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Report No. P-3219-TUN

REPORT AND RECOMMENDATION
OF THE
PRESIDENT OF THE
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
TO THE
EXECUTIVE DIRECTORS
ON A
PROPOSED LOAN
TO THE
REPUBLIC OF TUNISIA
FOR A
FIFTH HIGHWAY (RURAL ROADS) PROJECT

February 26, 1982

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CURRENCY EQUIVALENTS

Currency Unit = Tunisian Dinar (DT)

The exchange rate of the Tunisian Dinar is floating. The rate which is used in the Staff Appraisal Report approximates the current rate. It is:

US \$ 1 = DT 0.513
DT 1 = US \$ 1.95
DT 1 million = US \$ 1.95 million

REPUBLIC OF TUNISIA FISCAL YEAR

January 1 through December 31

ACRONYMS AND ABBREVIATIONS

BNT - National Bank of Tunisia (Banque Nationale de Tunisie)
CRDA - Regional Agricultural Development Commission
(Commissariat Régional de Développement Agricole)
CTV - Extension Work Center (Centre Territorial de Vulgarisation Agricole)
DPC - Highway Department (Direction des Ponts et Chaussées)
GR - Rural Engineering Department (Génie Rural)
MA - Ministry of Agriculture
MPF - Ministry of Planning and Finance
MPW - Ministry of Public Works
MTC - Ministry of Transport and Communications
ODA - Official (bilateral) Development Assistance
PPAR - Project Performance Audit Report
SCM - Mutual Credit Guarantee Society (Société de Caution Mutuelle)

Tunisia Fifth Highway (Rural Roads) Project

Loan and Project Summary

Borrower: Republic of Tunisia

Beneficiaries: Ministries of Public Works, Agriculture, and Transport and Communications

Amount: US\$35.5 million equivalent, including a capitalized front-end fee.

Terms: 17 years, including four years of grace at interest rate of 11.6 percent per annum.

Project Description: The project, which is a follow up to the Third Highway (Rural Roads) Project, Loan 1601-TUN of July 24, 1978, is designed to improve the level of access and increase agricultural production in rural areas in Tunisia. It consists of the following components: (i) a three-year (1983-85) program of rural road improvements; (ii) a program of complementary investments and improvements in agricultural extension and credit services; (iii) a program of improved rural road maintenance; (iv) a program of spot improvements to feeder roads; (v) a road safety component comprising equipping five vehicle inspection stations; and (vi) technical assistance for project preparation, implementation and monitoring; agricultural extension training; research on materials, construction techniques and maintenance for unpaved roads; and a study of the socio-economic, agricultural and transport impact of rural roads. The main benefits of the project would be in the form of assured and less expensive transport of essential agricultural inputs and crops, and increases in farm income and employment. The main risk of the project lies in the timely implementation of a variety of investments and activities by a number of agencies and on the pace of farmer response to improved transport infrastructure, extension services and access to credit. The institutional arrangements and the comprehensive monitoring and evaluation system, which will be introduced under the project, minimize the risk.

<u>Project Costs:</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
	-----US\$ Million-----		
Road works	31.3	20.8	52.1
Buildings for extension services	1.2	0.5	1.7
Equipment for extension services	0.1	0.1	0.2
Irrigation works	2.7	1.8	4.5
Spot improvements	2.1	1.0	3.1
Short-term credit	1.2	1.2	2.4
Medium and long-term credit	3.6	3.0	6.6
Vehicles for extension	0.5	0.4	0.9
Vehicle inspection equipment	0.2	0.4	0.6
Overseas missions	--	0.1	0.1
Technical assistance	<u>0.7</u>	<u>2.1</u>	<u>2.8</u>
Subtotal	<u>43.6</u>	<u>31.4</u>	<u>75.0</u>
Contingencies			
Physical	4.4	3.1	7.5
Price escalation	<u>12.6</u>	<u>9.2</u>	<u>21.8</u>
Total project cost	<u>60.6</u> /1	<u>43.7</u>	<u>104.3</u> /1
Front-end fee	<u>-</u>	<u>0.5</u>	<u>0.5</u>
Total financing required	<u>60.6</u>	<u>44.2</u>	<u>104.8</u>
	=====	=====	=====

<u>Financing Plan:</u>	<u>Local</u>	<u>Foreign</u>	<u>Total</u>
	-----US\$ Million-----		
Proposed Bank loan	-	35.5	35.5
Government contribution	55.3	2.3	57.6
BNT	2.4	6.4	8.8
Farmers' contribution	2.9	--	2.9
Total	<u>60.6</u>	<u>44.2</u>	<u>104.8</u>
	=====	=====	=====

Estimated Disbursements:

	Bank FY	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
	-----US\$ Million-----						
Annual		0.6	5.2	10.5	11.0	6.8	1.4
Cumulative		0.6	5.8	16.3	27.3	34.1	35.5

Rate of Return: 21 percent for first-year investments

Staff Appraisal Report: Report No. 3722-TUN, dated February 18, 1982.

Map Nos.: IBRD 15916 (North)
 IBRD 16145 (Center)
 IBRD 16144 (South)

/1 Including \$22.7 million in taxes and duties.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

REPORT AND RECOMMENDATION OF THE PRESIDENT OF THE IBRD
TO THE EXECUTIVE DIRECTORS ON A PROPOSED LOAN TO THE REPUBLIC OF TUNISIA
FOR A FIFTH HIGHWAY (RURAL ROADS) PROJECT

1. I submit the following report and recommendation on a proposed Bank loan to the Republic of Tunisia for US\$35.5 million equivalent to help finance a Fifth Highway (Rural Roads) Project. The loan, which includes a capitalized front-end fee of 1.5 percent on the Bank loan, would be repaid over 17 years, including 4 years of grace, with interest at 11.6 percent per annum.

PART I - THE ECONOMY

2. The last economic report entitled "Tunisia - Country Economic Memorandum" (No.3399-TUN) was issued on September 15, 1981. An economic mission visited Tunisia in October 1981 to review a draft of the Sixth Development Plan (1982-86); this part reflects its preliminary findings. Country Data sheets are attached in Annex I.

3. Much of Tunisia is arid or semi-arid. Only three percent of arable land is irrigated, and areas where rainfed agriculture is possible are subject to severe year-to-year fluctuation in rainfall. Tunisia's most important raw materials are phosphates, petroleum, and natural gas; although the known exploitable reserves of oil and gas are approaching depletion, and those of phosphate deposits are of relatively low quality, there are recent promising indications of new reserves, but it is too early to assess their exact potential. There is also considerable tourism potential, and efforts have been made during the last decade to develop it rapidly.

4. Since independence in 1956, Tunisia has undertaken a massive effort towards development of its human resources, paying special attention to family welfare, education, and technical and vocational training. As a result, the infant mortality rate declined from 150 per thousand in the early 1960s to 90 per thousand at the end of the 1970s, the adult literacy rate increased from under 15 percent to about 62 percent, and average caloric supply per capita increased from about 80 to 112 percent of minimum standard requirements. The sharp decrease in mortality rates was not fully compensated by the simultaneous decrease in fertility and birth rates, despite an active family planning policy pursued by the Government. Therefore, the annual demographic growth rate decreased only slightly from 2.6 percent in the 1960s to 2.4 percent in the 1970s. Moreover, after 1976, the net emigration of Tunisians abroad was sharply reduced by restrictive measures taken in the EEC countries and Libya. As a consequence, the residential population of 6.57 million by the middle of 1981 exceeds the level projected five years earlier by 130,000.

5. Agriculture still occupies nearly one out of every three Tunisians in the labor force. To accelerate job creation, more than half of total investments of the Fifth Plan (1976-81) was allocated to directly productive sectors, but the direct employment effects of the leading sectors (petroleum, phosphate mining and processing, and tourism) are small. These sectors, however, make a vital contribution to GDP, public savings, and exports. They

provided 65 percent of the country's foreign exchange earnings in 1980 while manufacturing activities, except phosphate-based chemicals, provided 17 percent.

6. Recent Economic Developments. During the Fifth Plan the growth performance differed from the impressive growth achieved from 1971 to 1976, not so much in terms of overall growth (6.3 percent p.a. vs. 8.6 percent p.a.) as in terms of the underlying growth factors: output in agriculture and in food industries has grown on average below the demographic rate since 1976, partially as a result of bad weather conditions; textile production declined in 1978, and tourism development slowed down in 1977, both because of the slump in European markets. By contrast, industry other than textiles, particularly energy, phosphate processing, construction, and construction materials, expanded at a fast pace.

7. In spite of the considerable increase in domestic demand, particularly in investments, the balance of payments situation remained favorable from 1976 to 1981. Imports in current prices grew at a slower pace than exports, and the terms of trade improved significantly due to sharply higher post-1974 export prices for crude oil. As a result, the resource gap remained relatively small, and domestic savings financed on average over 76 percent of investment, which increased from an average of 23 percent of GDP for 1972-76 to 30 percent of GDP for 1977-81. The current account deficit averaged \$450 million per year (1977-81), and was easily financed; grant aid and private investments (mainly for oil exploration) provided about 30 percent, while the remainder was mainly covered by long-term foreign borrowing. Thus, during the 1970s total foreign debt increased little relative to GDP, and the debt service ratio dropped.

8. The public sector has played a major role in mobilizing and redistributing domestic resources. Central Government revenues were equivalent to about one-third of GDP on average for the Fifth Plan period, one of the highest shares among middle-income countries. Over 30 percent of these revenues was saved, and public savings financed close to two-thirds of total Government capital expenditures. This comfortable public finance situation permitted a rapid increase in subsidy payments to private consumers and public enterprises. Such transfers accounted for 16 percent of total current budget outlays and over 4 percent of GDP in 1980.

9. Open and hidden unemployment is the most serious problem for the Tunisian economy at present. During 1977-81, although job creation objectives were achieved in all non-agricultural sectors except construction, these sectors could only absorb 70 percent of new job seekers at a time when migration to Libya and Europe decreased rapidly. The overall unemployment rate, estimated at about 13 percent of the labor force in 1980, has therefore not declined.

10. Medium-term Prospects. The main objectives of the Fifth Development Plan will probably be achieved, except for the employment target. It is estimated that the actual GDP growth will fall short by about 1 percent of the planned rate of 7.3 percent p.a., while the investment objective of \$9.8 billion in current prices, or 30 percent of GDP, will be fully met. Completion of some large projects in the public sector (steel, expansion of the oil refinery) has, however, been delayed. Private sector investments, both foreign and national, will exceed Plan targets.

11. The draft Sixth Development Plan (1982-86) has been prepared and should be discussed by the newly elected Parliament in June 1982. The main objectives are employment generation, export promotion, and more rapid growth in the three least developed regions of the country (North-West, Center-West, and South). Sectoral priority is to be given to agriculture, tourism, and electrical and mechanical industries.

12. The outlook for investment and growth during this period and beyond will partly depend upon future developments in the oil and natural gas sector. Based on known reserves, and with the possible exploitation of smaller fields that recently became profitable, it is generally expected that domestic oil and gas production would at best be stabilized after 1981 at about its present annual level of 5-6 million tons of oil equivalent. Oil and gas exploration programs under way have been encouraging but do not yet justify a reassessment of proven reserves. Thus, barring large new oil or gas discoveries, and given the rapid rise in domestic demand for energy, Tunisia will have to face the consequences of a decline in energy revenues over the next five years. The Government considers that the situation requires immediate policy changes and is analyzing the most urgent ones to be included in the Sixth Plan. By introducing these changes on time, Tunisia expects to reduce the associated economic and social strains, and avoid major balance-of-payments problems.

13. The draft Sixth Plan recommends a GDP growth objective in the range of 6.3 - 6.7 percent depending on agricultural performance. This growth rate is in line with recent trends. Projected growth of traditional exports (tourism, textiles, and phosphates-based chemicals) is insufficient to compensate for the projected decline in oil export revenues; these exports would be supplemented by new ones, in particular electrical and mechanical products. Production diversification and export promotion will, however, take time to bear fruit, given in particular, the depressed world market prospects. The Plan strategy therefore rightly aims at containing domestic demand in order to control import growth. The macroeconomic scenario assumes no improvement in terms of trade, as was brought about by oil price rises in 1973-74 and in 1979-80. This would not only affect the external account but also result in slower growth of domestic savings, particularly public savings.

14. Consequently, the draft Sixth Plan projects a drop in the fixed investment rate from 30 percent of GDP in 1977-81 to about 26 percent for the Plan period. This would still imply an increase of 24 percent in constant prices relative to the Fifth Plan investment. A major objective is to correct recent capital intensive biases in projects by appropriate sectoral allocation of investments. More resources would be allocated to small and medium manufacturing enterprises in the underdeveloped regions, in order to ease the unemployment problem, and reduce income disparities between rural and urban areas. Since June 1981, a new set of policy measures has targeted the incentive system toward this objective. The Investment Code was modified to offer free industrial zones and direct subsidies to job creation for new projects in underdeveloped zones, and a Promotion Fund for Handicrafts and Household Workshops was created. In order to promote a more efficient technical and financial management of the public and private modern sector, the draft Plan assigns a major role in project promotion and supervision to an expanded network of new Development Banks (two opened in 1981 and three are planned for

1982); they are to be joint ventures with foreign investors, and should alleviate the pressure on the budget to finance too large a share of public investments.

15. Increasing budgetary constraints will require a reassessment of the present policies of subsidies for energy, basic foodstuffs, transportation, and public sector enterprises. In addition, interest rate policy and a better-adjusted fiscal system should be used to restrain final consumption, and stimulate savings. As a first encouraging step in 1981, sizeable price increases in energy and animal feed products were implemented, and the whole interest rate structure was revised upward, rates on saving accounts and term deposits being increased by 1.5 to 2 points. Wage and salary policies will have to keep labor cost increases (including social costs chargeable to enterprises) in line with productivity increases, particularly since Tunisia wants to stimulate tourism, and improve its international competitiveness.

16. Social Issues. Tunisia's social performance has been impressive since independence, and the country has come a long way towards meeting the basic needs of its population and reducing absolute poverty. About 16 percent of GDP is now devoted to social programs. However, unemployment among the young, and regional pockets of poverty still present serious social problems.

17. Recently published data show that the continued attention of the Government to poverty oriented social programs resulted in a reduction of the ratio of people under a minimum standard income from 17 percent of the total population in 1975 to 13 percent in 1980. During this period, the overall number of this group declined in urban areas but increased in some rural zones in the center of the country, as a consequence of poor agricultural performance. Income differentials between the coast (East) and the interior (West) widened, in part because the system of price controls and subsidies as well as the budgetary expenditures had a weak redistributive impact. The Government is using the forthcoming Plan to focus on the most deprived zones, with a view to eradicating poverty before the end of this century. Reducing the demographic growth rate is considered an important factor in this endeavor.

18. Education expenditures rank first among budgetary outlays. The comprehensive education system provides free access to all students, and the gross enrollment rate has reached 100 percent for primary education, and 22 percent for secondary education. The performance of the system could, however, be improved by expanding vocational training programs, improving their relevance and responsiveness to labor demand, and to the special needs of the poor and rural groups.

19. Public health services are second among social expenditures, and their overall beneficial effect is reflected in the improvement of the vital statistics (para. 4). There remain, however, regional disparities in the availability of hospital beds, doctors and nursing personnel; health services have concentrated largely on curative medicine, and the medical referral system is not functioning properly. As a result, the rural poor are often excluded. Closely linked to nutritional deficiencies, infant mortality remains high relative to middle-income countries.

20. In the draft Sixth Plan, investment in education, health, housing and water supply is focussed more on deprived areas, provided at lower costs (health, shelter), and made more relevant to the needs of the economy (training). In education, two reforms are under discussion: the first one would provide a nine-year schooling period for all children, and the second would create polytechnical high schools combining basic and technical education. In health, the draft Sixth Plan allocates more resources to preventive medicine and nutrition education. Finally, as regards housing, public subsidized programs will be directed to the neediest population groups. The housing demand from households above the minimum standard income limit could be satisfied by the private sector; to this end, adequate incentives need to be provided.

21. External Assistance and Foreign Debt. As mentioned above, the growth of foreign borrowing was modest during the second half of the 1970s, and a growing share of foreign funds was provided by public sources at relatively soft terms. During the 1977-80 period, foreign loan commitments averaged about \$700 million per annum, 62 percent of which in the form of official development assistance (ODA). About 65 percent of ODA commitments came from bilateral sources, chiefly France, the Federal Republic of Germany, Canada, and some oil-surplus countries. About 24 percent of total ODA was committed by the Bank Group, and some 11 percent by other multilateral sources. Borrowing terms were favorable, averaging 5.8 percent interest and 18.5 years maturity, including a grace period of 5 years. At the end of 1980, debt outstanding and disbursed was estimated at about \$3.4 billion, or 40 percent of GDP; debt service was 12 percent of exports of goods and services, as compared with 17.7 percent in 1970.

22. The current account deficit may exceed \$450 million in 1981, and is projected to grow to about \$1 billion in 1986. New loan commitments from abroad, projected at one billion dollars per year on average (at present dollar exchange rates), should not be difficult to obtain, with ODA providing half of the total. Leaving aside the possibility of major oil and gas discoveries, and assuming oil prices continue to increase modestly in real terms, external debt service could reach 13 percent of total export revenues in 1986.

23. These relatively favorable prospects would depend on a timely implementation of the already mentioned policy changes to curb domestic demand, promote exports, and improve public sector savings. It should be noted, however, that the draft Sixth Plan recommends a low growth scenario in order to preserve the country's relatively high financial stability and creditworthiness. This objective is even more crucial if the country is to succeed in mobilizing the large inflows of direct foreign capital assumed in the Plan. Foreign investments were small during most of the 1970s but have gained momentum during the last three years in line with increased activities in the oil sector, and new incentives offered to foreign investors in manufacturing. Such investments have increased from \$50 million in 1976 to about \$200 million in 1981, and have been equivalent to 10 percent of total investments for 1977-81. The draft Plan's growth scenario estimates that about 15 percent of total investment could be financed by foreign capital, equivalent to an annual inflow of \$400 million. The newly created Development Banks (para. 14) are expected to play a significant role in this context.

24. In conclusion, the balance-of-payments outlook can be considered favorable in the medium term. In the longer term, much will depend on the policy changes to be initiated during the next few years, and on developments in the hydrocarbon sector. Considering its long record of prudent and skillful balance-of-payments and external debt management, there are good grounds to assume that Tunisia will formulate and implement the necessary policy changes, and will continue to be creditworthy for future Bank lending. The Bank's close dialogue with the Government on several policy aspects at the macro and micro levels will be pursued in connection with the preparation of the Sixth Development Plan.

PART II - BANK GROUP OPERATIONS IN TUNISIA

25. Since 1962, the Bank has committed to Tunisia forty-eight loans and eleven IDA credits amounting respectively to \$933.7 million and \$70.1 million (net of cancellations) of which twenty-one loans and nine credits have been fully disbursed. Annex II contains a summary statement of Bank loans, IDA credits and IFC investments as of September 30, 1981, and notes on the execution of ongoing projects. Project implementation is generally satisfactory. As of June 30, 1981, overall disbursements amounted to 66.1 percent of appraisal estimates, which is slightly above the regional average. In a number of sectors, important institutional improvements have been achieved, and autonomous agencies have been created or strengthened to ensure the efficient management of the related sectors or subsectors.

26. The Bank's lending strategy in Tunisia aims at supporting Government efforts to: (a) increase employment; (b) encourage more balanced growth and distribution of income among regions and income groups with particular emphasis on rural areas; (c) promote export-oriented policies and investments; and (d) provide selective support for the development of basic infrastructure and for institution building in key public services. An important feature of this strategy is to support the Tunisian authorities in the timely and well-coordinated preparation of projects through missions and advice by Bank staff, the assistance of the IBRD/FAO Cooperative Program, and the use of the Bank's Project Preparation Facility. The Bank is also supporting the Government in its efforts to increase the mobilization of domestic resources, and to secure cofinancing for the projects it assists. The latter is particularly important in view of the extent of Tunisia's external resource needs.

27. Within this broad framework, past lending emphasized support for long-term investments in infrastructure and social development. Lending for urban and social development, including water supply, sewerage, education, health, urban development, and the Tunis planning and public transport project has accounted for 25 percent of Bank/IDA commitments in Tunisia since 1971. Lending for transport, power and tourism infrastructure has accounted for 33 percent. Agriculture and fisheries have received 25 percent, and industrial and hotel financing, mostly through the Banque de Développement Economique de Tunisie (BDET), 17 percent of total commitments.

28. In line with its lending strategy, the Bank will pursue its efforts in key sectors of the economy that offer prospects for economic and social development. It will also assist projects which enhance regional integration,

and help reduce the gap between income groups, and between urban and rural areas. Particular attention will be paid to employment creation, institution building, and agricultural development. In addition to the proposed highway project focusing on rural roads and a line of credit to BDET with special emphasis on the development of electrical and mechanical industries, which will be distributed to the Executive Directors shortly, the Bank is actively considering a project in support of the 1984-86 investment programs for rural areas and house connections of the national water supply agency (SONEDE), a project aimed at improving irrigation and marketing facilities in the Medjerda and Nebhana irrigation perimeters, and a project to provide technical assistance for project preparation. Other projects under consideration would focus on energy, urban development and education.

29. The Bank's economic and sector work will continue to focus on strengthening the macroeconomic and sector base for our lending program; it will be more centered in the future on the analysis of economic issues and policies related to the necessary adaptation process from a petroleum exporting to a petroleum importing country. A 1980 Bank report on the mechanical and electrical industries (Report No. 2666-TUN of June 4, 1980) assessed the country's industrial development policies and prospects in these subsectors. Also in 1980, the Bank report on the social aspects of development (Report No. 2950-TUN of June 18, 1980) provided a better understanding of income disparities by evaluating the Government's social policies aimed at poverty alleviation. Future economic and sector work will include a review of pricing and subsidy policies in the rural sector, of the Sixth Plan, and of the agricultural, education and training, urban and energy sectors.

30. The Bank and IDA accounted for about 12 percent of total public commitments to Tunisia during 1970-1979. Their share in total debt outstanding and disbursed at the end of 1979 (including loans from private sources) was 10 percent and their share in debt service during 1979 was 11 percent. The shares of the Bank and IDA in Tunisia's disbursed external debt is expected to decrease to about 7 percent by 1986, and their share in the debt service would increase to about 16 percent.

31. IFC has invested in NPK Engrais (a fertilizer plant), in BDET, in Compagnie Financière et Touristique (COFIT, a company to promote and invest in tourism projects), in Société Touristique et Hotelière RYM (a large hotel development), in Industries Chimiques du Fluor, which produces aluminium fluoride from local fluorspar for export, and in the Sousse-Nord integrated tourism development project. IFC's net commitments in Tunisia total \$12 million, as of September 30, 1981.

PART III - THE TRANSPORT AND AGRICULTURAL SECTORS

32. Road transport is the dominant mode for both freight and passengers and its share of total transport demand has been increasing steadily over the years. Efficient road transport is critical to rural and agricultural development, especially for the timely provision of inputs, marketing, communications and improving rural mobility. Although generally adequate in coverage, much of the primary road network requires rehabilitation and modernization, and in rural areas the road network is in poor condition. Rural roads are defined as roads outside urban areas carrying predominantly agricultural traffic, irrespective of their administrative classification. Although many road improvements would be justified on transport cost savings alone, by themselves and without the provision of the complementary agricultural investments and services they would have limited impact on agricultural production. Support services and credit are needed particularly by lower income farmers, to increase agricultural production.

Transport

33. The Transport Sector. A detailed description of the transport sector is contained in Bank Reports No. 2641b-TUN of December 1979 and No. 2810-TUN of April 1980. Since modes of transport other than road transport have little direct impact on rural development, no reference is made to them in the following sector analysis.

34. Public road transport in Tunisia is provided by two national companies, one providing passenger transport, the other freight transport, and by twelve regional companies providing both passenger and freight services. In addition, many firms and industrial enterprises operate own-account fleets for specific commercial activities. A large number of private owner-operators, utilizing small trucks--up to 3.5 ton capacity for general cargo and up to 5 tons for agricultural produce--fall outside restrictive regulatory policies. These small private truckers provide most of the transport services in rural areas and, where competition is keen, benefits accruing to them through improved roads are passed on in part to users.

35. The transport system comprises some 17,000 km of classified roads, of which about one-half are paved, and about 14,000 km of unclassified tracks. Most of the unpaved network was never properly engineered or constructed and therefore many roads cannot be adequately maintained without improvement to minimum standards. Many tracks are muddy and impassable during winter. These conditions provide a major constraint to rural and agricultural development in Tunisia. Where poor access conditions exist, extension, credit and marketing activities are not carried out effectively, and the timely delivery of critical inputs to farmers is often hindered. Social welfare is affected by inadequate access to schools, health, and administrative facilities.

36. Transport Administration. The Ministry of Transport and Communications (MTC) is responsible for overall organization of the transport sector, including the coordination and regulation of land transport and the establishment of transport rates. Subsectoral planning is the responsibility of the individual modal agencies including the Highway Department (DPC) of the Ministry of Public Works (MPW) which is also in charge of the construction and maintenance of the road network. It operates through 19 road subdivisions, one for each province. The subdivisions carry out routine maintenance on force account, while surface dressing of paved roads is carried out by national brigades controlled from headquarters. DPC uses the services of competent Tunisian consultants on an intermittent basis.

37. Construction works and major periodic maintenance are normally carried out under unit price contracts which are awarded after competitive bidding. Many contractors, both foreign and local, operate in Tunisia and provide effective competition. Small contracts (up to \$5 million) are usually won by Tunisian contractors, while larger contracts are frequently won by joint ventures of foreign and local contractors. Construction supervision is carried out by DPC engineers with the assistance of its laboratory. However, in the case of large, special projects, consultants' services are used. Although supervision is generally satisfactory, experience gained under the Bank-assisted Third Highway (Rural Roads) project has shown that supervision

undertaken by the subdivisions needs reinforcement to provide the flexibility required with rural road construction activities. This issue is being addressed under the proposed project with the provision of consultants' services to supplement DPC's own supervision capabilities (para. 60).

38. Inadequate subsectoral capabilities and insufficient overall coordination have resulted in some distortions in the implementation of transport investments in recent years. High priority has been placed on several major construction projects as well as on the development of air transport and maritime shipping, with corresponding high foreign exchange expenditures and limited short-term benefits. The overall result has been a delay in urgent programs for rehabilitation and maintenance of road and railway infrastructure, with implementation of only part of the initial rehabilitation plan at a higher cost than envisaged for the entire program. Although most of the line agencies are aware of these problems, the Ministry of Planning and Finance (MPF) has been unable to allocate the investment budget on a rational basis as there is no prior arbitration of investment proposals by MTC. For this reason, the Government has recently established a planning unit in MTC with technical assistance financed under the Bank's Fourth Highway Project. This unit is providing a close investment analysis and continuous monitoring of developments in the transport sector.

39. In order to assure maintenance of roads improved under the Rural Roads project, in 1980 DPC obtained from MPF a new item in the 1981 recurrent budget specifically for the maintenance of roads improved under the program. Together with the Fourth Highway project, which is addressing improved maintenance of the entire road network, DPC's capability is being developed to maintain both the paved and improved unpaved roads to satisfactory levels of service. To support these levels, real increases of ten percent annually in the recurrent maintenance budget have been established. Total road user revenues from vehicle registration fees, various excise taxes and customs duties amount to about \$160 million annually, which is more than twice the current level of investment and maintenance expenditures on road infrastructure. The recurrent maintenance budget, together with allocations for the maintenance of roads improved under the rural roads program is commensurate with the maintenance tasks required for the increasing volume of improved roads each year.

Agriculture

40. The Agricultural Sector. During the 1970s, agriculture grew at about 3 percent per year, compared to 1 percent per year in the 1960s. Nevertheless, the sector's relative share in the economy is declining (from 24 percent of GDP in 1972 to 15 percent in 1980) mainly due to a more rapid expansion of mining, petroleum, and industrial production. Agriculture now provides about one third of total employment, against about one half in 1972. Agriculture's share in total investment (public and private) has remained constant at about 14 percent during the 1970s. About one-third of Tunisia's total land area, or about 5.2 million ha., is cultivable; the remainder is range land suitable for grazing, or low-yielding forest and desert. About 165,000 ha. are irrigated.

41. A primary objective of the Fifth Development Plan (1977-81), which will continue under the Sixth Plan (1982-86), is the achievement of self-sufficiency in major foodstuffs. Aside from agro-ecological factors and the poor condition of rural roads, the main constraints on agricultural development are: (i) input and output prices and subsidies have little

incentive effects; (ii) the organization and management of the sector and its services are deficient, particularly in relation to research, extension and credit; (iii) soil conservation needs strengthening; (iv) the strategy for livestock development is too narrow; and (v) land tenure issues restrict effective utilization.

42. Agricultural Services. Overall responsibility for agricultural planning and development lies with the Ministry of Agriculture (MA). Agricultural services are organized at the provincial level in Regional Agricultural Development Commissions (CRDAs), which provide agricultural extension to farmers, undertake forest management and planting, assist the National Bank of Tunisia (BNT) in appraising loan applications, collect statistics, and coordinate the work of various public organizations involved in agriculture at the provincial level. In practice, the CRDAs have been limited by cumbersome administrative procedures and by a lack of autonomy in dealing with investments and project implementation. Recent legislation, which has given greater autonomy to the CRDAs, is expected to increase their capacity to handle investments and to implement projects. In addition to the CRDAs, special development authorities (Offices) have been created to handle specific agricultural activities and projects, mainly those concerned with irrigation or with particular development strategies designed for well-defined areas. This approach offers particular advantages for projects where cost recovery is an important element and where integrated project activities may extend over parts of several provinces.

43. Agricultural extension is provided by three departments in the Ministry of Agriculture: The Department of Training, Research and Extension, which is responsible for training, research and mass media communications, the Crop Production Department and the Livestock Production Department. The latter two departments supervise extension operations. At the provincial level, agricultural extension agents are attached to the CRDAs. In addition, extension is provided by the semi-autonomous Cereal Board and by certain project development authorities, particularly on irrigation projects. Weaknesses in extension services have been partly responsible for the slow growth in agricultural production and for low rates of use of recommended inputs. The Government is aware of the shortcomings and has begun to reinforce extension activities under the Plan by consolidating them into a new system based on work centers (CTVs) from which a single agent has direct contact with a small group of farmers. The Rural Roads project is assisting the Government in this program by financing equipment and buildings in those areas served by project roads and by initiating a communications training program for extension agents. This assistance has been integrated within a broad national scheme for improving agricultural extension, which is expected to be given high priority under the new Sixth Plan.

44. The Government-owned National Bank of Tunisia (BNT) is the main supplier of agricultural credit. BNT provides short-term loans for annual inputs on which guarantees are usually provided by local mutual credit guarantee societies (SCMs) in the case of small farmers, as well as medium- and long-term loans. The short-term credit program operates effectively and provides critical seasonal inputs to a wide range of farmers. BNT's medium- and long-term credit program suffers from a number of weaknesses, such as inadequate coverage particularly of small farmers, and low loan recovery. The

Bank-assisted Third Agricultural Credit project addresses some of these weaknesses by strengthening of regional staff and decentralization of credit procedures. In addition, legislative action simplifying procedures for obtaining land titles for long-term credit have resulted in improvements in the provision of agricultural credit. The Government is continuing to seek other ways to improve the credit system, including the establishment of a specialized agricultural lending institution.

Previous Bank Involvement in the Transport and Agricultural Sectors

45. The Third Highway (Rural Roads) project (Loan 1601 of \$32 million of July 1978) started an integrated program, with direct benefits for the agricultural sector, by improving about 1,000 km of rural roads. Implementation of complementary agricultural investments and extension services lagged initially but is now proceeding satisfactorily. Progress on the road construction component of the project has been excellent with about 800 km of the program committed. All of the highway maintenance equipment financed under the project has been procured and a special recurrent maintenance budget established. During 1980/81 construction began on 23 extension centers and agents have been assigned to the respective areas, 50 vehicles and miscellaneous equipment were procured, and a training program was established on techniques of rural communications. The balance of the extension program will be implemented through 1983 completing the construction and equipment of 50 additional centers. Extension agents have contacted all farmers for the purposes of the agricultural credit program. In 1980, some 1,560 short-term loans were made in the areas of Kef, Siliana, Nabeul and Kairouan, representing a three-fold increase over previous levels. Up to September 30, 1981, some 660 medium- and long-term loans were approved in these areas, representing at least a two-fold increase in credit disbursed.

46. The First and Second Highway projects (Loans 746 of \$24 million and 1188 of \$28 million of June 1971 and January 1976, respectively), and the First Railway project (Loan 606/Credit 150 of \$17 million of June 1969) focused on modernization and rehabilitation of primary and secondary roads, and renewal of track and railway equipment. Although execution of the First Highway project was satisfactory, only about half of the roads were rehabilitated due to cost increases (PPAR No. 2772, December 26, 1979). The First Railway project was completed successfully (PPAR No. 2109, June 23, 1978). Implementation of the Second Highway project is behind schedule due to problems of property acquisition and local financing, but the Government has now developed a satisfactory financing and execution plan for the balance of the project. A Fourth Highway project (Loan 1841 of \$36.5 million of May 1980) is helping the Government in improving highway planning, maintenance, rehabilitation and safety. Two loans in the port sub-sector (Loans 380 of \$7 million, and 573 of \$8.5 million of June 1964 and November 1968, respectively) provided support facilities for port operations, mainly dredging, maintenance operations and cargo handling equipment. The Second Port project included the construction of the 30,000-ton bulk port silo at La Goulette. Both these projects were implemented successfully and had an important institution-building effect (PPAR No. 1049, February 26, 1979). A Third Port project (Loan 1797 of \$42.5 million of February 1980) assists the Government in modernizing berth facilities at the ports of La Goulette and Sfax and in providing support facilities for improved port operations.

47. Bank Group lending for agriculture in Tunisia started in 1967 and to date, eleven projects have been approved for a total of \$243.7 million of Bank/IDA funds. They include three irrigation projects (Irrigation Rehabilitation in the Lower Medjerda and Nebhana Valleys - Loan 1068 of \$12.2 million of December 1974; the Sidi Salem Multipurpose project - Loan 1431 of \$42 million of July 1977; and the Southern Irrigation project - Loan 1796 of \$25 million of February 1980), two fisheries projects (Credit 270 of \$2 million of September 1971, and Loan 1746 of \$28.5 million of July 1979), a Cooperative Farm project (Loan 484/Credit 99 of \$18 million of February 1967), three agricultural credit projects (Loan 779/Credit 263 of \$8 million of July 1971, and Loans 1340 of \$12 million of December 1976, and 1885 of \$30 million of August 1980), one rainfed project (Northwest Rural Development Project - Loan 1997 of \$24 million of July 1981), and a Grain Distribution and Storage Project (Loan 2052 of \$42 million of October 1981).

48. Performance of these projects has been mixed. Implementation of the irrigation projects has been the most satisfactory. The First Fisheries project was completed at the end of 1979 with considerable delay and the local institution lending for boats (BNT) experienced low loan recoveries. The problems were addressed under the Second Fisheries project after agreement was reached on a strategy for improving recoveries. The Cooperative Farm project, which was designed to develop production cooperatives as part of a 10-year national program of agrarian reform, was delayed by technical, managerial, financial and institutional problems. It was revised in 1970, and an amount of \$8.8 million cancelled. At completion in 1973, most of the project objectives, namely those relating to productivity, production, worker incomes, and institutional viability, were attained (Project Performance Audit Report - PPAR - No. 968, January 8, 1976). The First Agricultural Credit project financed BNT-lending for farm machinery, dairy development, date palm plantations, and dairy processing, but was not fully disbursed until 34 months after the original Closing Date, because BNT lent Bank group funds at a higher interest rate than Government funds. Although the project achieved a good rate of return, livestock development did not yield the benefits expected, and dairy processing suffered major cost overruns (PPAR No. 2497, May 11, 1979). Under the Second Agricultural Credit project, emphasis has been on the standardization of credit procedures and conditions and on reinforcing BNT's regional staff. The need to continue decentralization of credit procedures and to speed up loan processing is being pursued under the Third Agricultural Credit project.

PART IV - THE PROJECT

Background

49. The proposed project is a follow-up to the Third Highway (Rural Roads) Project, Loan 1601-TUN, of July 24, 1978. It continues the same general approach developed for that project, combining road improvements and complementary agricultural investments in integrated programs for specific rural roads and the agricultural areas they serve. Modifications have been made based on lessons learned during implementation of the ongoing project. The proposed project was identified in July 1977 and has been prepared by the Highway Department (DPC) and the Ministry of Agriculture (MA) with the

assistance of consultants and of Bank preparation missions. Appraisal took place in June 1981. Negotiations were held in Washington, D.C. in February, 1982. The Tunisian delegation was led by Mr. M'hamed Soula, Director General in the Ministry of Public Works, and included Mr. Benhassine of the Ministry of Planning and Finance. The Staff Appraisal Report (No. 3722-TUN of February 18, 1982) is being distributed separately. The main features of the project are summarized in the Loan and Project Summary and in Annex III. Maps showing the location of the roads to be improved under the project are also attached.

Project Objectives

50. The project would improve the level of access and increase agricultural production in rural areas in Tunisia. Specifically, the project is designed to: (i) raise the level of service provided by project roads to a minimum "all weather" standard, commensurate with forecast traffic; (ii) increase agricultural production within the zones of influence of the project roads; (iii) help improve standards of living in rural areas by providing better access to social and administrative services; (iv) improve the capability of the road maintenance organization so that project roads continue to provide the desired level of service; (v) enhance the benefits of the project roads by improving connecting feeder roads in the zones of influence; and (vi) strengthen the institutional framework by continuing to assist project preparation, implementation and monitoring, together with some applied research.

Project Description

51. The project would consist of:

- (i) a three-year program (1983-85) of rural road improvements;
- (ii) a program of complementary investments, extending over the same period for agricultural extension and over five years for credit services (1983-87);
- (iii) a program of improved rural road maintenance;
- (iv) spot improvements to feeder roads;
- (v) equipment for four vehicle inspection stations in provincial centers and one in Tunis; and
- (vi) technical assistance for project preparation, supervision and monitoring; agricultural extension training; research on materials, construction techniques and maintenance techniques for unpaved roads; and a study of the socio-economic, agricultural and transport impact of rural roads.

Rural Road Improvement Program

52. Road improvements would consist of upgrading, particularly drainage and surfacing, generally along existing alignments, to standards which have been developed in the light of experience with the ongoing Rural Roads project. The overall program would cover about 100 road sections totalling

some 1,200 km. A firm plan of operations has been established for the first year as well as provisional plans for the second and third years. In defining the overall road program, due attention was given to regional balance as well as to economic priorities. Annual plans are subject to modification according to needs and priorities during project implementation. Revised annual plans for rural road improvement will be presented to the Bank for prior review (para. 69). In submitting sub-projects for inclusion under the second and following years of the program, the Government would provide: (i) a feasibility report for each road including preliminary engineering and construction costs, estimates of present and future traffic and an assessment of agricultural development as well as the complementary investments necessary to achieve the forecast production increases; and (ii) extension guidelines, farm budget analyses and implementation data for the agricultural component. Assurances were obtained during negotiations that the agreed procedures and criteria will be followed in preparing and submitting sub-projects for Bank approval (Loan Agreement, Section 3.03 (c)). Assurances were also obtained that all rural roads improved under the project and all other improved rural roads would be maintained at appropriate service levels (Loan Agreement, Section 4.04).

Complementary Agricultural Investments

53. These investments would follow the same general lines as those now being implemented under the ongoing project. Two closely related elements are required to achieve the goal of increased production in the zones of influence of the project roads, first to improve the extension services to farmers, and second to improve farmers' access to credit.

54. Extension. Detailed extension programs for the zones of influence of each road in the project area have been developed for those roads scheduled for construction in the first year and will be developed for each road to be improved in the subsequent years. In line with the national program for improving extension services, extension centers serving the project areas would receive priority in the assignment of extension agents. The Bank will assist by financing the foreign exchange costs of constructing about 55 extension centers and providing the equipment and vehicles required for the new centers. The program of training in communications, initiated under the ongoing project, will be continued to maintain the impetus developed. Together with improved accessibility, these activities will improve the timely and proper use of inputs necessary to support increased agricultural production.

55. Credit. Adequate provision of agricultural credit to farmers is essential to the success of the project. For the ongoing Rural Roads project, credit was included as an integral part of the project. Short-term credit was wholly financed by the National Bank of Tunisia (BNT), while medium- and long-term credit was financed under the Bank's Second and Third Agricultural Credit Loans to BNT. For the proposed project, agricultural credit needs have been similarly identified in detail and their satisfaction is an important element of the project. Agricultural credit would continue to be administered by BNT, but credit financing would not be restricted to any particular credit program or source. While no credit financing would be included under the loan, assurances were obtained from the Government and BNT that adequate credit would be made available for the project (Loan Agreement, Section 3.02).

56. Infrastructure. In addition to on-farm investments which would be suitable for credit financing, project preparation has identified modest rural infrastructure works which could be part of investment packages on certain project roads. These investments include the construction and rehabilitation of small irrigation schemes as well as small dams for irrigation purposes. The Ministry of Agriculture's Rural Engineering Department (GR) would be responsible for their preparation and implementation and each scheme would be subject to detailed design and economic assessment. These works would be included as part of the annual operations plans to be submitted for Bank review (Loan Agreement, Section 3.03(b)).

Improved Maintenance Program

57. The proposed project addresses continued development of the capability to maintain unpaved roads. Improved maintenance operations will be specified as part of the annual operations plans to be reviewed and commented upon by the Bank (Loan Agreement, Section 3.03(b)).

Spot Improvement Program

58. The project includes a program of spot improvements on feeder roads located within the zones of influence of the roads improved under the rural roads program. The proposed improvements, primarily for drainage structures at low points along the roads, would be constructed by small local contractors experienced in masonry and concrete work. The proposed program for each year would be included in the operations plan to be submitted to the Bank for review and comment. By implementing a systematic, planned program at DPC subdivision level, an important institution-building effect would be achieved.

Road Safety

59. The Fourth Highway (Maintenance) project included a small component for improving road safety in Tunisia through a program of improved traffic signs and pavement markings. The proposed project would continue to contribute to improved safety on highways by equipping four vehicle inspection stations in provincial centers and one heavy commercial vehicle inspection station in Tunis.

Technical Assistance

60. About 325 man-months of consulting services would be provided under the project to assist:

- (i) the Highway Department (DPC) with the preparation of feasibility studies, detailed designs and contract documents and supervision of improvements to roads under the project, and with preparation of guidelines for regional engineers for implementing the spot improvement program;
- (ii) the Ministry of Agriculture (MA) in the preparation of detailed extension programs and credit needs projections for the zones of influence of roads;

- (iii) DPC and MA in project preparation for the next phase of rural road improvements;
- (iv) DPC and MA with project auditing and monitoring, and evaluation of the socio-economic, agricultural and transport impacts of the project;
- (v) MA with training for extension agents, including short training missions overseas;
- (vi) DPC in carrying out a study of materials, construction and maintenance techniques for unpaved roads in Tunisia; and
- (vii) DPC in the preparation of a program of road rehabilitation.

In addition, fellowships would be provided to MA and DPC staff for short training missions overseas. Employment of qualified specialists included under the technical assistance program on terms and conditions satisfactory to the Bank was agreed during negotiations (Loan Agreement, Section 3.04).

Cost Estimates and Financing Plan

61. Total project costs are estimated at \$104.3 million, of which \$43.7 million is in foreign exchange. The local cost component of \$60.6 million includes \$22.7 million in taxes and duties. Physical contingencies of ten percent of base cost have been allowed on all project component items. Contingency allowances for price escalation were calculated for each year of the planned implementation schedule and overall represent 26 percent of base line costs plus physical contingencies. Price escalation, both for local and foreign costs, is estimated at 8.5 percent in 1982, 7.5 percent in each year from 1983 to 1985, and 6 percent in 1986 and 1987. Estimates for civil works are based on unit prices for recent contracts in Tunisia and experience under the ongoing project, adjusted to January 1982 levels. Estimates for equipment and agricultural inputs are based on recent Tunisian prices updated to January 1982 levels. The estimates for spot improvements are based on sample studies on roads included in the ongoing project and updated to January 1982 levels. The technical assistance cost estimates are based on recent rates for consulting services in Tunisia, considering the likely mix of local and expatriate consultants and experts. The average man-month costs are expected to be about \$8,500, plus local travel, office space, secretarial assistance, etc. A limited amount of short-term high-level expertise is planned to assist with preparation, monitoring, training and research. This assistance is estimated to cost about \$11,000 per man-month including salary, fees, international travel and subsistence. The project also provides for about 24 visits overseas by Tunisian officials in connection with the organization of agricultural training courses as well as with visits related to research into unpaved road construction and maintenance; for these missions the cost of international travel and overseas subsistence is included for a total of \$94,000. For the purpose of calculating the foreign component for this project and based on the experience with the ongoing Rural Roads project, it has been assumed that all civil works contracts would be won by Tunisian contractors. The cost estimates were discussed and confirmed with the Government during negotiations.

62. The Government will finance 100 percent of the annual recurrent budget costs of the project. Recurrent budget requirements for fuel and supplies for rural road maintenance are estimated at \$390,000 in 1982, increasing to about \$2.9 million in 1987. Incremental operating expenditures for agricultural extension services under the project are estimated at

\$234,000 in 1983, increasing to about \$1.03 million in 1987. During negotiations assurances were obtained that the Government will provide funds, facilities, services and other resources to operate and maintain the roads and extension services (Loan Agreement, Section 3.01(a)).

63. The Bank loan of \$35.5 million would finance the foreign exchange costs of capital items, except short-, medium- and long-term credit and the minor rural infrastructure works to be constructed by GR as collective investments, and the "front-end" fee estimated at \$550,000. The agricultural credit needs in the zones of influence of the project would be met by BNT. The Government would finance the cost of the rural infrastructure works and all local costs of the project except those included in the credit component, which would be met by BNT and farmers' contributions supplementing the credit.

Implementation

64. Overall project implementation would be the responsibility of a Coordination Committee, whose establishment would be a condition of effectiveness of the loan (Loan Agreement, Sections 3.01(b) and 5.01). It would be chaired by the Minister of Public Works, with representatives of the Ministries of Public Works, Agriculture, Planning and Finance, Transport and Communications and Interior, and BNT as members. A similar Committee is coordinating effectively the implementation of the ongoing Rural Roads project. The various agencies in charge of execution report to the Committee. DPC would be responsible for implementing: (i) rural road improvement works; (ii) rural roads maintenance; (iii) the program of spot improvements on feeder roads; and (iv) technical assistance for road aspects and coordination of project preparation, implementation and monitoring, research on design and maintenance and coordinating the socio-economic impact study. MA will be responsible for (i) the improvement of extension services, including the training of agents and the procurement of extension buildings, equipment and vehicles; (ii) the minor rural infrastructure works; and (iii) technical assistance for agricultural aspects of project preparation, implementation and monitoring. BNT will be responsible for administering agricultural credit with the assistance of MA staff in the field. The Ministry of Transport and Communications would be responsible for equipping the vehicle inspection centers.

65. At the regional level DPC responsibilities, including construction supervision, will be carried out through the regional engineers, and MA responsibilities through the regional commissions (CRDAs). In order to improve communications and coordination, regional start-up seminars will be organized by DPC and MA to discuss and explain project objectives, scope, authority and responsibilities.

Auditing

66. The internal accounting systems in the Ministries of Public Works and Agriculture have been reviewed and found adequate for the purpose of certification of accuracy and compilation and control of project-related

financial transactions, including those connected with the road maintenance activities and extension service requirements listed in the action program. However, government control procedures, as presently applied, do not produce audit reports. During negotiations audit verification of separate project accounts by independent auditors satisfactory to the Bank was discussed and agreed with the Government (Loan Agreement, Section 4.02). An understanding was reached that the Controller General of Finance, who has independent status and is acceptable to the Bank, will fulfill this role.

Procurement.

67. Under Tunisian contract law (Decret No. 74-754 of July 27, 1974 on the reglementation of public tenders) bid opening of tenders is conducted by a Government commission, not open to the public. However, to conform with the Bank's Guidelines for Procurement which stipulate that bids should normally be opened in public an exclusion from the provisions of the contract law for all tender calls under the project was discussed and agreed during negotiations. Road construction contracts based on unit prices would be awarded after international competitive bidding in accordance with the Bank's Guidelines for Procurement. Roads would be grouped in lots for bidding. Contractors would be prequalified to undertake either single or several lots. Except where it is geographically impracticable to group widely scattered roads, lots would be of at least \$1 million, and several lots would be grouped for tender calls to a minimum value of \$6 million, so as to make bidding attractive to both smaller and larger contractors who would be allowed to bid for one or more lots, or for a group as a whole. During negotiations the arrangements concerning lot sizes, grouping for tender calls and bidding for a group as a whole were discussed and confirmed with the Government (Loan Agreement, Schedule 4, Section A para. 3 (ii)). Civil works contracts for the construction of agricultural extension centers and for spot improvements to roads would be awarded on the basis of local competitive bidding procedures satisfactory to the Bank (Loan Agreement, Schedule 4, Section C (2)). Equipment to be procured under the project with Bank financing consists of vehicles for agricultural extension services; agricultural equipment for extension demonstrations; audio visual equipment for training; and equipment for vehicle inspection stations. For bid evaluation purposes, a 15 percent margin of preference or an amount equal to customs duties, whichever is lower, would be applied in the case of equipment manufactured in Tunisia. To the extent practical, equipment would be grouped into packages for tendering. Packages estimated to cost more than \$100,000 would be procured under ICB in accordance with Bank guidelines. Bid packages estimated to cost less than \$100,000 each, but not exceeding \$500,000 in total, could be procured on the basis of competitive bidding advertised locally and in accordance with satisfactory local procedures. Specialized vehicle inspection equipment would be purchased locally under negotiated contracts with a view to ensuring good quality, timely delivery and availability of maintenance facilities and spare parts (Loan Agreement, Schedule 4, C).

Disbursements

68. The proposed Bank loan of \$35.5 million would be disbursed as follows:
- (i) 40 percent of total expenditures for rural road works;
 - (ii) 30 percent of total expenditures for construction and rehabilitation of buildings;

- (iii) 100 percent of foreign expenditures or 63 percent of local expenditures, for extension and motor vehicle inspection equipment;
- (iv) 33 percent of total expenditures for spot improvements;
- (v) 100 percent of foreign expenditures or 40 percent of local expenditures, for vehicles;
- (vi) 75 percent of total expenditures for consultant services; and
- (vii) 100 percent of total expenditures for overseas missions, and for the "front-end" fee.

Monitoring and Evaluation

69. An implementation schedule, which is consistent with the overall program proposed for the project, has been developed. Annual plans of project operations will be submitted to the Bank in preliminary form for review and comment by April 30 and in final form by September 30 each year. Assurances from the Government that these procedures will be applied were obtained at negotiations (Loan Agreement, Section 3.03 (a) and (b)). An understanding on the overall program, the elements of the first-year plan and the procedures and criteria for sub-project review (para. 73) was also obtained from the Government during negotiations.

70. Project monitoring would follow the physical and financial progress of the project and evaluate project impact. Quarterly progress reports would be prepared by the Ministries of Public Works and Agriculture and submitted to the Bank through the Coordination Committee (Loan Agreement, Section 3.06(c)). A central project monitoring and coordination unit has been set up under the supervision of MA's Planning and Statistical Department to handle the flow of data from the ongoing project roads and to assist in preparing detailed action plans for the roads to be improved under the proposed project. In addition, agricultural extension agents assigned to the ongoing project's zones of influence have undertaken a comprehensive census of agricultural farms within their respective areas of responsibility, which will provide direct feedback for the design and implementation of agricultural action programs, as well as improve MA's capacity to manage program planning. The system will be expanded to include operational data which will show whether the project is meeting its objectives in the long term. Basic data on the agricultural impact of the project would be drawn from a socio-economic impact study, which will be carried out on a sample of roads constructed under the Third Highway (Rural Roads) project as well as on selected roads to be improved under the proposed project. The study will address a full range of rural development effects resulting from the introduction of road improvements and the improvement of agricultural support services, including changes in income levels, consumption patterns, personal mobility, levels of service provision and utilization, and migration patterns. The Government would also prepare a project completion report within six months of the Loan Closing Date (Loan Agreement, Section 3.06).

Environmental Impact

71. The project would enhance the quality of the rural environment by improving the standard of the existing roads, most of which are earth tracks, thus giving better access to markets and social services. Most of the improvements would be along existing alignments, and there would be very little need, if any, to displace dwellings for road rights-of-way.

Benefits and Risks

72. The economic benefits quantified under the proposed project come from two sources: transport cost savings and incremental value added on agricultural production. Cost savings on passenger transport and on freight traffic will initially accrue to vehicle-owners although savings will be passed on to other users through increased competition following road improvement. The value added in agriculture will accrue to the population of the impact zone either in the form of a direct consumption increase or in the form of additional income from marketing surplus production. Most of the anticipated increases will come from the introduction of new or improved technologies to increase yields on presently productive land or from the more timely and appropriate use of agricultural inputs. For the small farmer, the real benefit is not that the monetary costs of travel and transport decrease, but that services are provided. Significant time savings and improvements in safety, comfort and convenience enable the farmer to obtain more inputs, market additional products, and have access to services that would otherwise be unavailable. These gains are particularly significant when all-weather access is provided to communities which would otherwise be isolated for months at a time.

73. The provisional program of improvements to 1,200 km of rural roads was selected on the basis of an economic evaluation of over 2,000 km of individual roads. A minimum acceptable economic return (ER) of 10 percent has been applied for each individual road, the range of ERs being from 10 to 50 percent for roads included in the program. The overall ER for 33 first-year roads is estimated at 21 percent. Even under the most conservative assumption of a 25 percent reduction in overall benefits combined with a 25 percent increase in project costs, the overall ER of the first-year program would still be 15 percent. In serving over 200,000 rural inhabitants, or about 6 percent of the rural population of Tunisia, social benefits would represent a significant addition to the quantified economic benefits. Through the socio-economic impact study (para. 70) it is hoped to improve the selection and evaluation of roads by including social criteria on a systematic basis.

74. The main area of risk associated with the proposed project is the timely implementation of complementary agricultural investments. This risk is minimized through the institutional arrangements notably in the form of an interministerial Coordination Committee and the comprehensive monitoring and evaluation system to be introduced under the project. Moreover, implementation of the ongoing Rural Roads project has done much to familiarize both Government services and the rural population with the objectives and overall concepts of the rural roads program. Assistance provided for agricultural extension services is now better integrated within national plans and the proposed project would continue within the same institutional framework. At the same time, the Government is reassessing the institutional arrangements for agricultural credit and the project would benefit from improvements in the system.

Part V - LEGAL INSTRUMENTS AND AUTHORITY

75. The draft Loan Agreement between the Bank and the Republic of Tunisia, and the Report of the Committee provided for in Article III, Section 4 (iii), of the Articles of Agreement are being distributed separately to the Executive Directors. Special features of the project are listed in Section

III of Annex III. A special condition of effectiveness would be the establishment of a Project Coordination Committee (draft Loan Agreement, Sections 3.01 (b) and 5.01).

76. I am satisfied that the proposed loan would comply with the Articles of Agreement of the Bank.

Part VI - RECOMMENDATION

77. I recommend that the Executive Directors approve the proposed loan.

A. W. Clausen
President
by Moeen A. Qureshi

Attachments
February 26, 1982
Washington, D.C.

TABLE 3a
TUNISIA - SOCIAL INDICATORS DATA SHEET

LAND AREA (THOUSAND SQ. KM.) TOTAL 164.0 AGRICULTURAL 76.7	TUNISIA			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) ^{1/2}	
	1960 /b	MOST RECENT ESTIMATE /b		MIDDLE INCOME NORTH AFRICA & MIDDLE EAST	MIDDLE INCOME LATIN AMERICA & CARIBBEAN
		1970	1970	1970	
GNP PER CAPITA (US\$)	220.0	370.0	1120.0*	865.5	1616.2
ENERGY CONSUMPTION PER CAPITA (KILOGRAMS OF COAL EQUIVALENT)	173.4	304.2	618.1	758.3	1324.1
POPULATION AND VITAL STATISTICS					
POPULATION, MID-YEAR (THOUSANDS)	4221.0	5127.0	6194.0*	.	.
URBAN POPULATION (PERCENT OF TOTAL)	36.0	43.5	50.9	45.2	64.2
POPULATION PROJECTIONS					
POPULATION IN YEAR 2000 (MILLIONS)			9.4	.	.
STATIONARY POPULATION (MILLIONS)			16.0	.	.
YEAR STATIONARY POPULATION IS REACHED			2070	.	.
POPULATION DENSITY					
PER SQ. KM.	25.7	31.3	37.8	36.3	34.3
PER SQ. KM. AGRICULTURAL LAND	55.0	67.0	78.7	442.7	94.5
POPULATION AGE STRUCTURE (PERCENT)					
0-14 YRS.	43.4	46.2	41.9	44.2	40.7
15-64 YRS.	52.5	50.0	54.5	52.4	55.3
65 YRS. AND ABOVE	4.1	3.8	3.6	3.4	4.0
POPULATION GROWTH RATE (PERCENT)					
TOTAL	1.8 /c	1.9/c	2.1*	2.7	2.4
URBAN	3.2	3.8	3.8	4.6	3.7
CRUDE BIRTH RATE (PER THOUSAND)					
CRUDE BIRTH RATE (PER THOUSAND)	46.6	38.4	31.0	41.5	31.4
CRUDE DEATH RATE (PER THOUSAND)	18.9	13.8	10.7	12.8	8.4
GROSS REPRODUCTION RATE	3.5	3.2	2.2	2.9	2.3
FAMILY PLANNING					
ACCEPTORS, ANNUAL (THOUSANDS)	..	29.2	180.9	.	.
USERS (PERCENT OF MARRIED WOMEN)	..	10.0	21.3	..	..
FOOD AND NUTRITION					
INDEX OF FOOD PRODUCTION (PER CAPITA (1969-71=100))					
PER CAPITA SUPPLY OF CALORIES (PERCENT OF REQUIREMENTS)	80.0	88.0	112.0	110.4	107.6
PROTEINS (GRAMS PER DAY)	50.0	57.0	73.0	73.4	65.8
OF WHICH ANIMAL AND PULSE	12.0	14.0	22.0	17.1	34.0
CHILD (AGES 1-4) MORTALITY RATE	28.0	18.4	12.5	14.9	7.6
HEALTH					
LIFE EXPECTANCY AT BIRTH (YEARS)	47.6	54.0	58.4	55.9	64.1
INFANT MORTALITY RATE (PER THOUSAND)	148.0/d	135.0	90.0	..	70.9
ACCESS TO SAFE WATER (PERCENT OF POPULATION)					
TOTAL	..	49.0	70.0	59.4	65.7
URBAN	..	..	..	83.9	79.7
RURAL	..	..	..	40.8	43.9
ACCESS TO EXCRETA DISPOSAL (PERCENT OF POPULATION)					
TOTAL	..	62.0	..	..	59.9
URBAN	..	100.0	..	..	75.7
RURAL	..	34.0	60.0	..	30.4
POPULATION PER PHYSICIAN					
POPULATION PER PHYSICIAN	10026.1	5934.0	3576.2	4174.5	1728.2
POPULATION PER NURSING PERSON	..	727.5	1167.8	1780.5	1288.2
POPULATION PER HOSPITAL BED					
TOTAL	373.0/e	409.1	427.2	647.4	471.2
URBAN	..	290.2	341.4	547.2	558.0
RURAL	..	1269.3	1273.1	3361.1	..
ADMISSIONS PER HOSPITAL BED	..	24.1	..	25.3	..
HOUSING					
AVERAGE SIZE OF HOUSEHOLD					
TOTAL	..	5.1 /f	6.0	..	..
URBAN	..	5.1 /f	5.8	..	..
RURAL	..	5.1 /f	6.1	..	..
AVERAGE NUMBER OF PERSONS PER ROOM					
TOTAL	..	3.2 /f	..	..	..
URBAN	..	2.7 /f	..	..	..
RURAL	..	3.6 /f	..	..	..
ACCESS TO ELECTRICITY (PERCENT OF DWELLINGS)					
TOTAL	..	24.0 /f	..	..	..
URBAN	..	..	..	..	..
RURAL	..	..	..	..	..

TABLE 3A
TUNISIA - SOCIAL INDICATORS DATA SHEET

	TUNISIA			REFERENCE GROUPS (WEIGHTED AVERAGES - MOST RECENT ESTIMATE) ^{/a}	
	1960 /b	MOST RECENT		MIDDLE INCOME NORTH AFRICA & MIDDLE EAST	MIDDLE INCOME LATIN AMERICA & CARIBBEAN
		1970 /b	ESTIMATE /b			/b
EDUCATION					
ADJUSTED ENROLLMENT RATIOS					
PRIMARY: TOTAL	66.0	100.0	100.0	85.1	101.7
MALE	88.0	121.0	116.0	101.5	103.0
FEMALE	43.0	80.0	83.0	67.5	101.5
SECONDARY: TOTAL	12.0	23.0	30.0	38.0	35.3
MALE	19.0	33.0	38.0	48.1	34.9
FEMALE	5.0	13.0	22.0	28.3	35.6
VOCATIONAL ENROL. (% OF SECONDARY)	24.0	11.0	35.0	11.3	30.1
PUPIL-TEACHER RATIO					
PRIMARY	61.0	47.0	39.0	34.9	29.6
SECONDARY	16.0	28.0	30.0	23.8	15.7
ADULT LITERACY RATE (PERCENT)	15.5	24.0/f	62.0	43.0	80.0
CONSUMPTION					
PASSENGER CARS PER THOUSAND					
POPULATION	11.0	13.0	18.3	18.3	42.6
RADIO RECEIVERS PER THOUSAND					
POPULATION	40.3	75.7	147.3	121.0	215.0
TV RECEIVERS PER THOUSAND					
POPULATION	0.1	9.9	36.2	37.4	89.0
NEWSPAPER ("DAILY GENERAL INTEREST") CIRCULATION PER THOUSAND POPULATION					
	19.0	16.0	40.4	35.9	62.8
CINEMA ANNUAL ATTENDANCE PER CAPITA	2.0	..	1.5	3.0	3.2
LABOR FORCE					
TOTAL LABOR FORCE (THOUSANDS)	1137.9	1214.8	1581.7	.	.
FEMALE (PERCENT)	6.0	7.7	8.2	10.5	22.6
AGRICULTURE (PERCENT)	56.0	49.8	35.0	43.5	35.0
INDUSTRY (PERCENT)	18.0	21.0	32.0	27.3	23.2
PARTICIPATION RATE (PERCENT)					
TOTAL	27.0	23.7	25.5	26.4	31.8
MALE	50.2	44.2	46.1	47.0	49.0
FEMALE	3.3	3.6	4.3	5.7	14.6
ECONOMIC DEPENDENCY RATIO	1.8	2.1	1.8	1.8	1.4
INCOME DISTRIBUTION					
PERCENT OF PRIVATE INCOME RECEIVED BY					
HIGHEST 5 PERCENT OF HOUSEHOLDS	..	..	17.0	..	..
HIGHEST 20 PERCENT OF HOUSEHOLDS	..	..	42.0	..	..
LOWEST 20 PERCENT OF HOUSEHOLDS	..	..	6.0	..	..
LOWEST 40 PERCENT OF HOUSEHOLDS	..	..	15.0	..	..
POVERTY TARGET GROUPS					
ESTIMATED ABSOLUTE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	204.0	271.4	..
RURAL	..	..	97.0	144.6	187.6
ESTIMATED RELATIVE POVERTY INCOME LEVEL (US\$ PER CAPITA)					
URBAN	..	..	193.0	400.8	513.9
RURAL	..	..	193.0	290.9	362.2
ESTIMATED POPULATION BELOW ABSOLUTE POVERTY INCOME LEVEL (PERCENT)					
URBAN	..	..	20.0	22.1	..
RURAL	..	..	15.0	29.2	..

.. Not available
 . Not applicable.

NOTES

/a The group averages for each indicator are population-weighted arithmetic means. Coverage of countries among the indicators depends on availability of data and is not uniform.

/b Unless otherwise noted, data for 1960 refer to any year between 1959 and 1961; for 1970, between 1969 and 1971; and for Most Recent Estimate, between 1976 and 1979.

/c Due to emigration population growth rate is lower than rate of natural increase; /d 1960-65 average; /e 1962. /f 1966.

*

The updated 1980 GNP per capita and population estimates to be shown in the 1981 World Bank Atlas are \$1310.0 (at 1978-80 prices) and 6354 thousand, with a population growth rate of 2.4.

DEFINITIONS OF SOCIAL INDICATORS

Notes: Although the data are drawn from sources generally judged the most authoritative and reliable, it should also be noted that they may not be internationally comparable because of the lack of standardized definitions and concepts used by different countries in collecting the data. The data are, nonetheless, useful to describe orders of magnitude, indicate trends, and characterize certain major differences between countries.

The reference groups are (1) the same country group of the subject country and (2) a country group with somewhat higher average income than the country group of the subject country (except for "Capital Surplus Oil Exporters" group where "Middle Income North Africa and Middle East" is chosen because of stronger socio-cultural affinities). In the reference group data the averages are population-weighted arithmetic means for each indicator and shown only when majority of the countries in a group has data for that indicator. Since the coverage of countries among the indicators depends on the availability of data and is not uniform, caution must be exercised in relating averages of one indicator to another. These averages are only useful in comparing the value of one indicator at a time among the country and reference groups.

LAND AREA (thousand sq.km.)

Total - Total surface area comprising land area and inland waters.
Agricultural - Estimate of agricultural area used temporarily or permanently for crops, pastures, market and kitchen gardens or to lie fallow; 1978 data.

GNP PER CAPITA (US\$) - GNP per capita estimates at current market prices, calculated by same conversion method as World Bank Atlas (1977-79 basis); 1960, 1970, and 1979 data.

ENERGY CONSUMPTION PER CAPITA - Annual consumption of commercial energy (coal and lignite, petroleum, natural gas and hydro-, nuclear and geothermal electricity) in kilograms of coal equivalent per capita; 1960, 1970, and 1979 data.

POPULATION AND VITAL STATISTICS

Total Population, Mid-Year (thousands) - As of July 1; 1960, 1970, and 1979 data.

Urban Population (percent of total) - Ratio of urban to total population; different definitions of urban areas may affect comparability of data among countries; 1960, 1970, and 1979 data.

Population Projections

Population in year 2000 - Current population projections are based on 1980 total population by age and sex and their mortality and fertility rates. Projection parameters for mortality rates comprise of three levels assuming life expectancy at birth increasing with country's per capita income level, and female life expectancy stabilizing at 77.5 years. The parameters for fertility rate also have three levels assuming decline in fertility according to income level and past family planning performance. Each country is then assigned one of these nine combinations of mortality and fertility trends for projection purposes.

Stationary population - In a stationary population there is no growth since the birth rate is equal to the death rate, and also the age structure remains constant. This is achieved only after fertility rates decline to the replacement level of unit net reproduction rate, when each generation of women replaces itself exactly. The stationary population size was estimated on the basis of the projected characteristics of the population in the year 2000, and the rate of decline of fertility rate to replacement level.

Year stationary population is reached - The year when stationary population size has been reached.

Population Density

Per sq. km. - Mid-year population per square kilometer (100 hectares) of total area; 1960, 1970 and 1979 data.

Per sq. km. agricultural land - Computed as above for agricultural land only; 1960, 1970 and 1978 data.

Population Age Structure (percent) - Children (0-14 years), working-age (15-64 years), and retired (65 years and over) as percentages of mid-year population; 1960, 1970, and 1979 data.

Population Growth Rate (percent) - Annual growth rates of total mid-year populations for 1950-60, 1960-70, and 1970-79.

Population Growth Rate (percent) - urban - Annual growth rates of urban populations for 1950-60, 1960-70, and 1970-79.

Crude Birth Rate (per thousand) - Annual live births per thousand of mid-year population; 1960, 1970, and 1979 data.

Crude Death Rate (per thousand) - Annual deaths per thousands of mid-year population; 1960, 1970, and 1979 data.

Gross Reproduction Rate - Average number of daughters a woman will bear in her normal reproductive period if she experiences present age-specific fertility rates; usually five-year averages ending in 1960, 1970, and 1979.

Family Planning - Acceptors (thousands) - Annual number of acceptors of birth-control devices under auspices of national family planning program.

Family Planning - Users (percent of married women) - Percentage of married women of child-bearing age (15-44 years) who use birth-control devices to all married women in same age group.

FOOD AND NUTRITION

Index of Food Production per Capita (1969-71=100) - Index of per capita annual production of all food commodities. Production excludes seed and feed and is on calendar year basis. Commodities cover primary goods (e.g. sugarcane instead of sugar) which are edible and contain nutrients (e.g. coffee and tea are excluded). Aggregate production of each country is based on national average producer price weights; 1961-65, 1970, and 1979 data.

Per capita supply of calories (percent of requirements) - Computed from energy equivalent of net food supplies available in country per capita per day. Available supplies comprise domestic production, imports less exports, and changes in stock. Net supplies exclude animal feed, seeds, quantities used in food processing, and losses in distribution. Requirements were estimated by FAO based on physiological needs for normal activity and health considering environmental temperature, body weights, age and sex distribution of population, and allowing 10 percent for waste at household level; 1961-65, 1970, and 1977 data.

Per capita supply of protein (grams per day) - Protein content of per capita net supply of food per day. Net supply of food is defined as above. Requirements for all countries established by USDA provide for minimum allowance of 60 grams of total protein per day and 20 grams of animal and pulse protein, of which 10 grams should be animal protein. These standards are lower than those of 75 grams of total protein and 23 grams of animal protein as an average for the world, proposed by FAO in the Third World Food Survey; 1961-65, 1970 and 1977 data.

Per capita protein supply from animal and pulse - Protein supply of food derived from animals and pulses in grams per day; 1961-65, 1970 and 1977 data.

Child (ages 1-4) Mortality Rate (per thousand) - Annual deaths per thousand in age group 1-4 years, to children in this age group; for most developing countries data derived from life tables; 1960, 1970 and 1979 data.

HEALTH

Life Expectancy at Birth (years) - Average number of years of life remaining at birth; 1960, 1970 and 1979 data.

Infant Mortality Rate (per thousand) - Annual deaths of infants under one year of age per thousand live births.

Access to Safe Water (percent of population) - total, urban, and rural - Number of people (total, urban and rural) with reasonable access to safe water supply (includes treated surface waters or untreated but uncontaminated water such as that from protected boreholes, springs, and sanitary wells) as percentages of their respective populations. In an urban area a public fountain or standpost located not more than 200 meters from a house may be considered as being within reasonable access of that house. In rural areas reasonable access would imply that the housewife or members of the household do not have to spend a disproportionate part of the day in fetching the family's water needs.

Access to Excreta Disposal (percent of population) - total, urban, and rural - Number of people (total, urban, and rural) served by excreta disposal as percentages of their respective populations. Excreta disposal may include the collection and disposal, with or without treatment, of human excreta and waste-water by water-borne systems or the use of pit privies and similar installations.

Population per Physician - Population divided by number of practicing physicians qualified from a medical school at university level.

Population per Nursing Person - Population divided by number of practicing male and female graduate nurses, practical nurses, and assistant nurses.

Population per Hospital Bed - total, urban, and rural - Population (total, urban, and rural) divided by their respective number of hospital beds available in public and private general and specialized hospital and rehabilitation centers. Hospitals are establishments permanently staffed by at least one physician. Establishments providing principally custodial care are not included. Rural hospitals, however, include health and medical centers not permanently staffed by a physician (but by a medical assistant, nurse, midwife, etc.) which offer in-patient accommodation and provide a limited range of medical facilities. For statistical purposes urban hospitals include WHO's principal/general hospitals, and rural hospitals local or rural hospitals and medical and maternity centers. Specialized hospitals are included only under total.

Admissions per Hospital Bed - Total number of admissions to or discharges from hospitals divided by the number of beds.

HOUSING

Average Size of Household (persons per household) - total, urban, and rural - A household consists of a group of individuals who share living quarters and their main meals. A boarder or lodger may or may not be included in the household for statistical purposes.

Average number of persons per room - total, urban, and rural - Average number of persons per room in all urban, and rural occupied conventional dwellings, respectively. Dwellings exclude non-permanent structures and unoccupied parts.

Access to Electricity (percent of dwellings) - total, urban, and rural - Conventional dwellings with electricity in living quarters as percentage of total, urban, and rural dwellings respectively.

EDUCATION

Adjusted Enrollment Ratios

Primary school - total, male and female - Gross total, male and female enrollment of all ages at the primary level as percentages of respective primary school-age populations; normally includes children aged 6-11 years but adjusted for different lengths of primary education; for countries with universal education enrollment may exceed 100 percent since some pupils are below or above the official school age.

Secondary school - total, male and female - Computed as above; secondary education requires at least four years of approved primary instruction; provides general, vocational, or teacher training instructions for pupils usually of 12 to 17 years of age; correspondence courses are generally excluded.

Vocational enrollment (percent of secondary) - Vocational institutions include technical, industrial, or other programs which operate independently or as departments of secondary institutions.

Pupil-teacher ratio - primary, and secondary - Total students enrolled in primary and secondary levels divided by numbers of teachers in the corresponding level.

Adult literacy rate (percent) - Literate adults (able to read and write) as a percentage of total adult population aged 15 years and over.

CONSUMPTION

Passenger Cars (per thousand population) - Passenger cars comprise motor cars seating less than eight persons; excludes ambulances, hearse and military vehicles.

Radio Receivers (per thousand population) - All types of receivers for radio broadcasts to general public per thousand of population; excludes unlicensed receivers in countries and in years when registration of radio sets was in effect; data for recent years may not be comparable since most countries abolished licensing.

TV Receivers (per thousand population) - TV receivers for broadcast to general public per thousand population; excludes unlicensed TV receivers in countries and in years when registration of TV sets was in effect.

Newspaper Circulation (per thousand population) - Shows the average circulation of "daily general interest newspaper", defined as a periodical publication devoted primarily to recording general news. It is considered to be "daily" if it appears at least four times a week.

Cinema Annual Attendance per Capita per Year - Based on the number of tickets sold during the year, including admissions to drive-in cinemas and mobile units.

LABOR FORCE

Total Labor Force (thousands) - Economically active persons, including armed forces and unemployed but excluding housewives, students, etc., covering population of all ages. Definitions in various countries are not comparable; 1960, 1970 and 1979 data.

Female (percent) - Female labor force as percentage of total labor force.

Agriculture (percent) - Labor force in farming, forestry, hunting and fishing as percentage of total labor force; 1960, 1970 and 1979 data.

Industry (percent) - Labor force in mining, construction, manufacturing and electricity, water and gas as percentage of total labor force; 1960, 1970 and 1979 data.

Participation Rate (percent) - total, male, and female - Participation or activity rates are computed as total, male, and female labor force as percentages of total, male and female population of all ages respectively; 1960, 1970, and 1979 data. These are based on ILO's participation rates reflecting age-sex structure of the population, and long time trend. A few estimates are from national sources.

Economic Dependency Ratio - Ratio of population under 15 and 65 and over to the total labor force.

INCOME DISTRIBUTION

Percentage of Private Income (both in cash and kind) - Received by richest 5 percent, richest 20 percent, poorest 20 percent, and poorest 40 percent of households.

POVERTY TARGET GROUPS

The following estimates are very approximate measures of poverty levels, and should be interpreted with extreme caution.
Estimated Absolute Poverty Income Level (US\$ per capita) - urban and rural - Absolute poverty income level is that income level below which a minimal nutritionally adequate diet plus essential non-food requirements is not affordable.

Estimated Relative Poverty Income Level (US\$ per capita) - urban and rural - Rural relative poverty income level is one-third of average per capita personal income of the country. Urban level is derived from the rural level with adjustment for higher cost of living in urban areas.

Estimated Population Below Absolute Poverty Income Level (percent) - urban and rural - Percent of population (urban and rural) who are "absolute poor".

TUNISIA - ECONOMIC INDICATORS

Population: 6.4 million (mid-1980)
GNP per Capita: \$1,310 (1980)

Indicator	Amount (million US\$ at current prices) 1980	Annual Growth Rates									
		Actual (at 1972 prices)				Actual ^{/1}		Projected (at 1979 prices)			
		1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
NATIONAL ACCOUNTS											
Gross domestic product ^{/2}	8,493.8	7.4	4.3	8.3	7.6	7.3	6.4	6.4	6.6	6.5	6.3
Agriculture	1,211.4	5.2	-7.5	8.9	0.5	8.6	5.0	5.0	4.5	4.0	4.0
Industry	2,579.8	7.8	7.0	9.2	11.9	7.6	6.8	7.0	8.0	8.0	7.5
Services	3,512.6	5.4	5.8	7.7	8.2	6.7	6.5	6.5	6.5	6.5	6.4
Consumption	6,400.0	8.8	9.5	9.3	7.1	6.9	6.7	8.8	6.9	5.0	6.6
Gross investment	2,345.7	16.9	5.8	6.6	8.7	0.5	8.4	3.8	6.1	5.7	5.4
Exports of goods and NFS	3,444.4	9.6	5.6	9.1	18.8	5.4	4.2	3.1	3.7	9.7	8.9
Imports of goods and NFS	3,696.3	19.3	16.5	9.6	14.4	3.9	6.4	6.0	4.3	5.6	8.5
Gross national product	8,437.0	6.0	4.8	9.2	8.0	6.3	6.5	6.5	6.5	6.4	6.2
Gross national savings	2,037.0	-6.3	-1.7	21.2	35.8	6.3	4.9	-2.0	5.0	12.9	5.9
PRICES											
GDP deflator		137.7	151.4	158.6	174.2	190.3	-	-	-	-	-
Exchange rate		2.33	2.33	2.40	2.46	2.47	-	-	-	-	-

	Share of GDP at market prices (%) (at current prices)					Average Annual Increase (%) (at constant prices)				
	1970	1975	1980	1986	1991	1970-75	1975-80	1980-85	1981-86	1986-91
Gross domestic product	100.0	100.0	100.0	100.0	100.0	8.5	7.0	6.5	6.5	5.8
Agriculture	16.7	18.2	14.3	12.7	11.1	8.8	1.0	4.5	4.2	3.0
Industry	20.5	27.1	29.5	31.2	32.8	9.0	7.5	7.5	7.7	6.8
Services	49.3	42.7	42.2	42.2	42.2	8.7	6.0	6.5	6.5	5.8
Consumption	84.8	75.5	70.0	70.8	71.8	8.6	8.3	6.8	6.6	6.2
Gross investment	19.7	29.3	28.3	27.2	25.4	11.8	6.8	5.7	5.4	4.3
Exports of goods and NFS	21.9	31.3	38.5	35.9	33.3	12.5	9.7	5.7	6.5	5.1
Imports of goods and NFS	26.4	36.1	41.4	40.3	38.7	11.3	12.1	5.9	5.9	5.1
Gross national product	97.9	99.9	99.5	99.3	97.9	8.7	7.0	6.4	6.4	5.5
Net factor income	2.1	0.1	0.5	0.7	1.9	-	-	-	-	-
Gross national savings	13.2	24.3	23.6	21.8	18.9	7.5	5.9	-	2.2	-

	As % GDP (at current prices)			
	1970	1975	1980	
PUBLIC FINANCE				
Current revenue		23.5	25.7	27.2
Current expenditure		20.4	19.9	18.5
Surplus (+) or deficit (-)		3.1	5.9	8.6
Capital expenditure		9.5	10.8	14.8
Foreign financing		5.0	1.8	1.3

	1970-75	1975-80	1980-85	1981-86	1986-91
OTHER INDICATORS					
GNP growth rate (%)	8.7	7.0	6.4	6.3	5.5
GNP per capita growth rate (%)	6.3	4.4	4.0	4.0	3.1
ICOR	2.6	3.6	4.4	4.4	4.6
Marginal savings rate	30.5	17.6	20.1	22.8	8.2
Import elasticity	1.24	1.81	0.91	0.91	0.89

^{/1} 1980 data at 1979 prices.

^{/2} GDP at market prices and components, at factor cost.

TUNISIA - EXTERNAL TRADE

Population: 6.4 million (mid-1980)
GNP per Capita: \$1,310 (1980)

Indicator	Amount (million US\$ at current prices) 1980	Annual Growth Rates									
		Actual (at 1972 prices)					Actual/ ¹		Projected (at 1979 prices)		
		1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
EXTERNAL TRADE											
Merchandise exports	2,282.9	5.8	-5.0	16.0	10.1	3.9	1.5	0.2	0.9	10.8	9.5
Crude oil	1,168.5	-15.0	1.9	14.0	91.3	11.0	-4.5	-7.8	-6.6	-1.6	-
Other primary	207.9	21.8	-17.9	34.7	10.0	.4	5.8	2.7	2.6	2.5	2.5
Manufactures	906.5	37.2	-1.5	21.9	14.8	1.6	7.3	6.9	6.4	20.9	15.9
Merchandise imports	3,340.7	13.6	30.4	5.5	11.7	1.9	6.4	6.0	4.1	5.6	8.7
Food	422.4	-13.5	25.5	11.1	22.2	2.7	6.0	2.9	5.0	3.3	4.8
Petroleum	662.0	-24.8	-8.5	-3.9	25.7	3.0	9.9	14.2	-3.5	36.9	23.3
Machinery and equipment	765.7	19.1	2.4	5.2	-11.0	-1.3	3.8	6.5	6.1	5.7	5.4
Others	1,490.6	31.2	36.0	2.9	14.1	3.2	6.6	3.4	6.1	6.1	5.9

	Price Index					Price Index / ³					
	1976	1977	1978	1979	1980	1976	1977	1978	1979	1980	
PRICES											
Export price index	-	181.2	197.9	215.0	267.9	128.0	135.7	148.1	161.0	177.3	193.9
Import price index	-	163.7	171.4	180.6	205.6	115.3	128.2	141.4	153.7	166.8	181.3
Terms of trade index (1972=100) (1979=100)	-	110.7	115.5	119.0	130.3	139.0	138.0	136.4	136.6	138.5	139.3
		-	-	-	-	106.7	105.9	104.7	104.8	106.3	106.9

	Composition of Merchandise Trade (%) (at current prices)						Average Annual Increase (%) (at constant prices)				
	1970	1975	1980	1981	1986	1991	1970-75	1975-80	1980-85	1981-86	1986-91
	Exports	100.0	100.0	100.0	100.0	100.0	100.0	11.6	9.4	4.2	5.5	2.9
Crude oil	24.5	41.8	51.1	49.3	35.0	29.0	23.2	3.0	-4.1	-3.8	-3.5
Other primary	21.2	18.0	9.1	9.2	7.0	6.0	6.7	2.0	3.2	3.0	3.0
Manufactures	54.3	40.2	39.8	41.5	58.0	65.0	6.2	14.3	11.2	12.0	5.5
Imports	100.0	100.0	100.0	100.0	100.0	100.0	13.4	12.4	5.8	5.9	5.1
Food	20.6	15.8	12.6	13.6	13.6	12.9	8.9	7.5	4.2	4.2	4.4
Petroleum	4.0	9.8	19.7	20.5	24.4	25.2	36.5	23.2	8.0	7.6	4.1
Machinery and Equipment	23.0	30.2	22.8	21.8	20.7	19.5	15.7	8.3	5.7	5.7	4.4
Others	52.4	44.2	44.8	44.1	41.3	42.4	10.6	13.2	5.5	5.7	6.1

DIRECTION OF TRADE	Share of Trade with Industrial Countries (%)			Share of Trade with Developing Countries (%)			Share of Trade with Capital Surplus Oil Exporters (%)		
	1970	1975	1980	1970	1975	1980	1970	1975	1980
	Exports	62.6	48.6	74.1	23.4	41.4	n.a.	14.0	10.0	n.a.
Imports	62.9	67.1	73.5	33.7	25.7	n.a.	3.4	7.2	n.a.

/1 1980 data at 1979 prices.

/2 Increase in refining capacity.

/3 For 1981-85, export and import price index is based on 1979=100.

BALANCE OF PAYMENTS, EXTERNAL CAPITAL AND DEBT
(million US\$ at current prices)Population: 6.4 million (mid-1980)
GNP per Capita: \$1,120 (1979)

	Actual					Projected				
	1970	1975	1978	1979	1980	1981	1982	1983	1986	1991
BALANCE OF PAYMENTS										
Net exports of goods & services	-104.5	-208.8	-599.7	-478.5	-296.5	-463.6	-718.9	874.7	-1,040.9	-2,728.0
Exports of goods & services	355.6	1,529.2	2,090.6	2,913.9	3,825.1	4,363.4	4,877.5	5,458.9	8,440.5	14,106.6
Imports of goods & services	460.1	1,738.0	2,690.3	3,392.4	4,121.6	4,827.0	5,596.4	6,333.6	9,481.4	16,838.6
Net transfers ^{/1}	53.0	47.4	33.6	31.0	25.6	26.0	26.1	26.1	26.2	11.3
Current account balance	-51.5	-161.4	-566.1	-447.5	-270.9	-437.6	-692.8	-848.6	-1,014.7	-2,716.7
Direct private investment	25.5	50.2	91.1	164.8	95.0	200.0	250.0	300.0	450.0	724.7
MLT loans (net)	43.4	124.5	468.6	438.0	399.1	325.8	539.0	640.7	688.5	2,200.2
Official	41.7	102.9	84.8	318.8	436.0	379.2	433.3	375.3	345.3	379.5
Private	1.7	21.6	83.8	162.2	-36.9	-53.4	105.7	265.4	343.2	1,820.5
Other capital	2.0	-10.4	41.4	-22.6	-83.7	-	-	-	-	-
Change in reserves	-19.4	-2.9	-35.0	-132.7	-139.9	-90.6	96.2	-92.1	-123.8	-208.1
International reserves	15.4	362.2	269.9	402.3	542.2	632.8	728.9	821.1	1,214.6	2,134.3
Reserves as months of imports	0.4	2.4	1.3	1.4	1.6	1.6	1.6	1.6	1.5	1.5
GROSS DISBURSEMENTS										
Official grants	43.0	50.2	32.7	50.7	24.6	25.0	25.0	25.0	25.0	10.0
Gross disbursements of MLT loans	86.8	193.3	556.7	746.1	652.6	635.1	865.7	1,032.5	1,459.0	3,358.0
Concessional	45.2	100.1	184.5	193.2	407.2	349.8	341.3	288.4	220.6	246.2
Bilateral	41.3	82.0	175.1	179.0	308.9	265.5	271.8	239.3	169.6	186.6
IDA	2.9	12.6	1.8	0.2	1.5	1.1	.5	.2	-	-
Other multilateral	1.0	5.5	7.6	14.0	106.8	83.2	69.0	48.9	50.9	59.6
Non-concessional	41.6	93.7	372.2	552.9	235.4	285.3	524.4	744.1	1,238.4	3,739.8
Private	31.1	51.3	321.3	431.9	122.2	112.8	308.2	499.5	856.0	3,111.8
Official export credits	1.3	15.0	6.1	5.0	15.8	52.3	59.1	67.7	107.4	150.0
IBRD	9.2	26.9	33.0	55.4	62.3	98.1	134.1	149.6	145.8	186.6
Other multilateral	-	-	11.7	60.6	35.1	22.1	23.0	27.3	129.2	291.4
EXTERNAL DEBT										
Debt Outstanding and Disbursed	540.9	1,034.4	2,409.2	3,053.2	3,452.4	3,778.2	4,317.2	4,957.0	6,763.6	14,896.4
Official	367.0	858.6	1,583.4	1,864.2	2,300.2	2,679.4	3,112.7	3,488.0	4,473.9	6,490.2
IBRD	26.3	109.8	189.4	232.0	281.3	361.4	473.0	595.3	862.1	1,192.3
IDA	16.2	55.3	67.4	67.3	68.4	69.0	68.7	68.1	65.3	58.2
Other	224.5	693.5	1,326.6	1,564.9	1,950.5	2,249.0	2,571.0	2,824.6	3,546.5	5,239.7
Private	173.9	175.8	825.8	1,189.0	1,152.2	1,098.8	1,204.5	1,470.0	2,289.6	8,406.2
Undisbursed debt	307.0	741.3	1,794.4	1,773.8	1,532.2	1,451.1	1,372.8	1,445.3	2,820.5	2,925.3
DEBT SERVICE										
Total debt service payments	63.1	101.3	214.5	311.6	460.4	522.2	545.3	635.4	1,129.2	2,657.2
Interest	17.8	35.0	96.1	159.5	206.9	212.9	218.6	243.6	358.7	871.3
Payments as % exports	17.7	6.6	10.2	9.9	12.0	12.0	11.2	11.6	13.4	18.8
Payments as % GNP	4.4	2.4	3.6	4.3	4.4	4.3	4.2	4.4	4.5	4.1
Average interest rate of new Loans (%)	3.4	3.9	7.1	7.3	5.6	6.8	7.3	7.7	7.9	7.7
Official	2.7	3.3	4.4	5.6	-	-	-	-	-	-
Private	6.3	6.7	8.9	11.1	-	-	-	-	-	-
Average maturity of new Loans (years)	26.6	24.2	14.5	17.0	26.1	19.6	15.6	13.7	13.1	9.8
Official	31.2	27.1	21.0	20.1	-	-	-	-	-	-
Private	9.2	9.1	10.0	10.1	-	-	-	-	-	-

As % of Debt Outstanding
at End of Most Recent
Year (1980)

DEBT STRUCTURE

Maturity structure of debt outstanding (%)	
Amortization due within 5 years	54.8
Amortization due within 10 years	98.9
Interest structure of debt outstanding (%)	
Interest due within first year	6.8

^{/1} Including grants.

A. STATEMENT OF BANK LOANS AND IDA CREDITS (As of September 30, 1981)

Loan or Credit Number	Year	Borrower	Purpose	US\$ Million Amount (less Cancellation)		
				Bank	IDA c/	Undisbursed
Twenty-seven Loans and Credits Fully Disbursed				187.50	60.47	
238	1971	Republic of Tunisia	Population		4.80	0.65
858 d/	1972	Republic of Tunisia	Tourism Infrastructure	14.00		0.10
937	1973	Republic of Tunisia	Urban Planning and Public Transportation	11.00		0.37
1042 d/	1974	Compagnie des Phosphates et Chemin de Fer de GAFSA	Phosphate Development	23.30		0.87
1068	1974	Republic of Tunisia	Irrigation Rehabilitation	12.20		3.30
1088	1975	Republic of Tunisia	Urban Sewerage	28.00		4.97
1155	1975	Republic of Tunisia	Third Education	8.60		6.67
1188	1975	Republic of Tunisia	Second Highways	28.00		18.39
238-1	1976	Republic of Tunisia	Population		4.80	0.76
1340	1976	Banque Nationale de Tunisie	Second Agricultural Credit	12.00		2.42
1355 d/	1976	Société Tunisienne de l'Electricité et du Gaz	Second Power	14.50		0.10
1431	1977	Republic of Tunisia	Irrigation Development	42.00		15.37
1445	1977	SONEDE	Fourth Water Supply	21.00		13.53
1504	1977	BDET	Development Finance Company	30.00		3.99
1505	1977	Republic of Tunisia	Small-Scale Industrial Project	5.00		2.62
1601	1978	Republic of Tunisia	Rural Roads (Third Highways)	32.00		28.16
1675	1979	Republic of Tunisia	Second Urban Sewerage	26.50		25.80
1702	1979	Société Nationale d'Exploitation d'Eau	Fifth Water Supply	25.00		14.66
1705	1979	Republic of Tunisia	Second Urban Development	19.00		18.54
1746	1979	Republic of Tunisia	Second Fisheries	28.50		26.83
1796	1980	Republic of Tunisia	Southern Irrigation	25.00		24.84
1797	1980	Office des Ports Nationaux	Third Port	42.50		25.24
1841	1980	Republic of Tunisia	Fourth Highways	36.50		36.50
1864	1980	Société Tunisienne de l'Electricité et du Gaz	Second Natural Gas Pipeline	37.00		37.00
1885	1980	Banque Nationale de Tunisie	Third Agricultural Credit	30.00		29.25
1961	1981	Republic of Tunisia	Fourth Education	26.00		26.00
1969 b/	1981	Republic of Tunisia	Small-Scale Industry Development	30.00		30.00
1997 b/	1981	Republic of Tunisia	Northwest Rural Development	24.00		24.00
2003 b/	1981	Republic of Tunisia	Third Power	41.50		41.50
2005 b/	1981	Republic of Tunisia	Health and Population	12.50		12.50
2012 b/	1981	Republic of Tunisia	Textile Rehabilitation	18.60		18.60
TOTAL				891.70	70.07	493.53
Of which has been repaid				88.26	5.75	
Total now outstanding				803.44	64.32	
Amount Sold						14.33
of which has been repaid						12.40
Total now held by Bank and IDA b/				801.51	64.32	
Total Undisbursed				492.12	1.41	493.53

a/ This list does not include a loan of \$42 million for a Grain Storage project approved by the Board on October 6, 1981.

b/ Not yet effective

c/ Prior to exchange adjustment

d/ Fully disbursed since September 30, 1981.

B. STATEMENT OF IFC INVESTMENTS IN TUNISIA (as of September 30, 1981)

<u>Year</u>	<u>Obligator</u>	<u>Type of Business</u>	<u>Amount in US\$ Million</u>		
			<u>Loan</u>	<u>Equity</u>	<u>Total</u>
1962	NPK Engrais	Fertilizers	2.0	1.5	3.5
1966	Société Nationale d' Investissement	Development Finance Co.		0.6	0.6
1969	COFIT (Tourism)	Development Finance Co.	8.0	2.2	10.2
1970	Société Nationale d'Investissement (SNI) now (BDET)	Development Finance Co.		0.6	0.6
1973	Société Touristique & Hoteliere RYM SA	Tourism	1.6	0.3	1.9
1975	Société d'Etudes & de Developpement de Sousse-Nord	Tourism	2.5	0.7	3.2
1974	Industries Chimiques du Fluor	Chemicals		0.6	0.6
1978	BDET	Development Finance Co.		1.2	1.2
	Total Gross Commitments		14.1	7.7	21.8
	Less cancellations, terminations, repayments and sales		7.9	1.9	9.8
	Total commitments now held by IFC		6.2	5.8	12.0
	Total undisbursed			0.0	0.0

C. PROJECTS IN EXECUTION 1/

Cr. 238: Population Project: US\$4.8 million credit of April 5, 1971; Date of Effectiveness: December 29, 1971; Closing Date: December 31, 1981.

Cr. 238-1: Population Project: US\$4.8 million Supplemental Credit (NORAD grant) of October 13, 1976; Date of Effectiveness: March 21, 1977; Closing Date: December 31, 1981.

The present closing date will not be extended. The undisbursed loan balance on February 24, 1982 was \$110,453. Payments are being made on amounts committed prior to the closing date.

Ln. 858: Tourism Infrastructure Project; US\$14 million loan of September 28, 1972; Date of Effectiveness: June 29, 1973; Closing Date: December 31, 1980.

The project is completed and the undisbursed loan balance (\$96,940) was cancelled on November 24, 1981.

Ln. 937: Tunis District Urban Planning and Public Transport Project;
Cr. 432: US\$11 million loan and US\$7 million credit, both of October 5, 1973; Date of Effectiveness: September 24, 1974; Closing Date: December 31, 1981.

The present closing date will not be extended. The undisbursed loan balance on February 24, 1982 was \$365,575. Payments are being made on amounts committed prior to the closing date.

Ln. 1042: Gafsa Phosphate Project; US\$23.3 million loan of October 1, 1974; Date of Effectiveness: March 14, 1975; Closing Date: December 31, 1981.

The project is completed and the undisbursed loan balance (\$105,930) was cancelled on February 26, 1982.

Ln. 1068: Irrigation Rehabilitation Project; US\$12.2 million loan of December 31, 1974; Date of Effectiveness: September 18, 1975; Closing Date: June 30, 1982.

Progress in construction and rehabilitation of irrigation, drainage and road networks in the Medjerda area continues to be satisfactory. However,

1/ These notes are designed to inform the Executive Directors regarding the progress of projects in execution, and in particular to report any problems which are being encountered, and the action being taken to remedy them. They should be read in this sense, and with the understanding that they do not purport to present a balanced evaluation of strengths and weaknesses in project execution.

farmers have not fully used the available facilities due to limited distribution hours, lack of on-farm development and poor extension. Land reform is progressing and is expected to be completed by the end of 1983. In the Nebhana area, rehabilitation investments have been satisfactorily completed. Credit demand for basins and storage facilities was less than originally expected, and a grading and packing station was not built because of lack of capacity on the part of the cooperative which was to construct and manage it, and because drought in the area reduced production. Land consolidation in Nebhana is expected to be completed by mid-1982, and production of off-season vegetables under greenhouses is encouraging.

Ln. 1088: First Urban Sewerage Project: US\$28 million loan of February 18, 1975; Date of Effectiveness: August 15, 1975; Closing Date: December 15, 1982.

The project suffered considerable delay as a result of a number of factors, some beyond the control of the project entity (ONAS). As a result, considerable cost escalation occurred, chiefly in local cost components. However, all components of the project are now under construction and project completion is expected by mid-1982. One of its major benefits will be release of land for development around the Lake of Tunis, which until now has been impossible because of the pollution of the lake waters by untreated sewerage. Consultants financed under the project have produced a land-use plan for the area, and acquisition of the land by Government is in progress.

Ln. 1155: Third Education Project; US\$8.9 million loan of August 13, 1975; Date of Effectiveness: March 1, 1976; Closing Date: March 31, 1983

Implementation of this project was delayed following a change in education priorities in Tunisia. The project was subsequently amended to reduce the number of ITM centers to be equipped under the project, increase the facilities to train teachers for ITM, and increase technical assistance. The total cost of the amended project is estimated at \$11.3 million and the Bank loan has been decreased by \$0.3 million to \$8.6 million, representing the full foreign exchange cost of the amended project. Implementation of the project is proceeding satisfactorily and as planned in the revised schedule. There was a slight delay of about three months in construction, but the procurement of furniture and equipment is running ahead of schedule. The final bid documents for the extension of the five teacher training colleges have been received and are now under awarding procedures. All major covenants have been met.

Ln. 1188: Second Highways Project; US\$28 million loan of January 26, 1976; Date of Effectiveness: June 16, 1976; Closing Date: December 31, 1982.

Civil works on the Tunis-Bizerte highway have been completed. Construction is almost complete on the Hammamet-Korba road in Nabeul. The

remaining construction works on other roads are well-advanced. The Sfax by-pass under Lot 8 on which there is a difficult problem of expropriation has been deleted from the project. All studies under the project have been completed and their results are being implemented.

Ln. 1340: Second Agricultural Credit Project; US\$12 million loan of December 17, 1976; Date of Effectiveness: July 19, 1977; Closing Date: December 31, 1982.

About 81 percent of the loan amount is disbursed and more than 100 percent is committed; amounts in excess will have to be financed by the Government or by the Third Agricultural Credit project. Categories 2 and 4 (subloans to commercial farmers and agro-industrial investors) are fully disbursed. Category 1 (subloans to small and medium farmers) are expected to be fully disbursed by the end of 1982. Disbursements for Category 3 (subloans to farmers' associations for the establishment of date palm plantations) have begun. Construction of irrigation infrastructure is in progress and plantation is also progressing satisfactorily. However, drilling of artesian wells is suffering some delays.

Ln. 1355: Second Power Project; US\$14.5 million loan of January 12, 1977; Date of Effectiveness: May 4, 1977; Closing Date: June 30, 1981.

The project is completed and the undisbursed loan balance (\$93,349.98) was cancelled on October 20, 1981.

Ln. 1431: Sidi Salem Multipurpose Project; US\$42 million loan of July 5, 1977; Date of Effectiveness: July 31, 1978; Closing Date: June 30, 1984.

For the project as a whole, progress in implementation continues to be satisfactory. The land reform and consolidation program is underway. The Sidi Salem dam is expected to be completed on schedule to catch the 1981/82 flood season. The new railroad is now completed and in commercial service. After some initial delays, construction of the Medjerda-Cap Bon interconnection canal is proceeding more rapidly, and completion by end 1983 seems possible. A 6 kms section was commissioned in June 1981, permitting the supply of additional water to Tunis during the peak consumption period. First irrigation of the 1,400 ha Testour perimeter is expected in April 1982.

Ln. 1445: Fourth Water Supply Project; US\$21 million loan of July 5, 1977; Date of Effectiveness: January 30, 1978; Closing Date: December 31, 1982.

The procurement process under the fourth project is now completed. Project execution has accelerated during the last six months and the project is now expected to be completed by end 1982, about six months behind the appraisal schedule.

Ln. 1504/1505: Industrial Finance Project consisting of a Seventh Loan to Banque de Développement Economique de Tunisie (BDET) and a Pilot Project for assistance to SSI; Loans of \$30.0 million to BDET and of \$5.0 million to the Government of January 25, 1978; Date of Effectiveness: October 13, 1978; Closing Date: December 31, 1982.

Both loans are fully committed. Under the project, BDET is giving priority in its financing to projects which are located in the least developed regions, sponsored by new entrepreneurs, characterized by high labor intensity or export-orientation. Under the SSI pilot project, the commercial banks' initial reluctance to utilize Bank funds for SSI financing has been overcome. Considerable progress has been made by the Tunisian authorities toward setting up a comprehensive program of Tunisian and foreign technical assistance experts, specifically catering to the needs of SSI, as agreed under the project. A new project approved by the Bank in May 1981 supports this program (see below Ln. 1969).

Ln. 1601: Rural Roads Project; US\$32.0 million loan of July 24, 1978; Date of Effectiveness: April 30, 1979; Closing Date: June 30, 1984.

Road construction is now underway in all the eight provinces. Progress on the complementary agricultural component, after an initial delay, is now proceeding satisfactorily. The Government wishes to expand the project to cover three additional provinces. This is under consideration.

Ln. 1675: Second Urban Sewerage Project; US\$26.5 million loan of April 13, 1979; Date of Effectiveness: August 31, 1979; Closing Date: December 31, 1984.

Consultants have been contracted and detailed design is proceeding. Tenders have been called for the first civil works, and construction has started.

Ln. 1702: Fifth Water Supply Project; US\$25.0 million loan of May 31, 1979; Date of Effectiveness: October 19, 1979; Closing Date: December 31, 1982.

The physical execution of the project is progressing well and according to schedule. SONEDE has already approved eight urban and seventeen rural sub-projects for a total investment cost of \$28.5 million. Procurement for the project is now completed and works under all project contracts are proceeding rapidly. Laying of the piping system of the production facilities included in the project has been completed.

Ln. 1705: Second Urban Development Project; US\$19.0 million loan of May 31, 1979; Date of Effectiveness: December 1, 1980; Closing Date: December 31, 1983.

The physical works of the project both in Tunis and Sfax are progressing satisfactorily, with about 35% of works completed. Technical studies for

the solid waste collection and disposal component is progressing well. The housing component is progressing slowly and experiencing cost overruns due to technical difficulties associated with the sites in Jebel Lahmar and to slow acquisition of sites in Saida Manoubia and in Cimer Nord.

Ln. 1746: Second Fisheries Project; US\$28.5 million loan of July 20, 1979; Date of Effectiveness: May 14, 1980; Closing Date: June 30, 1985.

All contracts for port infrastructure have been awarded and construction is well underway at most sites and general progress is satisfactory. Detailed design for the boat hulls has been completed and procurement is underway. Bid awards for boat engines have been made.

Ln. 1796: Southern Irrigation Project; US\$25.0 million loan of February 8, 1980; Date of Effectiveness: September 30, 1980; Closing Date: June 30, 1986.

The implementation of the project is proceeding according to schedule. A contract has been awarded for the sinking of the first 13 deep wells of the project and borings are underway at several sites. A contract has been awarded for supply of asbestos-cement pipes to be used in rehabilitation of irrigation infrastructure in existing oases.

Ln. 1797: Third Port Project; US\$42.5 million loan of February 8, 1980; Date of Effectiveness: June 25, 1980; Closing Date: June 30, 1985.

The physical execution of the project at La Goulette is now progressing well. Dredging of the channel and of the new basin area has been completed. The reclamation at the new port area behind the project quay line is under way. The casting yard for concrete quay caissons has become operational. As a result of initial delays in starting the dredging operations, the civil works are about 5 months behind schedule. At Sfax, the contracts for civil works were awarded in July 1980. Dredging started in October 1980 but works were delayed on the landward side until the shipyards and the fishing port were removed to their new locations in late February 1981. Further problems have developed in connection with the innovative casting technique: heated concrete blocks showed cracks through testings and the causes are being investigated by the contractor which has deferred further casting. This will add to the 9 months delay from which civil works in Sfax have already suffered. Supervision is working satisfactorily in both ports. Training programs for port workers have been prepared.

Ln. 1841: Fourth Highway Project; US\$36.5 million loan of May 22, 1980; Date of Effectiveness: November 21, 1980; Closing Date: September 30, 1984.

Project implementation is progressing well; the 1981 construction program is underway. Elements of the 1982 program for rehabilitation and maintenance have been discussed and agreed with the Government, and the 1982 action plan is being implemented.

Ln. 1864: Second Natural Gas Pipeline Project; US\$37 million loan of October 22, 1980 - amended on July 15, 1981; Date of Effectiveness: December 9, 1981; Closing Date: December 31, 1985.

The original project scope has been modified because of uncertainties related to the purchase of gas from Algeria; the project has been redesigned to utilize royalty gas as a substitute for premium liquid fuel products.

Ln. 1885: Third Agricultural Credit Project; US\$30.0 million loan of August 6, 1980; Date of Effectiveness: June 24, 1981; Closing Date: December 31, 1983.

The project will finance part of BNT's agricultural three-year lending program for medium and long-term credit to small and medium farmers, production and service cooperatives, commercial farmers and agro-industries. The loan became effective after one extension of the original date of April 30, 1981. Disbursements are expected to start immediately for those purposes where Agricultural Credit II is already overcommitted (commercial farmers, producer cooperatives and agro-industries).

Ln. 1961: Fourth Education Project; US\$26 million loan of May 18, 1981; Date of Effectiveness: November 18, 1981; Closing Date: December 31, 1986.

The implementation of this project, which is entirely devoted to skilled worker training and apprenticeship, is proceeding satisfactorily, with assistance from the ILO. The first phase of construction has already been tendered. All the final lists of furniture and equipment have been completed and the programs reviewed. Technical assistance to aid in reinforcement of the management, logistics and programs of the network of vocational centers is under negotiation.

Ln. 1969: Small Scale Industry Development Project; US\$30.0 million loan of May 15, 1981; Planned Date of Effectiveness: April 30, 1982; Closing Date: December 31, 1986.

The project supports the Government's comprehensive assistance program for small-scale industries through financial and technical assistance. \$29.35 million is to be administered by the Central Bank of Tunisia and made available to small entrepreneurs through participating banks. The remainder of the loan (\$0.65 million) would strengthen the appraisal capacity of the Investment Promotion Agency.

Ln. 1997: Northwest Rural Development Project; US\$24.0 million loan of July 15, 1981; Planned Date of Effectiveness: April 30, 1982; Closing Date: September 30, 1987.

The project is designed to help finance a five-year time slice of the Government's 15 year development program for the Northwest Region by concentrating on the establishment of institutions which could implement the program, and the extension, research, credit, and livestock development services. The project would also start up specific agricultural, soil conservation and forestry activities, together with productive infrastructure works.

Ln. 2003: Third Power Project; US\$41.5 million loan of July 15, 1981; Planned Date of Effectiveness: April 30, 1982; Closing Date: December 31, 1985.

The project will assist Tunisia in implementing the first three years of a five-year program for the development of rural electrification and in rehabilitating the urban distribution systems by connecting about 990 villages in 15 Governorates to the national network and improving the supply of electricity in about 60 towns.

Ln. 2005: Health and Population Project; US\$12.5 million loan of July 15, 1981; Planned Date of Effectiveness: April 30, 1982; Closing Date: December 31, 1986.

The project is designed to support Government efforts to extend basic health care to the whole population by 1990, through the provision of better and more cost-effective health, family planning and nutrition services to lower income groups in eight selected Governorates. It would strengthen the Ministry of Public Health's management capacity, improve and expand the basic health care delivery system and health education programs, upgrade the training system, and train project personnel.

Ln. 2012: Textile Rehabilitation Project; US\$18.6 million loan of October 27, 1981; Planned Date of Effectiveness: February 25, 1982; Closing Date: December 31, 1984.

The project will assist the Government in implementing the first phase of a rehabilitation and modernization program for the public sector textile industry. It would expand and improve production so as to enhance competitiveness in export markets.

Ln. 2052: Grain Distribution and Storage Project; US\$42.0 million loan of October 27, 1981; Planned Date of Effectiveness: April 30, 1982; Closing Date: December 31, 1986.

The project is designed to strengthen grain storage capacity; reduce congestion, handling costs, demurrage charges and grain losses at the main Tunisian seaports and the cost of transport and handling of grain; strengthen the technical capacity and financial management of the Office of Cereals; and lay the groundwork for further modernization of the system of collection, storage and transport of domestic grain.

Republic of Tunisia
Fifth Highway (Rural Roads) Project

Section I: Timetable of Key Events

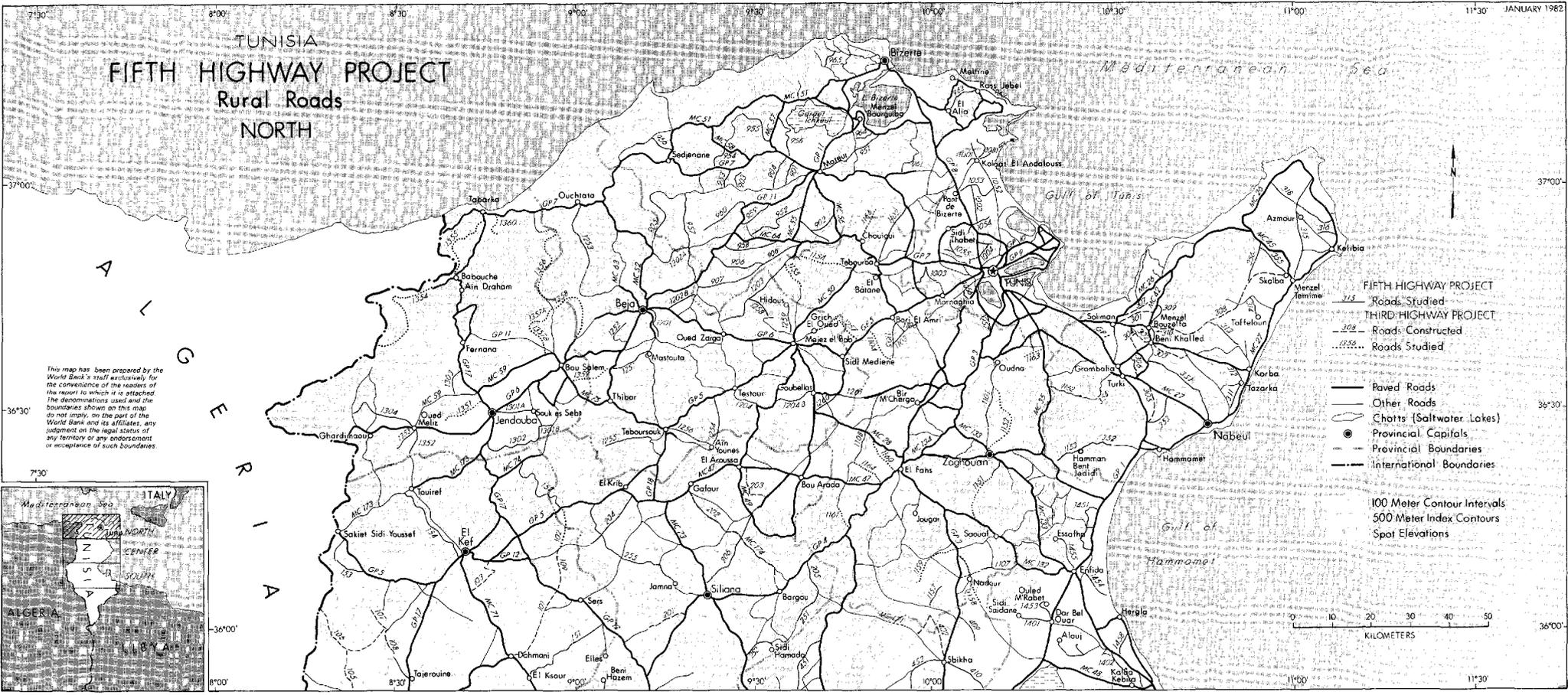
- | | |
|---|---|
| (a) Time taken by the country to prepare the project: | 28 months (June 1979 through October 1981) |
| (b) Agency which prepared the project: | Highway Department (DPC) and Ministry of Agriculture (MA), with the assistance of consultants |
| (c) Project first identified by Bank: | July 1977 |
| (d) Date of appraisal mission: | June 1981 |
| (e) Date of completion of negotiations: | February 1982 |
| (f) Planned date of effectiveness: | July 1982 |

Section II: Special Bank Implementation Actions

None

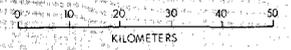
Section III: Special Conditions

1. A special condition of effectiveness would be :
the establishment of a Project Coordination Committee (para. 64).
2. During negotiations, assurances were obtained:
 - (i) that the Government and BNT would make available adequate short-, medium- and long-term credit for agriculture (para. 55);
 - (ii) that independent auditors acceptable to the Bank would prepare annual audits of project accounts (para. 66);
 - (iii) that the Government would provide for public bid openings for tender calls (para. 67); and
 - (iv) that annual plans of operations, including recurrent budget needs, will be submitted to the Bank in preliminary form by April 30, and in final form by September 30 each year (para. 69).

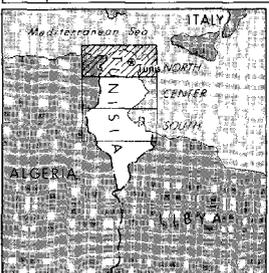


TUNISIA
FIFTH HIGHWAY PROJECT
 Rural Roads
 NORTH

- FIFTH HIGHWAY PROJECT**
 — Roads Studied
THIRD HIGHWAY PROJECT
 — Roads Constructed
 ... Roads Studied
- Paved Roads
 — Other Roads
- Chotts (Saltwater Lakes)
 ● Provincial Capitals
 - - - Provincial Boundaries
 - - - International Boundaries
- 100 Meter Contour Intervals
 500 Meter Index Contours
 Spot Elevations

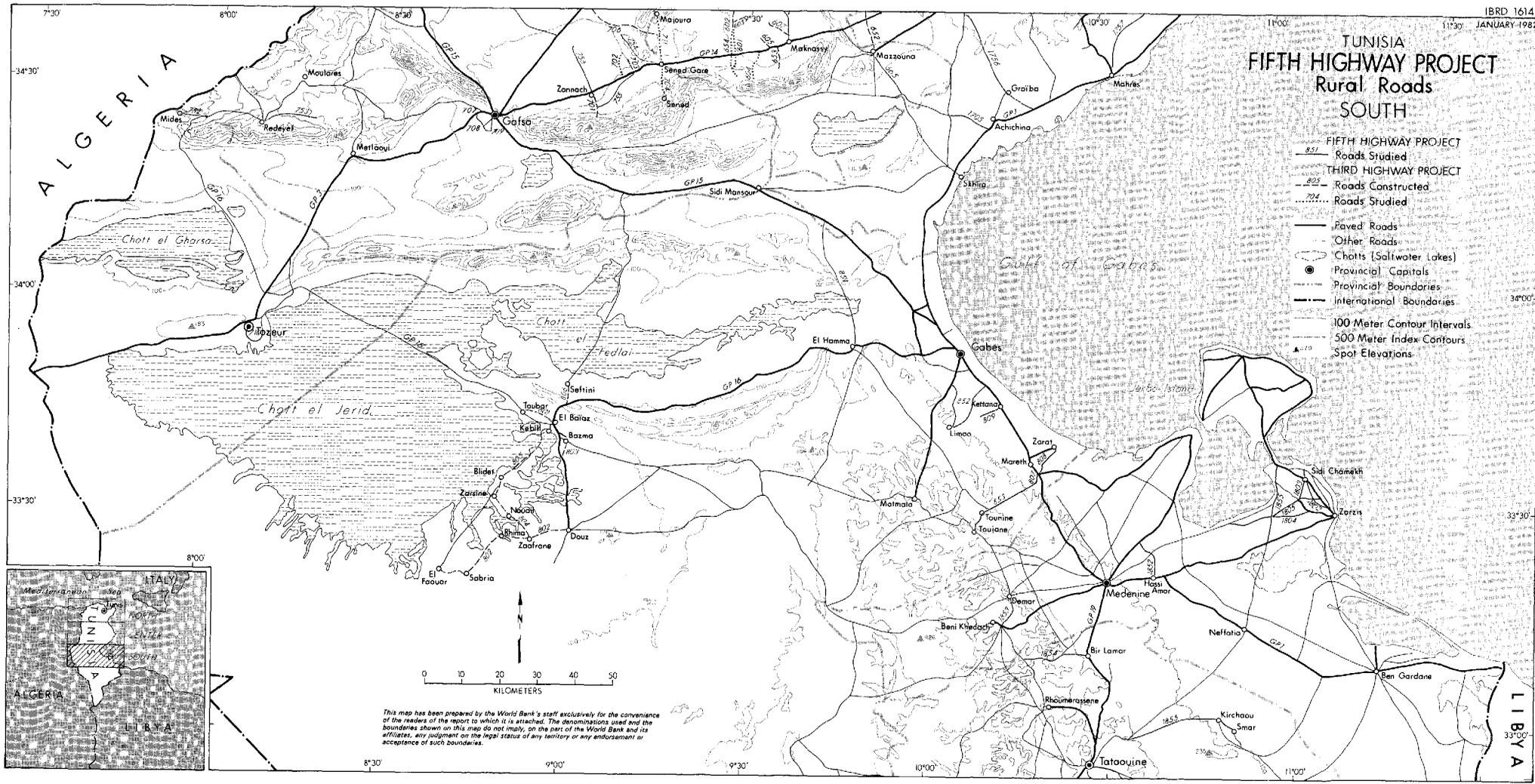


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TUNISIA FIFTH HIGHWAY PROJECT Rural Roads SOUTH

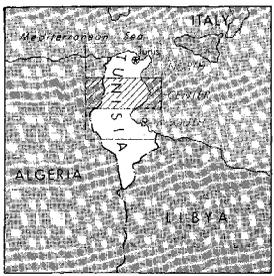
- FIFTH HIGHWAY PROJECT**
- 8.5/ — Roads Studied
- 8.5/ — Roads Constructed
- Roads Studied
- Paved Roads
- Other Roads
- Chotts (Saltwater Lakes)
- Provincial Capitals
- Provincial Boundaries
- International Boundaries
- 100 Meter Contour Intervals
- 500 Meter Index Contours
- ▲ Spot Elevations



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8°30' 9°00' 9°30' 10°00' 11°00' 33°30' 34°00' 34°30'

LIBYA



TUNISIA FIFTH HIGHWAY PROJECT Rural Roads Center

7°30' 35°30'

- FIFTH HIGHWAY PROJECT
- Roads Studied
- THIRD HIGHWAY PROJECT
- Roads Constructed
- Roads Studied
- Paved Roads
- Other Roads
- Chotts (Saltwater Lakes)
- Provincial Capitals
- Provincial Boundaries
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A L G E R I A



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34°30' 8°00'