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INTERNATIONAL DEVELOPMENT ASSOCIATION

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REPORT AND RECOMMENDATION  
OF THE  
PRESIDENT  
TO THE  
EXECUTIVE DIRECTORS  
ON A  
PROPOSED DEVELOPMENT CREDIT  
TO  
THE REPUBLIC OF TUNISIA  
FOR A FISHERIES PROJECT

September 2, 1951

INTERNATIONAL DEVELOPMENT ASSOCIATION  
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ON A PROPOSED DEVELOPMENT CREDIT  
TO THE REPUBLIC OF TUNISIA  
FOR A FISHERIES PROJECT

1. I submit the following report and recommendation on a proposed development credit to the Republic of Tunisia for the equivalent of US\$2 million on standard terms to help finance a coastal fisheries project.

PART I - INTRODUCTION

2. The proposed credit would be the Bank Group's first operation in fisheries in Tunisia. The Bank began lending to Tunisia in 1962. It has been active in certain sectors such as transportation and education, with a view also to improving their institutions, stimulating industrial and tourism development through DFC loans and attempting to encourage the implementation of satisfactory economic policies. A summary statement of Bank loans and IDA credits to Tunisia is attached as Annex I.

3. Execution of projects has generally been satisfactory, with some exceptions. My memorandum to the Executive Directors on August 2, 1971 (IDA/R71-57) indicated that a substantial part of the Second Education Project of 1966 (Credit No. 94) would be unexpended as a result mainly of savings in the cost of construction and equipment and recommended a reallocation of the proceeds of the credit. This reallocation is being worked out with the Tunisian authorities.

4. A detailed account of the problems encountered in implementing the Cooperative Farm Project of 1967 (Loan No. 484 and Credit No. 99) was contained in my memorandum to the Executive Directors on November 5, 1970 (R70-213). The Executive Directors approved amendments to the original Loan and Credit Agreements on November 17, 1970. These amendments became effective on March 24, 1971, and disbursements have been resumed and are on schedule.

5. After initial delays, primarily due to the exceptional flood damage which had to be made good, the Railroad Project of 1969 (Loan No. 606 and Credit No. 150) is now proceeding satisfactorily and is expected to be completed by the end of 1973, approximately one year behind the original schedule.

6. The third loan to Société Nationale d'Investissement (SNI) of 1969 (Loan No. 648) has been almost completely committed. Disbursements on all three loans made to SNI are running on schedule. Preparation of a fourth loan is under way.

7. IFC has made four investments for a total amount of about \$14.6 million in a fertilizer plant, SNI and Cofitour, a hotel finance company. It has no projects under active consideration but Tunisia's new economic orientation provides scope for further operations.

8. The main objective of Bank Group lending is to hasten the implementation of the new policies of economic liberalization introduced in 1970 and, within this framework, to provide external finance on reasonable terms, reducing Tunisia's dependence on medium and short-term borrowing. The projects now under study seek to increase production in crucial sectors such as agriculture, industry and tourism and to lp attain certain social objectives, for example, in education, family planning and urban infrastructure.

9. The proposed project fits logically in Tunisia's development program. It would aim at increasing the supply of animal protein for domestic consumption and of quality fish for a growing tourist industry, and for export.

10. A reconnaissance mission of the FAO/IBRD Cooperative Program in January/February 1968, was followed by a project identification mission in July/August 1968, and by a project preparation mission in May 1969. The project request was finalized in November 1969 and appraised by Bank Group staff in December 1970. Negotiations were held in Washington in July 1971. The Tunisian delegation was headed by Mr. Brahim Douik, Directeur des Services des Pêches (Director of Fisheries) of the Ministry of Agriculture and included representatives from the Ministries of Agriculture and Planning, from the Banque Nationale de Tunisie (National Bank of Tunisia) and from the Embassy of Tunisia in Washington.

## PART II - THE ECONOMY

11. A report entitled "Current Economic Position and Prospects of Tunisia" (EMA-38a) was distributed to the Executive Directors on August 18, 1971. A Country Data Sheet is attached as Annex II.

12. The report stresses the need for implementing new policy objectives introduced by the Government in November 1970, which provide for reducing direct Government involvement in economic decisions, decentralizing economic responsibilities, encouraging private initiative and relaxing economic regulation. It notes that production prospects for 1971 are favorable because of higher agricultural output. Total demand may grow faster than real GDP and imports will rise, but foreign exchange earnings are also likely to be higher than before and would thus prevent a further increase in the current account deficit of the balance of payments. As capital inflow is

expected to grow, the gradual improvement in reserves achieved during the past three years is likely to continue. The future outlook for the balance of payments depends largely on the discovery of new oil deposits, further expansion of tourism and continuing external aid at a high level.

13. Tunisia's foreign debt burden is high: in 1970 the debt service ratio was about 22 percent. This ratio (including service of new borrowing) is likely to decline slightly to about 19 percent during 1973-76 and then to rise again to about 22 percent by 1980. The debt structure has improved thanks to the restraint over the past few years in short and medium-term borrowing and the availability of foreign aid at favorable conditions. Tunisia can be considered creditworthy for some conventional long-term borrowing provided that a large proportion of new external assistance is made available on concessional terms.

14. The Consultative Group for Tunisia, established in 1962 under the chairmanship of the Bank, will meet again next October and will exchange views on Tunisia's economic position and prospects. It will discuss in particular two documents prepared by the Tunisian authorities on the results and possibilities of development aid to Tunisia and on the promotion of export-oriented industries.

### PART III - THE PROJECT

15. Agriculture is still the mainstay of almost half the population and accounts for about one fourth of exports. However, production has stagnated in the 1960's because of poor management of the government-sponsored cooperatives. Furthermore, there have been large year-to-year fluctuations due to weather. Agriculture's contribution to GDP has declined from 21 percent in 1964/66 to 16 percent in 1968/70. As a result of this trend and the rapid increase in population, Tunisia changed from a net exporter to a net importer of agricultural commodities; shortages and substantial price increases have occurred since 1970, particularly for meat. The new economic policies give high priority to raising agricultural production.

16. Fisheries play a small part in Tunisia's economy. Total catch is about 28,000 tons per year and the per capita consumption is about 6 kilograms per year. The proposed project would help to increase total production by about 10 percent. Tunisia claims all sea within 6 miles of its coast as its "territorial sea", but extends its fishing limit out to 12 miles, as do most other countries with Mediterranean coasts. This limit has not given rise to any major disputes. The inshore fishing vessels being financed under the project would fish mostly within this 12 mile limit.

17. Inshore fishing, which would be assisted by the project, accounts for 35 percent of Tunisia's total annual catch, while trawling accounts for 26 percent and other production, mainly light attraction fishing, for a further 39 percent. Including dependents, almost 20,000 people are supported entirely by inshore fisheries. Overall data on Mediterranean fisheries

resources are scanty. To strengthen fisheries research, and in particular to improve trawling efficiency, UNDP is financing a three year fisheries survey and development project which is being executed by FAO. New investments in trawling would depend on the findings of this survey. In the meantime, investment is being concentrated on inshore fishing, the traditional sector, which appears to have good development potential.

18. Inshore fishing produces high quality fish for which high prices are paid throughout the year. Almost all the inshore catch is marketed as fresh fish and consumed mainly by the urban population and tourists. FAO has projected that per capita demand per annum for fish will increase from about 6 kilograms in 1969 to about 13 kilograms in 1980, assuming no significant fish and meat price changes, mainly as a result of income increases. The market outlook for fresh fish for local consumption is favorable, and existing marketing arrangements are satisfactory.

19. Up to 1969, the Government concentrated on the formation of cooperatives in all sectors of the economy, including fisheries. Because of the failure of agricultural cooperatives to increase production, the Government introduced sweeping changes in the orientation and emphasis of economic policies in September 1969. Since then state enterprises, cooperatives and private enterprises have been permitted to exist side by side. The liberalization of economic activity gave fresh encouragement particularly to inshore fishermen who presently operate a fleet of 2,400 inshore craft, 600 of which are motorized. Most fishermen left production cooperatives and service cooperatives have been disbanded.

20. Since 1968, the Government has provided subsidies through special Government funds (like the Fonds Special d'Encouragement a la Peche, FOSEP) administered by the Banque Nationale de Tunisie (BNT). Fishermen received low interest loans and Government grants for the purchase of fishing vessels, and the Government assumed the credit risk. Although fisheries development provides high economic return, such concessionary credit to fisheries can be justified over the short term because fishermen lack capital and incur high risks due to catch fluctuations. Under the proposed project, credit would continue to be made available on concessionary terms, but to a lesser degree than is being provided from Government funds at present as described in para. 31 below.

#### Description and Organization

21. A detailed report entitled "Appraisal of a Fisheries Project" (PA-91a) is being distributed separately. A credit and project summary is attached as Annex III.

22. The proposed project would be extremely important for Tunisia's fisheries development. It aims at increasing annual inshore fish production by about 2,600 tons (valued at about D .65 million or US\$1.2 million) thus raising supplies of animal protein, mainly for domestic consumption.

23. The "Direction des Services des Peches" (Directorate of Fisheries) of the Ministry of Agriculture would be responsible for the execution of the project and would be strengthened by a new Fisheries Project Division which would include a fisheries specialist as chief of the project, a naval architect and a master carpenter, all of whom would likely be recruited abroad because knowledge of these fields is not available in Tunisia. The new division would be responsible for providing suitable boat designs; supervising boat construction; executing international bidding for motorized boats; advising fishermen in the use of new boats; providing BNT with technical appraisals of loan requests and subsequent technical supervision of borrowers; and testing of improved boat designs. The new boats would be similar in general appearance to the type of craft now used by Tunisian fishermen, but would be more efficient. The naval architect would prepare the new design.

24. Throughout the period of project implementation, the Fisheries Project Division would organize short term training courses for fishermen, particularly for the skippers of new boats, in order to improve their skill and competence. Prior participation in such training courses would be a condition of effectiveness of sub-loan agreements between BNT and fishermen. To introduce modern boat design techniques in Tunisia, the project would finance overseas training of the Tunisian counterpart of the naval architect for twelve months at shipyards in the Mediterranean area.

25. To ensure effective lending operations for the fisheries sector, BNT's fisheries credit administration would be strengthened. To this end, BNT will nominate under the project one of its senior officers to be responsible for the lending program and employ an adequate number of fisheries loan appraisers and supervisors. This staff would work in close cooperation with the Fisheries Project Division in the Directorate of Fisheries.

26. The project would, over a four year investment period:

- (a) provide credit (through BNT) to fishermen for replacement of obsolete inshore craft by about 335 fully equipped motorized wooden boats, including fishing gear;
- (b) staff and equip a Fisheries Project Division in the Ministry of Agriculture;
- (c) reinforce BNT's staff to carry out financial appraisals of loan applicants and to ensure satisfactory loan repayments; and
- (d) train skippers and provide overseas training for selected Tunisian staff in the Fisheries Project Division of the Ministry of Agriculture.

Cost Estimates and Financing

27. Project cost estimates are summarized in Annex III. Boat construction costs are based on quotations from local boat yards, including CIF cost of diesel engines, wood, nails and accessories, since it is expected that Tunisian boat yards would win construction contracts under international competitive bidding. Cost of fishing gear and spare parts is based on CIF and local costs on imports. Total project costs are estimated at about D 1.6 million (US\$3.1 million) of which about D 1.1 million (US\$2.0 million) or 64 percent of total project cost, would be in foreign exchange.

28. An IDA credit of US\$2 million would finance the foreign exchange costs of the project. The proposed project financing is summarized in Annex III.

29. To encourage inshore fish production, Government would make grants to fishermen to cover 15 percent of investments in fully equipped motorized inshore boats. In all, the Government would contribute about D 370,000 (US\$706,000) to project costs, including D 206,300 (US\$393,000) for grants to fishermen and about D 164,200 (US\$313,000) for supporting technical services.

30. Fishermen would provide about D 137,500 (US\$262,000) from their own resources equivalent to 10 percent of investments in boats and gear. The cost of diesel spare parts, to be procured through spare parts importers, would amount to D 47,000 (US\$89,000) including contingencies and import duties. (See Annex III, page 3, footnote 1).

31. The Government would be the borrower of the proposed US\$2 million credit and would assume the foreign exchange risk. As indicated in paragraph 20 above, Banque Nationale de Tunisie (BNT) would be the channel for credits to fishermen. Under a subsidiary loan agreement, the Government would:

- (a) relend about US\$1,830,000 of IDA funds to BNT; and
- (b) lend about US\$130,000 of its own funds to BNT;

all for 15 years, including 5 years grace, at 3 percent annual interest. This subsidiary loan of about US\$1.96 million would cover 75 percent of the cost of fishing boats, including gear, i.e. 100 percent of BNT's loan to fishermen, which would carry not less than 6 percent annual interest instead of the average current BNT and FOSEP lending rate of 3 to 4 percent. Under the subsidiary loan agreement, Government would assume 50 percent of any losses due to default by sub-borrowers, rather than the current 100 percent. The balance of the IDA funds, about US\$170,000, would remain with the Government and would be used to finance supporting services. Any savings on project costs would be used to provide additional credit for inshore boats, subject to the approval of the Association. It would be a condition of effectiveness of the IDA credit that the subsidiary loan agreement satisfactory to the Association between the Government and BNT had been concluded.

32. BNT fisheries loan policies and procedures under the project would be substantially changed from those now in effect, as indicated above. Furthermore, it was agreed that the various subsidy elements, e.g. direct grants, interest rates, subsidies and assumption of default risk by the Government, would be regarded as transitory measures. A condition of effectiveness of the credit would be that FOSEP (Fonds Special d'Encouragement a la Peche) terms (see paragraph 20 above) would be brought into line with the project terms.

### Procurement

33. The 335 inshore fishing boats to be procured under the project would be about 9.5 meters long at water line, carry a crew of 4 to 5 men, skipper included, and make trips of about two days. Bulk procurement of these boats would be handled by the Directorate of Fisheries on behalf of fishermen participating in BNT's lending program, following international competitive bidding procedures. Participation in bidding for boats is expected from countries bordering the Mediterranean Sea. However, Tunisian boat builders are expected to win all boat bids, mainly because they would avoid expensive sea freight costs. Bid documents, including detailed boat designs, standards and specifications, would be prepared by the naval architect in the Fisheries Project Division, who would also assist in bid evaluation and supervision of construction. Tunisian bidders would be allowed a preference margin equivalent to the existing level of customs duties on imported boats (presently 11 percent) and marine diesel engines (presently 13 percent) or 15 percent of CIF values, whichever is lower.

34. The Directorate of Fisheries would invite bids for the delivery of about 335 inshore boats spread over a period of three years, according to expected inflow of loan applications by fishermen as estimated at the time of bid issue. Initially, firm bids would be invited for a total of not less than 50 boats, but, in order to encourage participation by the smaller Tunisian boat builders, bids would be accepted for less than the total number of boats provided the boat builder could supply not less than 10 boats within a 12 month period. In order to help ensure effective local bidding and standardization of diesel engines - the latter being important for setting up satisfactory maintenance and spare parts services in the likelihood that Tunisian boat yards would win all the boat bids - the following bids would be invited simultaneously:

- (a) internationally, including from Tunisia, for complete inshore fishing boats;
- (b) from Tunisian boat yards only, for inshore fishing boat hulls, including cost of installing marine diesel engines; and
- (c) internationally, including from Tunisia, for marine diesel engines to be installed in Tunisian hulls.

Contracts would be awarded so as to obtain the cheapest evaluated complete boat.

35. Suppliers would be carefully screened as there is no international market for, nor large-scale production of, wooden inshore boats in the Mediterranean area. This would involve evaluation of suppliers' construction capacities, technical abilities and financial standing. Conditions for qualifications would include firm assurances by suppliers to provide a one-year warranty on hulls and engines; and adequate hull and engine repair facilities and spare parts inventories for diesel engines at suitable locations in Tunisia throughout the period of the lending program. Any prequalification of suppliers as well as bid documents and contract awards would be subject to prior IDA approval. One of the bidders for diesel engines is expected to be a state-controlled firm, which will participate on the same basis as private bidders (see Schedule 5 of the Development Credit Agreement).

36. As fishing gear has to suit varying local conditions and fish resources, it is not suitable for bulk procurement. Fishermen would therefore obtain imported fishing gear of their choice through existing trade channels. Also, the vehicles for supporting services would be locally purchased as there would be too few for an international contract. Suppliers of fishing gear and vehicles from member countries and Switzerland are sufficiently represented in Tunisia, assuring satisfactory competition. The Government would promptly take all measures to permit importation of boats, boat building materials, equipment, gear and spare parts on certification by the Ministry of Agriculture that the imports are required to carry out the project.

#### Disbursement

37. Disbursement of the proposed credit would be made against 90 percent of disbursed subloans for the purchase of motorized boats and gear by BNT, equivalent to foreign exchange costs of boats and gear; and against 100 percent of foreign exchange costs of:

- (a) personnel recruited abroad and overseas training;
- (b) vehicles imported by the Direction des Services des Peches and BNT; and
- (c) diesel engine spare parts imported by suppliers' agents.

The proposed credit would be likely to be disbursed over a period of  $4\frac{1}{2}$  years, as shown in Annex III.

#### Economic Benefits and Justification

38. The economic rate of return of the project is expected to be about 21 percent, and the financial return to fishermen (net of Government's contribution) about 31 percent. The project would offer improved income opportunities to some 1,300 fishermen at present engaged in less efficient inshore operations and generate about 300 new jobs. It would also provide valuable training and professional experience to skippers, mechanics and crews for further expansion of inshore fisheries after project termination. Under expected domestic awards, the boat construction program, with technical

assistance provided to boatbuilders under the project would enable Tunisian boat yards to operate in a balanced and efficient manner for a period of about 3 years. This would ensure satisfactory utilization of existing boat construction capacities during this period and generate a total of about 225 man-years of employment for supervisory, skilled and semi-skilled jobs. At termination of construction, the benefits of improved techniques would remain with local boat yards.

39. The project would provide a valuable addition to animal protein supplies, substituting for imports. It would also increase production, although in smaller quantities, of high valued species for export and consumption in Tunisia's tourist industry.

40. Finally, through strengthened management and organization, the project would provide valuable experience to BNT as the lending channel in the fisheries credit operation. It would help to introduce credit discipline in an important part of Tunisia's fisheries, thus preparing the sector for expanded credit on a financially sound basis.

#### PART V- LEGAL INSTRUMENTS AND AUTHORITY

41. The draft Development Credit Agreement between the Association and the Republic of Tunisia, the draft Project Agreement between the Association and Banque Nationale de Tunisie (BNT), the Recommendation of the Committee provided for in Article V, Section 1 (d) of the Articles of Agreement and the text of a resolution approving the proposed credit are being distributed to the Executive Directors separately.

42. The Draft Development Credit Agreement conforms substantially to the pattern of agreement for fisheries projects.

43. The Credit Agreement will be subject to ratification.

44. I am satisfied that the proposed development credit would comply with the Articles of Agreement of the Association.

#### PART VI - RECOMMENDATION

45. I recommend that the Executive Directors approve the proposed credit.

Robert S. McNamara  
President

Attachments

STATEMENT OF BANK LOANS AND IDA CREDITS TO TUNISIA

AT JULY 30, 1971

<u>Loan or Credit Number</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount (US\$ Million)</u>		
				<u>Bank</u>	<u>IDA</u>	<u>Undis.</u>
29	1962	Republic of Tunisia	Education		4.9	-
380	1964	Republic of Tunisia	Port Development	7.0		-
449	1966	Societe Nationale d'Investissement	Development Finance Co.	4.7		
94	1966	Republic of Tunisia	Education		13.0	3.4
484	1967	Republic of Tunisia	Cooperative Farms	6.1		1.6
99	1967	Republic of Tunisia	Cooperative Farms		3.1	0.8
512	1967	Societe Nationale d'Investissement	Development Finance Co.	10.0		1.5
573	1968	Office des Ports Nationaux Tunisiens	Port Development	8.5		5.3
581	1969	SONEDE	Water Supply	15.0		12.5
606	1969	SNCFT	Railways	8.5		8.4
150	1969	Republic of Tunisia	Railways		8.5	5.8
52	1969	Republic of Tunisia	Highway Engin- eering	.8		0.1
648	1969	Societe Nationale d'Investissement	Development Finance Co.	10.0		5.7
209	1970	Republic of Tunisia	Water Supply		10.5	10.5
724	1971	STEG	Gas Pipeline	7.5		5.1
238	1971	Republic of Tunisia	Population		4.8*	4.8
746	1971	Republic of Tunisia	Highway	24.0*		24.0
779	1971	Banque Nationale de Tunisie	Agricultural Credit	5.0*		5.0
263	1971	Republic of Tunisia	Agricultural Credit		3.0*	3.0
Total (less cancellations)				107.1	47.8	
of which has been repaid to Bank and others				3.0		
Total now outstanding				104.1		
Amount sold				2.0		
of which has been repaid				.6	1.4	
Total now held by Bank and IDA				102.7	47.8	
Total undisbursed				71.3	28.3	99.6

\* Not yet effective

STATEMENT OF IFC INVESTMENTS IN TUNISIA

AT JULY 30, 1971

<u>Year</u>		<u>Amount (US\$ Millions)</u>		
		<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1962	NPK Engrais	2.0	1.5	3.5
1966	Societe Nationale d'Investissement (SNI)		.6	.6
1969	COFITOUR (Tourism)	8.0	1.9	9.9
1970	Societe Nationale d'Investissement (SNI)		.6	.6
	Total	10.0	4.6	14.6
	Less sold and repaid	2.7	.3	3.0
	Now held	7.3	4.3	11.6

TUNISIA - COUNTRY DATA

<u>Area</u>	164,000 square kilometers 63,380 square miles	
<u>Population</u> (mid-1970 estimate)	5.1 million	
Annual Rate of Growth (1965-1970)	2.8 percent	
Density	31.0 per km <sup>2</sup>	
<u>Gross Domestic Product</u> (1970) 1/	D 565.1 million	
Per Capita (1970) 1/	US\$211	
Annual Rate of Growth (1965-1970) 2/	0.6 percent per capita	
<u>Industrial Origin of GDP</u> (1966 Prices)	<u>Annual Growth</u> <u>1965-1970(%)</u> 2/	<u>Percent Shares</u> <u>1970</u>
Agriculture	-3.9	14.9
Mining, Water and Power	18.6	8.9
Manufacturing	5.1	15.3
Construction and Public Works	2.0	8.7
Transport and Communications	1.3	8.3
Services	2.7	25.5
Government Wages and Salaries	<u>7.4</u>	<u>18.4</u>
GDP at Factor Cost	3.4	100.0
Indirect Taxes less Subsidies	<u>4.1</u>	<u>17.1</u>
GDP at Market Prices	3.5	117.1
<u>Expenditure on GDP</u> (Current Prices)		
Private Consumption	3.9	63.8
Public Consumption	10.6	19.9
Gross Investment	1.2	22.2
Exports of Goods and NPS	8.7	22.7
less Imports of Goods and NPS	<u>2.2</u>	<u>-28.6</u>
Expenditure on GDP	5.9	100.0
Gross Domestic Savings	9.8	16.3
Resource Gap as % of Investment (1970)		26.8
<u>Money, Credit and Prices</u>	<u>Annual Growth</u> <u>1965-1970(%)</u>	<u>End 1970</u> <u>(D. million)</u>
Money Supply	9.0	198.0
Time and Saving Deposits	11.7	56.0
Bank Credit to Government, Net	2.9	91.1
Bank Credit to non-Government Sectors	12.5	271.6
Consumer Price Index (1962 = 100)	2.9	134.7
Wholesale Price Index (1962 = 100)	3.1	148.0

<u>General Government Operations</u>	<u>Annual Growth 1965-1970 (%)</u>	<u>1970 (D. million)</u>
Current Revenue	9.8	196.1
Current Expenditure	11.2	173.8
Current Surplus	1.4	22.3
Gross Fixed Capital Formation	-0.7	45.7
Other Capital Expenditure	6.8	24.9
Overall Deficit	2.2	48.3
Domestic Financing, Net	-22.0	3.0
External Financing, Net	6.6	45.3
 <u>Balance of Payments</u>		
Exports of Goods and Services	10.2	171.4
Imports of Goods and Services	4.2	229.4
Current Account Deficit		-58.0
Net Public Capital		50.8
Net Private Capital		14.2
Change in Reserves		-7.0
Net Foreign Assets (End-1970)		-0.6
 <u>External Debt</u>		
		<u>1970</u>
Public Debt outstanding at Year's End (\$ Million)		768.0
Debt Service Ratio (%)		22
 <u>IMF Position (US\$ Million)</u>		
		<u>December 31, 1970</u>
Quota		35.0
Drawings outstanding		19.5
 <u>Bank/IDA Position (US\$ Million)</u>		
		<u>July 30, 1971</u>
Bank loans (less cancellations)		107.1
Repayments		<u>4.4</u>
Total loans outstanding		102.7
IDA credits (less cancellations)		<u>47.8</u>
Total Bank/IDA		150.5
of which disbursed		50.9
undisbursed		99.6

1/ At current factor cost and at the official rate of exchange.

2/ 1970 compared to 3-year averages centered on 1965 to remove the effect of exceptionally good weather on agriculture in 1965.

TUNISIADevelopment Credit and Project SummaryA. Development Credit

Borrower: Republic of Tunisia

Amount: US\$2 million equivalent

Purpose: To finance the foreign exchange cost of a fisheries project: (a) mainly the purchase of fully equipped fishing boats by private fishermen; and (b) supporting services under the project.

Amortization: In 50 years including a 10-year period of grace, through semi-annual installments of  $\frac{1}{2}$  of 1 percent from October 15, 1981, through April 15, 1991, and of  $1\frac{1}{2}$  percent, from October 15, 1991 through April 2021.

Service Charge: Three-quarters of one percent per annum.

Relending Terms: US\$1.83 million equivalent would be lent to the Banque Nationale de Tunisie (BNT) for 15 years, including 5 years' grace, at 3 percent annual interest. The Banque Nationale de Tunisie would on-lend these funds to private fishermen at not less than 6 percent annual interest with repayment up to 8 years, including 3 months grace. The balance of the Credit, about US\$170,000, would remain with the Government to finance supporting services.

B. Fisheries Project

Project: Over a 4-year investment period, the project would:

(a) provide credit to fishermen for replacement of obsolete inshore craft by about 335 specifically designed motorized wooden boats, including fishing gear;

- (b) staff and equip a Fisheries Project Division within the Directorate of Fisheries including recruitment of specialists to provide knowledge in modern inshore fishing techniques and design and construction of inshore boats, and to carry out technical appraisals of loan applicants and supervision of sub-borrowers;
- (c) provide and equip fisheries credit staff within the National Bank of Tunisia to carry out financial appraisals of loan applicants and to assure satisfactory loan repayments; and
- (d) provide training of skippers and overseas training for selected staff from the Fisheries Project Division.

Special Project Features:

- (a) The project is the Bank Group's first investment in Tunisian fisheries as part of Tunisia's fisheries development program.
- (b) The project would offer improved income opportunities to some 1,300 fishermen and generate about 300 new jobs; and provide professional experience for further expansion of inshore fisheries after project termination.
- (c) Through increased fish production, the project would provide a valuable addition to animal protein supplies, substituting for imports.
- (d) The project would help to introduce credit discipline in an important part of Tunisia's fisheries, thus preparing the sector for expanded credit on a financially sound basis.

Estimated Economic Return on Project:

About 21 percent.

Estimated Financial Return to Fishermen:

About 31 percent.

	<u>Cost of Project</u>			<u>Use of IDA Funds</u>		
	<u>Local Currency</u>	<u>Foreign Currency</u>	<u>Total US\$ (Thousands)</u>	<u>Govt.</u>	<u>Through B.M.</u>	<u>Total</u>
<u>Fishing Equipment</u>						
335 Boats	539.6	1,367.5	1,907.1	-	1,367.5	1,367.5
335 Sets of Gear	17.5	269.9	287.4	-	269.9	269.9
Subtotal	557.1	1,637.4	2,194.5	-	1,637.4	1,637.4
<u>Supporting Services</u>						
Technical super- vision and training	177.5	101.5	279.0	101.5	-	101.5
Credit supervision	74.5	11.4	85.9	-	11.4	11.4
Subtotal	252.0	112.9	364.9	101.5	11.4	112.9
<u>Spare Parts</u>	2.5	69.9 1/	72.4	53.2	16.7	69.9 1
<u>Import Duties</u>	211.4	-	211.4	-	-	-
Total	1,023.0	1,820.0	2,843.2	154.7	1,665.5	1,820.2
Contingency (price- about 10%)	101.0	179.8	280.8	15.3	164.5	179.8
Total project costs:	1,124.0	2,000.0	3,124.0	170.0	1,830.0	2,000.0

Financing:

IDA	-	2,000.0	2,000.0
Local Sources	1,124.0	-	1,124.0
Total	1,124.0	2,000.0	3,124.0

Procurement

Arrangements:

See Development Credit Agreement, Schedule 3.

Estimated Disbursements:

	US\$ (thousands)					
FY	1972	1973	1974	1975	1976	Total
	26.0	214.3	550.7	749.5	459.5	2,000.0

Appraisal Report:

Report No. Pa-91a, August 10, 1971

1/ Spare parts would be procured by local dealers, with foreign exchange allocated by the Government, under the usual import procedures. An amount equivalent to the estimated imports, made available by IDA under this credit, would be used by the Government mainly for financing supporting services.

