain a relatively stable relationship between the dinar and the French franc, while at the same time avoiding a large appreciation or depreciation of the dinar against other major foreign currencies (mainly the U.S. dollar). The impression was given that the Tunisian authorities were moving toward using a basket. 1/

1/ See attachment 2 on the weights on the main foreign currencies used in these exercises.

Description of Tunisia's Exchange Rate System

La monnaie de la Tunisie est le dinar tunisien. Les taux de change du dinar sont déterminés en fonction des taux de change du franc français, du deutsche mark et du dollar E.U. et des variations relatives de la valeur de ces trois monnaies. Le cours acheteur du dinar par rapport au franc français est fixé chaque jour en tenant compte de la prime de change du deutsche mark vis-à-vis du franc français sur le marché des changes de Paris par référence aux taux du deutsche mark vis-à-vis du franc du 2 mai 1977. L'appréciation du deutsche mark par rapport au franc français est ensuite réduite en appliquant un facteur d'ajustement. Ces ajustements visent à éviter une forte appréciation du dinar par rapport aux monnaies des principaux partenaires commerciaux de la Tunisie. La Banque Centrale établit les taux de change de 19 autres monnaies[1/] sur la base des cours du franc français et de ceux de ces autres monnaies sur le marché des changes de Paris. Le cours vendeur du dinar par rapport au franc français représente le cours acheteur obtenu ci-dessus augmenté de 1 pour cent. Au 31 décembre 1977, les cours acheteur et vendeur du dinar étaient respectivement de D____ et de D ____ pour 1 F français. En Tunisie, aucune taxe n'est perçue sur les opérations de change et aucune subvention de change n'est accordée.

1/ Riyal d'Arabie Saoudite, schilling autrichien, franc belge, dollar canadien, couronne danoise, deutsche mark, peseta espagnole, dollar E.U., markka finlandais, lire itelienne, livre sterling, yen japonais, dinar libyen, dirham marocain, florin néerlandais, couronne norvégienne, couronne suédoise, franc suisse, et dinar kowetien.

BANQUE CENTRALE DE TUNISIE
DE/SEN/SPMI

(/ENTILATION DE LA BALANCE COMMERCIALE PAR DEVISE ET MODE DE REGLEMENT

Parts des principales monnaies dans les règlements extérieurs

en %

Opérations	Exportations						Importations						
Année	1975		1976		1977		1975		1976		1977		
Devises	part	cumul	part	cumul	part	cumul	part *	cumul	part	cumul	part	cumul	Devises
$ E.U.	55.15		54.70		63.94		15.93		39.72		33.81		$ E.U.
F.F.	30.95	86.10	25.81	80.51	18.66	82.60	19.11	35.04	20.55	60.27	25.69	59.50	F.F.
D.M.	1.28	87.38	1.19	81.70	1.08	83.68	3.41	38.45	7.78	68.05	5.41	64.91	D.M.
LIT.	0.69	88.07	5.04	86.74	2.25	85.93	2.64	41.09	2.96	71.01	2.98	67.89	LIT.
LST.	0.54	88.61	1.29	88.03	1.30	87.23	1.63	42.72	2.75	73.76	1.44	69.33	LST.
F.S.	0.58	89.19	0.17	88.20	1.10	88.33	0.56	43.28	0.78	74.54	1.40	70.73	FS.
F B.C.	0.11	89.30	0.13	88.33	0.44	88.77	0.65	43.93	1.15	75.69	0.98	71.71	FBC.
$ CAN.	0.53	89.83	0.19	88.52	-		0.07	44.00	0.03	75.72	0.52	72.23	$ CAN.
YEN							0.02	44.02	1.81	77.53	-	-	YEN
FL.H.							0.59	44.61	1.36	78.89	0.99	73.22	FLH.
SH.A.							2.07	46.68	0.36	79.25	0.59	73.81	SH.A.
CD.							0.09	46.77	0.17	79.42	0.13	73.94	C.D.
P.E.							0.41	47.18	0.56	79.98	1.11	75.05	P.E.
C.S.							1.22	48.40	1.08	81.06	0.91	75.96	C.S.
Dirham							-		0.18	81.24	0.17	76.13	Dirham
D.T.	8.73	98.56	10.79	99.31	10.70	99.47	37.46	85.86	18.51	99.75	23.71	99.84	D.T.
Autres		1.44		0.69		0.53	———	14.14		0.25		0.16	Autres

* Deux opérations ont été effectuées en outre en D. You et en Leone représentant 7,28% et 6,81% respectivement ce qui ramenerait la rubrique autres à 0,0%

BANQUE CENTRALE DE TUNISIE

DE/SEM/SPMI

STRUCTURE DE LA BALANCE COMMERCIALE PAR GROUPE DE PRODUITS

en %

	Exportations			Importations		
	1975	1976	1977	1975	1976	1977
Biens d'équipements	0,55	0,52	0,68	33,40	31.16	34,05
Matières premières et demi produits	28,86	26,27	31,70	19,49	39,40	33,38
Produits énergétiques	46,31	41,24	36,00	5,68	9,27	10,79
Biens de consommation	5,13	6,89	11,88	30,39	9,83	10,76
Soumis à plafond	5,13	6,69	11,45	30,39	5,71	4,15
non soumis à plafond	-	0,20	0,43	-	4,12	6,61
Biens alimentaires	19,15	25,08	19,74	11,04	10,34	11,02

BANQUE CENTRALE DE TUNISIE
DE/SEM/SPMI

(/ENTILATION DE LA BALANCE COMMERCIALE PAR DEVISE ET GROUPE DE PRODUITS

STRUCTURE PAR DEVISE DES IMPORTATIONS

en %

	Année	D.T.	$ E.U.	F.F.	D.M.	LST	LIT	S/TOTAL	P.E.	FL.H.	S.H.A.	F.S.	F B.C.	TOTAL
Biens d'équipement	1975(1)	5.12	10.83	18.39	5.61	2.54	3.59	46.08	0.58	0.57	5.84	0.85	0.60	54.52
	1976(2)	14.52	18.33	26.76	17.53	4.50	5.08	86.72	0.80	1.08	0.37	1.04	1.39	91.40
	1977	16.23	16.05	43.80	8.57	2.78	4.97	92.40	0.94	0.73	0.87	0.98	1.10	97.02
Matières premières et demi-produits	1975	45.52	16.54	19.73	4.85	1.58	5.39	93.61	0.78	0.93	-	1.02	1.83	98.17
	1976	27.88	44.86	15.16	4.18	0.59	1.85	94.52	0.53	0.87	0.49	0.45	1.51	98.37
	1977	43.91	25.27	16.02	4.70	0.47	2.00	92.37	1.37	0.79	0.72	1.43	1.16	97.84
Produits enèrgétiques	1975	12.75	85.33	-				98.08						98.08
	1976	8.07	90.95	-				99.02						99.02
	1977	5.98	93.89	-				99.87						99.87
Biens de consommation soumis à plafond	1975	68.31	1.61	25.24	1.79	0.67	1.27	98.89						98.89
	1976	28.25	6.16	39.37	8.33	2.90	6.48	91.49		2.97		2.83		97.29
	1977	34.25	11.07	29.11	9.91	2.35	7.57	94.26						94.26
Biens de consommation non soumis à plafond	1975	-	-	-	-	-	-	-						
	1976	11.29	9.71	60.34	4.00	-	6.45	91.79						
	1977	19.51	10.40	50.03	5.33	1.36	4.16	90.79	3.91					94.70
Biens alimentaires	1975	48.89	33.98	12.67		2.27		97.81		1.58				99.39
	1976	1.64	69.16	14.40		8.54		93.74		4.53				98.27
	1977	1.55	78.32	8.31	1.39			89.57		3.56	1.30	3.88	1.06	99.37

(1) Le Dinar Yougoslave et le LECNE participent en outre respectivement pour 21,79% et 20, 38 %

(2) Le Yen participe en outre pour 5,80%

BANQUE CENTRALE DE TUNISIE
DE/SEM/SPMI

(/ENTILATION DE LA BALANCE COMMERCIALE PAR DEVISE ET GROUPE DE PRODUITS

Structure par devise des exportations

en %

	Année	D.T.	$ E.U.	F.F.	S/TOTAL	D.M.	LST	LIT	TOTAL	L.L.
Biens d'équipement	1975	25.27	-	31.77	57.04					39.76
	1976	31.27	17.19	29.90	78.36					19.48
	1977	57.88	20.15	12.89	90.92					
Matières premières et demi-produits	1975	5.83	51.65	33.17	90.65	2.54	1.71		94.90	
	1976	12.69	59.51	21.45	93.65	2.40	2.13		98.18	
	1977	14.73	59.44	18.70	92.87	1.12	1.74		95.73	
Produits énergétiques	1975	0.49	74.51	24.51	99.51					
	1976	7.33	69.53	23.13	100.00					
	1977	0.74	95.93	3.33	100.00					
Biens de consommation soumis à plafond	1975	38.81	5.81	36.77	81.39	6.22			87.61	7.39
	1976	25.02	23.37	36.65	85.04	7.75			92.79	
	1977	24.19	22.66	40.15	87.00	6.20			93.20	
Biens de consommation non soumis à plafond	1975	-	-	-	-					
	1976	51.92	6.08	38.90	96.90					
	1977	65.57	3.00	28.58	97.15					
Biens alimentaires	1975	24.46	28.36	41.70	94.52		0.09	2.11	96.72	
	1976	9.94	34.81	31.67	76.42		2.80	19.18	98.40	
	1977	11.74	39.57	34.08	85.39		3.28	11.11	99.78	

BANQUE CENTRALE DE TUNISIE

DE/SEM/SPMI

STRUCTURE DE LA BALANCE COMMERCIALE PAR MODE DE REGLEMENT

en %

Opérations	Exportations			Importations		
année / mode de règlement	1975	1976	1977	1975	1976	1977
Comptant	34.52	44.92	56.97	42.46	53.26	44.06
Virement	25.01	8.16	7 .67	17.32	5.91	9.37
S/total 1	59.53	53.08	64.64	59.78	59.17	53.43
Traite avalisée inf.à 90j.	0.41	0.25	1.45	0.11	0.30	0.29
Traite inférieure à 90j.	29.01	28.77	17.21	16.93	16.25	18.91
S/total 2	29.42	29.02	18.66	17.04	16.55	19.20
Traite avalisée sup.à 90j.	0.02	0.04	0.002	0.03	0.10	0.28
Traite supérieure à 90j.	0.72	1.80	2.41	4.16	5.90	7.53
S/total 3	0.74	1.84	2.41	4.19	6.00	7.81
Echéance ≤ à 18 mois	-	-	1.64	0.02	2.03	1.62
Echéance > à 18 mois et ≤ à 5 ans	-	-	-	0.18	1.72	2.80
Echéance > à 5 ans et < à 10 ans	-	-	-	-	1.76	0.001
S/total 4	-	-	1.64	0.20	5.51	4.42
AUTRES	10.31	16.06	12.65	18.79	12.77	15.14

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No.20, Wednesday, March 8, 1978 - 5.30 p.m.

Agence de Promotion des Investissements

Tunisian Representatives	Fund Representatives
Mr. Slaheddine Bacha, Directeur Général Adjoint	Mr. François
Mr. Rachid Aïssi, B.C.T.	Mr. Basu
	Mr. Horie
	Mr. Maciejewski

The purpose of this meeting was to discuss the recent evolution of investment, mainly foreign, and its prospects.

In 1977, the API is confronted with a slight setback in investment. The total approval of investment declined from D 319 million to D 312 million and that of new job creation from 44,000 to 40,000. This was because foreign partners hesitated to invest in Tunisia, in view of growing social instability in the country, and more seriously, EEC's restrictive measures on textile imports from Tunisia. Mr. Bacha stated that even on investing in non-textile sectors such as shoe and electronic industries, the foreign partners expressed a great anxiety about an extention of the protectionism.

The rate of realization during 1977 of the investment approved in 1976, on the contrary, amounted to 82 per cent in terms of the number of projects, much higher level than before. The realization of employment also showed a high ratio. Mr. Bacha observed a trend among investors to advance realization of approved investment.

Mr. Bacha expressed a hopeful view for prospects of investment in Tunisia, stating that the present lull will not probably last long. He noted that apart from the domestic social situation, EEC's restriction on its textile imports has not finally been very severe. The quota on imports from Tunisia was decided on the basis of its production capacity, and moreover, 50 per cent of the value of imports of garments which are processed from cloths imported from the EEC (sous traitance) are considered to be part of the quota calculation.

The API has been taking several measures to encourage further investment in the country. First, under the initiative of the API an assembly for promoting industrial development was held in 1977. The assembly adopted a series of recommendations currently under examination, which request more favorable conditions to new investment than present investment codes. Second, to diversify foreign investors and invested industries, the API is to open a representative office in the United States. Third, in the light of providing for technical assistance and appropriate information, the API established two regional representative offices in 1976 and another two in 1977, totaling eight regional offices, or one office per each three governments.

Fourth, as a practical application of the Law 74-74, a regulative text for decentralization is to be published soon. The text, covering all industries, divided the country into three regions, each of which benefits from different advantages of the six major ones such as tax exemption, profit transfer, etc.

The FOPRODI, which was established for the training of new enterpreneurs and regional decentralization of investment of small and medium size enterprises, now holds a great number of projects. The ceiling of state assistance has been increased from D 200,000 to D 500,000 for establishing new enterprises and D 30,000 to D 75,000 for decentralization of small and medium enterprises. Decentralization of very small enterprises can now get an assistance up to D 45,000 compared with D 15,000 before. In case of combination of decentralization and new entrepreneur, the assistance was newly set up to D 150,000-200,000. Financial resources of the FOPRODI amounted to D 2 million in 1977, and will increase more than D 3 million in 1978.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 21, Thursday, March 9, 1978 - 8.30 a.m.

Banque Centrale de Tunisie

Tunisian Representatives	Fund Representatives
Mr. Ghenima, Governor	Mr. François
Mr. Bousbia, Directuer Général	Mr. Basu
Mr. Boudaouara, Chef de la Service des Prévisions Monétaires	Mr. Horie
	Mr. Maciejewski

The Governor had requested this early meeting to review with the mission some of the major financial policy issues related to the current economic situation, because he planned to leave the next day for a banking conference in Kuala Lumpur. Mr. François thanked the Governor for the hospitality, the excellent assistance provided by the BCT staff, and the opportunity to discuss some of the financial policy issues now facing the Tunisian authorities. The subjects discussed were as follows:

1. The current financial situation

Mr. François briefly reviewed the main characteristics of the current financial situation. With the launching of the Fifth Plan in 1977, the investment effort had been expanded, to achieve the basic objective of improving the employment situation and accelerating the process of industrialization. The Fifth Plan's investment targets imply both (i) substantial additional foreign borrowing, and (ii) the need to improve the domestic savings effort.

a. Fiscal performance of the public sector

Mr. François reviewed the main features of recent developments in the fiscal situation. He explained that in analyzing the fiscal data, the mission had tried to distinguish between budgetary expenditures per se, and transfers and net lending to finance the investment operations of public enterprises. In the last three years, although budgetary receipts had grown roughly in line with economic activity and foreign trade, the expansion of current expenditures (including price subsidies and current transfers to enterprises) had also been relatively rapid; the current surplus, though still sizable, showed only a moderate increase. With large increases in capital expenditures (excluding transfers to enterprises), the overall budgetary surplus had fallen sharply. As in addition to budgetary expenditures, the Government had expanded its transfers and net lending to public enterprises, the overall balance of government operations had moved increasingly into deficit. The financing of these deficits had entailed a marked increase in foreign borrowing, and large sales of bonds to domestic banks.

Referring to some indicators covering the investments and current operations of public enterprises, Mr. François noted that the net profits of public enterprises as a whole, had been declining in recent years and that they were not only becoming increasingly reliant on resources from

the Government, but also noticeably expanding their recourse to the banking system and to external resources.

Mr. François indicated that the main questions arising out of this context were: (i) what measures could be taken to increase budgetary savings? (ii) what measures were needed to strengthen the financial situation of public enterprises and hence, to reduce their reliance on financing by the Government? The Governor was requested to comment on whether the public sector could continue to rapidly expand its recourse to domestic bank financing and to foreign borrowing.

The Governor stated that the overall financial performance of the public enterprise sector had been adversely affected by declining trends in export receipts of a few selected sectors (namely, olive oil, phosphate rock, and phosphate derivates). He said that, apart from the petroleum sector, most other sectors had always been only moderately profitable. The sharp export price increases in 1974-75, of olive oil, phosphates, and petroleum, had led to exceptionally high profits for public enterprises as a whole, and that the subsequent downturn in most export prices, had led to an overall weakening of the financial situation.

The Governor also mentioned that the large combined amounts of budgetary transfers and net lending to public enterprises were primarily for financing productive investments, which are part of the Fifth Plan. He assured the mission that, in particular, external resources were being used to cover the foreign financing needs of high-yield productive projects.

2. Monetary projections, 1978

The mission's preliminary 1978 projections of monetary aggregates were explained to the Governor (Table attached to minute No. 25).

The hypotheses utilized for projecting broad money was that its expansion would be roughly in line with that of nominal GDP (16.2 per cent in 1978 as compared with 13.4 per cent in 1977). The growth of nominal GDP was taken from Plan forecasts of a real growth rate of 10 per cent and a rate of price increase of the order of 5-6 per cent. Under these assumptions, and after allowing for a moderate increase in the nonmonetary domestic liabilities of the banking system, it was explained that overall domestic credit expansion would have to be restrained to about 19 per cent to achieve the Plan's 1978 objective of an equilibrium in the balance of payments (defined as no change in the net foreign assets of the banking system).

As regards the more detailed content of domestic credit policy, the mission pointed out that the 1978 projections of government finance envisaged an overall deficit of D 200 million, of which D 48.9 million was to be financed from the banking system. Of the latter amount roughly D 14.1 million would represent a net drawdown of government deposits at the Central Bank, and D 34.8 million would be the commercial banks' net purchases of government equipment bonds. The implication of these operations would be a relatively high rate of expansion in bank credit to Government (about 36 per cent) and an increase of roughly 16 per cent in bank credit to the rest of the economy.

The mission explained that on the basis of recent trends in the ratios of currency money, demand deposits to money, quasi-money to GDP, bank reserves to bank deposits, and projections of the nonmonetary liabilities of the Central Bank and the deposit money banks, it appears that the Central Bank's domestic claims on banks and the economy should be expanded in 1978 at a much slower pace than in 1977.

The Governor generally agreed with the monetary survey projections for 1978. He said that he had no doubt that the central bank's domestic assets would be increased at a slower rate than in 1977, especially because the objective was to achieve an equilibrium in the balance of payments. The Governor confirmed what Mr. Bousbia had said at an earlier meeting regarding official external reserves, namely, that a minimum level (close to the present level) would be maintained to cover the needs of external transactions.

The Governor also emphasized that overall credit expansion would be monitored so as to encourage the financing of productive activities and projects, and restrain the financing of nonpriority commercial transactions and individual consumption. He added that credit expansion to the private sector would not exceed the target, if deposits in addition to the projected deposits were not available, and that credit expansion would be managed in a way so as to avoid pressures on the balance of payments.

3. Balance of payments and exchange rate policy

The mission stated that the balance of payments deficit in 1977 reflected a widening of the trade and current account deficits. Specifically, the mission pointed out that import growth was substantial, not only because of imports of cereals, but also because of a sizable increase in imports of nonfood consumption items. The mission indicated that the 1978 prospects suggested a further widening of the trade and current account deficits, and that as a result, the financing need in terms of net capital inflows was expected to be more sizable than in 1977.

Referring to the present exchange rate policy, the mission explained two aspects of it. First, both the rate of the dinar vis-à-vis the SDR and the import-weighted effective exchange rate index of the dinar, had remained virtually stable in recent years. Secondly, the export-weighted effective exchange rate of the dinar had shown a noticeable appreciation in recent years, mainly because of the weakening of the U.S. dollar and its relatively large weight in Tunisia's exports. As the mission felt that the appreciation of the dinar vis-à-vis the dollar could adversely affect the international financial situation of some of the major export sectors (petroleum and phosphates for example), a suggestion was made to the Governor to explore the possibility of taking into account the movements of the dollar-dinar rate in determining exchange rate policy. From the point of view of the existing mechanism for determining the exchange rate of the dinar, the mission stated that some kind of basket approach including the U.S.dollar, (even if appropriate periodic adjustments were made in its content) would perhaps be more appropriate.

The Governor and Mr. Bousbia received our comments on the exchange rate with an honest intention to study the subject in the immediate future. Mr. Bousbia pointed out that a net appreciation of the dinar vis-à-vis the dollar would imply a squeeze in the local currency receipts derived from export items for which both world prices and receipts are denominated in dollars. Thus, from the point of view of the domestic financial savings that can be derived from such export activities, Mr. Bousbia agreed that it would be important to reexamine the present mechanism of exchange rate determination.

The Governor indicated that in order to raise additional government revenues, the authorities are also presently considering the possibility of raising import duties on a selected range of luxury items. He said that the measure would also be in keeping with the gradual move toward a more liberal trade and foreign exchange system.

INTERNATIONAL MONETARY FUND

Tunisia - Article XIV Consultation

Meeting No. 22, Thursday, March 9, 1978--9:30 a.m.

Office National de l'Huile

Tunisian representatives	Fund representatives
Mr. Fredj Jabbès, Directeur Général	Mr. C. François
Mr. M. Jallouli, Banque Centrale de Tunisie	Mr. A. Basu
	Mr. H. Horie
	Mr. E. Maciejewski

Mr. François invited Mr. Jabbès to review the developments in production, export, consumption, and stock of olive oil during the 1976/77 crop year (November 1976-October 1977) and to comment on the prospects for 1977/78. The discussion is summarized in the attached tables (Tables 1 and 2).

Mr. Jabbès was requested to comment on producer prices, export prices, costs, and the geneal financial situation of the olive oil sector in 1977 and on the related prospects for 1978. He indicated that the average export cost covered the following elements: (a) average production costs (mainly consisting of producers' prices and stock financing costs), and (b) marketing costs (see Table 2).

On the basis of the latest currently known sales price on EEC market (US$1,025 per ton as of March 9, 1978), the export price of D 0.440 - D 0.450 which includes the 20 u.c. restitution by the EEC (or D 0.50 - D 0.60) would hardly cover the expected average cost for 1978. On the basis of the present sale price of "mixed oil" (olive oil and soja) on domestic markets (D 0.200 per kg), and total costs of operation, a unit loss of about D 0.280 was experienced in 1977 and a unit loss of about D 0.280 was experienced in 1977 and a unit loss of D 0.210 is expected for 1978.

Mr. Jabbès also indicated that the offered producer price would amount to only D 0.380 per kg in 1978, whereas producers lobbied to obtain a price of at least D 0.450 per kg. Regarding the financing of losses, Mr. Jabbès indicated that the Office National de l'Huile has to rely upon subsidies from the Caisse Générale de Compensation. The losses amounted to D 13.5 million for the 1976/77 crop year and are expected to be at least D 12 million for the 1977/78 crop year. He pointed out that the O.N.H. had not yet cashed the 1976/77 subsidies and had to borrow from the banking system. According to Mr. Jabbès, the monthly assumption of about 6,000 tons generates a net loss of D 1.2 million, which cannot be financed by the Caisse Générale de Compensation.

In reply to a question on the possible impact of the EEC taxation system on olive oil imports from Tunisia, Mr. Jabbès said that the export price is presently averaging D .440 - D .450 per kg. Tunisia has, therefore, to support a net loss of about D .100 -D .110 per kg, as it exports to the EEC medium and high quality oil previously bought at D .550.

Table 1. Production, Export, Consumption and Stocks of Edible Oils

(In tons)

Crop year[1/]	1975/1976	1976/1977	1977/1978
1. Supply	205.0	94.0	132.0
Production	180.0	85.0	123.0
Imports[2/]	25.0	9.0	9.0
2. Demand	160.0	152.0	162.0
Exports	70.0	60.4	70.0
Domestic consumption[3/]	60.0	72.0	75.0
Subsistence consumption and other	30.0	19.6	17.0
3. Net change in stocks (= 1-2)	45	-58.0	-30.0
Memorandum item			
Carry over stock (end of year)	130.0	72.0	42.0

1/ (November 1 - October 31)
2/ Reflects imports of soya oil.
3/ Based on Table 2.

Table 2. Subsidies to Vegetable Oil

	1975/76	1976/77	1977/78 Projections
	(In 1,000 tons)		
Local consumption	60	72	75
Olive oil	29	60	60
Soya oil	25	9	9
Grignon	6	3	6
	(In dinars per Kg)		
Prices			
Olive oil			
Producer price (average)	0.360	0.370	0.380
Average cost price (new oil + stocks)	0.450	0.450	0.427
Export cost price	0.530	0.530	0.507
Unit export earnings	0.517	0.512	0.533
Soya oil			
Unit import price (c.i.f.)	0.225	0.228	0.228
World market price	0.190	0.245	0.215
Vegetable oil (mélangé)			
Cost price	0.270 1/	0.406 2/	0.387 2/
Retail price	0.200	0.200	0.200
	(In millions of dinars)		
Price subsidies			
Intervention of the ONH	9.3	13.5	14.0
Subsidies of the CGC	9.3	7.6	14.0
Unit subsidies (D/kg)	0.070	0.206	0.187

1/ Staff estimates for weighted average price of 20 per cent olive oil (cost price) and 80 per cent soja oil (unit import price).

2/ Staff estimates for weighted average price of 80 per cent olive oil and 20 per cent soja oil (unit import price).

INTERNATIONAL MONETARY FUND

Tunisia - Article XIV Consultation

Meeting No. 23, Thursday, March 8, 1978--11:00 a.m.

Direction des Impôts

Tunisian representatives	Fund representatives
Mr. Kalia, Directeur	Mr. C. François
Mr. Amor Safi, Central Bank of Tunisia	Mr. A. Basu
	Mr. H. Horie

Mr. François referred to the qualitative tax measures implemented under the 1977 Loi de Finance and inquired about their effects on tax revenues in 1977. Mr. Kalai stated that although numerical estimates of the revenue impact of these measures are difficult to make, they certainly contributed to a more than expected increase in tax revenues and further revenue gains were expected to accrue over time. Referring to a measure related to the registration of real estate transactions (as an example), he said that despite this measure the number of contracts had not decreased, and that receipts of the registration tax rose from D 16 million to D 18.6 million.

For 1978 no new major tax measures (either quantitative or qualitative) were taken. Mr. Kalai stated that even with regard to the medium-term revenue strategy, no new quantative measure is now envisaged, as tax rates are already quite high. However, efforts to improve tax collection are in progress, as alternative wages of improving tax legislation and administration are being studied. Mr. Kalai noted that in the legislative aspects his department is now preparing the codification of existing texts of various codes, aiming at securing a larger number of declarations by more simplified declaration procedures. The codification would be carried out in the interest of justice and equity, and is expected to be completed by 1979. A code on the value added tax is also being prepared. As regards the administrative aspects, recruitment of personnel, especially highly qualified officials, is being actively undertaken.

Mr. François requested Mr. Kalai's cooperation for updating during the next consultation discussions the description on Tunisia's tax system, which was last updated in 1975. The draft is going to be sent to be sent to Mr. Kalai well before the next consultation discussions. Mr. Kalai consented willingly and commented that the updating would also be helpful for their codification work.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 24. Friday, March 10, 1978 - 10:00 a.m.

Banque Centrale de Tunisie

Tunisian representatives	Fund representatives
Mr. Rekik, Directeur des Changes et du Commerce Extérieur	Mr. François
Mme Abed, Directeur du Service Juridique	Mr. Maciejewski

Mr. François demande s'il y a lieu d'apporter des modifications au Tableau récapitulatif sur le régime de contrôle des changes et du commerce extérieur en 1977. Mr, Rekik indique qu'il conviendrait peut-être d'ajouter l'Avis publié le 27 janvier 1978 (Avis No. 134) concernant la rémunération libre des comptes étrangers en devises auprès des banques tunisiennes. Cet avis a étendu les dispositions relatives à la rémunération libre des comptes étrangers en dinars (autorisée depuis 1976) aux comptes étrangers en devises. Ces nouvelles dispositions ont pour objectif d'inciter les travailleurs étrangers, les sociétés de capitaux opérant dans le cadre de loi d'avril 1972, les travailleurs tunisiens à l'étranger et les banques "offshore" à effectuer des dépôts auprès des intermédiaires agrées tunisiens. L'application de ces mesures visent également à rapporter les taux d'intérêts rémunérateurs des taux pratiqués sur les marchés internationaux et ainsi compléter les dispositions actuelles relatives au financemtn de relais.

Mr. François souhaite ensuite obtenit des éclaircissements au sujet du régime actuel de contrôle des importations et, également, au sujet des différentes procédures pratiquées par l'administration en matière d'importation. Mr. Rekik précise qu'il existe actuellement deux régimes applicables aux importations : un régime défini par l'Avis 116 du 4 février 1972 et qui concerne les produits formellement libérés et le régime de la licence d'importation.

1. Le régime des certificats d'importation

Le régime repose sur l'Avis 116 du 4 février 1972 et différentes circulaires publiées postérieurement qui ont modifié, en l'élargissant, la liste des produits libérés. La liste initiale des produits libérés jointe à l'Avis 116 a été élargie à plusieurs reprises et en particulier en 1977 (rectificatif à l'Avis 116 du 4 janvier 1977). La liste actuelle comprend, outre les pièces détachées destinées à la commercialisation et certaines matières premières, tous les produits dont l'importation est liée à des investissements agrées par l'API et les pièces détachées et les biens d'équipement importés par les industriels et les hoteliers destinés à leur usage propre. La procédure se limite à un dépôt de titres (déclaration d'importation) auprès des intermédiaires agrées.

2. Régime de la licence d'importation

Ce régime comprend, sur un plan strictement réglementaire, la procédure dite des autorisations annuelles d'importation et celle applicable aux produits contingentés.

a. Les autorisations annuelles d'importation

Cette procédure dont le texte de base est l'Avis 112 de mars, 1971 s'applique à toutes les importations nécessaires au fonctionnement des entreprises productrices afin d'assurer leurs approvisionnements courants en pièces détachées, matières premières et produits semi-finis. L'industriel établit un programme annuel d'importation qui fait l'objet d'une autorisation annuelle d'importation en début d'année, valable pour toute l'année. Pour 1978, la plupart des dossiers importants ont été agrées par l'administration fin décembre/début janvier 1978. Une fois le programme établi, l'industriel n'a plus à obtenir d'autorisation administrative. Ses rapports se limitent à ses fournisseurs et ses banquiers. Son programme ne peut être modifié que dans la mesure où aucun changement de positions tarifaires n'est impliqué; dans le cas contraire, l'industriel doit obtenir l'autorisation préalable de l'administration.

b. Les produits contingentés

L'importation de tous les produits contingentés est soumise à un régime uniforme. Toutefois, des procédures raccourcies ont été établies par l'administration pour les importations effectuées au titre des programmes annuels commerçants (introduit par le Ministère du Commerce en 1977), ou le cadre des commissions d'achats (régis par le décret 75-540 du 4 août 1975). Tous les autres produits sont soumis à un examen administratif, cas par cas.

Répondant à une question de Monsieur François au sujet de l'importance relative des produits effectivement et juridiquement libérés, M. Rekik communique un certain nombre d'indications chiffrées qui sont résumées dans le Tableau donné ci-après. Madame Abed précise qu'un certain nombre de nouveaux textes de base vont être publiés dans les prochains mois; ces textes auront pour objet principal la clarification des textes légaux et réglementaires existant et l'unification des régimes actuels qui différencient encore les importations en provenance de la zone franc de celles provenant des autres pays. M. Rekik et Mme Abed confirment que, dans ce domaine particulier, les pratiques administratives introduites par le Ministère du Commerce ont d'ores et déjà devancé le droit. Les textes à paraître n'entraîneront donc pas forcément un changement de procédures.

Table attached

Tableau : Importance Relative des Produits Libérés et Quasi-libérés à l'Importation

	(En millions de dinars)		En pourcentage du total des importations (hors régime suspensif)	
	1976	1977	1976	1977
1. Certificats d'importation	124	184	17,0	20,6
2. Autorisations annuelles d'importation 1/	168	284	23,5	31,7
3. Commissions d'achats 2/	___	63	___	7,0
Sous-total	292	531	40.5	59,3
4. Programmes commerçants		194		21,7
5. Produits soumis à contingentement		170		19,0
Sous-total	___	364	___	40,7
Total	721	895	100,0	100,0

1/ Ces importations ont representé 65 pour cent des titres d'importation enregistrés en 1977 (contre 62 en 1976);

2/ Ces importations ont représenté moins de 1 pour cent des titres d'importation enregistrés par l'administration en 1977.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 25, Friday, March 10, 1978, 3.45 p.m.

Banque Centrale de Tunisie

Tunisian representatives	Fund Representatives
Mr. M. Bouaouaja, Directeur des Etudes	Mr. François
Mr. M. Boudaouara, Chef de la Service des Prévisions Monétaires	Mr. Basu
Mr. Sadok Rouai, Direction des Etudes	Mr. Maciejewski
Mr. Amor Saafi, Direction des Etudes	

This meeting was held to finalize the 1978 monetary projections and its underlying assumptions. In addition, the 1978 forecasts of the balance of payments were briefly reviewed.

The final version of the 1978 monetary projections incorporated the following assumptions:

a) The growth of money was projected to be about 16 per cent, more or less in line with the anticipated expansion of nominal GDP. Quasi-money was forecast to rise at a somewhat faster rate (18.8 per cent) partly due to the upward adjustments in deposit rates in 1977 and partly reflecting the continuation of the strong rising trend observed in previous years.

b) The special resources and capital accounts of the Central Bank and of the deposit money banks were projected to grow by about D 4.3 million and D 29 million, respectively. In the case of the Central Bank, the increase would be entirely under the capital accounts. In the case of the deposit money banks, about D 15.5 million of the increase would be reflected in the capital accounts, and the remainder would represent an overall increase in government lending funds, long-term external loans, and counterpart funds. Other items (net) were assumed to remain unchanged for the Central Bank, and in the case of the deposit money banks, the negative balance on other items (net) was projected to be smaller by about D 10 million.

c) The ratio of currency outside banks to money was projected to show a slight decline, from 0.37 in 1977 to 0.36 in 1978. The ratio of deposit money banks' demand deposits to money was forecast to increase slightly, from 0.58 in 1977 to 0.59 in 1978. The implied decline in the currency to demand deposits ratio was rationalized by the argument that some steps had been taken to make bank checks a more common means of payment than cash or currency. Also, in 1977 the interest rates payable on demand deposits (dépôt a vue) had been adjusted upwards.

d) The assumption was made that deposit money banks would continue to maintain about 4 per cent of their deposit liabilities in the form of cash and reserves, with about half consisting of obligatory reserves and the remainder comprising cash and other reserves. On the whole, the liquidity situation of the commercial banks was expected to remain tight, and the Central Bank expected to guide and control banking operations mainly through its rediscounts and money market intervention.

e) As an objective, balance of payments was assumed to be in overall equilibrium, with no change in the net foreign assets of the Central Bank and the deposit money banks.

f) The Treasury's financing needs from the banking system were taken as given data. The Government's recourse to the Central Bank was estimated to be D 14.1 million, and its net borrowing from commercial banks was estimated at D 34.8 million. In addition, as private sector deposits at the CCP was expected to increase by D 4 million, an equivalent increase was imputed to credit to Government.

g) On the basis of (a)-(f), the overall policy target for credit expansion to the economy was derived to be an increase of about 19 per cent. The Central Bank was expected to expand its claims on the banks and the economy at a slower rate than in 1977, roughly 13 per cent or at about half the comparable rate for 1976.

1978 Monetary Projections

	1977			1978		
	Central Bank	Deposit money banks plus CCP	Monetary survey	Central Bank	Deposit money banks plus CCP	Monetary survey
Foreign assets (net)	134.5	-32.4	102.1	134.5	-32.4	102.1
Domestic credit	185.1	833.9	1,019.0	221.5	991.7	1,213.2
Government (net)	18.0	126.8	144.8	32.1	165.6 1/	197.7
Central Bank claims on banks	150.8	-150.8	--	173.1	-173.1	--
Economy	16.3	857.9	874.2	16.3	999.2	1,015.5
(Reserve money)	(239.6)	--	--	(271.7)	--	--
Currency outside banks	213.6	--	213.6	241.2	--	241.2
Banks' obligatory reserves	12.7	-12.7	--	15.1	-15.1	--
Cash in banks	4.4	-4.4	--)	15.1	-15.1	--
Banks' other deposits	8.3	-8.3	--)			
Demand deposits	0.6	361.5 2/	362.1	0.3	428.6 2/	428.9
Quasi-money	--	300.3	300.3	--	356.8	356.8
Money	--	--	575.7	--	--	670.1
Money plus quasi-money	--	--	876.0	--	--	1,026.9
Special funds and capital accounts	56.8	186.3	243.1	61.1	215.3	276.4
Government lending funds, long-term external loans, and counterpart funds	3.8	116.9	120.7	3.8	130.4	134.2
Capital accounts	45.3	69.4	114.7	49.6	84.9	134.5
SDR allocations	7.7	--	7.7	7.7	--	7.7
Other items (net)	23.2	-21.2	2.0	23.2	-11.2	12.0

Sources: Statistiques Financière (February 1978) and data provided by the Tunisian authorities.

1/ Includes the counterpart of CCP deposits, which amounted to D 24.9 million in 1977 and was estimated at D 28.9 million in 1978.

2/ Includes CCP deposits as mentioned above.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 26. Saturday, March 11, 1978 - 9:00 a.m.

Ministry of Commerce

Tunisian representatives	Fund representative
Mr. Nafti, Directeur adjoint, Relations Economiques Extérieures	Mr. Maciejewski
Mr. M'Rabet, BCT	

The purpose of this meeting was to have a wrapped-up session on the present procedures and practices used by the Administration to control imports. The substance of the discussions is reflected in the attached note.

Mr. Nafti provided further explanations on the distinction to make between the so-called "Commerce Général à l'importation" which includes the so-called "régimes suspensifs" and the so-called "commerce spécial" which covers only imports for domestic consumption. He also provided some quantified information on the relative importance of liberalized, quasi-liberalized and restricted imports, as follows:

	Average 1976-77 (In per cent)
1. Liberalized imports	
"Import certificates"	23
"Annual import authorizations"	28
2. Quasi-liberalized imports	
"Commission d'achats"	14
"Annual program for commerçants"	6
3. Non-liberalized imports	19
4. Régimes suspensifs	10

Attachment

9/3/78

Attachment to Minute No. 26

Le Commerce Extérieur Tunisien

I. Textes de base : - code des changes et du commerce extérieur (loi du 2I/I/76) : abolition dualisme zonal accordant précédemment des avantages particuliers à la zone franc.

- Decret d'application du 27/7/I977 n° 77-608

  Remarque : avis d'application paraitra incessement

- Tarif des droits de douane à l'importation et à l'exportation (loi n° 73-45 du 23/7/73) amendé par la loi de finances de I977 : assouplissement des régimes fiscaux et douaniers afin d'assurer à l'économie tunisienne un approvisionnement adéquat et une meilleure compétivité du système productif.

II. Commerce général et commerce spécial

Il est à rappeler que depuis I974 les définitions de base des statistiques du Commerce Extérieur ont été modifiées pour tenir compte des échanges effectués par les entreprises exportatrices qu'elles soient agrées dans le cadre de la loi d'avril I972 ou non.

Ainsi, ces statistiques qui sont maintenant établies d'aprés le système dit du "Commerce Général" comprennent :

- à l'importation : les marchandises destinées à la consommation nationale (entreprises, collectivités, ménages) ainsi que les marchandises admises sous un régime suspensif en vue de leur transformation et de leur réexportation.

- à l'exportation : les produits d'origine tunisienne et les articles obtenus aprés transformation de produits introduits en Tunisie dans le cadre de régimes suspensifs.

Les régimes suspensifs qui viennent s'ajouter dans les deux sens aux statistiques établies d'aprés le système dit du "Commerce Spécial" sont en particulier :

- l'Admission temporaire pour transformation
- l'entrepot industriel
- l'entrepot franc
- les exportations pour transformation réparation ou complément de main d'oeuvre à l'étranger.

Le régime de l'entreport franc est réservé aux entreprises agréees dans le cadre de la loi d'avril I972. Les autres régimes sont utilisés par des entreprises résidentes qu'elles travaillent uniquement pour l'exportation ou en partie pour les marchés extérieurs et en partie pour le marché local.

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D'autre part, il existe une autre catégorie de marchandises qui sont introduites sur le territoire national sans être mises à la consommation ou sans relever de l'un des régimes suspensifs cités ci-dessus. Elles sont uniquement stockées dans des entrepôts en attendant une destination définitive. Il s'agit du régime de "l'entrepôt ordinaire", qui selon la définition du "Commerce Spécial" est considéré comme le prolongement du territoire étranger et selon le "Commerce Général" comme une partie du territoire tunisien. En conséquence pour le commerce spécial seules les mises à la consommation sont assimilées à des importations; pour le commerce général toutes les entrées en entrepot ordinaire sont comptabilisées comme importations.

III. Régimes et procédures

1/ à l'importation :

- Certificat d'importation (avis II6 et textes subséquents) couvre essentiellement :

  * Matières premières
  * Equipements industriels et agricole agrées par l'A.P.I.
  * Pièces détachées
  * Produits pharmaceutiques

Ce poste représente environ 23% des importations globales(G.G)

- Autorisations annuelles (avis II2) : destinées aux industriels et aux organismes chargés de l'approvisionnement du pays en produits de première nécessité ou en produits à affecter à l'industrie.

Ce poste représente 28% des importations totales.

- Commissions d'achats : (decret n° 75.540 du 4/8/75) : chargées d'agréer au préalable les opérations d'achat des produits suivants :

. Bovins destinés à la boucherie
. Ovins " "
. Viandes bovines et ovines
. Lait en poudre sucré et non sucré
. Beurre
. Fromage
. Café vert
. Thé
. Blé
. Orge
. Maïs
. Riz
. Huiles végétales
. Sucre
. Ciments
. Produits pétroliers
. Engrais azotés
. Engrais potassiques

../..

Les licences sont délivrées automatiquement aprés avis favorable des différentes commissions d'achat.

Ce poste représente I4 % des importations totales.

- Programmescommerçante (mesure administrative interne) :

Des programmes d'importation établis par les commerçants sont agrées par le Ministère du Commerce et donnant droit à l'obtention automatique des titres d'importation à concurrence des quantités et valeurs accordées.

L'objectif est d'assurer un approvisionnement continu et adéquat du marché local.

Ce poste consomme environ 6% des importations globales

- Autres produits soumis à licence ou autorisation d'importation : il s'agit des produits d'importance secondaire par rapport aux besoins du marché local. Les titres sont accordées aprés leur examen par les services du Ministère du Commerce.

Ce poste nécessite 29 % de la valeur des importations totales.

Remarque : les chiffres relatifs à ce derniers poste sont déterminés par différence par rapport au total des importations. Or étant donné que la valeur totale des importations contient entre autres celle des importations en régime suspensif, dont la part représente en moyenne I0% du Commerce général, la part du dernier poste est en fait de I9% seulement.

Conclusion : la libéralisation du commerce extérieur tunisien n'est pas totalement reflétée par les textes cités ci-dessus. En effet, les services du Commerce extérieur procédent généralement par étapes, en ce sens qu'avant même la promulgation définitive de nouveaux textes reglementaires du commerce extérieur, ils mettent en place des procédures administrations internes qui constituent une application anticipée des mesures de libéralisation à promulguer.

C'est ainsi que, pour le budget 78, il a été décidé par mesure interne, et en l'absence d'un texte juridique, d'établir des programmes d'importation au profit des commerçants, à l'instar de celui des industriels.

2/ à l'exportation

Tous les produits sont libres à l'exportation à l'exception du pétrole et dérivés (dont l'exportation nécessite l'accord préalable de la Commission de vente instituée par le decret du 4/8/75) et de quelques produits agricoles.

Ces deux exceptions répondent au souci d'approvisionnement prioritaire du marché local.

INTERNATIONAL MONETARY FUND

Tunisia--Article XIV Consultation

Meeting No. 27, Saturday, March 11, 1978--10:00 a.m.

Office des Céréales

Tunisian representatives	Fund representatives
Mr. Tahar Zarrad, Président Directuer Genéral	Mr. C. François
Mr. Mohamed Lassad Mouaffak Directeur Général Adjoint	Mr. A. Basu
	Mr. H. Horie
Mr. Amor Saafi, Central Bank of Tunisia	
Mr. Belgacem Borgi, Central Bank of Tunisia	

This was the first contact of a Fund mission with the Office des Céréales. This office has a monopoly for marketing domestic and imported cereals and is also responsible for promoting cereal production, supplying fodder, and controlling cereal realted industries. The mission received information on recent developments of production and imports, stock policy, price control and subsidies.

1. Production

For the cereal crop which is harvested from June to August, the weather conditions during February and March are decisive. Mr. Zarrad stated that as Tunisia had enough rainfall during this period, the harvest in 1977/78 crop year (JJuly-June) would reach 8-11 million quintaux, greatly exceeding the 1976/77 harvest. The harvest in the northern area will be more than average, while that in the middle and southern area will be mediocre or average. The mission was given past data on domestic production.

(In thousands of quintaux)

	1974/75	1975/76	1976/77	1977/78 Est.
Production				
Hard wheat	7,760	7,235	4,600	---
Soft wheat	2,000	1,955	1,140	---
Barley	2,600	2,300	950	---
Total	12,360	11,490	6,690	8,000 - 11,000
Commercialization (for domestic production only)				
Hard wheat	3,070	2,570	---	---
Soft wheat	696	665	---	---
Barley	308	385	---	---
Total	4,074	3,620	---	---

	1974/75	1975/76	1976/77	1977/78
Commercialization (for domestic production only)				
Hard wheat	3,070	2,570	...	...
Soft wheat	696	665	...	...
Barley	308	385	...	...
Self-consumption and stock piling				
Hard wheat	4,690	4,665	...	...
Soft wheat	1,304	1,290	...	...
Barley	2,292	1,915	...	...
Total	8,286	7,870	...	...

2. Imports

Tunisia is usually self-sufficient in hard wheat, except in a poor crop year. However, soft wheat production falls always short of domestic demand, resulting in its inevitable imports. In the world wheat market, soft wheat is much easier to purchase than hard wheat. Statistics on imports are as follows:

(In thousands of quintaux)

	1974/75	1975/76	1976/77	1977/78 Est.
Hard wheat	...	...	667	2,500
Soft wheat	...	...	3,963	3,500
Barley	...	...	150	500
Corn	...	...	880	1,000
Total	3,600	3,455	5,660	7,500

3. Consumption

Total consumption of cereals consists of consumption controlled by the Office des Céréales and its subcrontractors, and self-consumption (4-7 million quintaux annually) which includes cereals purely self-consumed as well as those traded in the parallel market being out of the control of the Office. Movements of the controlled consumption is as follows:

(In thousands of quintaux)

	1974/76	1975/76	1976/77	1977/78 Est.
Hard wheat	2,715	3,100	3,200	4,200
Soft wheat	3,192	3,700	3,800	4,500
Barley	452	525	550	800
Corn	316	690	800	1,000
Total	6,675	8,015	8,350	10,500

4. Stock policy

The objective of the Government is to keep stocks equivalent to six months of controled consumption for each product. The objective is expected to be achieved by the end of the Fifth Plan. At present, in view of import needs, stocks of soft wheat amounted to five months of controled consumption, while those of hard wheat are three months and those of barley and corn 1-2 months.

5. Prices

Prices of cereals at each stage of transactions are fixed by the authorities and are published in the Journal Officiel (for the 1977/78 commercialization, Journal Officiel No. 81, 77/981 of November 22, 1977). The prices are composed as follows:

1. Prix de base
   minus impôts
   plus bonification) According to quality
   minus réfaction)
   minus Taxe Statistique de l'Office - 4 millimes per quintal

2. Prix définitif - The price that the Office finally pays to producers. The prix définitif is not always uperior to the prix de base

   plus marge de retrocession : storage charge; D 0,920 per quintal in 1977/78
   plus transportation charge : D 0.300 per quintal in 1977/78
   plus fonds d'équipement : Bonus for promoting storage facility; D 0.040 per quintal in 1977/78

3. Prix normal de retrocession : Total cost of the Office at the stage of delivery

   minus subsidies
   plus transportation charge

4. Sales prices to the cereal related industry

   minus subsidies

5. Retail prices to household - These prices are usually fixed at the level D 0.400 per quintal higher than the prix de base.

In 1977/78 the prices are fixed as follows:

	Hard wheat	Soft wheat	Barley
	(In dinars per quintal)		
Prix de base	7.135	6.535	5.035
Prix définitif (average)	6.875	...	...
Prix normal de retrocession	8.135	7.415	5.855
To the cereal related industry			
Subsidies	2.465	2.535	2.855
Sales price	5.670	4.880	...
To household			
Transportation charge	0.200	0.200	0.200
Subsidies	0.800	0.680	0.620
Retail price	7.535	6.935	5.435
To the livestock industry			
Subsidies	...	...	2.855
Sales price	...	...	3.000

6. Subsidies

The Office subsidizes consumers for domestically produced cereals as well as imported cereals, and this expenditure is compensated by the Price Stabilization Fund. The expenditure of the Office and the compensation of the Fund are as follows:

	1974	1975	1976	1977	1978
	(In thousands of dinars; calendar year base)				
Total expenditure of the Office	17,650	18,100	15,000	...[4]	lower than 1977[5]
of which: for local production	3,387	5,270	5,700	4,140	...
for imported cereals[1]	11,000	8,770	6,670	7,300	...
other	3,263	4,060	2,630	2,860	...
Compensation of the Price Stabilization Fund[3]	16,350	17,185	10,260	...	...
Net loss of the Office	1,300	915	4,740	...	...

1/ Subsidies per quintal for imported cereals are as follows:

1974	D 3.370
1975	2,750
1975	1.920

2/ Including supplementary subsidies for barley and soya bean cake, marge de bonification aux boulangers and marge de monture aux minotiers et semouliees.

3/ Figures are not cash basis, as the compensation of the Fund is usually paid in the following year. For example, D 10.260 million is paid in 1977 for the 1976 expenditure of the Office. However, in the meantime, the Office is entitled to receive short term advances from the Treasury.

4/ A maximum figure of 20,000 was indicated.

5/ Producer prices might be raised in July 1978.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 28, Saturday, March 11, 1978 - 11.00 a.m.

Ministry of Industry and Energy

Tunisian Representatives	Fund Representatives
Mr. K. Karoui, Directeur de l'Energie	Mr. François
Mr. Ali Lazaar, Sous-Directeur de l'Energie	Mr. Basu
Mr. Amor Saafi, BCT	Mr. Horie

This meeting was held to discuss trends in petroleum production and imports, the system of taxation of the petroleum companies, and the domestic price policy for petroleum products. The topics discussed were as follows:

1. Production and imports

Mr. Karoui stated that in 1977 production was 4,314,000 tons, and that in 1978 production was expected to be about the same as in 1977. He said that there were altogether five oilfields. Output from the El Borma oilfield would increase slightly, because of the use of reinjection techniques of production. The output of the Ashtart deposits would remain unchanged, and no net increase in output was foreseen from the other two smaller oilfields. Mr. Lazaar agreed to provide the mission with recent data and projections (up to 1981) on production, imports, exports, and consumption of petroleum products, broken down by different types of products (both crude and refined). This information would be passed on to the mission through Mr. Saafi.

Mr. Karoui mentioned that Tunisia had a refining capacity of about 1 million ton, and that at the present moment the refinery was operating at about 10-12 per cent above capacity. As the domestic production of refined products was below the consumption needs of the economy, Tunisia has generally had to import refined products (about 1,750,000 tons in 1977). The imports of refined products are normally from refineries in Italy and Libya, as these two countries happen to be the nearest locations.

Mr. Karoui stated that all of Tunisia's lighter crude oil is exported. About 1 million tons of the better quality light Tunisian crude is exchanged for 1 million tons of Gulf crude plus an additional amount to cover the quality differential. The imported crude is chosen to suit the technical refining conditions in Tunisia.

2. Taxation system

The mission was informed that foreign petroleum companies generally operated under two different types of permits, one which covered purely exploration and research, and the other covered actual production. Each of the permits granted for the five oilfields are covered by specific separate contracts, within which the details of taxation are set out.

Thus, the taxation system differs according to the terms of the contract for any given petroleum company. Referring specifically to the arrangements between the French company ELF and the Tunisian counterpart ERAP, Mr. Karoui said that a new agreement had been recently reached (in February 1978). Under the very first agreement (of 1964) with ELF, the Government had no participation rights at all. The old agreement provided for only a 50 per cent profits tax (including royalty) to be levied on current gross profits realized from actual production operations. In 1974 an interim agreement was reached, which stipulated that negotiations should be undertaken to decide on two new elements, namely (a) a share of the output had to be given to the Government, and (b) the taxation system had to be modified.

A final new agreement was reached in February 1978, and its principal elements are as follows:

a) The production of crude is to be divided equally between the Government and its foreign partner.

b) The foreign company has to sell to the Government an amount equal to 20 per cent of total production at a price equal to 10 per cent below the real price.

c) Both the foreign and the Tunisian companies are to maintain separate financial accounts and each is expected to independently meet the same tax obligations. The latter includes a royalty payment of 12.5 per cent and a profits tax of 55 per cent; the former is levied on the actual value of sales, and the latter is levied on the profits remaining after payment of royalty. The 1978 agreement stipulates that the new tax procedures will be effective retroactively from January 1, 1977 and that the profits tax rate is to rise by 5 percentage points every 2 years up to 75 per cent.

d) As a result of (a)-(c), the distributed net profits are shared in the proportions of 83 per cent for the Government and 17 per cent for the foreign partner.

3. Price policy

At the level of the refinery, the Government obtains imported crude in exchange of better quality domestic crude and sells it to the refinery at a price of $4 per barrel. As Tunisia's exports of refined products are sold at a price of $14.0, at this stage there is a subsidy to the refinery of $10 per barrel.

Referring to domestic consumption, Mr. Karoui stated that about 70 per cent is consumed in the form of gas oil (30 per cent) and fuel oil (40 per cent), mainly by industry, agriculture and transport. Domestically produced ordinary and super gasoline accounts for about 12 per cent of total domestic consumption and imported refined products make up the rest of domestic consumption. In 1977 the imports of refined products consisted of 700,000 of gas oil and 800,000 tons of fuel oil. The import price and the local market price of gas oil and fuel were indicated as follows:

	Import price	Domestic price (since June 1977)
	(In U.S. dollars per ton)	
Fuel	35.0	13.0 (as compared with 7 in December 1976)
Gas oil	135.0-140.0	45.0

Mr. Karoui mentioned that ordinary and super gasoline were domestically priced close to the prices prevailing in France and Germany. He said that owners of cars were considered rich enough to be able to pay the market price (without any need for a subsidy). Referring to the amounts of subsidy paid out by the Caisse de Compensation, Mr. Karoui indicated D 7.0 million for 1977 and an estimated D 13 million for 1978.

4. Natural gas

Natural gas production, which amounted to 250 million cubic meters in 1977, was expected to reach about 300 million cubic meters in 1978. This gas was obtained from the petroleum extraction process. Over a period of 4-5 years, production is expected to rise by 100 million cubic meters. Mr. Karoui stated that the new gas project at Miskhna was still in a stage of initial research, and that an alternative to it, namely, to obtain gas from Algeria (near El Borma) was also being given consideration.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 29. Monday, March 13, 1978 - 10:00 a.m.

Ministry of Finance

Tunisian representatives	Fund representatives
Mr. Koubaa, Directeur du Budget	Mr. François
Mr. Haddar, Chef de Service	Mr. Basu
Mr. M. Thabet, Inspecteur	Mr. Horie
Mr. A. Saafi, Central Bank of Tunisia	

This meeting was held to discuss budgetary performance in 1977 and budgetary policies and forecasts for 1978.

1. 1977 performance

Due to the new revenue measures (quantitative and qualitative) implemented under the 1977 "loi de finance, current receipts increased by 19.4 per cent. Mr. Koubaa stated that taxes on net income and profits increased by only 5.3 per cent, because revenue increased from the higher tax rates were expected to be spread over a number of years. The increased rates, which affected mainly high-income brackets rather than the lower- and middle-income, would generate revenues from future increases in salaries. Taxes on goods and services increased by 27.5 per cent, due to the higher petroleum and gas-oil prices, and increased tax on cigarettes. Contribution of the tobacco monopoly grew from D 31 million to D 38 million. A large increase (26.3 per cent) in taxes on international trade was caused by the higher rate of customs duty (droit de douane) and a larger import volume. Finally, an increase in other taxes mainly came from the petroleum sector, and that in nontax revenue, from contributions of the Central Bank (D 13 million).

Current expenditure increased by 22 per cent, mainly reflecting higher outlays for salaries. Education absorbed a large part of the total increase. Current transfers went up by 47.2 per cent, reflecting (i) larger subsidies to public enterprises, particularly to those in the service sector, where salary increases were granted to some enterprises, (ii) steadily increasing scholarships at the level of secondary schools, the university, and the specialized schools, and (iii) a stepped up increase in subsidies to local authorities. The latter resulted from the reform of the local tax system in 1975, which allowed the local authorities to receive a fixed proportion of total government tax revenues in exchange for their abandoning receipts of earmarked agricultural taxes.

The revenue and expenditure developments contributed to a surplus under Titre I, which increased from D 92 million to D 118 million, exceeding the forecast D 110 million.

Capital expenditure increased by 22.1 per cent and capital transfers by 34.1 per cent, and as a result total expenditures under Titre II expanded from D 250 million to D 325 million in 1977, compared with a budgeted figure of D 295 million. Direct investment expanded from F 114.1 million to D 148.1 million due to implementation of infrastructure projects, such as highway network, irrigation, and school construction. Financial operations rose from D 96.7 million to D 128.9 million, mainly because of increased government participation in enterprises and industrial projects (including the construction of three cement plants). Net lending also increased by 20.4 per cent mainly for housing construction and for covering the short-term credit needs of public enterprises (like ONH and SNIT) in anticipation of exports, harvest or sales of merchandise. As a result of these developments, the overall budgetary deficit grew from D 89.5 million to D 149 million, and the ratio of the deficit to total expenditures went up from 14.6 per cent to 20.6 per cent.

For financing the deficit, the receipts of the Titre II amounted to D 249.8 million, of which 47.2 per cent was mobilized from domestic sources and 52.8 per cent from external sources. Most of the domestic financing was realized through subscription of equipment bonds in the framework of the "ratio des effets publics." The subscription, which had been effected on November 15 each year, was spread out on a monthly or bi-monthly basis, to avoid an excessive need for central bank rediscounts to comemrcial banks on the subscription day, and to alleviate concentration of redemption at maturity. Treasury bills were already abolished in 1973. There was also a sharp increase in deposits of public enterprises because of lags in the utilization of budgetary transfers to the enterprises (NBIS), which might include transfers from the Caisse Générale de Compensation. Treasury deposits to the Central Bank increased by D 10 million due to the first borrowing from international financial markets as well as increased surplus of the Titre I. External resources consisted of the above mentioned international borrowing, amounting to D 51.6 million (US$125 million), public borrowing and guaranteed private borrowing. Mr. Koubaa mentioned that with the borrowing in the international financial markets, the Tunisian Government suffered a loss of D 2 million, as the drawing took place at the lowest point of the U.S. dollar exchange rate.

2. 1978 prospects

Mr. Koubaa noted that there is no major change in budgetary policy during 1978. An increase in current receipts, the rate of which is estimated conservatively to be 15.6 per cent, will be a fruit of the 1977 tax measures, as well as improved domestic economic growth. For 1978 receipts from taxes on international trade include expected additional receipts of D 17 million for the Caisse Générale de Compensation which are to be raised by increasing the "droit de douane" for luxury imports. However, Mr. Haddar pointed out that this additional revenue would amount to only D 10 million, as the Government would be prudent and avoid an excessive increase in the tax rate.

Current expenditure is budgeted to increase a little faster than current receipts. Mr. Koubaa stated that of the total 16.5 per cent increase, only 5.9 per cent would arise from a real improvement of administrative services, and 19.6 per cent would reflect the increases in salaries and interest payments. Current transfers are expected to expand rapidly, due to the commencement of operations of the Fonds de Logement, which was established to encourage housing

construction by salaried employees. The resources of this Fund come from a contribution of 2 per cent, from the salaries of all public and private employees and a matching contribution (of 2 per cent) from the employer's side. These resources are included in the Special Accounts. The Fund, in turn, subsidizes salaried employees (who want to construct housing) up to the amount of D 120 a year.

In response to a query from Mr. François as to the possibility of attaining the annual budgetary savings targets of the Plan, Mr. Koubaa said that in case of a shortfall, the Government would take additional revenue measures or limit current expenditure.

The increase in capital expenditure mainly reflects implementation of direct investment, such as the Sidi Saïd dam project (financed by Canada, Iran, and the World Bank), and the operations of Offices d'assainissement (financed by Saudi Arabia and the World Bank).

Total financing needs are budgeted to be D 200 million of which D 111.1 million, or 55.5 per cent, will come from external sources, and the remainder D 88.9 million, or 44.5 per cent, from domestic sources. The Government expects a larger volume of concessionary loans from Arab countries and also from Group B countries. Mr. Koubaa hoped that these countries will not reduce assistance to Tunisia, but will accommodate Tunisia's financial requirements. In addition, the Government intends to borrow D 60 million from the international financial markets in the form of project loans. Mr. Koubaa stated that this time the Government will have to study well the exchange rate situation, and in particular, the movement of the exchange rate for the U.S. dollar. Regarding domestic financing, Mr. Koubaa added that although the evolution of deposits of public enterprises will largely depend upon the CNSS's financial policy, the Government may ask the CNSS to increase its deposits to Treasury by reducing deposits to commercial banks.

INTERNATIONAL MONETARY FUND

Tunisia - 1978 Article XIV Consultation

Meeting No. 30. Monday, March 13, 1978 - 3:00 p.m.

Central Bank of Tunisia (BCT)

Tunisian representatives	Fund representatives
Mr. Bousbia, Directeur général, BCT	Mr. François
Mr. Bouaouaja, Directeur des Etudes, BCT	Mr. Basu
	Mr. Horie
	Mr. Maciejewski

The mission's final discussions were held in two sessions. The first one was with Mr. Bousbia, the Director General of the Central Bank, and Mr. Bouaouaja, the Director of Research (BCT), and the second one was with Mr. Mathari, the Minister of Finance, and other senior officials of the Ministry of Finance (see Meeting No. 31).

The mission presented a set of 4 tables containing recent data and 1978 forecasts for the balance of payments, the fiscal situation, the public enterprises' financial indicators, and the monetary survey (see attached tables). The subjects discussed in this session were as follows:

1. 1978 balance of payments forecasts (BOP)

The mission briefly reviewed the main elements of the 1978 balance of payments. The current account was forecast to show a larger deficit, as imports were projected to increase by about 10 per cent, and (on the basis of prudent assumptions about volumes and prices) exports were expected to grow at a somewhat slower rate than in 1977. In addition, services payments were expected to grow noticeably, largely due to the nature of public investments being undertaken. Given the authorities' objective of equilibrium in the balance of payments, the larger current account deficit will require a fairly large increase (30 per cent) in net capital inflows (including a sizable amount from the international capital markets).

The mission asked Mr. Bousbia to comment on the official objective of overall BOP equilibrium and on the extent to which this was a reflection of the authorities' concern about the existing level of official foreign reserves. Mr. Bousbia felt that given the envisaged investment effort and the presently foreseeable export prospects, the magnitude of the current account deficit was no doubt likely to be larger than in 1977. However, he added that the authorities will be making a special effort to economize on the services payments that are related to the execution of investment projects. Where the contracts for the purchase of technical or other project-related services have already been finalized and agreed with foreign suppliers, no adjustments would be possible. For new contracts, preference will be given to domestic suppliers. While Mr. Bousbia thus foresaw little possibility of reducing the current account gap in 1978, he at the same time felt that as the existing level of foreign reserves was relatively low (less than 2 months' of imports, c.i.f.), the current account deficit would have to be fully financed by net foreign borrowing.

The mission pointed out that while Tunisia still has some margin for additional foreign indebtedness, it appears that it is being rapidly used up, and that it would be important to ensure that the resources so mobilized are used for productive projects. Mr. Bousbia stated that a major portion of the Fifth Plan's investments were for productive projects, and it was mainly for these projects that foreign financing would be utilized. He also mentioned that most of the projects utilizing foreign financing were expected to contribute to exports and/or import substitution so that they would generate a net return in terms of foreign exchange.

2. Financial trends in the public sector

a. 1978 budgetary forecasts

The mission briefly reviewed the budgetary forecasts for 1978, noting that the current surplus was expected to decline and that the overall deficit was projected to be larger. On the revenue side, the mission pointed out the rather tentative nature of the forecasts, which were based on the assumption of a large increase in receipts from new import duties on luxury goods (totaling D 10-17 million). The mission inquired about the likelihood that the related new measures would be implemented.

Mr. Bousbia stated that the authorities were still in the process of studying the possible effects of higher import duties on luxury goods, the receipts from which are expected to be used for the price subsidy operations of the Caisse Générale de Compensation. The broad objective of the higher duties was no doubt income distribution, as resources derived from higher taxes on luxury goods would be used to subsidize the prices of essential foodstuffs (such as cereals, sugar, and edible oils, which account for a large part of the consumption of low-income groups). However, given the narrow range and base of luxury imports, the rates of the new import duties would have to be relatively high to generate the amount of revenues presently being anticipated. Would these tax rates be close to being prohibitively high? The authorities are still giving thought to these considerations. The mission indicated that the forecasts of revenues from existing taxes (especially those on imports) appeared somewhat conservative, and that on the whole the overall revenue forecast appeared reasonable. Mr. Bousbia shared this assessment.

On the expenditure side, the mission mentioned that current expenditures were budgeted to continue to grow at a rapid rate, partly on account of the second tranche of public wage increases and partly due to a higher level of price subsidy expenditures through the Caisse. In addition, despite a reduced current surplus, the Government's capital transfers and net lending to public enterprises are to be expanded noticeably. In order to finance the larger overall deficit, recourse to foreign financing is expected to be large and important. Mr. Bousbia agreed that public enterprises were absorbing a substantial proportion of the Government's financial resources and that foreign borrowing was essentially being mobilized to meet the enterprises' project financing needs. The discussions then focused on the financial situation of the public enterprises.

b. Public enterprises

Mr. Bousbia explained that in 1977 there was a slowdown in agro-based industries linked with the setbacks in agriculture, and a decline in overall activity in the mining and extractive industries, due to the fall of petroleum output in certain fields. In order to improve the future prospects of petroleum production, steps were taken to maintain the pressure in the oil wells both by installing new water injection equipment and by reducing the rate of extraction. Mr. Bousbia felt that the public enterprises' financial situation has been under strain as a result of several other factors, including wage increases, higher costs of raw materials, and relatively little gains in final prices both in domestic and in external markets. He indicated that labor strikes were frequent during 1977 and that as a result labor productivity had declined. While these developments contributed to a weakening of the internal savings effort among public enterprises, the volume of investments they were called upon to undertake have grown.

Referring specifically to the subject of wage adjustments, Mr. Bousbia stated that here the choice was between raising the wages (and hence current consumption) of existing employees and increasing public savings for purposes of investments that could generate additional employment. He said that the Government was clearly committed to the objective of expanding employment through investments financed from domestic savings. He also mentioned the fear that regular wage adjustments could lead to pressures on prices, and set in motion an irreversible cycle of wage-price inflation, which would not be desirable from the point of view of the authorities' objectives of income distribution.

As regards price policies, Mr. Bousbia stated that the authorities were relying more on a policy of price flexibility than on one of total free market determination. The long-term aim is to allow prices to adjust in a way that avoids distortions and in particular, permits domestic prices to adjust to external prices in a gradual manner. He explained that ultimately the price of fuel to industry would also be adjusted in a similar manner. Referring to the price subsidies of the Caisse also, Mr. Bousbia indicated that its future operations too would take into account such realistic adjustments of final prices.

Mr. Bousbia indicated that, while appropriate wage and price policies would be gradually implemented, steps would be taken to ensure that other policies such as those affecting the exchange rate and foreign borrowing are pursued in a rational manner. With regard to foreign borrowing made by public enterprises, the Central Bank was already making special efforts to ensure that the terms and conditions of such borrowing are the best possible under the circumstances. As an example, he explained that enterprises were encouraged to obtain buyers' credit whenever possible, instead of suppliers' credit, as the terms of the former were relatively more favorable than the latter.

3. Exchange rate

The mission explained the need for a clear description of the system of exchange rate determination. It also mentioned that as the prices of some of Tunisia's major exports were determined in U.S. dollars in world markets, it may be necessary to give consideration to the movements in the dinar-dollar exchange rate in a modified system of exchange rate determination. The latter

could be based on a basket approach, with the U.S. dollar included along with other major currencies. Mr. Bousbia agreed that the present system, which excludes the U.S. dollar, could yield an effective (export-weighted) appreciation of the dinar and in particular, vis-à-vis the U.S. dollar, which would be financially harmful to the export sector. He thus agreed to review the present system and let the mission know when a change is made.

4. Monetary survey

The discussion under this subject were similar to those held during the last meeting with Mr. Ghenima, Governor of the Central Bank. Mr. Bousbia agreed that during 1978 the deposit money banks would be operating from a relatively low base of cash and liquid reserves, and as such would be dependent on the BCT for additional resources.

In conclusion, Mr. Bousbia stated that the Central Bank intended to keep the question of the appropriate structure of interest rates constantly under review, especially with reference to foreign interest rates. In this context, he requested us to review the last BCT study on interest rates and give our comments.

Attachments (4 tables)

Tableau I. Opérations de l'Etat, 1976-78

(En millions de dinars)

	1976	1977 Estimations	1978 Prévisions	Taux de croissance en pour cent 1977	1978
Opérations budgétaires					
Recettes courantes	483,2	576,9	666,7	19,4	15,6
Dépenses courantes	349,9	427,0	523,6	22,0	22,6
Excédent courant	133,3	149,9	143,1	12,5	-4,5
Investissements directs	102,7	141,2	162,4	37,5	15,0
Balance (1)	30,6	8,7	-19,3	...	...
Transferts et prêts aux entreprises publiques (2)	120,1	158,5	180,7	32,0	14,0
Deficit global (1-2)	-89,5	-149,8	-200,0	67,4	33,5
Financement	89,5	149,8	200,0		
Emprunts extérieurs nets	16,4	79,1	111,1		
Banques (nets)	47,1	18,2	48,9 1/		
Autres ressources intérieures	26,0	52,5	40,0		
Pour mémoire (en pour cent)					
1. Recettes fiscales/PIB	23.1	24,8	25,2		
2. Dépenses courantes/PIB	18,3	20,1	21,2		
3. Dépenses et transferts en capital et prêts nets/PIB	11,7	14,1	13,9		
4. Excédent courant/recettes courantes	27,6	26,0	21,5		
5. Excédent courant/dépenses et transferts en capital et prêts nets	59,8	50,0	41,7		

1/ Bons d'équipement et utilisation des dépôts.

Tableau II. Entreprises Publiques: Quelques Indicateurs Financiers, 1975-78

(En millions de dinars)

	1975	1976	1977 Estimations	1978 Prévisions
Compte d'exploitation consolidé (51 entreprises)				
Recettes 1/ 2/	643,1	736,8	857,8	...
Dépenses 2/	622,7	728,6	851,5	...
Bénéfices nets	20,4	8,2	6,3	...
dont: Industries agricoles et alimentaires	(-14,1)	(-8,3)	(-18,0)	...
Industries extractives	(13,2)	(1,9)	(-0,3)	...
Produits pétroliers	(13,6)	(8,5)	(8,5)	...
Autres	(7,7)	(6,1)	(16,1)	...
Subventions courantes de l'Etat	19,1	23,4	33,8	43,5
Autres indicateurs				
Investissements	168,8	244,9	332,1	420,4
Financement				
Transferts en capital de l'Etat	74,3	59,2	85,2	98,5
Prêts nets de l'Etat	27,8	60,9	73,3	82,2
Autres ressources (y compris emprunts extérieurs)	66,7	124,8	173,6	239,7
Pour mémoire				
Taux d'accroissement (en pour cent)				
Investissements	74,7	45,1	35,6	26,6
Autres dépenses	11,6	17,0	16,9	...
Ratio (en pour cent)				
Transferts en capital et prêts nets de l'Etat/Investissements	60,5	49,0	47,7	43,0

1/ Y compris les subventions courantes de l'Etat.
2/ Y compris les redevances et les taxes à la production.

Tableau III. Prévisions Monétaires pour 1978

	Millions de dinars		Taux d'accroissement	
	Dec. 1977	Dec. 1978 (Prévisions)	1977	1978 (Prévisions)
Situation du système monétaire				
Créances nettes sur l'extérieur	102,1	102,1	-22,2	--
Crédits intérieurs (nets)	1.019,0	1.213,2	14,7	19,1
Etat	(144,8)	(197,7)	16,1	36,5
Economie	(874,2)	(1.015,5)	14,5	16,2
Monnaie et quasi-monnaie	876,0	1.026,9	13,4	17,2
Ressources spéciales et fonds propres	243,1	276,4	9,9	13,7
Autres éléments nets	2,0	12,0	...	...
Situation de la Banque Centrale				
Avoirs extérieurs (net)	134,5	134,5	-16,8	--
Concours intérieurs	185,1	221,5	25,6	19,7
Etat (nets)	(18,0)	(32,1)	-40,8	78,3 1/
Banques, établissements financiers, et portefeuille-titres	(167,1)	(189,4)	42,8	13,3
Monnaie centrale, dont:	239,6	271,7	7,4	13,4
Monnaie fiduciaire	213,6	241,2	15,5	12,9
Créances des banques de dépôts	25,4	30,2	-32,4	18,9
Ressources spéciales et fonds propres	56,8	61,1	8,2	7,6
Autres élements (nets)	23,2	23,2	...	--
Pour mémoire				
1. Monnaie et quasi-monnaie/PIB nominal	0,41	0,42	...	...
2. Monnaie fiduciaire/monnaie	0,37	0,36	...	...
3. Dépôts monétaires des banques/ monnaie	0,58	0,59	...	...
4. Créances des banques de dépôts/ Dépôts monétaires et quasi-monétaires des banques	0,04	0,04	...	...

1/ Utilisation des dépôts de l'Etat.

Tableau IV. Balance des Paiements, 1976-1978

(En millions de dinars)

	1976	1977 Estimations	1978 Prévisions
Exportations, f.o.b.	338,3	391,7	440,0
Importations, C;A;F;	656,7	775,7	859,0
Balance commerciale	-318,4	-384,0	-419,0
Balance des services	82,4	56,1	38,5
Balance des transferts	90,0	81,6	94,0
Balance courante	-146,0	-246,3	-286,5
Investissements directs, nets	24,0	30,0	37,0
Prêts privés (nets)	53,6	98,2)	249,5
Prêts publics (nets)	57,3	78,0)	
Capitaux à court-terme 1/	9,8	14,6	0,0
Balance des capitaux	144,7	220,8	-286,5
Solde global	1,3	-25,5	0,0
Pour mémoire			
1. Réserves de change (nombre des mois d'importation)	2,9	2,0	1,8
2. Dette publique extérieure			
Encours net (en millions de dinars)	611,4	789,6	1.037,1
Encours net/PIB nominal (%)	32,0	37,0	42,0
Service de la dette/exportations de biens et services non-facteurs(%)	11,3	12,6	14,1

1/ Y compris capitaux monétaires et erreurs et omissions.

INTERNATIONAL MONETARY FUND

Tunisia--Article XIV Consultation

Meeting No. 31, Monday, March 13, 1978--5:30 p.m.

Ministry of Finance

Tunisian representatives	Fund representatives
Mr. Mathari, Minister of Finance	Mr. François
Mr. M'Barka, Secrétaire général	Mr. Basu
Mr. Koubaa, Directeur du Budget	Mr. Horie
Mr. Haddar, Chef de Service, Direction du Budget	Mr. Maciejewski
Mr. Boudaoura, Chef de Service des Etudes Monétaires (BCT)	

In this last meeting, the mission presented its preliminary observations and obtained the authorities' comments on selected policy issues. The tables attached to the last meeting with Mr. Bousbia (see Minute No. 30) were used for the discussions.

I. Preliminary observations of the mission

1. Domestic economic trends and policies

Mr. François began his exposition by stating that Tunisia had achieved a relatively high rate of economic growth during 1973-76 (the period of the previous plan), while maintaining very favorable financial trends. A large part of the expanding investments were financed from domestic savings. By comparison, developments in 1977 and the prospects for the remaining years of the Fifth Plan, indicate a larger external gap and a considerably bigger proportion (almost one half) of investment financing to be covered by foreign resources. The domestic savings contribution to the growing investment effort was expected to be on a declining trend.

In the domestic front, Mr. François stated that the rate of price increase experienced by the Tunisian economy had been very moderate and among the lowest compared with the experiences of most other countries. However, this was achieved through an active policy of price subsidies for essential commodities. As a result of substantial price subsidies and continuing wage increases, the Government's current expenditures have grown in a way that has caused the budgetary surplus (defined as receipts minus current outlays and direct investments only) to decline. At the same time the Government's capital transfers and net lending have grown very sharply, resulting in a continually growing overall Treasury deficit. Besides the unfavorable trends in the fiscal situation, the financial savings of the public enterprise sector appears to be declining.

Against this background, Mr. François posed questions regarding (a) the scope for increasing current budgetary savings; (b) the policies to be adopted for strengthening the financial situation of the public enterprises.

2. External developments and policies

Mr. François briefly reviewed the 1978 forecasts of the balance of payments (BOP). The main features of the forecasts were a larger trade deficit, a smaller net surplus on services, and an increased current account deficit. As a result, the recourse to foreign resources would have to increase noticeably to avoid a further loss of external reserves, which at present are at a relatively low level (of less than 2 months of imports, c.i.f.). In this context, Mr. François inquired about (a) the measures that were envisaged to achieve the plan's projection of a rate of growth for exports faster than that of imports; and (b) the purposes for which additional foreign borrowing was to be mobilized.

With specific reference to the present system of exchange rate determination, Mr. François inquired whether this needed some modification to take into account the movements of the U.S. dollar in the foreign exchange markets. He stated that in the past the existing system had resulted in a virtually stable import-weighted effective exchange rate of the dinar. However, on an export-weighted basis, the effective rate had shown a noticeable appreciation of the dinar. Mr. François pointed to the importance of avoiding an appreciation of the dinar (especially vis-à-vis the U.S. dollar), so as not to create additional financial problems for the export-oriented public enterprises.

3. Monetary survey

The mission explained that the 1978 monetary survey projections were based on two basic hypotheses, namely (a) that the balance of payments objective was equilibrium or no change in net foreign assets; and (b) that the Treasury's recourse to the banking system would take the form of both a drawdown of government deposits at the Central Bank and further sales of equipment bonds to the commercial banks as shown in the table on Treasury operations. Using these assumptions, and considering an expansion of about 16 per cent in broad money to be consistent with the growth of economic activity, the mission estimated that domestic credit to the economy (or the nongovernment sectors) could be allowed to increase by about 16 per cent. The mission also pointed out that given the framework of assumptions, if the Government's recourse to the banking system was any larger than what was presently envisaged, it would squeeze the resources available for financing the rest of the economy. It was explained that the deposit money banks were expected to operate from a relatively low base of cash and liquid reserves, and that the margin for central bank intervention was also rather narrow and limited within the present set of forecasts. Under these circumstances, it was emphasized that it would be important to contain the Government's recourse to the banking system within the presently envisaged limits, both from the point of view of achieving the objective of the balance of payments and of facilitating the management of credit expansion to the rest of the economy.

II. Comments from the Ministry of Finance

The comments of the Minister and other officials focused primarily on various policy measures geared to generating additional public savings.

Mr. Koubaa mentioned that every effort will be made to restrain the growth of current expendituture--in 1978 and in future years of the Plan--and in particular, to limit new hiring to only that needed for the essential services

(namely, education and health). At the level of the public enterprises too, similar efforts will be made to compress current expenses through improved management. Mr. Koubaa felt optimistic about the revenue outcome in 1978 as he expected (a) the qualitative tax measures of 1977 to take stronger effect in 1978, and (b) revenue yields in most tax categories to be somewhat higher than present estimates, especially the receipts from customs duties. He mentioned that although new import duties on luxury items had not yet been finally decided, at least some increases in these import duties were likely to be implemented. On the whole, he indicated that, budgetary policies would be geared to meeting the Plan's targets for government savings.

The Minister explained that the tax effort was already relatively high in Tunisia, and as such, present revenue measures were being basically directed at improving tax collection and administration procedures. The goal is to avoid tax evasion and realize the full revenue potential of the existing tax system. The Tunisian representatives indicated that if revenue trends do not match the Plan's projections through 1978, then the possibility of upward adjustments in tax rates would be given serious consideration in future budgets.

Mr. M'barka referred to the public enterprises which were operating public services (such as transport facilities) and mentioned that their financial strains would be gradually relieved through periodic adjustments in final prices. With regard to the operations of the Caisse de Compensation dex prix, he said that it was the authorities' intention to re-examine the role and extent of the Caisse's operations, and in this context, to try to gradually eliminate some of the commodities presently being subsidized.