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Tunisia: Banking System Issues and Statistical Appendix

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TUNISIA

Banking System Issues and Statistical Appendix

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Approved by the Middle Eastern Department

July 13, 1998

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Area, population and GDP per capita	
Area	165,154 square kilometers
Population	
Total (1995)	9.0 million (est.)
Growth rate	1.7 percent
GDP per capita (1997)	SDR 1,484

	1993	1994	1995	1996	1997
	(In millions of Tunisia dinars; unless otherwise stated)				
Gross domestic prices at 1990 market prices	12,381	12,789	13,090	13,992	14,755
Agriculture and fishing	1,939	1,746	1,573	2,037	2,104
Mining	84	91	114	124	106
Hydrocarbons, electricity, and water	901	881	881	926	956
Manufacturing	2,120	2,292	2,386	2,453	2,615
Of which:					
Food processing	402	439	421	429	505
Construction and public works	562	622	607	625	675
Services	5,332	5,618	5,912	6,141	6,520
Indirect taxes minus susbsidies	1,444	1,538	1,618	1,686	1,779
Gross domestic product at current market prices	14,663	15,807	17,012	18,995	20,934
Central government consumption	1,787	1,956	2,133	2,434	2,552
Nongovernment consumption	9,692	10,458	11,394	12,210	13,387
Of which:					
Gross fixed capital formation	4,122	4,268	4,114	4,379	5,130
Central government	681	663	746	902	943
Change in stocks	165	-399	67	249	337
Resource gap	-1,103	-475	-695	-277	-472
Gross national product	13,789	14,889	16,174	17,966	19,923
Gross national disposable income	14,383	15,592	16,909	18,746	20,691
Prices (annual percentage changes)					
GDP deflator	4.7	4.4	5.1	4.5	4.5
Consumer prices	4.0	4.7	6.3	3.7	3.7
Government finance 3/					
Total revenue	4,443	4,943	5,104	5,786	6,114
Tax revenue	3,591	3,961	4,263	4,776	5,326
Nontax revenue	852	982	841	1,010	788
Grants	53	64	45	42	66
Expenditure	4,938	5,196	5,739	6,675	6,872
Current expenditure	3,927	4,210	4,636	5,362	5,479
Capital expenditure	1,011	987	1,103	1,313	1,393
Net lending	120	140	125	89	5

Tunisia: Basic Data

	1993	1994	1995	1996	1997
Overall deficit (-) including grants	-562	-330	-715	-936	-697
Privatization proceeds	0	16	17	10	3
Overall deficit (-) including grants and privatization	-562	-314	-698	-926	-694
Foreign financing (net)	175	218	490	526	492
Domestic financing (net)	387	96	208	400	202
Of which:					
Banking system (net)	-47	-78	-89	-102	299
Money and credit (end of period)					
Foreign assets (net)	561	885	843	1,138	1,511
Domestic credit	8,075	8,568	9,286	10,464	11,746
Money and quasi-money (M2)	6,318	6,811	7,221	8,204	9,556
Long-term deposits	394	435	514	558	624
Other items (net)	1,926	2,207	2,393	2,841	3,077
Broad money (M4)	8,682	9,347	10,344	11,658	12,783
Balance of payments					
Current account	-919	-457	-547	-398	-469
Trade balance	-1,440	-1,094	-1,311	-1,243	-1,402
Exports, f.o.b.	2,683	3,243	3,605	3,801	4,040
Imports, f.o.b.	-4,123	-4,337	-4,916	-5,044	-5,442
Total services	521	638	764	845	932
Capital account	910	817	635	662	644
Grants	74	72	46	42	86
Direct foreign investment (net)	390	308	194	163	168
Medium- and long-term loans	239	404	363	324	381
Short-term capital and other 1/	207	33	30	133	9
Overall surplus or deficit (-)	-8	361	88	264	175
Gross official reserves (end of period)	647	1,014	1,091	1,339	1,478
Total External debt disbursed and outstanding (eop)	5,610	6,058	6,625	6,865	7,215
Terms of trade (percentage changes)					
Export prices (in SDRs)	-9.5	2.2	8.0	8.0	-3.5
Import prices (in SDRs)	-9.6	5.3	6.6	4.6	0.1
Terms of trade	0.2	-3.0	1.2	3.3	-3.6
Exchange rates (period averages)					
Dinar/SDR (average)	1.402	1.448	1.435	1.413	1.522
Dinar/U.S. dollar (average)	1.004	1.012	0.946	0.973	1.106
Nominal effective exchange rate (INS; percentage changes)	-3.2	0.5	0.3	0.7	-0.8
Real effective exchange rate (INS; percentage changes)	-3.7	0.8	2.1	0.7	-0.1

Source: Data provided by the Tunisian authorities; and Fund staff estimates.

1/ Includes all economic agents except the Central Government.

2/ Includes the social security system.

3/ Consolidated operations; with social security payment-order basis.

Tunisia: Basic Social and Demographic Indicators, 1980–97

	1980	1985	1994 1/	1995	MENA countries 1/	All lower middle income countries 1/
Population characteristics						
Total population (in millions)	6.6 2/	7.3	8.8	9.0	272.4 9/	1,152.6 9/
Urban population (in percent of total population)	52	53	57	...	56	56
Birth rate (per thousand)	35 2/	31	24	24	32 9/	22 9/
Death rate (per thousand)	8 2/	7 7/	6	6	7 9/	8 9/
Life expectancy at birth (years)	62	66 7/	68	69	66 9/	67 9/
Population growth (in percent)	2.7	2.0 3/	1.8	1.7	2.4 9/	1.3 9/
Income and wages						
GDP per capita (in 1990 dinars)	1,215 2/	1,273	1,451	1,591 3/	...	...
GDP per capita (in current dinars)	631 2/	944	1,793	2,258 3/	...	...
GDP per capita at current prices (in SDRs)	1,090 2/	1,115	1,238	1,484 3/	1,407	1,193
Minimum wage in the nonagricultural sector (SMIG in current dinars per hour)	0.30 2/	0.46	0.70	0.82 3/	...	...
Poverty incidence (headcount index, in percent of households)	11	7	7	...	...	...
Health						
Infant mortality (per thousand births)	71	55	40	39	...	...
Population per physician	3,694	2,162	1,763	...	4,235 10/	4,287 10/
Education						
Literacy rate (in percent)	46	58	68	...	63	...
Of which						
Female	...	47	59	...	50	...
Primary enrollment (gross, in percent of school age population)	103	116	118 8/	...	41 11/	103.8 11/
Secondary enrollment (gross, in percent of school age population)	27	39	52 8/	...	59 11/	63.6 11/
Pupils per teacher (primary school)	39	32	25 8/	...	26	...
Labor force						
Total labor force (in millions)	2.2	2.5 5/	3.2 4/	3.3	87.5	506.8 9/
Unemployment rate (in percent)	...	16.4 5/	15.3	...	...	...

Sources: World Bank; Ministry of Economic Development; and Fund staff estimates.

1/ Most recent estimates, 1989–94, unless otherwise indicated.
2/ Data for 1981.
3/ Data for 1997.
4/ Data for 1996.
5/ Data for 1984.
6/ Data for 1989.
7/ Data for 1987.
8/ Data for 1993.
9/ Data for 1995.
10/ Data for 1981.
11/ Data for 1992.

I. TUNISIA'S BANKING SYSTEM: RECENT DEVELOPMENTS AND CURRENT CHALLENGES[1]

A. Introduction

Financial sector reform was an integral part of Tunisia's structural adjustment effort of the late 80s and early 90s.[2] It involved a move towards the implementation of monetary policy through indirect instruments of monetary control (notably repo auctions in the interbank money market), the modernization of the legal and institutional structure of the financial system, and the adoption of internationally accepted methods of supervision and prudential regulation. Direct credit controls were phased out; interest rates were gradually liberalized; mandatory lending and preferential refinancing rates were eliminated; the stock market was modernized and privatized; the legal framework for new operators such as merchant banks, leasing companies, and mutual funds was set up; an interbank foreign exchange market was established (including trade-related forward operations since June 1997) and the supervisory role of the central bank was strengthened.

However, Tunisia's commitments to a deeper integration in the global market under the World Trade Organization (WTO) and the Association Agreement with the European Union (AAEU) involve new challenges for the domestic financial sector. In particular, the signature of the services liberalization protocol at the WTO level (GATS) and the discussions with the EU on allowing European banks to establish subsidiaries in Tunisia starting in 2001 are likely to increase competitive pressure on the domestic providers of financial services. To meet these challenges, the authorities are preparing further reforms of the financial sector and concrete actions to modernize the banking system while increasing its soundness.

Notwithstanding the gradual developments of other financial institutions such as the stock market, mutual funds and leasing companies, the intermediation of savings and the financing of economic activity in Tunisia remains dominated by the banking system (see Chart 1 and Table 1 for international comparison). Banks furthermore are majority owners of most leasing companies, the bulk of mutual funds capital, and they represent a substantial share of stock market capitalization.[3] The authorities therefore have been considering the "*mise à*

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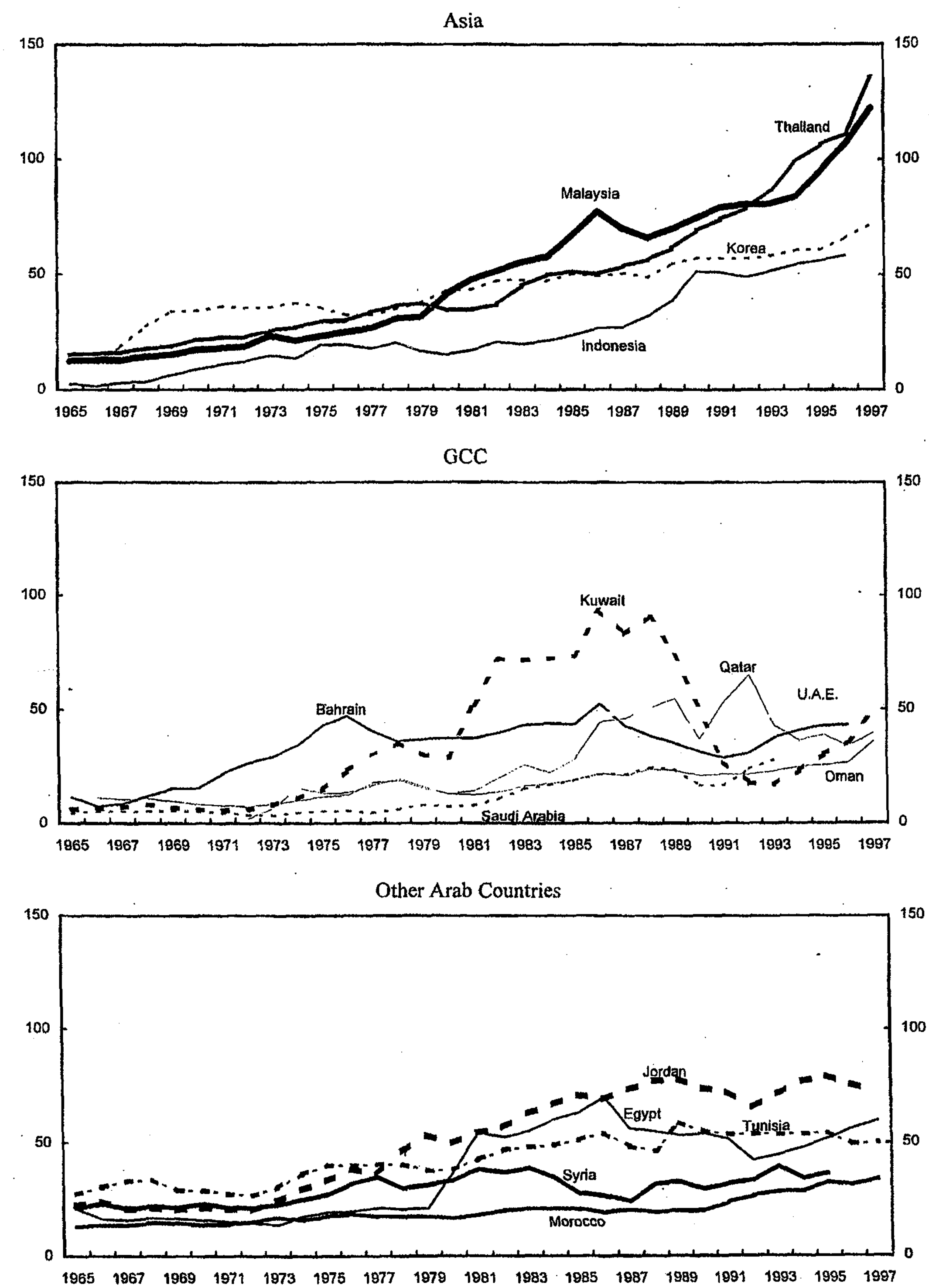
[1]Prepared by Ms. Valeria Fichera.

[2]See SM/97/117 (5/9/97); A. Jbili, K. Enders, and V. Treichel (1997) "Financial Sector Reforms in Algeria, Morocco, and Tunisia: A preliminary Assessment"IMF Working Paper 97/81; and World Bank (1995) "Republic of Tunisia Towards the 21st Century"—Country economic memorandum— Volume II, Annex III, Report No. 14375-TUN.

[3]Out of 34 companies whose stocks are actively exchanged in Tunis stock market, 13 are banks, accounting for 70.7 percent of stock market capitalization at end-1997.

Chart 1. Credit to the Economy as Percent of GDP



Sources: International Monetary Fund, *International Financial Statistics*.

niveau" of the banking system as one of their major priorities, even before developments in Asia underscored so dramatically the importance of a sound banking system.

Table 1. Tunisia: Stock Market Capitalization in Percent of GDP 1995–97

	1995	1996	1997
Selected MENA countries			
Egypt	13.4	21.3	28.6
Jordan	70.4	62.0	67.9
Morocco	17.9	23.6	37.4
Tunisia	23.3	20.5	12.5

Source: IMF, WEO database; IFC, IFC database; and MEED.

Accordingly, the focus of this note is on commercial and development banks. It provides a short description of the structure of the banking system (Section B), a review of recent developments and performances (Sections C–F), discusses indicators of banking soundness (Section G), and concludes with a brief summary of the reform agenda facing the authorities.

B. Structure of Tunisia's Banking System

At the beginning of 1998, Tunisia banking system consisted of 13 commercial banks, 8 development banks, 8 off-shore banks and 2 merchant banks.[4] Amendments to the banking law in 1994 blurred the distinction between development and commercial banks[5] and introduced the category of merchant banks, while the new law on financial markets

[4]Including the new public sector commercial bank—Banque Tunisienne de Solidarité (BTS)—whose mission is microcredit financing, and a new merchant bank—Banque d'Affaires de Tunisie (BAT)—both chartered in December 1997.

[5]Commercial and development banks are currently permitted to engage in some overlapping activities. The main remaining differences include limits on short-term lending and deposit taking by development banks and on long-term lending by commercial banks.

(November 1994) excluded banks from brokerage activities in an attempt to separate functions within the capital market. However, banks are still chartered for specific activity categories, contributing to the prevailing compartmentalization in banking operations.

Among the 13 **commercial banks**, 6 are public. According to current regulations, public sector status is determined by government participation in a bank's capital of 34 percent or higher. Public banks are subject to both bank and public enterprise regulations; the latter are perceived by public banks as limiting their ability to compete on an equal footing with private sector banks. Commercial banks are allowed to collect deposits of any maturity, provide short- and medium-term credit and may engage in long-term credit operations for up to 3 percent of their deposit base. In the 90s, the commercial banks network has expanded significantly, passing from 595 agencies in 1990 to 770 agencies in 1997, raising the availability of banking services to the population.[6] The extension of their network gives them an operational advantage with respect to development banks, which are much more centralized.

Of the 8 **development banks**, the two largest are public by law, while the other six are joint ventures between the Tunisian government and governments of other Arab states. Their initial mission was to finance investment projects over the medium and long term and to take participation in private enterprises, at a time when capital markets were virtually nonexistent. The wider scope of activity permitted to commercial banks by the 1994 amendments to the banking law, the development of nonbank financial markets, especially the expected increase in the activity of the stock market following its modernization, are likely to reduce the traditional role of development banks. In addition, the regulatory constraint on their deposit taking activity[7] forces development banks to finance their lending activity essentially through resources borrowed abroad, involving a high cost because of participation in the existing scheme of exchange rate risk insurance.[8]

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[6]The ratio of inhabitants per bank agency declined from 14,000 to 12,000, a level still significantly higher than that recorded in Europe, where a bank agency covers between 1,000 to 2,000 inhabitants.

[7]A development bank can generally collect deposits at maturities longer than a year. It is only allowed to collect sight deposits from its own personnel and from enterprises of which it is the majority shareholder.

[8]The central bank (and earlier the treasury)has been providing exchange rate guarantee for long-term funds borrowed abroad by domestic banks and on lent to domestic borrowers in local currency. The premium charged is linked to the expected rate of currency depreciation based, under the current exchange rate arrangement, on expected inflation differentials (see SM/97/117, 5/9/97).

The **offshore banks** deal mainly with offshore companies, providing trade finance and other short-term credit, foreign exchange services, and medium and long -term lending for investment. They can also extend limited loans in foreign currency to Tunisian resident companies. Offshore banks raise funds either from their parent companies or through convertible dinar deposits of nonresidents, but their ability to raise deposits from residents is strictly limited. This market did not expand as anticipated and offshore banks' share of credit to the economy declined between 1991 and 1997 from 3.5 to 2.3 percent of total credit, while their share in total asset has been hovering between 6 and 7 percent in the last 5 years (Table 2).

Table 2. Tunisia: Assets, Credit and Deposits—Distribution among Bank Categories, 1991–97

	1991	1992	1993	1994	1995	1996	1997
				(Percent of total)			
Assets							
Commercial banks	75.2	76.0	77.0	76.9	77.5	78.3	78.5
Development banks	16.3	16.5	16.9	16.2	16.3	15.3	14.5
Offshore banks	8.5	7.5	6.1	6.9	6.2	6.4	7.0
Credit to the economy							
Commercial banks	79.7	79.6	79.2	78.9	79.5	78.8	79.2
Development banks	16.8	17.3	17.6	17.8	17.9	18.7	18.5
Offshore banks	3.5	3.0	3.2	3.3	2.6	2.5	2.3
Deposits							
Commercial banks	94.1	93.4	93.8	94.5	95.1	95.8	97.9
Development banks	5.1	5.4	5.1	4.5	4.0	3.5	1.3
Offshore banks	0.8	1.2	1.1	1.0	0.9	0.7	0.8

Source: Banque Centrale de Tunisie, Statistiques Financières.

The two **merchant banks** essentially operates in the niche market of financial advisory services, and do not engage in credit activity.

A blueprint for banking system reform recently prepared by the authorities[9] suggests in this regard to adapt the legal framework to the need for more flexibility. It proposes the introduction of a single bank charter governing all kinds of banks, allowing banks to specialize

[9]*Rapport de la Commission "Modernisation du Système Bancaire"* (March 1997). It includes an assessment of the situation of the domestic banking system, and its reform proposals became the basis for an action plan that is currently being implemented.

according to market pressures and comparative advantage. The commission observes that the small size of most Tunisian banks might hinder the development of a modern and dynamic system. Although it acknowledges that the number and size of banks has to be determined by the market, the report suggests the adoption of a more flexible regulation on merger, acquisition and exit operations. The commission also recommends that public banks be subject only to the banking law and regulations, in order to relieve them from the administrative constraints stemming from public enterprises regulations, and suggests exploring the option of privatizing public banks, possibly with "golden share" participation for banks deemed of strategic interest.

C. Ownership Structure and Concentration of Commercial and Development Banks

Following the privatization of Banque du Sud as of September 1997,[10] there were more private **commercial banks** than public sector banks, with private banks controlling 42 percent of total commercial banks capital and 46 percent of the sector's assets, compared with 40 and 34 percent respectively at the beginning of the decade. The state's disengagement is further confirmed by the ongoing dismantling of regulations aimed at directing credit according to policy priorities. Together with public sector involvement, the **concentration** in the sector is also declining: while in 1990 the 4 largest commercial banks controlled 62 percent of assets, by 1997 their share had declined to 57 percent.[11] Although **foreigners** own stakes in both public sector and private sector commercial banks, their participation in the latter group is more relevant and in 1996 (latest available information) they owned 35 percent of private sector banks' capital. Moreover, it is likely that the opening of the financial sector to foreign operators will initially deepen foreign participation in existing banks, rather than promote the creation of new banks. This expectation is based on the fact that, on the one hand, the number of banks seems sufficient to satisfy the demand for banking services in the short term; and, on the other hand, there is potential for raising efficiency in domestic banks through the use of more modern technology and improved management.

By contrast, the **ownership structure of development banks** remains essentially public, with the private sector owning only 6 percent of total capital. The rest is almost equally shared between the Tunisian and foreign governments (essentially from oil-exporting Arab countries). While the involvement of wealthy partners helps in raising long-term resources for development banks, it is also a cause for rigidity in their operations. Managers of mixed development banks cannot undertake any operation, such as ad hoc borrowing operations in international capital markets, which is not contemplated in the initial mission statement of the specific institution without obtaining approval by the foreign co-owner. In addition, the legal

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[10]Banque du Sud changed its status from public to private bank as a result of a capital increase to which the state did not participate. Following this operation, the state's share declined to 30 percent, that is below the 34 percent defining the public sector status of a bank.

[11]In each of these years, three out of the four largest banks were public banks.

constraints due to foreign governments' equity participation are an obstacle in allowing and promoting mergers between commercial and development banks. **Concentration** among development banks is high: in the last 3 years the 4 largest banks accounted for around 80 percent of total assets, 82 percent of credit and 90 percent of external resources.

D. Balance Sheet Structure of Banks

Between 1991 and 1994 **credit to the economy** from commercial and development banks accounted for around 90 percent of total domestic credit (Table 3). Most of the remaining 10 percent was indirectly provided by the central bank through its discount and money market operations and leasing companies (3 percent of total credit). In 1996, the share of the central bank surged because of its purchase of a stock of nonperforming loans from the agriculture bank *Banque Nationale de l'Agriculture* (BNA), the largest public sector bank, to two public enterprises in charge of marketing subsidized foodstuffs.[12]

The **assets distribution between commercial banks and development banks** has been quite stable in the last 7 years, with commercial banks accounting for more than 80 percent and development banks for less than 20. For both bank categories, **credit to the economy** represents the main item on the assets side. Commercial banks' **credit to the government**, accounted for around 10 percent of their assets at the beginning of the decade, but declined substantially in the following years, due to the elimination of forced holding of government securities and the reduced budget deficit. **Equity participation** in domestic companies from commercial banks has been marginal, while development banks, in line with their initial mission, hold around 11 percent of their assets as equity participations.

Deposits from households and enterprises represent the main source of funds for **commercial banks**, covering on average 77 percent of credit between 1991 and 1997, with a declining trend through 1995 subsequently reversed. Current regulations do not impose on banks any minimum target for matching the liquidity structure of their assets and liabilities, therefore banks have not built up a basis of liquid assets, which they could use to face unexpected deposits withdrawals. This mismatch in the maturity structure of banks balance sheets has up to now been sustainable because of the central bank's implicit commitment to promptly provide liquidity in case of need.[13]

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[12]These loans to the *Office des Céréales* and to the *Office National de l'Huile* amount to TD 969 million (5 percent of 1996 GDP) and are without interest. The government formally guaranteed repayment over 12 years; in 1997, the first repayment took place as scheduled.

[13]An example is provided by the 1993 intervention in favor of a private commercial bank which had lost a significant portion of its deposits from public enterprises over a few days. At the time, the central bank provided for the bank's liquidity needs through almost unlimited discount facilities.

Table 3. Tunisia: Commercial and Development Banks—Balance Sheet Indicators, 1991–97
(In millions of dinars)

	1991	1992	1993	1994	1995	1996	1997
Assets	10,315	11,746	13,077	14,173	15,199	17,004	18,921
Commercial banks (in percent of total)	82.1	82.2	82.0	82.6	82.6	83.7	84.4
Development banks (in percent of total)	17.9	17.8	18.0	17.4	17.4	16.3	15.6
Credit to the economy	6,843	7,909	8,621	9,415	10,365	10,863	12,031
Commercial banks (in percent of total)	82.5	82.1	81.8	81.6	81.7	80.8	81.1
Development banks (in percent of total)	17.5	17.9	18.2	18.4	18.3	19.2	18.9
Deposits from households and enterprises	4,755	5,204	5,552	6,063	6,357	7,231	8,471
Commercial banks (in percent of total)	94.9	94.5	94.9	95.5	96.0	96.5	98.6
Development banks (in percent of total)	5.1	5.5	5.1	4.5	4.0	3.5	1.4
Capital, other equity and provisions	1,510	1,737	1,934	2,152	2,662	2,960	3,246
Commercial banks	47.0	51.1	54.5	57.9	62.8	64.7	66.3
Development banks	53.0	48.9	45.5	42.1	37.2	35.3	33.7
Credit to the economy in percent of assets	66.4	67.3	65.9	66.4	68.2	63.9	63.6
Commercial banks	66.7	67.3	65.8	65.6	67.4	61.7	61.1
Development banks	64.8	67.6	66.5	70.4	72.1	75.3	77.1
Credit to the government in percent of assets	7.7	4.6	4.1	3.8	2.2	1.7	3.6
Commercial banks	9.4	5.6	5.0	4.6	2.7	2.0	4.3
Development banks	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Deposit coverage of credit to the economy	69.5	65.7	64.4	64.4	61.3	66.6	70.4
Commercial banks	79.9	75.7	74.7	75.4	72.1	79.5	85.6
Development banks	20.4	20.2	18.2	15.8	13.5	12.1	5.1
Capital, other equity and provisions in percent of assets	14.7	14.8	14.8	15.2	17.5	17.4	17.2
Commercial banks	8.4	9.2	9.8	10.6	13.3	13.4	13.5
Development banks	43.4	40.6	37.4	36.8	37.5	37.8	37.2
Credit to the economy in percent of equity	638	656	687	703	628	612	638
Commercial banks	1471	1308	1281	1173	917	854	879
Development banks	174	200	222	253	262	279	293
Memorandum items:							
Total domestic credit to the economy 1/	7,610	8,618	9,451	10,325	11,613	13,030	14,126
(in percent of GDP)	63.3	62.9	64.5	65.3	68.3	68.7	67.3

Source: Banque Centrale de Tunisie, Statistiques Financières.

1/ It includes credit from domestic banking system, lending institutions, offshore banks and outstanding commercial paper.

The sum of **capital, other equity, and provisioning** in aggregate commercial banks balance sheet rose from 8.4 percent to 13.5 percent of total resources during 1991–97. This was prompted by enhanced prudential regulations approved at the end of 1991, and improved enforcement and supervision by the central bank. When the new regulations were enacted, numerous banks, particularly public sector ones, were largely undercapitalized with respect to the required capital adequacy ratio, and their provisioning for nonperforming assets was grossly insufficient. In the context of agreed multi-year restructuring plans, banks undertook to raise both their capital base and the level of provisioning. Notwithstanding the progress achieved, compliance with minimum capital adequacy levels and required provisioning of nonperforming loan is not yet completed (see Section G).

Development banks have essentially relied on **borrowed funds** provided by bilateral and multilateral agencies in the form of international borrowing and, marginally from the budget in the form of "special resources." **Deposits** from households and enterprises covered 20 percent of development banks credit in 1991, but subsequently dropped sharply and funded only 5 percent of credit operations in 1997. Although two thirds of the decline was offset by deposits from other banking institutions,[14] the trend towards a further reduction in the development banks' deposit base seems irreversible in the context of the existing regulatory framework, and underscores the need for a fundamental revision of the role of development banks in Tunisia's evolving financial system. A relative strength of development banks is to be found in their capital structure. In aggregate terms, **capital and other equity** covered 26 percent of total assets in 1997, and the ratio rises to 37 percent if provisions are included; in fact, development banks seem overcapitalized as indicated also by low returns on equity (see below).

E. Credit by Sector and Maturity

The profile of credit operations by sector and by terms is derived from the information provided by the risk assessment department at the central bank (*Centrale des Risques*), which records and classifies all domestic credit operations (including credit extended by leasing companies and offshore banks).[15]

In the last ten years, **short-term credit** (defined here as maturity less than one year) has represented around 60 percent of total credit (Table 4). This share has been relatively stable, indicating that the 1994 amendment to the banking law allowing commercial banks to extend

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[14]The prompt increase in deposits from other banks (in partial substitution for the decline in other clients' deposits) might signal a cooperative intervention from the rest of the banking sector aimed at avoiding a too large decline in the liquidity of development banks.

[15]The coverage of credit activity by the risk assessment department reaches around 90 percent of total outstanding credit to the economy (all credit exceeding TD 10,000), thus providing a good picture of the sectoral and maturity distribution of domestic credit.

Table 4. Tunisia: Credit to the Economy by Sector and Maturity, 1988–97 1/

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Total credit	4,961	5,552	6,265	7,170	8,207	9,280	10,112	11,017	11,901	13,039
Of which										
Short term	2,937	3,413	3,752	4,337	5,010	5,557	5,914	6,213	6,987	7,551
Share of short term in percent	59.2	61.5	59.9	60.5	61.0	59.9	58.5	56.4	58.7	57.9
Agriculture and fishing	471	503	628	704	660	814	927	1,000	1,020	1,073
Share of short term in percent	32.8	36.4	29.6	34.0	29.5	29.4	31.4	46.2	45.4	47.1
Industry	2,573	2,861	3,105	3,427	3,660	4,033	4,278	4,563	4,924	5,237
Share of short term in percent	68.3	71.4	69.7	70.3	69.8	71.3	72.1	72.7	73.1	72.5
Mining	101	80	82	90	86	80	65	85	91	51
Short term in percent	70.3	77.7	83.5	88.6	88.4	80.2	76.5	83.7	87.2	79.9
Energy	35	20	23	23	25	25	42	51	67	82
Short term in percent	10.3	10.1	15.2	20.7	36.5	33.4	54.3	55.1	52.5	50.2
Manufacturing	2,180	2,470	2,680	2,957	3,160	3,503	3,724	3,962	4,226	4,523
Share of short term in percent	67.1	69.8	68.0	68.6	67.7	69.9	70.9	71.6	72.2	71.8
Construction	257	290	320	357	390	425	447	465	540	581
Share of short term in percent	85.2	87.6	85.0	83.0	85.0	83.5	83.7	81.7	80.3	80.5
Services	1,917	2,189	2,533	3,039	3,887	4,433	4,907	5,454	5,957	6,729
Share of short term in percent	53.5	54.2	55.3	55.5	58.2	55.1	51.7	44.6	49.1	48.3
Of which										
Tourism	380	440	543	688	911	1,127	1,357	1,629	1,873	2,006
Share of short term in percent	27.5	27.6	24.9	26.0	25.7	22.1	22.8	24.8	27.0	29.1

Source: Banque Centrale de Tunisie, Statistique Financières.

1/ Credit information as recorded by the *Centrale des Risques*.

their medium and long-term lending activity have not caused any appreciable modification in the term structure of banks' credit to the economy.

The allocation of **credit by sector of activity** (Table 5) has remained broadly stable, but only partially matches the sectoral distribution of GDP. However, credit to manufacturing has been declining in relative terms, and the growth of credit to tourism has largely outpaced that of the tourism sector share in domestic value added.

The comparison of the share of economic sectors in total credit in relation to sectors' shares of production shows that, in the last 10 years, **agriculture** and **energy and mining** have constantly had a lower share in credit than in GDP. In the case of agriculture, this might be explained by the fact that a relevant part of agriculture value added is produced by activities linked either to subsistence agriculture or to very small scale farms, which generally do not have any access to credit facilities. The elimination of the preferential treatment for refinancing of credits to agriculture and of compulsory lending to the sector since November 1996 could well trigger a further decline in the share of credit to agriculture, given the inherently high risk and relatively low profitability of most agriculture activity in Tunisia.[16] The low share of domestic credit extended to energy and mining is probably explained by the fact that oil and gas extraction, which accounts for most of the sector's GDP, involves significant foreign operators participation, and tends to be financed through foreign banks or through direct loans and investment from mother companies.

Credit to **construction** closely matches the relative importance of the sector. Moreover, its small weight suggests that banks are not particularly exposed to the risks arising from unforseen fluctuations in the real estate market.

While the share of the **manufacturing** sector in GDP has been stable in the range of 22 to 24 percent, the share of credit to the sector has been steadily declining, although credit to manufacturing still represents more than one third of total credit to the economy. The **service** sector is both the largest contributor to domestic value added and the largest user of banking system resources. The steady increase of the share of credit to services, which has outpaced the development of the sector's GDP, is explained to a large extent by the development of credit to **tourism**, among the main sources of foreign exchange for the country. Its expansion has implied an increasing exposure of the banking system to the sector.

[16]In 1997, the government attempted to enlarge both the base of technical skill and of financial resources available to agriculture by raising the limit on nonresident participation in the capital of enterprises exploiting agriculture land from 49 to 66 percent.

Table 5. Tunisia: GDP Distribution and Credit Distribution by Sector of Activity, 1988–97 1/

	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997
Agriculture and fishing										
Sector 's share in GDP	16.0	17.2	20.8	22.6	21.9	20.1	17.2	15.6	18.6	18.0
Sector's share in domestic credit	9.5	9.1	10.0	9.8	8.0	8.8	9.2	9.1	8.6	8.2
Mining and energy										
Sector 's share in GDP	13.4	13.6	11.7	11.1	10.2	8.1	7.9	7.5	7.6	7.5
Sector's share in domestic credit	2.7	1.8	1.7	1.6	1.3	1.1	1.1	1.2	1.3	1.0
Manufacturing										
Sector 's share in GDP	22.8	22.6	22.3	22.9	22.5	23.5	25.2	25.8	24.7	24.9
Sector's share in domestic credit	43.9	44.5	42.8	41.2	38.5	37.8	36.8	36.0	35.5	34.7
Construction and public works										
Sector 's share in GDP	5.2	5.2	5.4	5.2	6.0	6.8	6.8	6.5	6.2	6.4
Sector's share in domestic credit	5.2	5.2	5.1	5.0	4.7	4.6	4.4	4.2	4.5	4.5
Services										
Sector' s share in GDP	42.6	41.3	39.8	38.3	39.4	41.4	42.9	44.6	42.9	43.2
Sector' s share in domestic credit	38.6	39.4	40.4	42.4	47.4	47.8	48.5	49.5	50.1	51.6
Of which										
Tourism										
Sector 's share in GDP	7.7	7.4	6.8	5.7	7.1	7.6	8.2	8.5	8.1	8.1
Sector's share in domestic credit	7.7	7.9	8.7	9.6	11.1	12.1	13.4	14.8	15.7	15.4

Source: Statistiques Financières, Banque Centrale de Tunisie.

1/ Sectoral distribution of GDP adjusted to exclude Government wages and salaries.

F. Earning Performance

The performance of **commercial banks** measured by the **average return on assets** (ROA) has been improving in the last eight years. By contrast, available data on **development banks' profitability** show a sharp decline in the profit rate up to 1993, followed by a slight recovery in more recent years (Table 6).

Rates of **return on assets** (ROA) are in the range of those experienced in OECD countries, with private commercial banks persistently outperforming public banks, pointing to large differences in efficiency between the two subgroups. In addition, the ROA for public banks is biased upward by the fact that insufficient provisioning for nonperforming loans in the early 90s artificially raises public banks returns. The comfortable level of profitability in part reflects rather large spread margins that banks are able to command over the totality of their lending and borrowing activities. Currently, loan rates are on average 2.7 percent above the money market rate (TMM), while term deposits are remunerated at around 0.5 percent below the TMM, and sight deposits at 2 percent. With reserve requirements fixed at 2 percent of a restricted deposit base, banks should be able to work with average spreads around 4 percent. Realized rates of return on asset below 1 percent likely reflect both relatively high operating costs and a large share of nonperforming assets.

Table 6. Tunisia: Return on Assets and Return on Equity, 1990–97

	1990	1991	1992	1993	1994	1995	1996	Prel. 1997
Average return on assets								
Commercial banks	0.6	0.6	0.6	0.6	0.7	0.8	0.9	0.8
Private banks	0.7	0.7	0.8	0.7	0.8	1.0	1.1	0.9
Public banks	0.5	0.5	0.4	0.5	0.6	0.7	0.7	0.7
Development banks	1.7	1.5	1.0	0.8	1.3	1.1	1.0	1.0
Average return on equity								
Commercial banks	28.4	25.7	20.2	20.3	15.5	16.8	17.9	17.2
Private banks	30.5	30.6	31.9	24.4	25.9	27.9	31.0	27.5
Public banks	27.0	22.3	14.6	17.9	11.9	12.3	12.8	13.1
Development banks	6.5	5.7	4.4	4.0	7.2	5.8	5.9	5.5

Source: Banque Centrale de Tunisie.

Commercial banks' pre-tax profits increased at an average annual rate of 12 percent between 1990 and 1997, therefore the evolution of their average rate of **return on equity** (ROE) is essentially explained by capital increases, triggered by the need to comply with the 1991 prudential regulations. Public banks were largely undercapitalized when the minimum capital adequacy ratio was raised to international levels, and thus were forced to much larger adjustments than their private sector competitors.[17] The evolution of the average rate of return on equity for **development banks** is instead driven by declining profits caused by the high average cost of their resources,[18] at a time when competition by commercial banks in sectors once dominated by development banks is increasing, as well as by the higher credit default rates in recent years.

G. Financial Soundness and Risk Exposure

Complementing liberalizing reforms in the financial and other sectors through the implementation of a comprehensive strategy to improve banking system soundness have been gaining momentum in recent years. Many of the risks of banks seem contained, given the stable macroeconomic situation, a relatively diversified economy, and prudent debt management policies (Box 1). While the capital structure and the quality of most banks' portfolios are still in need of substantial improvements, efforts undertaken in the last 5 years have already borne remarkable results (Table 7). Currently, a major plan to restructure the large stock of nonperforming loans to public enterprises is being prepared.[19]

Prudential regulation and banking supervision

Through amendments to the banking law in December 1989, the government strengthened the central bank authority and widened its regulatory and supervisory powers, and, on this basis, revised in December 1991 the existing **prudential regulations** in order to bring them in line with international standards.[20] The minimum capital[21] adequacy ratio is fixed at 5 percent;

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[17]Total capital of public commercial banks was raised from TD 108 million in 1990 to TD 538 million in 1997; in the same time-frame, private banks increased their capital base from TD 75 million to TD 213 million. A major capital increase operation, which caused BNA's capital to rise from TD 50 million to TD 233 million in 1994, explains the 6 points drop in that year public banks' return on equity.

[18]In September 1997, the average cost of resources for development banks was estimated at 8.03 percent. At that time the TMM was 6.875 percent.

[19]The Fund has recently provided input into the authorities' preparation of the operation who are also seeking World Bank support in designing and financing the operation, as well as further technical assistance from the Fund.

[20]Currently enforced prudential regulations are defined in the central bank circular 91–24, which became operative in 1992. Regulations related to foreign exchange operations,

(continued...)

Box 1. Summary Risk Profile of Tunisian Banking System	
Type of Risk	**Comments**
Credit Risk	In light of the large portfolio of nonperforming loans, and the significant enterprise restructuring envisaged in the framework of the *mise à niveau*, banks portfolio will be subject to significant credit risk.
Operating Risk	Tunisian banks currently operate under a rather basic technological environment, which makes the risk of operational mistakes high. The interbank clearing system is still partially based on the physical exchange of credit titles and the use of up to date information technologies for general bank operations is still limited. However, efforts are being undertaken to modernize the technological and security systems of banking operations. This risk is expected to decline, but the cost for upgrading the system will be high.
Liquidity Risk	Tunisian commercial banks are not required to comply with a maximum credit to deposit ratio. In the middle of the 90s, this ratio was very high with respect to international standards (around 125 percent). Recent monetary developments have reduced this ratio to 105 percent. Notwithstanding banks' relatively illiquid balance sheets, the system has always been promptly provided with liquidity by the central bank in case of need.
Market risk	Both interest rate risk and foreign exchange risk can be considered low in the current situation. Interest rates on both deposits and credits are linked to the money market rate (TMM). Thus, unforseen evolution in interest rates do not constitute a major danger for the system. The very limited integration of Tunisian banks in international banking, witnessed by its low level of foreign assets and liabilities, and the recently introduced foreign exchange prudential regulations reduce the foreign exchange risk to a very manageable level. However, the ongoing integration of the country into the global economy will make exchange rate risk more important. Banks are developing the required expertise to manage it professionally.
Sectorial Risk	In recent year banks have significantly increased their exposure to the tourism sector, The importance of tourism in GDP has also increased, but at a much slower pace. Unless a reversal of trend is observed, the concentration of loans to tourism could make banks' assets vulnerable to shocks affecting the sector.
Exposure to macro-economy	With credit outstanding equivalent to around 57 percent of GDP, Tunisian banks are moderately vulnerable to fluctuations in GDP. That risk is further mitigated by Tunisia's good record of high growth and financial solidity.

[20](...continued)
including prudential aspects of those operations, were approved in 1994 (spot market operations) and 1997 (forward market operations).

[21]The regulation always refers to *"fonds propres nets"*, which is the concept of capital also used for calculating the capital adequacy ratio. In this definition paid-up capital is corrected for any insufficiency in provisioning.

Table 7. Tunisia: Indicators of Banking System Soundness, 1992–97

	1992	1993	1994	1995	1996	Prel. 1997
			(Number)			
Banks not meeting the mimimum capital adequacy ratio 1/						
Commercial banks	10	8	5	5	4	3
Private banks	4	3	1	1	0	0
Public banks 2/	6	5	4	4	4	3
Development banks	0	0	0	0	0	0
			(Percent)			
Capital adequacy ratio 3/						
Commercial banks	0.2	0.0	3.7	4.6	5.1	6.2
Private banks	8.7	8.8	8.5	10.5	9.4	9.9
Public banks	-3.8	-5.3	2.1	2.2	3.4	4.7
Development banks	...	30.2	32.0	32.6	30.8	32.7
			(Percent of total commitments) 4/			
Nonperforming loans						
Commercial banks	29.8	34.0	31.4	30.8	25.1	22.4
Private banks	22.4	19.4	17.9	18.2	17.0	15.3
Public banks	33.4	40.7	37.7	36.8	29.3	26.1
Development banks	...	52.0	54.1	56.7	64.2	64.2
			(Percent of nonperforming loans)			
Provisions and interest in suspense						
Commercial banks	24.2	24.5	29.5	32.0	46.7	51.0
Private banks	25.7	36.5	48.2	52.2	61.9	68.0
Public banks	23.7	21.8	25.4	27.3	42.1	45.8
Development banks	...	33.5	35.5	38.5	38.6	42.2
Memorandum items:						
Nonperforming loans in percent of GDP 5/	20.2	30.4	29.1	29.4	25.0	23.0

Source: Banque Centrale de Tunisie.

1/ The total number of banks was 20 (12 commercial banks and 8 development banks) for each year.

2/ To maintain comparability among the series, a public bank which was privatized at the end of 1997 is included in the public sector group also for 1997.

3/ The ratios averages are calculated by using banks' capital as a weight.

4/ Total commitments include credit to clients plus other contingent lending agreements, such as guarantees.

5/ 1992 data refers only to commercial banks.

strict standards for loan classification and provisioning for nonperforming loans based on the aging of arrears are established; lending to a single group or to a single borrower is capped at 25 percent of capital; total credit exposure to the bank's managers and board members is limited to 3 times the capital; and overdraft lines to client companies are limited to between 15 and 30 days of companies' gross sales. In 1993, the central bank also set detailed terms of reference for external audits of banks and off site reporting requirements, to enhance the quality of its **supervisory activity**. In 1998, a new general accounting law based on international standard has been approved and specific additional rules for bank accounting have been prepared, which should be operational in 1999, with the presentation of 1998 final accounts.

Capital adequacy

The Basle Accord recommended a minimum risk-weighted capital adequacy ratio of 8 percent, with 4 percent for each tier I and tier II capital.[22] Tunisia's minimum 5 percent ratio is measured only with respect to tier I capital. According to a 1995 World Bank report, the strict standards for loans classifications and provisioning and for net exposure offset the difference between the Tunisian minimum standard and the 8 percent Cooke ratio. Banks were initially requested to comply with the new regulations by the end of 1994, and action plans to achieve compliance were individually agreed between the banks and the central bank. The deadline was subsequently extended to 1996, but at that time 4 public sector banks were still not yet in compliance, although 3 of them had increased their paid-up capital fourfold. The fourth bank is very small[23] and has been under a litigation process among shareholders until early 1998. Notwithstanding further capital increases, 2 banks (if the bank under litigation is excluded) representing around 15 percent of commercial banks' assets were still in need of additional capital by end-1997. The difficulties in reaching the minimum capital adequacy ratio by public banks reflects both the weak initial capitalization and the limited availability of resources, given fiscal consolidation efforts. The structural weakness in capital adjusted for the insufficiency in provisioning is explained to a large extent by the large share of nonperforming loans in public banks portfolio, with a substantial part of loans to public enterprises. Pressure on banks to pay out dividends, partly derived from the desire to maintain quotations in the stock market, make it difficult to raise capital by retaining earnings. While the central bank has the authority to forbid banks to distribute dividends if they do not comply with prudential norms, its authority is discretionary and, up to now, it has never intervened in this respect. The large correction in the domestic stock market over the last two years has made raising capital through the stock market a difficult alternative. In an attempt to

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[22]Tier I capital includes issued and paid-up share capital, noncumulative preferred stock and disclosed reserves from post-tax retained earnings. It is therefore considered high quality capital. Tier II capital, which can include debt instruments available to support losses without triggering liquidation, is not included in Tunisia's definition of banks' capital.

[23]Accounting for less than 1 percent of total commercial banks' assets.

strengthen its capital, while containing the costs of the operation, a large private bank recently launched a GDR issue in the London stock market. The success of the operation, the first of the kind for a Tunisian company, might encourage other domestic companies to explore this alternative.

Nonperforming loans and provisions

Resolution of the high level of nonperforming loans is key for strengthening the banking system soundness. Provisional data for December 1997 indicate that total nonperforming loans amounted to 15 percent of GDP and represented more than 22 percent of total banks' claims. To an extent, this ratio overstates the problem as there are legal difficulties in writing off loans, even if fully provisioned, and the downward trend of the ratio in the last 4 years indicates growing success in dealing with the bad debt problem.[24] The difference between private and public banks is again striking and is almost entirely explained by the large exposure of public banks to loss making public enterprises.[25] The exposure to public enterprises is also the reason for the large share of nonperforming assets in development banks' portfolio.

The decline in the share of nonperforming loans has been accompanied by the building up of provisions, which however are still insufficient with respect to the level required according to prudential regulations. One reason for insufficient provisioning is its tax treatment. Banks are currently allowed to deduct provisioning only up to 50 percent of profits.[26] The commission for the modernization of the banking system included in its recommendation the suggestion to allow for complete fiscal deductibility of provisions for nonperforming assets to promote a more rapid restructuring of banks financial assets. It also recommended to set up the legal framework allowing for the establishment of credit recovery companies. A law on such companies was enacted at end-1997, and private sector loan recovery companies, which will only deal with private sector nonperforming loans, are expected to become operative during 1998.

A major operation to restructure public enterprises nonperforming assets is currently being prepared and likely to be launched in 1998. In preparation, an *ad hoc* committee including representatives of the central bank, the banks and the ministry of finance is currently compiling

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[24]The BNA operation in 1996 (see above) provides the main explanation for the reduction by more than 7 points in the ratio of nonperforming loans to total commitments of public banks during 1996.

[25]At end-1997, public sector commercial banks owned 67 percent of total nonperforming claims on public enterprises.

[26]Provisions for nonperforming loans to "companies under stress" (law enacted in 1995), and loans to companies in disadvantaged regions are entirely tax deductible.

an exhaustive survey of the assets, which would be included in the restructuring operation and preliminarily estimated their total amount at around 5 percent of 1997 GDP, including overdue interests, equity holding and off-balance sheet commitments. The committee is evaluating a menu of options that will reduce the adverse impact of these loans on banks capital adequacy, liquidity, interest margins and profitability. Options considered include a rescheduling of the loans accompanied by various forms of government guarantees, substitution of government bonds for bad loans, and creation of a public asset holding agency, which would issue government guaranteed bonds to finance the purchase of the bad loans. The authorities intend to request World Bank financial support for the execution of the operation, to finance part of the fiscal impact. Although the fiscal impact will depend upon the type of resolution methods as well as on the magnitude of the problem loans which will eventually be restructured, the interest costs for the budget will likely be in the range of 0.3 to 0.5 percent of GDP.

H. Concluding Remarks and Recommendations

The authorities are giving appropriate high priority to the modernization of the financial sector during the IXth Economic Development Plan period (1997–2001). Such reforms are an essential ingredient for achieving the productivity gains implicit in the Plan's growth targets, by enhancing saving intermediation, improve the allocation of resources to investment projects, and strengthening the monitoring of the use of financial resources by lending institutions.

Given the still dominant role of the banking system within the financial sector, improving the efficiency and soundness of banks will be key.[27] The report of the *Commission "Modernisation du Système Bancaire"* provides a solid basis for formulating decisive actions. Among the many measures envisaged (and partly already well under way) modernization of the technical basis (e.g., payment system, information on borrowers), overhaul of the regulatory framework and strengthening the capital base of banks, especially by addressing the nonperforming loans problem, seem to be the most urgent.

Technical base

The modernization of the **payment system** is deemed by the banking commission as a high priority. The clearing mechanism for interbank operations is currently based on the physical exchange of debt and credit instruments between participants, and it is rapidly becoming a binding constraint to the financial development of the country. The project of establishing an electronic system that could execute all the phases of the compensation process in two working days should be sped up. Banks' ability to assess and monitor the quality of credits

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[27]As a rough gauge of potential efficiency gains: if public banks were to achieve the return on equity of private banks, GDP would increase by about 1 percent (based on data in Tables 3 and 6).

and debtors would also benefit from the planned establishment of a well structured electronic **information system** that stores all the information on individual banks' clients (total credit exposure, classified assets, unpaid check, enterprise balance sheet information), which are currently stored by different and uncoordinated systems. More generally, the adoption and diffusion of know-how and best international practices could be accelerated by encouraging greater foreign participation, notably in the context of privatization.

Regulatory reform

The approval of legislation for the constitution of a **single bank charter** governing all kind of banks, as recommended by the banking commission, would free banks to specialize in their area of comparative advantages and to adapt to changes in both the financial environment and the real economy, without having to face rigid institutional constraints.

The legislation governing **merger acquisition and exit** of banks need to be more flexible so that the number and the size of banks could react to the evolution of the economy and of developments in the financial system. In particular, allowing mergers between development banks, which typically have strong sector-specific knowledge, and commercial banks has the potential for positive synergic effects.

The **playing field** needs to be leveled **between private and public banks**, with the medium-term objective of completely disengaging the government from banks ownership. As a first step, public banks should be exempted from public enterprise administrative regulations and the government should maintain strict arms-length relations with professionally managed public banks.

Fiscal incentives promoting bank recapitalization and provisioning for nonperforming assets should be strengthened, without favoring specific credit or bank categories. These incentives could be limited in time and aimed at bringing the domestic banking system on a sufficiently solid base, and would make more transparent the cost of inefficiency already borne by the taxpayer in the form of high lending rates and low deposit remuneration. Deposit rates should accordingly be fully liberalized.

Strengthening the capital base of the banking system

For the planned **government-assisted restructuring of nonperforming loans** to be credibly perceived as a one-time event, and to reduce moral hazard effects associated with such operations, the full legal and institutional package should include:

- Operational reforms of banks, encompassing reenforced governance, enhanced operating efficiency and improved risk management.

- Fostering legal and institutional arrangements for loan recovery, loan workouts, and enterprise restructuring, including effective bankruptcy law and law facilitating foreclosure of collateral.

- Institutional arrangements for coordinating bank restructuring with enterprises operational and financial restructuring, in particular through privatization.

- Further strengthening of banking supervision and prudential norms, including bank exit and entry policies and the adoption of more stringent disclosure standards to bolster market discipline.

- Leaving some of the bad debt exposure with the banks, to avoid adverse incentives.

Table 8. Tunisia: Sectoral Distribution of GDP, 1993–97

	1993	1994	1995	1996	Prel. 1997
	(In millions of dinars at current prices)				
Agriculture and fishing	2,157	1,986	1,938	2,607	2,800
Mining	67	79	91	140	163
Hydrocarbons, electricity, and water	803	830	841	926	1,001
Manufacturing	2,522	2,910	3,202	3,466	3,853
Food processing	488	548	551	595	723
Construction materials and glass	290	320	348	370	392
Mechanical and electrical industries	352	391	428	449	497
Chemical and rubber industries	225	301	351	401	444
Textiles, clothing, and leather	828	984	1,112	1,206	1,315
Woodwork, paper, and other	339	366	411	445	483
Construction and public works	726	790	803	874	984
Services	6,434	7,153	7,952	8,641	9,575
Transport and telecommunications	1,100	1,197	1,278	1,424	1,614
Commerce and other services	2,524	2,818	3,211	3,463	3,831
Tourism	816	944	1,050	1,130	1,257
Government wages and salaries	1,994	2,194	2,414	2,624	2,873
Indirect taxes minus susbsidies	1,953	2,061	2,185	2,340	2,558
GDP (at market prices)	14,663	15,807	17,012	18,995	20,934
(percentage change)	7.0	7.8	7.6	11.7	10.2
	(In percent of GDP)				
Agriculture and fishing	14.7	12.6	11.4	13.7	13.4
Mining	0.5	0.5	0.5	0.7	0.8
Hydrocarbons, electricity, and water	5.5	5.3	4.9	4.9	4.8
Manufacturing	17.2	18.4	18.8	18.2	18.4
Construction and public works	5.0	5.0	4.7	4.6	4.7
Services	43.9	45.2	46.7	45.5	45.7
Transport and telecommunications	7.5	7.6	7.5	7.5	7.7
Commerce and other services	17.2	17.8	18.9	18.2	18.3
Tourism (hotel and restaurants)	5.6	6.0	6.2	5.9	6.0
Government wages and salaries	13.6	13.9	14.2	13.8	13.7
Indirect taxes minus subsidies	13.3	13.9	14.2	13.8	12.2

Source: Ministry of Economic Development.

Table 9. Tunisia: Sectoral Distribution of GDP, 1993–97

	1993	1994	1995	1996	Prel. 1997
	(In millions of dinars at constant 1990 prices)				
Agriculture and fishing	1,939	1,746	1,573	2,037	2,104
Mining	84	91	114	124	106
Hydrocarbons, electricity, and water	901	881	881	926	956
Manufacturing	2,120	2,292	2,386	2,453	2,615
Food processing	402	439	421	429	505
Construction materials and glass	240	247	259	261	264
Mechanical and electrical industries	306	317	331	333	357
Chemical and rubber industries	218	239	254	270	276
Textiles, clothing, and leather	670	748	801	828	868
Woodwork, paper, and other	284	302	321	332	345
Construction and public works	562	622	607	625	675
Services	5,332	5,618	5,912	6,141	6,520
Transport and telecommunications	885	940	1,002	1,074	1,162
Commerce and other services	2,188	2,293	2,436	2,499	2,645
Tourism	611	669	680	703	756
Government wages and salaries	1,649	1,717	1,794	1,865	1,957
Indirect taxes minus susbsidies	1,444	1,538	1,618	1,686	1,779
GDP (at market prices)	12,381	12,789	13,090	13,992	14,755
	(Percentage change, at constant prices)				
Agriculture and fishing	-5.1	-10.0	-9.9	29.5	3.3
Mining	-18.1	9.3	24.5	9.3	-14.6
Hydrocarbons, electricity, and water	-4.4	-2.2	-0.1	5.1	3.3
Manufacturing	4.9	8.1	4.1	2.8	6.6
Food processing	0.3	9.2	-4.0	1.9	17.7
Construction materials and glass	6.2	2.7	5.0	0.7	1.3
Mechanical and electrical industries	5.4	3.7	4.2	0.8	7.0
Chemical and rubber industries	7.4	9.9	6.1	6.2	2.4
Textiles, clothing, and leather	5.9	11.7	7.0	3.4	4.8
Woodwork, paper, and other	5.8	6.3	6.3	3.5	3.9
Construction and public works	12.1	10.7	-2.5	3.0	8.0
Services	3.9	5.4	5.2	3.9	6.2
Transport and telecommunications	5.7	6.3	6.6	7.2	8.2
Commerce and other services	2.2	4.8	6.2	2.6	5.9
Tourism	5.1	9.5	1.7	3.4	7.5
Government wages and salaries	4.9	4.1	4.5	4.0	4.9
Indirect taxes minus susbsidies	4.8	6.5	5.2	4.2	5.5
GDP (at market prices)	2.2	3.3	2.4	6.9	5.4

Source: Ministry of Economic Development.

Table 10. Tunisia: Supply and Use of Resources, 1993–97

	1993	1994	1995	1996	Prel. 1997
	(In millions of dinars at current prices)				
Consumption	11,478	12,414	13,526	14,644	15,939
Central government 1/	1,787	1,956	2,133	2,434	2,552
Other sectors	9,692	10,458	11,394	12,210	13,387
Gross capital formation	4,287	3,869	4,180	4,627	5,467
Gross fixed capital formation	4,122	4,268	4,114	4,379	5,130
Central government 1/	681	663	746	902	943
Other sectors	3,441	3,605	3,368	3,477	4,187
Change in stocks	165	-399	67	249	337
Domestic demand	15,766	16,282	17,707	19,271	21,406
Net exports of goods and nonfactor services	-1,103	-475	-695	-277	-472
Export of goods and nonfactor services	5,931	7,091	7,596	8,027	9,065
Imports of goods and nonfactor services	7,033	7,567	8,291	8,304	9,537
GDP (at current prices)	14,663	15,807	17,012	18,995	20,934
Net factor payments abroad (-) 2/	-874	-918	-838	-1,029	-1,011
GNP	13,789	14,889	16,174	17,966	19,923
Net current transfers abroad (-) 2/	594	703	735	780	768
Gross national disposable income	14,383	15,592	16,909	18,746	20,691
	(In percent of GDP)				
Gross capital formation	29.2	24.5	24.6	24.4	26.1
Of which					
Gazoduc and Miskar	2.9	2.0	0.7	0.0	0.0
Change in stocks	1.1	-2.5	0.4	1.3	1.6
Gross national saving	19.8	20.1	19.9	21.6	22.7
Saving-investment gap	-9.4	-4.4	-4.7	-2.8	-3.4
Consolidated central government 1/	-0.8	0.9	-1.3	-2.1	-0.5
Rest of the economy	-8.6	-5.3	-3.4	-0.7	-2.9

Source: Ministry of Economic Development.

1/ Includes the social security system.

2/ National account concept.

Table 11. Tunisia: Supply and Use of Resources, 1993–97

	1993	1994	1995	1996	Prel. 1997
	(In millions of dinars at constant 1990 prices)				
Consumption	9,692	10,018	10,316	10,739	11,251
Consolidated central government 1/ 2/	1,499	1,564	1,639	1,781	1,787
Other sectors	8,193	8,454	8,677	8,957	9,465
Gross capital formation	3,405	3,014	3,146	3,410	3,572
Gross fixed capital formation	3,088	3,332	3,087	3,143	3,494
Changes in stocks	317	-318	59	267	78
Domestic demand	13,097	13,032	13,462	14,148	14,823
Export of goods and nonfactor services	5,214	5,894	5,966	5,995	6,497
Imports of goods and nonfactor services	5,930	6,137	6,338	6,151	6,565
GDP	12,381	12,789	13,090	13,992	14,755
	(Annual percentage change)				
Consumption	3.6	3.4	3.0	4.1	4.8
Consolidated central government 1/	5.8	4.3	4.8	8.7	0.3
Rest of the economy	3.2	3.2	2.6	3.2	5.7
Gross capital formation	-2.3	-11.5	4.4	8.4	4.7
Of which					
Gross fixed capital formation	-3.0	7.9	-7.4	1.8	11.2
Domestic demand	2.0	-0.5	3.3	5.1	4.8
Exports of goods and nonfactor services	3.4	13.0	1.2	0.5	8.4
Imports of goods and nonfactor services	2.7	3.5	3.3	-3.0	6.7
GDP	2.2	3.3	2.4	6.9	5.4

Source: Ministry of Economic Development.

1/ Includes the social security system.
2/ Includes grants.

Table 12. Tunisia: Gross Fixed Capital Formation by Economic Sector and Financing, 1993–97

(In millions of dinars)

	1993	1994	1995	1996	Prel. 1997
Agriculture and fishing	489	516	602	718	736
Industry	1,496	1,422	1,112	1,021	1,369
Mining	61	30	31	21	43
Hydrocarbons 1/	636	516	316	151	215
Electricity and water	258	310	179	207	385
Manufacturing	541	566	586	642	726
Food processing	110	115	130	140	173
Construction materials and glass	94	122	104	112	120
Mechanical and electrical goods	82	76	77	85	95
Chemical and rubber products	56	63	65	70	80
Textile and leather products	132	126	140	155	170
Woodwork and other	67	64	70	80	88
Construction and public infrastructure	1,041	1,085	1,167	1,279	1,425
Housing	627	627	664	703	770
Construction and public works	72	46	64	70	80
Public infrastructure	342	412	439	506	575
Services	1,097	1,246	1,232	1,361	1,600
Transport and communications	543	704	652	735	933
Lodging, food, and beverages	274	279	295	311	315
Commerce and other	280	263	285	315	352
Total gross fixed capital formation	4,122	4,268	4,114	4,378	5,130
Of which					
Central government	681	663	746	902	943
Change in stocks	165	-399	67	162	122
Financing requirement	4,287	3,869	4,180	4,627	5,467
Gross national savings	2,904	3,178	3,382	4,102	4,753
(In percent of GDP)	19.8	20.1	19.9	21.6	22.7
Foreign resources 2/	1,383	691	798	525	714
(In percent of GDP)	9.4	4.4	4.7	2.8	3.4

Source: Ministry of Economic Development.

1/ Includes Gazoduc (1992–94) and Miskar (1992–95) projects.

2/ National accounts concept.

Table 13. Tunisia: Production of Major Agricultural Crops, 1993–97

(In thousands of metric tons)

	1993	1994	1995	1996	Prel. 1997
Cereals	1,914	654	620	2,605	1,054
Hard wheat	1,134	436	472	1,630	723
Soft wheat	279	66	59	250	162
Barley 1/	501	152	89	725	169
Fruits and vegetables					
Citrus fruit	281	210	194	210	211
Dates	86	74	69	74	95
Tomatoes	420	480	580	700	500
Red peppers	180	165	150	190	180
Potatoes	200	210	233	270	280
Melons and watermelons	330	375	300	370	420
Almonds	47	52	35	42	51
Table grapes	60	60	60	55	63
Olives	675	1,050	350	300	1,550
Other					
Meat	151	153	155	152	164
Sugar beets	245	232	268	306	268
Milk	486	500	565	615	657
Fish	84	84	84	84	89

Source: Ministry of Agriculture.

1/ Includes triticale.

Table 14. Tunisia: Supply and Use of Cereals, 1993–97 1/

(In thousands of metric tons)

	1993	1994	1995	1996	Prel. 1997
Hard wheat					
Production	1,134	436	472	1,630	723
Commercialization 2/	786	333	349	880	448
Imports	29	50	668	248	201
Producer price (dinar/ton) 3/	260	260	275	285	285
Soft wheat					
Production	279	66	59	250	162
Commercialization 2/	201	51	38	204	116
Imports	686	802	911	757	1,033
Producer price (dinar/ton) 3/	225	225	240	250	250
Barley					
Production	501	152	89	725	169
Commercialization 2/	98	83	17	238	245
Imports	30	454	669	194	328
Producer price (dinar/ton) 3/	150	225	200	170	170

Source: Ministry of Agriculture.

1/ By crop year (July/June).
2/ Commercialization of the previous year's crop.
3/ Covered by official marketing.

Table 15. Tunisia: Energy Production and Consumption, 1993–97

	1993	1994	1995	1996	Prel. 1997
			(In thousands of metric tons)		
Production	5,398	5,052	5,144	5,786	6,115
Crude petroleum	4,641	4,364	4,125	4,183	3,793
Gas 1/	757	688	929	1,603	2,322
Production	177	157	125	742	1,502
Royalties 2/	580	531	804	861	820
Consumption	4,727	4,926	5,049	5,224	5,495
Liquefied petroleum gas	282	290	302	322	339
Gas	1,208	1,238	1,273	1,342	1,446
Fuel oil	1,363	999	813	828	849
Lighting oil	164	154	165	168	178
Gasoline	298	307	311	323	339
Jet fuel	217	251	242	249	283
Natural gas 1/	1,195	1,687	1,933	1,992	2,061
Surplus	671	126	95	562	620
			(In millions of kilowatt-hours)		
Electricity production 3/	5,705	6,031	6,625	6,852	7,387

Sources: Ministry of Industry; and Direction Générale des Mines.

1/ In thousands of tons of oil equivalent.
2/ In kind royalties from the trans-Tunisia pipeline carrying gas from Algeria to Italy.
3/ Production by the state company STEG (excluding production by private plants).

Table 16. Tunisia: Indicators of Tourist Activity, 1993–97

	1993	1994	1995	1996	Prel. 1997
Annual fixed investment in tourism sector (in millions of dinars)	222	279	295	311	342
Accommodation available (in thousands of beds)	144	153	161	170	178
Number of foreign visitors (in thousands)	3,656	3,856	4,120	3,885	4,263
Visitor bed-nights (in thousands)	23,693	26,440	25,346	26,125	29,796
Of which					
Foreigners	22,119	24,681	23,514	24,130	27,684
Average length of stay (in days)	6	6	6	6	6
Average occupancy rate (in percent)	52	53	49	48	53
Tourism receipts (in millions of dinars)	1,114	1,317	1,323	1,413	1,550
Average daily expenditure per tourist (in dinars)	50	53	56	59	56

Sources: National Tourism Office; and Central Bank of Tunisia.

Table 17. Tunisia: Consumer Price Index, 1993–97
(Annual average; 1990=100)

	Weights in general index (in percent)	1993	1994	1995	1996	1997
Food	41.2	116.9	121.9	132.0	137.0	142.8
Housing	18.7	116.1	120.6	125.4	129.1	132.2
Clothing	10.4	123.4	129.0	138.6	147.3	152.8
Health	9.1	119.6	128.3	135.2	137.3	144.3
Transport	8.8	127.1	131.9	134.1	136.8	138.4
Services and other	11.8	121.2	128.6	136.3	143.4	149.4
General index	100.0	119.1	124.6	132.4	137.3	142.2
General index (excluding food)	100.0	120.6	126.6	132.7	137.6	142.1
		(Percentage change)				
Food		2.5	4.3	8.3	3.8	4.3
Housing		3.8	3.8	4.0	2.9	2.3
Clothing		5.6	4.6	7.4	6.3	3.7
Health		6.0	7.3	5.4	1.5	5.1
Transport		7.1	3.8	1.6	2.0	1.2
Services and other		3.7	6.1	6.0	5.2	4.1
General index		4.0	4.7	6.3	3.7	3.7
General index (excluding food)		5.0	5.0	4.9	3.7	3.2

Sources: Central Bank of Tunisia, and National Institute of Statistics (INS).

Table 18. Tunisia: Consumer Price Index by Price Regime, 1993–97

(Percent change)

Price regime	1993	1994	1995	1996	1997
Total controlled prices	...	...	...	3.0	4.7
Homologation	6.4	5.0	4.2	...	...
Auto-homologation	3.3	5.7	5.5	...	...
Free prices	3.0	5.5	7.5	4.1	3.2
Total	4.0	5.3	6.3	3.7	3.7

Sources: Central Bank of Tunisia; and National Statistics Institute.

Table 19. Tunisia: Producer Price Index, 1993–97

(Annual average; 1990 = 100)

	Weight (in percent)	1993	1994	1995	1996	Prel. 1997
Manufacturing	79.3	116.3	120.9	127.5	132.8	137.6
Food processing	27.8	120.7	125.2	131.0	141.0	147.0
Construction materials and glass	7.5	114.5	113.8	112.1	110.4	111.5
Mechanical and electrical products	12.4	106.8	108.6	113.3	115.8	117.7
Chemicals and rubber	10.9	112.5	117.9	123.2	128.4	132.2
Textiles, clothing and leather	10.3	116.3	121.4	129.8	137.0	139.3
Other manufacturing	10.4	121.3	131.9	148.6	148.6	150.5
Mining	1.8	105.6	97.6	93.6	111.5	142.4
Hydrocarbons	12.5	101.7	101.9	102.1	102.1	102.3
Electricity and water	6.4	109.6	114.8	118.6	119.9	112.5
General index	100.0	113.9	117.7	124.1	128.9	131.7
Percent change		4.1	3.3	5.4	3.9	2.2
Relative prices: PPI/CPI		95.6	94.5	93.7	93.9	92.6
Percent change		...	-1.1	-0.8	0.2	-1.4

Sources: Central Bank of Tunisia, and National Institute of Statistics (INS).

Table 20. Tunisia: Producer Prices of Principal Agricultural Commodities, 1993–97 1/

(In dinars per ton)

	1993	1994	1995	1996	Prel. 1997
Cereals					
Hard wheat	260	260	275	285	285
Soft wheat	225	225	240	250	250
Barley	150	225	200	170	170
Sugar beets	35	38	38	38	38
Olive oil					
High grade	1,750	1,315	1,315	2,730	1,800
Low grade	1,390	1,055	1,055	2,330	1,420
Tomatoes	115	120	125	115	120

Source: Ministry of Agriculture.

1/ By crop year (July/June).

Table 21. Tunisia: Consolidated Financial Operations of the Central Government, 1993–97 1/

	1993	1994	1995	1996	Prel. 1997
	(In millions of dinars)				
Revenue and grants	4,496	5,007	5,149	5,828	6,180
Revenue	4,443	4,943	5,104	5,786	6,114
Tax revenue	3,591	3,961	4,263	4,776	5,326
Social security contributions	510	678	771	996	1,095
Taxes on foreign trade	715	754	799	774	728
Other	2,366	2,529	2,694	3,006	3,502
Nontax revenue 2/	852	982	841	1,010	788
Grants	53	64	45	42	66
Expenditure and net lending	5,058	5,337	5,864	6,764	6,876
Expenditure	4,938	5,196	5,739	6,675	6,872
Current expenditure	3,927	4,210	4,636	5,362	5,479
Wages and salaries	1,450	1,609	1,776	1,969	2,146
Goods and services	337	347	357	465	404
Interest payments	539	587	684	825	788
Domestic debt 3/	258	267	339	475	385
External debt	281	321	345	350	403
Subsidies and other current transfers	1,602	1,666	1,820	2,103	2,141
Social security benefits	602	666	747	953	1,015
Consumer subsidies by consumer subsidy fund 4/	321	319	346	418	378
Other	679	681	727	732	748
Capital expenditure	1,011	987	1,103	1,313	1,393
Direct investment	681	666	746	902	943
Capital transfers	330	321	357	411	450
Net lending	120	140	125	89	5
Overall deficit (-) including grants	-562	-330	-715	-936	-697
Privatization proceeds	0	16	17	10	3
Overall deficit (-) including grants and privatization	-562	-314	-698	-926	-694
Financing	562	314	698	926	694
Foreign (net)	175	218	490	526	492
Domestic	387	96	208	400	202
Banking system 5/	-47	-78	-89	-102	299
Nonbank	434	174	298	501	-97
Of which					
Arrears of the consumer subsidy fund	88	95	155	302	-80

Table 21. Tunisia: Consolidated Financial Operations of the Central Government, 1993–97 1/

	1993	1994	1995	1996	Prel. 1997
	(In percent of GDP)				
Revenue	30.3	31.3	30.0	30.5	29.2
Tax revenue	24.5	25.1	25.1	25.1	25.4
Of which					
Social security contributions	3.5	4.3	4.5	5.2	5.2
Nontax revenue 2/	5.8	6.2	4.9	5.3	3.8
Expenditure and net lending	34.5	33.8	34.5	35.6	32.8
Current expenditure	26.8	26.6	27.3	28.2	26.2
Capital expenditure	6.9	6.2	6.5	6.9	6.7
Net lending	0.8	0.9	0.7	0.5	0.0
Overall deficit (-) excluding grants and privatization	-4.2	-2.5	-4.5	-5.1	-3.6
Overall deficit (-) including grants and privatization	-3.8	-2.0	-4.1	-4.9	-3.3
Primary balance, excluding grants and privatization	-0.5	1.2	-0.4	-0.8	0.1
Central government debt 6/	59.3	59.2	58.6	60.8	58.7
Foreign	38.9	39.0	38.5	36.7	35.5
Domestic 6/	20.4	20.2	20.1	24.1	23.2

Source: Ministry of Finance.

1/ Includes special funds, *fonds de concours*, operations financed abroad, net treasury operations and the social security funds.

2/ Excludes privatization proceeds.

3/ Includes interest on arrears related to operations of the consumer subsidy fund (CGC).

4/ Includes arrears of the consumer subsidy fund.

5/ Excludes social security system.

6/ Includes government debt instruments held by the social security system; and the debt assumed by the CBT in 1996 related to quasi-fiscal operations.

Table 22. Tunisia: Consolidated Revenue and Grants of the Central Government by Main Categories, 1993–97

	1993	1994	1995	1996	Prel. 1997
	(In millions of dinars)				
Revenue	4,443	4,943	5,104	5,786	6,114
Tax revenue	3,591	3,961	4,263	4,776	5,326
Taxes on income and profits	698	734	807	888	1,113
Of which					
Petroleum sector	69	40	58	47	62
Social security contributions	510	678	771	996	1,095
Taxes on payroll	57	58	62	76	78
Property taxes	87	65	68	73	78
Taxes on goods and services	1,442	1,586	1,649	18,555	2,113
VAT	843	855	899	1,008	1,170
Excises	479	589	596	642	722
Other	120	142	154	205	221
Taxes on international trade and transactions	727	771	815	782	736
Import taxes	706	745	790	765	717
Export taxes	9	10	9	9	11
Other	12	16	17	8	8
Other tax revenue	70	70	97	106	113
Nontax revenue	852	982	841	1,010	788
Petroleum sector	301	349	302	309	177
Other nontax revenue	548	629	537	684	604
Capital revenue	3	4	3	17	7
Grants	53	64	45	42	66
Total revenue and grants	4,496	5,007	5,149	5,828	6,180
	(In percent of GDP)				
Revenue	30.3	31.3	30.0	30.5	29.2
Tax revenue	24.5	25.1	25.1	25.1	25.4
Taxes on income and profits	4.8	4.6	4.7	4.7	5.3
Social security contributions	3.5	4.3	4.5	5.2	5.2
Taxes on goods and services	9.8	10.0	9.7	9.8	10.1
Of which					
VAT	5.7	5.4	5.3	5.3	5.6
Excises	3.3	3.7	3.5	3.4	3.5
Taxes on international trade and services	5.0	4.9	4.8	4.1	3.5
Of which					
Import duties	4.8	4.7	4.6	4.5	3.4
Other tax revenue 2/	1.5	1.2	1.3	1.3	1.3
Nontax revenue	5.8	6.2	4.9	5.3	3.8
Petroleum sector	2.1	2.2	1.8	1.6	0.8
Other 3/	3.8	4.0	3.2	3.7	2.9

Sources: Ministry of Finance; and Fund staff estimates.

1/ Breakdown included earmarked revenue between categories based on staff estimates.
2/ Includes taxes on payroll and property taxes.
3/ Includes capital revenue.

Table 23. Tunisia: Economic Classification of Consolidated Expenditure of the Central Government, 1993–97 1/

	1993	1994	1995	1996	Prel. 1997
	(In millions of dinars)				
Current expenditure	3,927	4,210	4,636	5,362	5,479
Wages and salaries	1,450	1,609	1,776	1,969	2,146
Goods and other services	337	347	357	465	404
Interest on public debt	539	587	684	825	788
Foreign debt	258	267	339	475	385
Domestic debt	281	321	345	350	403
Subsidies and other current transfers	1,602	1,666	1,820	2,103	2,141
Of which					
Social security benefits	602	666	747	953	1,015
Transfers to households	464	478	513	572	560
Of which					
Food subsidies	321	319	346	418	378
Transfers to government entities and parastatals 2/	391	421	450	465	483
Capital expenditure	1,011	987	1,103	1,313	1,393
Direct investment	681	666	746	902	943
Capital transfers	330	341	357	411	450
Of which					
Nonfinancial public enterprises	298	299	330	342	342
Total expenditure	4,938	5,196	5,739	6,675	6,872
	(In percent of GDP)				
Current expenditure	26.8	26.6	27.3	28.2	26.2
Wages and salaries	9.9	10.2	10.4	10.4	10.3
Goods and other services	2.3	2.2	2.1	2.4	1.9
Interest on public debt	3.7	3.7	4.0	4.3	3.8
Foreign debt	1.8	1.7	2.0	2.5	1.8
Domestic debt	1.9	2.0	2.0	1.8	1.9

Table 23. Tunisia: Economic Classification of Consolidated Expenditure of the Central Government, 1993–97 1/

	1993	1994	1995	1996	Prel. 1997
Subsidies and other current transfers	10.9	10.5	10.7	11.1	10.2
Of which					
Social security benefits	4.1	4.2	4.4	5.0	4.8
Transfers to households	3.2	3.0	3.0	3.0	2.7
Of which					
Food subsidies	2.2	2.0	2.0	2.2	1.8
Transfers to government entities and parastatal	2.7	2.7	2.6	2.4	2.3
Capital expenditure	6.9	6.2	6.5	6.9	6.7
Direct investment	4.6	4.2	4.4	4.8	4.5
Capital transfers and equity	2.3	2.0	2.1	2.2	2.1
Of which					
Nonfinancial public enterprises	2.0	1.9	1.9	1.8	1.6
Total expenditure	33.7	32.9	33.7	35.1	32.8

Source: Ministry of Finance.

1/ Includes all expenditure in the treasury accounts, extrabudgetary operations financed by external assistance, and expenditure of the social security funds.

2/ Includes local governments, *établissements publics à caractère administratif* and *établissements à caractère industriel commercial non-marchands.*

Table 24. Tunisia: Functional Classification of
Central Government Total Expenditure, 1992–96 1/

	1992	1993	1994	1995	1996
			(In millions of dinars)		
Total	4,394	4,851	5,101	5,584	6,374
General public services	424	454	449	472	356
Defense	256	277	301	324	387
Public order and security	287	315	353	382	525
Education	770	838	903	1,024	1,160
Of which					
Higher education	159	165	194	225	254
Health	294	316	359	392	426
Social security and welfare	641	699	809	891	1,036
Housing and infrastructure	240	328	291	293	320
Culture, recreation, and religious affairs	128	161	160	156	168
Economic services	917	951	925	1,015	1,076
Of which					
Agriculture, forestry, and fishing	337	352	382	456	511
Transportation and communications	103	116	110	120	140
Other	437	512	554	635	920
			(In percent of GDP)		
Total	32.1	33.1	32.3	32.8	33.6
General public services	3.1	3.1	2.8	2.8	1.9
Defense	1.9	1.9	1.9	1.9	2.0
Public order and security	2.1	2.1	2.2	2.2	1.8
Education	5.6	5.7	5.7	6.0	6.1
Of which					
Higher education	1.2	1.1	1.2	1.3	1.3
Health	2.1	2.2	2.3	2.3	2.2
Social security and welfare	4.7	4.8	5.1	5.2	5.5
Housing and infrastructure	1.8	2.2	1.8	1.7	1.7
Culture, recreation, and religious affairs	0.9	1.1	1.0	0.9	0.9
Economic services	6.7	6.5	5.9	6.0	5.7
Of which					
Agriculture, forestry, and fishing	2.5	2.4	2.4	2.7	2.7
Transportation and communications	0.8	0.8	0.7	0.7	0.7
Other	3.2	3.5	3.5	3.7	4.8

Source: Ministry of finance.

1/ Excludes quasi-fiscal outlays related to food subsidies.

Table 25. Tunisia: Revenue from the Petroleum Sector, 1993–97

(In millions of dinars)

	1993	1994	1995	1996	1997
Nontax revenue	300	348	302	309	177
Surplus from petroleum exploitation, (ETAP) 1	218	230	222	220	101
Dividends, (SITEP - TRAPSA) 2/	3	26	7	10	8
Transfer of excess funds of public companies, (ETAP-STIR) 3/	37	61	36	58	52
Surtax of petroleum companies 2/	42	32	36	21	16
Direct taxation of petroleum companies	68	39	58	47	62
Total	369	388	359	356	239

Sources: Ministry of Finance.

1/ Enterprise Tunisienne des Activités Pétrolierès (ETAP)
2/ Société Italo-Tunisienne d'Exploitation Pétrolière (SITEP), Compagnie de Transport par Pipeline au Sahara (TRAPSA)
3/ Société Tunisienne des Industries de Raffinage (STIR)

Table 26. Tunisia: Monetary Survey, 1993–97

	1993	1994	1995	1996	1997
	(In millions of dinars; end of period)				
Foreign assets (net)	561	885	843	1,138	1,511
Foreign assets	1,498	2,007	1,971	2,486	2,979
Foreign liabilities	-937	-1,121	-1,128	-1,348	-1,468
Domestic credit	8,075	8,568	9,286	10,464	11,746
Credit to the government (net)	640	562	473	371	670
Central bank	-6	-104	-52	-150	-174
Deposit money banks	536	544	341	291	682
Counterpart of CCP deposits	110	122	184	230	162
Credit to the economy	7,435	8,007	8,813	10,093	11,076
Central bank	95	20	15	973	888
Deposit money banks	7,340	7,986	8,798	9,121	10,188
Of which:					
Public enterprises	1,385	1,350	1,202	747	687
Money plus quasi-money (M2)	6,318	6,811	7,221	8,204	9,556
Money	2,915	3,214	3,527	3,993	4,482
Currency	1,179	1,196	1,315	1,472	1,592
Demand deposits	1,736	2,018	2,213	2,521	2,890
Financial institutions	10	14	18	20	16
Nonfinancial enterprises and households	1,726	2,004	2,195	2,501	2,873
Quasi-money	3,403	3,597	3,694	4,211	5,074
Financial institutions	145	123	116	59	46
Nonfinancial enterprises and households	3,257	3,474	3,578	4,151	5,028
Long-term deposits	394	435	514	558	624
Other items (net)	1,924	2,207	2,393	2,841	3,077
Special resources	903	983	877	906	971
Capital accounts	1,113	1,315	1,751	1,999	2,241
Other	-92	-91	-235	-64	-135
	(Change in percent of initial stock of broad money M2)				
Foreign assets (net)	0.2	5.1	-0.6	4.1	4.5
Domestic credit	10.1	7.8	10.5	16.3	15.6
Credit to the government (net)	-0.8	-1.2	-1.3	-1.4	3.6
Credit to the economy	10.9	9.1	11.8	17.7	12.0
Money plus quasi-money (M2)	7.0	7.8	6.0	13.6	16.5
Money	2.3	4.7	4.6	6.4	6.0
Currency	0.4	0.3	1.7	2.2	1.5
Demand deposits	1.9	4.5	2.9	4.3	4.5
Quasi-money	4.8	3.1	1.4	7.2	10.5

Source: Central Bank of Tunisia.

Table 27. Tunisia: Selected Interest Rates, 1993–98

(In percent; end of period)

	1993	1994	1995	1996	1997	April 1998
Money market rate (TMM)	8.81	8.81	8.81	7.81	6.88	6.88
Central bank						
Liquidity auction 1/	7.88	7.88	7.88	6.88	6.88	6.88
Repurchase facility 2/	8.88	8.88	8.88	7.88	7.88	7.88
Rediscount of preferential credits 3/						
Export-related credit	8.25	8.25	8.25	8.25	...	...
Crop credit	7.75	7.75	7.75	7.75	...	...
Agricultural investment	8.50	8.50	8.50	8.50	...	...
Small enterprise investments	9.50	9.50	9.50	9.50	...	...
Commercial banks						
Maximum lending/overdraft 4/	14.44	13.81	...	...	...	...
Special savings deposit rate 5/	7.38	6.88	6.88	6.12	5.00	5.00

Source: Central Bank of Tunisia.

1/ Under the *appel d'offres* a fixed amount of seven-day liquidity is auctioned against assets held by the banks.

2/ The *prise en pension* is an automatic repurchase window at the initiative of the banks.

3/ Preferential rediscount abolished in November 1996.

4/ Since 1992 the average lending rate for each bank had been limited to the TMM plus 3 points and all restrictions were lifted in early June 1994.

5/ The interest rate for special savings deposits has been set at the money market rate of the previous month minus two points since 1987. Rates on deposits with terms of at least three months are free. The maximum rate on deposits of shorter maturities has been set at 2 percent since July 1990.

Table 28. Tunisia: Assets and Liabilities of the Central Bank, 1993–97

(In millions of dinars; end of period)

	1993	1994	1995	1996	1997
Foreign assets	944	1,482	1,556	1,938	2,304
Claims on government 1/	122	93	85	103	58
Claims on development banks	95	20	15	4	0
Claims on deposit money banks	1,068	799	799	154	93
Claims on private sector	0	0	0	969	888
Assets = Liabilities	2,229	2,395	2,455	3,168	3,343
Reserve money	1,421	1,523	1,667	2,264	2,446
Currency outside banks	1,179	1,196	1,315	1,472	1,592
Currency with banks	51	57	56	84	78
Bank deposits	157	227	250	673	734
Claims of development banks and other financial institutions	32	42	46	34	40
Deposits of nonfinancial entities	2	2	1	1	2
Foreign liabilities	323	334	311	272	255
Government deposits and currency holdings	128	198	137	254	232
Counterpart funds	78	49	39	47	67
Allocation of SDRs	49	50	48	49	53
Capital accounts	59	69	79	84	89
Other items (net)	171	172	173	198	201

Source: Central Bank of Tunisia.

1/ Excluding subscription to IMF and AMF.

Table 29. Tunisia: Assets and Liabilities of Deposit Money Banks, 1993–97

(In millions of dinars; end of period)

	1993	1994	1995	1996	1997
Reserves	181	294	275	760	816
Currency	51	57	56	84	78
Deposits at central bank	130	237	219	676	738
Foreign assets	556	517	414	548	676
Claims on government	536	544	341	291	682
Equipment bonds	220	144	58	17	8
Treasury bills	281	368	267	262	667
Other	35	32	16	12	7
Claims on the economy	7,340	7,986	8,798	9,121	10,188
Credit financed by ordinary resources	6,209	6,789	7,636	7,904	8,842
Credit financed by special resources	845	892	827	872	919
Equity portfolio	286	305	335	345	427
Assets = liabilities	8,613	9,341	9,829	10,720	12,362
Demand deposits	1,623	1,893	2,024	2,288	2,724
Development banks	8	13	14	18	15
Nonfinancial enterprises and households	1,615	1,880	2,010	2,270	2,709
Quasi-money liabilities	3,372	3,556	3,652	4,178	5,035
Development banks	115	82	74	27	8
Nonfinancial enterprises and households	3,257	3,474	3,577	4,151	5,028
Term deposits	645	624	662	983	1,515
Certificates of deposit	79	65	56	121	121
Special savings deposits	2,275	2,387	2,408	2,643	2,973
Other savings deposits	32	43	39	58	79
Deposits in foreign exchange or convertible dinars	0	6	6	1	6
Other	226	349	407	345	338
Long-term monetary liabilities	405	435	514	558	625
Foreign liabilities	614	780	817	1,076	1,214
Special resources	824	934	839	860	904
Credit from central bank	1,068	796	799	186	132
Capital accounts	1,053	1,245	1,672	1,914	2,152
Other items net	-348	-299	-486	-340	-423

Source: Central Bank of Tunisia.

Table 30. Tunisia: Balance of Payments, 1993–97

	1993	1994	1995	1996	Prel. 1997
	(In millions of SDRs)				
Current account	-919	-457	-547	-398	-469
Trade balance	-1,440	-1,094	-1,311	-1,243	-1,402
Exports, f.o.b.	2,683	3,243	3,605	3,801	4,040
Energy	325	305	305	398	365
Nonenergy	2,358	2,938	3,301	3,403	3,675
Imports, f.o.b.	-4,123	-4,337	-4,916	-5,044	-5,442
Energy	-326	-326	-356	-445	-434
Nonenergy	-3,797	-4,012	-4,560	-4,599	-5,008
Total services	521	638	764	845	932
Nonfactor services (net)	789	870	911	968	1,126
Of which					
Tourism	795	910	922	994	1,019
Factor services and transfers (net)	-268	-232	-147	-123	-194
Of which					
Workers' remittances	428	480	496	551	556
Interest on external debt	-334	-360	-399	-439	-441
Capital account	910	817	635	662	644
Grants	74	72	46	42	86
Direct foreign investment (net)	390	308	194	163	168
Medium- and long-term loans	239	404	363	324	381
Disbursement	849	1,041	1,032	1,026	1,065
Amortization	-610	-638	-669	-702	-684
Short-term capital and other 1/	207	33	30	133	9
Overall surplus or deficit (-)	-8	361	88	264	175
Change in net official reserves (increase-)	8	-361	-88	-264	-175
Use of IMF resources	-4	0	-10	-32	-37
Other assets, net (increase-)	12	-361	-77	-232	-138

Table 30. Tunisia: Balance of Payments, 1993–97

	1993	1994	1995	1996	Prel. 1997
	(In percent of GDP, unless otherwise stated)				
Memorandum items:					
Current account balance (deficit -)	-8.8	-4.2	-4.6	-3.0	-3.4
Exports, f.o.b.	25.6	29.7	30.4	28.3	29.3
Exports, f.o.b., excluding energy and food	19.6	23.1	24.8	23.2	23.4
Imports, f.o.b.	39.4	39.7	41.5	37.3	39.4
Offshore exports (in percent of total)	58.7	60.3	63.8	64.2	62.7
Offshore imports (in percent of total)	26.9	29.8	31.0	32.0	31.4
Gross official reserves (in months of imports)	1.9	2.8	2.7	3.2	3.3
Debt-service ratio 2/	20.4	18.6	18.4	18.9	17.7
Terms of trade (deterioration-) (annual percentage change)	0.2	-3.0	1.2	3.3	-3.6
Real effective exchange rate (depreciation-) (annual percentage change)	-3.7	0.7	2.1	0.5	0.3

Source: Data provided by the Tunisian authorities.

1/ Includes changes in net foreign assets of commercial banks, and errors and omissions.
2/ As a percent of current receipts; including IMF charges.

Table 31. Tunisia: Foreign Trade by Commodity, 1993–97 1/

	1993	1994	1995	1996	Prel. 1997
	(In millions of SDRs)				
Volume of Foreign Trade					
Exports, f.o.b.	2,683	3,243	3,605	3,801	4,040
Energy products	325	305	305	398	365
Nonenergy	2,358	2,938	3,301	3,403	3,675
Phosphates and derivatives	336	412	470	539	552
Agricultural (including agroprocessing)	312	421	359	286	448
Textiles and leather	1,262	1,543	1,800	1,944	1,969
Mechanical and electrical industry	315	430	496	476	546
Other goods	132	130	175	159	160
Imports, c.i.f.	4,404	4,590	5,202	5,306	5,754
Energy products	326	326	356	418	434
Nonenergy	6,078	4,264	4,846	4,889	5,320
Raw materials and semifinished goods	1,306	1,311	1,524	1,536	1,608
Equipment	1,085	1,002	1,020	1,076	1,254
Food	298	375	574	429	477
Nonfood consumer goods	1,388	1,577	1,728	1,848	1,981
Memorandum item:					
Net energy exports	-1	-21	-52	-47	-69
	(Percent change)				
Volume of Foreign Trade					
Exports, f.o.b.	4.0	18.3	3.0	-2.4	10.1
Energy products	-11.5	2.7	3.6	5.6	-7.2
Nonenergy	7.3	21.0	2.9	-3.6	12.9
Phosphates and derivatives	19.0	17.6	4.6	5.3	-0.7
Agriculture (including agroprocessing)	18.4	28.4	-30.8	-28.6	90.8
Textiles and leather	6.4	19.3	9.8	1.8	5.8
Mechanical and electrical industry	-4.0	34.9	8.5	-10.0	16.4
Other goods	-9.4	-5.5	27.0	-14.4	1.3
Imports, c.i.f.	6.7	-1.1	6.3	-2.5	8.3
Energy products	16.5	9.8	7.1	-4.7	5.8
Nonenergy	5.8	-2.2	6.2	-2.2	8.5
Raw materials and semifinished goods	-7.2	-1.0	9.4	4.4	2.7
Equipment	20.7	-23.7	-4.2	-1.0	17.2
Food	2.3	21.1	35.2	-30.8	12.4
Nonfood consumer goods	8.3	11.6	3.1	0.3	8.0

Source: Ministry of Economic Development.

1/ Based on customs statistics.

Table 32. Tunisia: Trade Balance in Hydrocarbons, 1993–97

	1993	1994	1995	1996	1997
	(In thousands of tons of oil equivalent)				
Crude oil					
Exports	3,013	3,375	3,408	3,242	2,795
Imports	295	660	900	781	935
Balance	2,718	2,715	2,508	2,461	1,860
Refined products					
Exports	445	524	621	820	884
Imports	1,872	2,644	2,873	2,133	2,244
Balance	-2,077	-2,120	-2,252	-1,313	-1,360
Gas					
Exports	0	0	700	0	0
Imports	1,132	1,546	1,400	2,219	1,946
Balance	-1,132	-1,546	-700	-2,219	-1,946
Total					
Exports	3,058	3,899	4,729	4,062	3,679
Imports	3,548	4,850	5,173	5,133	5,127
Balance	-491	-951	-444	-1,071	-1,448
	(In millions of dinars)				
Total					
Exports	455	442	437	563	558
Imports	457	472	511	629	671
Balance	-2	-30	74	-66	-113

Source: Ministry of Economic Development.

Table 33. Tunisia: Exports of Phosphate Rock and Phosphate Derivatives, 1993–97

(Volume in thousands of tons, value in millions of dinars)

	1993		1994		1995		1996		1997	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Phosphate rock	1,122	32	1,296	33	1,308	32	1,206	36	1,206	36
Phosphoric acid	895	121	1,142	170	1,128	191	1,198	218	1,198	218
Superphosphate	635	75	776	103	744	110	705	120	705	120
Other phosphates derivatives 1/	762	105	743	131	145	163	...	214	...	214

Sources: Ministry of Industry and BCT.

1/ Includes ammonium phosphate, bicalcium phosphate, and hyperphosphate.

Table 34. Tunisia: Exports and Imports of Primary Products by Major Categories, 1993–97

(Volume in thousands of tons, value in millions of dinars)

	1993		1994		1995		1996		1997	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Exports										
Olive oil	122.6	177.3	193.0	305.0	90.0	217.0	29.0	117.0	126.0	288.0
Dates	18.5	47.7	21.0	57.0	21.0	58.0	18.0	47.0	21.0	52.0
Almonds	1.2	3.8	0.5	1.5	0.3	0.8	0.7	1.3	...	...
Citrus	23.6	9.6	21.0	8.0	25.0	11.0	22.0	9.0	15.0	6.0
Wine 1/	8.7	12.5	15.0	22.0	10.0	15.0	8.0	6.0	10.0	7.0
Fish	15.7	89.8	14.0	83.0	10.0	74.0	13.0	91.0	16.0	107.0
Imports										
Soft wheat	686.0	85.6	802.0	90.0	911.0	147.0	757.0	150.0	1,033.0	186.0
Hard wheat	28.7	4.8	50.0	12.0	668.0	138.0	248.0	63.0	201.0	49.0
Barley	29.8	2.9	454.0	38.0	669.0	75.0	194.0	27.0	328.0	51.0
Maize	290.0	36.6	254.0	33.0	311.0	43.0	380.0	68.0	413.0	65.0
Sugar	212.9	61.8	284.0	94.0	187.0	69.0	242.0	87.0	247.0	92.0
Tea	11.1	17.3	13.0	19.0	7.0	11.0	11.0	17.0	12.0	23.0
Milk	46.0	54.0	33.0	41.0	25.0	51.0	15.0	28.0	30.0	43.0
Soybean oil	141.0	66.0	154.0	92.0	176.0	11.0	197.0	113.0	160.0	100.0
Meat 2/	14.9	26.0	9.0	16.0	6.0	12.0	4.0	10.0	8.0	16.0

Sources: Central Bank of Tunisia; and National Statistics Institute.

1/ Includes other alcoholic beverages.
2/ Including live animals for slaughter.

Table 35. Tunisia: Direction of Trade, 1993–97

(In percent of total)

	1993	1994	1995	1996	1997
Exports, f.o.b.					
EC countries	78.3	80.1	78.7	79.7	78.3
Of which					
France	29.3	27.2	27.9	25.7	25.3
Italy	18.5	19.6	19.0	20.7	21.4
Germany	17.4	15.5	15.7	15.6	14.5
Netherlands	3.1	3.1	2.8	3.1	2.8
Belgium/Luxembourg	7.3	6.5	6.5	7.1	6.1
United Kingdom	1.3	1.5	1.5	1.9	3.1
Greece	0.1	1.3	0.6	0.7	0.4
Spain	2.5	4.7	4.0	3.6	3.6
Arab Maghreb Union	7.7	6.4	7.4	6.0	5.9
Libya	5.0	3.4	3.5	3.6	4.6
Algeria	1.8	2.3	3.4	1.7	0.7
Morocco	0.9	0.6	0.5	0.7	0.6
Mauritania	0.0	0.0	0.0	0.0	0.0
Other countries	14.0	13.5	13.9	14.3	15.8
Of which					
United States	0.7	1.0	1.3	0.8	0.7
Turkey	1.3	0.3	0.6	0.9	1.1
FSU	0.2	0.1	0.0	0.0	0.1
Japan	0.2	0.3	0.3	0.3	0.2
Switzerland	0.5	0.5	0.9	0.5	0.9
Total	100.0	100.0	100.0	100.0	100.0
Imports, c.i.f.					
EC countries	72.3	69.5	70.2	69.5	73.7
Of which					
France	27.2	27.4	26.1	24.1	24.2
Italy	18.4	15.4	15.6	18.6	19.4
Germany	13.1	12.2	12.7	12.6	13.6
Netherlands	2.2	2.1	2.7	2.3	2.1
Belgium/Luxembourg	4.3	4.3	4.5	4.4	4.1
United Kingdom	2.3	2.2	2.0	2.0	2.7
Greece	0.8	0.7	0.9	0.8	0.5
Spain	3.3	3.6	4.2	3.9	4.2

Table 35. Tunisia: Direction of Trade, 1993–97

(In percent of total)

	1993	1994	1995	1996	1997
Arab Maghreb Union	3.2	4.5	4.5	5.4	4.7
Libya	0.8	1.9	2.3	3.0	3.1
Algeria	1.6	1.9	1.4	1.6	1.0
Morocco	0.8	0.7	0.8	0.7	0.6
Mauritania	0.0	0.0	0.0	0.0	0.0
Other countries	24.5	26.0	25.3	25.1	21.6
Of which					
United States	5.8	6.6	5.0	4.4	4.2
Canada	0.5	0.5	1.0	0.6	0.8
Brazil	0.7	1.0	0.6	0.8	0.7
Argentina	0.6	0.7	0.2	1.2	1.5
Austria	0.4	0.6	0.4	0.0	0.2
Turkey	0.9	1.3	1.4	1.3	1.0
Sweden	1.3	1.1	1.1	1.1	1.0
Switzerland	1.3	1.5	1.5	1.3	1.2
FSU	1.6	1.6	2.8	1.1	1.6
Former Yugoslavia	0.1	0.1	0.1	0.1	0.0
Romania	0.0	0.1	0.3	0.9	0.4
China, People's Repubic of	0.8	0.8	0.7	0.8	0.8
Japan	2.3	2.3	1.8	2.1	2.3
Saudi Arabia	0.3	0.4	0.6	0.4	0.5
Total	100.0	100.0	100.0	100.0	100.0

Sources: Central Bank of Tunisia; National Statistics Institute of Tunisia (INS).

Table 36. Tunisia: Composition of External Debt by Creditor, 1992–96

(In millions of dinars; end of period)

	1992	1993	1994	1995	1996
Multilateral organizations	2,336	3,300	3,432	3,620	3,856
Of which					
World Bank	1,309	1,582	1,540	1,507	1,629
African Development Bank	728	1,037	1,167	1,327	1,402
OECD countries	3,659	3,904	4,120	4,194	4,047
Of which					
France	1,047	1,122	1,269	1,348	1,290
Germany	694	686	695	750	634
Japan	530	639	689	673	643
United States	605	631	650	618	655
Italy	415	468	434	432	409
Arab countries and organizations	568	616	676	593	697
Of which					
Saudi Fund	134	124	113	105	162
Kuwaiti Fund	136	127	164	154	142
Arab Fund for economic and social development	177	234	288	225	265
Other countries	102	86	154	29	56
Financial markets	161	122	368	874	1,230
Total medium- and long-term debt	6,826	7,794	8,462	9,085	9,620
Arab Monetary Fund	14	12	4	0	16
International Monetary Fund	276	298	300	279	237
Total external debt	7,116	8,104	8,766	9,364	9,872
(As percent of GDP)	51.9	55.3	55.5	55.0	52.0

Sources: Central Bank of Tunisia; and Fund staff estimates.

Table 37. Tunisia: External Debt and Debt Service Payments, 1993–97

	1993	1994	1995	1996	Prel. 1997
			(In millions of SDRs)		
Disbursement	849	1,041	1,032	1,014	1065
Long-term capital	558	464	442	437	434
Medium-term capital	291	577	590	578	631
Debt service					
Medium and long term	931	985	1,055	1,122	1117
Interest	321	348	386	446	433
Principal	610	638	669	676	684
IMF	17	13	23	42	45
Charges	13	13	13	10	8
Repurchases	4	0	10	32	37
Total debt service	948	998	1,078	1,164	1162
Interest	334	360	399	455	441
Principal	614	638	679	708	720
Debt outstanding	5,610	6,058	6,625	6,865	7215
Medium- and long-term debt	5,395	5,848	6,428	6,700	7081
AMF	8	3	0	0	5
Fund credit	207	207	197	165	128
			(In percent of exports of goods and services)		
Total debt service 1/	20.4	18.6	18.4	18.6	17.7
Interest	7.2	6.7	6.8	7.3	6.7
Principal	13.2	11.9	11.6	11.3	11.0
Excluding IMF	20.0	18.3	18.0	18.0	17.0
Interest	6.9	6.5	6.6	7.1	6.6
Principal	13.1	11.9	11.4	10.8	10.4
			(In percent of GDP)		
Debt outstanding	55.3	55.5	55.0	52.0	53.2
Total debt service	9.1	9.1	9.1	8.7	8.4

Sources: Data provided by the Tunisian authorities; and Treasurer's Department of the Fund.

1/ Includes IMF charges and repurchases.

Table 38. Tunisia: Selected Exchange Rate Indices, 1993–97 1/
(Period averages; 1990=100)

		U.S. dollar	French franc	SDR	Effective exchange rate 2/ Nominal	Real (CPI-based)	Relative Prices
1993	Q1	89.2	91.0	87.9	98.6	100.7	102.1
	Q2	89.3	89.7	85.8	97.5	99.0	101.6
	Q3	85.9	91.8	83.1	98.2	100.1	102.0
	Q4	85.5	91.7	83.3	99.0	101.5	102.5
	Year	87.5	91.0	85.0	98.3	100.3	102.1
1994	Q1	83.4	89.9	81.6	98.1	100.4	102.4
	Q2	85.5	89.5	82.0	99.4	101.6	102.2
	Q3	89.0	87.6	82.8	98.9	101.0	102.2
	Q4	89.4	87.2	82.7	99.0	101.5	102.5
	Year	86.8	88.5	82.3	98.9	101.2	102.3
1995	Q1	90.6	86.1	82.4	98.9	102.1	103.2
	Q2	94.1	85.1	81.5	98.9	103.2	104.3
	Q3	93.5	85.1	83.7	99.7	104.3	104.6
	Q4	93.0	84.3	84.6	99.2	103.9	104.7
	Year	92.8	85.2	83.0	99.2	103.4	104.2
1996	Q1	90.8	84.1	84.1	99.0	103.2	104.3
	Q2	89.5	84.9	84.0	99.8	103.8	104.0
	Q3	90.7	85.0	84.8	100.1	104.5	104.3
	Q4	89.7	85.4	84.3	100.5	104.7	104.3
	Year	90.1	84.8	84.3	99.9	104.1	104.2
1997	Q1	81.9	84.3	79.8	98.9	103.4	104.5
	Q2	80.6	85.6	79.1	99.5	104.5	105.0
	Q3	77.0	86.3	76.7	99.4	104.5	105.1
	Q4	78.1	84.5	77.6	98.6	103.3	104.8
	Year	79.4	85.2	78.3	99.1	103.9	104.9
	Year	90.2	84.8	84.3	99.9	104.1	104.2

Sources: IMF, International Financial Statistics, and Information Notice System.

1/ Foreign currency units per Tunisian dinar.

2/ Weighted by non-oil trade and tourism flows of 15 partner and competitor countries.

Table 39. Tunisia: Financial Sector Indicators, 1993–97

	1993	1994	1995	1996	1997
			(In billions of dinars)		
Treasury bills outstanding 1/	1.9	2.3	2.4	2.8	3.2
Commercial paper	0.435	0.451	0.761	0.614	0.529
Corporate bonds	0.028	0.050	0.019	0.016	0.038
Stock market capitalization	1.0	2.5	4.0	3.9	2.6
Stockmarket turnover 2/	0.2	0.5	0.9	0.6	0.6
			(In percent of GDP)		
Treasury bonds outstanding 1/	12.8	14.5	14.1	14.8	15.4
Commercial paper	3.0	2.9	4.5	3.2	2.5
Corporate bonds	0.2	0.3	0.1	0.1	0.2
Stock market capitalization	6.8	16.0	23.3	20.5	12.5
Stockmarket turnover 2/	1.1	3.4	5.4	3.3	2.8

Sources: IFS, and Statistiques financières de la Banque centrale de Tunisie.

1/ Including *bons cessibles*, *bons négotiables*, and *bons d'équipements*.

2/ Including off-floor transactions, and trades in bonds.

Tunisia: Summary of the Tax System as of January 1, 1998

Tax	Nature of Tax	Exemptions and Deductions	Rates
1 Income tax and corporate tax			
1.1 Income tax (Personal Income Tax and Corporate Tax; (Code de l'impôt sur le revenu des personnes physiques et de l'impôt sur les sociétés–CIRPPIS)	Levied on the worldwide income of individuals domiciled in Tunisia. Income categories include: • Business profits (BIC); • Profits of noncommercial enterprises; • Farming and fishing operating profits; • Salaries, wages, pensions, and life annuities; • Income from securities and capital assets; • Income from land; and • Other income. Nonresidents are also subject to tax on their Tunisian-source income. Tax is collected in some cases through withholding (on wages and salaries, interest, fees, contracts), on payment instruments in favor of nonresidents (fees other than those paid by fully exporting corporations, interest, attendance vouchers), or advance payments (corporations of individuals and imported goods). Income tax can also be paid in three installments, each equal to 30 percent of the previous year's income tax, in the 6th, 9th, and 12th months of the relevant tax year.	Exemptions: remuneration of foreign diplomats, (on a reciprocal basis); life annuities paid to work-related accident victims; indemnities paid to victims of physical attacks by virtue of a court verdict; social security and welfare payments; special allowances to cover work-related expenses; dividends; interest income from bank deposits in foreign currency or convertible dinars; interest income from housing-savings accounts; expatriation indemnity, in certain circumstances, for wage earners working abroad. Professional deductions (BIC): • Linear or degressive depreciations are allowed for fixed assets. Housing purchased or constructed to accommodate personnel may be subject to amortization at the rate of 50 percent in the first year, with the remainder payable over a period of 10 years. • Provisions for bad debts and for depreciation of merchandise stocks earmarked for sale totaling up to 20 percent of taxable profit. • Grants and subsidies totaling up to 2 percent of turnover. However, this ceiling is not applicable to grants made to certain bodies, the list of which is established by decree. • Reception expenses of up to 1 percent of turnover and not exceeding D 20,000. Ordinary deductions • Interest on special savings accounts maintained with banks and with the National Savings Fund of Tunisia (CENT) and on bonds for up to D 1,500 and not exceeding D 1,000, for interest from banks and from the CENT. • Premiums under insurance contracts of up to D 800, plus D 400 for a spouse and D 200 for each dependent child. • Income reinvested in subscriptions to the capital of enterprises, within the limits and under the terms specified in the legislation governing tax benefits.	<u>Bracket</u> — Rate <u>(In percent)</u> First 1,500 — zero Next 3,500 — 15 " 5,000 — 20 " 10,000 — 25 " 30,000 — 30 Over 50,000 — 35 Minimum tax rate: 0.5 percent of the turnover and not exceeding D 1,000 (for nonbusiness and business profits). A flat tax is established for business enterprises whose annual turnover does not exceed the amount specified in the CIRPPIS.

Tunisia: Summary of the Tax System as of January 1, 1998

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.2 Corporate tax	Levied on all resident corporations, cooperatives, and autonomous public entities and government agencies engaged in industrial or commercial activity, as well on Tunisian-source profits of nonresident corporations (interest, fees, attendance vouchers, assembly operations). Losses can be carried forward as deductions against profits realized over the following three years. Corporate tax is paid in the same way as income tax (i.e., withholding, advances, and installments). Adjustments are made upon submission of the tax return.	Exemptions: nonprofit professional associations with income from tax or quasi-tax sources; mutual funds; savings and assistance funds managed by unpaid officials; nonprofit public entities; service cooperatives in agriculture and fishing; employee-owned production cooperatives. Deductions (same as for individuals on business profits). However: • Deductible provisions for doubtful claims are raised to 50 percent or 100 percent, depending on the circumstances, for banks and leasing corporations. • Provisions for depreciation of shares and equity are deductible from the taxable profits of banks and risk-capital mutual funds (SICAR) up to 30 percent of taxable profits, with a rate of 50 percent for fiscal years 1997–2001. The rate of 50 percent covers provisions for doubtful claims constituted by the banks. • Income reinvested in enterprises and in subscriptions to the capital of enterprises is deductible within the limits and under the terms specified in the legislation governing tax benefits.	Rate: 35 percent. Reduced rate: 10 percent, applicable to the profits of enterprises engaged in handicraft, agricultural, and fishing activities and profits earned by youth employment programs or handicraft and small trade promotion funds. Minimum tax: 0.5 percent of turnover, with a ceiling of D 1,000 for corporations subject to corporate tax at the rate of 10 percent and D 2,000 for corporations subject to corporate tax at the rate of 35 percent.
2. Payroll taxes			
2.1 Vocational training tax	Levied on wages and salaries.	None.	Rate: 2 percent; Reduced rate: 1 percent (for jobs in the manufacturing sector).
2.2 Contribution to the Fund to Promote Low Cost Housing for Wage Earners (Fo Prolos)	Levied on wages and salaries.	None.	1 percent.

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Tax	Nature of Tax	Exemptions and Deductions	Rates
3. Registration and stamp duties			
3.1 Sales of buildings.	Levied on the value of property sold.		• 5 percent on the value of property sold.
3.2 Swaps of buildings.	Levied on the value of property swapped.		• 2.5 percent on the value of property swapped.
3.3 Gifts and inheritances.	Levied on the value of property passed on.	Rebate of D 2,000 for each dependent spouse, child, and descendant, with a ceiling of D 12,000 established on any such rebate, per inheritance. Additional rebate of D 4,000 per handicapped heir. Exemption for agricultural land if the heirs undertake to farm the land jointly for 15 years.	• 5 percent for direct transfers between spouses and between brothers and sisters. • 25 percent and 35 percent for other relatives.
3.4 Corporations	Instruments creating, extending, dissolving, or increasing the capital of a corporation.	Exemption for the instruments of fully exporting corporations. Waiver of the formality of registering instruments changing the capital of mutual funds, cooperatives, and mutual associations.	D 100 per instrument.
3.5 Judgments and decisions.	Levied on the amount of the fine or liquidation pronounced.		• 5 percent on the amount of the fine or liquidation pronounced, with a minimum of D 5-10 or D 20. • Application of the minimum duty when the proceedings are requested by a party not convicted. Prorated duty will be payable subsequently on any amounts collected.
3.6 Stamp duty.	Fixed duties levied on certain civil and administrative instruments subject to prorated or progressive stamp duty and on certain specifically designated documents (commercial paper, international transportation contract) or on administrative documents (passports, identification cards).		Various duties ranging from D 0.200 to D 100.000.

Tunisia: Summary of the Tax System as of January 1, 1998

Tax	Nature of Tax	Exemptions and Deductions	Rates
4. Duties and taxes on goods and services			
4.1 Value-added tax (Value Added Tax Code of June 2, 1988)	Levied on industrial and handicraft production activities, wholesale trade, retail trade (turnover > D 100,000), services, and imports. Tax base: • At the time of importation: * By taxpayers: customs valuation, inclusive of all duties and taxes except VAT. * By nontaxpayers: value specified above 25 percent. • Under the domestic regime: In general, price of the merchandise, work, or services, inclusive of all costs, duties, and taxes except VAT. The system of deductions is applied across the board except in a few cases. Credit is granted for tax paid in the course of previous phases, with a refund in full (export duty and VAT withheld on public contracts) or in yearly tranches of 40 percent (leasing and investment) or of 20 percent (other cases).	Exemptions: exports, as well as selected goods (books, newspapers, periodicals, milk, vegetable oil, etc.) and services (international air transport, maritime transport, etc.).	18 percent: industry and services. 6 percent: fertilizers, handicrafts, and medical activities. 10 percent: computers, data processing services, hotel and restaurant services, capital goods not manufactured locally, noncommercial professional services, and 4-hp cars 29 percent: luxury goods.
4.2 Consumption duties (Law 88-62 of June 2, 1988).	Levied on selected goods (products, tobacco, wine, beer, and alcoholic beverages).	None.	Ad valorem rates vary from 25 percent to 683 percent (alcoholic beverages) Specific rates (petroleum products, alcohol, wine, and beer).
4.3 Tax on insurance contracts.	Levied on insurance premiums issued.	• Reinsurance • Agricultural and fishing risks underwritten with the Tunisian Agricultural Mutual Fund (CTAMA) • Risks for export goods and export credits • Mandatory insurance for the construction of housing • Life insurance, capitalization, and life annuities • Risks located outside Tunisia	•5 percent on maritine and air transport; •10 percent; other.
4.4 Motor vehicle tax.	Levied annually on motorcycles and cars.	Vehicles registered abroad, during their first three months in Tunisia.	Motorcycles: D 30-450, depending on the size of the engine. Cars: D 45-1,500, depending on the horsepower. These rates are doubled in the case of individuals

Tunisia: Summary of the Tax System as of January 1, 1998

Tax	Nature of Tax	Exemptions and Deductions	Rates
5. Taxes on foreign trade.			
5.1 Import duty. 5.1.1 Customs duty on imports.	A tariff based on the OECD nomenclature, with three columns (minimum, preferential, and general rates). The preferential rate is applied to goods from 15 countries of North Africa and the Middle East, provided they satisfy origin criteria. The general tariff is applied to goods from countries not having special commercial relations with Tunisia or to which the most favored nation clause does not apply.	Exemptions apply to certain categories of importers or imports, such as: • Enterprises authorized under the investment promotion legislation (Law 93-120 of 12/27/93 Establishing the Investment Incentive Law); • Goods used in manufacturing under special customs regimes (e.g., temporary admission, industrial warehousing); • Goods used by certain institutions and organizations: the armed forces, diplomats, international organizations, airlines, etc.; • Goods used for educational, cultural, social, and health purposes; • Personal effects and travel goods within specified limits. Exemptions or deductions may also be applied to certain foodstuffs imported under special temporary tax regimes.	Rates: 0-43 percent; for agricultural products: 0-230. All duties are ad valorem on c.i.f. values.
5.1.2 Service Fee on imports.	Flat duty on all imports, regardless of their origin.	Numerous exemptions.	3 percent of total import duties, including VAT consumption duty and anticyclical tax.
5.1.3 Complementary duty on imports (Droit Complementaire à l'Importation)	Additional temporary import duty levied on limited range of finished and semi-finished goods produced locally.		Rate: 10 percent. Eliminated as at January 1, 1998. During 1997, the rate was 10 percent.
5.2 Service Fee on exports.	Uniform duty on all exports.	Numerous exemptions.	1.5 percent of export value, f.o.b. Budget Law of 1988 provides a list of taxable exports.

Tunisia: Summary of the Tax System as of January 1, 1998

Tax	Nature of Tax	Exemptions and Deductions	Rates
6. Taxes earmarked for special Treasury funds			
6.1 Taxes earmarked for the development fund to promote competitiveness in agriculture and fishing			
6.1.1 Fees on fishing products	Levied on local sales of fishing products	Exports	2 percent on sales
6.1.2 Tax on fruits and vegetables	Tax payable upon import and on production		2 percent
6.1.3 Tax on corn and soybean cakes	Tax payable upon import and on local production		2 percent
6.1.4 Tax on meat	Levied on quantities of meat produced locally or imported		D 0.050 per kilogram
6.2 Taxes earmarked for the development fund to promote competitiveness in the industrial sector			
6.2.1 Tax on canned food	Levied on the value of packaging materials and, for imports, on the value of canned food		1 percent
6.2.2 Professional tax on footwear	Payable on leather articles produced locally or imported		1.5 percent
6.2.3 Tax on construction, ceramic, and glass materials	Levied on the turnover of enterprises producing construction materials		0.5 percent
6.2.4 Tax on fabric sales	Levied on factory gate prices and on customs valuation		1 percent
6.2.5 Tax on products of the mechanical, electrical, chemical, and packing goods industries	Payable on industrial products produced locally or imported		1 percent
6.3 Tax earmarked for the development fund to promote competitiveness in the tourism sector	Payable by operators of hotels and restaurants in the tourism category and by travel agencies in Category A		• 1 percent of turnover for hotels and restaurants • D 1.700 per month and per seat provided in tourism vehicles, for travel agencies.

Tunisia: Summary of the Tax System as of January 1, 1998

Tax	Nature of Tax	Exemptions and Deductions	Rates
7. Tax earmarked for local governments			
7.1 Tax on industrial, commercial, and professional establishments	Payable by legal entities subject to corporate tax, by individuals subject to income tax in the BIC and BNC categories, by shareholder associations and companies of individuals engaged in business under the BIC or BNC category	The following are exempt from this tax: • Persons having no permanent address in Tunisia; • Tourism establishments; • Certain persons, by virtue of special laws or conventions.	• 0.2 percent of local gross turnover under the general regime; • 25 percent of income tax for those paying the flat tax; • 25 percent of the minimum income tax or corporate tax for enterprises in deficit; • 25 percent of the tax payable by enterprises whose gross profit margin does not exceed 4 percent by law; • Maximum: D 50,000 per year for each enterprise; • Minimum: tax on constructed buildings calculated on the basis of the surface covered and the services provided by the local government.
7.2 Hotel tax	Payable by operators of tourism establishments as defined by the legislation in force.		2 percent of turnover.

Sources: Personal Income Tax and Corporate Tax Code; Value Added Tax Code; Customs Code; Law 88-62 of June 2, 1988 Revising the Rules and Regulations on Consumption Duties; and Registration and Stamp Duty Code.