Statement by Inaamul Haque
Date of Meeting: April 27, 2000

Tunisia Country Assistance Strategy

Thank you Mr. Chairman.

Mr. Chairman, It is indeed a great honour for me to represent Tunisia, in the Board. My Tunisian authorities often say with justifiable pride that their’s is a country that works, a country which has consistently pursued equitable development even in times of crises and a country which has already attained a lower middle income status. Tunisia's CAS is thus about a country which is a success story and is determined to become even a greater success in days to come.

2. This CAS contains a comprehensive presentation, of the macro economic situation of Tunisia, the key challenges ahead, the salient government policies and a carefully designed strategy for the next three years. May I on behalf of my authorities, and on my own behalf thank Mr. Christian Delvoie and his team for this excellent document for Tunisia.I would like to commend Bank staff for their professionalism, for the thorough work of high quality they have undertaken, and last but not least, for the extremely productive and valuable dialogue they have maintained with the Tunisian authorities.

3. Mr. Chairman, since independence in 1956, the real per capita income in Tunisia has grown over two and half times and all indicators of social and economic well being have significantly improved. Poverty reduction has been all along a pivotal objective of the Government of Tunisia. This objective does not stem from any external inspiration or exogenous compulsion but is a matter of inner commitment, dictated by the imperative of the national consolidation. As a result of the concerted and conscious efforts, poverty incidence has dropped from 40 percent at the time of independence to 7 percent at present. Almost all children are now enrolled in primary schools and life expectancy is now 70 years. Nearly 80 percent of the households own their own housing.
4. The recently issued 2000 UNDP report on poverty gives Tunisia excellent marks and terms it a success story of steady progress of poverty alleviation. Another notable facet of development in Tunisia is the impressive and remarkable praise-worthy improvement in the status of women.

5. In recent years there has been significant economic growth in Tunisia. Sound economic management has been sustaining macro-economic stability backed by productive investments in the social and physical infrastructure. Real GDP per capita has grown at an average of 4 percent per year during 1997-1999. Annual fiscal deficits have not exceeded 3.6 percent of GDP and the current account deficit averaged 3.2 percent of GDP. Inflation has come down to an average of 3.3 percent per year. External debt amounts to about 51 percent of GDP, down from about 60 percent in the early 1990s.

6. Mr. Chairman, what I have stated so far depicts where Tunisia stands today. By all standards the Tunisian authorities and their partners can derive a great measure of satisfaction from the prevalent state of affairs. Questions which now arise are: where we would like to go from here and how do we propose to reach the new destination? What are the challenges which lie ahead? Whether the present model of economic management characterized by consultative approach, broad-based participatory process, competent but centralized public management structures and close guidance and direction from the central administration, would remain valid in the future? The CAS document rightly points out that in the short term this model can continue to serve the country well. However, the critical issue is whether a change therein is required in the long term, to ensure a successful and smooth qualitative transition from a lower middle income country to an upper middle income country.

7. Mr. Chairman, the great danger here is a risk and temptation to rest on one's oars. Extraordinary success sometimes contains within itself seeds of failure. My authorities are fully cognizant of this fact and have no intention of becoming complacent. They do understand that a great deal of flexibility would be required in their responses to the challenges ahead. The CAS document appropriately spells out the following key challenges which confronts Tunisia at this point in time:

- Heightened international competition;
- Need for preserving social cohesion;
- Sustaining environmental protection;
- Upgrading governance.

8. The government's development agenda in the medium term very appropriately aims at:

- Modernizing and gradually opening up the economy to competition;
- Maintaining economic stability; and
- Strengthening the social agenda and environmental management.

9. It would be pertinent here to highlight the priorities of the Government of Tunisia:
- Increasing employment (unemployment has emerged as one of the major problems);
- Continuation of poverty reduction measures;
- Enhancing the competitiveness of the economy to meet the challenge of globalization;
- Consolidating educational reforms;
- Increasing investments in information technology and telecommunications;
- Upholding the equality of women;
- Encouraging regional growth with increased public investment in the regions.

10. My authorities also fully recognize the important role which the private sector has to play in development of the economy particularly in improvement of infrastructure. The Government also intends to revitalize critical services and raise standards to international norms.

11. The assessment of the CAS is that Tunisia's development objectives and priorities are consistent with the stage of its economic development and emerging challenges. They are also realistic and attainable.

12. I am not going to duplicate what has been said in the CAS document. But it would be pertinent to clearly say that my authorities are fully cognizant of the challenges that will confront Tunisia for the next few years, and share Bank views on what should be done to help the integration of Tunisia in the global economy particularly after it has signed the Free Trade Agreement with the European Union (EUFTA).

13. My authorities are in agreement with the Bank on the specific reforms that have to be broadened further to allow Tunisia to achieve its goals of promoting growth, alleviating poverty, expanding further women's participation in all aspects of economic, social and political life and safeguarding the environment for future generations.

14. The Bank’s country strategy has been elaborated jointly by the country’s and the Bank’s teams. Thus, Tunisia claims full ownership of the Bank’s program. My authorities appreciate the catalytic role the Bank plays, its expertise, the sound and unbiased advice it extends to the country.

15. Mr. Chairman, on behalf of my authorities I strongly urge the IFC to step up its activities in Tunisia. We believe that the IFC can do much more in Tunisia in all areas including non-lending services, analytical work and seminars, with a view to strengthening the role of the private sector and increasing its contribution as engine of growth in the development process. I have discussed bilaterally with IFC the possibility of expanding its role in Tunisia and intend to continue with the dialogue with the hope that there will be a qualitative up-scaling of the involvement of IFC.

16. Finally a few words on the speed of implementation of reforms. While committed to pursuing the necessary reforms identified together with the Bank, my authorities feel the speed of their implementation should be adapted to the time and conditions of those who may adversely be affected. Thus, these should proceed slowly when the circumstances are found
unfavourable or the timing inopportune and faster when it is possible to do so. This approach has in the past, proved its validity and we should not depart from it in the future.

17. Mr. Chairman, at the end, I would like on behalf of my Tunisian authorities, to express our thanks and appreciation to the Bank, and all the donor partners who have supported us. The Tunisian authorities wish to confirm their full commitment to macro-economic stability, sustainable economic growth, poverty alleviation and deepening of structural reforms.

Thank You.