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TUNISIAN NATIONAL BUDGET FOR 1988

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Near East & South Asia

TUNISIAN NATIONAL BUDGET FOR 1988

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TUNISIAN NATIONAL BUDGET FOR 1988

Economy Minister's 1987 Summary 45190065 Tunis CONJONCTURE in French Jan/Feb 88 p 15

[Text] Minister of National Economy Slaheddine Ben Mbarek answered questions from deputies after the discussion of his ministry's budget proposal for 1988, the general state of the Tunisian economy, performance during the year 1987, liberalization of imports under the compensation fund, and the unfavorable development of some sectors.

Share of Economy Ministry in GDP

The sectors of energy, mining and industry, which fall under the Ministry of National Economy, themselves produce 25 percent of the GDP, receive a quarter of the investment, and have an 85-percent share in exports of goods and services.

Performance in 1987

Results of the first 9 months of 1987:

- Increase in exports of 9.5 percent at constant prices.
- Achieved rate of GDP growth of 5.5 percent compared to the 4.4 forecast.
- Significant improvement in the cover rate, which is at 74 percent, compared to 57.8 percent on the same date in 1986.
- Record grain production of 19.5 million quintals.
- Significant reduction in the trade balance deficit, from 697 million dinars to 451 million dinars.
- For the first time, the food balance is in equilibrium, with a deficit of 400,000 dinars compared to 65.5 million dinars.
- Control of prices: during the first 11 months of the year, prices showed only a very limited increase of about 5.7 percent, despite apprehensions due to adjustment of the dinar parity.
- Tax amnesty and exchange amnesty produced improvement in credit level.

Prices

- In 1988 freeing of prices will apply to 60 percent of all products. Slaheddine Ben Mbarek emphasized the possibility of administration intervention in case of anarchy or excesses in relation to the application of freeing of prices. The minister also announced upcoming drafting of executive decrees on competitiveness and consumer protection.

Imports

- In January 1988, the number of articles imported free will increase to 60 percent, compared to 47 percent in 1987.
- In regard to spare parts, 95 percent of their prices are freed. The major problem in this sector derives from weaknesses in distribution and building stocks.
- Farmers can import spare parts directly up to the value of 1,800 dinars.

Unfavorable Trend in Some Indicators

Investment has not developed at the desired rate. This unfavorable trend is evident in the drop in imports of capital goods, the low level of development bank participation, and regression of projects approved by the Investments Promotion Agency.

This situation worries the government, even more so because it is aware of the direct impact of investment on sectors as important as production, employment, and exportation.

Looking at the figures, out of 1.71 trillion dinars of investment forecast by the Seventh Plan for 1987, 1.67 billion dinars will probably be implemented by the end of the year, noting that the share allocated to the sector was short of the forecasts. Thus, instead of implementing 46 percent of the total package of investments initially forecast (1.71 billion dinars), the private sector only implemented 44 percent of the package that will probably be achieved, or 1.67 billion dinars.

Electricity

- The state's policy is to step up oil prospecting and do everything to avoid exhausting the oil reserves forecast for the end of the current plan.
- Beginning in January, the company is going to improve its work methods by calculation that will tend to be oriented downward rather than upward, in order to put an end to consumer complaints.
- The electrification of the rural areas will be stepped up during the Seventh Plan to achieve 70-percent national coverage, one of the best coverages in the developing countries.

Compensation Fund

Compensation needs for 1987 have reached 213 million dinars.

The package was revised downward by reduction of the subsidy granted to certain products.

Industry

This sector alone provides 40 percent of exports of goods and services and 13 percent of the GDP.

The growth rate of this sector will be 6 percent in 1988, or two points higher than in 1987, and this due particularly to the improvement expected from the structural reforms and the effect of the industrial investment code.

Out of the 1,200 hectares of industrial zones in the country, 384 hectares are not totally exploited.

Results for 1987

45190065 Tunis *CONJONCTURE in French*
Jan/Feb 88 pp 18-22

[Text] The 1987 environment appears favorable on the whole, marked by positive results in growth, exports, and financial balances, and distinguished above all by adoption at the end of the year of an important recovery program aimed particularly at strengthening the confidence of the economic operators, stimulating productive investment, and improving the general climate in the country.

The year 1988 is obviously expected to benefit from this environment. The proposed plan thus aims at consolidation of the positive results of 1987, in exports, growth, and in financial balance, and corrects the weakness evident in 1987 in regard to level and structure of investment, which will not fail to have a positive impact on growth and employment.

1. Achievements of 1987

2. Following a difficult year marked by a decline in production and strong pressures at the level of employment and the financial balance, the first year of implementation of the Seventh Plan had two main characteristics:

—On the one hand, a growth in production and exports that was more favorable than the initial forecasts. The GDP increased by 5.5 percent compared to the forecast 4.4 percent, as a result mainly of the sectors of agriculture (17.5 percent compared to 9.5 percent) and tourism (32 percent compared with 10 percent). Exports increased by 12.2 percent at constant prices compared to the 7.3 percent forecast; textiles, tourism and phosphates derivatives were the basis for this performance;

—On the other hand, an investment level lower than the forecast, and, moreover, with a structure that did not promote, as forecast, directly productive investments; which did not fail to have negative repercussions on employment. In fact, directly productive investments are expected to reach 49 percent of total investments, compared to the 52 percent forecast, and employment to be at 35,000 compared to the 40,000 forecast.

3. These two characteristics have an impact on the other economic figures, and in particular consumption and balance of payments.

Private consumption is expected to increase at a more moderate rate than forecast (1.1 percent at constant prices instead of 2.8 percent), despite the accelerated growth in the GDP.

Such a trend affects, certainly more than forecast, the level of activity of certain sectors oriented toward the domestic market; however, it is reflected in a significant improvement in national saving, which will increase from 16.4 percent of GDP in 1986 to 18.4 percent in 1987, and, in consequence, a reduction in pressures on imports; the latter will decrease by 2 percent at constant prices, instead of increasing by 0.5 percent as forecast.

In this way, and taking into account the growth in exports, the deficit in current operations of the balance of payments shows a large drop, from 555 million dinars in 1986 to 300 million dinars in 1987, while it was expected to stabilize at 550 million dinars. This performance will obviously have important implications, as will be discussed further, on the level of need for foreign capital for 1987, and hence on the debt parameters.

Growth and Employment

4. On the basis of available figures, the increase in production appears to be about 5.5 percent at constant prices, compared to a predicted rate of 4.4 percent.

This improvement is even more noteworthy in that it occurred in sectors and priority activities that have a particularly positive impact on the balance of payments.

Agriculture contributed almost half of it with a growth estimated at 17.5 percent at constant prices, or virtually double the rate initially predicted, the result mainly of an excellent grain season with a harvest of 19.3 million quintals, close to the record level of 1985, and well above the initial forecast (11.5 quintals).

Manufacturing industry oriented toward exports contributed about 10 percent of it with a growth estimated at 17.5 percent, thanks to the dynamism of textile and food product exports, and also to the increase in fertilizer production capacity.

Finally, in 1987 tourism was the third "dynamic center" of the economy, with a noteworthy increase of 32 percent at constant prices, bringing the relative occupancy rate to 57 percent compared to 46.2 percent a year before, while the plan forecast a modest improvement with a rate of 48.6 percent.

These performances, which resulted, on the one hand, in improvement of the environment conditions and, on the other, in restoring the competitiveness of the economy, made it possible to compensate, and more, for the

deceleration of activity in the other sectors. The latter, because of the significant contraction in domestic demand, will fall short of the forecast: 1.9 percent instead of 3.2 percent.

In this connection, there is a more pronounced decrease in construction and public works activity (-5 percent compared to a forecast 1 percent), as well as a marked slowing of growth of manufacturing industries oriented toward the domestic market; these are only increasing 1.1 percent compared to the 4.6 percent forecast, because of the stagnation in production of construction materials and the decline, for the second consecutive year, in production of the mechanical and electrical industries.

5. Job creation for 1987 is expected to be 35,000 compared to the 40,000 forecast. This decline in relation to forecasts mainly involves the sectors of manufacturing industry (4,000) and construction (1,000).

The imbalance between supply and demand for employment has in fact been eased, particularly in the rural area, by the improvement of the agricultural situation and by the complementary measures to promote employment decided on by the government.

In this context, the good grain season as well as the progress in the other programs enabled addition of the equivalent of 20,000 jobs, thus significantly improving the employment rate of the seasonal workers employed in agriculture. Also, the program of national road projects made possible an additional volume of almost 2 million work days, and increased the average number of persons employed on national road projects from 52,000 in 1986 to 59,000 in 1987.

Exports

6. Exports showed an unprecedented expansion in 1987. The results of the first 9 months reveal an increase in exports other than oil of 17 percent in volume and 35 percent in value, thanks to the dynamism shown by textile products (+38 percent), food processing (+38.6 percent), and above all the substantial recovery of tourism (+42 percent).

Thus, using relatively cautious assumptions in regard to the rest of the year, one can expect an overall export level significantly exceeding the forecast.

Compared to 1986, additional export earnings (including oil) will be 546 million dinars compared to the 337 million dinars forecast. Taking into account the direct and indirect imports necessary for production of the goods exported, the additional net flow generated by exports will be 350 million dinars, compared to a forecast of 200 million dinars, which will significantly improve the country's self-payment resources.

Investment

7. Investment is stagnating, at current prices, (1.67 billion dinars) which corresponds to a decrease at constant prices of almost 10 percent. This trend, which is continuing for the third consecutive year, is explained by the existence of large underutilized capacities as well as by the difficulty of promoting with the required intensity the new projects that respond to the concerns of the Seventh Plan.

One notes, in particular, a decline in agricultural investment (273 million dinars expected in 1987 compared to 285 million dinars in 1986), while an increase of 10 percent was forecast from one year to the next. This is due to the increased cost of agricultural equipment—harvester-threshers and tractors in particular—and to the delay in implementing certain programs in livestock raising, tree plantations and irrigation.

This decline is concentrated mainly in the private sector; the latter's productive investment appears to be only 352 million dinars, or about 70 million dinars less than in 1986.

Financial Balance

8. The financial balance will obviously be the main beneficiary of this restoration of supply and demand.

Since the pressures operating during the past few years, and particularly in 1986, have been considerably reduced, both in regard to the domestic and foreign financial balances.

9. In regard to the domestic balance, the improvement is evident in the following:

—First, national saving, whose rate against the GDP, thanks to restraint on household consumption and rationalization of public expenditures, has strengthened significantly from 15 percent in 1986 to 18.4 percent in 1987, compared to a plan forecast of 16.4 percent.

—Then, monetary growth, which, thanks to the leveling off of state debt and rationalization of loans to the economy, is marked by an increase in the money supply at a moderate rate, about 13 percent, compatible with the growth of production and, in consequence, contributing to the projected slowdown in domestic demand and the desired restraint on inflation: in fact, according to latest estimates, increase in consumer prices will be only 8 percent, despite the effects of freeing of prices of almost 60 percent of industrial products and adjustment of the exchange rate.

—Finally, public finances, whose deficit, despite the slackening of tax revenues in connection with the deceleration of consumption and imports, are staying

at the level projected by the finance bill, or about 4 percent of the GDP, compared to 5 percent in 1986, thus contributing to the observed reduction in pressures on demand, prices and the balance of payments.

10. In regard to the foreign balance, the improvement is even more evident.

In fact, the recovery of exports is combined with a larger deceleration than forecast in imports, which is expected to have the effect of significantly improving the cover rate of import of goods by exports (69 percent compared to 61 percent in 1986), increase the balance surplus for services (+410 million dinars compared to +266 million dinars in 1986), and, in short, enable one to count on a current deficit of 300 million dinars, 3.8 percent of the GDP, considerably lower than the plan forecast for the year (550 million dinars and 7 percent of GDP).

11. This is the balance that one can conclude, at this stage, for 1987.

It is indisputably evident that the economy has overall been able to face the numerous existing problems and to overcome in part the difficulties it has experienced during 1986, even launching a promising recovery.

This development confirms the appropriateness of the adjustment measures that have been instituted, which have enabled—for improving the environment conditions and prices of oil, it is true—the revival of growth and job creation in a more healthy way, and above all reduction of the pressures on the foreign balances.

In 1988, it is up to us to consolidate the gains and to correct the weaknesses that remain, particularly in the area of resumption and restoration of investment, in order to create the conditions for a lasting and irreversible recovery of the economy.

This will enable us to reduce to good proportions the foreign capital needs; limiting the latter to 955 million dinars compared to the 1.185 billion dinars initially projected.

It will also enable a rebuilding of the exchange reserves, at least by the level planned (+100 million dinars), and it will even be possible to achieve a more substantial increase in the reserves.

Finally, it will enable a relative easing of debt parameters, with a rate against GDP of only 56.4 percent, instead of the 59.2 percent initially projected, and a debt service coefficient one point lower than forecast (26.6 percent of current revenues instead of 27.6 percent); which will significantly improve the room for maneuver during the next few years.

1988 Special Economic Budget

45190065 Tunis CONJONCTURE in French
Jan/Feb 88 pp 16-43

[Text] The year 1988 is expected to strengthen the financial recovery achieved in 1987 and to assure resumption of productive investment in the priority sectors and projects so as to maintain the growth and job creation.

Exports, which remain, in accordance with the Plan objectives, the main support for growth, are accompanied by a relatively larger contribution by domestic demand under the effect of the revival of private investment.

On the basis of these considerations, a strengthening of the export effort observed in 1987 is expected in 1988.

Indeed, the established projections are based on an improvement in exports of goods and services other than oil on the order of 7 percent at constant prices. This performance, following an exceptional expansion the year before (+12.6 percent in 1987), depends to this end on the following:

- A growth in tourist earnings of 6 percent at constant prices, which is an ambitious objective taking into account the high level achieved in 1987 and which assumes continuation of the employment rate at its 1987 level (or close to 57 percent);

- Strengthening of the recovery that took place in the textile industry, whose exports should increase by 7.6 percent at constant prices compared to the 6.7 percent expected in 1987;

- Increase in exports of agricultural and food products at a sustained rate, 8.7 percent at constant prices, despite the predictable production decline in the agricultural sector;

- And, finally, a predicted clear revival of mechanical and electrical exports of close to 8.9 percent, compared to only 1.8 percent in 1987.

In accordance with these forecasts, the rate of export increase, for other than energy, for the first 2 years of the Plan implementation would reach 11.8 percent per year at constant prices, or almost two points higher than the average projected by the Plan for this period (9.8 percent annually).

In parallel with this export effort, domestic demand will experience a degree of recovery, to the extent that, after the semistagnation expected in 1987, it is counted on to regain a rate of increase (2.2 percent) not far different from the Plan forecast.

Private and public consumption will certainly contribute, and to a significant degree, to this change. In fact, private consumption is expected to grow by 2.2 percent at constant prices, compared to only 1.1 percent in 1987, along with the adjustment measures in the guaranteed minimum wage and the guaranteed minimum agricultural wage, and improvement in productivity reward and public consumption of 2.3 percent, or almost the same rate as in 1987.

However, the most striking aspect of the demand recovery is undoubtedly the acceleration in private investment owing to the latest recovery measures implemented.

The total investment anticipated in 1988 will be 1.88 billion dinars, an increase of 5 percent per year at constant prices. An underlying factor in this regard is an increased contribution by the private sector to the overall investment effort, with share increasing from 44 percent in 1987 to 48 percent in 1988, and agriculture regains a privileged sector allocation with its share increasing from 16.3 percent to 18 percent, and in general small- and medium-size enterprises whose total investment will be almost 480 million dinars, or 25.5 percent of the total package compared to 352 million dinars and 21 percent for 1987.

Thanks to this rebalancing of terminal demand, the GDP growth is expected to be 2.5 percent at constant prices compared to 5.5 percent expected in 1987.

However, this moderate growth should be appreciated for what it is, to the extent that it comes after an exceptional year of boom conditions in agriculture and tourism, continuation of which could not be reasonably expected in 1988; and also to the extent that it includes sustained growth in the production sectors other than agriculture and oil, expected to increase by 5.3 percent at constant prices, or a higher rate than the Plan forecast (5 percent), and even higher than the result expected for 1987 (4.9 percent).

Thus, the growth plan agreed on for 1988 appears relatively more balanced than in 1987, since, aside from agriculture, which will decline by about 4.5 percent at constant prices—explainable mainly by the high level achieved in 1987, the plan relies on:

—On the one hand, continuation and strengthening of the growth in export-oriented sectors, which under the plan objectives remain the main development stimulus; as reflected in the planned increases in manufacturing production for export (increase of about 12 percent at constant prices, compared to 14 percent in 1987) and tourism (+5.2 percent, compared to 32 percent in 1987);

—On the other hand, and contrary to 1987, a revival of activity in activities oriented toward the domestic market, for example, construction materials (+5.9 percent, compared to 4.7 percent in 1987) and building and public works (+5.3 percent, compared to a decline of 5 percent in 1987), along with the pulling effect of the investment.

Overall, the GDP growth will achieve an annual average of 4.5 percent for the first 2 years of the plan, or a rate higher than the forecast for the period (4.2 percent per year).

In the wake of this growth, and taking into account the planned rebalancing of investment, job creation should strengthen markedly in 1988 thanks to a number of promotion measures implemented in 1987 (early retirement, hiring incentive, supplementary work projects, etc.) and that will have full effect in 1988.

Thus, job creation in the nonagricultural sectors will reach 42,000 jobs (compared to 35,000 expected in 1987), of which almost 15,000 will be in manufacturing industries (compared to 11,000) and 7,000 in administration (compared to 5,000), to which should be added some 8,000 job opportunities through the aforementioned measures.

Overall, the job creations and additional measures implemented should enable handling of almost 50,000 job applications, or 72 percent of all additional applications, compared to 42,000 and 66 percent in 1987.

These various changes in approach will obviously impact on the financial balances for 1988.

Thus, the domestic balance will show the effect of revival of the economy and optimal allocation of resources.

Overall, thanks to an increase in consumption at constant prices at a rate almost parallel to that of the GDP, national saving should increase from 1.45 billion dinars in 1987 to 1.55 billion dinars in 1988; the improvement should also appear, in almost the same proportions, in saving of the administration and private enterprises.

The monetary balance should improve. The planned program provides, in the context of a reasonable increase in the money supply at the rate of (8.5 percent), less than that in the GDP (9.3 percent), a significant support to the economy, specifically in the form of participations and medium- and long-term loans, with the latter increasing by almost 525 million dinars compared to 431 million dinars in 1987. The increase should benefit priority activities in particular, whose share will be brought up to 10 percent of bank deposits in March 1988.

The same is true of public finances, in the sense that the approved plan, while providing for a moderate increase in the resources themselves, is based on a new reduction

in the consolidated budget deficit, excluding depreciation; the latter will be reduced from 4 percent of the GDP in 1987 to only 3.5 percent in 1988. Nevertheless, the approved budget package will make it possible to:

- Handle the planned hiring in the administration (6,000) and assure effective operation of the public services, while reserving adequate scope for rewarding productivity;
- Assure financing of the projects underway, and to partially assume responsibility for the deficit of the chemical group enterprises (30 million dinars);
- Cover the needs of the General Equalizing Fund (188 million dinars) and the supplementary payments authorized to help needy families (8 million dinars);
- Finance the public debt payments, estimated at 706 million dinars, compared to 641 million dinars in 1987.

Likewise, the correction of the balance of payments, begun in 1987, will be sustained.

Importation will be limited, in fact, and despite the revival of investment and continuation of the liberalization policy, to 3.325 billion dinars for all goods and services, which corresponds to an increase of 12.1 percent in value and 5.5 percent at constant prices.

This forecast is based specifically on:

- A relatively large increase in imports of food products (6.3 percent at constant prices), but which is explained, in reality, by the large drop a year before (-11.6 percent) following the excellent grain harvest;
- A reasonable recovery of equipment goods imports (+6.5 percent at constant prices compared to a decrease of almost 27 percent in 1987) compatible with the expected recovery in investment, as well as in raw materials and semiprocessed imports (+6.6 percent) related to the objectives set for production.

Under these conditions, and taking into account the exports estimate, as explained above, of 3.045 billion dinars in current value, the deficit for goods and services should remain at 280 million dinars, or a level not far from that expected in 1987 (240 million dinars).

Current transfers, on the other hand, are expected to show a larger negative balance than in 1987 (100 million dinars compared to 60 million dinars) on the basis of a cautious hypothesis as to the rate of increase in earned income (325 million dinars compared to 320 million dinars in 1987), and taking into account the increase in debt interest payments (350 million dinars compared to 300 million dinars).

Overall, therefore, the current deficit is expected to be at a level (380 million dinars, representing 4.4 percent of the GDP) that, while higher than the probable results for 1987 (300 million dinars and 3.8 percent of GDP), will remain clearly short of the corresponding plan estimate (505 million dinars and 5.8 percent of the GDP).

Nevertheless, and despite this important effort to reduce the current deficit, the needs for foreign capital will remain high because of the anticipated debt redemption payments (+140 million dinars) and continued rebuilding of the exchange reserves (+135 million dinars) in order to improve the coverage of imports.

Thus, the total foreign capital needs will reach 1.115 billion dinars compared to 955 million dinars expected in 1987.

In million dinars	1987	1988
Current deficit	300	380
Capital outflow	555	600
Changes in net reserves	100	135
Total	955	1,115

Financing of these needs will require, given the forecasts of gifts and participations (165 million dinars compared to 145 million dinars in 1987) and the deliberate ceiling on resort to medium-term loans (280 million dinars compared to 270 million dinars in 1987), a major effort to raise long-term loans. The latter will have to increase to 670 million dinars, about 60 percent of all needs, compared to 540 million dinars and 56.6 percent in 1987, and only 290 million dinars and 37 percent in 1986.

The efforts made in this direction have certainly enabled conclusion of some important new commitments, which make it possible to count on a drawing ability of almost 520 million dinars in 1988. The balance is thus only 150 million dinars, which could seemingly easily be covered by loans in preparation, which total, in terms of commitment, almost 300 million dinars.

	Contracted Capital	In Preparation	Total
Gifts and participations	115	50	165
Long-term loans	520	150	670
Medium-term loans	80	200	280
Total needs	715	400	1,115

On this basis, in the plan forecast, there will be a relative easing in the debt: the foreign debt is expected to total 5.07 billion dinars, or 59.2 percent of the GDP compared to 60.6 percent forecast, moreover, with a notable increase in the long-term debt (68.5 percent compared to

65.4 percent in 1987). The related payments are expected to reach 910 million dinars, or 26.6 percent of current revenues, compared to the 27.5 percent initially forecast.

III. [as published] Economic and Social Policy Measures for 1988

The development plan agreed on for 1988, as it has been presented, thus makes a wager on recovery of the economy in context of respect for the domestic and foreign limitations in financing.

Hence, the economic and social policy action for 1988 includes, along with continued implementation of the structural reforms provided for in the Seventh Plan, a group of measures aimed at insuring revival of the economy and job promotion.

A. Continuation of Structural Adjustment Actions

The economic and social policy action for 1988 is still characterized primarily by continued implementation of the structural adjustment measures recommended by the Seventh Plan aimed at reducing the rigidities of the economy and restoring its self-regulation mechanisms, in order to assure growth and job creation in accordance with the aspirations of the nation, and a maintainable and tolerable foreign balance that will preserve and strengthen the country's solvency and credibility.

The actions planned in this respect involve in particular continuation of the process of liberalization of prices and imports, the investment policy, continued improvement of tariff protection, exports promotions, introduction of tax reform, and acceleration of the restructuring of public enterprises.

1. Price Policy

In regard to prices, the liberalization action underway since implementation of the recovery program has already freed prices of almost 60 percent of the industrial products of competitive sectors, without, it should be emphasized, having produced any great pressures on the price index.

This action will be continued in 1988, and it will affect a new range of industrial products that is relatively more sensitive, but for which production and level of competition appear adequate. The planned price freeing will occur in two stages:

—At the beginning of the year, the free status will be extended to certain products of mechanical and electrical industry (bicycles and motorcycles, brass foundry, batteries), animal feeds, and some chemical industry articles (paint, household soap, detergents, insecticides).

—In the second stage, during the second half of the year, the free status will involve certain household articles (stainless and aluminum), carpentry aluminum, electric motors and transformers, and tomato concentrate.

With this new group, the proportion of freed products will be 66 percent of all industrial products at the end of 1988.

As for the other industrial products whose prices cannot be freed in the immediate future, because they are highly sensitive or because they are in branches where the domestic competition is still limited, it is planned to revise, in accordance with the plan objectives, the system for setting prices through introduction of standard norms for intermediate completion and manufacturing times, as well as through taking into account in calculating the sale price an appropriate use rate of installed capacity. A decree implementing these measures is in an advanced stage of preparation and is expected to be issued shortly.

It goes without saying that this revision is a transitional phase toward establishing a totally free setup once the necessary conditions are fulfilled, whether by domestic competition or by free importation of products.

It also remains understood that the administration reserves the right to intervene whenever necessary to reestablish the rules of supply and demand and to suppress possible collusion among producers to the detriment of the consumer.

In regard to agricultural products, the policy being implemented aims at reevaluating on a continuous basis the production prices of the priority speculation crops in order to obtain the desired increases in production. In the context of this objective, some selected production prices have already been announced. They concern grains (2 dinars to 2.5 dinars depending on variety), milk (+20 millimes per liter) and olive oil (+150 millimes per kilogram in advance).

2. Liberalization of Imports

In regard to imports, the liberalization movement also marked an important stage with the lifting of restriction on almost all raw materials, all spare parts, with the exception of those produced by new industries, as well as semifinished products going to enterprises exporting at least 15 percent of their sales, which brought the proportion of imports under the liberal regulations category (Certificate of Import and Temporary Admission) from 24 percent to 47 percent in 1987.

This process will continue in 1988, as planned, with the freeing of all semifinished products, so as to improve the supply of inputs, and also equipment goods, to enterprises, with the exception of a limited list of products whose importation will remain regulated for reasons of temporary protection of local industries producing these

goods. This latter measure could also be introduced before the planned date, considering its limited impact on the balance of payments and the approved objectives for rapid recovery of the economy.

The proportion of products under the liberal import regulations would thereby increase to 67 percent in 1988.

Investment Policy

The activity in this area concerns both industrial and agricultural investment.

For industrial investment, 1988 will witness application of the new investment code recently approved by the Chamber of Deputies.

The new law cancels, as planned, the prior approval for industrial investment, and leaves the initiative and responsibility for carrying out projects to the promoters and supporting financial organizations themselves.

Simultaneously, it introduces greater selectivity in granting state benefits; with the latter being granted in future only to projects relating to fundamental national concerns, that is, exports, industrial integration, mastery of technology and regional development, in such a way as to redirect investments toward the priority projects and sectors.

Therefore, the new investment law includes, along with regular advantages benefiting the various projects eligible for state incentives (registration at fixed duty, relief for reinvested profits, suspension of taxes on equipment acquisition), specific benefits related to the nature of the project and its location (exemption of profits on export operations, and assuming responsibility for infrastructure in the priority zones). It also eliminates any discrimination among investments for establishment, renewal or extension, and institutes incentives for improved use of installed capacities.

In regard to agricultural investment, the code in effect since 1982 already includes considerable incentives in the form of substantial financial and tax advantages. Nevertheless, it has been decided to amend this code to better adapt it to the priorities of the Seventh Plan.

This amendment includes special advantages to investments directed at food self-sufficiency (grains, milk, meat and fish), export of agricultural products, development of the less-favored regions, and access of agricultural technicians to the production property. Specifically, these benefits take the form of lengthening the abatement period of tax on profits, relief on reinvested profits, additional subsidizing of the interest rate, and granting of investment subsidies.

Also, supplementary measures have been taken to improve the general environment of the sector. These involve, in particular:

- Consolidation of unpaid debts (130 million dinars) that will make almost 110,000 farmers eligible for loans;
- Regulation of rural leases (in particular, establishment of a minimum lease duration) to provide security to tenants and facilitate their access to credit;
- Acceleration of development of collective land;
- Passage of the law on agricultural researchers, which is designed to vitalize research in this sector, as well as revision of the forest code to adapt it to the new needs for development of the forest areas.

4. Management of Domestic Market Protection

In parallel with the process of liberalization of the economy, the management program for protection of the domestic market will be continued with the objective of reaching the 1991 threshold with a reasonable effective protection rate, around an average of 25 percent.

The first measures introduced as part of the finance law for 1987 have already made it possible to reduce the minimum rate to 15 percent, to put a ceiling on the top rates at 50 percent, and to significantly reduce the intermediate rates.

The planned phase for 1988 consists of:

- Maintaining at their current level the lower rates between 15 percent and 25 percent (TFD included);
- Reduce by 1 to 9 points the intermediate rates between 26 and 34 percent, so as to put them at the 25 percent level;
- Reduce by 9 points all the rates between 36 and 50 percent so the new ceiling will be down to only 41 percent.

These measures will certainly enable a general reduction in the protection level that the domestic market enjoys. However, they will inevitably be accompanied by a budget shortfall estimated at 22 million dinars, which will be made up by adjustment of domestic consumer taxes on certain products, as well as by a moderate adjustment of rates between 16 and 19 percent, bringing them to 20 percent, and those between 21 and 24 percent to 25 percent.

5. Export Promotion

Continued adaptation of institutional and incentive support to exports is also an important theme of economic policy action in the 1988 year.

Several measures were already introduced in 1987 to provide exporters with an appropriate encouraging framework that would enable them to confront the foreign competition more aggressively. These measures involve, in particular:

- Introduction by the Tunisian Foreign Trade Insurance Companies (COTUNACE) of two new products: the "Enterprise Equipment Insurance" policy, which covers the equipment of industrial enterprises abroad against risks of confiscation, seizure, destruction and loss of possession, and the "Risk to Stock Abroad" policy that covers merchandise stored during fairs against the same risks;
- Easing of the procedures of FOPRODEX [Exports Development Promotion Fund], in particular by automatic approval of assumption of up to 50 percent of the cost of transport of equipment goods and certain consumer goods included in a list for that purpose;
- Application of certain recommendations concerning export of services, such as revival of the "Tunis-Air card," which enables the holder to benefit from certain travel privileges (change in destination, lengthening itinerary), application of a preferential tariff for transport of advisers and emigrants traveling to Saudi Arabia, and extension to hotel owners of coverage of exchange rate risk. In 1988, action in this field will be continued and strengthened, mainly in four directions.

The first involves creating a medium-term financing system for exports, in particular equipment goods and durable consumer goods. On the basis of the exploratory studies conducted in this field, the system could consist of two parts:

- Prefinancing of exports during the entire duration of manufacture of capital goods and durable consumer goods;
- Post-shipment financing, which would be limited to the Tunisian added value of the product, to protect the stability of the balance of payments. The supplementary financing would be covered by foreign lines of credit.

Loans granted as part of this system would be accompanied by advantageous conditions with respect to interest and payment period to enable exporters to be challenging and competitive.

The second action relates to development of the necessary equipment in the airports and seaports, and their adaptation to the needs of the exportable products (refrigerating equipment, storage of agricultural products, food, etc.).

To this end, an evaluation of the existing infrastructure will be carried out to determine the needs for new equipment and then draw up an investment program for the entire Seventh Plan period.

The third direction relates to continued application of the various approved measures to encourage export of services, including, in particular:

- Social security coverage for Tunisian workers abroad working in companies that export services (work accidents, death, etc.);
- Exemption from tax of foreign currency earnings of workers and staff working abroad, regardless of length of stay abroad;
- Reduction of the minimum capital required for establishment of service-exporting companies.

The fourth and final direction of action in this area is strengthening of the export promotion structures, giving them the material and human resources necessary to fulfill their tasks.

In this regard, along with integration into CEPEX [Exports Promotion Center] of the promotion activities now performed by the OCT [Tunisian Trade Office], it is planned to establish two regional agencies of CEPEX; the first, in Sfax, to cover the governorates of the South, will go into operation before the end of 1987; the second, at Sousse, to cover the Center governorates.

Establishment of these agencies will make it possible to provide better information and greater awareness of the agents on site, and will thus further facilitate the task of these agents in exports development.

Likewise, the role of the commercial attaches in the activity of promotion and development of sales abroad will be significantly strengthened. Henceforth, these agents are called on to contribute to the effort of identifying new projects designed for export, as well as promotion of services exportation. The list of embassies benefiting from the FOPRODEX [Exports Development Promotion Fund] allocations will be extended for this purpose, and the allocation itself increased to enable the attaches to fully play their role of collecting accurate and reliable information.

6. Tax Reform

Also, 1988 will be the year of implementation of the tax reform advocated by the Plan, in order to create the required conditions for achievement of the objectives for distribution of earnings and promotion of exports production.

The planned measures in this direction consist of instituting the following:

- Single tax on earnings of individuals as of the beginning of the year, replacing schedular taxes and the general superposed tax (State Personal Contribution);
- The value added tax (VAT) in the second half of the year, replacing the present taxes levied on the sales figure (tax on production, tax on consumption, and tax on performing of services).

The institution of a single tax on individual earnings is aimed above all, above and beyond simplification of the complex system currently in effect, at easing the tax burden of taxpayers in the long run so as to stimulate and reward effort, and, consequently, reduce tax evasion.

More specifically, the reform involves:

- A reduction in the number of earning categories from the present 19 to only 10;
- And a ceiling of 50 percent for the highest category, compared to the current 77.85, 88, and 79.5 percent respectively for wage-earners, manufacturers, and businessmen, and for the non-business professionals a fixed rate setup.

As an illustration, such an arrangement would result for wage-earners in an easing of the tax burden, varying, depending on net taxable income category, from 1.56 to 20.84 percent, or a weighted average of 4.68 percent.

However, it should be pointed out that introduction of this single tax on income will also result in a budget shortfall estimated at almost 4 million dinars.

On the other hand, the VAT, to be introduced during the second half of 1988, has the objective to:

- Promote exports by elimination of the remaining taxes on cost of goods and services produced;
- Simplify the current system of indirect taxes, which is marked by the multiplicity of tax rates on the sales figure (45 rates currently in effect, of which 22 are "ad valorem").

This tax will be single in the sense that it will be levied only once on the final value of the goods and services, and general to the extent that its field of application is broader than the taxes on the sales figure, since it would cover the majority of economic activities (industry, wholesale trade, services, crafts and imports), however, with the exception of agriculture, retail trade, and insurance, which remain outside the VAT field of application.

Further, it will include three rates:

- A normal rate of 17 percent before tax, to approximate the present tax rate on production (16.82 percent) applicable to industrial production operations and construction activities and services;
- An increased rate of 29 percent before tax affecting products currently subject to the production tax and the consumer tax, with the budget shortfall resulting from this arrangement to be covered totally or in part by subjecting these products to domestic consumer fees;
- Finally, a reduced rate of 6 percent before tax applicable to activities benefiting from special provisions, such as tourism, transport, fertilizers, energy products, etc.

It should be pointed out that all measures have been taken so that this reform will not translate into shortfalls in the state budget.

7. Restructuring of Public Enterprises

Finally, and still in the context of continuing the structural adjustment actions, the process of restructuring the public enterprises will go into its operational phase in 1988.

An outline law on the restructuring was recently passed (Law No 87-47 of 2 August 1987) setting the guidelines for state disengagement and laying out specific measures for success of this operation.

Without presenting a model restructuring pattern—since the files have to be studied case by case, this law provides for two forms of restructuring: capital restructuring through a relinquishing by the state and public enterprises of their participation to the benefit of non-state shareholders, that is, selling of blocks to enable independent operation.

Moreover, the law provides for the possibility of involving wage-earners and former wage-earners in the capital of the enterprises to be restructured, the opening up of capital to small shareholders in order to stimulate the stock market, as well as the possibility of permitting participation by nonresidents, particularly in the case of exporting enterprises.

Further, specific measures are provided to promote success of the privatization program. They involve:

- Five-year exemption from profit tax for restructured enterprises, as well as from registration fees applying to conveyance of real assets and businesses;
- Encouragement of individuals and entities desiring to acquire shares, or portions of assets of enterprises to be restructured, by allowing them to invest up to 80 percent of their earnings or profit exempt from taxes;
- The possibility for buyers of shares of public enterprises to make their payments in capital goods and state-issued bonds up to a limit of 50 percent;

—Rescheduling or partial canceling, in some cases, of indebtedness to the state on the enterprises to be restructured.

At the same time as this outline law, a second law (No 87-48 of 2 August 1987) was passed providing tax adjustments in favor of share subscribers to promote development of the financial market and, in the process, support the planned restructuring action.

A number of incentive measures of a general nature are provided:

- Reduction of the applicable rate on earnings from stocks by 37.5 and 30 and 20 percent, depending whether it is purchase of bearer stocks or registered stocks;
- Encouragement to individuals to reinvest up to 50 percent of their taxable income by buying share participations with tax exemption;
- Introduction of a tax credit at the rate of 45 percent of accounted profit distribution on tax due for individuals, in addition to the tax credit in effect since 1983;
- Encouragement to wage-earners and retirees to acquire shares by authorizing employers and social security funds not to withhold at source the taxes due on the portion of salary or pension reinvested by purchasing shares.

It is estimated that the restructuring program will involve some 100 enterprises regarded as "privatizable" because related to competitive sectors in which the state's direct involvement can be replaced in a satisfactory way by the private sector. These enterprises are mainly in the sectors of tourism, construction materials, engineering, textiles, and trade and services.

An initial list of some 30 enterprises whose privatization could begin in 1988 has already been drawn up. A decree giving the composition of the list should be issued soon. Establishment of the restructuring commission provided by Law No 87-47 should enable completion during 1988 of a significant number of files on enterprises for restructuring.

Along with these measures, 1988 will see revision of Law No 85-72 of 21 July 1985 on sponsorship of enterprises in the direction of strengthening the independence of public enterprises, reconsideration of their relations with the state, and limitation of the number of enterprises that receive special management oversight by the state.

B. Measures for Revival of the Economy

As has been announced, 1988 will mark the adoption of a major program for revival of the economy that will supplement the aforementioned structural adjustment actions and improve the investment and production

climate in the priority sectors of agriculture, manufacturing industry and tourism, and hence stimulate a more active contribution by the various participants in achieving the objectives of the Seventh Plan.

The approved measures in this program involve tax amnesty, management of credit policy, making the exchange system more flexible, and improvement of the social environment.

1. Tax Amnesty

The concern to strengthen the confidence of investors is reflected in the decision to apply a general tax amnesty, which will clear up the tax situation of taxpayers and, in consequence, enable the planned tax reform to get underway on more healthy bases.

To this end, the following concrete measures have been decided on:

- Taxpayers who have submitted their declarations, whether or not these have been checked by the auditing services, will not be subject to tax auditing for those years;
- Wiping off of confirmed or recorded indebtedness by:
 - Cancellation of penalties and delay interest;
 - Granting of easy terms for indebtedness payment by extending payments over a 5-year period, or 5 percent of the indebtedness per quarter, on condition that the first installment is paid before the end of 1987;
 - The possibility of reducing the tax indebtedness, up to a maximum of 50 percent, the investments, or acquisitions benefiting from a legal favorable status.
- Suspension during the period of the Seventh Plan of use of the "technique of verification on the basis of increase in assets," when the increase corresponds to an investment or an acquisition benefiting from a favored legal status.

It is indicated that taxpayers who have not filed their declaration will not be subject to penalties and delay interest if they file their declaration before 31 December 1987.

On the same subject, the registration fee will be reduced from the present 15.6 percent to only 6 percent until the end of 1988. The possible resulting shortfall would have to be compensated by increase in the number of transactions and decrease in the number of under-declarations.

2. Credit Policy

The new monetary and credit policy put into effect at the beginning of 1987 is designed to give banks a sense of responsibility, encourage saving, and streamline credit.

However, it has resulted in a significant increase in debit interest rates for overdrafts and medium-term loans other than those rediscounted by the Central Bank.

In fact, the bank overdraft rate increased from 14.7 percent at the end of 1986 to 16.7 percent on 1 January 1987, the medium-term rate from 13.4 to 14.9 percent, and the long-term rate from 12.5 to 14 percent.

This rise in cost of credit, while it has contributed to the desired control of domestic demand and better allocation of resources, has nevertheless inevitably affected the financial situation of the enterprise, burdened production costs, and made investment more expensive.

Also, and with the objective of easing the enterprise's operation costs and stimulating its investment, a reduction in cost of credit has been introduced. This reduction is between 1.5 and 2.2 points depending on the category of credit, and the means are as follows:

- Exception of loans from 60 percent of the Tax on Provision of Services (TPS), bringing the rate from 14.29 percent to 6 percent.
- Elimination of the 0.5-point bank commission on overdrafts, which is now above the overall authorized limit.

Thanks to these measures and also to a slight rate reduction in the monetary market (0.5 points) prompted by the slowing of inflation, the overdraft rate will be reduced from 16.7 to 14.5 percent, the medium-term ordinary credit rate from 14.88 to 13.28 percent, and the long-term credit rate from 14.85, not including commission, to 13.25 percent.

It should be noted, in this connection, that the reduction in TPS will translate into a budget shortfall of some 30 million dinars. It will be compensated in part by a tax on credit amounts, so as to preserve the general balance of public finances. In this way, the reduction in interest rates will be implemented without affecting reward for saving.

Along with this lowering of interest rate, other improvements in the credit system are planned. They involve:

- Expansion of the monetary market to other participants such as insurance, social security funds, and investment companies, while this market is currently limited to banks; such a measure should enable setting the monetary market rate in accordance with the mechanisms of supply and demand;
- Elimination of prior authorizations by the BCT [Central Bank of Tunisia] for medium-term credit operations: the monetary authority has already lowered by 1 to 5 million dinars the ceiling above which the BCT approval is required. The new stage eliminates all prior control, with the objective of giving the banks

further responsibility and reducing rigidities. Naturally, to compensate for this, retroactive checking will be intensified, so as to punish banks that do not respect the regulations in effect.

- Adoption of a mechanism for restructuring and reconversion of enterprises in difficulty: the adjustment program that has been implemented, while it enables significant improvement of the general environment of the enterprise, nevertheless affects certain enterprises that are at a weak integration level, enterprises that, having been established in a protectionist environment, find themselves, or risk finding themselves, in difficulty because of the competition to which they are exposed following reduced protection of the domestic market. That is why an enterprise restructuring commission was established within the Ministry of Economy for the most affected sectors (mechanical and electrical industry, and the construction materials industries). It is a matter of extending the responsibility of this commission, in which the concerned departments should participate, to the other sectors in difficulty, so as to make the best diagnosis and rapidly decide on the measures to be taken to protect the viability and profitability of these enterprises.

In this respect, appropriate financing mechanisms are being prepared to facilitate the financial restoration of the enterprises in difficulty and to create the complementary investments called for by the reconversion programs.

Finally, and still with the concern to revive certain sectors that are strongly integrated, that is, construction materials and public works construction, loans for construction, extensions, and renovation of housing become eligible for refinancing by the BCT, under a fixed ceiling, and the social security funds will be authorized to grant to their members a set package for home construction loans up to 10,000 dinars, personal loans corresponding to a month and a half of salary, and car purchase loans.

3. Making Exchange System More Flexible

The exchange system has been the subject of substantial development for several years, in particular with establishment of the EFAC account, and introduction of special accounts in foreign currencies and convertible dinars for nonresidents. In 1988 the system will undergo a further increase in flexibility to further improve the competitiveness of the Tunisian enterprise and stimulate the transfer of foreign currency to Tunisia.

This flexibility relates first to the export enterprises, which will no longer be required to turn over the foreign currency resulting from each exportation or each transfer received, and no longer have to buy the foreign exchange necessary for each export operation or transfer issued, since such a procedure inevitably results in a loss for the

enterprise corresponding to the differential between purchase and sale of the foreign exchange. Enterprises will thus be able to retain, under specified conditions, a foreign exchange account fed by part of their foreign currency receipts, which will enable greater flexibility and efficiency in use and management of foreign currency resources, and hence undoubted improvement of the competitiveness of these enterprises.

The flexibility also relates to resident individuals or organizations able to justify having some earnings in foreign currencies; they are now authorized to open and maintain foreign currency accounts, which will be debited for their needs (travel, purchase of assets). This facility applies to, among others, Tunisian diplomats, who, although regarded as residents under the law, do have earnings in foreign currencies, as well as Tunisian executives performing consultation paid for in foreign currency.

These two measures, which are to be the subject of an implementing decree, are accompanied by an exchange amnesty in effect until 31 December 1988 in order to facilitate repatriation of certain funds located abroad.

4. Improvement of Social Environment

Improvement of the economic and social environment is another feature, no less important, of the economic and social action planned in 1988. The approved measures in this field involve:

- Increasing the guaranteed minimum wage and the guaranteed minimum wage in agriculture by 5 percent as of 1 November 1987, and by 5 percent during 1988, which will improve the purchasing power of the 120,000 and 90,000 under each respectively;
- Beginning in 1988, raising the performance bonus of public service officers a maximum of 3 percent of wages and salaries, which would have an estimated budget impact of 25 million dinars. Also, the performance bonus will be issued at the end of each quarter;
- Readjusting the wages in enterprises as a function of the possibilities for improvement of production by cutting back costs and better use of production capacities. Any increases will be granted according to precise criteria and in relation to the productivity bonus. The bonus increase proposals will be studied in the enterprise committees, whose main function is to study any measure likely to increase production and improve the output of the enterprise.

Promotion of Employment

In regard to employment promotion, numerous measures were taken in 1988, including:

- Early retirement for release of staff authorized by Law No 8 of 5 March 1987, and regulation of retirees' employment;
- Extension of the benefit of the National Handicrafts Promotion Fund (FONAPRA) to new categories of professionals (doctors, pharmacists, architects) and raising of the ceiling for projects financed through this fund from 20,000 to 25,000 dinars;
- Incentive to enterprises qualified by at least 5 years of activity to recruit or accept in training young higher education graduates through professional training tax deductions. Three contract categories have been established in this connection: the training course contract permitting a maximum deduction of 1,000 dinars, the pre-hiring contract that gives the right to deductions up to 1,000 dinars for graduates of the short academic period and 1,800 dinars for holders of a master's degree, and the definite employment contract, which authorizes deduction of a maximum total of 2,000 dinars;
- Creation of a training system for initiation to professional life for higher education graduates;
- Strengthening of direct employment support measures through the programs of regional workshops financed as part of the cooperation with the United States.

These measures, which are all currently in operation, should, beginning in the last quarter of 1987, improve employment prospects for all applicants, and in particular graduates. Voluntary early retirement to release staff will involve 5,000 individuals, of whom 3,900 will be under the status deriving from the CNRPS [National Retirement and Social Security Bank], and 1,100 under the CAVIS. The jobs freed under this program will go on priority basis to young graduates, especially in the private sector, because, judging from the replacement applicants, almost three-fourths of the jobs freed will benefit staff and supervisory personnel.

In regard to the training for insertion into professional life, for 1987 the measure will affect some thousand graduates of higher education; the figures available up to 19 October 1987 show 1,229 applications for training, of whom 472 have a degree in technical sciences and 354 in social sciences, while during the same period there have been 470 training offers, 200 of these by the Administration and 438 by enterprises.

Finally, measures of direct support to employment have made it possible to provide for 1987, taking into account resources assembled through international cooperation, almost 15 million workdays, compared to 13 million workdays, or the equivalent of 7,000 jobs.

These various measures will be supplemented in 1988 by reform of the jobtraining contracts system established by the law of 9 August 1981, whose effectiveness has been hampered by a number of obstacles.

The main developments proposed in this regard involve:

- Extension of the benefit of this formula to all young people having the minimum level of 6th year primary;
- Elimination of the obligation required of the enterprise to recruit at least half the trainees of the previous year, in order to be able to benefit from the system the second time round, as well as elimination of the ceiling limiting the total number of trainees that an enterprise can receive to 25 percent of the total employees;
- Extension of the advantages to small enterprises;
- Easing the payment procedures by limiting the payment installments to two instead of the present three.

The introduction of these measures is designed to expand the number of beneficiaries of the job-training contracts system, and to bring it to higher levels than anticipated for 1987 (1,200).

- Parallel to these measures, whose effect is primarily short term, the 1988 activity should also involve basic reforms to insure the bases for a progressive handling of the employment problem, both from the demand and supply aspects.

In regard to demand, concrete implementation of the measures recommended in the Seventh Plan to control demographic growth and reduce pressures on the job market should begin in 1988.

Thus, the family allowances will be limited to the first three children, and the family planning program will be bolstered by the opening of the new center at Monastir and strengthening of the existing centers.

Likewise, a first step will be taken in regard to reform of education and training, specifically by:

- Establishment of the common-core syllabus in secondary education and gradual elimination of the vocational cycle;
- Development of the new, pre-apprentice cycle, intended to take the place of the 7th and 8th years;
- Creation of new training structures at the higher level and special instruction to bring liberal arts students up to standard, to facilitate insertion of graduates into professional life;
- Strengthening of the role of the office for training and vocational promotion.

The activity in regard to supply will particularly involve reform of the labor code with a view to harmonizing it with the international conventions and introducing greater flexibility into the operation of the labor market.

Manufacturing Industries

1987 Results

1. The development of manufacturing industries during 1987 is marked by strengthening of exports, with an expected increase in constant terms of 14 percent, instead of the 12 percent foreseen by the Plan.

This performance, which confirms the recovery observed in 1986 (+12.6 percent), results primarily from the economic encouragement measures, and specifically those relating to adjustment of the dinar parity.

It also results from the strengthening during the past few years of production capacities oriented toward exports, in the fertilizer and textile sector in particular.

2. By contrast, manufacturing activities aimed at satisfying domestic market needs seem to be facing turnover difficulties for the second consecutive year, with the consequence of a significant reduction in growth rate in these activities. Indeed, this growth rate is estimated at only 1.1 percent, or a level below the already weak rate in 1986 (+2.8 percent).

Overall, the growth rate of manufacturing industries turns out to be 4 percent in 1987 compared to the 4.8 percent achieved in 1986.

Rate of Value Added Increase 1987 —all percent	Oriented Toward Exports	Oriented Toward Domestic Market	Overall
Food processing industry	15.7	2.5	3.6
Construction materials industry	53	1	4.7
Mechanical and electrical industry	8.1	-1.1	0.1
Chemical industry	15.8	-10.1	3.5
Textile and shoe industry	9.2	2.6	5.8
Various manufacturing industry	11.1	4.9	5
Total manufacturing industries	13.8	1.2	4

3. In regard to investments, the expected total is 247 million dinars, a decline compared to 1986.

This drop is due to the slowing of private sector investment, from 100 million dinars in 1986 to only 80 million dinars in 1987, related particularly to the saturation and lack of opportunity observed in the repetitive projects based mainly on domestic market needs.

By contrast, the public sector investment level has stayed virtually at its 1986 level (167 million dinars), in particular to enable continuation of the major public projects underway: the white cement factory (40 million dinars out of the total cost of 86 million dinars), the SAKMO diesel engine factory (17.5 million dinars out of a total cost of 60 million dinars), and the SIAPE 2 project for superphosphoric acid production (45 million dinars out of a total cost of 135 million dinars).

Forecasts for 1988

4. The earnings forecasts for 1988, in accordance with the orientations of the Seventh Plan, call for consolidation of the favorable exports results achieved during the last 2 years, and recovery of domestic demand, which experienced a clear slowdown during the same period.

Thus, the predicted growth rate is 5.9 percent, compared to 4 percent in 1987, and this is based on a growth in exports volume by 10.8 percent compared to 13.8 percent in 1987, and an increase in domestic demand for industrial products at the rate of 4.4 percent compared to 1.23 percent in 1987.

Value added growth rate—all percent	1985	1986	1987	1988		
				Overall	Exports	Domestic market
Agro-food industry	-0.4	4.7	3.6	0.7	-13.5	2.2
Construction materials industry	10.8	1.1	4.7	5.9	27.7	3.3
Mechanical and electrical industry	5.5	0.4	0.1	8.2	13.3	7.4
Chemical and tire industry	6.7	14.9	3.5	12.8	14.9	9.7
Textile and shoe industry	4.2	5.6	5.8	6.3	9.5	3.2
Various manufacturing industry	8.3	4.2	5	5.3	20	5
TOTAL manufacturing industries	5.1	4.8	4	5.9	10.8	4.4
Export-oriented industries	-2	12.6	13.8			
Domestic market-oriented industries	7.2	2.8	1.2			

Planned sugar production is 90,000 tons, at the same level as in 1987, but with production of a higher proportion of beet sugar (27,500 tons compared to 26,000 tons the previous year).

In regard to milk, production is expected to reach 1.6 million hectoliters, compared to 1.5 million in 1987, including in particular the going into production of the new facilities in Central Tunisia and the two miniplants at Mateur and Sejane, with total production capacity of 30,000 liters per day.

These forecasts mean that the manufacturing sector would provide almost 39 percent of the GDP growth, compared to only 12 percent in 1987; the share of manufacturing industries in the GDP structure is thus strengthened, increasing from 16.1 percent to 16.7 percent in 1988.

5. The growth rate of agricultural and food industries is estimated at 0.7 percent, compared to the 3.6 percent expected in 1987, taking into account an olive oil production target of 80,000 tons, considerably lower than that achieved in 1987 (113,000 tons), and the development of other activities, 5 percent compared to 3 percent in 1987.

Production in thousand tons	1985	1986	1987	1988
Olive oil	95	105	114	110
Flour and semolina	862	926.9	950	986
Powdered sugar	78.7	83.7	90	90
Tomato concentrate	53	48.5	65	56
Milk (thousand hectoliters)	1,350	1,564	1,500	1,600
Wine (thousand hectoliters)	567	402	450	500
Animal feed	404.3	477	440	460

The production of flour and semolina is estimated at 986,000 tons, an increase of 3.8 percent compared with 1987. This objective, which will enable 89-percent utilization of installed capacity, is for grinding of 1.344 million tons of grain, compared to 1.25 million tons in 1987.

Wine production is estimated at 500,000 hectoliters, of which 350,000 for export, compared respectively to 450,000 and 300,000 in 1987.

Estimates for animal feed production are 460,000 tons, compared to 440,000 tons in 1987, in combination with the expected revival in industrial poultry-raising.

6. In regard to the construction materials, ceramics and glass industries, the planned increase, at the rate of 5.9 percent compared to 4.7 percent in 1987, is based on a

moderate recovery of domestic demand (3.3 percent compared to 1 percent in 1987) and on a sustained increase in exports (27.7 percent compared to 53 percent in 1987).

The firming up of exports will derive from the going into production in the next year of the white cement plant; 50 percent of its production, estimated at 120,000 tons (for a total capacity of 200,000 tons), will go to exports.

7. Cement production will increase from 3.1 million tons in 1987 to 3.25 million tons in 1988, assuming an increase in domestic consumption of 4 percent in 1988 versus a stagnation in 1987, and achievement of an exports target of 600,000 tons of cement and 500,000 tons of clinker. In 1988, exports will be 500,000 tons of cement and 700,000 tons of clinker.

Lime production is estimated at 540,000 tons, at the same level as in 1987. Of this production, the water lime portion is estimated at 210,000 tons, compared to 130,000 tons in 1987, based on improved use of the capacity of the new lime factory at Thala.

However, particular attention will be paid to regular supply of lime to the domestic market in order to enable handling under good conditions of the product of the new lime factory, whose sale price does not automatically benefit from the transport equalization adjustment enjoyed by artificial lime. (Cement production has been intentionally reduced to the benefit of the clinker to be directed to exports, and of the STC).

Implementation of all these objectives will enable a 77-percent use rate of cement factory capacities, or 3.6 million tons of clinker out of a total capacity of 4.7 million tons.

In regard to the other construction materials, the agreed-on production levels are based on an increase in domestic demand of about 3.8 percent, compared to 1 percent in 1987, as well as achievement of the following exports objectives: cement pipes (2.5 million dinars at current prices, compared to 1.2 million dinars in 1987), red ceramic (80,000 tons compared to 50,000 tons in 1987), mosaic tiles (200,000 square meters) and earthenware tiles (500,000 square meters compared to 450,000 square meters in 1987).

8. The growth target for mechanical and electrical industries is 8.2 percent compared to 0.2 percent in 1987, relating particularly to the anticipated recovery in automobile assembly and agricultural machinery, as well as electrical industries.

Production (in units)	Capacity	1985	1986	1987	1988
Private automobiles	20,000	7,310	3,432	1,500	2000
Vans	8,000	3,361	1,101	1000	1,500
Trucks	2,500	1,917	690	500	1,000
Buses and passenger vans	300	160	163	150	200
Tractors	2,200	1,876	1,617	500	1,000

Production Increase (percent)	1985	1986	1987	1988
Steel	-5	23	-	-2.8
Metallurgy	-18.7	-7.3	-20	18
Metalworking	2.4	4.5	0.4	4.9
Engineering construction	14.5	-28.5	-17	34.9
Shipbuilding	16	6.4	10	9.1
Electrical industries	5.1	-3.1	1.7	4.9
Total production	5.3	-4.4	-3.1	9.8
Added value increase	5.5	0.3	0.2	8.2

Steel activity in 1988 will be marked by the 5-yearly halt for maintenance of the blast furnace and nail billet installations. In this case, in order to maintain production of finished products, El Fouladh company will need to import an additional 35,000 tons of billets, bringing total billets imported to 80,000 tons. Likewise, it is planned to import 60,000 tons of finished products (concrete-reinforcing rods and machine wire) in 1988, compared to 50,000 tons in 1987 in order to meet the market needs in this field.

Production in Thousand Tons	1985	1986	1987	1988
Cast-iron	142	149	160	120
Steel billets	160	181	185	146
Laminated products	164	208	210	200
Drawn wire	23	25	25	25
Metallic structure	7	5	3	3

Production of iron tubing and pipes will increase from 29,000 tons to 32,000 tons in 1988, relating in particular to the export possibilities in this sector.

In regard to metallurgy, the agreed production objectives are based on recovery of foundries activity, along with the expected revival in agricultural machine production and the integration effort in the automobile engines (SAKMO, SOTOMO engine blocks) and assembly.

For metalworking, the planned 4.9 percent increase, compared to production stagnation in 1987, is based in particular on the going into full production of the new metal containers manufacturing unit at Sfax (capacity 8,000 tons).

In mechanical engineering, 1988 will be marked by a recovery of auto assembly and production of agricultural machinery, with an increase of about 35 percent, compared to a decline of 17 percent in these activities in 1987. This improvement is expected in the wake of the recently approved recovery measures to benefit this sector. Preparation of other measures is being completed to ensure better utilization of installed capacity in this sector and promotion of industrial integration in this field.

Production (in units)	Capacity	1985	1986	1987	1988
Private automobiles	20,000	7,310	3,432	1,500	2000
Vans	8,000	3,361	1,101	1000	1,500
Diesel engines	3,200	633	650	500	1,200
Agricultural machinery	800	-	200	200	300

Growth for electrical industries is set at 1.7 percent, compared to a decline of 3 percent in 1987, based on expected recovery in domestic demand for these products.

Production (thousand units)	1985	1986	1987	1988
Transformers	1.5	1.9	1	1.2
Wire and cable (1,000 tons)	8.2	8.5	9	9.5
Flashlight batteries (millions)	38	35	38	42
Batteries	250	250	260	270
Television sets	125	100	80	85
Radios	130	100	80	85
Refrigerators	65	65	50	55
Stoves	50	55	55	60

9. Chemical industries will gain by 12.8 percent, compared to 3.5 percent in 1987, thanks in particular to strengthening of exports, for which an increase of about 15 percent is predicted, virtually the same rate as achieved in 1987.

Production Increase (percent)	1985	1986	1987	1988
Fertilizer	-	22.3	3.9	17.1
Other basic chemical products	56.1	2.2	12.1	4.9
Parachemicals	9.7	-7.7	5.1	6.9
Pharmaceutical industries	6.8	44.7	7.4	5.5
Rubber and tires	7.7	28.6	5.6	7.9

Fertilizer production is expected to increase by 17.1 percent, based on the following assumptions:

—Going into production of the new SIAPE 2 acid production plant at Skhira, whose capacity, totally devoted to exports, will be 180,000 tons of phosphoric acid and 180,000 tons of superphosphoric acid;

—Partial closing of SIAPE plant B, whose capacity will be 220,000 tons of triple superphosphate;

—Continuation of the improvement in export prices that occurred in the second half of 1987;

—Disposal of the stock of triple superphosphate, which had reached almost 200,000 tons at the end of 1986.

Production (1,000 tons)	1985	1986	1987	1988
Phosphoric acid	463	572	603	710
Superphosphoric acid	-	-	-	80
Triple superphosphate	802	967	850	900
DAP	360	487	580	600
Ammoniter	140	177	200	210

However, these production objectives, which will significantly improve the quantity of phosphate processed, require greater resort to importation of sulphur.

Raw Materials Requirements (1,000 tons)	1985	1986	1987	1988
Phosphate	3,750	4,280	4,305	5,130
Sulphur	890	1,040	1,080	1,290
Ammonia	185	202	240	250

Parachemical activity is expected to increase at a rate of 6.9 percent compared to 5.1 percent in 1987, in accordance with the following production increase objectives:

Production Increase (percent)	1985	1986	1987	1988
Paint	6.6	-2.5	2.6	6.2
Maintenance products	12.8	-17.3	4.6	6.9
Perfumes	7	-5.7	5	7.6

The estimated growth rate for tire and rubber industries is 7.9 percent compared to 5.6 percent in 1987, taking into account the favorable prospects for behavior of domestic demand and possibilities for export of tires. In fact, the tire sector has a substantial surplus capacity in relation to the domestic market needs (6,000 tons out of a total capacity of 11,000 tons).

10. The growth in textiles, leather and shoe industries is estimated at 6.3 percent compared to 5.8 percent, on the basis of strengthening of export activities (9.5 percent compared to 9.2 percent in 1987), which represent almost half the sector's total adjusted value added.

Production (1,000 tons)	1985	1986	1987	1988
Wool thread	8	8	8	8.3
Cotton thread	16.5	17	17.7	18.5
Wool fabric (million meters)	4.3	5.2	5.4	5.6
Cotton fabric (million meters)	80.8	83.8	87.1	92.5
Ready-made clothing	65	68.3	72.9	77.8
Hosiery	8.4	9.2	10.2	10.9
Carpets	1.5	1.6	1.6	1.8
Shoes (million pairs)	14	14.5	15	15.9

The production of ready-made clothing is estimated at almost 70 million pieces, compared to 73 million in 1987, including an export forecast of 58 million pieces compared to 53.7 million in 1987.

In regard to hosiery, the set production goal (10,850 tons compared to 10,200 tons in 1987) is based on an increase in exports of about 10 percent (5,700 tons compared to 5,200 tons in 1987).

11. The miscellaneous manufacturing industries category is to increase at a rate of 5.4 percent compared to 5.1 percent in 1987, primarily in connection with favorable progress in paper and cardboard and plastic products activities.

Production Increase (percent)	1985	1986	1987	1988
Wood, cork, furnishings	5.9	1.7	4.2	4
Paper, cardboard	13	6.2	7.2	6.7
Plastic	9.7	6	4.1	6
Miscellaneous	9.2	8.4	8.7	7.1

Production	Unit	1985	1986	1987	1988
Particle panels	1,000 cubic meters	58.2	61.3	64.5	67.8
Construction carpentry	Million cubic meters	1.935	1.884	1.95	2.02
Furniture	Million 1980 constant dinars	41.5	42.5	43.5	45.7

Achievement of these objectives requires importation of 208,000 tons of unfinished lumber, compared to the expected 200,000 tons in 1987.

In regard to the paper and cardboard industries, the established growth rate, 6.7 percent compared to 7.2 percent in 1987, is based in particular on favorable development in printing, as well as the going into production of the new kraft paper manufacturing plant with a capacity of 20,000 tons.

Production (1,000 tons)	1985	1986	1987	1988
Paper pulp	14.5	17.2	18	18
Printing paper	23.8	23.5	24	24
Kraft paper	1.5	1.6	8	15
Paper packing materials	62.7	64.5	66.5	69
Printing (million 1980 constant dinars)	16.6	18	18.9	20.3

Achievement of these targets will also enable exportation of 10,000 tons of paper pulp and 5,000 tons of printing paper, or the same quantities as expected in 1987.

Growth of plastic industries at a rate of 6 percent compared to 4.1 percent will enable production of 62,000 tons compared to 58,500 tons in 1987.

12. In the field of manufacturing industries exports, the objective is a total of 1.314 million dinars compared to 1.107 million dinars in 1987, so as to expand the share of manufactured products in total exports of goods and services (43 percent compared to 36 percent in 1987).

Exports	Unit	1985	1986	1987	1988
Fabric	Million meters	27.5	30	32	34.1
Ready-made clothing	Million pieces	46.7	49.6	53.6	58
Hosiery	Tons	3,630	4,340	5,000	5,700

13. In regard to investments in manufacturing industries, the agreed package is 276 million dinars compared to the 248 million dinars expected in 1987, so that the manufacturing sector's share of total investment will stay at its 1987 level (14.7 percent).

This forecast, which will enable completion of several major public projects, is based in particular on strengthening private sector investments, along with the recently

The growth of the wood, cork and furnishings industries, estimated at 4 percent, virtually the same as expected in 1987, involves the following production targets:

	1985	1986	1987	1988
Exports (million dinars)	63	70	86	98
Food industries	14	13	32	41
Construction materials	275	114	135	154
Mechanical industries	311	424	541	630
Textile and leather industries	12	13	17	20
Misc. manufacturing industries				

Total manufacturing industries	724	920	1,107	1,306
Annual increase (percent)	6	27	20	18

Chemical industry exports are estimated at 363 million dinars compared to 296 million dinars in 1987. This forecast is based on an increase in exports volume of about 15 percent, along with the coming on line of the new SIAPE 2 unit and export prices holding at the favorable level of the second half of 1987.

Export price (dinars per ton)	1985	1986	1987	1988
Phosphoric acid	246.6	222	221	231
Superphosphoric acid	-	-	-	-300
TSP	111.5	106	108	116.5
DAP	166	142.8	140	145.5
Ammonite	85	79.5	85	87

Based on the foregoing, exports of the main products are expected to be as follows:

Exports (1,000 tons)	1985	1986	1987	1988
Phosphoric acid	278	314	320	410
Superphosphoric acid	-	-	-	80
TSP	718	694	850	850
DAP	380	480	580	600
Ammoniter	13	30	60	60

Exports of the textile and shoe industries are estimated at 630 million dinars compared to 541 million dinars in 1987, based on a volume increase of about 11 percent compared to 8 percent in 1987.

approved measures to promote private initiative. In fact, the private sector's share is expected to grow in a sustained manner to increase from 33 percent in 1987 to 50 percent in 1988. Likewise, the proportion allocated to highly labor intensive investments will reach 45 percent, compared to 31 percent in 1987.

Review of investments by state of progress of projects reveals a total of 206 million dinars for continuing

projects and 70 million dinars available for launching new projects, especially by the private sector (78 percent).

14. The package allocated to agricultural and food industries is about 30 million dinars, compared to 24 million dinars in 1987, and is based in particular on expected achievements in the fields of grain byproducts, canned food, and oil production.

Investment (million dinars)	1985	1986	1987	1988
Milk industry	5.3	3.6	2.2	1.9
Sugar industry	4.5	1	2.6	3.5
Oil production	2.7	2.1	2.3	5.4
Canned food	5.1	3.4	2.9	4.2
Grain byproducts	9.4	8.7	8.8	7.8
Beverage production	2.2	1.6	0.7	1.7
Tobacco industry	3.2	1.1	1.2	1.8
Other	3	2.4	3.3	3.7

The investments allocated to grain byproducts are directed in particular to continuation of the Bizerte and Jendouba flour mills (1.7 million dinars) and implementation of the renovation and modernization programs in the existing flour mills (1.2 million dinars), as well as installation of new bakeries (2.5 million dinars).

15. The investment in construction materials industries, 42 million dinars compared to 65 million dinars in 1987, will enable carrying out of the public projects in progress (21 million dinars) and strengthen private initiative in this sector (21 million dinars compared to 14 million dinars in 1987).

The investments for binders (12.4 million dinars) are directed at implementing the program for renovation and maintenance of cement plants (7 million dinars) and completing the Tunisian-Algerian white cement production project, with a production capacity of 220,000 tons (5 million dinars out of an overall cost of 86 million dinars).

In regard to red products, total investment is set at 8.6 million dinars, including continuation of the Nefta brickyard (SOBRINEL) with a production capacity of 75,000 tons (4 million dinars out of a total cost of 6.6 million dinars), and investments for maintenance of existing units (3.8 million dinars).

The package allocated for earthenware tiles (5.2 million dinars) involves in particular launching of new integrated projects in this field (bisque and ceramics glazing).

16. Investments in mechanical and electrical industries are estimated at 82 million dinars, compared to 51 million dinars in 1987, based in particular on expected achievements in mechanical engineering.

The investment in steel includes continued construction of the El Jem wire mill, with production capacity of 15,000 tons (5 million dinars out of a total cost of 14 million dinars).

The investment for the metalworking sector, 13.9 million dinars, includes continuation of the Tunisian-Algerian project to construct the boiler factory at Ghardimaou (4 million dinars out of a total cost of 8 million dinars).

Investment for mechanical engineering is estimated at 47.5 million dinars to enable the following main achievements:

—Investment for the Tunisian mechanical complex, which involves increasing industrial integration in this activity (8 million dinars);

—Continuation of construction of the Tunisian-Algerian project to produce 25,000 low-range diesel engines at Sakiet Sidi Youssef (25 million dinars out of a total cost of 63 million dinars);

—Launching of several projects under the Seventh Plan in the field of production of machines and equipment (8 million dinars) and automobile components (3.5 million dinars).

17. Investment in chemical industries is set at 41.3 million dinars (compared to 57.4 million dinars) and is distributed as follows:

Investment (million dinars)	1985	1986	1987	1988
Fertilizer production	33.2	56.1	48.3	23.4
Other basic chemical products	1.6	0.3	1.7	8.2
Parachemical	5.4	4	3	5.1
Pharmaceutical industries	1.9	2.5	2.6	3.1
Rubber and tires	14.4	3.2	1.8	4.1
Total	56.5	66.1	57.4	43.9

The total for fertilizer production (23.4 million dinars) will enable completion of the SIAPE 2 plant (14 million dinars out of a total cost of 135 million dinars).

Investment for other basic chemical industries, 8.2 million dinars, is directed in particular at starting construction of the Tunisian-Algerian unit to produce freon gas (10 million dinars out of a total cost of 35 million dinars).

In regard to pharmaceutical industries, total investment has been set at 3.5 million dinars, in particular to enable continued implementation of the Adwya project (2.2 million dinars out of a total cost of 7.7 million dinars).

18. Expected investment in the textile, leather and shoe industries is estimated at 51.2 million dinars, compared to 32.9 million dinars in 1987, including the planned achievements in spinning and finishing activities.

The package allocated to the spinning, weaving and finishing industries is 33.2 million dinars, based in particular on expected achievements in the optimization programs undertaken by the affiliate companies of the SOGITEX group (19.5 million dinars) and BACOFIL (1,500).

19. Total investment for miscellaneous manufacturing industries is estimated at 26.5 million dinars, distributed as follows by activity:

Investment (million dinars)	1985	1986	1987	1988
Wood industries	4.1	4.3	4.6	7.1
Paper industries	4.9	4	3.1	6.7
Printing	1.8	1.7	2.3	2.6
Plastic	6	5.1	3	5.8
Miscellaneous	4.5	5	3.9	4.3
Total	21.3	20.1	16.9	26.5

Investment allocated to wood industry (7.1 million dinars) includes 2.4 million dinars for furniture, 2.9 million dinars for carpentry, and 1.1 million dinars for plywood production.

The package for the paper industry (6.7 million dinars) includes the program for renovation and maintenance of the Kasserine cellulose factory and the paper packing materials production projects (3.6 million dinars).

Mining: Results for 1987

1. On the basis of available information, the growth in the mining sector will be 7 percent in 1987, compared to the 5.9 percent initially forecast and 25 percent in 1986. This increase results from improvement in overall productivity of the phosphates company, resulting in marked increase in activity, both in extraction (+14.5 percent) and processing (+7.8 percent). Thus, phosphate production is expected to reach 6.25 million tons in 1987, compared to 5.8 million tons in 1986.

Taking into account the expansion of domestic needs for market phosphate and the possibilities for export, the company has been prompted to increase its stock to almost 2 million tons.

Phosphate Results (million tons)	1985	1986	1987	Increase 87/88 percent
Extraction of BTS	7.28	9.325	10.68	+14.5
Production	4.505	5.8	6.25	+7.8
Domestic sale	3.651	4.47	4.605	+3
Variation in stock	-0.274	+0.137	+0.445	-

2. Nevertheless, this level of activity, regarded as substantial in itself, will end up in a larger deficit than forecast (29 million dinars instead of 21 million dinars), and this despite the efforts to limit operational costs. The efforts made in this direction have, in effect, been impeded by a series of unfavorable outside factors, including, above all, the persistent depression in the

world phosphate market that in 1987 produced a drop in export prices to 2 dollars a ton, and an earnings loss for the company of almost 9 million dinars.

In million dinars	1985	1986	1987
Net sales	100.9	107.7	108.3
Change in stock	-13	+4.5	+8.2
Other	11.6	11.3	8.6
Value of production	99.5	123.5	125.1
Goods consumed	26.1	30	30.6
Services consumed	37.7	43.4	43
Added value	35.7	50.1	51.5

Including:	1985	1986	1987
Personnel costs	48	46.7	43.3
Depreciation appropriations	17.8	19	19.7
Financing charges	9.5	8.6	8.3
Financial year losses	-49.9	-45.5	-28.8

3. Investment in the mining sector amounted to 22.3 million dinars in 1987 compared to 29.3 million dinars in 1986. This total mainly involved the phosphate branch (14.5 million dinars) and the nonferrous metals branch (3.6 million dinars).

The phosphate company's program involved maintenance and renovation of existing equipment (4.8 million dinars), such as that at Oum and Khecheb.

As for nonferrous metals, the investment for the financial year (3.7 million dinars) involved mainly optimization of the means of production of fluorite (1.7 million dinars) and equipment of the lead-zinc mines, in particular the Fej Hassine mine (1 million dinars) in order to reopen it beginning in the second half of 1988.

Prospects for 1988

The development plan for the mining sector for 1988 provides for the following:

- Growth in value added at the rate of 1.9 percent at constant prices compared to 7 percent in 1987;
- Total investment of almost 18 million dinars, of which 13.4 million dinars goes to phosphates, compared respectively with 22.3 million dinars and 14.8 million dinars in 1987;
- Export value of 33 million dinars (of which 24 million dinars for phosphate), an increase of almost 8 percent compared to the expected level for 1987 (30.5 million dinars).

These forecasts take into account a number of main hypotheses:

- First of all, they are based on a semistagnation of market phosphate production (+0.8 percent) compared to the level achieved in 1987, and which is

regarded as rather high considering the current processing capacity of the phosphate company. This stagnation explains the limited growth expected for the sector in 1988.

—Secondly, they assume a stabilization in world phosphate prices at their 1987 levels. The adverse economic situation seems destined to continue until the end of the Seventh Plan, and nothing suggests a recovery in 1988. (Furthermore, the recent consultations at the highest level among Arab phosphate-producing countries were in vain, and the prices continued to drop in 1987). Some countries seeking resources and strongly in debt, and for which phosphates represent the sole mineral wealth, are even applying a dumping policy in order to maximize their exports;

—Finally, they are based on limitation of investment in the phosphate branch to a level compatible with the financial resources of the phosphate company, with priority being given to promoting technical and financial recovery of the company's activity through better utilization of the existing production potential and a significant compression of production costs. In this connection, the recommendation is to develop to a greater extent mining of quarries, where costs are relatively quite low compared to underground mines.

6. On the basis of these considerations, phosphate production is expected to be 6.3 million tons in 1988, thus making it possible to satisfy domestic demand and export 1.2 million tons:

Phosphate Results (million tons)	1986	1987	1988
Extraction	9.325	10.68	1.18
Production	5.8	6.25	6.3
Domestic sale	4.47	4.605	4.875
Exports	1.193	1.2	1.2
Change in stock	+0.137	+0.445	+0.225

7. Investment in the sector will be 18 million dinars in 1988, mainly involving phosphates (13.4 million dinars), nonferrous metals (1.9 million dinars), and mine prospecting (2 million dinars).

The company's program includes launching the Kef-Eddour project (1.9 million dinars), the Redeyef treatment unit (1.5 million dinars), replacement of the Kef Eschfair conveyor belt (1 million dinars), equipment of the major deposits to increase their extraction rate (5 million dinars), and, finally, renovation and maintenance of the existing treatment capacities.

The achievements in nonferrous metals involve, in particular, the COMINO program (1.2 million dinars) to give its lead-zinc mines additional equipment that will improve their production rate.

Investment (million dinars)	1986	1987	1988
Phosphate	21	15.3	13.4
Nonferrous metals	4.3	3.6	1.9
Prospecting	3.4	2.8	2
Other	0.6	0.6	0.7
TOTAL	29.3	22.3	18

8. On the financial level, the phosphate company's activity is expected to show losses of about 24.8 million dinars. Considering that it has limited self-financing capability, the company will benefit from a large assist in public funds (39.5 million dinars), enabling it to make its investments and repay its debts (25.4 million dinars).

Uses	1987	1988
Investments	14.8	13.4
Reimbursements	19.3	17.9
Participations	6.3	-
Losses	28.8	24.8
1987 gap	-	8.1
Other	0.1	3.2
Total	69.3	67.4
Resources		
Depreciation	19.7	19.9
Loans	8	7
Participation of employees	-	1
State assistance by BCT	33.5	39.5
Financing gap	8.1	-
Total	69.3	67.4

Further, 8.1 million dinars in budget expenditures will be devoted in 1988 to improving and promoting nonferrous metals activity (5.9 million dinars) and continuing the mineral substances prospecting program (2.2 million dinars) under the sponsorship of the National Mines Office.

Thereby, and during the first 2 years of the Seventh Plan, the mining sector will benefit from budget assistance of almost 91 million dinars, or almost 47 percent of the overall funds allocated for the whole Seventh Plan period (194 million dinars).

9. It should be noted that, for socio-political reasons, the mining sector has thus far enjoyed consistent budget favor. However, it should also be noted that this sector continues to be quite "budget consuming," to the extent that the beneficiaries regard this favor as a legal right, and that voluntary and bold actions do not emerge to halt this hemorrhage.

Thus, retention in the phosphates company of an over-staff (2,500 workers) in the central services who are totally unproductive and highly paid (average salary double the guaranteed minimum wage) appears unjustified. With the era of the welfare state having virtually

ended, the policy of resources should prevail. The solution could be to lay off these individuals, while temporarily awarding them a technical unemployment bonus (50 to 60 percent of salary) pending their reconversion to other jobs. That would be the policy of least harm to the workers and to the state budget, which urgently needs relief.

Energy

1. In conformance with the Seventh Plan orientations, the main objectives in preparing the sector's activity forecasts for 1988 were, among others, achievement of a moderate energy growth through managing the country's energy demand, stimulation of oil search and exploration, and improvement of the existing production potential in electricity, with, as corollary, limitation of the Tunisian Electric and Gas Company's investment to a level compatible with its financial capability.

The financial and tax incentives implemented as part of Executive Order 85 and its amendment, and the recovery of world oil prices in 1987, permit the prediction of some revival of exploration activity and ultimate development of some marginal deposits. However, such a possibility still remains risky considering the uncertainties regarding the long-term behavior of the international oil market. The current turmoil in the stock markets, the predictions of limited growth for the main developed

Hydrocarbons Results (million tons)	1985	1986	1987	86/87 Growth (percent)
Consumption	3.613	3.652	3.711	+4.2
Exports	3.749	3.6	3.355	-6.8
Imports	1.648	1.533	1.75	+14.2
Net balance (million dinars)	326.8	141.5	146.5	+3.5

Electricity will increase by 5.1 percent, related mainly to significant increase in low voltage demand (+7.8 percent).

4. The investment total will increase to 174 million dinars in 1987, a level clearly lower than the 1986 achievements (215 million dinars). As predicted, the drop in investment effort will be mainly in petroleum search and development and electricity transmission. In regard to exploration, this trend was predictable because of an unfavorable oil situation and low incentive. It should also be noted that during 1987 the search and exploration work resulted in discovery of certain oil concentrations, specifically in Zaouia 1 and 2 (Zarzis concession) and Maamoura 1 (Enfida concession) wells.

Thus, a full study of these deposits should be carried out toward better development of these existing deposits on the spot.

In regard to power transmission, the decline in investment effort is explained by the extent of programs carried out in the past few years.

countries in 1988, the over-indebtedness of the developing countries, and the precarious situation prevailing in the Persian Gulf are all factors contributing to such uncertainties.

1987 Results

2. The initial forecasts for 1987 in the energy sector were for a negative growth of 3.7 percent at constant prices, an investment total of almost 164 million dinars, and a net surplus of 137 million dinars in the trade balance. This activity forecast seems, as a whole, to be confirmed by the results recorded up until the end of August.

Indeed, the available information justifies counting on a decline in added value for the sector of 3.4 percent at constant prices, investment expenditures of about 174 million dinars, and net exchange earnings of 146.5 million dinars.

3. In regard to growth, the petroleum sector will show a decline of 4.7 percent in 1987 in the wake of the drop in crude oil production (5 million tons in 1987, compared to 5.25 million tons in 1986), which also took the form, because of increased national consumption of primary energy (+4.2 percent), of a decrease in net export volume. However, there will be a slight increase in the net trade balance compared to the 1986 level (+5 million dinars) because of the recovery of world oil prices witnessed since the end of 1986.

Investment (million dinars)	1985	1986	1987
Hydrocarbons	192.7	156.9	124.5
Prospecting	105	65	50
Development	57	66.1	56.9
Refining and stocking	16	12	5.7
Gas	14.7	13.9	11.9
Electricity	102.5	58.2	49.1
TOTAL	295.2	215.1	173

The investments for hydrocarbons development (57 million dinars) involve the main deposits in operation, that is, continuation of the El Borma injection project (10.4 million dinars), and the complementary Ashtart (29.4 million dinars) and Tazarka (6.8 million dinars) gas-lift projects. In regard to gas, the investment is directed mainly to completion of the GPL recovery (4 million dinars) and distribution (2.5 million dinars) project. Most of the effort for electricity is related to transmission (17.9 million dinars) and distribution (25 million dinars).

Prospects for 1988

5. The development pattern established for the energy sector for 1988 is as follows:

- Reduction of -2.5 percent in added value at constant prices, resulting from the predictable decline of 3.7 percent in the hydrocarbons sector and an increase of 5.1 percent in electric power;
- Implementation of an investment total of almost 152 million dinars, of which 113.5 million dinars will be for hydrocarbons and 38.2 million dinars for electricity, compared respectively to 124.5 million dinars and 49 million dinars in 1987;
- A net trade balance of about 121 million dinars, a decrease of almost 26 million dinars compared to that expected for 1987 (146.5 million dinars);
- State oil earnings will be about 366 million dinars, a level very close to that expected in 1987 (370 million dinars).

These forecasts are based on prudent hypotheses in regard to export prices of crude oil. Thus, for 1988 an average price of 17 dollars per barrel was used, compared to the 18 dollars per barrel currently in effect, and this taking into account the risks affecting the short-term behavior of the international oil market.

Hydrocarbons

6. Production of crude oil will decrease from 5 million tons in 1987 to 4.8 million tons in 1988. This drop results in particular from the cutback in production rate of the El Borma deposit, and this despite an improvement in production level of the Ashtari deposit (+135,000 tons) as a result of completion of the complementary development project.

Production (thousand tons)	1986	1987	1988	87/88 difference
El Borma	3,421	3,315	3,080	-235
Ashtari	1,160	1,065	1,200	-135
Tazarka	258	240	190	-50
Others	408	380	330	-50
TOTAL	5,247	5,000	4,800	-200

These forecasts do not take into account the putting into production of certain marginal deposits in 1988. Such a possibility seems highly improbable considering the time necessary for full evaluation of the potential of these deposits, the taking of a decision on their development, and their actual implementation.

7. In regard to consumption, a growth rate of about 3.5 percent, compared to 4.2 percent in 1987, was established. This growth includes a 4-percent increase for the fuel-gas component, which constitutes a majority portion of overall consumption. This scenario assumes a partial exploitation of the energy savings potentials in the main user sectors, and particularly electricity, construction materials and chemical industries.

Primary energy consumption is expected to reach 3.84 million tons in 1988, compared to 3.71 million tons in 1987.

Consumption (million tons)	1986	1987	1988	87/88 Growth (percent)
Refined Products	2.79	2.48	2.7	+8.9
Fuel	1.19	0.8	0.97	
Gas oil	0.97	0.98	0.99	
Other	0.63	0.7	0.74	
Natural gas	0.77	1.23	1.14	-7.5
Borma	0.45	0.37	0.34	
Royalty	0.14	0.44	0.56	
Purchase	0.18	0.42	0.24	
TOTAL	3.56	3.71	3.84	+3.5

8. In face of these needs, production of refined products will increase slightly (+2.1 percent) in connection with the going into full activity of the GPL recovery unit using El Borma gas. In consequence, there will be greater resort to importation of refined products (1.15 million tons in 1988 compared to 0.96 million tons in 1987), which, combined with the predicted drop in crude oil exports, is expected to result in a reduction of the energy trade balance surplus of almost 20 million dinars.

Trade Balance (million dinars)	1986	1987	1988	Difference 87/88
Exports	359.3	419	401.5	-17.5
Crude oil ¹	338.5	390.3	373.4	
Refined products ¹	20.8	28.7	28.1	
Imports	217.9	272.6	280.9	+8.3
Crude oil ¹	52.4	44.5	44.5	
Refined products ¹	132	148.6	163	
Natural gas	9.8	10.7	11.4	
Balance	141.4	146.4	120.6	-25.8

¹ Increase in export prices of 12.4 percent instead of the 7.6 percent forecast, and increase in import prices of 13.4 percent instead of the 11.4 percent forecast.

9. In regard to investment, the hydrocarbons sector will be called on to achieve a total of 113.5 million dinars in 1988, compared to 124.5 million dinars in 1987. The main effort will be devoted to search and exploration (65 million dinars) and development of deposits in operation (36.6 million dinars).

Investment (million dinars)	1986	1987	1988
Search	65	50	65
Development	66.1	56.9	36.6
Refining	12	5.7	6.5
Gas	13.9	11.9	5.4
Total	157	124.5	113.5

In regard to search, all signs point to a resumption of this activity in 1988, considering the tax advantages given to foreign operators under executive order 85 and its amendment. However, given the current climate of uncertainty, the search program established for 1988 provides for a moderate resumption of exploration, with drilling of about 12 wells.

Development investment is directed particularly to the Ashtart (23.7 million dinars), El Borma (6.6 million dinars), and Sidi Litayem (4.2 million dinars) deposits. Refining and gas investments are mainly for starting construction on the project to extend Bizerte refinery (5 million dinars) and extension of the gas distribution networks (2.5 million dinars).

Electricity

10. On the basis of the predicted evolution of needs during 1988, a growth rate of 5.1 percent in electricity demand was predicted, a rate comparable to that in 1987. It should be noted that this is augmented (4.5 percent in 1988 compared to 2.6 percent in 1987) by the expected increase in the users sectors activity, in particular manufacturing industries. The increase for low voltage will be limited to 5.6 percent, compared to 7.9 percent in 1987, taking into account a more encouraged use of natural gas and solar water heating in households, on the one hand, and easing of the rates on their consumption habits, on the other.

Consumption (gigawatt hours)	1986	1987	1988	Increase (percent)
Medium, high voltage	2,182	2,240	2,340	4.5
Low voltage	1,097	1,183	1,250	5.6
TOTAL	3,279	3,420	3,590	5.1

This situation reflects the objective in the STEG's contract-program to limit to the strict minimum necessary investment expenditures and avoid resort to indebtedness, in order to improve the company's financial situation.

12. On the basis of these considerations, development of the STEG's financial needs during 1988 will require assembling a package of about 132 million dinars, of which 104 million dinars will be self-financed and 9.7 million dinars in the form of long- and medium-term credits.

Investment (million dinars)	1986	1987	1988
Production	5.7	3.3	1.1
Transmission	23.8	17.9	8.6
Distribution	25.4	25	25
Logistics	3.3	2.9	3.5
TOTAL	58.2	49.1	38.2

Balance of Payments

1. Recovery of the balance of payments situation is among the main priorities of the Seventh Plan, given the stresses that have existed since the beginning of the Sixth Plan and the debt level that has resulted.

Thus, in addition to the actions of a structural nature for the long term, a series of measures of immediate scope were identified and implemented, in order to introduce with the beginning of the Seventh Plan the necessary correctives for rapid restoration of the situation of the external balances.

2. The application of these measures, in conjunction with a clearly more favorable economic situation, marked in particular by the strengthening of oil prices and the remarkable performance of agricultural production, resulted in a significant improvement, better than forecast, in the balance of payments situation.

Indeed, exports of goods and services appear to have increased by about 12.2 percent at constant prices, compared to only 7.3 percent forecast, and imports, under the effect of a more pronounced slackening in foreign demand than forecast, appear to have declined by 2 percent at constant prices, compared to the forecast increase of 0.5 percent.

In parallel, the terms of exchange have deteriorated (0.9 points) less sharply than forecast (3.3 points)—increase in export prices of 12.4 percent instead of the 7.6 percent forecast, and increase in import prices by 13.4 percent instead of the 11.4 percent forecast. This has had the effect of reducing the deficit for goods and services by some 65 million dinars compared to forecasts.

3. On this basis, and taking into account revenue transfers increasing on a sustained basis (+49 percent during the first 9 months) a significant reduction in the current deficit of the balance of payments is expected, at a level of only 300 million dinars, representing 4.7 percent of the GDP (compared to 550 million dinars and 7 percent initially forecast), and hence reduction of the needs for foreign capital to 955 million dinars, compared to the 1,185 million dinars forecast. The foreign debt will thus be eased relatively; the debt rate will not exceed 57 percent of the GDP at the end of 1987, compared to the 59.2 percent initially forecast.

4. The established forecasts for 1988, while based on consolidation of the gains of 1987 in exports development, take into account the expected revival of investment on the one hand, and continuation of the imports liberalization program on the other.

In this connection, development of the balance of payments will be characterized by:

—Increase in exports of goods and services by 5 percent at constant prices, corresponding, taking into account the predictable increase in prices, to an increase of 11.7 percent at current prices;

—A resumption of imports of goods and services, with an increase of 5.5 percent at constant prices and 12.1 percent at current prices;

—And a rebuilding of exchange reserves by almost 135 million dinars, so as to bring imports coverage from 20 days at the end of 1987 to 1 month at the end of 1988.

Under these conditions, the current deficit will reach a level of 380 million dinars, representing 4.4 percent of the GDP, considerably short of the plan forecasts (505 million dinars and 5.8 percent of the GDP), and needs for foreign capital will be only 1.115 billion dinars, compared to the 1.205 billion dinars forecast.

The result is a relative easing of the foreign debt; indeed, the debt service coefficient will be reduced by almost a point (26.5 percent of current receipts compared to the 27.5 percent forecast), and the debt rate will be limited to 59.2 percent of the GDP, compared to the 60.6 percent forecast by the plan.

Trade in Goods and Services, and Current Operations Abroad

5. Exports of goods and services are expected to show a large increase for 1987. Indeed, favored by the gain in competitiveness resulting from the dinar parity adjustment and the establishment of appropriate structures for promotion and development of sales abroad, exports of goods increased by 13.4 percent at constant prices and 33.6 percent at current prices during the first 9 months of the year. Tourist earnings increased by 42 percent during the same period. Thus, as indicated previously, one can count on a clear exceeding of forecasts for the year as a whole. Indeed, exports of goods and services are expected to increase by 12.2 percent at constant prices and 26.1 percent at current prices, compared respectively to the 7.3 percent and 15.5 percent initially forecast.

These results are even more remarkable in that they apply to all the export sectors, and in reality reflect a realization by the various operators that, given the already perceptible settling of domestic demand, exports are in future the alternative most likely to assure sustained development of their enterprises.

6. These results should be strengthened in 1988, thanks to application of the various measures provided by the Seventh Plan. These measures are aimed at providing to exporters an incentive support to enable them to tackle with more perseverance and success the new foreign markets, and hence to insure a harmonious and lasting development of exports.

7. Thus, the 1988 development plan assigns a 5.5-percent growth at constant prices to exports of goods and services as a whole, corresponding, given the predictable drop in oil exports (-3.8 percent), to a 7-percent increase at constant prices in exports of other products.

On this basis, the growth in the first 2 years of the plan is expected to be an average of 9.8 percent per year, clearly higher than forecast by the plan for the same period (6.8 percent a year).

However, achievement of such a growth requires a sustained effort by the various participants—administration, banks, industries and exporters—to free additional exportable surpluses and create the enabling conditions so that these surpluses can flow into foreign markets that are characterized by increasingly keen competition.

The 1988 target in this respect is based on development of exports of sectors that showed a clear recovery during 1987, particularly the food processing, textile and tourism sectors.

Exports (million dinars)	1986	1987	1988
Food processing	174.8	217	250
Phosphates and chemicals	303.5	360	394
Oil	339.9	419	402
Textiles and leather	423.8	545	630
Mechanical, electrical products	106	130	150
Tourism	385.8	500	575
Transport	150.9	185	220
Other	276.4	369	424
TOTAL	2,161.1	2,725	3,045

8. Exports of agricultural and food products are expected to increase by 8.7 percent at constant prices and by 15.2 percent at current prices. This rate, although slightly below that of 1987 (respectively 9.8 percent and 24.1 percent), is in fact an ambitious target. It is based mainly on exports other than olive oil and, in particular, on sea products (+9.6 percent in volume), dates (+13.7 percent), and citrus fruit (+33.1 percent), and therefore requires continuation, or even strengthening, of the support measures implemented, as well as a special effort to improve the presentation of these products (packing, refrigerating equipment) and their adaptation to the tastes and needs of the target markets.

9. Exports of phosphate and chemicals are expected to increase by 3.3 percent at constant prices and 9.4 percent at current prices, or at rates lower than those in 1987 (respectively 14.2 percent and 18.6 percent).

This slowing down, which certainly reflects the current difficulties of the fertilizer market, is mainly explained by the disposal in 1987 of large stocks of superphosphate, while in 1988 one should expect:

—Stagnation of superphosphate exports at their 1987 level, or 850,000 tons;

—Slight increase in exports of DAP (600,000 tons, compared to 580,000 tons in 1987);

—Increase of about 90,000 tons in shipments of phosphoric acid (410,000 tons compared to 320,000 tons in 1987).

10. Exports of textiles and leather will show a strengthening of the recovery observed in recent years, and particularly in 1987. A growth target of 7.6 percent at constant prices and 15.6 percent at current prices has been set, bringing earnings of this sector to 600 million dinars, corresponding to about 21 percent of total exports of goods and services.

Nevertheless, this requires a sustained effort in diversification of range of articles exported, and orientation of an increasing portion of exports toward new markets, both in Europe and America.

11. In regard to tourism earnings, a 6-percent increase at constant prices and 15 percent at current prices is expected, which will bring earnings to about 575 million dinars, 17 percent of current foreign exchange earnings.

This increase, which follows the strong gain achieved in 1987 (+33.5 percent in hotel bed occupancy), assumes maintaining of the occupancy rate at its 1987 level, or 57 percent, and is based on strengthening the support activity in promotion of the tourist product, and takes into account the efforts made to improve the quality of the Tunisian product and give it greater diversification by exploiting to the full the wealth of sites and variety of the Tunisian landscape, and promoting growth of hotel occupancy expenditures by tourists; as well as measures to enable improvement of the yield of the existing tourist potential.

12. The development of imports of goods and services will be affected by the counted-on revival of investment, and at the same time takes into account continuation of the imports liberalization program, which in 1988 will involve almost all the semiproducts and equipment goods.

Thus, an increase in imports of goods and services of about 5.5 percent at constant prices and 12.1 percent at current prices is expected, compared respectively to a decrease of 2 percent and an increase of only 11 percent in 1987.

This increase, while continuing to insure coverage of needs for imported inputs intended for export, will enable the expected recovery of investment under the best conditions.

In fact, the imports intended for exportation will increase by 6.8 percent at constant prices and 13.4 percent at current prices, while those intended for domestic demand will increase by 5 percent in volume (11.5 percent at current prices), compared to the decrease of 7.3 percent that occurred in 1987.

Imports by Destination (million current dinars)	1986	1987	1988
Imports for domestic demand	1,903	1,998	2,228
Increase (percent)		5	11.5
Imports for Exportation	768	967	1,097
Increase (percent)		26	13.4
Total imports goods, services	2,671	2,965	3,325

13. This trend in imports is also reflected in the level of allocation of the package assigned to the various user groups. The following developments are expected:

—Recovery of imports of capital goods, which are expected to increase by 6.5 percent at constant prices compared to a decrease of 26.7 percent in 1987, based on the predictable increase in investment (4.9 percent compared to -10.4 percent in 1987);

—An increase of about 6.5 percent at constant prices in imports of raw materials and semiproducts, compatible with the forecast increase in value added of the non-food manufacturing industry (+7.9 percent).

—An increase of 6.3 percent at constant prices in imports of food goods after the sharp decline of 11.6 percent expected in 1987, following the remarkable performance by the agricultural sector;

—Finally, an increase of 3 percent in volume of imports of consumer goods, compared to 2 percent in 1987, taking into account the increase in imports intended for production (fabric, parts and spare parts, etc.) and assuming a reduction in imports intended for final consumption.

[No title given, presumably imports (million dinars)]	1986	1987	1988
Capital goods	504.8	440	500
Raw materials and semiproducts	818.2	990	1,130
Energy	199.9	273	280
Food goods	287.4	235	265
Non-food consumer goods	494	600	660
Services (other than freight)	366.7	427	490
TOTAL	2,671	2,965	3,325

14. Taking into account the foregoing, the balance of goods and services is expected to show a deficit of about 280 million dinars, an increase of 40 million dinars compared to that expected for 1987, but much lower than that forecast by the plan (425 million dinars). The rate of exports coverage by imports will be maintained at its record level of 1987, or 92 percent.

	1986	1987	1988
Exports of goods and services	2,161	2,725	3,045
Imports of goods and services	2,671	2,965	3,325
Balance	-510	-240	-280
Cover rate	81percent	92percent	92percent

15. Current transfers are expected to show a deficit of 100 million dinars as a result of the anticipated slowing of growth rate of revenues (10 percent compared to 24.2 percent in 1987), particularly those deriving from transfers of income of Tunisian workers abroad after the "surge" that occurred in 1987, and from increase in payments of debt interest (350 million dinars in 1988 compared to 300 million dinars).

16. Overall, the current operations of the balance of payments will show a deficit of 380 million dinars, representing 4.5 percent of the GDP, significantly lower than that forecast by the plan (505 million dinars and 5.8 percent of the GDP).

Capital Operations Abroad

17. The recovery of the balance of current payments situation will produce, in relation to the plan forecasts, a significant reduction in need for foreign capital.

In fact, these needs are estimated, on the basis of the anticipated current deficit, the amortization of the debt, and the goal of rebuilding the exchange reserves, at 1.115 billion dinars, or a level that, although an increase of 160 million dinars compared to 1987, is still short of the plan forecast (1.205 billion dinars).

	1986	
	Million dinars	Percent
Long-term resources	475.6	60.5
Gifts and participations	185.6	23.6
Long-term loans	290	36.9
Medium-term resources	310	39.5
[TOTAL]	785.6	100

19. Participations and direct investments, after the decline in 1987, particularly under the effect of the decrease in oil search and exploration investment and the freeing of almost all the capital of the development banks, are expected to show a degree of recovery in 1988.

This recovery, favored by the improvement in the general environment following adoption of the measures to encourage productive investments, will depend particularly on manufacturing industries, whose production is expected to increase from 24 million dinars in 1987 to 32 million dinars in 1988.

20. As has been noted, long-term loans should show a significant increase, from 540 million dinars in 1987 to 670 million dinars in 1988.

The assembling of such a total is based primarily on loans already concluded as aid linked to projects. The total committed and not yet drawn, under this resource category, is expected to be about 1.3 billion dinars at the end of 1987, of which about 280 million dinars is expected to be drawn in 1988.

Then, it is based on the aid program contracted following approval of the adjustment measures from the World Bank (250 million dinars), the ADB (84 million dinars), Italy (84 million dinars), France (40 million dinars), and the United States (20 million dinars).

18. Financing of these needs to the maximum by long-term resources on concessional conditions is, given the objective of avoiding foreign debt, a rigorous constraint for 1988 and the period of the Seventh Plan.

To this end, the efforts undertaken since approval of the recovery program, and which have finalized important sources of long-term financing, should be continued in 1988.

In fact, the share of long-term resources, as gifts, participations and long-term loans, which was already increased from 60 percent in 1986 to 72 percent in 1987, is expected to reach 75 percent of total resources in 1988, which would translate, taking into account the decline in participations, into a significant strengthening of long-term loans, with their share of total foreign resources reaching 60 percent, compared to 56.5 percent in 1987 and only 36.4 percent in 1986.

	1987		1988	
	Million dinars	Percent	Million dinars	Percent
Long-term resources	685	71.7	835	75
Gifts and participations	145	15.2	165	14.8
Long-term loans	540	56.5	670	60.1
Medium-term resources	270	28.2	280	25
[TOTAL]	955	100	1,115	100

Commitments under this resource category are 620 million dinars, of which about 300 million dinars will have been drawn at the end of 1987. The remaining 320 million dinars will enable withdrawals of about 240 million dinars in 1988.

Thus, the total withdrawals on long-term, already signed loans will be 520 million dinars, so that a total of 150 million dinars should be sought, requiring new commitments of about 300 million dinars.

The achievement of such a total does not seem to pose particular problems, given the support provided to Tunisia by both international organizations and friendly countries in applying its adjustment program. Loans now in an advanced stage of preparation total about 180 million dinars, being contracted mainly with the World Bank (125 million dinars), Japan (35 million dinars), and France (15 million dinars).

21. Medium-term credits will increase moderately (increase of only 10 million dinars compared to 1987); which will limit their share of total resources to 25 percent of total foreign capital entries. Drawings on medium-term credit already signed are estimated at 80 million dinars, so that drawings on new credits to be contracted in 1988 will be 200 million dinars, of which 115 million dinars will be in the form of trade credits, and 85 million dinars in the form of financial credits mainly to the benefit of the development banks.

Foreign Debt and Related Charges

22. The anticipated favorable development of the balance of payments during the first 2 years of the plan is expected to result in a relative easing of the foreign debt. The debt amount will reach 5.07 billion dinars at the end of 1988, an increase of 530 million dinars over the 1987 figure, but significantly lower than the plan forecasts for the same year (5.313 billion dinars). The debt rate will be almost two points lower than forecast (60.6 percent).

The anticipated strengthening of the share of long-term credits in the total of required foreign resources is expected to result in a significant improvement in the structure of the foreign debt. Thus, long-term debt will represent 69 percent of the total debt at the end of 1988, compared to only 60 percent in 1986. On the other hand, the debt service will increase to 910 million dinars, an increase of 90 million dinars compared to that expected for 1987 (820 million dinars). In fact, this level constitutes a stabilization of the debt service coefficient to 26.6 percent, given the expected development of current exchange receipts (+330 million dinars).

1988 State Budget

45190065 Tunis *CONJONCTURE in French*
Jan/Feb 88 (unnumbered insert between pp 30 and 31)

[Text] Based, as in previous years, on the concept of adapting expenditures to the real possibilities for financing, the "1988" State Budget will reach the total of 2.960 billion dinars, an overall increase of 6 percent, and 4.8 percent if one excludes payments for debt service. This level, while falling in the framework of the plan orientations toward progressive reduction of the funded budget net of depreciation, takes into account the implications and requirements of the new measures recently approved for revival of economic activity in the country.

This budget of 2.96 billion dinars, which, like the previous, was prepared on the basis of the available figures for the previous year and in relation to the forecasts of the Seventh Plan and above all the plan for recovery and economic revival, is based in large part on the state's current resources (2.36 billion dinars, or 79.7 percent of the total) and, to a lesser degree, on the state's capital resources (600 million dinars, or 20.3 percent of the total). More than 73 percent of the state's current revenues come from tax resources (1,726.5 million dinars, of which more than three-fourths is indirect taxes), while the remaining 27 percent is non-tax resources. As for the capital resources, they derive from domestic loans (250 million dinars), foreign loans and gifts (300 million dinars), and resources from loans repayment (50 million dinars).

Operating Budget

The maximum total of allocations to state current expenditures for the 1988 budget year has been set at 2.36 billion dinars, a package that is 5.3 percent higher than in 1987. The apportionment of this budget is as follows:

—Services resources will receive the largest sum, 1,067.758 million dinars, which will be allocated with up to 38.7 percent for education, 15.3 percent for public health, 12.4 percent for the Department of Interior, 11.1 percent for National Defense, and the remaining 22.5 percent for the other departments.

—Various and contingency expenditures will reach 570.785 million dinars, of which 518 million dinars will be the Title I contribution to Title II (budgetary saving).

—Public activities will receive a package of 459.868 million dinars.

—Interest on the public debt, on which the amount to be repaid will rise to 256 million dinars compared to 233 million dinars in 1987, or an increase of 9.9 percent.

—Public authorities will receive a package of 5.589 million dinars, of which the Chamber of Deputies and Presidency of the Republic get 46.6 percent.

Equipment Budget

The maximum total of payment appropriations applying to Title II of the state will reach 1,118 million dinars during the year 1988, compared to 1,079.5 million dinars in 1987, or an increase of 3.6 percent. The apportionment of this budget is as follows:

—Direct investments for the year 1988 will reach 331 million dinars, a total that will be allocated on the basis of 107.5 million dinars for national defense, 72.53 million dinars for equipment and housing, 51.3 million dinars for agriculture and agricultural food processing, 41.15 million dinars for education, and 17.5 million dinars for public health.

—Financial operations will consume 337 million dinars, a sum affecting in particular the Ministries of National Economy (106.411 million dinars), Transport and Tourism (87.559 million dinars) and Planning (57.375 million dinars).

The principal of the public debt, for which the total to be repaid during 1988 will reach 450 million dinars, compared to 408 million dinars in 1987, or an increase of 10.3 percent.

Annex Budgets

For the year 1988, the total of expenditure allocations for operation of state services of industrial and commercial nature, provided in an annex budget, reaches 132.912 million dinars, a total that will be divided 122.4 million dinars to PTT and 10.512 million dinars for RTT. Of this overall total 78.312 million dinars will be used to cover the current expenses of these two departments, and the rest, 54.6 million dinars, will serve as the Title I contribution to Title II.

In regard to the capital budget, 56.025 million dinars in payment allocations will go to these services, a package that will be divided 35.925 million dinars for direct investments and 20.1 million dinars for repayment of principal of the PTT debt.

Chamber of Deputies

Operating Budget

Current expenditures of the Chamber of Deputies for the year 1988 will be 2.329 million dinars, an increase of 9 percent, or the equivalent of 193,000 dinars compared to the preceding year. As in the previous years, the largest expenditure is payment of the salaries of the president of the Chamber and the deputies, whose total (1.21 million dinars) increases by 10.7 percent, compared to a drop of 0.3 percent the preceding year. The rest of the current expenditures of the Chamber of Deputies, 1.129 million dinars, is allocated as follows: 550,000 dinars (+1.3 percent compared to 1987) for personnel salaries, 305,000 dinars (+9.3 percent) for purchase of supplies and reimbursement of mission expenses, 244,000 dinars (+10.4 percent) to pay expenses for keeping the records of the Chamber, and, finally, 20,000 dinars for the state's direct and indirect activities in the social and cultural realms.

[Chamber] Operating Budget	1986	1987	1988	Percentage change	
(Current expenditures)				1986/87	1987/88
Total in million dinars	2.1	2.135	2.329	+1.7	+9.0

Equipment Budget

Equipment expenditures of the Chamber of Deputies for the 1988 budget year were set at 250,000 dinars, compared to 90,000 dinars for 1987, or about a 178-percent increase. The large rise, involving mainly new projects, affects both administrative construction and equipment. In regard to the administrative construction, a package of 140,000 dinars was allocated to finance modernization of electrical installations and renovation operations and various equipment. As for the category administration equipment, this involves a total of 110,000 dinars, which will enable introduction of computer technology into the services of the Chamber of Deputies (80,000 dinars) and purchase of vehicles (30,000 dinars).

[Chamber] Equipment Budget	1986	1987	1988	Percentage change	
(Direct investments)				1986/87	1987/88
Total in thousand dinars	236	90	250	-62	+178

Presidency of the Republic

Operating Budget

For the year 1988, current expenditures of the Presidency of the Republic will increase to 3.898 million dinars, an increase of 3 percent, or the equivalent of 115,000, compared to the preceding year. As for the

previous years, three expenditure categories are noteworthy under these management allocations. First, the direct and indirect activities of the Presidency in the social and cultural fields, with a package of 1.570 million dinars (10,000 dinars less than in 1987). The second important expenditure is special state expenses, whose total increases to 1.075 million dinars compared to 1.043 million dinars in 1987. As for the third important expenditure, it is payment of salaries of Presidency personnel, supply purchases and mission costs, totaling 1.253 million dinars compared to 1.160 million dinars in 1987, or an increase of 93,000.

[Presidency] Operating Budget	1986	1987	1988	Percentage change	
(Current expenditures)				1986/87	1987/88
Total in million dinars	3.72	3.783	3.898	+1.6	+3.0

Equipment Budget

Equipment expenditures of the Presidency of the Republic for the year 1988 were set at 305,000 dinars, compared to 325,000 dinars in 1987, or a decrease of 20,000 dinars (-6.2 percent). The breakdown of this budget by expenditure category shows that the presidential palaces receive more than 67 percent of all the Title II allocations for the department, or 205,000, a decrease of 54,000 dinars compared to 1987. The rest of this budget will go to finance a new category, that is, administration equipment, for a total of 100,000 dinars. We should also point out that the state's Title II budget does not provide any allocations for construction of statues and commemorative monuments for 1988.

[Presidency] Equipment Budget	1986	1987	1988	Percentage change	
(Direct investments)				1986/87	1987/88
Total in thousand dinars	537	325	305	-39.5	+11

Prime Minister

Operating Budget

The operating budget of the prime minister for 1988 was set at 15.919 million dinars, an 11-percent increase compared to the preceding year. Of this large package, 38.7 percent will go for the salaries of non-civil servant workers (6.168 million dinars), 20.5 percent for management subsidies for establishments under supervision of the prime minister (3.269 million dinars), 18.4 percent for the salaries of personnel of the department, 13 percent for the state's direct and indirect activities in the economic, social and cultural realms (2.066 million dinars), 7.1 percent for supplies purchases and reimbursement of mission costs, and 2.3 percent for special state expenses.

[Prime Minister] Operating Budget	1986	1987	1988	Percentage change	
(Current expenditures)				1986/87	1987/88
Total in million dinars	13.58	14.339	15.919	+5.6	+11.0

Equipment Budget

For 1988, the prime minister's equipment budget will be 200,000 dinars compared to 202,000 dinars in 1987, or a decrease of 1 percent.

Composed exclusively of "direct investments" category, this budget will finance projects underway (110,000 dinars) and new projects (90,000 dinars). The projects underway refer to the development work on the new headquarters of the Economic and Social Council (70,000 dinars), of Dar El Maghreb (20,000 dinars), the prime minister's office (10,000 dinars), and equipment of the documentation service. The new projects are renovation of the prime minister's office, equipment of the new headquarters of the Economic and Social Council, and purchase of vehicles and equipment for the prime minister's office.

[Prime Minister] Equipment Budget (Direct investments)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Total in 1,000 dinars	230	202	200	-12.4	-1.0

Ministry of Interior

Operating Budget

Current expenditures of the Interior Ministry for 1988 have been set at 190.846 million dinars. This is an increase of 3.6 percent compared to 1987, resulting both from adjustments in response to needs (2.464 million dinars) and particularly from new measures (4.272 million dinars).

The apportionment of this budget by category reveals, as for the previous years, the greater share going to the wages bill (105.567 million dinars, or 55.3 percent of the total), 1.6 percent larger than in the preceding year. The other half of the budget (44.3 percent) will pay for purchase of supplies and reimbursements of mission expenses (17.706 million dinars, or +17.6 percent compared to 1987), subsidies for management of state-sponsored public establishments (8.833 million dinars, or +6.2 percent), special state expenses (869,000 dinars compared to 809,000 dinars in 1987), and direct state activities in the social field (371,000 dinars compared to 1.081 million dinars) and particularly in the economic field (57.5 million dinars compared to 55 million dinars).

Operating Budget (Current expenditures)	1987	1988	Percentage change	
			1987/88	
Total in million dinars	184.110	190.846	+3.6	

Equipment Budget

For 1988, the equipment budget of the Interior Ministry will total 18.587 million dinars, of which 11.34 million dinars will be for direct investments, 2.247 million dinars for financial operations relating to the National Police Officer Housing Office, and 5 million dinars for the loans and aid fund for local communities.

Compared to the 1987 budget, this budget is an increase of 17 percent, or the equivalent of 2.787 million dinars.

In regard to direct investments, more than 69 percent of the allocations to the department will go for internal security infrastructure and equipment, about 15 percent to regional and local administration projects, 5 percent to training projects, and the rest to general administration construction and equipment projects.

As for the financial operations, they include the investment program of the housing office of active officers of the department, and for this the state budget sets aside in 1988 the sum of 2.247 million dinars, compared to 300,000 dinars in 1987 and 400,000 dinars in 1986.

They also include the investment program of municipalities, especially the most disadvantaged, to be carried out through the loans and aid fund for local communities, which will receive for this a package of 5 million dinars from the state budget in 1988.

Operating Budget (Direct investments plus financial operations)	1987	1988	Percentage change	
			1987/88	
Total in million dinars	15.8	18.587	+17.0	

Ministry of Justice

Operating Budget

For 1988, current expenditures of the Ministry of Justice have been set at 15.35 million dinars, an increase of 2.8 percent compared to the preceding year. The explanation of this increase is both adjustment operations in response to needs (+305,300 dinars) and new measures (+111,700 dinars).

As in previous years, the largest expenditure of this department is personnel salaries (13.347 million dinars, or 87 percent of this whole budget).

Compared to 1987, this total is a 2.4-percent increase or equivalent to 310,000 dinars. As for the rest of the budget, it goes for purchase of supplies and reimbursement of mission expenses (1.854 million dinars), subsidies for management of state-sponsored public establishments (70,000 dinars), special state expenses (50,000 dinars), and direct and indirect activities in the social and cultural fields (29,000 dinars).

[Justice]	1986	1987	1988	Percentage change	
Operating Budget				1986/87	1987/88
(Current expenditures)					
Total in million dinars	14.085	14.933	15.35	+6.0	+2.8

Equipment Budget

Composed exclusively of the "direct investments" category, the equipment budget of the Ministry of Justice will increase in the 1988 budget year to 1.4 million dinars compared to 1.19 million dinars in 1987, or an increase of 17.6 percent or the equivalent of 210,000 dinars. Of this budget, 84.6 percent will be devoted to projects underway (1.185 million dinars), including in particular expansion of the Tunis Law Courts, the South Tunis Court, and the Gafsa Court. It also includes data processing management in the ministry, and acquisition of the land and loans necessary for ministry inquiries. As for the new projects, they primarily involve data processing management of the ministry, equipment for the courts, vehicles purchase, and various equipment.

[Justice]	1986	1987	1988	Percentage change	
Equipment Budget				1986/87	1987/88
(Direct investments)					
Total in million dinars	1.168	1.190	1.4	+1.9	+17.6

Ministry of National Defense

Operating Budget

Current expenditures of the Ministry of National Defense for 1988 will be 120.835 million dinars, an increase of 7 percent or the equivalent of 8.008 million dinars compared to 1987. This increase, which is slightly larger than that in the previous year (+6.7 percent), is the result of adjustment operations in response to needs (6.208 million dinars) and new measures (1.8 million dinars).

The largest expenditure of this department is salaries, with a total reaching 86.326 million dinars, 71.4 percent of total current expenditures of the ministry, and an increase of 6.8 percent compared to 1987. The second largest expenditure is purchase of supplies and reimbursement of mission expenses (31.068 million dinars, or +7.4 percent compared to the past year). The remainder of the budget will go for direct and indirect state activities in the social and cultural fields (2.317 million dinars, or +12.2 percent), management subsidies to state-sponsored public establishments (1.048 million dinars compared to 968,000 dinars in 1987), and special state expenses (76,000 dinars).

[Defense]	1986	1987	1988	Percentage change	
Operating Budget				1986/87	1987/88
(Current expenditures)					
Total in million dinars	105.7	112.827	120.835	+6.7	+7.0

Equipment Budget

The equipment budget for the Ministry of National Defense for 1988 is set at 107.5 million dinars, compared to 135 million dinars in 1987, or a decrease of 20.4 percent. Composed exclusively of the "direct investment" category, this budget is divided 89.8 percent to projects underway and 10.2 percent for new projects.

Overall, this budget will finance a package of 98.92 million dinars' worth of military equipment, 92 percent of the total. The rest of the funds will finance military infrastructure (8.58 million dinars).

[Defense]	1986	1987	1988	Percentage change	
Equipment Budget				1986/87	1987/88
(Direct investments)					
Total in million dinars	115.8	135	107.5	+16.6	-20.4

Ministry of Foreign Affairs

Operating Budget

Current expenditures of the Ministry of Foreign Affairs will be 30.609 million dinars for 1988, an increase of 4.1 percent or the equivalent of 1.209 million dinars compared to the preceding year.

This increase is caused primarily by adjustments in response to needs. The budget distribution by category reveals that this department's largest expenditure is subsidies for management of public establishments (Tunisia's representations abroad) for a total of 20.120 million dinars (65.7 percent of the total) compared to 19.240 million dinars in 1987, or an increase of 4.5 percent. The rest of the budget will go to pay salaries of department personnel (2.785 million dinars), purchase of supplies and for reimbursement of mission expenses (2.999 million dinars), direct and indirect state activities in the social and cultural fields (361,000 dinars), special state expenses (294,000 dinars), and, in particular, state participation in the budgets of international organizations (4.05 million dinars).

Operating Budget	1986	1987	1988	Percentage change	
(Current expenditures)				1986/87	1987/88
Total in million dinars	28.95	29.4	30.609	+1.5	+4.1

Equipment Budget

The equipment budget (direct investments) of the Ministry of Foreign Affairs for 1988 has been set at 2.5 million dinars, a decrease of 5.9 percent compared to the previous year. We should note that the budget increased by 26 percent in the preceding year.

These direct investments, 77.9 percent for projects underway and 22.1 percent for new projects, will mainly finance equipment programs for Tunisian embassies and consulates abroad (2.4 million dinars, or 96 percent of the total), including purchase of a location for the

Tunisian Embassy in Washington for 1,174,600 dinars, a residence in Rome for 258,300 dinars, construction of a building for the Tunisian Embassy in Riyadh, Saudi Arabia, for 140,000 dinars, and furnishing and equipment of Tunisian representations abroad and purchase of vehicles for them. Also, 100,000 is allocated for construction and equipment projects of the department administration.

Equipment Budget	1986	1987	1988	Percentage change	
(Direct investments)				1986/87	1987/88
Total in million dinars)	2.1	2.657	2.5	+26.0	-6.0

Ministry of National Economy

Operating Budget

Current expenditures of the Ministry of National Economy for 1988 have been set at 14.685 million dinars, compared to 20.022 million dinars in 1987, or a decrease of 26.6 percent or the equivalent of 5.337 million dinars.

The division of this budget by expenditure category reveals dominance of the wage bill, with a total of 3.486 million dinars, compared to 3.315 million dinars in 1987, or an increase of 5.2 percent. The second major expenditure category is subsidies for management of state-sponsored public establishments for a total of 8.416 million dinars, a decrease of more than 34 percent compared with 1987. The rest of current expenditures is for purchase of supplies and reimbursement for mission expenses (992,000 dinars, or +6.4 percent compared to

1987), direct and indirect state activities in the economic field (1.6 million dinars, or -44.8 percent compared with 1987), and special state expenses, which will be 190,000 dinars in 1988.

Also, this department has allocated a package of 197.5 million dinars in subsidies for the Treasury Special Funds, with 188 million dinars going to the Equalizing Fund and 9.5 million dinars for the Exports Promotion Fund.

Categories	1987 (million dinars)	1988	Percentage change
Department current expenditures	20.022	14.685	-26.6
Allocations to Treasury special funds	197	197	+0.3
Total	217.022	212.185	-2.2

Equipment Budget

The equipment budget of the Ministry of National Economy for 1988 is set at 106.671 million dinars, an increase of 6.5 percent compared to 1987. Almost all this budget is devoted to financial operations (106.411 million dinars), or 99.75 percent of the total; while the department's direct investments total only 260,000 dinars, which will be used to modernize the equipment of the Central Laboratory (75,200 dinars) and to purchase vehicles and supplies for the checking and weights and measures services.

As for the financial operations, the state-sponsored enterprises will receive allocations in the form of investment credits (20.868 million dinars), loan extensions (11.791 million dinars), production and rehabilitation subsidies (8.513 million dinars), capital participation (34.603 million dinars), and credits that could take the form of capital participation (30.636 million dinars). The following table shows the distribution of these payment appropriations by enterprises.

Enterprises	Year 1988 (thousand dinars)				Year 1987 (thousand dinars)
	Investment	Production and rehabilitation	Capital participation	Total	
(Payment allocations)					
Gafsa Phosphates Company (CPG)	-	4,200	33,200	37,400	21,500
Tunisian Mining Development Company (SOTEMI)	313	3,732	-	-4,045	4,550
North West Mining Company	1,284	581	-	1,865	2,861
National Mines Office (ONM)	2,185	-	-	2,185	2,430
Tunisian Petroleum Activities Enterprise ETAP)	11,900	-	-	11,900	17,000
Energy Control Agency	800	-	-	800	-
South Chemical Industries Development Company (SDICS)	-	-	650	650	900
Phosphoric Acid and Fertilizer Manufacturing Company (SIAPE)			6,254	6,254	-
Gafsa Chemical Industry (ICG)			2,711	2,711	-
Maghreb Chemical Industry (ICM)			4,118	4,118	-
Arab Nitrogenous Phosphated Fertilizers Company (SAEPA)			16,903	16,903	-
Tunisian-Algerian White Cement Company (SOTACIB)			653	653	1,890
Engineering and Ship Building Company (SOCOMENA)	500			500	500
Maghreb Diesel Engines Company			750	750	1,500

Enterprises (Payment allocations)	Year 1988 (thousand dinars)			Total	Year 1987 (thousand dinars)
	Investment	Production and rehabilitation	Capital participation		
National Handicrafts Office (ONA)	400	-	-	400	374
Industry Promotion Agency (API)	2,847			2,847	4,647
Industrial Decentralization and Promotion Fund (FOPRODI)	3,400			3,400	6,000
National Handicrafts and Small Trades Fund	7,500			7,500	7,500
Mechanical and Electrical Industry Technical Center (CETIME)	615			615	562
Ceramic and Glass Production Materials Technical Center	200			200	200
National Leather and Footwear Center (CNCC)	110			110	92
National Standardization Institute (INNOPRI)	120			120	155
Exports Promotion Center (CEPEX)	485			485	340
Total	32,656	8,513	65,239	106,411	73,001

Ministry of Planning

Operating Budget

Current expenditures of the Ministry of Planning for 1988 have been set at 6.758 million dinars.

The breakdown of this package by category shows that the department's largest expenditure is on indirect state activity in the economic field, 5.168 million dinars for 1988, or 76.5 percent of the total. This package in turn is divided into 2.25 million dinars of subsidy to the General Commission for Regional Development and National Planning (COGEDRAT), 1.77 million dinars for the INS, 630,000 dinars for the IEQ, and 518,000 dinars for the ODS. The remaining 23.5 percent of the budget will go for the wage bill of department personnel (1.044 million dinars), purchase of supplies and reimbursement of mission expenses (405,000 dinars), special state expenses (74,000 dinars), management subsidy to state-sponsored public establishments (50,000 dinars: a sum that will go to the statistic school) and direct and indirect state activities in the social and cultural field (17,000 dinars).

Equipment Budget

The 1988 equipment budget for the Ministry of Planning has been set at 57.948 million dinars, of which 99 percent goes to financial operations (57.375 million dinars) and 1 percent to direct investments (573,000 dinars). About 70 percent of the latter package is for the annual meeting of the Islamic Development Bank (BID).

As for the financial operations, they involve, on the one hand, the investment programs of the General Commission for Regional Development and National Planning, 54.850 million dinars, and the Southern Development Office, 190,000 dinars; and, on the other, the state participation in the capital of the African Development Bank (1.446 million dinars), the IBRD (546,000 dinars), the IFC (183,000 dinars), the Arab Planning Institute (60,000 dinars), and the Arab Investment and Agricultural Development Organization (100,000 dinars).

Equipment Budget	1987	1988	Percentage change
(Capital expenditures in million dinars)			
Direct investments	0.590	0.573	-2.9
Financial operations	62.813	57.375	-8.7

Ministry of Finance

Operating Budget

The current expenditures of the Ministry of Finance for 1988 have been set at 32.732 million dinars, for the department's administration. This package will go mainly for payment of personnel salaries, a total of 25.752 million dinars, or 78.7 percent of the total. The remaining 21.3 percent will go for purchase of supplies, administrative management, and reimbursement of mission costs, 4.145 million dinars, special state expenses, 103,000 dinars, and direct and indirect activities in the economic, social and cultural fields, 2.732 million dinars.

In addition to these current expenditures, the Ministry of Finance also handles the interest on the public debt, subsidies to the special funds and cooperation funds, the joint charges, and particularly the contribution to Title I and Title II, also called the budgetary saving.

- Interest on the debt will reach 256 million dinars in 1988, an increase of about 10 percent, or the equivalent of 23 million dinars compared to 1987.
- Subsidies to the Treasury Special Funds total 30.3 million dinars for the 1988 budget year, compared to 34.2 million dinars in 1987, or a decrease of 11.4 percent.
- The common charges for 1988 increase to 57.9 million dinars, of which 81 percent is for estimated credit. This package is an increase of 46.6 percent, or the equivalent of 18.4 million dinars, compared to 1987.
- The budget's contribution to capital (Title I to Title II) has been set at 518 million dinars for 1988 compared to 529.5 million dinars in 1987, a decrease of 11.5 million dinars (-2.2 percent).
- Thus, this department will manage an overall sum of 894.932 million dinars in 1988, or about 40 percent of Title I.

Allocation (Total in million dinars)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Financial administration	34.843*	38.112*	32.732	+9.4	
Treasury Special Funds allocation	-	34.2	30.3		-11.4
Interest on debt	189.2	233	256		+9.9
Common charges	40	39.5	57.9		+46.6
Budgetary saving	487.5	529.5	518		-2.2
Total	751.543*	874.312*	894.932		

*Including administration of Plan.

Equipment Budget

The equipment budget for the Ministry of Finance for 1988 will be 4.383 million dinars, of which 2.927 million dinars will go to direct investments and 1.456 million dinars to financial operations. The direct investments package of 2.927 million dinars for 1988, an increase of 18.6 percent compared to 1987, will be divided 1.973 million dinars for the Customs Service Administration, which will use it to buy fast patrol boats and transmission equipment, and for construction of a regional customs administration in Tunis; 722,000 dinars for the Administration of Finance, and the rest for various construction and equipment.

The 1.456 million dinars for financial operations will cover repayment of loans of the National Housing Savings Fund (CNEL).

Finally, it is noted that this department also handles the principal of the public debt, which totals 450 million dinars for 1988 compared to 408 million dinars in 1987, or an increase of 10.3 percent or 42 million dinars.

Allocation (million dinars)	1987	1988	Percentage change
Direct investments	2.467	2.927	+18.6
Financial operations	-	1.456	
Repayment of public debt principal	408	450	+10.3

Ministry of Agricultural Production and Food Processing Industries

Operating Budget

Current expenditures of the Ministry of Agricultural Production and Food Processing Industries for 1988 will be 17.013 million dinars, an increase of 5.5 percent or the equivalent of 888,000 dinars compared to 1987.

Equipment Budget (Capital expenditures in million dinars)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Direct investments	5.423	5.06	5	-6.7	-1.2
Financial operations	28.7	24.635	21.21	-14.2	-13.9
Total equipment budget	34.123	29.695	26.21	-13	-11.7

The breakdown of this budget by category shows three major expenditures for this department. The first is operating subsidies for state-sponsored public establishments, 5.8 million dinars, an increase of 25 percent compared to 1987. The second major expenditure is direct and indirect activities in the economic field, 5.757 million dinars, a decrease of 11.8 percent compared to 1987. The third major expenditure is the personnel wage bill, a package of 4.58 million dinars (+8.2 percent compared to 1987). The rest of this budget will go to purchase supplies and repayment of mission transport expenses, 710,000 dinars (+15.6 percent), the minister's allowance, and remuneration of the cabinet members (116,000 dinars compared to 62,000 dinars in 1987), and the direct and indirect state activities in the social and cultural field, 50,000 dinars.

	1987	1988	Percentage change
Operating budget (Current expenditures)			
Total in million dinars	16.125	17.013	+5.5

Equipment Budget

The equipment budget for the Ministry of Food Processing Production has been set at 26.210 million dinars, of which 81 percent will go for financial operations (21.21 million dinars) and 19 percent to direct investments (5 million dinars). The budget is an 11.7-percent decrease compared to the preceding budget, a decrease smaller than the previous year (-13 percent).

The direct investments package of 5 million dinars will go mainly to finance investment in plant production (1.9 million dinars) and to a lesser degree, particularly animal production, sea fishing and development of various agricultural production.

The financial operations include investment programs of the state-sponsored companies and offices (18.596 million dinars), including, in particular, the special agricultural development fund (15.5 million dinars) and the grain office (1.4 million dinars), also, production and rehabilitation subsidies, 2.614 million dinars, that apply exclusively to the grain office and the office of animal development and transportation improvement.

Ministry of Agriculture

Operating Budget

The operating expenditures of the Ministry of Agriculture for 1988 will be 73.347 million dinars, an increase of 1.25 percent or the equivalent of 905,000 dinars compared to 1987. This slight increase is the result of adjustments in response to needs, 680,000 dinars, and new measures, 225,000 dinars. Breakdown of this budget by category shows that the largest expenditure is the personnel wage bill, 48.629 million dinars, 66.3 percent of the total. The second largest category is direct and indirect state activities in the economic field (15.397 million dinars, an increase of 3.06 percent compared to 1987).

The rest of this budget will go to pay for management subsidies for public establishments, 5.401 million dinars, purchase of supplies and reimbursement of transport and mission expenses, 3.655 million dinars (+5.3 percent), direct and indirect activities in the social and cultural field, 185,000 dinars, and special state expenses (80,000 dinars). It should be noted that the major part of the state's direct and indirect activities in the economic field involve grants to the offices (14.279 million dinars).

Equipment Budget (Current capital expenditures, million dinars)	1986	1987	1988	Percentage change	
Direct investments	45.71	39.79	46.3	-13	+16.4
Financial operations	28.529	27.816	29.345	-2.5	+5.5
Total equipment budget	74.239	67.606	75.645	-8.9	+11.9

Ministry of Information

Operating Budget

The current expenditures of the Ministry of Information for 1988 will be 6.514 million dinars, a decrease of 10.2 percent compared to 1987. This decrease results from adjustment in response to needs, and involves in particular the balancing subsidy for the RTT operating budget (-22.3 percent).

The breakdown of this budget by category reveals, as in previous years, the considerable funds going as balancing subsidy to the RTT supplementary budget (2.987 million dinars, or 45.9 percent of the total). As for the rest of this budget, it will go to finance direct and indirect state activities in the social and cultural field, 1.77 million dinars (+3.1 percent compared to 1987), personnel salaries, 1.032 million dinars (+4.6 percent), purchase of supplies and reimbursement of transport and mission expenses, 414,000 dinars (-1.4 percent), paying the operating subsidy for public establishments, 235,000 dinars (+6.3 percent), and also paying the minister's allowance and remuneration of the cabinet members, 76,000 dinars.

Operating Budget	1986	1987	1988	Percentage change	
(Current expenditures)				1986/87	1987/88
Total in million dinars	85.82	72.442	73.347	-15.6	+1.25

Equipment Budget

The equipment budget of the Ministry of Agriculture for 1988 has been set at 75.645 million dinars, of which 61.2 percent goes to direct investments (46.3 million dinars) and the rest, 38.8 percent, to financial operations (29.345 million dinars). This budget is an increase of about 12 percent compared to 1987, affecting direct investments (+16.4 percent) much more than financial operations (+5.5 percent).

The main payment allocations for direct investment will be rural engineering, 13.23 million dinars; large-scale agricultural water projects, 10.183 million dinars; forests, 7.22 million dinars, and, to a lesser degree, work of the CES's, water resources, and others. As for the financial operations, they will involve financing investments of state-sponsored companies and offices, including SONEDE (13.5 million dinars), OMVVM (2.8 million dinars), and the Central Tunisia Office (1.975 million dinars).

[Information] Operating Budget (Current expenditures)	1986	1987	1988	Percentage change	
Total in million dinars	7.28	7.26	6.514	-0.27	-10.2

[Information] Operating Budget (Current expenditures)	1986	1987	1988	Percentage change	
Total in million dinars	7.28	7.26	6.514	-0.27	-10.2

Equipment Budget

The 1988 equipment budget of the Ministry of Information will be 1.655 million dinars, a majority of which will go to direct investments and only 100,000 dinars to financial operations, all to the TAP Agency.

Compared to 1987, this total budget shows a decrease of 8.3 percent, or the equivalent of 150,000 dinars. In regard to direct investments, the proposed payment allocations will go mainly to various department operations (1.425 million dinars, compared to 1.6 million dinars in 1987), that is, the RTT supplementary equipment budget. The rest of the payment allocations will finance studies, projects and documents, 67,000 dinars, compared to 86,000 dinars in 1986, and especially the department's construction and equipment programs, 61,000 dinars, compared to 17,000 dinars in 1987.

As for financial operations, the funds will go to TAP Agency (100,000 dinars), which will in turn spend to purchase transmission and receiving equipment, 53,000 dinars, transportation supplies, 15,000 dinars, and investment in the information field, 25,000 dinars.

[Information] Equipment Budget (Capital expenditures, million dinars)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Direct investments	1.683	1.705	1.555	+1.3	-8.8
Financial operations	0.27	0.1	0.1	-63	-
Total equipment budget	1.953	1.805	1.655	-7.6	-8.3

Ministry of Transport and Tourism

Operating Budget

The 1988 operating budget of the Ministry of Transport and Tourism will be 37.065 million dinars, an increase of 85 percent compared to the preceding year. This large increase is explained mainly by operations of adjustment in response to needs, and amounts to 16.92 million dinars.

This supplementary package is allocated to direct and indirect state activities in the economic field: it is mainly the result of inclusion of current expenditures of the ONTT [National Office of Tourism and Thermal Springs] and the subsidy to the compensation fund and improving road transport.

Also, more than 77 percent of this budget is allocated to direct and indirect state activities in the economic field, or 28.643 million dinars, compared to 8.164 million dinars in 1987. As for the other part of this budget, it will be used for payment of the personnel wage bill (3.602 million dinars), operating subsidies to public establishments (3.027 million dinars), purchase of supplies and reimbursement of transport and mission expenses (606,000 dinars), direct and indirect state activities in the social and cultural field (1.113 million dinars), and finally the minister's allowance and remuneration of cabinet members.

[Transport] Equipment Budget (Equipment expenditures in million dinars)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Direct investments	0.945	0.9	1.25	-4.8	+38.9
Financial operations	65.465	76.857	87.559	+17.4	
Total equipment budget	66.41	77.757	88.809	+17.1	

Ministry of Supplies and Housing

Operating Budget

Current expenditure of the Ministry of Supplies and Housing for 1988 has been set at 31.708 million dinars, compared to 28.36 million dinars in 1987, an increase of 11.8 percent. The reason for this increase is entirely adjustment operations in response to need.

The breakdown of this budget by category shows that the largest expenditure is the personnel wage bill, with a total of 17.162 for 1988, more than 54 percent of this budget. The balance of these current expenditures is composed of direct and indirect state activities in the economic field (8.113 million dinars, or an increase of 58.8 percent or the equivalent of 3 million dinars compared to 1987), direct and indirect activities in the social and cultural field (1.252 million dinars), subsidies to offices (3.103

Operating Budget (Current expenditures) Total in million dinars	1987	1988	Percentage change	
			1986/87	1987/88
	20.028	37.065		+85.1

Equipment Budget

For 1988, equipment expenditures of the Ministry of Transport and Tourism will be 88.809 dinars, most of which (98.6 percent) is for financial operations, while direct investments account for only 1.4 percent of the total.

Thus, the bulk of the budget is devoted to financial operations, 87.559 million dinars for 1988.

These funds are for the most part intended for investment programs and the production and rehabilitation subsidy for SNCFT [Tunisian National Railroad Company] (41.468 million dinars) and the ONTT investment programs (28 million dinars). They are also intended for the Light Metro Company of Tunis (11.868 million dinars), SNT [National Transport Company] (2.486 million dinars), and OPNT (3.737 million dinars).

Direct investments will receive a package of 1.25 million dinars (increase of 39 percent compared to 1987), which will be devoted specifically to meteorology (476,000 dinars), ground transport (330,000 dinars), air and sea transport (301,000 dinars), and training and equipment of the department administration.

million dinars), operating subsidies to public establishments (15,000 dinars), and the minister's allowance and remuneration of the cabinet members.

[Supplies, Housing] Operating Budget (Current expenditures) Total in million dinars	1986	1987	1988	Percentage change	
				1986/87	1987/88
	26.257	28.36	31.708	+8	+11.8

Equipment Budget

The equipment budget of the Ministry of Supplies and Housing for 1988 has been set at 85.13 million dinars, of which 72.53 million dinars or 85.2 percent is for direct investments and 12.6 million dinars or 14.8 percent for financial operations. This package is a decrease of 7.4 percent compared to 1987 or the equivalent of 6.762 million dinars..

In regard to direct investments, the payment allocations for 1988 are 28.54 million dinars for bridges and high-

ways, 21.31 million dinars for water projects, 11.55 million dinars for maritime ports, 4.73 million dinars for urban water projects, 4.3 million dinars for urban planning, 1.75 million dinars for airports, and 350,000 dinars for the department's construction and equipment programs.

[Supplies, Housing] Equipment Budget (Capital expenditures in million dinars)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Direct investments	98.6	73.91	72.53	-25	-1.9
Financial operations	28.338	17.982	12.6	-36.5	-29.2
Total equipment budget	126.938	91.892	85.13	-27.6	-7.4

Ministry of Public Health

Operating Budget

Current expenditures of the Ministry of Public Health for 1988 will be 168.7 million dinars, an increase of 9.5 percent or the equivalent of 14.637 million dinars.

More than 75 percent of this budget is devoted to the personnel wage bill, a total of 127.128 million dinars in 1988, compared to 120.42 million dinars in 1987 (+5.6 percent). The rest of the budget is allocated mainly for operations subsidies of state-sponsored public establishments, 35.088 million dinars, or an increase of 23 percent or the equivalent of 6.7 million dinars compared to 1987, and to a lesser degree to subsidies to offices (4.016 million dinars, or +44.1 percent compared to 1987), purchase of supplies and reimbursements of transport and mission expenses (1.195 million dinars, or +1.5 percent), direct and indirect activities in the economic, social and cultural field (1.205 million dinars), and for the minister's allowance and remuneration of cabinet members (68,000 dinars compared to 87,000 dinars in 1987).

[Public Health] Equipment Budget (Capital expenditures in million dinars)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Direct investments	18.6	18.3	17.5	-1.6	-4.4
Financial operations	0.915	1.265	1.901	+38.3	+50.3
Total equipment budget	19.515	19.565	19.401	+0.3	-0.8

Ministry of Education, Teaching and Scientific Research

Section I: National Education

Operating Budget

The current expenditures for 1988 of the Ministry of Education, Teaching and Scientific Research "Section I: National Education" will be 353.459 million dinars, an increase of 5.8 percent or the equivalent of 19.414 million dinars compared to 1987.

[Education] Operating Budget (Current expenditures)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Total in million dinars	304.3	334.045	353.459	+9.8	+5.8

The financial operations will finance investment programs for ONAS [National Public Sanitation Office], 11.15 million dinars, the Urban Development Agency, 1.3 million dinars, and the Topographical and Cartographic Office, 150,000 dinars.

[Public Health] Operating Budget (Current expenditures)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Total in million dinars	144	154.063	168.7	+7	+9.5

Equipment Budget

The equipment budget of the Ministry of Public Health for 1988 has been set at 19.401 million dinars, of which 55 percent is for projects underway and about 45 percent for new projects. This package, which is a slight decrease compared to 1987 (-0.8 percent) is divided 17.5 million dinars for direct investments and 1.901 million dinars for financial operations.

Direct investments of this department will be devoted mainly to health infrastructure (14.98 million dinars, a decrease of 8.3 percent compared to 1987). They will also go to preventive medicine, 1.34 million dinars, and construction and equipment programs of the department administration, 1.18 million dinars.

As for the financial operations, they will pay for the investment programs of the health spas office (761,000 dinars), the family and population office (300,000 dinars), and the Central Pharmacy of Tunisia (840,000 dinars).

About 95 percent of this budget will go for payment of personnel salaries, or 335.199 million dinars, an increase of 5.7 percent compared to 1987. The remaining 5 percent of the budget is allocated for purchase of supplies and reimbursement of transport and mission expenses (4.866 million dinars, or +7 percent), state direct and indirect activities in the economic, social and cultural field (3.52 million dinars) and the service allowance to the secretary of state and remuneration of staff members, 74,000 dinars.

Equipment Budget

Capital expenditure of the Ministry of Education, Teaching and Scientific Research "Section I: National Education" is set at 28.25 million dinars, of which 26.65 million dinars will go to direct investments and 1.6 million dinars to financial operations, an increase of 4.3 percent or the equivalent of 1,165,400 dinars compared to 1987.

In regard to direct investments, the package for 1988 (26.65 million dinars) is an increase of 6.2 percent compared to 1987. This package will enable financing of construction and equipment programs of the general administration, 1.2 million dinars, primary teaching 10.2 million dinars, and secondary teaching 15.33 million dinars. Of this package, 41.3 percent is for projects underway and 58.7 percent for new projects.

The financial operations are devoted entirely to the investment program of the housing office for department officers. They are a decrease of 20 percent from 2 million dinars to 1.6 million dinars between 1987 and 1988.

Equipment Budget (Capital expenditures in million dinars)	1987	1988	Percentage change
Direct investments	25.0846	26.65	+6.2
Financial operations	2	1.6	-20
Total equipment budget	27.0846	28.25	+4.3

Section II: Teaching and Scientific Research

Operating Budget

Current expenditures for 1988 of the Ministry of Education, Teaching and Scientific Research "Section II: Teaching and Scientific Research" will be 77.762 million dinars, compared to 74.268 million dinars in 1987, or an increase of 4.7 percent or the equivalent of 3.484 million dinars. This increase results from adjustment operations in response to needs, 1.216 million dinars, and particularly new measures, 2.278 million dinars.

The bulk of these current expenditures will be payment of the personnel wage bill (40.321 million dinars, or +6.3 percent compared to 1987), direct and indirect activities in the social and cultural field (13.972 million dinars, or -14 percent), operating subsidies of public establishments, 22.587 million dinars (+19 percent), and to a lesser degree purchase of supplies and reimbursement of transport and mission expenses (756,000 dinars, or -27.5 percent), and special state expenses (126,000 dinars compared to 67,000 in 1987).

[Education II] Operating Budget (Current expenditures)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Total in million dinars	67.6	74.268	77.762	+9.8	+4.7

Equipment Budget

The equipment budget for 1988 of the Ministry of Education, Teaching and Scientific Research "Section II: Teaching and Scientific Research" will be 14.5 million dinars, of which 12.8 million dinars will go to projects underway and 1.7 million dinars to new projects. Established in 1987, this budget shows an increase of 8.2 percent or the equivalent of 1.1 million dinars. Composed solely of the "direct investments" category, this budget will mainly finance higher education construction and equipment programs, 13.55 million dinars, an increase of 18 percent compared to 1987. The rest of this budget, about 6.6 percent of the total, will go for financing scientific research projects, 800,000 dinars (1.679 million dinars in 1987), and construction and equipment programs of the department administration, 150,000 dinars.

[Education II] Equipment Program (Capital expenditures in million dinars)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Direct investments	19.3	13.4	14.5	-30.6	+8.2

Ministry of Youth and Sports

Operating Budget

The operating budget of the Ministry of Youth and Sports has been set at 29.953 million dinars for 1988, an increase of 5.4 percent compared to 1987. This 1.554-million-dinars increase is due to adjustment operations in response to needs (+1.084 million dinars) and to new measures (470,000 dinars).

The major part of this budget, or 75.8 percent, will go for the personnel wage bill, a total of 23.637 million dinars for 1988 (+6.3 percent compared to 1987). The second major expenditure of this department is the operations subsidies to public establishments, 2.785 million dinars, an increase of 3.7 percent compared with 1987.

As for the rest of the budget, a major part is allocated to direct and indirect state activities in the economic field (475,000 dinars) and social and cultural fields (2.197 million dinars), and to a lesser degree to purchase of supplies and reimbursement of transport and mission costs (661,000 dinars) and special state expenses (98,000 dinars).

[Youth, Sports] Operating Budget (Current expenditures)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Total in million dinars	25.157	28.299	29.853	+12.5	+5.4

Equipment Budget

The equipment budget of the Ministry of Youth and Sports for 1988 will be 6.203 million dinars, of which 6 million dinars will go to direct investments and 203,000 to financial operations. The budget is an increase of 14.2 percent compared to 1987.

Under direct investments, of the 6 million dinars in payment allocations 60.4 percent will finance projects underway, including projects relating to sports, 1.52 million dinars; youth, 1,555 million dinars, including in particular construction and equipment of the Youth House in Tunis (Menzah VI) for 1.015 million dinars, and 39.6 percent will go for new projects, most of them related to sports (1.57

[Youth, Sports] Equipment Budget	1986
(Capital expenditures in million dinars)	
Direct investments	5.7
Financial operations	-
Total equipment budget	5.7

Ministry of Cultural Affairs

Current expenditures of the Ministry of Cultural Affairs for 1988 will be 15.929 million dinars, an increase of 3.9 percent compared to 1987. This increase, which amounts to 600,000 dinars, is due mainly to adjustment operations in response to needs.

Breakdown of this budget by category shows, as in previous years, the bulk going to the personnel wage bill (7.16 million dinars, or 45 percent of the total), an increase of 2.3 percent compared to 1987.

The second major expenditure is direct and indirect state activities in the social and cultural fields, an increase of 8.7 percent compared with 1987. There is also a third major expenditure, this time for operations subsidies to public establishments, 2.578 million dinars, a decrease of more than 3 percent compared to 1987. The rest of the budget will go for purchase of supplies and reimbursement of transport and mission expenses, 808,000 dinars (+12.4 percent compared to 1987).

[Culture] Operating Budget	1986	1987	1988	Percentage change	
(Current expenditures)				1986/87	1987/88
Total in million dinars	13.22	15.329	15.929	+16	+3.9

Equipment Budget

The equipment budget of the Ministry of Cultural Affairs for 1988 will be 3.1 million dinars, an increase of 47.6 percent or the equivalent of 1 million dinars compared to 1987.

Composed solely of the "direct investments" category, this budget will finance construction and equipment programs for the new national library, 555,000 dinars, and public libraries on the regional level, 305,000 dinars. The rest of these payment allocations will finance the construction and equipment programs of the administration, 490,000 dinars, and equipment of cultural centers, 868,000 dinars.

million dinars) and to a lesser degree youth (550,000 dinars) and training (110,000 dinars).

As for financial operations, they are directed exclusively at investment programs for the "Bourguiba" Sports City, 203,000 dinars, a package that will be allocated for the resort, water channeling and various development.

	1987	1988	Percentage change	
			1986/87	1987/88
	5.3	6	-7	+13.2
	0.13	0.203	-	+56.2
	5.43	6.203	-4.7	+14.2

[Culture] Equipment Budget	1986	1987	1988	Percentage change	
(Capital expenditures in million dinars)				1986/87	1987/88
Direct investments	2.141	2.1	3.1	-1.9	+47.6

Ministry of Social Affairs

Operating Budget

The current expenditures of the Ministry of Social Affairs for 1988 have been set at 46.850 million dinars, an increase of 26.2 percent or the equivalent of 9.735 million dinars compared to the preceding year. This increase is due to adjustment operations in response to needs, 1.677 million dinars, and also to new measures, 8.058 million dinars.

The breakdown of the budget by categories reveals, as every year, that the bulk goes to direct and indirect state activities in the social and cultural field, 36.042 million dinars, which will pay subsidies to state-sponsored offices, 18.159 million dinars, and for activities in the social field, 15.4 million dinars, an increase of more than 100 percent.

As for the other major expenditures of the department, they involve payments of the personnel wage bill, 8.355 million dinars (+6.9 percent compared to 1987), and, to a lesser degree, operations subsidies to public establishments, 1.301 million dinars, purchase of supplies and reimbursement of transport and mission expenses, 1.056 million dinars (+1.4 percent), and special state expenses, 96,000 dinars.

[Social] Operating Budget	1986	1987	1988	Percentage change	
(Current expenditures)				1986/87	1987/88
Total in million dinars	31.555	37.115	46.85	+17.6	+26.2

Equipment Budget

The equipment budget of the Ministry of Social Affairs for 1988 will be 3.998 million dinars, of which 3.5 million dinars will go to financial operations and 498,000 to direct investments. The overall budget is a decrease of 3.5 percent or the equivalent of 144,000 dinars.

In regard to direct investments, 75.5 percent of the proposed allocations will mainly finance construction and equipment programs of the administration, 376,000 dinars, and the rest will go for social affairs (122,000 dinars).

[Social] Equipment Budget (Capital expenditures in million dinars)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Direct investments	4.812	0.522	0.498	-89.2	-4.6
Financial operations	3.419	3.620	3.5	+5.9	-3.3
Total equipment budget	8.231	4.142	3.998	-49.7	-3.5

Ministry of Communications "Section I: Television Broadcasting"

Operating Budget

The current expenditures for "Section I: Television Broadcasting" for 1988 will be 3.104 million dinars, compared to 2.833 million dinars in 1987, or an increase of 9.5 percent or the equivalent of 271,000 dinars. This increase is due to adjustment operations in response to needs (217,500 dinars) and new measures (53,500 dinars).

The largest expenditure under "Section I: Television Broadcasting" is direct state activity in the economic field (1.9 million dinars), an increase of 15 percent or the equivalent of 248,000 dinars. It should be noted that this category mainly involves transmission and power equipment. The other expenditures include personnel salaries, 823,000 dinars, supply expenses and reimbursement of transport and mission expenses, 369,000 dinars, and, finally, 12,000 dinars for direct state activity in the social and cultural field.

[Communications] Operating Budget (Current expenditures)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Total in million dinars	2.91	2,833	3.104	-2.6	+9.5

Equipment Budget

Composed solely of the "direct investments" category, the equipment budget of the Ministry of Communications "Section I: Television Broadcasting" has been set at 1.6 million dinars, an increase of 12.7 percent or the equivalent of 180,000 dinars compared to 1987. Of this 87.8 percent will go to projects underway and the rest, 12.2 percent will go for new projects.

In regard to projects underway, the package of 1.405 million dinars will enable financing equipment necessary for radio and television operation, 250,000 dinars; the Channel II network, 158,000 dinars; the control and measuring equipment of the broadcast network and the satellite receiving station, 230,000 dinars; radio coverage in the extreme South and repair of equipment, 200,000 dinars; and television coverage in some areas of the country.

The financial operations will cover investment programs of the office of training and vocational development, 2.5 million dinars, compared to 2.8 million dinars in 1987, and the office of employment promotion and Tunisian workers abroad, 1 million dinars compared to 820,000 in 1987.

As for the new projects requiring investment, the 195,000 dinars will go mainly for radio and television operation equipment, 100,000 dinars, and purchase of vehicles, 80,000 dinars.

[Communications] Equipment Budget (Direct investments)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Total in million dinars	1,635	1,420	1.6	-13.1	+12.7

Supplementary Budget "Tunisian Radio-Television (RTT)"

Operating Budget

Current expenditures of the RTT for 1988 will be 10.512 million dinars, compared to 9.866 million dinars in 1987 or an increase of 6.5 percent. This increase is caused by adjustment operations in response to needs, 644,000 dinars, and new measures, 2,000 dinars.

As in the previous years, the largest expenditures are, first, the personnel wage bill (6.121 million dinars), 58.2 percent of the total, and, second, purchase of supplies (3.296 million dinars). The rest of the budget will go to finance operations subsidies to public establishments, 723,000 dinars; direct and indirect activities in the social and cultural field, 150,000; subsidies to international organizations, 144,000 dinars; and reimbursement of transport and mission expenses, 78,000 dinars.

[RTT] Operating Budget (Current expenditures)	1986	1987	1988	Percentage change	
				1986/87	1987/88
Total in million dinars	9.866	9.866	10.512		+6.5

Equipment Budget

The RTT equipment budget for 1988 has been set at 1.425 million dinars, compared to 1.6 million dinars in 1987, a decrease of 10.9 percent or the equivalent of 175,000 dinars.

Composed solely of direct investments, this budget will be divided with 1.145 million dinars for projects underway and 280,000 dinars for new projects. Overall, 655,000 dinars will go to television projects, 290,000 dinars to radio projects, 260,000 dinars to various equipment for radio and television, and 220,000 dinars for construction and equipment programs of the general

administration, including 120,000 dinars for purchase of vehicles.

[RTT] Operating Budget	1986	1987	1988	Percentage change	
(Capital expenditures in million dinars)				1986/87	1987/88
Direct investments	1.555	1.6	1.425	+2.9	-10.9

Supplementary Budget for Post, Telegraph and Telephone (PTT)

Current expenditures of the PTT for 1988 will be 122.4 million dinars, an increase of 8.3 percent or the equivalent of 9.4 million dinars compared to 1987. This large increase is due mainly to adjustment operations in response to needs, 9.38 million dinars, and only 20,000 dinars for new measures. About 45 percent of this budget represents the PTT contribution to Title II, or 54.6 million dinars, compared to 50.4 million dinars in 1987 (+8.3 percent).

The department's other expenses include the personnel wage bill, 38.149 million dinars for 1988, and increase of 0.8 percent compared to 1987, and direct state activity in the economic field, 13.84 million dinars (+20.9 percent). The rest of this budget will finance purchase of supplies and reimbursement of transport and mission expenses, 4.086 million dinars (+10.6 percent), direct state activity in the social and cultural field, 497,000 dinars (+75.6 percent), operations subsidies to state-sponsored public

[PTT] Equipment Budget	1986	1987	1988	Percentage change	
(Capital expenditures in million dinars)				1986/87	1987/88
Direct investments	25	33.481	34.5	+33.9	+3
Debt repayment	5.36	16.9	20.1	+215.3	+18.9
Total equipment budget	30.36	50.381	54.6	+65.9	+8.4

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establishments, 918,000 dinars (-12.8 percent), and special state expenses, 59,000 dinars. Also included in these current expenditures is debt repayment, 7.9 million dinars (+17 percent) and various and unforeseen expenses, 2.35 million dinars (+57.2 percent compared to 1987).

[PTT] Operating Budget	1986	1987	1988	Percentage change	
(Current expenditures)				1986/87	1987/88
Total in million dinars	102.5	113	122.4	+10.2	+8.3

Equipment Budget

The equipment budget of the PTT for 1988 will be 54.6 million dinars, of which 34.5 million dinars will go to direct investments and 20.1 million dinars to repayment of debt principal of the department. The overall budget is an increase of 8.4 percent compared to 1987, the equivalent of 4.2 million dinars.

In regard to direct investments, the 34.5-million-dinars package will finance projects underway, 26.105 million dinars, and new projects, 8.395 million dinars. Overall, this package will finance transmission projects, 30.05 million dinars, including the urban networks XIII, XII and XI, 5.386 million dinars; installation and expansion of electronic telephone exchanges, 3.532 million dinars; the ARABSAT ground station, 1.243 million dinars, etc. It will also finance construction and equipment programs of the administration, 1.47 million dinars, and post office equipment on national scale, 2.88 million dinars.