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To: Members of the Executive Board

From: The Secretary

Subject: Report on the Seminar on Economic Policies, Growth and  
External Equilibrium in the Maghreb Countries

Attached for the information of the Executive Directors is a report on the above seminar held in Tunis, Tunisia from April 28 through 30, 1986.

Att: (1)

Other Distribution:  
Department Heads

INTERNATIONAL MONETARY FUND

Report on the Seminar on Economic Policies  
Growth and External Equilibrium in the Maghreb Countries  
Tunis, April 28-30, 1986

Prepared by the External Relations Department

Approved by A. F. Mohammed

July 11, 1986

1. Introduction

In co-sponsorship with the Central Bank of Tunisia (CBT) and the Tunis-based Institute of Development Financing in the Arab Maghreb (IFID), the External Relations Department organized a seminar for non-officials in Tunis on April 28-30, 1986, on the theme of "Economic Policies, Growth and External Equilibrium in the Maghreb Countries." The seminar, the 13th in the series since the inception of the program, was attended by about 40 participants from four countries; Algeria (10), Mauritania (3), Morocco (4) and Tunisia (23) in addition to Fund and Bank staff members.<sup>1/</sup> The mix of participants was almost equal between academics and officials, which appeared to have contributed to the balance and diversity of the discussions (list of participants, attachment I).

In his opening statement, Mohammed Skhiri, Governor of the Central Bank of Tunisia, noted that despite divergences in the evolution of economic policies in the participating countries, they were confronted by roughly the same domestic problems and exposed to similar external shocks. He urged better coordination of policies among the Maghreb countries while not losing sight of the constraints peculiar to each.

On economic interdependence, the Governor observed that the Maghreb countries cannot be expected to undertake "alone" the burden of adjustment with its heavy political and social costs, adding that they looked to the industrial countries for financial support and greater market openness. He stressed the usefulness of the seminar as providing an opportunity for evaluating the regional and international situation and exchanging ideas and experiences to help clarify the options available to the participating countries.

The closing session of the seminar was addressed by the Minister of Finance, Rachid Sfar, who underlined the importance of public support

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<sup>1/</sup> Messrs. Bhatia and Francois (AFR), Mr. Abushadi (EXR) and Mr. Asfour, World Bank.

for adjustment policies; he suggested that the seminar participants use the meeting as a basis for a concerted effort to inform and involve various social and political groupings in a dialogue so as to improve their understanding of economic and financial developments and the need for adjustment policies.

## 2. Proceedings

Eight papers were presented, two by Fund staff (Mr. Bhatia and Mr. Francois), one by a staff member of the World Bank (Mr. Asfour), and five by authors from Algeria, Morocco and Tunisia (seminar program, Attachment II). In the course of eight working sessions, the papers and the discussions covered three major areas:

(a) The international context for the external and internal imbalances in the Maghreb economies;

(b) Evaluation of economic policy responses undertaken in the four countries to date;

(c) Additional measures to restore equilibrium and a strategy for balanced growth.

In discussing recent developments three dates--1974, 1980 and 1986--were underlined as having left strong, if different, marks on the Maghreb economies. In 1974, the sharp increase in commodity prices benefited them all, and led to their embarking on ambitious development programs based on high rates of investment. The subsequent deterioration of the terms of trade, which occurred earlier and was sharper in Mauritania and Morocco, led to a substantial enlargement of current account disequilibria which were financed through external borrowing, with macro economic policies remaining relatively expansionary. While the second oil price rise in 1980 brought a respite to Algeria and Tunisia, it aggravated the internal and external imbalances of the other two countries. The slowing of growth in the eighties, resulting from a combination of factors (drought, world recession, terms of trade losses), caused a rapid rise in debt service and a marked decline in foreign exchange reserves. The sharp decline in energy prices in early 1986 created new problems for the two oil-exporters while alternating them in the two oil-importing countries.

Participants agreed that the present situation of the Maghreb countries reflects varying degrees of external indebtedness that surpass the average for borrowing countries, and by a level of debt service that has grown far more rapidly than exports. As a result, net transfers have been negative for most of the Maghreb countries since 1983. This trend, it was argued, is likely to worsen in the next few years due to a deteriorating debt structure (higher proportion of private loans, shorter maturities, etc.). The size of the budget deficit in all the countries, though its level varies from one to the other, constitutes a major source of this indebtedness.

Examining policies adopted by their respective countries, participants were concerned that the role of the state in economic activity had been unduly intrusive and not always efficient. There was a growing consensus that pricing mechanisms and the private sector must be given greater scope, notwithstanding different approaches to economic management used in the past. Participants recognized that, due to an artificially appreciated exchange rate and price controls, parallel markets had developed and had segmented the economy, particularly in Algeria.

On foreign trade, participants noted that all Maghreb countries have used quotas and high tariff. This dual protection has resulted in an inefficient allocation of resources. It has also worked against the competitiveness of local production, characterized by excessive costs and generally inferior quality. Efforts to revamp this system encounter apprehensions of a drop in tax revenue and an excessive import expansion. It was observed that exchange rate policy has not been used as a sufficiently active instrument of economic policy in the region during recent years.

Participants saw the need for the Maghreb countries to rethink their growth strategies with a view to restoring internal and external balance, improving the efficiency of the productive apparatus, increasing foreign exchange revenues through a policy of export promotion, and, finally, creating the conditions necessary for durable and balanced growth, compatible with availability of real resources. At the same time, objectives for job creation, regional integration, and income distribution remained central concerns in the Maghreb countries' development plans.

In addition to proper implementation of demand-management and supply-side policies, achievement of these targets would require significant contributions from industrial country partners and international financial institutions. In this connection, participants were concerned about some aspects of the conditionality attached to the use of Fund resources and even more critical of the possibility of "cross-conditionality" that could ensue as a result of greater cooperation between the Fund and the World Bank.

Participants noted that the Maghreb countries have not always heeded the advice of international financial institutions on the need to introduce adjustment policies because they are socially unpopular. To prevent unequal sacrifices being imposed on the poor, participants felt that such policies should be accompanied by revenue transfers to those already at the threshold of poverty. To overcome the hostility of pressure groups, such policies should be built on a national consensus, bringing together the public authorities, professional and labor groups, representative institutions, and all other organized bodies that mobilize popular support.

It is planned to publish the proceedings of the seminar in French.

ECONOMIC POLICIES, GROWTH AND EXTERNAL EQUILIBRIUM  
IN THE MAGHREB COUNTRIES

Seminar Sponsored by  
The Central Bank of Tunisia,  
the Institute of Development Financing (IFID)  
and the International Monetary Fund

Tunis, Tunisia  
April 28-30, 1986

List of Participants, Authors and Discussants

Participants

Algeria

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BESSAHA Abdelralmi	Assistant Professor of Economics University of Algiers
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GACEB Mohamed	Assistant Professor of Economics University of Algiers
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HENNI Ahmed	Professor of Economics University of Oran
OUFRIHA Fatma Zohra	Professor of Economics University of Algiers
SARI Mohammed	Professor of Economics University of Annaba

Mauritania

OULD BAYE Essalamou	Director General Commercial Bank of Mauritania
OULD NANY Cheikh	Deputy Governor Central Bank of Mauritania
OULD MAMOUN Salem	Study Services Central Bank of Mauritania

Morocco

BENNANI Ahmed	Director of Research Bank of Morocco
HAMDOUCH Bachir	Professor National Institute of Statistics and Applied Economics (INSEA)
HAROUN Slah Eddine	Professor of Economics University of Rabat
OUALALOU Fathallah	Deputy of Rabat House of Representatives

Tunisia

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AZZABOU Mongi	Assistant Professor of Economics University of Tunis
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Deputy of Rabat  
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Discussants

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GOUMIRI M.	Director Office of the Prime Minister
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GRISSA Abdessattar	Professor of Economics Higher Institute of Management
HAMDOUCH Bachir	Professor of Economics National Institute for Statistics and Applied Economics
HENNI Ahmed	Professor of Economics University of Oran
SAFRA Mongi	Professor of Economics I.F.I.D.

ECONOMIC POLICY, GROWTH AND EXTERNAL EQUILIBRIUM  
IN THE MAGHREB COUNTRIES

Seminar Sponsored by  
the Central Bank of Tunisia,  
the Institute of Development Financing (IFID)  
and the International Monetary Fund

April 28-30, 1986  
Hotel Africa  
Tunis, Tunisia

Moderator: Mongi Ben Othmane

Monday, April 28, 1986

9:30 a.m. - 10:30 a.m.

Opening Ceremonies  
Opening Remarks: Mr. Mohammed Skhiri  
Governor, Central Bank of Tunisia

10:30 a.m. - 12:30 p.m.

1. The Economies of the Maghreb  
Countries in the World Economy

Author: Mr. M. C. François  
Assistant Director  
African Department  
IMF

Discussant: Mr. M. Bouaouaja  
Director General of Research  
Central Bank of Tunisia

3:00 p.m. - 4:30 p.m.

2. Role of the State in Economic Growth

Author: Mr. Hocine Benissad  
Professor of Economics  
University of Algiers

Discussant: Mr. M. Safra  
Director of Research (IFID)

4:45 p.m. - 6:15 p.m.

3. External Trade Policy and Growth

Author: Mr. M. Fathallah Oualalou  
Member of Parliament  
and Professor of Economics  
University of Rabat

Discussant: Mr. A. Grissa  
Professor of Economics  
Higher Institute of Management

General Discussion

Tuesday, April 29, 1986

9:30 a.m. - 10:30 a.m.

4. Monetary Policy, Exchange Policy  
and Growth

Author: Mr. F. Abdelmajid and Mr. El-Karm  
Central Bank of Tunisia

Discussant: Mr. A. Henni  
Professor of Economics  
University of Oran

10:30 am. - 12:30 p.m.

5. External Debt and Economic Growth

Author: Messrs. E. Larbi, M. Safra  
M. Souissi (all IFID) and  
M. Bouaouaja (BCT)

Discussant: Mr. A. Bennani  
Director of Research  
Bank of Morocco

General Discussion

3:00 p.m. - 4:30 p.m.

6. Investment Strategies and  
Economic Growth

Author: Mr. E. Asfour  
Principal Economist  
Department 2 (EMENA)  
IBRD

Discussant: Mr. M. Goumiri  
Director  
Prime Minister's Office  
Algeria

4:45 p.m. - 6:30 p.m.

7. Financial Institutions and Mobilization  
of External Resources

Author: Mr. Sadouk Bahroun  
Director General  
Saudi-Tunisian Development Bank  
Discussant: Mr. C. François  
Assistant Director  
African Department  
IMF

General Discussion

Wednesday, April 30, 1986

9:30 a.m. - 10:30 p.m.

8. Aspects of Supply-Side Policies  
in the Maghreb Countries

Authors: Mr. Ratan Bhatia  
Deputy Director  
African Department  
IMF  
Discussant: Mr. B. Hamdouch  
Professor of Economics  
National Institute of Statistics  
and Applied Economy (INSEA),  
Morocco

General Discussion

10:45 a.m. - 1:00 p.m.

Summing-up  
Mongi Ben Othmane  
Seminar Moderator

Closing Remarks  
Mr. Rachid Sfar  
Minister of Finance