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Report No. DB-81a

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

APPRAISAL OF

SOCIETE NATIONALE D'INVESTISSEMENT

TUNISIA

December 28, 1971

Development Finance Companies

CURRENCY EQUIVALENTS

Currency = Dinar (D)

Exchange Rate at Par Value

- before December 23, 1971

D 0.525	=	US$ 1
D 1	=	US$ 1.905

- since December 23, 1971

D 0.404	=	US$ 1
D 1	=	US$ 2.066

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This report is based on the findings of two missions to Tunisia in February and August 1971, staffed by Messrs. Coudol and Hidalgo from the Development Finance Companies Department and Mr. Gray from the Controllers' Department.

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SOCIETE NATIONALE D'INVESTISSEMENT

DFCD
December 7, 1971

SOCIETE NATIONALE D'INVESTISSEMENT

BASIC DATA

Year of Establishment: 1959
Year of Reorganization: 1965

Ownership (as of December 1, 1971)	No. of Shares (D 5/share)	% of Total
Government, direct and indirect	145,787	24.2
Tunisian private institutions	50,365	8.5
Tunisian individuals	203,878	34.0
Total Tunisian	400,030	66.7
Foreign financial institutions	79,970	13.3
IFC	120,000	20.0
Total Foreign	199,970	33.3
Total Capital	600,000	100.0

Bank Group Financing

I. IFC INVESTMENTS IN SNI's SHARE CAPITAL

Investment No.	Date approved	Number of Shares	Cost Per Share (US $)	Total Investment at Cost (US $)
106	May 10, 1966	60,000	9.60	575,926
177	June 2, 1970	60,000	10.54	632,305
Total		120,000	10.07	1,208,231

II. IBRD Loans

Status of Loans as of November 30, 1971
(in US$ '000)

Loan No.	Date Signed	Rate of Interest	Net Amount	Authorized for withdrawal or credited	Disbursed
449-TUN	May 16, 1966	Variable	4,722	4,722	4,722
512-TUN	Sept. 14, 1967	Variable	10,000	9,846	8,810
648-TUN	Dec. 24, 1969	7%	10,000	8,676	4,739

OPERATIONS (D million)

Loans	1967	1968	1969	1970	1971 (11 months)
Approvals	3.7	3.3	4.4	6.6	5.9
Commitments	2.6	2.8	3.0	4.2	5.0
Disbursements	2.1	2.5	2.9	4.2	3.5
Equity Investments					
Subscriptions	0.2	0.4	1.0	0.3	0.2
Sales	0.4	0.2	0.1	0.4	0.1

FINANCIAL PERFORMANCE

	1967	1968	1969	1970	1971 (as of October 31)
Financial Position (D million)					
1. Total Assets	6.4	7.6	10.8	14.9	17.8
of which Loan Portfolio	(1.4)	(3.7)	(6.1)	(9.0)	(11.3)
Equity Portfolio	(1.6)	(1.6)	(2.2)	(1.9)	(2.1)
2. Total Equity	2.4	2.6	2.6	2.8	4.4
3. Long Term Debt	1.9	3.8	6.0	8.5	10.2
of which Bank Loans	(0.7)	(2.3)	(4.1)	(6.5)	(8.2)
4. Long Term Debt/Equity	0.8	1.5	2.3	3.0	2.3
5. Long Term Debt/Equity as defined in Bank Loan Agreement	0.4	1.0	1.9	2.6	2.0
Financial Results (in %)					(10 months)
1. Earnings before interest, tax and provisions as % of average total assets	3.4	3.9	5.4	5.2	5.2
2. Profit before tax as % of average equity	6.7	7.2	7.6	6.7	6.6
3. Profit after tax as % of year-end share capital	10.6	12.0	13.2	8.9	4.4
4. Administrative costs as % of average total assets	1.9	1.8	1.4	1.3	1.3
5. Reserves and provisions as % of total portfolio	29.6	20.8	13.7	11.1	10.9
6. Book value as % of par	160	173	175	186	140
7. Dividend as % of par	4	4	5	6	-

SUMMARY

i. This report brings up-to-date the situation and prospects of SNI which were described in detail two years ago in Report DB-53a, November 10, 1969.

ii. SNI's operations, which are mainly in the private sector, have grown considerably since 1968; loan approvals in 1970 were about twice 1968 approvals. This trend is likely to continue. SNI's share of total investment in the economy has increased from less than 1% in 1966 to nearly 3% in 1970; SNI is contributing at present about 12% of total industrial and hotel investment in Tunisia.

iii. Although there has been some deterioration in SNI's project work in the past two years, as a result of loss of senior staff, and a consequent increase in arrears, SNI's financial position continues to be sound. The increase in arrears caused SNI's auditors to qualify their opinion on SNI's 1970 accounts. However, SNI has ample provisions, and the risk of losses is not such as to imperil SNI's financial position; SNI is creditworthy.

iv. In March 1971, Mr. Habib Bourguiba Jr. became President of SNI, replacing Mr. Moncef Belkhodja. Mr. Bourguiba has started to play a useful role in SNI. He has shown great understanding of SNI's problems and set in motion steps to improve SNI's capabilities. Mr. Bourguiba appointed a new Deputy Director General, who has experience in commercial banking and hotel development, to carry out day-to-day management tasks. In addition, SNI has adopted a plan to carry out organizational improvements and to strengthen SNI's technical expertise in appraisal techniques. It is working, in consultation with the Bank, on developing suitable methods for improving economic analysis of projects.

v. SNI has good business prospects. Its business forecast, based on these prospects, implies an increase of annual commitments from D 4.4 million in 1970 to D 8.5 million in 1976. The most recent Bank loan is expected to be fully committed in January 1972, and SNI needs additional funds to maintain its operations. SNI is attempting to diversify its resources. The proposed fourth Bank loan of $10 million, together with the resources which SNI expects to obtain from other sources, should enable SNI to carry its estimated financing program through the end of 1972. In mid-1972, the Bank will review progress made in improving SNI's organization, prior to considering further lending.

vi. The proposed loan should be made on the same terms and conditions as recent Bank loans to development finance companies, including the standard commitment charge. The free limit above which Bank approval of a project is required, should be maintained at $200,000. The aggregate free limit should be $2.5 million. The debt limit as defined in the previous loan agreement should be retained. The financing of public sector enterprises should not exceed 25% of the amount of the proposed loan.

APPRAISAL OF

SOCIETE NATIONALE D'INVESTISSEMENT

I. INTRODUCTION

1.01 The Societe Nationale d'Investissement (SNI), established in 1959 and reorganized in 1965 with the assistance of the Bank Group, has so far received three loans from the Bank totaling $25 million. The most recent loan, signed on December 24, 1969, amounted to $10 million; of this amount, $9.4 million have already been authorized for withdrawal. It is expected that the balance of the loan will be fully committed in the next few weeks. SNI therefore needs fresh capital soon. This report appraises SNI for a new loan of $10 million.

II. SNI'S ROLE IN THE ECONOMY

Background

2.01 Industrial Development. Tunisian industrial policies during the 1960's favored the development of large state-owned enterprises, primarily for capital intensive projects in import substitution products such as steel, refined oil, vehicles, tools and appliances, and secondarily, in upgrading natural resources like phosphate rock and other mineral ores. Since 1960, there has been little foreign investment, the Government' s participation has been dominant and the private sector has accounted for less than one sixth of total investment in manufacturing and mining. The results of these policies have been disappointing: (i) cumulative gross fixed investment in mining and manufacturing totaling D 192 million from 1960 to 1970, contributed only D 39 million in increased value added during the period 1/, (ii) the contribution of manufacturing to GNP increased only from 11.4% in 1960 to 13% in 1970, and (iii) several public enterprises were not well conceived and, despite heavy tariff protection, very unprofitable, posing a burden for the Government's budget.

2.02 The private sector's industrial activities are generally small-scale and concentrated in mechanical industries, wood, paper and printing, food processing and more recently textiles. While the agreement of association with the EEC, effective since September 1, 1969, provides for free entry of 90% of Tunisia's industrial products into the EEC, there are now very few private sector projects which are export oriented. There has been little incentive for Tunisian entrepreneurs to invest in industrial projects catering to exports.

1/ An unusually high capital/output ratio in comparison with most other countries.

2.03 Development of Tourism. Over the past ten years, Tunisia has fostered a rapidly growing tourist industry with substantial and rising benefit to the economy. In the early years of tourism development, the Government participated directly in hotel construction through a public corporation, Societe Hoteliere Tunisienne de Tourisme (SHTT), which erected a chain of luxury and first-class hotels. During the past six years, however, the Government has stepped aside and encouraged domestic and foreign private investments in hotel construction through tax incentives, interest rebates, subsidization of infrastructure work related to hotels, and provision of promotional and planning services. Annex 1 shows the impressive achievements by the Tunisian tourism sector from 1963 to 1970. During this period, the number of available beds increased from 5,743 to 37,185, the number of visitor bed nights by over 33% annually, and gross foreign exchange receipts from D 3.7 million to D 29 million; tourism became the leading foreign exchange earning sector for Tunisia. Preliminary statistics indicate that 1971 should be a record year with an increase in tourist arrivals of over 30% and of bed nights of about 50%.

Recent Economic Developments

2.04 An analysis of the present economic situation in Tunisia appeared in the report "Current Economic Position and Prospects of Tunisia", which was distributed to the Executive Directors under R71-210, dated August 25, 1971.

2.05 Tunisia's economy has recovered slowly from the floods in the Fall of 1969. The increase in GDP in 1970 was only 3.6%, much lower than forecast. Agricultural output was about the same as in 1969 and industrial production was marginally higher; food processing industries were affected by low agricultural production and construction materials by a sudden discontinuation of exports to Libya. Tourism was severely affected by the floods, by several cases of typhus (1969) and cholera (1970) in the country and by the bankruptcy of two Swedish travel agencies, on which a number of Tunisian hotels were depending for a large share of their occupancy. While in 1970 the number of hotel beds available increased by 15% (see Annex 1), tourist bed-nights increased by only 11% (against 25% forecast). Although some well established hotels were able to operate profitably, most hotels which opened in 1969 and 1970 experienced difficulties.

2.06 Overall, gross fixed capital formation remained at high levels, amounting to D 145 million, or 23% of GNP. Tourism and manufacturing accounted for D 30 million of investments. In fact, in 1970 investment in manufacturing decreased by 10%: the main subsectors affected were construction materials, food processing and textiles, while investment in chemicals doubled as a result of the construction of a large phosphoric acid plant. Annex 2 shows the subsectoral distribution of investment in manufacturing for 1968-1970 and an estimate for 1971.

2.07 Eonomic growth accelerated substantially in 1971 and GDP is likely to increase by about 8 percent. Due to good weather conditions, agricultural crops were excellent and this allowed a recovery in industrial food processing. Tourism expanded by about 33 percent. The Tunisian Government anticipates a continuation of the rapid growth in 1972.

SNI as a Source of Financing

2.08 SNI has been active in the financing of two sectors, manufacturing and tourism. It is the main source of medium and long-term financing for private industry in Tunisia. It has played a major role in the development of the tourism sector, where it has also been the main source of long-term funds in the country. SNI's role in financing tourism is now shared with Compagnie Financiere et Touristique (COFITOUR), a tourism development finance company established in 1969 and sponsored by IFC and SNI which subscribed respectively 20% and 16.5% of COFITOUR's share capital.

2.09 The important contribution of SNI to overall and to private investment in Tunisia in the manufacturing and tourism sectors is summarized in the table below (in D millions) 1/:

	1966	1967	1968	1969	1970	1971 Est.
Manufacturing						
Total Fixed Investment	12.7	12.9	11.5	17.1	15.9	15.9
(of which private)	(1.6)	(3.6)	(3.6)	(5.1)	(4.1)	(4.1)
SNI's Disbursements	0.6	0.8	1.1	1.5	1.8	2.2
SNI's Contribution to Total Investment	5%	6%	9%	9%	12%	14%
(to Private Investment)	(37%)	(22%)	(30%)	(29%)	(39%)	(48%)
Tourism						
Total Fixed Investment	10.6	13.0	13.8	14.5	15.2	15.0
(of which private)	(7.0)	(10.5)	(10.3)	(11.4)	(14.0)	(14.3)
SNI's Disbursements	0.2	0.4	1.6	1.9	2.2	2.4
SNI's Contribution to Total Investment	2%	3%	12%	13%	14%	16%
(to Private Investment)	(3%)	(4%)	(16%)	(17%)	(15%)	(15%)

2.10 While total manufacturing investment has increased on the average at less than 5% annually since 1966, SNI's disbursements for manufacturing projects have increased by about 30% every year; thus SNI's share of total industrial investment in the country has increased from 5% in 1966 to 12%

1/ Source: Ministry of Planning. Economic Budget for 1971.

in 1970, reflecting the growing role SNI was able to assume since its reorganization in 1965. SNI's growing share of business also reflects the government controls on suppliers' credits as part of balance of payments stabilization measures recommenced by the IMF in 1968. SNI's contribution to total private investment in industry has averaged 31% in the period 1966 - 1970. This is very high, particularly considering the competition until 1969 from suppliers' credits and commercial banks at interest rates lower than SNI's. For tourism, since 1968 SNI has financed about 13% of total investment. This contribution could have been even higher if SNI had not decided, in order to spread its risk, to keep its commitments for tourism projects to less than 50% of its total commitments.

2.11 SNI's financial assistance has been mainly in the form of loans with terms between five and twelve years, and through equity investments. SNI's long-term loans have contributed to improve the capital structure of its borrowers, many of which without them would have had to obtain short-term financing or unsuitable medium-term suppliers' credits; other projects could not have moved forward without SNI's financial assistance. However, the experience acquired in the past two or three years has shown that the terms of SNI's loans, particularly for hotels, have not always been adequate and have put an excessive burden on some borrowers. SNI has now started, in appropriate cases, to increase the terms of its hotel loans from 12 to 15 years, and grace periods from 2 to 3 years.

2.12 Since 1966, SNI's equity investments have been small compared to SNI's role in lending, although equity investments have been up to the maximum allowed under its Policy Statement which prudently limits the size of SNI's equity portfolio to its net worth. The share capital increase completed in January 1971 will allow a growth in SNI's equity investments. SNI has made, since 1966, 36 equity investments totaling D 2.3 million, of which about D 1.3 million has been in the tourism sector where the ministerial Investment Commission requires that at least 30% of the cost of each project be financed with equity funds, and where the scarcity of equity investors had constituted an important bottleneck for new investment. It is estimated that at least seven hotels with an aggregate of over 2,000 beds would not have been built if SNI had not taken equity in them.

SNI as a Mobilizer of Resources

2.13 SNI's Resources. Annex 3 gives a breakdown of SNI's long-term resources (net of repayments) on October 31, 1971. For the bulk of its resources, SNI has been relying on the Swedish International Development Authority (SIDA) and the Bank, which have lent US$9 and US$25 million respectively since 1966; SNI has also obtained loans from Tunisian public sector institutions and the Government. For its share capital SNI has reached a large number of Tunisian private investors. When SNI increased its share capital from D 1.5 million to D 3 million during the second part of 1970 (see Annex 4), SNI made a considerable effort to promote the sale of its shares among about 80,000 Tunisian individuals whose original subscription to SNI's share capital had been stimulated strongly by a savings scheme for Government employees; SNI succeeded in 1970 in mobilizing D 242,000 from many of these investors even with a 10% premium on the new shares. In this

process the number of Tunisian individual shareholders decreased to about 60,000. SNI has also been accepting short- and medium-term deposits which, at the end of 1972, amounted to only D 2 million. This resource has not been very significant to SNI because the interest it was able to pay (about 3.5%) is not sufficiently attractive to raise substantial amounts. A decision of the Government at the end of 1971 now enables SNI to pay about 4.5%, which is 1% more than rates paid on similar deposits at commercial banks. SNI therefore hopes in future to raise more significant amounts from deposits. The average maturity of its time deposits will be about one year. Deposits will be used to increase SNI's liquidity or to cover the early maturities of its medium-term loans.

2.14 Catalytic Role. Since 1966 SNI's aggregate approvals of loans and equity investments totalling D 21.6 million have been associated with projects with an estimated total cost of about D 58 million. Although not all these projects would have failed to go forward without SNI, SNI's catalytic role in their formation and in assuring the soundness of their financial structure was important. Reflecting the low level of foreign investments in industry and tourism in Tunisia, SNI's projects (except COFITOUR and a few hotel projects) have involved little foreign investment.

2.15 Capital Market. SNI has not contributed significantly to the development of Tunisia's capital market. It has bought and sold securities to private investors but its efforts in this have been constrained by the lack of an organized trading market. Moreover SNI was somewhat reluctant to push its equity transactions until the end of 1970, because of an important Convention with the Government which then expired. This Convention guaranteed SNI for five years the book value of its investments in its portfolio as of December 31, 1965. It also specified that any premiums obtained by SNI in its share sales before the end of 1970 would be surrendered to the Government.

2.16 The Stock Exchange of Tunis started operating in June 1970. Although the volume of transactions is still thin, 23 issues of Government and other public sectors bonds and 17 stocks of private and public sector companies are now quoted in the Stock Exchange. The existence of an organized market and the expiration of the 1965 Convention should enable SNI to increase moderately the turnover of its equity portfolio and thus contribute more effectively to the development of the capital market in Tunisia.

Characteristics of SNI's Investments

2.17 SNI's important share in financing most of Tunisia's private manufacturing projects of medium and large size permits some general conclusions about the development of Tunisian private industry in the last five years to be drawn from SNI's operations. Annex 5 gives the principal characteristics of SNI's operations since the beginning and Annex 6 compares

the salient features of projects financed by SNI from the proceeds of the Bank's three loans. The main conclusions, which are based on SNI's operations through the end of 1970, are the following:

2.18 Sectoral and Geographic Distribution. Tourism has accounted for the main share (41%) of SNI's activity. Construction materials account for 9% of total approvals; textiles for 7%; transport, food processing, mechanical industries and wood, for 5% each; and other sectors, for the remaining 22%. Given the fact that SNI is involved in most private industrial ventures in Tunisia these percentages are in line with the sectoral distribution of investment in Tunisian private industry, except for the textile sector where SNI's role has been small because of sizeable existing public sector capacity, and competition from suppliers' credits. In view of Government's consideration of export incentives to encourage private investment in the textile, leather and shoe sector (for which the association agreement with the EEC improves export possibilities for Tunisia), there should be increasing opportunities for SNI in these labor intensive industries. Most of the industry supported by SNI is in Tunis and Sfax, while hotel projects are primarily in the Hammamet-Nabeul area and in Djerba.

2.19 Size. The average size of SNI's loans has grown from D 96,000 in 1966 to D 112,000 in 1970 (for private industrial projects the average was D 56,000 in 1970). Despite its increase in operations in the past four years and despite scarcity of staff, SNI has tried to assist small industrial enterprises and has recently increased its processing of applications for loans to such enterprises. Indeed, the importance of small-to-medium projects in the Tunisian economy justifies SNI support. Five loans approved in 1970 were below SNI's normal lower Policy Statement limit of D 15,000 and ten others were for less than D 30,000.

2.20 Public and Private Ownership. Until 1969 SNI would not finance public sector enterprises. It then changed its policy by allowing assistance to government-controlled enterprises up to 25% of its outstanding commitments. This was desirable not only because of their need for capital but also because SNI could then have a role in ensuring that they would be soundly appraised and supervised. Since then, SNI has approved eight loans for D 3.5 million for such enterprises; about 18% of its total business in 1969 and 1970. Most of these loans have been made for projects in the transport (buses) and construction materials sectors.

2.21 Foreign Exchange Earnings and Savings. A large part (41%) of SNI's overall financing has been granted to the tourism sector, Tunisia's leading foreign exchange earner in the past two years. In addition, nearly 20% (by amount) of SNI's loans to the manufacturing sector approved since 1965 have been for projects that are predominantly export-oriented, i.e. projects that export over half of their production. Altogether, SNI's operations in both tourism and manufacturing sectors show a favorable foreign exchange earnings effect for Tunisia.

2.22 Employment. A pressing issue facing the Government is unemployment. Although statistical evidence is insufficient, tentative estimates indicate that total employment has risen little over the last three years, while the percentage of male unemployment has remained close to 14% of the labor force. Even after taking account of some 13,000 Tunisian workers going abroad every year, Tunisia has to create nearly 50,000 new jobs annually. Some will be found in tourism and in small industry, but a sizable gap will remain. The Government is therefore giving more attention to labor intensive activities. SNI estimates that its industrial projects approved between 1966 and 1970 should have added about 4,000 new jobs at a cost of about $ 12,000 per new job. As to hotels, the generally observed ratio in the Mediterranean of one job per two beds also applies in Tunisia. In light of SNI's association with the creation of over 10,000 beds, it would follow that 5,000 new jobs have been added by SNI's hotel projects at a cost of about $ 10,000 per new job. Given the magnitude of Tunisia's unemployment problem, however, jobs created by SNI's projects play only a minor part in dealing with the problem. It is important that SNI place more emphasis on the employment effect of its projects.

III. INSTITUTIONAL ASPECTS OF SNI

Shareholders

3.01 Annex 4 shows the ownership distribution of SNI's share capital before and after the completion of the share capital increase on January 29, 1971. (Ownership has remained practically unchanged since that date.) The shareholdings of Tunisian private institutions and individual investors, which amounted to over 80,000 persons, have decreased from 56% to 42.5%; this decrease has been partially offset by an increase in holdings by public sector institutions from 16 to 24% of SNI's share capital. However, 2% of SNI's shares held by Government-owned banks have been set aside in a syndicate to offer potential foreign investors the possibility to join eventually SNI's shareholders. Foreign institutions, excluding IFC, own now 13.3% of the total as compared with 8% before, due to the increase in ownership in SNI by Caisse Centrale de Cooperation Economique from 1% to 6%. IFC has maintained its 20% share in SNI.

Board and Executive Committee

3.02 Annex 7 lists the members of SNI's Board and Executive Committee as of June 12, 1971, the date of SNI's last General Assembly. Mr. Habib Bourguiba, Jr., formerly Ambassador and Minister of Foreign Affairs, was elected President Director General on March 8, 1971, replacing Mr. Moncef Belkhodja, who continues with SNI as Director with special executive powers ("Administrateur délégué"). IFC is represented on SNI's Board. SNI's Board meets three or four times a year and reviews general policy matters. All loans or investments of more than D 200,000 must be approved by the Board. Discussions at Board Meetings appear frank and effective, but in the

past year or so, preparation for these meetings has not been adequate and often Board members did not receive documents for the meetings early enough to permit adequate study.

3.03 SNI's Executive Committee has been meeting five or six times a year. It considers applications for loans and equity investments not exceeding D 200,000 to any single enterprise.

Management and Organization

3.04 Mr. Moncef Belkhodja was SNI's President Director General from January 24, 1969 until March 8, 1971. When Mr. Belkhodja took charge of SNI, he was assisted by a capable cadre of senior staff.

3.05 The management, organization and the staff strength of SNI began to weaken in mid-1969, with the departure of several senior officers. Simultaneously, SNI's operations and portfolio were growing considerably. These developments affected adversely the quality of project appraisal and follow-up work, as well as SNI's loan portfolio.

3.06 Mr. Habib Bourguiba, Jr., has shown quick understanding of SNI's problems and has set in motion steps to improve SNI's capabilities. Mr. Bourguiba appointed Mr. Mokhtar Fakhfakh, formerly President of a state-owned hotel company and more recently of a commercial bank as SNI's Deputy General Manager. In addition, Mr. Belkhodja has decided to remain, for the time being on SNI's staff; and Mr. Bourguiba has retained SNI's French technical advisor who has been with the company since 1964. In recent months, when there were losses among SNI's experienced staff, the technical advisor performed a substantial service in assuring a minimum degree of coordination in the institution. SNI's professional staff has increased from 18 at the end of 1969 to 27 at present, quite a number of them still needing experience.

3.07 Annex 8 is SNI's organization chart to become effective in January 1972 and designed to remedy earlier short-comings. It will be introduced, together with other organizational improvements which are discussed below.

3.08 Project Appraisal. Due to the loss of key staff noted above, the quality of SNI's appraisals deteriorated in 1970-71. Technical and marketing evaluations in particular were weak and not backed by adequate examination. The economic merits of projects were often not well discussed and the Bank had to pose supplemental questions to SNI on such matters when reviewing subprojects.

3.09 SNI engaged early in 1971 and an International Executive Service Corps consultant to advise it on remedies. With respect to project appraisal, and based on the comments by the consultant and Bank staff, SNI has started to carry out a reorganization (to become effective in January 1972) to improve its project appraisal work as well as to develop its promotional capability. The Appraisal Department will

be reorganized to include two divisions: one for financial and economic appraisal and the other for technical evaluation. This Department will be headed by the experienced man who previously was an advisor to the management of SNI on technical matters. In addition, three engineers have recently been recruited to form the basis for the engineering group. With respect to the finance division a new man has been appointed to head the unit and three new financial analysts have been recruited to strengthen the work of this unit. SNI has also adopted more refined methods for establishing rates of return for project selection purposes. It will subject projects to a minimum financial rate of return test of 10%. Moreover, it is consulting with the Bank on the development of methodology to calculate the effective rate of protection on its industrial projects; and, in cases where taxes and subsidies are significant, SNI will compute internal economic rates of return. The Bank will continue to advise SNI on the implementation of more refined financial and economic analysis in its project appraisal work.

3.10 Investment and Project Supervision. Steps to improve follow-up were discussed during negotiations and as a result SNI will create a separate division to focus exclusively on follow-up activities. Four new staff have been assigned exclusively to follow-up in order to bring this aspect of SNI's operations under control. SNI's follow-up of hotel projects should, in particular, improve as SNI has agreed with COFITOUR to undertake joint supervision of hotel projects under construction that are cofinanced by SNI and COFITOUR.

3.11 These are the main elements of a more detailed reorganization program which, on the whole, should provide SNI with the organization it needs to carry out an expanded financing program effectively. It is clear that SNI's President is fully behind the reorganization plan and is committed to improve the quality of SNI's operations. He has been open to advice from the Bank on all aspects of the reorganization. The Bank will closely watch the progress made.

3.12 Accounting, Disbursement and Procurement. SNI's accounting and disbursement systems are adequate. As regards procurement, SNI urges its borrowers to procure equipment from the most competitive sources and, at least for large projects, SNI insists that its clients present quotations from several firms of international reputation. This aspect of SNI's operation is satisfactory.

Policies

3.13 SNI's Policy Statement is shown in Annex 9. SNI's operations have been generally conducted within the framework of these policies. In two instances, investments have exceeded the Policy Statement's normal limit on single commitments (15% of SNI's net worth, or D 0.7 million at present); these were SNI's equity investment in COFITOUR (D 825,000) and a loan to SNT, a public sector transport company (D 1.2 million). Both were considered as exceptions, based on special justification. SNI has also made several exceptions to its normal lower lending limit of D 15,000.

3.14 SNI's policy limits its lending to tourism to a maximum of 50% of all outstanding commitments, and lending to public enterprises to a maximum of 25%. As of December 31, 1970, SNI's outstanding commitments in tourism represented 47%, and to public enterprises 15%, of total commitments. According to SNI's projections, exposure in tourism will decline to less than 40% when all investments already approved by SNI are committed.

3.15 Interest rates charged by Tunisia's commercial banks range from 7 to 8% per annum for short and medium term credits. SNI's lending rate is 9%. However, loans financed with SIDA credit, half of which must be used for public sector enterprises, are priced at 8.5% per annum under the terms of the SIDA credit agreement. In its interest rate policy, SNI is influenced by competing rates of commercial banks, suppliers' credits and Societe Tunisienne de Banque (STB). The latter has access to small lines of credit from KfW and USAID, which it relends at 8% p.a. SNI has been able to maintain a slightly higher interest rate for its loans without harm to its volume of business because STB's loans are mainly for construction and for public sector companies and because SNI's foreign exchange resources are untied.

Relations with the Government, Commercial Banks and Other Institutions

3.16 SNI's relations with the Government are good, and the Government has left SNI independent in its investment decisions. The Government has honored its guarantee of SNI's portfolio under the Convention signed at the end of 1965 (paragraph 2.15) and has bought from SNI its bad equity investments at their book value of D 430,000. Repayment was made by the Government in 1971. The Government has expressed its satisfaction with SNI's performance in the private sector and has welcomed SNI's occasional financing of public sector projects.

3.17 SNI has good relations with Tunisian commercial banks, most of which participated in SNI's share capital increase. Relations with COFITOUR are good, and coordination on appraisals of projects financed jointly is beginning. SNI is building up its contact with the National Center of Industrial Studies 1/. SNI plans to draw more on the Center, particularly in sectoral studies, technical appraisal of complex and large industrial projects, and for specialized training of SNI's staff. SNI's reputation with the business community appears good, judging from the large share of SNI in the financing of private industrial projects, the considerable amount of repeat clients, and the sizable subscriptions of Tunisian private business investors in SNI's share capital increase.

1/ Centre National d'Etudes Industrielles, a Government agency, UNDP - sponsored, which has 50 engineers and economists to pursue an extensive program of promotional activities and appraisal of large industrial projects.

IV. OPERATIONS, PORTFOLIO AND FINANCIAL POSITION

Operations

4.01 SNI's annual loan approvals have increased from D 1.8 million (19 loans) in 1966, and an annual average of D 3.8 million (34 loans) in 1967-69, to a record D 6.5 million (58 loans in 1970. Approvals at the end of November 1971 were D 5.9 million and the project pipeline suggests that overall 1971 approvals should reach the level of 1970. Commitments have followed approvals with an average lag of eight months a relatively normal lag in the difficult circumstances prevailing in 1969-1970. SNI's financial assistance has been mainly in the form of loans with terms between 5 and 12 years. The foreign exchange risk is with the Government. About 80% of SNI's loans have financed imports. Since its reorganization in 1965, SNI's has approved 32 equity investments totaling D 2 million, including D 0.3 million in 1970. The most important single equity investment was for D 830,000, SNI's subscription to COFITOUR, of which D 415,000 was disbursed in 1969.

Evaluation of Loan and Equity Portfolio

4.02 Auditors' Views. SNI's auditors, Peat, Marwick, Mitchell and Co., qualified SNI's 1969 accounts, questioning the adequacy of SNI's provisions for doubtful loans. In 1970, SNI's delinquent accounts increased, and a total of D 0.7 million in interest and principal was overdue as of December 31, 1970, nearly twice the amount reached a year before. In view of this large amount, the auditors declined at first to express an opinion on SNI's 1970 accounts until, in September 1971, they could undertake a detailed review of selected clients of SNI in arrears. The auditors subsequently arrived at the opinion that SNI should write off D 16,000 of old accounts receivable and SNI has agreed to do so out of 1971 income. Otherwise the auditors concluded that SNI's accounts presented fairly SNI's financial position, subject to the ultimate collectibility of two hotel loans, which SNI on good evidence considers sound.

4.03 The problems experienced by SNI with its auditors during the last two years result from a difficulty in Tunisia in obtaining annual statements of borrowers in time for SNI's audit 1/. By law, companies are not required to issue such statements before June 30. During negotiations, however, an understanding was reached with SNI to correct progressively the situation. For that purpose, SNI has agreed to formulate immediately its new loan contracts to require borrowers to provide SNI with provisional financial statements within three months after the end of their fiscal year. For existing customers, SNI will endeavor to obtain from them financial accounts within the same three months period. SNI also plans to consult with its auditors, before the next audit, on how best to proceed so as to minimize the difficulties experienced in 1971.

1/ Loan Agreement between SNI and the Bank requires that SNI's audit should be completed each year before May 31.

4.04 Loan Portfolio. On December 31, 1970, SNI's loan portfolio included 101 loans for D 9.2 million of which 14 loans, 7 of which were hotel loans, for D 1.5 million (or 16.3% of total loan portfolio) were in arrears of interest and principal for more than three months. This is high. The actual amounts in arrears amounted to D 750,000, about 8.3% of the loan portfolio. In addition, due to unforeseen delays in project construction, loans for D 1.64 million were rescheduled by SNI. The majority of loans rescheduled are to hotel projects which are starting or about to start operations. In 1971, there has been a change in the picture. About D 800,000 were overdue in mid-August -- a figure which does not include about D 100,000 overdue on December 13, 1970 and since rescheduled. Since August, however, SNI has been very active in collecting overdues and the amounts in arrears were substantially reduced. At the end of October, while the total loan portfolio had increased to D 11.3 million since the beginning of 1971, total overdues amounted to D 571,000 (as compared with D 750,000 at the beginning of 1971).

4.05 In consequence of questions raised by the auditors and because of the arrears situation, a case-by-case examination has been made of SNI's portfolio. This shows that SNI's real risk is small. Only two loans are likely to be partially lost, in an amount totalling D 40,000; and there is a third where SNI's loss could amount to D 30,000. The rest of the portfolio is likely to improve and no other losses are expected. Indeed, most of the delinquent hotel loans are now doing well, and the value of the underlying assets exceeds substantially the amount SNI has at risk. Security on SNI's loan portfolio is also satisfactory. However, a peculiar situation has arisen which nominally affects the security on loans which SNI has made to 35 hotels. The problem is a general one in Tunisia: some land on coastal areas is not now registered as required and some hotels have been built on land which has been expropriated. As a result, the mortgages SNI holds in 35 cases are not valid. However, SNI's loans rank pari passu with all other debts of those borrowers. Nevertheless, SNI is anxious to regularise the situation of the mortgages affected by this peculiar situation and to get them validated as rapidly as possible, despite the legal complexities involved. During negotiations SNI worked out with the Government a satisfactory program for assuring that most, if not all, of the affected loans would be secured by valid mortgages by the end of 1972.

4.06 Equity Portfolio. Annex 10 gives details of SNI's equity portfolio as of December 31, 1970. The sale of unprofitable investments to the Government under the 1965 Guarantee Convention (see paragraph 2.15) has improved considerably the quality of SNI's equity portfolio, which now includes 28 investments for D 1.92 million at cost. Seven companies, accounting for 16% of SNI's equity portfolio, were unprofitable in 1970. Of these, only two are experiencing serious difficulties; SNI's investments in them amount only to D 26,100. The average dividend yield for SNI in 1970 has been low (about 3%), as most of SNI's investments, including the one in COFITOUR, have started operations only recently, and will take time to generate an appreciable return.

4.07 SNI's equity portfolio includes quite a few investments on which important capital gains could be expected if SNI were to sell them. Although an evaluation of the potential for such gains is difficult given Tunisia's thin market for securities, under present circumstances such potential gains should exceed the estimated losses on SNI's bad investments. Therefore SNI has decided not to make provisions on its equity portfolio.

4.08 Summary Evaluation. The provision of D 102,000 made by SNI seems to be sufficient. SNI has reserves of D 1.2 million. SNI has now formulated a provision policy according to which it plans to make provision on a case by case basis in the light of recent financial information on its clients. More emphasis on, and better, follow-up should also help.

Profitability and Financial Position

4.09 Annex 11 shows audited income statements from 1967 to 1970. According to SNI's income statement for 1970, SNI's net profits for the year were one third less than in 1969. While 1969 net profits were D 198,600 (13.2% on share capital and 7.6% on average equity), 1970 profits were only D 135,400 (8.9% on share capital and 5.1% on equity) mainly because:

(a) Administrative expenses increased by 33% (from D 125,000 to D 168,200). Three factors were responsible: the cost of last year's share capital increase, the hiring of several staff members at the end of 1969, and the fact that the President's salary, paid in 1969 by the Central Bank, was paid in 1970 by SNI.

(b) SNI which was tax exempt in 1969 1/, will have to pay D 46,000 as income taxes on 1970 results.

Net profits over the first 10 months of 1971 reached D 131,000. SNI's projection for net profits of D 142,000 for the whole year 1971 is therefore well supported.

4.10 Annex 12 shows SNI's balance sheets from 1967 to 1970. SNI's financial position at the end of 1970 is sound. At the end of October 1971, SNI's long-term debt/equity ratio was about 2.4 and the debt/equity ratio as defined in contracts with the Bank was 2 against a limit of 4 SNI's liquidity position is strong, with a net working capital of over D 1.0 million. Reserves and provisions computed at October 31, 1971 covered about 11% of total portfolio and were considerably higher than hardcore risks in the portfolio. SNI's Board, on the basis of SNI's unaudited accounts, decided in June 1971 to declare a 6% dividend on 1970 results (5% in 1969).

1/ SNI's tax exemption ended in 1968. However, by law of December 31, 1962, 50% of SNI's equity investments approved and paid-in during the year can be deducted from the taxable profits. SNI's investment in COFITOUR in 1968 (D 414,500) was sufficient to exonerate SNI from a tax liability in 1969.

V. OUTLOOK

Business Prospects

5.01 During the past five years, annual real economic growth has averaged only about 3-1/2%. After the political and economic difficulties which culminated in the change of Government in 1969 and the adoption of a new and more liberal economic policy, Tunisia is now placing more emphasis on the need to encourage private investment, including foreign investment, and to foster exports. Near the end of 1970, the Prime Minister presented a revised economic strategy emphasizing higher growth in output and exports to be achieved mainly through a relaxation of government intervention, greater reliance on private entrepreneurship and a rise in public savings. To reach these goals, some trade liberalization and improved incentives have been introduced and further measures are being contemplated by the Government. Apart from mining and utilities, the Government does not wish to increase the share of the public sector in industry and, in some cases, it plans to disinvest in favor of the private sector.

5.02 Unless economic growth can be accelerated, particularly in agriculture, industrial projects for import substitution in Tunisia will face a saturation in the local market. The size of the Tunisian market (5 million) and per capita GDP of $210, indicate that new projects, to be viable, will have to be increasingly export-oriented. The Government is now taking steps for promoting industrial exports, taking advantage of Tunisia's favorable location, low-cost labor, some mineral resources, and Tunisia's agreement with the EEC. The main possibilities lie in subcontracting in electrical and mechanical industries, and labor intensive sectors such as textiles, leather goods and shoe making. In October 1971, the Consultative Group for Tunisia discussed the promotion of export oriented foreign investments and the Tunisian authorities are now establishing contact with business organizations abroad. The present flow of business to SNI indicates the possibility of a steady growth of investments in the industrial sector of perhaps 5-6% per annum. It is reasonable for SNI to expect that it will maintain its present share of the market if it continues to make progress in solving the staff and organizational problems that developed over the last 2 years.

5.03 In tourism, the Government has undertaken a comprehensive study of the needs and prospects for growth over the next 15 years (1971-85). It adopted a relatively modest target of 1.5 million visitors in 1985 (as against 410,000 in 1970), implying the annual construction of about 6,000 new beds so that by 1985 the number of available hotel beds in Tunisia will be 125,000, a reasonable objective. This implies annual investment of D 14 million. The bulk of the program would be financed by the private sector. With a planned average stay of 12 days per tourist, the average occupancy rate (40%) of hotels under this target seems low; but the actual number of visitors may well exceed 1.5 million in 1985, given Tunisia's strong attraction to European mass traffic.

Forecast of Operations

5.04 SNI has based its forecast of operations (1971-76) on a modest growth of approvals in industry at about 4% per annum, and of hotel financing along the lines of the Government's plans. This would mean a higher share for SNI's tourism investment than in the past - but given tourism prospects, this is probable. This forecast growth appears attainable.

5.03 Annex 13 contains SNI's forecasts of operation through 1976. Total commitments in the 1971-1976 period are forecast at D 40 million. Contractual commitments are projected at totals of D 5.2 and D 7.9 million in 1971 and 1972, respectively. This compares with D 4.4 million in 1970. The relatively large increase in 1972 reflects SNI's large pipeline of projects already approved in 1970 and 1971 for which commitments were not made due to administrative and legal delays.

Resources Needed

5.06 To meet forecast commitments of about D 40 million through 1976, SNI had on November 31, 1971 only about D 2.5 million of uncommitted resources as follows:

	(D million)
Funds from increase in share capital and self generated funds	1.0
Uncommitted balance of	
- second SIDA credit	0.8
- third Bank loan	0.7
	2.5

5.07 SNI thus needs about D 37 million to finance commitments for the next five years. Some of it will come from its internal cash generation but the bulk will have to be borrowed. SNI intends to make efforts to diversify its resources and hopes to obtain more dinar funds from deposits. SNI is also discussing with the Government the possibility of obtaining bilateral foreign credits in addition to those that it expects to receive from SIDA and the Bank. Such efforts may yield some amounts, but they are not likely to allow SNI to go forward without substantial support from SIDA and the Bank.

5.08 The third Bank loan will probably be entirely committed in the next few weeks. By that time, SNI should still have D 0.8 million available from the second SIDA credit which SNI has already to a large extent earmarked for projects. (About half of the SIDA loans will as in the past be used for import financing, and the other half for local currency financing.)

5.09 Normally, the Bank would base its lending on a two-year time horizon. Total commitments over the period from January 1971 through December 1973 will total about D 15.3 million. Of this total, as shown in Annex 13, D 11.4 million represent the import element. Funds available for commitments at the beginning of the period are expected to be D 1.5 and 0.7 million in local currency and foreign exchange respectively. The gap thus amounts to D 2.4 for local expenditure and D 10.7 for imports. SNI hopes to cover this gap by a third SIDA credit of D 4 million equivalent in 1972 (1/2 of which would finance local expenditures), by cash generation (projected at D 0.6 million over the two-year period) and a fourth Bank loan. In the past, about four-fifth of the resources needed to finance imports were financed with Bank funds and one-fifth with SIDA funds. On that basis, and unless SNI succeeds within the next two years to raise funds from new foreign sources, SNI would need a Bank loan of about D 8.6 million ($16.3 million); this would represent about 50% of SNI's overall commitments.

5.10 However, in view of the improvements in organization and procedure now under way in SNI, a fourth Bank loan should cover SNI's commitments to finance imports for only a year until December 1972. There will be a fresh appraisal of SNI in the middle of 1972, when SNI's progress in reorganization and performance can be assessed. A $10 million loan (D 5 million) would approximately cover SNI's needs through 1972.

Financial Projections

5.11 Annexes 14 through 16 are SNI's 1971-75 projections of cash flow, income statements and balance sheets, based on SNI's forecast of operations.

5.12 Two factors will have an important bearing on SNI's profits and reserves. Starting in 1970, SNI has been subject to a tax of 46.5% on its operating income. Secondly, the recent 100% share increase of SNI has led SNI's management to project only a 5% dividend for the financial year 1971, though SNI expects to be able to revert to a 6% dividend during the 5-year period starting with the results of 1972. SNI results are thus expected to evolve as follows:

		Gross Earnings as % of Average Total Assets	Net Profit After Tax as % of Share Capital	Net Profit After Tax as % of Average Equity
Actual:	1970 /1	6.05	8.9	4.8
Est.:	1971 /2	7.23	6.3	4.1
	1972	7.67	8.9	6.2
	1973	8.06	12.8	8.7
	1974	8.20	16.9	11.0
	1975	8.21	18.5	11.4
	1976	8.18	22.2	12.6

/1 Before share capital increase.
/2 After share capital increase.

If these results are realized, there is no reason why SNI should not pay a dividend substantially higher than 6% in a few years.

5.13 Projected balance sheets through 1976 (Annex 16) show that total assets are expected to more than double over the five-year period, from D 17.6 million in 1971 to D 40.7 million in 1976. SNI's debt limit as defined in the Bank's Loan Agreements will remain below the 4:1 agreed limit until 1974. The coverage of SNI's portfolio by reserves over the five-year period would remain at about 9%. This cushion should be sufficient to meet normal risks in its portfolio.

5.14 Debt service coverage will be sufficient during the period 1971-1976, particularly taking account of the revolving of SIDA loans whose amortization schedule is fixed. Annual interest payments on SNI's borrowings would remain at about 50% of SNI's annual income; the ratio of collections to principal repayments by SNI will be growing from 1.2 in 1971 to 1.4 in 1975. If SNI continues keeping in balance the maturities on its present debt and the repayments on its lendings, this ratio, through the life of another Bank loan, should not drop below 1.2.

VI. CONCLUSIONS AND RECOMMENDATIONS

6.01 Over the past two years, SNI has continued its important role in the Tunisian economy as the leading source of term financing for private sector industry and tourism. This has been so, even with the establishment of COFITOUR, which is taking a growing share of local currency financing of hotel investment.

6.02 While SNI has, in this period, been able to maintain an increasing pace of business, its organization and management suffered as a result of the departure of several experienced senior officers. Project appraisal and supervision work were affected, and SNI's management became increasingly conscious that it had to reverse this trend and introduce needed improvements expeditiously. SNI therefore sought advice and has worked out a program to bring about important changes in organization and to attract the staff needed to give support to these reforms. SNI has consulted the Bank on the measures which, by their nature and the importance that SNI attaches to them, should bring about soon a noticeable improvement in SNI's operational performance.

6.03 Agreement, in principle, has been reached with the Bank on improving SNI's economic analysis of projects. Discussion will continue between the Bank and SNI to refine methods. SNI is also working out arrangements to obtain more readily information on its borrowers' financial position. Furthermore, SNI is working, together with the Government, on validating the mortgages which it has obtained on some of its loans; this matter is expected to be resolved by the end of 1972.

6.04 After a period of difficulties, Tunisia's economic outlook has recently improved. There is a reasonably favorable prospect for further growth of industrial investment, in part stimulated by prospects of exporting to the EEC. Prospects are better still for further tourism investments. Given these prospects, and the place SNI has already carved out for itself in these two important sectors, SNI should look to a growing business in the next few years. To carry out the business it has forecast in the next five years, SNI needs to raise about D 40 million. SNI is trying to diversify its resources, but this effort will take some time to bear fruit in significant amounts. Over the next two years, SNI will have to look principally to SIDA and the Bank to help cover its resource gap in meeting SNI's estimated import financing.

6.05 SNI business forecast is reasonable and SNI requires fresh resources. SNI is creditworthy. It is about to embark on important actions to improve its organization and the quality of its project work. The Bank should examine the progress of SNI's reforms in mid-1972. In these circumstances, it would be prudent to lend to SNI $10 million, enough, together with the resources expected from SIDA, to enable SNI to carry its estimated import financing commitments until the end of 1972.

6.06 The proposed loan to SNI should be made on the same terms and conditions as recent Bank loans to development finance companies, including the standard commitment charge. The free limit above which Bank approval of a project is required, should be maintained at $200,000 for private sector projects. However, there should be an aggregate free limit of $2.5 million. The same debt limit as defined in the previous loan agreement should also be retained. The financing of public sector enterprises should not exceed 25% of the amount of the proposed loan.

ANNEX 1

TUNISIA

Developments and Prospects in Tourism, 1963-1972

Year	Investments (D million)	Beds Available	Visitors (000)	Bed Nights (000)	Gross Receipts (D million)
Actual					
1963	4.0	5,743	104.7	540.8	3.7
1964	5.1	7,543	138.2	694.4	5.3
1965	6.5	9,616	165.8	1,129.4	9.2
1966	10.6	17,061	218.8	1,636.9	13.6
1967	12.8	18,786	231.1	2,030.1	16.4
1968	13.8	24,709	330.3	3,082.3	22.2
1969	14.5	31,691	373.3	3,406.4	26.1
1970	15.2	37,185	410.7	3,819.6	29.0
Projected					
1971	15.0	+10,000	451.8	4,201.6	32.0
1972	15.5	+ 6,000	497.0	4,621.8	36.0

Source: Office Nationale de Tourisme

DFCD
March 1, 1971

ANNEX 2

TUNISIA

Gross Fixed Capital Formation in Manufacturing, 1968-70, and Projections for 1971

(Dinars millions)

	1968	1969	1970	(Projected) 1971
PUBLIC ENTERPRISES				
Food Processing	2.0	1.5	0.8	1.1
Construction Materials	2.8	2.1	0.1	2.0
Metallurgical	0.7	0.6	2.0	0.6
Mechanical and Electrical	0.5	0.2	0.5	0.7
Chemicals	0.6	2.0	4.7	6.3
Textiles	0.9	2.0	0.3	0.2
Wood and Furniture	-	-	-	0.1
Oil Refining	0.2	0.1	0.3	0.4
Paper and Printing	0.3	3.5	3.0	0.4
Other Sectors	-	-	-	-
Total Public Sector	8.0	12.0	11.7	11.8
PRIVATE ENTERPRISES				
Food Processing	0.8	0.8	0.7	0.3
Construction Materials	0.1	0.3	0.2	0.3
Mechanical and Electrical	0.5	1.3	1.0	0.3
Chemicals	0.6	0.3	0.4	0.4
Textiles	0.3	1.6	0.6	2.0
Wood and Furniture	0.4	0.2	0.4	0.1
Paper and Printing	0.3	0.4	0.7	0.5
Other Sectors	0.5	0.2	0.2	0.2
Total Private Sector	3.5	5.1	4.2	4.1
TOTAL MANUFACTURING	11.5	17.1	15.9	15.9
Public Sector (%)	70	70	74	74
Private Sector (%)	30	30	26	26

Source: Ministry of Planning

DFCD
March 1, 1971

ANNEX 3

SOCIETE NATIONALE D'INVESTISSEMENT

Long-Term Resources as of October 31, 1971

(Dinar thousands)

Source	Net Amount 1/	Interest %	Year Contracted	Repayment Period
Equity				
Share Capital	3,000	-	1966-1970	-
Reserves and Surplus 2/	1,018	-		
Government Grant	500	-	1964	-
	4,518			
Government Subordinated Loan	615	Free	1966	1981-96
Borrowings				
Central Bank	155	5	1965	1969-80
CNSS (Caisse Nationale de Sécurité Sociale)	337	4	1964	1966-78
SIDA First Loan	1,500	4	1967	1972-87
Second Loan	3,000	5	1970	1975-90
IBRD - 449-TUN	1,968	Variable	1966	1968-84
512-TUN	5,025	Variable	1967	1969-85
648-TUN	5,250	7	1969	1971-87
	17,235			
Total Resources	22,368			

1/ Net of repayment.
2/ Includes estimated net profits for the first 10 months of 1971 of D 131 thousands.

DFCD
December 22, 1971

ANNEX 4

SOCIETE NATIONALE D'INVESTISSEMENT

Ownership Structure Before and After Share Capital Increase Completed January 29, 1971

	Ownership Before Increase			Ownership After Increase	
	Par Value of Shares (Dinars)	%	Suscriptions at Par value (Dinars)	Par Value of Shares (Dinars)	%
TUNISIAN GOVERNMENT	50,000	3.3	-	50,000	1.7
CENTRAL BANK	70,000	4.7	110,000	180,000	6.0
GOVERNMENT-OWNED BANKS					
Societe Tunisienne de Banque	36,915	2.4	86,225	123,140	4.1
Banque Nationale de Tunise	15,000	1.0	93,550	108,550	3.6
Union Internationale de Banque	15,000	1.0	39,990	54,990	1.8
GOVERNMENT COMPANIES					
S. T. A. R.	10,000	0.7	73,055	83,055	2.8
Societe Tunisienne du Sucre	-	-	45,500	45,500	1.5
Societe Financiere et de Gestion	11,500	0.7	16,680	28,180	0.9
Societe Nationale du Liege	-	-	18,420	18,420	0.6
S. T. E. G.	10,000	0.7	-	10,000	0.3
Societe Batiment	10,000	0.7	-	10,000	0.3
Societe Tunisienne du Souffre	-	-	9,100	9,100	0.3
Lloyd Tunisien	8,000	0.6	-	8,000	0.3
TOTAL PUBLIC SECTOR	236,415	15.8	492,520	728,935	24.2
TUNISIAN PRIVATE BANKS					
Banque de Tunisie	15,000	1.0	109,805	124,805	4.2
Union Bancaire pour le Commerce et l'Industrie	15,000	1.0	97,020	112,020	3.8
Compagnie Financiere et de Credit a la Tunisie	15,000	1.0	-	15,000	0.5
TUNISIAN SMALL PRIVATE SHAREHOLDERS	798,585	53.2	220,805	1,019,390	34.0
TOTAL PRIVATE TUNISIAN	843,585	56.2	427,630	1,271,215	42.5
FOREIGN SHAREHOLDERS					
Caisse Centrale de Coopeation Economique	15,000	1.0	165,000	180,000	6.0
Banca Commerciale Italiana Holding	30,000	2.0	30,000	60,000	2.0
Banque Nationale de Paris	-	-	36,360	36,360	1.2
Caisse de Depots et Consignations	15,000	1.0	15,000	30,000	1.0
Stockholms Enskilda Bank	30,000	2.0	-	30,000	1.0
Bank for Gemeinwirtschaft	30,000	2.0	-	30,000	1.0
Other private foreign shareholders	-	-	33,490	33,490	1.1
TOTAL FOREIGN	120,000	8.0	279,850	399,850	13.3
INTERNATIONAL FINANCE CORPORATION	300,000	20.0	300,000	600,000	20.0
GRAND TOTAL	1,500,000	100.0	1,500,000	3,000,000	100.0

DFCD
April 5, 1971

SOCIETE NATIONALE D'INVESTISSEMENT

Analysis of Investments Approved, 1966-1970
(Dinars thousands)

	1966		1967		1968		1969		1970		TOTAL	
TYPE OF OPERATION	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
Loans	19	1,812	41	3,709	33	3,252	28	4,423	58	6,455	179	19,651
Equity Investments	3	46	6	243	9	427	6	1,010	8	255	32	1,981
Total	22	1,858	47	3,952	42	3,679	34	5,433	66	6,710	211	21,632
SECTOR												
Tourism	4	577	14	1,994	12	2,370	12	1,879	18	2,127	60	8,947
Construction Materials	3	76	6	773	3	78	2	73	6	972	20	1,972
Textiles	-	-	-	-	3	329	5	617	12	596	20	1,542
Salt Extraction	-	-	1	150	-	-	-	-	2	161	3	311
Wood	2	320	-	-	-	-	1	500	1	80	4	900
Food Processing	4	644	3	76	2	85	3	247	3	68	15	1,120
Mechanical	1	50	11	510	6	335	2	36	3	143	23	1,074
Plastics	-	-	3	128	2	45	1	68	3	360	9	601
Other Industries	8	191	9	321	14	437	8	2,013	17	1,053	56	4,015
Transport	-	-	-	-	-	-	-	-	1	1,150	1	1,150
Total	22	1,858	47	3,952	42	3,679	34	5,433	66	6,710	211	21,632
SIZE OF LOANS												
Below D50,000	13	372	22	597	22	723	8	251	25	570	90	2,513
D50,000 to D150,000	1	60	8	582	2	269	11	722	22	1,920	44	3,553
Above D150,000	5	1,380	11	2,530	9	2,260	9	3,450	11	3,965	45	13,585
Total	19	1,812	41	3,709	33	3,252	28	4,423	58	6,455	179	19,651
Average Size		96		91		98		158		112		110
OWNERSHIP OF BORROWER												
Majority Public	-	-	-	-	-	-	2	1,200	6	2,350	8	3,550
Majority Private	19	1,812	41	3,709	33	3,252	26	3,223	52	4,105	171	16,101
	19	1,812	41	3,709	33	3,252	28	4,423	58	6,455	171	19,651

DFCD
March 1, 1971

ANNEX 5

ANNEX 6

SOCIETE NATIONALE D'INVESTISSEMENT

Comparison of Projects Authorized Under Loans 449, 512 and 648

	LOAN 449		LOAN 512		LOAN 648	
	No. of Projects	% of Amount Authorized	No. of Projects	% of Amount Authorized	No. of Projects	% of Amount Authorized
I. SECTORAL DISTRIBUTION						
Manufacturing						
Food Processing	6	16	5	5	4	3
Textiles	2	2	7	17	5	19
Chemicals	1	2	3	3	3	3
Construction Materials	4	11	2	6	-	-
Mechanical	6	7	6	11	3	11
Paper and Printing	3	5	5	5	2	2
Wood and Furniture	1	11	1	1	1	2
Other sectors	10	12	7	3	1	6
Total Manufacturing	33	66	36	51	19	46
Tourism	6	32	17	48	7	27
Transport	1	2	1	1	1	27
	40	100	54	100	27	100
II. EXPORT ORIENTATION OF MANUFACTURING PROJECTS						
Projected Exports						
Over 50% of production	2	25	2	13	2	22
Between 10 and 50%	1	3	2	7	1	18
Less than 10%	30	72	32	80	16	60
	33	100	36	100	19	100

III. AVERAGE LOAN SIZE (US$ 000)			
Transport and Tourism Projects	193	265	378
Manufacturing Projects	80	138	135
All Projects	100	180	207

DFCD
March 1, 1971

ANNEX 7

SOCIETE NATIONALE D'INVESTISSEMENT

Board of Directors and Executive Committee

(as of June 12, 1971)

* Habib Bourguiba, Jr.	President Director General and Representative of the Government
* Moncef Belkhodja	Administrateur Délégué
* Hassan Belkhodja	President of Société Tunisienne de Banque
* Hassan Riahi	Deputy Director General of Union Bancaire pour le Commerce et l'Industrie
* Azzedine Ben Achour	Secretary General of Union Tunisienne de l'Industrie et du Commerce
* Hassan Zghal	Director of the Central Bank
Mohamed Ghenima	President Director General of Banque Nationale de Tunisie
Yves-Rolland Billecart	Representative of Caisse de Cooperation Economique
Ali Akbar Khosropur	Representative of IFC
Fritz Oppenheimer	Bank für Gemeinwirtschaft
* Rachid Ben Yedder	Representative of private Tunisian shareholders
Ali M'Heni	Private shareholder
Mahmoud Doghri	Private shareholder
Renato Braghenti	Banca Commerciale Italiana Holding

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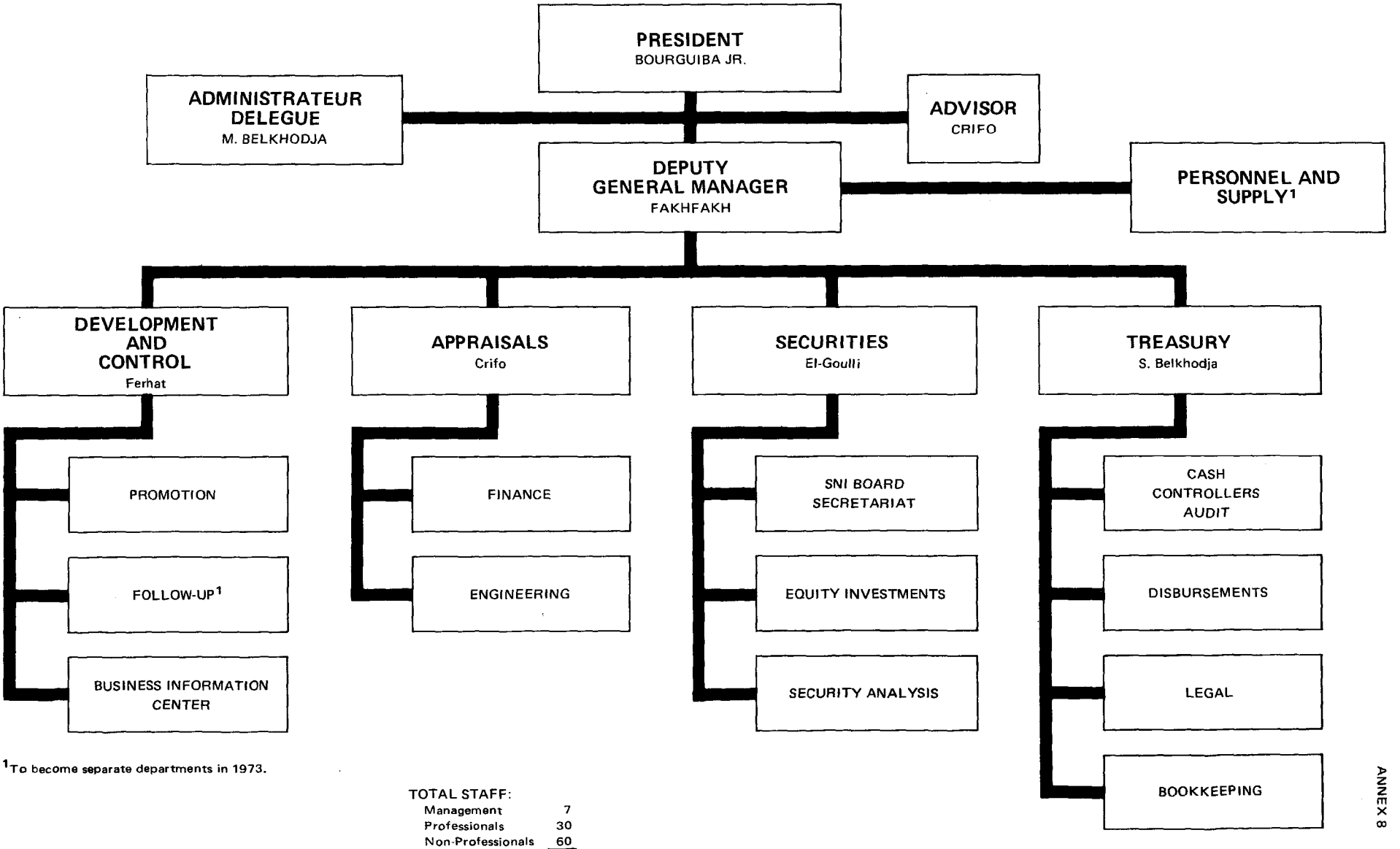
* Members of the Executive Committee

DFCD
August 17, 1971

SOCIETE NATIONALE D'INVESTISSEMENT
PROPOSED ORGANIZATION CHART

(To be effective January 1972)



[1]To become separate departments in 1973.

TOTAL STAFF:

Management	7
Professionals	30
Non-Professionals	60
	97

ANNEX 8

World Bank—6362

SOCIETE NATIONALE D'INVESTISSEMENT

Statement of General Policies and Operations Adopted by the Board of Directors on July 4, 1966 and Amended on June 7, 1969

I. Purpose of this Statement

These provisions define the general policies and the guiding principles governing the operations of the Societe Nationale d'Investissement.

It is evident that the management may propose to the Board of Directors of the SNI any necessary amendment which may be justified, in the light of experience, in order that the SNI may perform its services to the Tunisian economy with greater efficiency. In view of the importance of the subject matter to be discussed, the Board shall be given ample time to study such proposals.

II. Purpose of the SNI

(1) The SNI, through the various forms of operation as specified in III below, shall endeavor to stimulate the industrialization of the country and the development of tourism through productive, economic and financially sound projects.

(2) The SNI shall also seek methods which may reactivate and develop the capital market and, in particular, broaden the securities market.

III. Investment Policy

(1) The SNI will assist the Tunisian economy by one of the following methods, or a combination of several of them:

(a) medium- and long-term loans for the foreign currency needs of a borrowing company;

(b) medium- and long-term loans for its local currency needs;

(c) equity investments;

(d) underwriting syndicates for issue to the public of shares of a borrowing company.

(2) The SNI shall concentrate its assistance in the industrial and tourism sectors.

(3) It will provide financial assistance mainly to private enterprises or enterprises with a majority of private shareholders. The following may be considered as private enterprises or enterprises with a majority of private shareholders:

(a) companies where the capital is held solely by private natural or juridical persons;

(b) companies where more than half of the capital is held by private natural or juridical persons, through the remainder is held by the Government or public agencies, or institutions where the Government is a majority shareholder.

SNI will also be able to finance companies where more than half of the capital is held by the Government, by public agencies, or by institutions where the Government is a majority shareholder provided that:

- The decision to finance these companies receives the unanimous approval of the Board of Directors of the SNI.

- The total amount of financial assistance which the SNI will grant to these enterprises shall not exceed at any time 25% of total outstanding commitments (total amount of equity investments, medium and long term loans and guarantees).

(4) The total amount of financial assistance which the SNI shall grant to any single company, in the form of loans or equity investments, shall not normally exceed 15% of the SNI's own resources (share capital plus free reserves plus grant plus Government loan ranking pari passu with the share capital). In exceptional cases, where the financial assistance of the SNI exceeds such limit, the Board of Directors shall examine the project particularly carefully after a detailed and thorough study conducted by the Management.

The SNI shall not engage in operations, whether loan or equity investment, by subscription, requiring less than D 15,000 from SNI.

No equity investment in an industrial or tourist enterprise shall exceed 10% of the SNI's own resources as defined above. In the exceptional cases in which the equity participation

of SNI will exceed this limit, the Board of Directors will have the opportunity to study the project in especially great depth. The total amount of SNI's equity investments shall in no case or at any time exceed the total of the capital, free reserves, grant, and the Government loan ranking pari passu with the share capital.

(5) The SNI's equity investments in industrial and tourist enterprises shall be as diversified as possible between the industrial and tourist sectors and within a specific sector.

(a) With regard to industry, among various groups such as: mining, chemicals, mechanical industry, textile industry, food industry, etc.

(b) With regard to tourism: both among various types of hotels (de luxe and intermediate categories), vacation centers, etc; and between hotels located in the southern, central and northern regions of the country.

(6) The SNI shall not, as a matter or principle, hold a majority of shares in a company, except:

(a) where SNI acts as promoter of an enterprise and expects to place shares among private subscribers which will bring its holding down to a minority position (below 50%);

(b) where the company under consideration is in a difficult financial situation requiring the direct intervention of the SNI in the best interests of SNI.

As a general rule, the SNI shall not allow itself to assume the managerial responsibility of enterprises in which it shall have an equity investment.

(7) A loan which the SNI is requested to grant to a company directed by a member of SNI's Board of Directors, and in which this director holds a large equity participation, shall be:

- on the one hand, granted only after due consideration and approval by the Board of Directors as a whole;

- on the other hand, subject to a special report of the auditors to the next Ordinary General Meeting, in accordance with the provisions of the Code of Commerce.

(8) The SNI will support all initiatives for the development of the capital and securities markets. In particular, it will take the following measures:

- it will endeavor to ensure the maximum turnover of its portfolio by giving preference to the resale of all or part of the good securities held;

- it will subscribe to share issues, whether the companies are borrowers or not from the SNI;

- it will take part in the promotion of "variable capital" investment companies (mutual funds) or any other type of portfolio investment companies.

- it will take part in securities markets operations to buy shares and any other securities (bonds for example).

IV. Financial Policy

(1) The SNI shall ensure that the total of medium- and long-term debts outstanding (i.e. maturing beyond one year) does not exceed at any time four times the total of its share capital plus free reserves, plus grant, plus Government loan ranking pari passu with the share capital.

(2) For each foreign borrowing, the SNI shall protect itself against any exchange risk arising from loans in foreign currencies. It shall consider with the proper Tunisian authorities the measure to be taken in this respect.

(3) The SNI shall obtain from its lending, guarantee and other operations a rate of interest and commission sufficiently high for it to be reasonably profitable, build adequate reserves and distribute a small dividend.

(4) From the profits of each year of operations, the SNI shall, in addition to the legal reserve, establish a provision for contingencies and extraordinary reserves reasonably commensurate with its commitments and the nature of the risks involved. It shall also pay reasonable dividends in accordance with its annual profits.

V. Organization

(1) The SNI shall recruit a highly qualified personnel for the financial and technical analysis of the projects to be financed.

(2) The SNI shall also set up an organization adequate to give technical assistance to its clients and to enable them to adopt modern management techniques.

DFCD
December 28, 1971

SOCIETE NATIONALE D'INVESTISSEMENT

Equity Portfolio as of December 31, 1970

(Dinars)

Company and Sector		Year of Establishment	SNI Shareholding Book Value	SNI Shareholding Net Asset Value	% of Share Capital held	% of SNI's equity portfolio	Earnings in 1969 attributable to SNI holdings	Dividends on 1969 results Amount	Dividends on 1969 results % of Par	Comments
PROFITABLE COMPANIES DISTRIBUTING DIVIDENDS										
STS	Food Processing	1961	261,100	654,212	15.3	13.6	27,895	14,713	6	Profitable sugar mill and refinery enjoying a monopolistic position. Will pay only a 5% dividend on 1970 results because the Government has decided to lower sugar prices.
SICOAC	Construction Materials	1961	120,290	135,807	30.1	6.2	14,476	5,849	6	Has faced liquidity problems because of the inability of the Government, its main client, to pay its bills. SNI is pushing the company to diversify its clients and sell to private sector.
STUFIT	Textiles	1940	86,857	104,551	29.0	2.5	13,287	4,894	6	Profitable company producing jute bags. Good prospects.
SNL	Wood and Cork	1962	116,300	358,809	46.5	6.1	38,153	9,362	8	Medium term prospects are not bright because cork prices are falling but SNI expects a 10% dividend in 1971.
SIG	Mechanical	1964	13,000	19,874	25.8	0.6	2,804	1,448	11	Very profitable company. Good prospects.
SKANES	Furniture	1962	33,687	127,775	29.7	1.7	7,332	4,040	12	Very good prospects.
MARHABA	Tourism	1964	9,000	32,198	5.4	0.5	5,228	1,920	22	Very profitable hotel company in Sousse.
STIB	Wood	1960	8,560	14,147	2.8	0.4	5,526	1,027	12	Wood pannels producer. Good prospects.
STIA	Mechanical	1961	73,332	454,156	44.4	3.8	120,819	6,091	9	Automobile assembler, very profitable.
TAT	Tourism	1967	25,000	52,525	25.0	1.3	14,789	2,012	8	Car rental company. Very good prospects.
CHAKIRA	Mechanical	1963	33,750	38,922	15.0	1.8	4,728	1,932	6	Profitable manufacturer of electric cables.
RECTIF	Mechanical	1967	28,341	54,064	32.1	1.5	4,018	155	0.5	Company in tight liquidity position
			809,217	2,047,040		40.0	259,145	53,443		
PROFITABLE COMPANIES NOT DISTRIBUTING DIVIDENDS										
UNION GENERALE	Construction	1947	100,000	84,966	14.3	5.2	5,456	-	-	Brick factory. Brick exports to Libya have ended in 1970 and the company faces an excess capacity situation for a few years unless exports are resumed.
STUMETAL	Metal Canning	1965	20,000	26,530	7.4	1.0	2,692	-	-	The Company recovered from a bad year in 1968. Good prospects.
			120,000	111,496		6.2	8,148			

SOCIETE NATIONALE D'INVESTISSEMENT

Equity Portfolio as of December 31, 1970
(Dinars)

Company and Sector		Year of Establishment	SNI Shareholding Book Value	SNI Shareholding Net Asset Value	% of Share Capital held	% of SNI's equity portfolio	Earnings in 1969 attributable to SNI holdings	Dividends on 1969 results Amount	Dividends on 1969 results % of Par	Comments
COMPANIES STARTING UP OR UNDER CONSTRUCTION										
FRAB BANK	Banking	1970	16,542	16,542	7.0	0.9	-	-	-	Franco-Arab Investment Bank sponsored by Societe Generale
SOCIETE LEVURE	Food Processing	1968	25,000	25,000	10.0	1.3	-	-	-	Project is still not ready to move forward.
COFITOUR	Tourism Financing	1969	414,525	414,525	16.5	21.7	-	-	-	No immediate dividend prospects.
HILL DIAR	Tourism	1966	100,000	100,000	25.0	5.2	-	-	-	Hotel in Sousse opened in 1970. Good prospects.
RUSPINA	Tourism	1967	50,000	50,000	12.5	2.6	-	-	-	Hotel in Monastir; tight liquidity situation.
SOHOTO	Tourism	1968	75,000	75,000	27.3	3.9	-	-	-	Hotel open in 1970. Also tight cash position.
SIOC	Rubber	1970	25,000	25,000	12.5	1.3				Company established in January 1971
			706,067	706,067		36.9				
UNPROFITABLE COMPANIES										
COTUSAL	Salt Extraction	1949	187,470	254,559	25.0	9.7	-	-	-	Losses in 1969 were caused by the Floods. The company was profitable in 1970.
STTA	Aviation	1965	1,200	-	7.1	0.1	-	-	-	The Company is being liquidated and SNI will probably lose its investment.
SOTUVER	Glass	1963	43,440	38,236	9.6	2.3	-	-	-	The Company starts now to overcome technical problems.
SETID	Tourism	1967	25,000	19,000	36.0	1.3	-	-	-	Hotel In Djerba in serious difficulties.
SOMATRAL	Furniture	1967	17,000	17,200	13.7	0.9	-	-	-	Mattress factory on which there has been no follow-up since 1968.
SACEM	Mechanical	1966	10,000	10,000	6.1	0.5	-	-	-	No follow-up since 1968.
LE MARABOUT	Tourism	1968	40,000	36,000	26.7	2.1	-	-	-	Hotel in Sousse affected by the floods
			324,110	374,995		16.9				
TOTAL			1,959,394	3,239,598		100.0	267,293	53,443		

SOCIETE NATIONALE D'INVESTISSEMENT

Income Statements, 1967 - 1970
(Dinar thousands)

	1967	1968	1969	1970
INCOME				
Interest on loans and advances	126.7	254.1	468.5	700.3
Interest on deposits	107.7	37.2	39.9	49.3
Dividend income	55.3	45.5	63.0	54.3
Other income	21.4	61.3	61.1	56.0
	311.1	398.1	632.5	859.9
EXPENSES				
Interest on deposits	14.3	12.6	16.2	27.0
Interest on borrowings	45.3	130.0	241.4	395.2
Administrative expenses	116.8	128.9	126.1	168.2
Depreciation	9.5	10.2	9.1	8.6
	185.9	281.7	392.8	599.0
Net operational income	125.2	116.4	239.7	260.9
Plus: Government subsidy	50.0	50.0	-	-
Less: Provisions for doubtful portfolio	-	-	(40.0)	(62.0)
Extraordinary income (expenses)	(16.7)	13.1	(1.1)	(18.9)
Profit before tax	158.5	179.5	198.6	180.0
Tax	-	-	-	46.4
Net profit	158.5	179.5	198.6	133.6
Allocation of Profits				
Dividend	60.0	60.0	75.0	90.0
Reserves	92.1	110.7	115.5	30.7
Social fund	5.0	7.5	7.5	12.5
Board member fees	0.5	-	-	-
Carried forward	0.9	1.3	0.6	0.4
	158.5	179.5	198.6	133.6
Financial Results (in %)				
1. Earnings before interest, tax and provisions as % of average total assets	3.4	3.9	5.4	5.2
2. Profit before tax as % of average equity	6.7	7.2	7.6	6.7
3. Profit after tax as % of year-end share capital	10.6	12.0	13.2	8.9
4. Administrative costs as % of average total assets	1.9	1.8	1.4	1.3

DFCD
December 16, 1971

SOCIETE NATIONALE D'INVESTISSEMENT

Balance Sheets, 1967 - 1970
(Dinar thousands)

	1967	1968	1969	1970
ASSETS				
Cash and bank deposits	1,901.4	1,115.2	1,691.2	2,445.4
Accounts receivable	449.1	245.2	368.7	923.6
Accrued income from loans	86.6	142.6	306.3	444.8
Short-term advances	834.9	768.4	40.0	30.0
Current assets	3,272.0	2,271.4	2,406.2	3,843.8
Medium- and long-term loans	1,439.7	3,686.5	6,077.0	9,028.0
Equity investments	1,611.1	1,557.0	2,178.9	1,907.4
Total portfolio	3,050.8	5,243.5	8,255.9	10,935.4
Less: provisions for losses on portfolio	-	-	(40.0)	(102.0)
Portfolio net of provisions	3,050.8	5,243.5	8,215.9	10,833.4
Government securities	26.2	26.2	24.5	24.5
Fixed assets (net)	83.3	78.5	72.7	65.6
Establishment costs (net)	14.3	13.2	12.1	11.0
Total assets	6,446.6	7,632.8	10,731.4	14,778.3
LIABILITIES				
Deposits	1,841.8	991.1	1,720.0	1,983.2
Accounts payable	294.1	256.1	443.7	1,577.9
Current liabilities	2,135.9	1,247.2	2,163.7	3,561.1
LT borrowings:				
IBRD	667.0	2,283.1	4,066.5	6,481.9
CNSS	438.7	438.7	372.2	337.1
BCT	185.0	185.0	172.7	155.0
SIDA	-	273.6	751.7	942.7
Subordinated Government loan	615.0	615.0	615.0	615.0
Long-term liabilities	1,905.7	3,795.4	5,978.1	8,531.7
Share capital	1,500.0	1,500.0	1,500.0	1,500.0
Government grant	500.0	500.0	500.0	500.0
Reserves and surplus	405.0	590.2	589.6	685.5
Equity	2,405.0	2,590.2	2,589.6	2,685.5
Total liabilities	6,446.6	7,632.8	10,731.4	14,778.3

DFCD
December 23, 1971

SOCIETE NATIONALE D'INVESTISSEMENT

Forecast of Operations, 1971 - 1976

(Dinar Thousands)

I. APPROVALS

INDUSTRY	1970 (actual)	1971	1972	1973	1974	1975	1976
Private Sector							
Equity investment in dinars	165	200	150	200	200	250	300
Loans in dinars	423	346	350	450	500	550	580
Loans in foreign exchange	2,120	2,033	2,779	2,000	2,200	2,400	2,600
	2,708	2,579	3,279	2,650	2,900	3,200	3,480
Public Sector							
Loans in dinars	440	381	365	350	400	450	500
Loans in foreign exchange	1,435	930	1,000	1,050	1,100	1,100	1,100
	1,875	1,311	1,415	1,400	1,500	1,550	1,600
TOTAL	4,583	3,890	4,694	4,050	4,400	4,750	5,080
TOURISM							
Private Sector							
Equity investments in dinars	90	90	350	400	400	450	450
Loans in dinars	423	547	500	550	650	650	700
Loans in foreign exchange	1,139	1,692	1,224	1,750	1,800	1,800	1,850
	1,652	2,329	2,074	2,700	2,850	2,900	3,000
Public Sector							
Loans in dinars	25	-	-	250	250	250	250
Loans in foreign exchange	450	250	300	500	400	400	400
	475	250	300	750	650	650	650
TOTAL	2,127	2,579	2,374	3,450	3,500	3,550	3,650
TOTAL APPROVED							
Equity investments	255	290	500	600	600	700	750
Loans in dinars	1,311	1,274	1,215	1,600	1,800	1,900	2,030
Loans in foreign exchange	5,144	4,905	5,303	5,300	5,500	5,700	5,950
TOTAL	6,710	6,469	7,018	7,500	7,900	8,300	8,730

II. COMMITMENTS 1/

Calendar Year	1971 2/	1972 3/	1973	1974	1975	1976
Local Currency						
Loans	996	1,254	1,567	1,670	1,835	1,945
Equity investments	185	451	580	600	680	740
Foreign Currency						
Loans	4,089	6,222	5,202	5,370	5,620	5,787
Total Commitments	5,270	7,927	7,349	7,640	8,135	8,472

III. DISBURSEMENTS 4/

Local Currency						
Loans	1,140	1,011	1,356	1,623	1,779	1,929
Equity Investment	209	345	528	592	648	753
Foreign Currency Loans	2,700	4,372	5,254	5,542	5,685	5,906
Total Disbursements	4,049	5,728	7,138	7,757	8,112	8,588

1/ Commitments in a given year include about 35% and 65% of loan approved during the current and previous year respectively. The corresponding percentage for equity investments are 80 and 20%.

2/ Based on actual figures to October 30.

3/ Based on actual projects in the pipeline as of November 30, 1971.

4/ Disbursements in a given year include about 25%, 60% and 15% of loans committed during the current and previous two years respectively. The percentages for equity investments are 60 and 40% of commitment in the current and previous year respectively.

DFCD
December 4, 1971

SOCIETE NATIONALE D'INVESTISSEMENT

Projected Sources and Application of Funds, 1971-1976

(Dinar Thousands)

	1971	1972	1973	1974	1975	1976
SOURCES						
Net Profit before taxes	210.0	397.0	552.0	744.0	808.0	963.0
Depreciation	19.0	20.0	20.0	22.0	22.0	24.0
Cash Flow	229.0	417.0	572.0	766.0	830.0	987.0
Paid in share capital increase	666.0	-	-	-	-	-
State debt	476.0	31.0	36.0	-	-	-
Borrowings						
IBRD	2200.0	3104.0	3904.0	4186.0	4264.0	4430.0
SIDA	550.0	1968.0	2314.0	2556.0	2721.0	2876.0
Loan collection	1243.0	1920.0	2333.0	2880.0	3574.0	4362.0
Sales of equity portfolio	100.0	200.0	250.0	300.0	300.0	350.0
Total sources	5464.0	7640.0	9409.0	10688.0	11689.0	13005.0
APPLICATIONS						
Loans:						
in dinars	1140.0	1011.0	1356.0	1623.0	1779.0	1929.0
in foreign exchange	2700.0	4372.0	5254.0	5542.0	5685.0	5906.0
Purchase of equity	209.0	345.0	528.0	592.0	648.0	753.0
Repayment of borrowings						
local resources	526.0	112.5	53.0	54.5	56.0	57.0
IBRD	855.0	1314.0	1543.0	1922.0	2390.0	2773.0
SIDA	-	-	75.0	75.0	150.0	150.0
Income Tax	38.0	91.0	119.0	188.0	202.0	247.0
Dividends paid	90.0	150.0	180.0	180.0	180.0	180.0
Increase in fixed assets	52.0	-	20.0	-	-	20.0
Total application	5610.0	7395.5	9128.0	10176.5	11090.0	12015.0
Increase in cash-flow	(146.0)	244.5	281.0	511.5	599.0	990.0
	5464.0	7640.0	9409.0	10688.0	11689.0	13005.0

DFCD
December 17, 1971

SOCIETE NATIONALE D'INVESTISSEMENT

Projected Income Statements, 1971-76, Actual 1970
(Dinar Thousands)

	1970 (actual)	1971	1792	1793	1974	1975	1976
INCOME							
Interest on loans and advances	700	979	1250	1649	2039	2411	2746
Interest on deposits	49	98	111	122	133	154	178
Dividend income	54	57	70	75	97	109	123
Other income	38*	40	60	70	80	80	90
	841	1174	1491	1916	2349	2754	3137
EXPENSES							
Interest on deposits	27	32	32	32	32	32	32
Interest on borrowings	395	665	771	1015	1228	1530	1728
Administrative expenses	168	248	271	297	323	362	390
Depreciation	9	19	20	20	22	22	24
	599	964	1094	1364	1605	1946	2174
Net operational income	242	210	379	552	744	808	963
less: Provisions for doubtful portfolio	62	38	91	119	188	202	247
Profit before tax	180	172	306	433	556	606	716
Tax	(46)	(30)	(40)	(50)	(50)	(50)	(50)
Net profit	134	142	266	383	506	556	666
Allocation of Profits							
Dividend	90	150	180	180	180	180	180
Reserves and carried forward	44	(8)	86	203	326	376	486
	134	142	266	383	506	556	666
Earnings before interest, tax and provision as % of average total assets	5.2	5.6	6.2	6.8	7.2	7.1	7.2
Profit before tax as % of average equity	6.7	5.0	7.1	9.9	12.1	12.4	13.6
Profit after tax as % of year-end share capital	8.9	4.7	8.9	12.8	16.9	18.5	22.2
Administrative costs as % of average total assets	1.3	1.5	1.4	1.3	1.1	1.1	1.0
Yield of average equity portfolio	2.8	2.9	3.4	3.3	3.8	3.8	3.8
Dividend as % of par value	6.0	5.0	6.0	6.0	6.0	6.0	6.0
Dividend as % of net profit	67.2	105.6	67.7	47.0	35.6	32.4	27.0

*) Net of extraordinary expenses

DFCD
December 4, 1971

SOCIETE NATIONALE D'INVESTISSEMENT

Projected Balance Sheets, December 31, 1971-76, Actual December 31, 1970
(Dinar Thousands)

	1970 (actual)	1971	1972	1973	1974	1975	1976
ASSETS							
Cash and Bank deposits	2445	2796	3032	3263	3715	4273	5212
Accounts receivable and accrued income	1399	795	764	764	764	764	764
Current accounts	3844	3591	3796	4027	4479	5037	5976
Medium and long-term loans	9028	11839	15302	19579	23864	27754	31227
Equity investments	1907	2005	2150	2428	2720	3068	3471
Total portfolio	10935	13844	17452	22007	26584	30822	34698
Less: provisions for losses on portfolio	(102)	(132)	(172)	(222)	(272)	(322)	(372)
Portfolio net of provisions	10833	13712	17280	21785	26312	30500	34326
Fixed assets (net) and Establishment costs (net)	101	135	115	115	93	71	67
Total assets	14778	17438	21191	25927	30884	35608	40369
LIABILITIES							
Deposits	1983	2579	2579	2579	2579	2579	2579
Accounts payable	1578	213	213	213	213	213	213
Current liabilities	3561	2792	2792	2792	2792	2792	2792
Long-term borrowings: IBRD	6482	7827	9617	12014	14278	16152	17809
CNSS	337	301	265	227	187	146	104
BCT	155	155	140	125	110	95	80
SIDA	943	1493	3461	5700	8181	10752	13477
Subordinated Government Loan	615	615	615	615	615	615	615
Long-term liabilities	8532	10391	14098	18681	23371	27760	32085
Share capital	1500	3000	3000	3000	3000	3000	3000
Government grant	500	500	500	500	500	500	500
Reserves and surplus	685	755	801	954	1221	1556	1992
Equity	2685	4255	4301	4454	4721	5056	5492
Total liabilities and equity	14778	17438	21191	25927	30884	35608	40369
Long-term debt/equity	3.1	2.4	3.2	4.0	4.7	5.2	5.6
Debt/equity as defined in Bank's Loan Agreement	2.6	2.0	2.7	3.5	4.1	4.6	4.9
Reserves and provisions as % of portfolio	11.7	11.0	9.4	8.6	8.5	8.7	9.3
Book value as % of par	186	146	149	156	166	179	195

DFCD
December 23, 1971

SOCIETE NATIONALE D'INVESTISSEMENT

Estimated Disbursement Schedule for the Proposed Bank Loan

(in Thousands of US$)

1972	
Third quarter	200
Fourth quarter	400
1973	
First quarter	800
Second quarter	1,000
Third quarter	1,200
Fourth quarter	1,200
1974	
First quarter	1,200
Second quarter	1,200
Third quarter	900
Fourth quarter	700
1975	
First quarter	500
Second quarter	300
Third quarter	200
Fourth quarter	100
1976	
First quarter	100
	10,000

DFCD
December 16, 1971