Statement by Balmiki Prasad Singh  
Date of Meeting: April 27, 2000

Republic of Tunisia - Country Assistance Strategy

We welcome the discussion on the Country Assistance Strategy of Republic of Tunisia. We compliment the Staff for this well written document which clearly brings out the success story of Tunisia as well as the current problems.

We congratulate the Government of Tunisia for their pragmatic and outward looking policies that have put Tunisia on a high growth path and brought down the incidence of poverty from 40 percent to 7 percent. This is by no means a small achievement. The people of Tunisia, the Government, external partners and the World Bank deserve credit for the same.

We very much acknowledge the Bank’s proposed strategy, as outlined in the document with the main objectives of consolidating the long term development, supporting economic reforms, to enhance competitiveness and increase employment and also the new initiatives, particularly in the field of information technology. Since Tunisia has already demonstrated that it can grow consistently, reduce poverty and improve social indicators, what is needed today is to sustain the development and continue to grow. In this connection, the current Country Assistance Strategy goes a long way. However, we have the following comments to make.

One of the main risks to the Government’s development program is its huge wage bill and interest payment. This amounts to 50 percent of the revenue. Though the document acknowledges the need for a comprehensive civil service reform, we are disappointed to note the absence of any program to induce this reform.
It is also acknowledged that Tunisian economy is subject to large fluctuations in agricultural production, which in turn depends heavily on rainfall. Since the drought sets off variety of chain reactions in employment, production, exports and imports, government needs to concentrate in consolidating the irrigation facilities and water harvesting system. Again unfortunately, no program has been designed in this area.

Though the Government’s external sector seems to be comfortable at present, a foreseeable shock, particularly in textile export or fluctuations in the tourism industry can put tremendous pressure on the balance of payments. Tunisia should not be tempted to go in for huge external borrowing in the market to meet its current account deficit. This will completely upset the external debt profile and make the domestic economy unviable. The document does not address any viable strategy to meet this contingency. The best way is to attract more foreign direct investment and in this connection we would like to know from the staff what role MIGA can play in Tunisia.

We appreciate the Staff’s judgement in enlarging the non-lending services linked to sector investment lending operations. In this connection, though the document acknowledges new initiatives will be taken in information technology sector, the first policy note on information technology has been scheduled at the end of FY 2001. Since information technology is fast developing this needs to be expedited, if necessary by bringing this policy note in the current year itself. We would also like to know about further liberalization of the investment code to increase foreign investment and strategy to effect improvements in government efficiency that Government of Tunisia are to take to meet growing challenges and linkages with advanced economies.

To sum up, we extend our full support to the proposed Country Assistance Strategy and wish the people and the Government of Tunisia success in their onward march towards progress and economic stability.