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The World Bank Group

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Report No. 38572-TN

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

COUNTRY ASSISTANCE STRATEGY PROGRESS REPORT

FOR

REPUBLIC OF TUNISIA

FOR THE PERIOD FY05-08

August 13, 2007

**Maghreb Country Management Unit
Middle East and North Africa Region**

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The date of the last Country Assistance Strategy for Tunisia (report 28791-TUN) was June 3, 2004.

CURRENCY AND EQUIVALENTS

(Exchange Rate as of January 31, 2007)
Currency Unit = Tunisian Dinar (TD)
US\$1 = TD 1.32

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
AFD	French Development Agency
AfDB	African Development Bank
CAS	Country Assistance Strategy
CASPR	Country Assistance Strategy Progress Report
DPL	Development Policy Loan
DPR	Development Policy Review
ECAL	Economic Competitiveness Adjustment Loan
ECDPL	Economic Competitiveness Development Policy Loan
ESW	Economic Sector Work
EU	European Union
FDI	Foreign Direct Investment
FSAP	Financial Sector Assessment Program
GDP	Gross Domestic Product
GDLN	Global Development Learning Network
GEF	Global Environment Facility
IBRD	International Bank for Reconstruction and Development
ICT	Information Communication Technology
IDF	Institutional Development Fund
IFC	International Finance Corporation
IMF	International Monetary Fund
IT	Information Technology
MENA	Middle East and North Africa
MIC	Middle-Income Countries
MFA	Multi-Fibre Agreement
NPLs	Non-performing Loans
PEP-MENA	Private Enterprise Partnership-Middle East and North Africa
PESW	Programmatic Economic Sector Work
RCD	Democratic Constitutional Rally (Rassemblement Constitutionnel Démocratique)
SME	Small and Medium Enterprise
SWAP	Sector Wide Approach
TA	Technical Assistance
TD	Tunisian Dinar

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The preparation of this CAS Progress Report has been a team effort, which included involvement of the extended Tunisia country team, including IFC colleagues. Many team members and other staff made substantial contributions – in drafting parts of this document, in participating in meetings, in providing comments and advice, or reviewing translations into French, to jointly prepare the progress report presented here. Although it is difficult to name them all, they are all to be thanked and congratulated for their excellent collaboration and teamwork. Special thanks go to Ndiame Diop, Senior Economist for Tunisia; Najy Benhassine, Senior Economist; Hoveida Nobakht, Senior Operations Officer; Ingrid Ivins, Research Analyst; the Task Team Leaders who prepared an extensive update of Tunisia’s progress in their respective sector; and Kathleen So Ting Fong, Chloé Oudiz, H  l  ne Talon, Chantal Guidinetti and Micheline Faucompr   for finalizing the Progress Report.

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REPUBLIC OF TUNISIA

COUNTRY ASSISTANCE STRATEGY PROGRESS REPORT FY05-08

I. INTRODUCTION

1. The Board of Executive Directors discussed the FY05-08 Country Assistance Strategy (CAS)¹ for Tunisia on June 3, 2004 (Report No. 28791-TUN). This Progress Report briefly takes stock of the implementation of the CAS under a largely unchanged strategic framework that, nonetheless, will be refined to place a greater focus on issues of growing concern such as low levels of private investment.

II. COUNTRY CONTEXT

A. Recent Political and Economic Developments

2. *The political situation in Tunisia has remained largely unchanged since the presentation of the CAS.* President Ben Ali was re-elected to a fourth 5-year term in October 2004 with 94.5 percent of the vote. His RCD (Rassemblement Constitutionnel Democratique) party continues to dominate the political scene. It holds 80 percent of the seats in Parliament following the 2004 legislative elections and 94 percent of the municipal counselor positions following the 2005 municipal elections. Clashes provoked by radical Islamist elements in December 2006 and January 2007 have recently raised concerns and led to a strengthening of measures taken by the authorities to suppress such movements.

3. *Macroeconomic performance has remained strong and outcomes have been close to the macroeconomic scenario set out in the CAS* (see Table 1). GDP Growth averaged 5.1 percent in 2004-06 compared to 4.1 percent in 2001-03. The budget deficit averaged 3.1 percent of GDP in 2004-06 compared to 3.5 percent in the preceding three years. After declining in 2004 and 2005, the current account deficit rose to 2.8 percent of GDP in 2006, relative to 2.7 percent in 2003. Consumer price inflation averaged 3.4 percent in 2004-06 relative to 2.4 percent in 2001-03.

4. Estimated growth of 5.3 percent in 2006 was based on a rebound of agricultural output, an expansion of nontextile manufacturing, and robust growth in services, notably communications which continues to grow at a rate of almost 21 percent. On the demand side, however, private investment (12.8 percent of GDP in 2005) has declined by 2 percent of GDP over the last five years, threatening future growth and employment creation. The impact of higher oil prices on the external accounts is limited as Tunisia's oil and gas exports nearly cover the import bill. However higher oil prices will increase the fiscal deficit since, despite domestic fuel price increases, the full world price rise is not passed through to consumers. The debt consolidation effort and the use of a portion of privatization receipts for early debt repayment should reduce the public debt from 58.3 percent of GDP in 2005 to 53.1 percent in 2007.

¹ The CAS adopted a results-based format but is not an official results-based CAS pilot.

5. Implementation of structural reforms and particularly the competitiveness reforms supported under the Economic Competitiveness DPL is advancing but has proceeded more slowly than originally envisioned. Investment regulations and prior authorization requirements have been lightened, but enterprises still list heavy administrative controls as one of their most important constraints. A series of reforms to strengthen the financial sector and restructure the banking sector have been taken, including the privatization of two banks². The volume of non-performing loans (NPLs) remains high, however, with NPLs constituting 19.2 percent of bank loans at the end of 2006. In addition, there are still substantial differences regarding financial soundness indicators between private and state-owned banks.

Table 1. Selected Key Economic Indicators, 2001-07

	Last CAS			Current CAS			
	2001	2002	2003	2004	2005	2006 Est.	2007 Proj.
(Annual percentage change)							
Output and Prices							
Real GDP (market prices)	4.9	1.7	5.6	6.0	4.0	5.4	6.0
-Original CAS projection				5.3	5.0	4.8	5.2
Consumer price (period average)	2	2.7	2.7	3.6	2.0	4.6	3.5
(In percent of GDP)							
Public Finances							
Central government balance (excluding privatization receipts and grants)	-3.8	-3.5	-3.4	-2.9	-3.2	-2.9	-2.9
-Original CAS projection				-3.2	-3.1	-3.0	-2.9
Total government debt	62.3	61.5	60.5	59.4	58.3	54.06	53.1
-Original CAS projection				55.8	54.5	53.9	53.1
Domestic	23.1	22.4	21.5	22	21.1	21.7	24.5
External	39.2	39	38.9	37.7	37.2	32.3	30
(In percent of GDP)							
External Sector							
Current account including official transfers	-3.9	-3.1	-2.7	-1.6	-0.7	-2.8	-2.2
Total external debt	65.8	66.8	66.1	66.4	65.8	62.1	59.1
Gross reserves (in billions of US Dollars)	2	2.3	3	4.0	4.4	6.3	6.2
Gross reserves (in months of imports)	2.3	2.7	3	3.5	3.7	4.7	4.3
(In percent of GDP)							
Other Indicators							
Gross investment, total (% GDP)	26.2	25.4	23.4.0	22.8	22.3	23.5	23.6
-Original CAS projection				24.0	24.1	24.3	24.6
Gross private investment (% GDP)	14.6	14.4	13.5	13.0	12.8	13.3	...
Nonperforming loans (in % of total loans)	21	21.4	24.2	23.6	20.9	19.2	...
Provisioning ratio (in % of nonperforming loans)	48.7	45.6	44.1	45.1	46.8	48.4	...

Sources: Tunisian authorities and Bank staff estimates

² Union Internationale de Banques and Banque du Sud

B. National Development Objectives, CAS Relevance, and Key Outcomes

6. *In 2006, the Government set an ambitious agenda to double per capita incomes by 2016 and to reduce unemployment from 14 percent to 10 percent over the same period.* Tunisia's 11th Development Plan for the period 2007-11 covers the first half of this period and has set annual growth targets of 6.1 percent for GDP, 6.6 percent for exports and 6.7 percent for investment. The 11th Plan is based on five pillars: (a) economic consolidation and an acceleration of growth, (b) growth based on sustainable income distribution, environmental protection and regional development, (c) expansion of the knowledge economy, (d) human capital investment, and (e) sector strategies reflecting an increased role for the private sector and adaptation to the changing economic structure.

7. *The key challenges identified in the CAS--(a) employment growth and (b) maintenance of macro stability and social achievements—are thus fully in line with the Government's development agenda.* The three strategic objectives set out in the CAS--(a) strengthened investment climate and competitiveness, (b) improved education quality and graduate employability for an increasingly knowledge-based economy, and (c) improved social services through more efficient public expenditure--also respond directly to the goals of the 11th Plan.

8. *The twelve specific outcomes defined in the CAS that the Bank Group seeks to help realize remain directly relevant to achieving both the CAS strategic objectives and the goals of the 11th Plan.* Annex 1 shows the progress achieved to date on the outcome indicators and the intermediate results specified in the CAS results framework. While progress towards realization of the specified outcomes is highly variable, a majority of the agreed indicators would seem to be on track for the 2008 targets. The only modification proposed to the CAS outcome indicators is to introduce the level of private investment as an additional indicator.

9. *Achieving the goals of the 11th Plan will require a break with past performance and new or accelerated reforms.* GDP, export, and investment growth in 2002-06 were respectively 4.5, 2.7, and 1.5 percent, far below the targets of the 10th Plan. Tunisia has the potential to achieve the ambitious targets set for the 11th Plan (see para. 6) if there is a major acceleration of reform implementation.

10. *The main concern of the authorities, which is shared by Bank staff, is the poor performance of private investment, particularly domestic private investment, which threatens future income growth and employment creation.* As noted above, private investment declined from 14.6 percent of GDP in 2001 to 12.8 percent in 2005. Productivity growth has driven recent GDP growth but it cannot be sustained, let alone increased, with low and falling private investment. The 2003 *Tunisia Development Policy Review (DPR)* already highlighted a growing, unexplained gap between predicted and actual private investment since 1997. An update of the DPR model shows that the gap has continued to widen through 2005. The problem is largely one of low domestic private investment. Foreign direct investment (FDI) has continued to increase, rising from an average of 2.1 percent of GDP in 1990-95 to 2.8 percent in 2001-05.

11. *Although economic reforms could be strengthened and accelerated, Tunisia's performance on traditional economic management indicators is satisfactory and does not explain the poor private investment performance.* As shown in *MENA 2007 Economic Developments and Prospects*, Tunisia's performance on three out of four structural reform indices is strong. The Trade Policy, Business Climate, and Quality of Public Administration

composite indices all place Tunisia in the top half of countries worldwide in terms of current status. In terms of progress realized since 2000, Tunisia is ranked in the top half of countries for Quality of Public Administration, but in the bottom half for Public Sector Accountability.

12. On this fourth indicator, accountability of the public sector, Tunisia fares poorly and has made no recent progress. The *MENA 2007 Economic Developments and Prospects* composite index for public sector accountability ranks Tunisia in the bottom quartile worldwide for current status and in the bottom half worldwide for progress since 2000. Numerous studies have shown the importance of public sector accountability for business confidence, effective public service delivery, investment, growth and employment creation. In addition to its broad effect on economic development, a public sector that shows low accountability can be associated to the weak level of private investment and is likely to aggravate one of the constraints identified in the CAS: “Weaknesses in economic governance, particularly regarding the predictability and transparency of the regulatory framework and limited market contestability constitute an important constraint for private investment....Discretionary intervention by the government, low levels of public accountability, voice and participation contribute to weakening the investment climate and strengthening the hand of “insiders”, mostly in the absence of strong competitive forces. This contributes to reducing market contestability and discouraging risk taking by less well-connected entrepreneurs.” Although Tunisia ranks well on a number of competitiveness and business climate indicators, special treatment of well-connected individuals is a growing concern of the Tunisian business community and may partially explain the low level of domestic private investment. Beyond its effect on investment, weak public sector accountability, and the resulting limited involvement of beneficiaries with public service providers, is likely to reduce the effectiveness of public service provision.

The Tunisian Government expressed strong reservations on the above assessment and has asked the Bank to annex its detailed comments to the present report (see Annex B.9).

III. BANK STRATEGY

A. Instruments and Implementation

13. *Analytic and advisory services remain the most important instrument for achieving the CAS objectives and, in particular, for better understanding the reasons for low private investment.* The Tunisian authorities seek high quality and timely analytic work to better understand Tunisia’s development challenges and to adapt international experience to its circumstances. Table 2 shows the activities completed in FY05-06 and planned for FY07-08. This program will be adapted to respond to the needs of the 11th Plan as they are articulated by the Government. Given the importance of increasing private investment if the Government’s objectives are to be met, and the limited understanding of the reasons for the current low levels, the analytic work program over the next two years will place an increased emphasis on work designed to better understand the reasons for low private investment and to identify measures to redress the identified problems. It is proposed that such work include an enterprise-level study of competition and competitiveness, a policy note on the determinants of productivity growth, and financial sector work to follow up on the non-performing loan issues identified in the FSAP Update. Given that access to data has constrained some analytic work, such as the Investment Climate Assessment and the report on Anti-Money Laundering and Financing Terrorism, the Bank will continue to urge the authorities to share data and make information public whenever possible. Realization of the proposed analytic work will require improved access to data. In

general, greater sharing of information would support stronger analysis and improve the perception and understanding of government actions.

14. ***Bank lending is sought particularly in areas where it serves to leverage investments or implement reforms in line with Bank analytic and advisory work.*** The existing loan portfolio is an important instrument for achieving the CAS objectives. Portfolio performance has been good. As of July 31, 2007 the Bank portfolio in Tunisia comprised 17 active projects (of which four GEF and one Montreal Protocol), amounting to a total net commitment of US\$695.2 million, of which US\$467.1 million were undisbursed. Disbursements on investment loans in FY07 reached US\$88.8 million, representing a disbursement rate of 19.2 percent. The performance on investment projects continues to be strong, despite procurement delays in some operations. A procurement review is proposed to better understand the reasons behind the recent increase in procurement delays.

15. New lending in FY06-07 (US\$103.4 million/year) has been lower than foreseen in the CAS (US\$200-300 million/year) due to (a) the focus on finalizing the 11th Plan before making new large commitments, (b) availability of other financing sources as a result of Tunisia's improved external accounts, and (c) slow progress on reforms. Table 2 shows approvals in FY05. The full CAS envelope of US\$1.0 billion is unlikely to be committed unless there is an acceleration of reforms, including those addressing constraints to private investment. Barring strong action to address the issues constraining private investment, a second DPL is unlikely during the CAS period. Under such a scenario, actual DPL lending of US\$150 million relative to up to US\$400 million foreseen in the CAS would explain a major part of the shortfall in lending. The 11th plan was approved in July 2007 and the government is now working on elaborating various projects, some of which will be submitted to donors' support.

16. ***As foreseen in the CAS, Tunisia also makes use of new financial services offered by the Bank.*** Tunisia was the first country to sign a Masters Derivatives Agreement with the Bank. It continues to access a variety of hedging products (currency swaps, interest rate swaps, and interest caps and collars) to manage financial risks in line with the government's debt management strategy.

17. ***Since opening its Liaison office in Tunis in 2005, the Bank has scaled up its outreach and communication efforts.*** Consultations with academics, the business community, and the media have been held on a wide range of topics, including trade, agriculture, health, gender, employment and governance, responding to a strong demand for greater access to Bank information from stakeholders. The Bank will step up efforts to develop partnerships with local institutions and the organization of consultations, joint events and seminars. In this regard, 2007 will see the opening of a second public information center and the establishment of several GDLN centers.

18. The Bank's strategy in Tunisia will continue to be implemented with the collaboration of the country's international partners, both bilateral and multilateral, to minimize duplication, reinforce synergy, and ensure optimal employment of Bank resources. The examples of the Economic Competitiveness DPL with EU and AfDB partnership, collaborative work with AFD on agriculture and municipal development, and joint work with the IMF on the FSAP Update attest to the positive benefits such collaboration produces.

TABLE 2: CAS WORK PROGRAM FY05-08

	Analytical and Advisory Activities	Financial Operations (US\$m)	
FY05 Actual	Higher Education Sector Strategy Health Sector Study Employment Policy TA Environmental & Social Safeguards Knowledge Economy TA Investment Climate Assessment TA	<u>IBRD</u> Economic Competitiveness DPL ICT Sector Development Project <u>GEF</u> Gulf of Gabes Energy Efficiency Subtotal:	150.0 13.1 6.3 8.5 177.9
FY06 Actual	FSAP Update Agricultural Policy Review Impact of MFA Removal (Regional) Use of Country Systems TA Public Finance Management TA Employment Policy TA AML/CFT Assessment Performance Budgeting TA	<u>IBRD</u> Urban Water Supply Higher Education Reform II <u>GEF</u> : Africa Stockpile Program Subtotal:	38.0 76.0 4.0 118.0
FY07 Actual	SME Study Cost Assessment of Water Degradation Maghreb Policy Note (Regional) Economic Discovery (Regional) Use of Country Systems TA Public Finance Management TA	<u>IBRD</u> : Tunis West Sewerage Municipal Solid Waste Mgmt Subtotal:	66.8 22.0 88.8
FY08 Planned	Water and Sanitation Strategy Economic Integration Development Policy Review SME Finance Skills Development, Social Protection, Employment Enterprise Competitiveness Public Finance Management TA Use of Country Systems TA	<u>IBRD</u> : Export Dev. II Addt'l Financing Energy Efficiency Water Sector Investment II <u>Grants</u> GEF – Managing Health Care and PCBs Avian Influenza Preparedness Subtotal:	6.0 100.0 90.0 5.5 0.6 202.1
		Total FY05-08	587.2

B. IFC activities

19. IFC's financing role in Tunisia is limited given attractive alternative sources of financing and local currency financing. Nevertheless, IFC has intensified its business development efforts and is positioning itself as a partner that can add value by focusing on new sectors or products, in the financial sector but also in sectors such as IT, health and education. IFC also has a role in helping attract FDI in infrastructure and natural resources development. Given fewer opportunities in Tunisia, a few large Tunisian groups have also been seeking IFC's help in expanding regionally. IFC will also be active in providing, through PEP-MENA, technical and advisory services in microfinance, SME development and the investment climate. In June 2006, IFC invested US\$18 million in the Maghreb Private Equity Fund II, a regional private equity fund targeting SMEs in Tunisia, Algeria and Morocco. The fund will be managed by Tuninvest Finance Group, an independent Tunisian financial services company. IFC is also considering projects in other sectors.

C. Managing Risks

20. The CAS identified risks to achieving the objectives of the Bank's program which remain valid. One risk concerns the "political will for reform or the slow pace of change". This risk remains important over the CAS period because of the implications of low private investment and the apparent inability to address the underlying governance issues. The Bank has tried to mitigate this risk through analytic work demonstrating the benefits of reform and wider dissemination of this work to help generate a broad consensus for reform. Other risks concern "greater integration of Tunisia into global markets" which could increase volatility, such as that caused by the end of the Multi-Fibre Agreement in 2005 and "macroeconomic and financial vulnerabilities" resulting from contingent and implicit liabilities of the state, such as under-provisioned nonperforming loans in public banks. These risks have been managed by Tunisia's proactive macroeconomic adjustment to changing circumstances and to increasing attention to the underlying problems.

21. Finally, some risks pertain to "regional and country instability". Tunisia remains vulnerable to regional instability in the Middle East and North Africa, particularly regarding growth in tourism and attractiveness for foreign investors. Internal stability may also be threatened. As indicated in the CAS, the pressure for effective democratic participation, accountability, and freedom of speech is likely to increase and could lead to social tensions if not accommodated. The Bank will continue to call attention to the benefits of a reform agenda in which civil society and the private sector are actively engaged, and to accompany Tunisia in transforming challenges, such as stronger economic governance and public sector accountability, into opportunities for increased economic performance.

IV. CONCLUSION

22. The main development challenges identified in the CAS and the broad strategy to address them remain valid. In particular, employment generation is Tunisia's biggest challenge. Current low levels of private investment, especially domestic private investment, challenge the sustainability of past levels of growth and employment creation. Restoration of greater confidence in the business environment is essential for meeting the ambitious development agenda set by the authorities. Economic governance issues and public sector accountability are likely to be key elements of restoring such credibility. The Bank program will continue to place greater emphasis on understanding the reasons for low private investment and identifying measures to help the authorities redress the situation.

Annex 1: Results Matrix

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
1.1 Improved incentives system and increased transparency and predictability of the regulatory framework		
Indicators:		
Annual FDI inflows increase by 15-20% by 2006, and 50% by 2008.	\$650 million average for 2002-2003	Plus 42% between 2002-2003 and 2006 (\$950 million) (not taking into account the 35% privatization of Tunisie Télécom (\$3,052 million).
Intermediate Indicators:		
<i>Comprehensive examination of the tax system.</i>		<i>A thorough assessment of the fiscal system took place (condition of ECAL IV) with IMF support. Law no. 2006-80 of December 18, 2006, requires, as of January 2007 (for fiscal year 2006), that the normal IS (company tax) rate of 35% decreases to 30% (except for hydrocarbons, telecom and financial sector), the 29% VAT be cancelled, the 10% reduced rate be increased to 12% and 100% of VAT credits be refunded. For offshore companies, the IS will be 10% starting January 2008.</i>
<i>Leveling of playing field between onshore and offshore firms through progressive harmonization of incentives and corporate tax system.</i>		<i>Taken into account in the fiscal reform of December 18, 2006 (reduction of normal IS and increase of IS offshore). The portion of revenue that offshore companies can earn on the onshore market has been raised to 30%.</i>
<i>Continued liberalization of foreign investment.</i>	<i>No. of preliminary authorizations for local and foreign investors (260)</i>	<i>Still 260 - 120 projected by end June 2007 (ECAL IV conditionality)</i>
<i>Competition Authority and competition regulatory framework strengthened.</i>		<i>Law 2005-6, revising and completing the law on competition and prices, aims at strengthening the power of the Competition council, notably in terms of auto-seizure, the council's independence and fight against unfair competition.</i>
<i>Upgrading the capacity of the judiciary.</i>	<i>Implementation of bankruptcy regulations by 2008.</i>	<i>A round-table of magistrates took place in January 2007 to assess Bankruptcy procedures. A global revision of texts is expected to be launched by 2008.</i>

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
1.2 Lower transaction costs for firms		
Indicators:		
Number of procedures to start business reduced from 10 to 4 by 2008.	10 in 2003.	10 (Source: Doing Business 2007)
Minimum capital requirement reduced from 352% of GDP per capita in 2002 to below 50% by 2008.	352% of GDP in 2002	28.30%
Cost of closing business reduced from 8% of estate to 6% by 2006, 4% by 2008.	8% of estate in 2003	7% of estate (Source: Doing Business 2007)
Customs clearance and technical controls delays reduced from an average of 8 days in 2003 to 2 days in 2008.	Average of 8 days in 2003	2 days (Source: Doing Business 2007)
Intermediate Indicators:		
<i>Key import monopolies dismantled.</i>		<i>No progress. Liberalization of certain monopolies in the agri-business industry may be expected in the context of the CAP under preparation with the EU.</i>
<i>Revised Customs Code adopted by Parliament.</i>		<i>A draft law revising the Customs Code was examined by the Council of Ministers on July 11, 2006 and is further being examined for submission to Parliament.</i>
<i>Commercial registries modernized.</i>		<i>A study on the modernization of commercial registries was carried out by the Bank in 2004, but on which Tunisia did not give any follow-up. This theme is being discussed as part of the cooperation between Tunisia and the EU.</i>
<i>Continued reduction of tariffs on imports outside of the EU.</i>		<i>Reduction from 54 to 14 on number of tariffs/ rated 8 out of 10 by the IMF on exchange restrictions index.</i>
1.3 Improved delivery/ efficiency of infrastructure services by public and private firms		

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
Indicators:		
Telecommunications and ICT:		
Increase in share of ICT sector in GDP by 2% in 2008	5% in 2003	8% in 2006
No. of fixed and mobile telephone lines as % of population reaches 60% by 2008.	32% in 2003	82% in 2006
30% of population uses the internet by 2008	6.3% in 2003	12.4% in 2006 (Source: Agence Tunisienne de l'Internet - ATI)
4.000 internet hosts based in Tunisia by 2008	1,625 in 2003	4816 in 2006 (Source: Agence Tunisienne de l'Internet - ATI)
Transport:		
Container terminal of Radès privatized by 2006, deep-water port in Enfidha put in concession and Center-East Airport put in concession by 2006.		For the Center-East airport: the cahier des charges is being revised to integrate the Monastir Airport in the concession. Offers for concession of the Center-East airport, including the Monastir airport, have been submitted January 31, 2007. Works expected to start in 2007. For the deep-water port in Enfidha: feasibility study is ongoing. The completion of the container terminal in Rades has been postponed until results of the concession of the deep-water port of Enfidha are available (expressions of interest were due in 2006).
Subcontracting of urban transport services (passenger-km) of 3% of by Société des Transports de Tunis by 2006.	1.70%	4.1% in 2006
Labor costs of SNCFT < 50% of total operating expenses by 2006	58% in 2003	65% in 2006 due to the absence of tariff increase and the increase of salaries.
Energy:		

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
Increased gross investment in energy efficiency in Tunisian industry corresponds to \$20 million for 2005-2008.	0	Investment in energy efficiency 2004-2006: TD 130 million.
At least 3 energy services enterprises are operational by 2008		No. of energy services enterprises (ESCOs) in 2006: 5
Energy saving of at least 10ktoe per year		
Water Supply and Sewerage:		
Average water tariff/average cost increases to 110% in 2008	98% in 2002	99.1% in 2004
Average sewerage tariff/ average cost increases to 80% in 2008.	67.6% in 2002	61% in 2006
Unaccounted for water reduced to 18% in 2008.	20.1% in 2002	17% in 2004
Sewerage coverage rate (Indicator added)	Rural 4.8%, urban 80.1% and national total 40.2% in 2004.	Urban 86% (in cities covered by ONAS). National total 55% in 2006.
Connection to potable water rate (Indicator added)	Urban 98.7%, rural 40.2% and national total 40.2% in 2004.	Urban 99%, rural 41.6% in 2006
Municipal Infrastructure:		
100% of municipalities with financial situation problems have restructuring plan contracts		Out of 132 municipalities which were in difficult financial situation, 34 have gained a sound financial situation per the XIth Plan. Out of the 98 municipalities left, 53 municipalities - i.e. 54% - have signed a restructuring plan and 45 municipalities - i.e.46% - currently prepare their restructuring plans which are expected to be completed by August 2007.
1 private concession project financed by 2005, 3 by 2008 in municipalities.		1 contract signed, one ongoing, and one tender launched (all for parking).
Tourism:		

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
Increase of tourism receipts by tourist of 5% by 2008.	400 TD per tourist in 2002	420 TD per tourist in 2006
4 million visitors on cultural sites by 2008.	3 million in 2003	3.116.672 visitors in 2005
Intermediate Indicators:		
<i>Public Sector:</i>		
<i>Steps towards greater disclosure of information on public enterprises (financial statements, audits, key performance indicators) taken.</i>		<i>Implement banking circulars to strengthen transparency of financial statements of large borrowers; no sector measures. The promulgation of the law on financial security (law 2005-96 of October 18, 2005) and the revision of certain provisions of the commercial companies code (law 2005-65 of July 27, 2005) aim at improving the dissemination of information of all companies, including those with public participation. Also, the monitoring system for public enterprises is reinforced following the establishment of a computerized system within control institutions.</i>
<i>Government reviews tariff regulations for services not open to competition (regulated by "contrats-programmes") and enforces compliance with quality of service standards.</i>		<i>No progress in transport, water and sanitation, electricity sectors.</i>
<i>Regulatory Framework:</i>		
<i>Government establishes benchmarking for all sectors.</i>		<i>The Ministry of Communication technologies supervises a set of indicators relating to information and communication technology. It has also launched an activity in the context of the Bank ICT Development Project aiming at establishing a detailed management system for the sector, based on best international practices.</i>

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
<p><i>Legal and regulatory framework for private sector participation adopted for transport, electricity and telecom (concession law or other form).</i></p>		<p><i>Legislative framework adopted for transport (Law No. 33-2004 on ground transportation) but decrees have not been published. The 2001 telecommunications code enables the participation of private companies by way of concessions. The market segments concerned are GSM and VSAT. WiMax authorizations have been granted in 2006. The Bank ICT development project supports the preparation for the award of additional licenses (fixed and 3G).</i></p> <p><i>Given the progress achieved in this sector and Tunisia's technological level, Tunisia should introduce a license by category or authorization system without having to resort to licenses by segment or licenses granted in an individual basis. The preparation of a draft concession law is expected under the CAP with the EU. A draft update of the 2001 telecommunications code is being prepared and should be finalized by 2007.</i></p>
<p><i>Regulatory institutions set up (energy, transport) or strengthened (telecom).</i></p>		<p><i>The regulatory framework for telecommunications is highly fragmented, with overlapping responsibilities and limited independence. The responsibility of the telecom regulator, INT, is limited by its legal nature. INT has not as yet demonstrated a strong efficiency. The Bank ICT development project aims at strengthening INT's capacity but INT has not as yet reached a sufficient degree of independence and technical maturity. Tunisia should rethink its current regulatory approach for telecom and rationalize or restructure its regulatory framework and institutions. The update of the 2001 telecommunications code should enable the reinforcement of INT's powers.</i></p>
<p><i>Private Sector Participation:</i></p>		
<p><i>Government adopts a strategy and action plan for accelerating participation of the private sector in infrastructure by end 2005 and rolls out a communication strategy by 2006.</i></p>		<p><i>In the ICT sector, an orientation law aiming at responding to private sector recommendations was adopted February 6, 2007 by the Chamber of Deputies and sets principles and rules to encourage externalization, public-private partnerships and mobilizing projects. Implementing decrees must still be drafted.</i></p>

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
<i>Announcement of ICT liberalization plan.</i>		<i>Implementation started in 2002; 2 GSM licenses awarded and one under way. A new telecom liberalization plan is under preparation through our Operation. VSAT and GSM licenses have been granted. 2 WIMAX authorizations have been granted in 2006. New licenses are being prepared (for ground in 2007 and mobile in 2008). Sale of 35 % share of Tunisie Télécom in 2006.</i>
<i>Establishment of a sustainable energy efficiency market for Tunisian industry.</i>		<i>An energy efficiency project in the industrial sector is under implementation in collaboration with the Bank since 2005.</i>
<i>Tourism:</i>		
<i>Public tourism institutions (ONTT, AFT, cultural heritage management institutions) reorganized by 2006.</i>		<i>Studies launched for the restructuring.</i>
<i>New marketing plan for tourism adopted by 2006.</i>		<i>Tourism marketing plan adopted in 2006.</i>
1.4 Increased competitiveness of agriculture while enhancing social and environmental sustainability		
Indicators:		
Improved irrigation efficiency from 85% in 2003 to 105% in 2008.	85% in 2003	85% in 2005
Intermediate Indicators:		
<i>Regular adjustment of irrigation water tariffs to better reflect costs.</i>		<i>The adjustment was suspended after years of draught. A study is being prepared to determine the structure of irrigation water tariffs and define a new tariff adjustment program.</i>
<i>Agricultural research and extension is responsive to farmers' production constraints and improved by 2007.</i>		<i>Research and extension activities supported by the Bank Agricultural support services project. Research programs are being regionalized. Pilot contracts are concluded between inter-professional groups and research institutions (one contract concluded, several underway). Regionalization of research (budget, infrastructure and equipment) (ongoing). The 2006 agricultural sector review has recommended greater</i>

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
		<i>participation of producers in the management of producers' organizations and in research and extension.</i>
<i>Agriculture and fisheries statistics and information more widely used for production and investment choices and risk management.</i>	<i>Inexistent.</i>	<i>First time completion of the general fishing census (2003-2004). First time completion of a typology of agricultural farm units (2004). Completion of the second study on the structure of agricultural farm units since 1994-1995. Production of agricultural statistics supported by the Bank Agricultural support services project. No information available on effective use of said statistics.</i>
1.5 Banking sector more responsive to needs of private sector		
Indicators:		
Level of NPLs reduced from 22% in 2002 to below 17% in 2008.	22% in 2002	19.2% as of December 31, 2006 (objective being to reach 15% in 2009 and 12% in 2010).
Intermediate Indicators:		
<i>Central Bank sets and enforces provisioning targets by 2005.</i>		<i>Increasing the level of provision by banks to 70% is a target for end 2009. Restructuring efforts of NPL portfolio in the last 2 years has brought their level to 20.9% in 2005.</i>
<i>Regulations on corporate bankruptcy revised by 2007.</i>		<i>The draft law on economic initiative, currently under preparation, includes provisions to facilitate bankruptcy operations (cf. 1.1 Upgrading the capacity of the judiciary).</i>
<i>Regulation enacted to strengthen corporate transparency (financial disclosure and auditing).</i>		<i>The law on financial security (law 2005-96 of October 18, 2005) and its implementing regulations are expected to promote transparency in companies' accounts.</i>

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
<i>National accounting and auditing standards aligned with international standards.</i>		<i>The 2006 review of accounting and auditing practices (CFAA) is expected to facilitate the adoption of adequate reforms.</i>
<i>Credit registry strengthened.</i>		<i>An action plan aiming at modernizing the credit registry is being prepared in the context of ECAL IV; said modernization is expected to be operational by 2007.</i>
1.6 More dynamic local public and private financial markets		
Indicators:		
Increase no. of firms listed in stock exchange from 42 in 2003 to 60 by 2008.	42 in 2003	48 firms listed/ 91 not accepted/ 45 making public calls for savings (mutual funds).
Flexible money market interest rate created by 2007.		
Share of bonds issues and increases in equity capital through the stock exchange goes from 6% of gross investment in 2002 to 10% in 2008 (calculation: share of stocks and bonds issues (excluding Government bonds) in the total gross investment - Source: Central Bank)	6% of gross investment in 2002	6.7% end 2006.
Intermediate Indicators:		
<i>New law on business groups is implemented and facilitates creation of larger number of companies for listing on stock exchange.</i>		<i>Besides the adoption of the regulatory framework, fiscal incentives are expected to encourage the opening of capital and stock exchange listing, in addition to incentives for mergers (cf. law 2005-96 of October 18, 2005 on financial security).</i>
<i>Regulations passed to promote development of life insurance.</i>		<i>Authorities have focused on the strengthening of specific prudential norms provided for in the insurance code, the granting of incentives in addition to the conclusion of conventions for the commercialization of life insurance contracts through the banking network and the Tunisian Post.</i>

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
<i>Improved regulation of secondary market for government securities adopted by 2007. (Measured by (1) institution of new products, (2) reform of the Cahier des Charges of SVT (Specialists in Treasury Bonds), (3) creation of a follow-up and monitoring system for transactions on the secondary market).</i>		<i>The modernization of the public debt management system, which includes boosting the secondary market of public goods, is on going under ECAL IV.</i>
2.1 Improved quality and relevance of all levels of the education system		
Indicators:		
Primary (first cycle) completion rate increases from 79.4% in 2003 to 90% by 2007.	79.4% in 2003	87.1% for girls and 78.7% for boys in 2006. Total 80.9%
Secondary education completion rate 50% by 2008.	45.5% for girls and 42% for boys in 2003.	66.6% for girls and 51.5% for boys in 2006. Total 59.5%.
At least 40% of university students graduate from 2-year degree programs by 2006.	30.5% in 2003	35.7% in 2004
Student to computer ratio drops to 15:1 in secondary schools by 2008.	1/1000	27:1 in 2006
Intermediate Indicators:		
<i>Competency based education rolled out to upper basic education by 2008.</i>	<i>2004 pilot.</i>	<i>Generalized in September 2006, with books and curriculum adapted.</i>
<i>Demand side financing piloted in at least 10% of private institutions by 2007.</i>		<i>650 Million TD have been earmarked in the 2007 budget of the Ministry of Education to start a pilot project for the provision of a " training check" (Cheque formation) for 1000 trainees.</i>
<i>Government addresses obstacles that impede in-service training development.</i>		<i>Strategy being developed.</i>
<i>Share of Ministry of Education operational budget allocated to activities managed at school level maintained at current levels.</i>		<i>Pilot started with PAQSET 2. Resources transferred to 100 schools in May 2005.</i>

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
2.2 Improved financial sustainability of the education system		
Indicators:		
Share of budget for non-salary current expenses remains at least 2.5% for primary and 6.5% for secondary.	2.5% for primary education and 6.5% for secondary education in 2003.	2.7% for primary education and 4.6% for secondary education in 2006.
50% of student services outsourced by 2008.	15% in 2003	20% of housing, but food services have not started. An action plan has been prepared by the Ministry of Higher Education under the XIth Plan.
Intermediate Indicators:		
<i>Put in place new tuition fees policy for secondary and higher education.</i>	<i>30TD for language, 40TD for fundamental science and 60TD for engineering and medical studies.</i>	<i>Fees have not increased since 1997. The Government is developing a new strategy for the XIth plan.</i>
<i>Incentives designed to increase the share of educational expenditures for non-public sources and outsource student services.</i>		<i>The action plan to increase universities' autonomy has not been adopted by the Government. The Ministry of Higher Education, aims, in the context of the XIth Plan, at increasing non-public resources of universities through community services, the development of partnerships with economic operators and the conclusion of research contracts and cooperation projects. The externalization policy of university works and the rationalization of the education loans system will be pursued (the loan and scholarship award system will be revised under the XIth Plan). The objective being to reach 70% by the year 2015 for externalization of university works.</i>
2.3 Improved linkages between research, higher education and the market place leading to greater innovation and competitiveness of firms		
Indicators:		
Share of students graduating with scientific and technological qualifications increases to 42% by year 2008.	31.95% in 2003 and 32.87% in 2005	34.24% in 2005
Employment rates among these graduates increases to 90% by year 2006.	87% in 2004 (based on 2005 longitudinal survey).	

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
Doubling of number of start-ups by year 2008.		Not available.
Increase of 50% of private sector investment in R&D by year 2008.	0.75% of GDP in 2003	1.05% of GDP in 2005, i.e. 40% increase
Intermediate Indicators:		
<i>Public institutions in charge of research reorganized and modernized by year 2008.</i>		<i>Texts revised providing greater autonomy to research institutions and scientific research support Fund.</i>
<i>4 new techno parks created leading to creation of 2,000 jobs in the private sector by year 2007.</i>		<i>Several techno parks created.</i>
<i>Completion of an audit of obstacles for innovation by 2005.</i>		<i>Not available</i>
<i>Enhanced incentives for innovation by 2006.</i>		
<i>Completion of an audit of research organizations (technical centers, public laboratories, university units) by 2006.</i>		<i>Not available</i>
<i>Publication of a yearly report on knowledge economy and innovation by 2006.</i>		<i>Second report published May 2006.</i>
3.1 Increased budget flexibility and better fiscal mobilization to reduce public debt		
Indicators:		
Wage bill reduced to and kept below 40% of total central government expenditures by 2008.	46% in 2003	45.2% in 2004 and 45.8% in 2006. The 2007 Finance law provides for the recruitment of 12,000 agents. Salaries should reach a record 46.4% proportion in 2007.

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
Total public debt reduced to under 55% of GDP by 2008.	61% in 2003	59.5% in 2004 and 58.4% in 2005. Between 2006 and 2007, half of Tunisie Télécom privatization proceeds will be assigned to cover public debt (approx. 1.5 billion US\$). Public debt expected at 54.5% in 2007.
Interest payments reduced to 10% of total central government expenditures starting from year 2006 and kept below thereafter.	11.5% in 2003	10.6% in 2004 and 12.4% in October 2006. The 2006 increase is due to early repayment of certain expensive debts, using a portion of Tunisie Télécom privatization proceeds. Includes decrease in public debt rate expected for 2007.
Intermediate Indicators:		
<i>Initial plans made for reduction of multiplicity of the VAT regimes reduced to broaden the tax base and narrow the statutory tax rates.</i>	<i>Terms of reference for the tax study prepared early 2004.</i>	<i>The preparation of the tax study was launched in March 2005 with IMF support in the context of ECAL IV.</i>
<i>Debt management institutions reorganized and modernized by 2006.</i>	<i>Debt management consolidation separately. Quantitative benchmark adopted for debt and risk management.</i>	<i>Implementation of two components of IDF Grant: Strategy formulation and benchmarking of risks.</i>
<i>Reduction of share of non-discretionary items in total public expenditures (from over 70% in 2002).</i>	65.8% in 2003	67.3% in 2004
3.2 Performance budgeting and M&E operational in key line ministries		
Indicators:		
Program and performance budgeting piloted in two large ministries by 2006 and rolled out to key line ministries by 2008.		Pilot programs proposed for Ministries of Health, Agriculture and Higher Education. Decisions to be confirmed.
Intermediate Indicators:		
<i>Medium-term fiscal framework prepared by 2006 setting overall macroeconomic and fiscal policy parameters for the consolidated general government budget.</i>		<i>Aggregated MTFE and economic budget available for the fiscal year. Reference to a 5 five year non-rolling plan.</i>

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
<i>Recurrent and investment budgets integrated at all stages of budgetary cycle in order to support implementation of performance budgeting by 2008.</i>		<i>On going under performance based budgeting.</i>
<i>Evaluation of performance budgeting pilot in two ministries conducted by 2007.</i>		
<i>Efficiency of five public investment programs evaluated by 2008.</i>		
3.3 Improved coverage, quality and financial sustainability of health, social protection and pension systems		
Indicators:		
Health:		
Health care expenditures increase by no more than 10% from 2004 to 2008	215% increase Between 1987-1997.	6% in 2006
Child mortality rate reduced from 20.6/1000 in 2004 to 17/1000 in 2008 (NB: Indicator not retained by the Bank as not directly influenced by the Bank's program).	20.6/1000 in 2004	20.3/1000 in 2006
Rate of maternal mortality reduced from 48/100,000 in 2004 to 42/100,000 in 2008 (NB: Indicator not retained by the Bank as not directly influenced by the Bank's program).	48/100,000 in 2004	43/100,000 in 2006
Share of private expenses for health care reduced from 49% in 2002 to 40% in 2008.		
10% of regional and university hospitals accredited by 2008	0	
Social Protection:		

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
No. of ALMPs is consolidated or reduced, based on evaluation of impact and cost-effectiveness.		No consolidation or reforms but evaluations ongoing (cf. intermediate outcomes). Reforms of the programs before 2009 unlikely.
Review of the regulatory framework of the labor market and of protection mechanisms to improve flexibility of the labor market while strengthening protection mechanisms for workers' wages.		No strategy but studies ongoing. Reform before 2009 unlikely.
Pension:		
Reform program launched by 2008		A study is being conducted. A steering committee for this study has been established March 6, 2007, which comprises representatives of the administration, unions (UGTT, UTICA and UTAP), social security funds and CRESS. The new medical insurance regime shall be applied as of July 1, 2007 pursuant to a presidential decision of February 17, 2007.
Intermediate Indicators:		
<i>Health:</i>		
<i>Stakeholder support leads to comprehensive health insurance reform passed by 2008 improving coverage, financial risk protection, and benefit packages.</i>		<i>Law no. 2004-71 has established a new medical insurance regime. Ministerial decisions have been published in 2005- beginning 2006: (i) setting administrative, financial and operating arrangements for the Caisse nationale d'assurance maladie (CNAM); (ii) defining the functions of the ministry of social affairs; (iii) defining modalities and procedures for medical inspection; and (iv) setting modalities and procedures for the conclusion of, and adhesion to conventions governing relations between CNAM and medical services providers.</i>

Indicators/Intermediate Outcomes	Baseline	Most Recent Data Value
<i>Actions toward better regulation of private health providers taken by 2008; accreditation programs in place based on transparent criteria, regulation mechanisms defined.</i>		<i>A ministerial decision was adopted February 22, 2006, providing for the framework convention governing the relations between CNAM and private medical services providers. Ministerial decisions dated February 6, 2007 have been published, approving the sector convention for various categories of medical services providers (private doctors, biologists, medical dentists). Sector conventions with pharmacists and private clinics are being negotiated and finalized. The Ministry of public health has sought Bank assistance to establish a registration and quality improvement system.</i>
<i>Prerequisites for well-functioning private insurance market are in place: required changes to legal and regulatory framework are known, capacity to regulate improved.</i>		<i>No progress.</i>
<i>Social Protection & Active Labor Market Policies (ALMPs)</i>		<i>Three studies are finalized: (i) university degrees; (ii) microfinance; and (iii) professional education. The impact evaluation study on salary subsidies policies is ongoing. The employment observatory (l'Observatoire de l'emploi) has established a dynamic and competent technical team. A committee monitoring the studies has been established.</i>
<i>Initial plans made to achieve better balance between economic and social needs.</i>		<i>The study on competence, social insurance and employment is underway. An integrated strategy for promoting employment, which strikes a balance between economic efficiency and protection of workers' wages, is expected for 2007.</i>
<i>Pension:</i>		
<i>Strategy for pension reform developed by 2006.</i>		<i>Strategy not ready. But a first version of the financial analysis of the pension funds has been finalized. CRESS is responsible for assessing the various options for reform.</i>

Annex 2: TUNISIA: Country Financing Parameters

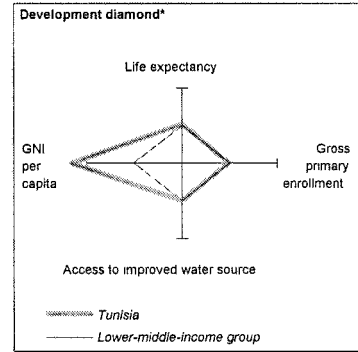
Date: August 20, 2007

The country financing parameters for Tunisia set out below have been approved by the Regional Vice President, Middle East and North Africa, and are being posted on the Bank's internal website.

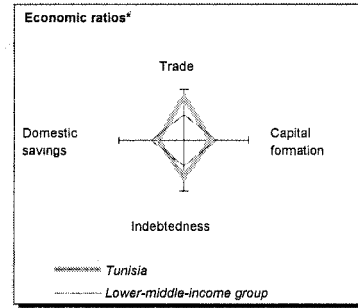
Item	Parameter	Explanation/Remarks
Cost Sharing. Limit on the proportion of the individual project costs that the Bank may finance	100%	Government's own resources represent about 90 percent of the total budget and a similar proportion of the development (i.e. investment) budget. Public expenditures, whether financed through Bank loans, Government revenues and/or other sources, are subject to the same Government fiscal rules and are included in the Government budget. Bank funds are fully integrated in the budget. Bank financing percentages will be determined on a case-by-case basis and may result in 100% financing of a smaller number of projects or of projects designed with smaller total costs, to ensure that total program remains within limits set out in the CAS (\$200 to 300 million a year).
Recurrent Cost Financing. Any limits that would apply to the overall amount of recurrent expenditures that the Bank may finance	No country-level limit on recurrent cost financing.	Bank financing of recurrent costs will be done within the Government's fiscal policy framework and in compliance with its fiscal deficit and debt sustainability targets. In determining Bank financing of recurrent costs in individual projects, the Bank will exercise due diligence to ensure that recurrent project costs are indeed critical for the achievement of project development objectives and will not lead to unsustainable outcomes.
Local Cost Financing. Are the requirements for Bank financing of local expenditures met, namely that: (i) financing requirements for the country's development program would exceed the public sector's own resources (e.g. from taxation and other revenues) and expected domestic borrowing; and (ii) the financing of foreign expenditures alone would not enable the Bank to assist in the financing of individual projects.	Yes	The criteria for Bank financing of local costs are met; and therefore the Bank may finance local costs in the proportion required by individual projects.
Taxes and Duties. Are there any taxes and duties that the Bank would not finance?	None	There are no taxes that are judged to be unreasonable. At the project-level, the Bank would consider whether taxes and duties constitute an excessively high share of projects costs.

Tunisia at a glance

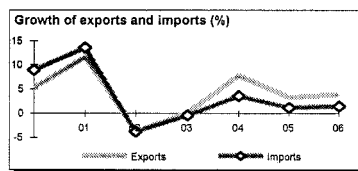
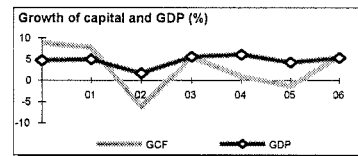
	Tunisia	M. East & North Africa	Lower-middle-income
POVERTY and SOCIAL			
2006			
Population, mid-year (millions)	10.2	305	2,475
GNI per capita (Atlas method, US\$)	4,420	2,241	1,918
GNI (Atlas method, US\$ billions)	45.0	685	4,747
Average annual growth, 2000-06			
Population (%)	1.1	1.9	1.0
Labor force (%)	2.9	3.5	1.4
Most recent estimate (latest year available, 2000-06)			
Poverty (% of population below national poverty line)	..	..	..
Urban population (% of total population)	64	57	49
Life expectancy at birth (years)	73	69	70
Infant mortality (per 1,000 live births)	21	44	33
Child malnutrition (% of children under 5)	4	13	12
Access to an improved water source (% of population)	82	89	82
Literacy (% of population age 15+)	73	72	89
Gross primary enrollment (% of school-age population)	111	103	114
Male	113	105	115
Female	109	100	113



	1986	1996	2005	2006
KEY ECONOMIC RATIOS and LONG-TERM TRENDS				
GDP (US\$ billions)	9.0	19.8	28.7	..
Gross capital formation/GDP	28.6	25.0	23.4	24.1
Exports of goods and services/GDP	30.2	42.1	48.0	54.7
Gross domestic savings/GDP	19.5	23.5	20.7	24.2
Gross national savings/GDP	18.8	22.4	20.8	22.9
Current account balance/GDP	-7.8	-2.4	-1.1	..
Interest payments/GDP	3.8	2.9	3.0	..
Total debt/GDP	65.9	58.1	62.0	..
Total debt service/exports	28.2	16.2	13.0	..
Present value of debt/GDP	..	..	62.6	..
Present value of debt/exports	..	..	112.1	..
(average annual growth)				
GDP	4.2	4.7	4.2	5.3
GDP per capita	2.2	3.6	3.3	3.8
Exports of goods and services	6.2	4.3	3.2	3.9



	1986	1996	2005	2006
STRUCTURE of the ECONOMY				
(% of GDP)				
Agriculture	13.0	13.7	11.6	11.4
Industry	30.5	28.5	28.7	28.5
Manufacturing	15.8	18.3	17.5	17.5
Services	56.5	57.8	59.7	47.8
Household final consumption expenditure	62.7	60.9	63.8	62.0
General gov't final consumption expenditure	17.8	15.8	15.5	13.8
Imports of goods and services	37.3	43.8	50.6	54.8
(average annual growth)				
Agriculture	4.0	2.5	-5.0	3.0
Industry	4.7	4.0	2.5	3.8
Manufacturing	2.6	4.3	1.9	4.2
Services	4.0	5.6	7.1	7.2
Household final consumption expenditure	3.4	5.1	4.8	3.8
General gov't final consumption expenditure	3.5	4.5	4.4	2.6
Gross capital formation	6.0	3.4	-1.4	5.6
Imports of goods and services	5.5	4.0	1.1	1.4

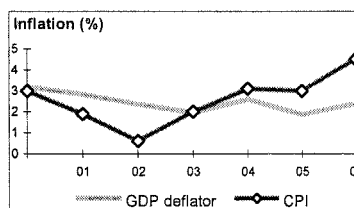


Note: 2006 data are preliminary estimates. Group data are to 2005.

* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

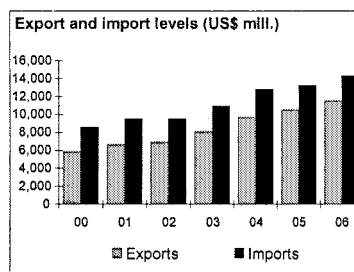
PRICES and GOVERNMENT FINANCE

	1986	1996	2005	2006
Domestic prices				
<i>(% change)</i>				
Consumer prices	6.2	3.7	3.0	4.5
Implicit GDP deflator	3.5	4.4	1.9	2.4
Government finance				
<i>(% of GDP, includes current grants)</i>				
Current revenue	30.6	24.5	24.2	23.7
Current budget balance	5.8	1.4	3.5	3.6
Overall surplus/deficit	-2.0	-5.9	-3.0	-2.9



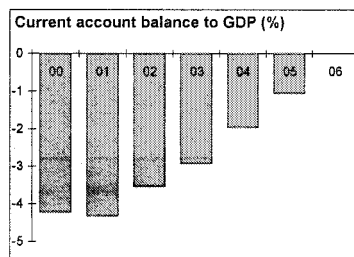
TRADE

	1986	1996	2005	2006
<i>(US\$ millions)</i>				
Total exports (fob)	1,768	5,519	10,488	11,488
Fuel	428	578	1,354	1,737
Agriculture	132	416	1,120	1,228
Manufactures	1,175	3,742	7,339	7,814
Total imports (cif)	2,901	7,704	13,181	14,299
Food	361	622	843	900
Fuel and energy	252	607	1,748	2,075
Capital goods	636	1,562	2,648	2,797
Export price index(2000=100)	..	75	141	150
Import price index(2000=100)	..	105	141	152
Terms of trade(2000=100)	..	71	100	99



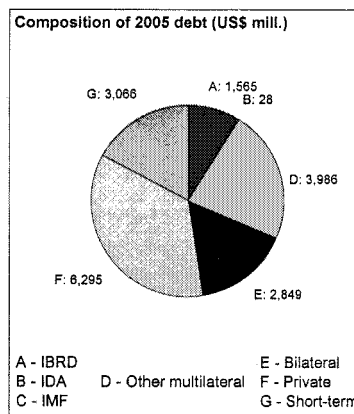
BALANCE of PAYMENTS

	1986	1996	2005	2006
<i>(US\$ millions)</i>				
Exports of goods and services	2,722	8,150	14,491	15,868
Imports of goods and services	3,364	8,524	14,637	15,840
Resource balance	-642	-374	-146	27
Net income	-422	-965	-1,658	-2,339
Net current transfers	359	860	1,502	1,974
Current account balance	-705	-479	-303	-338
Financing items (net)	513	865	1,195	2,785
Changes in net reserves	192	-387	-892	-2,447
Memo:				
Reserves including gold(US\$ millions)	313	1,909	2,957	6,824
Conversion rate(DEC, local/US\$)	0.8	1.0	1.3	0.00E+0



EXTERNAL DEBT and RESOURCE FLOWS

	1986	1996	2005	2006
<i>(US\$ millions)</i>				
Total debt outstanding and disbursed	5,942	11,378	17,789	..
IBRD	789	1,610	1,565	..
IDA	64	47	28	..
Total debt service	876	1,466	2,078	..
IBRD	137	303	301	..
IDA	1	2	2	..
Composition of net resource flows				
Official grants	69	138	137	..
Official creditors	185	93	62	..
Private creditors	112	380	-132	..
Foreign direct investment (net inflows)	64	238	723	..
Portfolio equity (net inflows)	39	29	12	..
World Bank program				
Commitments	..	..	..	..
Disbursements	..	..	177	..
Principal repayments	78	190	234	..
Net flows	..	..	-57	..
Interest payments	61	116	69	..
Net transfers	..	..	-126	..



CAS Annex B2 - Tunisia
Selected Indicators* of Bank Portfolio Performance and Management
 As Of Date 08/03/2007

Indicator	2005	2006	2007	2008
Portfolio Assessment				
Number of Projects Under Implementation ^a	17	17	17	17
Average Implementation Period (years) ^b	3.6	3.6	4.2	4.2
Percent of Problem Projects by Number ^{a, c}	0.0	0.0	0.0	0.0
Percent of Problem Projects by Amount ^{a, c}	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Number ^{a, d}	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Amount ^{a, d}	0.0	0.0	0.0	0.0
Disbursement Ratio (%) ^e	21.1	26.4	19.7	0.8
Portfolio Management				
CPPR during the year (yes/no)	yes	no	no	yes
Supervision Resources (total US\$'000)	1591	1188	1615	1450
Average Supervision (US\$'000/project)	106	79	108	85

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	98	10
Proj Eval by OED by Amt (US\$ millions)	4,128.2	592.8
% of OED Projects Rated U or HU by Number	15.3	10.0
% of OED Projects Rated U or HU by Amt	9.5	2.9

- a. As shown in the Annual Report on Portfolio Performance (except for current FY).
- b. Average age of projects in the Bank's country portfolio.
- c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
- d. As defined under the Portfolio Improvement Program.
- e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
- * All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

CAS Annex B3 - Tunisia
IBRD/IDA Program Summary
 As of Date 8/3/07

Proposed IBRD/IDA Base-Case Lending Program

<i>Fiscal year</i>	<i>Proj ID</i>	<i>US\$(M)</i>	<i>Strategic Rewards a (H/M/L)</i>	<i>Implementation a Risks (H/M/L)</i>
2008	Energy Efficiency	100.0	H	M
	Export Development II (adtl financing)	6.0	H	M
	Water Sector Investment II	90.0	H	M
	Grants			
	GEF - Managing Health Care and PCBs	6.0	H	M
	Avian Influenza Preparedness	0.6	H	M
	Result	202.6		
2009	Community Based Integrated Rural Dev	30.0	H	M
	ECAL V	150.0	H	H
	Skills Development	70.0	H	M
	Result	250.0		
2010	Tunis Urban Transport	100.0	H	M
	Result	100.0		
	Overall Result	552.6		

a. For each project, the strategic rewards and implementation risks are expected to be high (H), moderate (M), or Low (L).

CAS Annex B3 (IFC) for Tunisia
Tunisia - IFC Program, FY 2004-2007
As of June 30, 2007

	2004	2005	2006	2007
IFC approvals (US\$m)	50.00	0	0	0
Sector (%)				
Financial Services	100			
Manufacturing				
Oil, Gas & Mining				
Total	100	0	0	0
Investment instrument(%)				
Loans	100			
Equity				
Quasi-Equity				
Other				
Total	100	0	0	0
MIGA guarantees (US\$m)	0.00	0.00	0.00	0.00

CAS Annex B4 - Tunisia
Summary of Nonlending Services

As of August 3, 2007

<i>Product</i>	<i>Completion FY</i>	<i>Cost (US\$000)</i>	<i>Audience^a</i>	<i>Objective^b</i>
Recent completions				
Country Financial Accountability Assessment (CFAA)	FY04	97	Govt., Bank	KG, PS
Development Policy Review	FY04	194	Govt,Donor,Bank, Public Dissem.	KG, PD, PS
Country Procurement Assessment Review (CPAR)	FY04	89	Govt., Bank	KG, PS
ROSC Accounting and Auditing	FY04	45	Govt., Bank	KG, PS
Poverty Note	FY04	88	Govt,Donor,Bank	KG, PS
ICT Technical Assistance	FY04	48	Govt., Bank	KG, PS
FSAP Follow-up TA	FY04	35	Govt., Bank	KG, PS
Higher Education Strategy	FY05	114	Govt,Donor,Bank	KG, PS
Health Sector Review	FY05	190	Govt,Donor,Bank, Public Dissem.	KG, PD, PS
Environment and Social Safeguard	FY05	41	Govt., Bank	KG, PS
Knowledge Economy TA	FY05	41	Govt,Donor,Bank	KG, PS
Use of Ctry System TA - Safeguard	FY06	23	Govt., Bank	KG, PS
Performance Based Budgeting TA	FY06	138	Govt., Bank	KG, PS
Impact of MFA Removal in MENA	FY06	135	Govt,Donor,Bank	KG, PS
FSAP Update	FY06	225	Govt., Bank	KG, PS
AML/CFT Assessment	FY06	104	Govt., Bank	KG, PS
Agriculture Policy Review	FY06	719	Govt,Donor,Bank, Public Dissem.	KG, PD, PS
Employment Strategy TA PESW	Yearly (FY03-06)	150	Govt,Donor,Bank	KG, PS
Use of Ctry System TA - Environment	FY07	35	Govt., Bank	KG, PS
SME Study	FY07	313	Govt., Bank	KG, PS
Cost Assessment of Water Degradation	FY07	30	Govt., Bank	KG, PS
Underway				
Public Financial Management PESW	Yearly(FY06-08)	120	Govt., Bank	KG, PS
CPAR Follow-up	FY04-08	170	Govt., Bank	KG, PS
International Integration	FY08	250	Govt,Donor,Bank, Public Dissem.	KG, PD, PS
Skills, Social Protection/Employment TA	FY07	270	Govt,Donor,Bank	KG, PS
Development of Logistics Infrastructure	FY08	135	Govt,Donor,Bank	KG, PS
Water and Sanitation Strategy	FY08	80	Govt,Donor,Bank, Public Dissem.	KG, PD, PS
Review of Energy Management Policy TF	FY08	50	Govt., Bank	KG, PS
SME Finance	FY08	50	Govt., Bank	KG, PS
Trade Integration	FY08	45	Govt., Bank	KG, PS
Tunis Urban Transport	FY09	60	Govt., Bank	KG, PS
Agricultural Trade Policy TA	FY09	65	Govt., Bank	KG, PS
Enterprise Competitiveness	FY08	100	Govt., Bank	KG, PS
Development Policy Review	FY09	200	Govt,Donor,Bank, Public Dissem.	KG, PD, PS
Planned				
FSAP Followup TA	FY08	50	Govt., Bank	KG, PS
Public Expenditure Review	FY09	200	Govt,Donor,Bank, Public Dissem.	KG, PD, PS

a. Government, donor, Bank, public dissemination.

b. KG: knowledge generation; PD: public debate; PS: problem-solving.

CAS Annex B6 – Tunisia Key Economic Indicators

Indicator	Actual			Estimate			Projected	
	2002	2003	2004	2005	2006	2007	2008	2009
National accounts (as % of GDP)								
Gross domestic product ^a	100	100	100	100	100	100	100	100
Agriculture	10	12	13	12	11	11	11	11
Industry	30	28	28	29	29	28	28	28
Services	60	60	59	60	60	59	59	59
Total Consumption	79	79	79	79	76	76	76	76
Gross domestic fixed investment	25	23	23	23	23	23	24	24
Government investment	11	10	10	11	10	9	10	10
Private investment	14	13	13	12	13	14	14	14
Exports (GNFS) ^b	45	44	47	48	55	54	51	50
Imports (GNFS)	50	48	50	51	55	54	52	50
Gross domestic savings	21	21	21	21	24	24	24	24
Gross national savings ^c	22	22	22	21	23	23	23	23
<i>Memorandum items</i>								
Gross domestic product (US\$ million at current prices)	21,047	24,992	28,129	28,675	29,024	31,358	34,100	36,941
GNI per capita (US\$, Atlas method)	2,000	2,260	2,650	2,890	2,980	3,060	3,160	3,300
Real annual growth rates (% , calculated from 90 prices)								
Gross domestic product at market prices	1.7	5.6	6.0	4.2	5.3	5.6	6.0	6.2
Gross Domestic Income	1.8	5.6	5.3	3.7	6.7	5.7	6.1	6.2
Real annual per capita growth rates (% , calculated from 90 prices)								
Gross domestic product at market prices	0.5	4.9	5.1	3.3	3.6	4.7	5.1	5.3
Total consumption	3.0	4.5	4.3	3.8	1.8	5.4	4.5	5.1
Private consumption	2.9	4.5	4.5	3.8	2.0	5.4	4.4	5.1
Balance of Payments (US\$ millions)								
Exports (GNFS) ^b	9,539	10,963	13,309	14,491	15,868	16,790	17,526	18,379
Merchandise FOB	6,857	8,027	9,679	10,488	11,488	11,971	12,300	12,647
Imports (GNFS) ^b	10,431	11,908	14,095	14,637	15,840	16,919	17,648	18,530
Merchandise FOB	8,980	10,296	12,110	12,456	13,513	14,407	15,023	15,761
Resource balance	-893	-945	-787	-146	27	-129	-123	-150
Net current transfers	1,130	1,307	1,533	1,502	1,974	2,078	1,836	1,987
Current account balance	-746	-730	-551	-303	-338	-435	-412	-400
Net private foreign direct investment	801	553	616	812	2,780	597	649	705
Long-term loans (net)	766	823	977	297	6	340	496	290
Official	272	278	184	62	229	56	-386	-642
Private	494	545	793	236	-224	284	882	932
Other capital (net, incl. errors & omissions)	-672	-238	-31	85	-1	22	-28	-17
Change in reserves ^d	-149	-408	-1011	-892	-2447	-524	-705	-578
<i>Memorandum items</i>								
Resource balance (% of GDP)	-4.2	-3.8	-2.8	-0.5	0.1	-0.4	-0.4	-0.4
Real annual growth rates (YR90 prices)								
Merchandise exports (FOB)	1.9	7.2	10.6	1.2	3.1	3.5	4.2	4.5
Merchandise imports (CIF)	-2.4	3.4	7.3	-5.7	1.3	5.3	5.6	6.1

(Continued)

CAS Annex B6

Tunisia - Key Economic Indicators
(Continued)

Indicator	Actual			Estimate		Projected		
	2002	2003	2004	2005	2006	2007	2008	2009
Public finance (as % of GDP at market prices)^e								
Current revenues	24.7	23.8	24.1	24.2	23.7	23.5	23.5	23.3
Current expenditures	20.0	19.6	19.9	20.7	20.0	19.8	19.4	18.9
Current account surplus (+) or deficit (-)	4.7	4.2	4.2	3.5	3.6	3.7	4.0	4.4
Capital expenditure	7.8	7.4	6.7	6.5	6.7	6.7	6.6	6.5
Foreign financing	2.3	2.5	0.6	0.8	-0.2	0.9	1.5	0.7
Monetary indicators								
M2/GDP	55.7	56.3	57.6	59.4	60.5	60.5	60.5	60.5
Growth of M2 (%)	3.9	8.7	11.3	9.4	9.9	8.1	8.3	8.3
Price indices(YR90 =100)								
Merchandise export price index	119.3	130.3	142.0	152.1	161.6	162.8	160.4	157.9
Merchandise import price index	129.4	143.5	157.3	171.6	183.8	186.0	183.7	181.7
Merchandise terms of trade index	92.2	90.8	90.3	88.6	87.9	87.5	87.3	86.9
Real exchange rate (US\$/LCU) ^f	90.0	82.3	79.0	77.7	83.5	84.7	82.9	81.8
Real interest rates								
Consumer price index (% change)	0.6	2.0	3.1	3.0	4.5	2.9	2.3	2.1
GDP deflator (% change)	2.4	1.9	2.6	1.9	2.4	2.4	2.2	2.0

a. GDP at market prices

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

CAS Annex B7 – Tunisia Key Exposure Indicators

Indicator	Actual			Estimate			Projected		
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total debt outstanding and disbursed (TDO) (US\$m) ^a	12,832	15,400	18,341	20,008	17,789	18,392	18,762	19,258	19,558
Net disbursements (US\$m) ^a	1,022	1,110	704	91	1,142	116	370	496	300
Total debt service (TDS) (US\$m) ^a	1,374	1,485	2,012	2,594	865	2,807	2,510	2,235	2,431
Debt and debt service indicators (%)									
TDO/XGS ^b	121.7	144.2	149.2	134.7	111.2	105.5	101.4	99.6	96.6
TDO/GDP	64.2	73.2	73.4	71.1	62.0	63.4	59.8	56.5	52.9
TDS/XGS	13.0	13.9	16.4	17.5	5.4	16.1	13.6	11.6	12.0
Concessional/TDO	20.4	19.2	18.5	18.2	19.3	19.5	19.4	18.3	16.8
IBRD exposure indicators (%)									
IBRD DS/public DS	17.6	17.0	19.0	16.3	17.2	14.1	13.5	14.9	11.9
Preferred creditor DS/public DS (%) ^c	44.7	49.4	47.6	41.6	45.7	40.0	45.1	52.4	44.5
IBRD DS/XGS	2.1	2.2	2.3	2.0	1.9	1.8	1.5	1.4	1.3
IBRD TDO (US\$m) ^d	1,297	1,464	1,779	1,824	1,565	1,400	1,336	1,233	1,205
Share of IBRD portfolio (%)	1.1	1.2	1.5	1.6	1.5	1.3	1.3	1.2	1.1
IDA TDO (US\$m) ^d	36.8	34.7	32.6	30.5	28.3	26.2	24.1	22.0	19.9
IFC (US\$m)									
Loans									
Equity and quasi-equity ^e									
MIGA									
MIGA guarantees (US\$m)									

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

CAS Annex B8 - Tunisia
 Operations Portfolio (IBRD/IDA and Grants)
 As Of Date 09/03/2007

Closed Projects 119

IBRD/IDA *	
Total Disbursed (Active)	343.52
of which has been repaid	33.75
Total Disbursed (Closed)	4,496.09
of which has been repaid	3,827.14
Total Disbursed (Active + Closed)	4,839.62
of which has been repaid	3,860.89
Total Undisbursed (Active)	450.71
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	450.71

Active Projects

Project ID	Project Name	Supervision Rating		Fiscal Year	Original Amount in US\$ Millions			Undisb.	Difference Between Expected and Actual Disbursements ^a
		Development Objectives	Implementation Progress		IBRD	GRANT	Cancel.		
P075809	Higher Education Reform Support II	S	S	2006	76.0			81.4	6.7
P005750	Agricultural Support Services	MS	MS	2001	21.3			12.6	6.5
P048825	Cultural Heritage	MS	MS	2001	17.0		3.2	18.9	10.4
P078131	GEF:Energy Efficiency Program/Industrial	MS	MS	2005		8.5		6.7	2.8
P071115	Export Development II	S	S	2004	36.0		0.2	26.6	16.5
P082399	Education PAQSET II	S	MS	2004	130.3			71.0	60.7
P069460	GEF: Gulf of Gabes	MS	MS	2005		6.3		5.4	1.2
P088929	ICT Sector Development	S	S	2005	13.1		0.1	10.8	6.8
P074398	Municipal Development III	MS	MS	2003	78.4			31.0	3.5
P072317	NW Mountainous and For. Areas Dev.	S	S	2003	34.0			30.8	9.2
P005591	MT: Ozone Depleting Substance	S	MS	1994		5.1		1.6	0.3
P048315	GEF: Protected Areas Management Project	MS	MS	2002		5.1		2.6	2.6
P095012	Sustainable Solid Waste Management	S	S	2007	22.0			23.2	0.0
P064082	Transport Sector Investment	MS	MS	2001	37.6			27.1	12.8
P099811	Tunis West Sewerage	MS	S	2007	66.8			72.6	23.9
P064836	Urban Water Supply	S	S	2006	38.0			40.6	3.6
P035707	Water Sector Investment	S	S	2000	103.0			4.0	(24.9)
Overall Result					673.6	25.1	3.5	467.1	142.6

a. Intended disbursements to date minus actual disbursements to date as projected at appraisal.

MIS

As of 06/30/2007

International Finance Corporation - Tunisia
Statement of IFC's Committed and Outstanding Portfolio
Amounts in US Dollar Millions

Commitment Fiscal Year	Institution Short Name	LN	ET	QL+QE	GT	RM	AI	LN	ET	QL+QE	GT	RM	AI	LN	ET	QL+QE	GT	RM	AI	
		Cmtd-IFC	Cmtd-IFC	Cmtd-IFC	Cmtd-IFC	Cmtd-IFC	Cmtd-IFC	Out-IFC	Out-IFC	Out-IFC	Out-IFC	Out-IFC	Out-IFC	Out-IFC	Out-IFC	Out-IFC	Out-IFC	Out-IFC	Out-IFC	Out-IFC
1998/ 2000/ 2004	BIAT	0.00	0.00	55.78	0.00	0.00	55.78	0.00	0.00	0.00	0.00	0.00	55.78	0.00	0.00	0.00	0.00	0.00	55.78	0.00
1986/ 1990/ 1992/ 1993/ 1998	SITEX	0.00	1.05	0.00	0.00	0.00	1.05	0.00	0.00	0.00	0.00	0.00	1.05	0.00	0.00	0.00	0.00	0.00	1.05	0.00
1998	Tuninvest	0.00	0.98	0.00	0.00	0.00	0.98	0.00	0.00	0.00	0.00	0.00	0.98	0.00	0.00	0.00	0.00	0.00	0.98	0.00
Total Portfolio:		0.00	2.03	55.78	0.00	0.00	57.81	0.00	2.03	55.78	0.00	0.00	57.81	0.00	2.03	55.78	0.00	0.00	57.81	0.00

“ UNOFFICIAL TRANSLATION ”

CAS Annex B9 – Tunisian Government’s Comments on the CAS PR

Republic of Tunisia
Ministry of Development and
International Cooperation

Tunis, March 19, 2007

The Minister

Mr. Theodore Ahlers
Director, Maghreb Department
Middle East and North Africa Region
World Bank

Subject: Comments on the Tunisia Country Assistance Strategy Progress Report
(CAS PR)

Reference: Your Letter of February 26, 2007

Mr. Director,

This is in response to your correspondence concerning the above-mentioned subject, the Tunisia Country Assistance Strategy Progress Report (Mid-Term Review) about the implementation of the cooperation program between the World Bank and Tunisia (CAS 2005-2008). I would like to inform you that after reviewing the report, we have noticed discrepancies between the content of the report itself and the matrix referring to progress made in the implementation of the reforms, as well as the performance indicators. There are discrepancies between the scope of the factors mentioned in the report to explain the decrease in private investment, and the alleged responsibility of the government and the subject of freedom of expression.

Please find enclosed a note presenting general remarks and observations on the above-mentioned report, and a proposal for changes that we would like to introduce in the CAS project report and the matrix.

Wishing you a good reception and counting on your support and understanding to finalize the report as proposed in the attachment,

Sincerely yours

The Minister of
Development and International Cooperation
Mohamed Nouri Jouini

Remarks and Observations on the World Bank Report on the Evaluation of the Country Assistance Strategy

The World Bank report concerning the Evaluation of the Country Assistance Strategy Progress Report raises some general and specific remarks

General Remarks and Observations

I. Discrepancies between the text content and the tables reflecting progress in the implementation of reforms and actions taken, mentioned in the CAS

- (a) Instead of assessing the impact of the reforms in terms of performance recorded during the first two years of the CAS (2004 and 2005), the report mentions the reduction in private investment over the past five years, between 1994-1995 and 2005, although it should have been taken into account that in 1994 and 1995 two large projects were completed in the energy sector (gas pipeline and Miskar).

In fact, investment dropped until 2004 and resumed in 2005, after a slowdown between 2003 and 2005. This slowdown can be explained by several factors:

- The slower pace of public investment due to pressures on the State's budget linked to a downturn in the international business cycle, which required postponing the implementation of some large projects;
- The postponing of some other large Concession Projects, such as a deep-water port, an airport (in east-central Tunisia), and the development of the port of Radès;
- The completion of the first stage of the Upgrading Program (1995 to 2002) designed for large enterprises; and the launching of the second stage of this Program aimed at small and mid-sized enterprises;
- The decrease in agricultural investments due to four consecutive years of drought;
- The decrease of investments in the tourism and transport sectors, due to the events of September 11, 2001.

(b) The national economy has undergone deep structural changes, characterized by a shift towards knowledge-intensive sectors, particularly the service sector that necessitates the use of new information and communications technologies with lower capital intensity, in accordance with the World Bank's recommendations. The shift has not affected the added value and the increase in GDP growth, in spite of the year 2002.

In spite of a slowdown in private investments during the first 2 years of the 10th Plan (2002-2006) -a period that is not covered by the CAS- the evolution of the Tunisian economy has been positive and satisfactory, with an average annual growth rate of about 4.5% during that period, and of 5.2% excluding year 2002.

Export performance has also been good, and led to a net improvement in the country's trade balance, while preserving internal and external financial balances, despite a very difficult business cycle, with, in particular, a significant rise in petroleum prices, the elimination of the Multi-fiber Agreements and the expansion of the European Union.

Thus, the follow up of private investments at the aggregate level must be moderated in the analysis of the impact of the reforms and of the general environment on the private sector performance.

Instead of analyzing these mutations and structural changes, the report retains only two factors, which, on the one hand, have no relation to invest and, on the other hand, do not reflect the reality of the Tunisian economy. Moreover, it neglects to take into account the reforms that were started, such as those related to public finances, the banking sector, or under the Economic Competitiveness Adjustment Loan (ECAL), often in cooperation with the World Bank; as well as the ones decided by the Tunisian Government.

(c) Furthermore, this report constitutes a mid-term review of the impact of a reform program which is not completed yet. Tunisian counterparts have insisted during the CAS preparation on the fact that the impact of reforms will be fully discernable only after the period of time covered by the CAS.

II. Discrepancies between factors meant to explain the decrease in investments, and the reality of the situation regarding government accountability and freedom of expression

Important progresses have been made recently in these areas.

1) Government accountability: Special attention has been given to the provisions of the Public Procurement Code. Indeed, in order to strengthen the principle of transparency, as well as fairness and competition in public procurement procedures, new measures have been introduced in the decree no. 3158 of December 17, 2002, regulating public procurement, through respectively the decree no. 2551 of November 2, 2004, and the decree no. 21667 of August 10, 2006. These new measures and procedures concern the following aspects:

I. Strengthening the principle of competition

The new provisions improve competitive bidding as a general rule. However, contracts can be awarded in some exceptional cases through:

- Broad-based Procurement (*Consultation élargie*), in cases linked to national defense and public safety, unsuccessful bids, and acquisitions costing less than a given threshold;
- Negotiated contracts, for purchases which can only be obtained through a unique supplier or provider of a specific service.

It should be noted that this type of contracts can only be entered only after an authorization has been given through a decree by the concerned minister, for those contracts that are within the prerogatives of the *Commission Supérieure des Marchés*, or by ministerial order for other contracts that fall within the responsibilities of other Commissions.

This authorization is granted based on a report justifying it, and after the opinion of the concerned High Commission for Markets is given.

It is to be noted here that in all cases of Direct Contracting, a written procedure must be respected by the public buyer, which insures equality, fairness, and transparency.

II. Strengthening transparency

Recent provisions relating to this issue establish a new approach regarding the reception and opening of bids. Contrary to the previous method, which required to submit technical and financial proposals together at the same time, the new provisions require that they are presented in two steps:

Step one:

Bidders send their technical offers and administrative documents to the registry office, using registered mail with acknowledgement of receipt.

The Bid Opening Committee proceeds with the opening of technical bids and administrative documents, in the presence of representatives of the public buyer and of the competent Commission.

Step two:

After evaluation of the bids by the competent Commission, the bidders whose technical proposals have been accepted, are invited to submit their financial bids within 10 days, directly to the Bid Opening Committee, either by themselves or through a duly appointed representative. The bid opening session is necessarily public.

The 10 days delay is considered sufficient to be able to present financial bids, because the bidder is supposed to have already prepared its financial bids, after having presented its technical bid.

The invitation letter to bid must stipulate the date, the hour, and the location of the financial bids opening session.

III. Improvement of the participation of craftsmen and small and mid-sized enterprises in public contracts

The craft industry (*artisanat*) plays an important role in national economic development, due to the number of craftsmen of about 500,000.

Several measures have been introduced to develop the participation of craftsmen in public contracts. Thus, the implementation of the presidential program: "La Tunisie de demain" 2004-2009 (Tomorrow's Tunisia 2004-09) includes facilitating their access to public procurement markets, in adapting procedures and conditions of participation.

To that effect, a new decree stipulates the following:

- Obligation to reserve to craftsmen those public contracts whose amount is inferior to 55,000 Tunisian dinars, for the provision of works, and 35,000 Tunisian dinars for goods and services, as well as some projects' components that can be designed for the craft industry.
- Obligation to reserve to craftsmen all works related to craftsmanship activities, in public contracts.

- Obligation to pay in advance 15% of the contract amount to craftsmen in order to facilitate their participation to public procurements.

IV. Strengthening the efficiency of public procurement

The revision of the decree concerning the regulation of public procurement introduced new measures and procedures to increase efficiency.

1. A two-step tender call:

A new mechanism for public procurement contracts has been introduced that allows the public buyer to use a two-step tender call for the procurement of works, goods and equipment that are technically specific, or that require a new technology that cannot be defined in advance.

However, this procedure can only be used for contracts that fall under the competence of the *Commission des Marchés*.

The first phase consists in issuing a call for tenders by the public buyer, inviting potential bidders to present their technical bids without any cost indication, based on terms of reference prepared by the public buyer.

The public buyer defines his final needs and stipulates the technical norms and specifications, based on the technical solutions proposed by the participants, and prepares the bidding documents which will be used in the second step.

The candidates who participated in the first step are invited to bid in the second step, and present their technical and financial proposals based on the final bidding documents prepared to that effect.

The public buyer proceeds to the evaluation of proposals and chooses the best one in terms of its technical and financial aspects.

2. Reducing payment delays

This measure aims at improving the implementation modalities of public procurement in terms of delay, quality and cost.

Payment delays have been reduced from 90 to 60 days, starting at the date grantees have completed their project dossier, after having been notified to do so.

If payment hasn't been made after 60 days, grantees have the right to perceive an interest on deferred payment, starting at the 60th day expiration date.

The interests on deferred payments are calculated on the amount of down payment, or payment of balance, at the monetary market average rate as determined by the Tunisian Central Bank.

3. Reducing delays for refunding warranties

With the intention to reduce delays in public contracts payment, and avoid the immobilization of financial warranties submitted in order to obtain public contracts, the maximum delay to refund these warranties has been reduced, from 6 to 4 months.

To that effect, the public buyer must prepare and presents the final payment file in 3 months maximum, according to article 121.

It is to be noted that the 30 days maximum granted to the *Commission des Marchés* to give a decision on the dossiers presented, has been extended to all other *Commission des Marchés*.

4. Revision of competency thresholds for the Commission des Marchés with regard to the numeric economy

In order to promote the information technology and communication sector, the *Commission des Marchés* competency thresholds has been revised, to include equipments and information technology services.

The *Commission des Marchés* is now responsible for reviewing contracts exceeding 1 million dinars for services and information technology equipments. The *Commission* is also responsible for reviewing information technology equipment acquisition contracts exceeding 2 millions dinars.

5. Strengthening the Monitoring and Investigation Committee (*Comité de suivi et d'enquête*) prerogatives regarding public procurement (COSEMP)

With the intention to strengthen the Monitoring and Investigation Committee and provide it with the necessary means to perform its mission effectively, new prerogatives have been granted to this entity. Among them, the possibility to request the public buyer to suspend the procurement procedures, if they may lead to irreversible unwanted consequences. This, after a preliminary examination of the request has been performed, or based on the answer given by the public buyer.

In addition, the president of that committee may authorize the members of the permanent secretariat to consult documents that are in possession of the public buyer.

2) Political development and freedom of expression

(a) **Political development:** This essentially means the participation in public affairs of the various components of society within the context of freedom, pluralism, democracy, and the rule of law; as well as the alternation in power through free elections.

Without implying that political development in Tunisian has reached the level of countries with a firmly rooted democracy, it is important to emphasize the improvements that have been achieved in that area, which explains the level of development reached by Tunisia, and the political and social stability that the country enjoys in regional and international contexts in constant change.

The political development of Tunisia is based on objective criteria recognized at the international level such as:

- National consensus;
- Free elections;
- Commitment to political pluralism;
- Local democracy;
- Civil society vibrancy ;
- Women participation in political life;
- Commitment to human rights; and
- Rule of law.

1. National consensus

Political development in democratic countries is characterized by the achievement of the fundamental principle of National Consensus among the various components of civil society, regarding a series of constants and national choices, to which all parties commit themselves. These are the principles of freedom, equality, respect for human rights, the constitution, law, and alternation in power.

Tunisia has established a National Consensus based on the November 7, 1987 Declaration, which has been strengthened by the November 8, 1988 National Pact, signed by the various components of civil society.

This Pact has put the country on the path of democracy and political pluralism, by defining a series of common denominators uniting all Tunisians, and ending a controversy that lasted a long period of time about national identity, history, and civilizational affiliation.

The National Consensus represents today a strong element in the Tunisian political system through the adhesion and the active participation in public life of the various components of civil society. This consensus has been strengthened through the recognition of elections as the basis of legitimate political power.

2. Free elections

In democratic countries, free and transparent elections are the only way to access to power and to ensure Government's legitimacy.

This principle has been largely respected in Tunisia. Additional reforms have been made in that regard. They include:

- abrogation of the presidency for life: amendment to the Constitution of July 25, 1988, which re-established the people's sovereignty;
- ratification of the principle of pluralism in presidential elections. Three candidates have ran for the 1999 presidential elections, and four for the 2004 ones;
- securing transparent elections through:
 - the 1988 amendment to the electoral code which ended the control of legislative elections by the Chamber of Deputies and granted this activity to a commission chaired by the President of the Constitutional Council;
 - the 2000 amendment, which requests that voters have all the ballot papers before entering the polling-booth;

- the fundamental amendment to the electoral code of August 4, 2003, which allows:
 - ✓ the replacement of the annual registration on the electoral register, by a permanent registration system. This measure has allowed the enrollment of 1.221.095 new voters ;
 - ✓ the appointment of a judge as President of the Commission of Verification of Electoral Register;
 - ✓ the distribution of electoral cards 5 months before the elections ;
 - ✓ the reduction of accreditation requirements for observers, in order to allow all opposition parties to accredit observers in all polling stations;
 - ✓ the reduction of the number of polling stations in the municipalities exceeding 7000 voters in order to allow opposition parties to monitor them;
 - ✓ the prohibition made to the polling stations members to wear badges showing their political affiliation;
 - ✓ the signature by the voter of his electoral lists, after voting.

The revision of the constitution of June 1, 2002 in order to allow the Constitutional Council to monitor presidential and legislative elections. In order to improve election's transparency, a National Elections Observatory has been put in place in 1999 to monitor the election process at various stages, and present a report on that topic to the President of the Republic. This Observatory includes individuals known at the national level for their competency and independence.

This observatory controls all elections ballot operations and collects all observations, and publishes a report about the elections. Such a report has also been published in the national press during the 2005 municipal elections.

In order to confer more transparency to the elections ballot operations, a number of foreign observers has carefully followed the development of the presidential and legislative elections.

As for the Constitutional Council, it has taken an important role in the control of the elections ballot operations during the 2004 presidential and legislative elections.

Organizing elections at regular intervals is not enough. All political parties should also be allowed to take actively part in the management of the country.

3. Endorsement of political pluralism

Important reforms have been introduced to establish the foundations of a dynamic pluralistic political system, and ensure the representation of opposition parties in various institutions.

Promulgation of a law organizing political parties

The May 3, 1988 law regarding the organization of political parties allows to extend political participation and to define political parties. It forbids the creation of political parties based on religion, language, race or gender.

Nine parties are now operating on the Tunisian political scene. The very last one that has been constituted and authorized (2006) is the Green Party for Progress. Six parties are represented in the Chamber of Deputies and in municipal councils.

Political parties received public subsidies in order to finance their activities, based on the proportion to their representation in the Chamber of Deputies.

The adoption of a new electoral system allowing the integration of multipartyism in the Chamber of Deputies and Municipal Councils

The December 27, 1993 amendment to the electoral code allows the adoption of a new voting system based on the allocation of seats at two levels: the electoral district level, and the national level, in order to guarantee the presence of opposition parties in the Chamber of Deputies.

This system allowed pluralism for the first time in the Chamber of Deputies, following the March 20, 1994 elections, when 4 opposition parties were obtained 19 seats.

The opposition's presence has been strengthened following the 1994 elections (34 seats for 5 opposition parties) and the 2004 elections (37 seats for 6 opposition parties).

In addition, opposition parties and civil society representatives are members of the House of Councilors (*Chambre des Conseillers*) created in 2005, and are present in the Social and Economic Council

4. Local democracy

Local democracy is considered another indicator of political development; which means that voters evaluate the whole political system according to their participation to the management of local affairs.

Several measures have been taken in order to consolidate local democracy in Tunisia:

- The extension of local government powers and responsibilities: Amendment to the 2005 law on municipalities allowing the extension of powers and responsibilities of municipal councils, especially in land use planning and local development.
- The amendment to the 1990 electoral code allowing for the first time the institution of proportional representation, thus guaranteeing the representation of opposition parties in municipal councils; this allowed them to get 34 seats.
- The November 6, 1998 amendment, which instituted an electoral system based on the combination of the majority system and proportional representation, in such a way that no political party could gain more than 80% of municipal council seats. This system allowed the opposition to obtain 243 seats during the May 2000 municipal elections and 268 seats during June 2005 elections.
- The opposition parties are also represented in regional councils. When they are present in regional municipal councils they represent 20% of the seats.

5. Civil society vibrancy

Strengthening civil society participation constitutes a fundamental choice in terms of political development in Tunisia. Thus, the following measures have been taken:

- The August 2, 1992 amendment to the Law of Associations of November 7, 1957 which abolished the Minister of Interior's preliminary approval for the constitution of an association. A law concerning Non Governmental Organizations has also been promulgated in 1995.
- New mechanisms have been designed to promote the associations' actions and their contribution to collective life. A financial assistance line of credit has been opened at the Tunisian Solidarity Bank to benefit development associations.
- April 23 each year has been instituted National Associations Day.

Thanks to these measures, the number of these associations has increased significantly, from about 2000 in 1988 to 9000 in 2006.

6. Women participation in political life

Tunisia is considered as a developed country as far as participation of women in political life is concerned. Women were allowed to vote for the first time in the March 27, 1957 municipal elections.

Women's right to vote has been recognized in the Constitution of June 1, 1959 (article 20). Article 21 of the same constitution ratified women's right to run for elections at the Chamber of Deputies. This right has been factually implemented. Women have been elected for the first time in the national assembly in 1959. They have occupied ministerial positions since 1983. A woman is Vice-president of the Chamber of Deputies, and another one of the House of Councilors.

The October 27, 1997 amendment to the Constitution has included women's personal status into the Constitution, and requires that all political parties respect this status. This same amendment recognized the right for all mother-born Tunisian voters to be able to run for elections.

Women rate of participation in the Chamber of Deputies has continuously improved. It increased from 4.3% in 1989 to 11.5% in 1999, and has reached 22.7% in 2004. The number of women in the House of Councilors is 17, which represent 16.3% of its members. Women also represent 25% of the members of the Constitutional Council, 20% of the Economic and Social Council (*Conseil Economique et Social*), and 13.3 % of the Supreme Magistrates' Council (*Conseil Supérieur de la Magistrature*). Their presence in regional governorates councils and in municipal councils reaches respectively 32% and 27 %. The percentage of women currently members of the government is 14.89%. The main objective remains to increase women's participation in the decision making process up to 30% by 2009.

7. Guarantee for human rights

Protection and consolidation of human rights constitute one of the constants of Tunisia's political development. Many initiatives have been taken in order to consolidate these rights through the elimination of "exceptional justice" (*justice d'exception*), the State Security Court (*Cour de*

sûreté de l'État), and the Office of the Public Prosecutor of the Republic, in addition to the abrogation of the sentence of penal servitude for life.

The June 1, 2002 constitutional amendment (article 5) confirmed the guarantee of fundamental freedoms and human rights in their universality and totality. The amendment guarantees in particular the protection of personal data and confers a 'constitutional character' to judicial guarantees, as well as to the values of tolerance and solidarity.

Fully aware of the importance of the dissemination of the universal values of human rights, Tunisia celebrates every year Human Rights Day. On that occasion, awards are granted to those who contribute the most to the dissemination of these values, now integrated into school education programs.

8. Instauration of the Rule of Law

(a) In order to strengthen the Rule of Law and the institutions, numerous legislative and constitutional improvements have been made, such as:

- The December 16, 1987 creation of the Constitutional Council, whose function is to examine the legality and constitutionality of bills of law. This Council has been included into the constitution through the November 6, 1995, amendment. Its competencies have been extended, and according to the October 27, 1997 constitutional amendment, the Constitutional Council opinions commit public authorities at all levels. Moreover, the Constitutional Council took on the role of arbitrator of presidential and legislative elections, according to the June 1, 2002 amendment.
- The strengthening of judicial independence: The revision of the composition of the Supreme Magistrates' Council, and the extension of its competencies (April 17, 200...), the creation of the function of judge in charge of enforcing sentences (*juge d'application des peines*) (July 31, 2000), the compensation of remand prisoners, and sentenced people who are proven innocent (October 29, 2002).
- The strengthening of Administrative Tribunals competencies, in giving them more powers to control regulatory orders.

(b) Freedom of expression

Tunisia has taken numerous incentive measures in favor of the Information sector, in order to promote it and support professionals in that field, such as:

The amendment of the code regulating the press (*Code de la presse*) on 4 occasions (1988, 1993, 2001 and 2005), confirming freedom of expression and opinion as an integral part of human rights. The promulgation of a law allowing an increase of the annual subsidy granted to political parties media is also part of these measures.

Furthermore, the written press benefits from a subsidy to cover the cost of paper, and enjoys tax exemption on raw material used to make newspapers.

In line with the technological and numerical revolution, and to benefit from opportunities offered by the Internet, electronic publications have been created; and their websites are becoming venues for debates and dialogue among Tunisian and foreign intellectuals.

The Tunisian audiovisual sector has also been much transformed these past years, with increased satellite broadcasting and new radio stations. Two private radio stations have been created in 2003 and 2004; two private television channels have been launched in 2005 and 2006, and a cultural radio station in 2006. Live radio and television debates have increased, involving political parties representatives and other concerned individuals.

The Tunisian media landscape has experienced many changes recently. The number of professional journalists has increased from 639 in 1990 to 973 in 2005. Some 245 newspapers and national periodicals exist today in Tunisia; most of them are privately owned and are independent publications. Most opposition parties publish their own newspapers.

Tunisia's opening to the outside world has seen an increase in foreign papers distributed on the Tunisian market: 875 newspapers and periodicals this year, compared to 450 in 1987.

Specific remarks concerning the analytical activities

The report suggested that these activities include:

- (a) A study of competition and competitiveness at the enterprises level.
- (b) Determinants of productivity growth.
- (c) Non performing bank's loans and report on money laundering.

The answers regarding these points are as follows:

- The Institute for quantitative studies (*Institut d'Etude Quantitative*, IEQ) performs an annual analysis on competitiveness and has been given technical assistance by the Bank (2005);
- IEQ has benefited from the Bank's technical assistance in the area of productivity, and is preparing a report on that subject. IEQ will be preparing an annual report on productivity. In this regard, the Bank's technical assistance could be required.
- It must be emphasized that the Financial Sector Assessment Program (FSAP), prepared jointly by the World Bank and the IMF, included these aspects. This report has been published, and a follow-up is being done by the Tunisian authorities, and progresses are being made to achieve the NPL objectives.

Modifications to be included into the CAS PR 2005-2008

Paragraphs to be modified	Proposed modifications
<ul style="list-style-type: none"> • Paragraph 2: Lines 7 and 8: “but in the same time it has been subject to criticism for the restrictions that it imposes on freedom of expression” The remaining paragraph: “The confrontation between the security forces and radical Islamist elements in December 2006 and January 2007 have recently created some concerns despite measures taken by the authorities to end up such movements since the end of the 80s” 	<p>To be erased</p> <p>To read as follows: “The incidents provoked by radical Islamist elements in December 2006 and January 2007 have recently created some concerns despite the energetic measures taken by the authorities to end such movements”.</p>
<ul style="list-style-type: none"> • Paragraph 5 “The implementation of structural reforms and particularly reforms related to competitiveness supported by the Development Policy Loan of the Economic Competitiveness has started slowly” 	<p>To be erased: “has started slowly” to be replaced by: “is well advanced and will be achieved as scheduled” Line 5: Replace the phrase: “control heaviness” by the “weight of control”.</p>
<ul style="list-style-type: none"> • Paragraph 8 “Tunisia has the potential to reach these ambitious targets requested by the XI Plan, but not through current policies and practices”. Line 7 “The review of Tunisia development policies.....in 200-2005”. 	<p>To be replaced by: “Tunisia has the potential to reach these ambitious targets requested by the XI Plan, in speeding up reforms.”</p> <p>Comparison to be erased (see explanation in the note on general comments)</p>
<ul style="list-style-type: none"> • Paragraph 11 Line 5: “Tunisia shows weak performance and lack of recent progress” Line 8 starting from” despite its important impact..... public services” 	<p>To be replaced by: “Tunisia has recently shown some progress which would need to be consolidated in the coming years”.</p> <p>To be erased.</p>
<ul style="list-style-type: none"> • Paragraph 12, page 5 	<p>To be erased from line 10 to the end of the paragraph: “it has been proposed that these activities governmental” (see explanation given in the note on general comments).</p>
<ul style="list-style-type: none"> • Paragraph 14, page 5 	<p>To be erased. (a) “from the slow progress concerning reforms”.</p>

	(b) should become (a), and (c) should become (b) to read as follows: “(b) from the availability of other financial services due to the amelioration in the external position of Tunisia”
<ul style="list-style-type: none"> Table 2, page 7 	<ul style="list-style-type: none"> - Second column: Erase “the use of country systems” as regards to the expected level [?] of the 2007 budget. - Second column: Erase : “enterprises competitiveness” and “to the use of country systems” as regards to the expected level of the 2008 budget.
<ul style="list-style-type: none"> Paragraph 16 (second line of page 8): “In a context where freedom of expression and information remain strongly controlled” 	To be erased
<ul style="list-style-type: none"> Paragraph 19, page 8 Line 7: “a slow but sustained attention” Line 8: “...the political will in favor of reforms and the slow rhythm of change” Line 9: “this risk has increased” 	<p>To be replaced by: “a sustained attention”</p> <p>To be replaced by: “... the political will to speed up reforms”</p> <p>To be replaced by: “this risk has been maintained”</p>
<ul style="list-style-type: none"> Paragraph 20, page 9 Line 4: “internal stability can also be threatened”. 	To be replaced by: “this risk is well managed at the national level through the modernization of political life, the usage of well-mastered consultation, the strengthening of the middle class, the continuous fight against poverty and unemployment, and the increased participation of women in active life”.

Results Matrix Update

Intermediate Results	Last Values
Comprehensive review of the fiscal system	<ul style="list-style-type: none"> ▪ Through law 2006-80 instead of 2006-08 ▪ Starting January 2007 (Add: as of FY2006) ▪ Starting January 2008 (Add: as of FY2008).
Introduction as a pilot of the financing of the request for at least 10% of private institutions by 2007	Add: 650 MDT have been allocated in the 2007 budget of the Ministry of Education and Training for starting the pilot related to the execution of a "chèque formation" (check given for training purposes), which concerns 1000 trainers.
Initial plans scheduled for the reduction of the VAT tax system, in order to extend the fiscal base and reduce the rate of statutory taxation	No change
Infant mortality rate reduced from 20.6 for 1000 in 2004 to 17 for 1000 in 2008. (Note: indicator not retained by the World Bank because it is not directly influenced by the World Bank program).	No change
Pension Reforms program to be launched by 2008	<ul style="list-style-type: none"> ▪ A prospective study is in preparation; a steering committee for this study has been established in March 6, 2007. This committee comprises representatives from the government, management and labor (UGTT, UTICA and UTAP), Social Security Funds and the CRESS. ▪ Implementation of the new regime of health insurance, as of July 1, 2007, following the Presidential decision of February 17, 2007.
Measures concerning improved regulation of private health care delivery systems by 2008: Accreditation programs based on transparent criteria, and on well-defined regulatory mechanisms.	<p>A ministerial decree dated February 22, 2006 has been adopted, approving the Framework Convention regulating relations between the CNAM (<i>Caisse nationale d'assurance-maladie</i>) and the private health care delivery system. Ministerial decrees have been published on February 6, 2007, approving the following measures:</p> <ul style="list-style-type: none"> ▪ The sectoral convention concerning medical doctors, biologists, and dentists, in private practice. ▪ The sectoral convention concerning pharmacists private and private clinics are being finalized. The Ministry of Public Health has also requested a technical assistance from

	the Bank for the implementation of a system of accreditation and quality improvement
50% of services to students will be outsourced by 2008	20% for lodging. The Ministry of Higher Education has proposed an action plan within the framework of the 11 th Plan.
Implementation of a new policy in terms of tuition fees in the Secondary and Higher Education Systems	The Ministry of Higher Education has proposed an action plan within the framework of the 11 th Plan.
Incentives to increase private participation in Higher Education spending, and regarding the outsourcing of services provided to students.	Within the framework of the 11 th Plan, the Ministry of Higher Education will significantly increase private participation through research contracts and cooperation projects, and will continue the outsourcing of services provided to students. The Ministry will also pursue the streamlining of the educational loans system (restructuring the scholarships and loans systems). It aims at outsourcing 70% of all services provided to students by year 2015.

