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Contacts with member countries: Tunisia - Correspondence 02

Contact
Tunisia (1971-1978)


Folder 2.

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OFFICE MEMORANDUM

TO: Memorandum for the record DATE: October 6, 1971

FROM: Guy de Lusignan 

SUBJECT: Visit of Mr. Moalla, Minister of Planning, Tunisia, to Mr. McNamara on Friday, October 1, 1971

1. Mr. Moalla, Minister of Planning and Head of the Tunisian Delegation at the Annual Meeting, called on Mr. McNamara on October 1. Mr. Moalla was accompanied by Mr. Belhadj Amor, Director of Budget and Chief of Cabinet in the Ministry of Finance, Alternate Governor for the Bank; Mr. Abdelkefi, Technical Advisor to the Minister of Planning; and Mr. Ghezal, Minister at the Tunisian Embassy in Washington.
2. First of all, the Head of the Delegation conveyed the compliments of President Bourguiba and of the Prime Minister, Mr. Nouira, to Mr. McNamara. Mr. Moalla expressed the satisfaction of the Government of Tunisia on the excellent cooperation existing between Bank and Tunisian officials and on the operations that have been carried out during the last 12 months. This year can be considered, he said, as one of the best in terms of Bank commitments and preparation of projects which furthermore fit well within the framework of Tunisia's new economic policies.
3. Secondly, Mr. Moalla reiterated the invitation extended by the Prime Minister to the President of the Bank in his letter of September 15. The Government of Tunisia very much hopes that Mr. McNamara will be able to pay a visit to Tunisia in the coming months.
4. Mr. McNamara expressed his appreciation of the compliments of the Tunisian Government and to its kind invitation. He hoped that his travel plans for this fiscal year would enable him to undertake this visit in the not too distant future at a date convenient to the Government.
5. Mr. McNamara then asked a number of questions on the economic situation of Tunisia. The Minister of Planning replied as follows:
 - (i) The Tunisian economy is improving. The rate of growth of GDP is projected to reach between 6.6 and 7.7 percent in both 1971 and 1972. Substantial increases are expected in agricultural output, particularly cereals, meat and olive oil; the olive oil production will rise to 95,000 tons in 1971 and probably 140,000 tons in 1972. There is also an acceleration of tourism development with a 33 percent growth in 1971, when revenues will amount to \$80-\$100 million.

President has seen

- (ii) In the short run, both the more rapid economic growth expected in 1971 and 1972 and the high level of emigration will alleviate somewhat Tunisia's unemployment problem. Yet, any long term solution will require the creation of additional jobs. The Minister of Planning emphasized that the approach of the Tunisian Government was very similar to the one highlighted in Mr. McNamara's Opening Statement at the Annual Meeting, be it the improvement of small farmers or the promotion of export-oriented industries.
- (iii) The structure of Tunisia's external debt is improving, short-term debts to private sources having been reduced. The debt service ratio which is, according to the Minister, 24 percent, is estimated to decrease to 19-20 percent by 1972/73 and to 18 percent by 1975.
- (iv) Foreign exchange earnings are bound to increase because of tourism expansion and Tunisia's new industrial policy which advocates the promotion of export-oriented industries.

6. The Minister of Planning concluded by welcoming Mr. Chenery's forthcoming visit to Tunis and Mr. McNamara's visit which would convince the Bank that the Tunisian Government is determined to implement its new policy objectives.

c.c. Mr. D. Hartwich

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara DATE: December 7, 1971

FROM: M.P. Benjenk *my*

SUBJECT: TUNISIA - SNI
Visit of Mr. Bourguiba Jr., President of SNI, December 8, 1971

1. Mr. Habib Bourguiba Jr., President of Societe Nationale d'Investissement (SNI) will be in Washington, December 6 to 10, to conclude the negotiations for a fourth Bank loan to SNI and you agreed to see him on December 8, 1971 at 12.15 p.m.
2. As you know, Mr. Bourguiba Jr. was responsible for Foreign Affairs from 1964 to 1967 and was appointed Minister of Justice in June 1970. In November 1970, he left the Government mainly for health reasons. Although he is a member of the National Assembly and the last October Party Congress confirmed his position as a member of the Central Political Committee, he is actually playing a very minor role in Tunisian political life. While from time to time there are some rumors in Tunis that he may re-enter the Government, Mr. Bourguiba Jr. gives the impression of wanting to stay out of the political arena and to start a new career as a development banker.
3. Mr. Bourguiba became President and Chief Executive of SNI on March 8, 1971 in replacement of Mr. Moncef Belkhodja who has agreed to stay at SNI as "Administrateur Delege" (Associate Chief Executive).
4. During the meetings he had in the Bank in March, Mr. Bourguiba Jr. expressed his intention to devote himself entirely to his task of President of SNI and more specifically to improve the organization, the staff and the quality of the operations of SNI. Although Mr. Bourguiba has had little banking experience, there is no doubt that he can carry out his responsibilities effectively if he is determined to do so. His experience in diplomacy and public life may even be a very valuable asset for SNI, which has to diversify its resources and which could stimulate the promotion of export oriented industries and attract foreign private investors.
5. At the time of Mr. Bourguiba's appointment, SNI's management and organizational structure had weakened because of the departure of key management staff. SNI was thus without competent senior assistance and inadequate appraisal and supervision procedures at a time when its operations were expanding considerably. Mr. Bourguiba has agreed that remedial action was urgently needed, and this issue has been a major topic in the current negotiations.

President has seen

6. Mr. Bourguiba might confine his comments during his meeting with you to general Tunisian matters, but he may also mention the following points relating to his bank:

- (a) continued support of the Bank Group to SNI;
- (b) steps he intends to take to improve SNI's organization, staff and quality of operations;
- (c) long-term plans of SNI; these plans include in particular the diversification of SNI activities and resources through a Development Fund that the Government is seeking to establish within SNI and which could be financed by bilateral aid and local funds;
- (d) the possibility of using part of the proceeds of a possible fifth Bank loan to finance the local cost component of SNI's projects.

7. In the context of the Bank's general approach to the development of Tunisia, you may wish to ask Mr. Bourguiba to comment on his plans to diversify SNI's resources (the Bank has been, by far, SNI's major supplier of credit) to promote export oriented industries and to finance more labor intensive projects.

8. The proposed fourth loan will help SNI to meet its resource requirements until the end of 1972 and the early part of 1973. The negotiations have progressed satisfactorily and a general understanding is expected to be reached on the main issues, i.e. the organization, the staffing, the security of SNI loans, the diversification of resources and the audit. An appraisal mission is scheduled for June 1972 for a fifth loan because we have felt it preferable to keep SNI on a one year "short leash" this time, owing to uncertainties in its performance. This will give an opportunity for the Bank to assess SNI's progress in the directions agreed upon during the present negotiations.

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: October 20, 1972

FROM: Guy de Lusignan

SUBJECT: TUNISIA: Meeting with Mr. McNamara and H.E. Mansour Moalla,
Minister of Planning, on September 27, 1972

H.E. Mansour Moalla, Minister of Planning, called on Mr. McNamara on September 27. He was accompanied by:

Mr. Mohamed Ghenima, Governor, Central Bank
H.E. Slaheddine El Goulli, Ambassador of Tunisia to Washington
Mr. Habib Bourguiba Jr., President of SNI
Mr. Moncef Bel Hadj Amor, Secretary General of the
Ministry of Finance and Alternate Governor for the Bank

Present from the Bank:

Mr. Knapp
Mr. Benjenk
Mr. de Lusignan

The meeting was characterized by an exposé of Mr. Moalla on Tunisia's economy. Most of the information presented by Mr. Moalla had been analyzed in depth in the last economic report of the Bank and discussed in the last CPP. However, it was extremely invigorating to hear the Minister of Planning presenting Tunisia's performance in recent years and its prospects for further development within the next decade. Mr. McNamara congratulated Mr. Moalla on his exposé at the end of the meeting.

For the record, three major themes could be underlined.

First, Mr. Moalla recalled that over the last ten years, 1962-72, the Government's policy focused on social infrastructure and particularly improvement of the education and health sectors. This resulted in vast investments which, given population growth and weather fluctuations, did not lead to a satisfactory growth rate. On the other hand, for the next decade 1972-81, the policy of the Government, said Mr. Moalla, will be to drastically redistribute investment in order to meet the demand and to ensure greater yields and a more productive and market-oriented economy. The present Plan under preparation for 1972-76 has an objective to invest 60 percent of total expenditures within the four-year period in the non-agricultural productive sectors, i.e. industry and tourism. This does not mean, however, emphasized the Minister, that no effort will be made in agriculture, the objective of the Plan is to maintain a 4.5 percent growth rate in this sector.

President [unclear]

October 20, 1972

The second point made by the Minister was that the Government of Tunisia is determined to come to grips with the extremely important problem of population growth and employment. Family planning programs will be intensified, together with the creation of new jobs. With respect to population, the objective of the Government is that Tunisia's population in year 2000 becomes comparable to today's Italian population with a rate of growth of 1 percent per year against 2.2 percent. With respect to employment, Tunisia should actually aim at creating 500,000 new jobs by 1981, but this would require an investment program of 850 million dinars per year, which Tunisia cannot afford. The objectives of the forthcoming Fourth Plan is to double present rate of investment from 250 million dinars to 500 million dinars a year and to create 30,000 new jobs per year. In addition, the Government will have to make arrangements for sending abroad 20,000 workers per year notwithstanding the present immigration flow. The Minister admitted that these objectives were ambitious but he felt that they were attainable. They reflect the changes of the Government's economic policies over the last two years and they aim at taking stock of the achievements of 1971 and of 1972 when growth increased by 9.3 percent and 19 percent respectively.

The last point made by the Minister was in reference to the redistribution of investment in various sectors of the economy. He elaborated on this point particularly following a question of Mr. McNamara regarding the need for Tunisia to meet the above objectives and to find projects economically justifiable. The Minister assured Mr. McNamara that the preparation of sound projects was of primary concern to Tunisia. In the field of agriculture, for instance, Mr. Moalla was convinced that projects for developing livestock, fisheries and rainfed and irrigated agriculture existed. He felt also that such projects could permit agriculture to increase at a rate of 5 percent per year in years 1972-76. He added that the Ministry of Agriculture would reinforce its planning activities and project preparation activities by creating a research center for agriculture projects. With respect to industry, the Minister of Planning was confident that measures already taken by the Government would stimulate industrial development and particularly the agency for the promotion of investment for export-oriented industries and the proposed establishment of an industrial estates company. He also said that the Government of Tunisia wanted local banks to have more responsibility in promoting private investment.

The meeting ended by Mr. Moalla reiterating to Mr. McNamara last year's invitation of the President of the Republic. Mr. McNamara had at the beginning of the meeting expressed his regrets to have been unable to visit Tunisia as planned; he hoped to be able to respond to this invitation in the course of the next fiscal year.

cc: Mr. McNamara (2)
Mr. Benjenk
Mr. Hartwich
Mr. Siebeck

GdeLusignan/gp

Mr. Anders E. E. Ljungh, Office of the President

June 25, 1973

D. Hartwich, CPD II, EMENA

Tunisia - Mr. McNamara's visit

1. Here are, at last, the notes on the principal meetings which Mr. McNamara had. I am sorry for the delay but both Wolfgang Siebeck and myself were caught in all sorts of things after our return.

2. I might add that after Mr. McNamara's departure on May 16, we met with several Ministers and others to follow up on some of the points he had made, in particular the approach to rural development, the objectives of the special industrial mission and improvements in the effectiveness of the Bank Group financed education planning team. A number of further follow-up actions have been taken since.

3. Mr. McNamara might be interested to know that Mr. Ayari, the Minister of Economy, told me that Prime Minister Nourira and others had been perturbed by the comments Mr. McNamara made on the employment situation, income distribution and aid coordination. They felt, apparently, that Mr. McNamara had been too critical. There is probably a good measure of defensiveness in this. In any case, our facts and analyses continue to support what Mr. McNamara said, and I hope he has stirred people into realistic reflection and action.

cc (with attach.): Mr. Knapp
cc (with attach.): Mr. Benjenk
Mr. W. Clark
Mr. Siebeck
Mr. Billington

DHartwich:ep

File

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: June 25, 1973

FROM: D. Hartwich *DH*SUBJECT: Tunisia - Visit of Mr. McNamara(A) Meeting with Prime Minister Nouira on May 14

(Present: Mr. Nouira, Mr. McNamara, Mr. Moalla, Mr. Hartwich)

1. Mr. Nouira welcomed Mr. McNamara to Tunisia. He emphasized the assistance Tunisia had in the past received from the Bank and that he looked forward to the continuation of this fruitful relationship. There was ample room for cooperation within the framework of the new Plan which had ambitious targets but which nevertheless seemed to be realistic in view of the achievements during the past two years. The Plan put particular emphasis on employment creation and improved income distribution, although it had to be emphasized that the statistics on the latter subject were still very deficient.
2. Mr. McNamara asked how these problems would be dealt with in the Plan. Mr. Nouira replied that an important precondition was to create the psychological readiness for economic and social advance, particularly in the rural areas. A comprehensive approach was envisaged, covering many economic and social aspects with the objective of making the rural areas more attractive to prevent urban migration. Following a question by Mr. McNamara as to how this approach would work in a typical region, Mr. Nouira replied that this was difficult to describe. However, he gave some general examples for the coastal regions and for Central Tunisia, describing essentially support to infrastructure, education, to the agricultural activities predominant in each area and to small industries. He also mentioned the efforts made at population planning, but Mr. McNamara cautioned that this would not permit an early solution to the employment problem.
3. Mr. McNamara enquired about the prospects for private investment, particularly given the present liquidity on the financial markets in Tunisia. The Prime Minister replied that there were not many promoters in Tunisia; however, they were coming up. Private investors could still be called rather shy, but their investments have increased annually by 20 percent during the last two years. He was rather confident that this trend would continue as long as sufficient funds were available. A number of important projects were under study which were suitable for private domestic and foreign investment.
4. Mr. McNamara said that the Bank agreed with the general objectives of the Tunisian Plan, as they had been described, and that the Government should call on the Bank for help in working out specific actions to meet these objectives. Mr. Nouira emphasized that Tunisia was not only interested in the Bank's technical views or in the capital

June 25, 1973

it provided but also in its policy advice. The Bank could examine things from the outside and from an important vantage point and thus provide useful guidance. Mr. McNamara thanked for these words. He said that the high growth rate during the past two years had been impressive but that he shared the Government's concern about the backwardness of the traditional sectors and the income imbalances. Mr. Nourira replied that Tunisia had considered social equity always as one of its important goals. It was important to get the whole population involved as participants in the next Plan. The Government considered progress in education as one of the key means to solving existing inequities in the longer run.

5. Mr. McNamara referred finally to certain weaknesses in the coordination and utilization of foreign aid. Mr. Nourira replied briefly (see also memorandum on next meeting) and agreed that Mr. McNamara raise the subject subsequently with the other Ministers.

(B) Meeting with Cabinet Members on May 14

(Present: see footnote on page 4)

6. Prime Minister Nourira opened the meeting by again expressing his appreciation for the Bank's assistance to Tunisia. He said he hoped that the visit would show Mr. McNamara both things already achieved and still to be done. Mr. McNamara replied that his delay in following the Government's invitation was primarily due to the fact that relations were cordial and smooth between Tunisia and the Bank. Tunisian economic progress had been encouraging, although problems had to be tackled to which the Prime Minister had referred in their preceding meeting, particularly relating to employment and income distribution. How could the Bank help in these fields, in particular in education which the Prime Minister had stressed in the preceding meeting?

7. Mr. Nourira replied that the further development of the Tunisian education system posed very difficult problems. An interministerial commission had been set up one year ago to study the changes which were needed to adopt the system to economic requirements and, particularly, to get a higher return for the considerable means expended on education.

8. Mr. Moalla then explained some of the key objectives of the new Plan and how the Bank could help. In rural development, the Bank had interesting projects in Central Tunisia under preparation. In addition to this the Government was developing a program which they were trying to implement on a nationwide basis. The main aspects were training, provision of essential infrastructure and productive investments; he would be glad to discuss this matter in more detail with

June 25, 1973

Mr. McNamara on the following day. In industrial development there was need for more emphasis on small and medium-scale enterprises in addition to the assistance given to bigger units by SNI and other banks. Bank Group advice would be welcome on how this could be achieved and under what conditions of lending. In education reforms were urgently needed but matters were still under study by the inter-ministerial commission. Tourism was important but needed additional training facilities to keep up the momentum; he added that the Bank had already a relevant project under study. In general, he would ask the Bank to help the Tunisian authorities to prepare projects for implementation during the later years of the Plan. Mr. McNamara replied that these objectives and measures looked basically appropriate and that he would be glad to discuss the next day with the Minister how the Bank could assist, particularly also whether the rural development program he had outlined offered scope for Bank assistance. In industry the Bank was ready to assist through a special mission which could study agreed upon questions.

9. The Minister of Education emphasized the need to improve the basic information on manpower requirements and appropriate training systems. His Ministry was considering several reforms, particularly to reduce the importance of the more academically-oriented schools and increase the emphasis on technology-oriented institutions. However, there were cost problems since the latter institutions were more expensive. The Prime Minister added that the Bank-financed planning team in the Education Ministry could help in working out these matters. Mr. McNamara said that he had noted the high education expenditures in Tunisia, but he wondered whether the country was getting the appropriate benefits from this. Was the education system perhaps in a way geared toward education for unemployment? The Prime Minister replied that the basic decision to introduce more technical/vocational training in secondary education had been taken. However, this involved difficult changes in attitude on the part of teachers and students and such changes were, in the initial stages, not popular to introduce. Mr. McNamara replied that he was aware of these difficulties but it had to be recognized also that the present education system had been transferred from outside and not been evolved in Tunisia itself. The Bank would be glad to help in this context and he would hope that the planning team could fulfill a useful purpose. The Minister of Foreign Affairs, Mr. Masmoudi, added that among Arab countries, Tunisia was considered relatively developed in education, and Arab as well as African countries were turning to it for technical assistance. He emphasized that the intended changes in the system had to take account of the religious and social values which were held by the society.

June 25, 1973

10. Mr. McNamara then turned to the question of aid coordination. It seemed to him that Tunisia often was not getting the full value for the considerable amounts of aid it was receiving because there was insufficient coordination and planning. The Prime Minister replied that the aid program of each donor was discussed by an interministerial group and that there were occasional meetings of the donors in the presence of Tunisian representatives. Matters had considerably improved in the last two years. The German aid program was a particularly good example where objectives and uses of aid were discussed at periodic meetings. All aid passed in any case through the Ministry of Planning which saw to it that it fitted into the country's strategy and requirements. He felt that there was much less need for concern about aid coordination than previously and asked Mr. McNamara to let him know if particular problems became known to the Bank.

11. Mr. McNamara said that he had been glad to hear from the Prime Minister about the measures intended to be taken to improve income distribution. This seemed to be a particularly pressing subject. The Prime Minister mentioned that in the past two years the present Government had made more progress in this field than had been made in the preceding decade. Salaries, social services and transfer payments had increased, and the new Plan was precise in its objectives in respect to income distribution and the measures to achieve this.

12. Mr. McNamara concluded the meeting by thanking for the frank discussion and expressing the hope that his visit would help him to understand better the achievements and problems of Tunisia.

cc: Mr. McNamara's office (2)
Mr. Benjenk
Mr. Siebeck

DHartwich:ep

Meeting with Cabinet Members on May 14: Present: Mr. Nouira (Prime Minister), Mr. Masmoudi (Foreign Affairs), Mr. Moalla (Plan), Mr. Ayari (National Economy), Mr. Hannablia (Agriculture), Mr. Fitouri (Finance), Mr. Guiga (Education), Mr. El Goulli (Ambassador to Washington); Mr. McNamara, Mr. Clark, Mr. Hartwich, Mr. Siebeck.

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: June 25, 1973

FROM: Wolfgang E. Siebeck *WES*SUBJECT: Mr. McNamara's Meetings with Tunisian Representatives During
his Visit to Tunisia from May 14 to 16, 1973

1. This memorandum summarizes discussions of three of the meetings which Mr. McNamara had in Tunisia. A separate memorandum has been prepared on his meetings with the Prime Minister and a group of cabinet members.

I. Meeting with the Governor of the Central Bank and
Representatives of Banks and Industrial Enterprises
(May 14, 1973)

2. The meeting was preceded by a private meeting with the Governor of the Central Bank. Mr. McNamara enquired why the Tunisian economy showed, on one hand, a high liquidity while, on the other hand, the investment level was still low. The Governor blamed this on institutional reasons, in particular the separation of deposit and investment banks. A shortage of good private sector projects had further aggravated the situation. Moreover, private initiative had not yet recovered from the policies of the 1960's which had concentrated investment in the public sector. In his view, however, the situation was rapidly changing now. Demand for long-term funds was increasing. The Central Bank was promoting this by forcing banks to hold a minimum of 10% of their reserves in form of bonds, thus forcing banks to transform some liquidity into long-term funds. Another problem was the shortage of equity capital observed throughout the Tunisian industry.

3. The ensuing meeting with the representatives of the public and private banking sector and industrialists centered around the same problems. Chelli, the Director General of the recently created investment promotion agency explained that the small domestic market so far had not been conducive to any large scale investment and that for traditional reasons Tunisians tend to engage more in trade and commerce than in industry. However, there were promising prospects for a Tunisian export industry, particularly in the textile sector where exports were expected to rise from presently \$7 million to \$40 million by 1976. Belkhodja of Societe Nationale de Banque injected a request that the World Bank should not limit its support to one investment bank in Tunisia if it wanted to promote industry. STB was the largest commercial and investment bank in Tunisia, accounting for 80% of investment projects financed. At Mr. McNamara's question whether STB was suffering of a shortage of funds he explained that while short-term funds were in ample supply, long-term funds were not. Mr. McNamara's advice was that in this case the appropriate policy would be to transfer short-term into medium and long-term funds. As far as export promotion was concerned he indicated that the Bank would be willing to help if its assistance was sought and such a request was supported by the Government. This suggestion was not followed up in the discussion.

June 25, 1973

3. Moncef Belkhodja of SNI complained of the too high interest rate which had been forced upon SNI in comparison to other Tunisian banks. (He did not say by the World Bank.) At 9.5% (including commitment charges), it was impossible for SNI to commit more funds than it was presently doing, while at a lower interest rate, SNI could expand its total lending volume. Mr. McNamara indicated that 9.5% rate of interest was by no standards high, a statement which was fairly widely opposed by the participants of the meeting.
4. Two textile industrialists (Mr. Marghout and Mr. Berrebi) complained that Tunisian banks were too conservative, demanding high equity financing from borrowers. This very much limited possibilities for further expanding production despite good market prospects for Tunisian industry. Upon Mr. McNamara's question why industry did not broaden its equity basis by selling shares or taking equity participation from banks and other institutions, several speakers indicated that they did neither want a bank nor the Government to assume part-ownership of their enterprises; they also appeared to be reluctant to broaden ownership by sale of shares to the public. They felt that one should not force dynamic entrepreneurs to put up a minimum equity, or alternatively, forego chances for expansion. In a developing country other criteria should apply, a view opposed by the representatives of the banks.
5. Somewhat unrelated to this, a building contractor (M'heni) felt that Tunisian entrepreneurs were being discriminated under World Bank loans, being forced to offer a price which included custom duties on imported components, while foreign bidders could offer on c.i.f. basis, mostly being able to exclude taxes they had been paying in their home countries and which would be refunded.
6. Export prospects for industrial products into the European market were briefly mentioned. One interesting complaint was levelled against the requirement that only goods of Tunisian origin enjoyed zero tariff treatment in the EEC market. This limited sources of supply for Tunisian assembly industries and entailed in almost all cases cumbersome bureaucratic procedures.
7. Mr. McNamara concluded the meeting by proposing to the participants to continue their search for industrial expansion and the creation of new employment without sacrificing at the same time sound standards and criteria of industrial financing.

II. Meeting with Planning Minister Moalla (May 15, 1973)

8. Mr. McNamara met with Minister Moalla on May 15, 1973. On the Tunisian side, Messrs. Zaanouni (Secretary of State), Aouidj (Chef de Cabinet), and Abdelkafi (outgoing Director for International Cooperation)

June 25, 1973

participated. Messrs. Hartwich and Siebeck also were present. The meeting covered questions of rural development, industrial promotion and education.

Rural Development

9. Referring to a request which Mr. Moalla had made the preceeding day at the meeting with the Prime Minister and other ministers that the Bank should assist in the financing and implementation of a nationwide rural development program for which D. 40 million had been included in the Four-Year Plan, Mr. McNamara indicated that it would be difficult for the Bank to provide assistance in this form since the Bank was itself trying to get to grips with the problem of rural development. It may be a better approach, he said, if the Bank concentrated on a geographically defined rural development project as the one scheduled for Central Tunisia. The Bank would closely cooperate with the Tunisian authorities during preparation and implementation of this project, which would offer the possibility for constant contacts and exchanges of views for further operations.

10. In this connection, Mr. McNamara enquired about recently introduced measures of distribution of state-owned lands (Terres Domaniales). Mr. Zaanouni explained that some 350,000 hectares had been earmarked for distribution, mainly to agricultural engineers presently employed in administrative positions who wanted to go into production. In addition, small parcels of land, not productively used at the moment were being sold off to small farmers. The main determinant in this policy was to provide agricultural engineers with a source of income which was at least equal to their present income in the administration. Thus for an agricultural engineer, with some \$5,000 per year it was planned to provide up to 200 hectares. For less trained engineers the amount of lands allocated would be proportionately less. In reply to a question of Mr. McNamara, Mr. Zaanouni added that the program was in the first place geared towards maintenance or increase of production rather than to the idea of distributing land and incomes. So far, about 50,000 hectares had been distributed of which a very large part had gone to smaller farmers.

Industrial Development

11. Mr. Moalla briefly elaborated on the Government's industrial policies particularly on those introduced a year ago in order to promote investments for export. In this context McNamara offered Bank assistance particularly in the promotion of small and medium size industries. He said that this was an area where the Bank had gained considerable experience over the years and could provide its expertise. This may include technical assistance and financing of projects.

June 25, 1973

12. With regard to the financial assistance from the Bank, Moalla suggested that the Bank look into the possibility of reactivating the regional finance corporations (SRI), the regional counterparts of SNI. He also referred to the promising experience made with a Southern development corporation which had been dormant for a number of years and recently been revived. The SONMIVAS had effectively helped the creation of small industries in the Medinine area in Southern Tunisia. Where no SRI existed, one may consider channelling funds through other banks such as Societe Tunisienne de Banque (STB) which maintained a large branch network throughout the country.

Education

13. Mr. McNamara stated that he had been informed of difficulties which the planning expert group financed under the Second IDA Education project had encountered. He added that the preparation of a long term planning strategy in the education field would be a necessary basis for a third Bank project in education and therefore urged Mr. Moalla to give this group his attention.

14. In replying Mr. Moalla stated that he realized the importance of the group's work but that at the same time felt that no quick solutions were available in the field of education. While he considered it useful to continue general policy discussions (in this connection he welcomed if the Bank could send a high education expert, such as Mr. Ballantine, whom Mr. McNamara had mentioned), he suggested that the Bank start immediately helping the Tunisian Government with drawing up a professional-vocational training program. This was of utmost importance for the country and there was no question that it was needed whatever the outcome of the long term planning studies would be.

15. Possible Bank participation in rural developments, industrial development and education were discussed the following day in a meeting between Messrs. Moalla and Hartwich. A separate memorandum has been prepared.

III. Meeting with President Bourguiba (May 16, 1973)

16. Preceding an official luncheon on Wednesday May 16, 1973, in the Presidential palace at Carthage, a short meeting took place between President Bourguiba and Mr. McNamara in which participated, from the Tunisian side: Mr. Nouira, Prime Minister, and Mr. Chatti, Director of the President's Cabinet. From the Bank side, Messrs. Clark, Hartwich and Siebeck were present.

June 25, 1973

17. Mr. McNamara opened the meeting by praising the achievements Tunisia had made under President Bourguiba's leadership, and expressed the hope that the Bank would be able to continue its assistance in promoting the goals which had been set by the President. Mr. Bourguiba took this for an invitation to propose projects for Bank financing. He mentioned the international airport to be built at Tozeur which had been included in the Four-Year Plan, developing the idea of irrigating the desert and exporting through the new international airport fruit and vegetables to the Western European market before European producers could supply it. Tourists, in particular businessmen, would come to Tozeur and stop over for short periods. This would spark off economic development in this disinherited area. Other projects mentioned by the President were the rehabilitation of the Lake of Tunis which he expects to lead to tourism development along the shores of the Lake. In very emotional terms he ended by describing his long struggle for independence, his concern for the happiness of his people, and expressed the hope to complete whatever he could do in the few years remaining for him.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara *me*
through Mr. M. P. Benjenk, Vice President
FROM: Maurice P. Bart, Director, Country Programs II *MPB*
Europe, Middle East and North Africa Region
SUBJECT: TUNISIA: Visit of Foreign Minister

DATE: March 13, 1974

The Tunisian Foreign Minister will pay you a courtesy visit at 6:30 PM today. I attach a short sketch on his background and the purpose of his visit to the United States.

Attachment

WESiebeck:cek

cc: Mr. Benjenk
Mr. Wapenhans

President has seen

DECLASSIFIED

JUN 20 2013

Confidential

WBG ARCHIVES

HABIB CHATTI

Habib Chatti, Tunisia's Minister of Foreign Affairs, was born in 1916. After beginning a career as a journalist in the 1930's, he became involved in the nationalist movement in Tunisia. For a short period, he was imprisoned by the French in 1952. At the time of Tunisian independence he joined the diplomatic service, serving as Ambassador in Lebanon, Syria, Iraq, the United Kingdom, Morocco, and Algeria. In August 1972, he was named director of President Bourguiba's personal cabinet. In January 1974, he was named Foreign Minister, retaining his former position as well.

The previous Foreign Minister, Masmoudi, was an outspoken partisan of the cause of Arab unity, and the principal architect on the Tunisian side of the apparently abortive merger of Tunisia and Libya. Immediately after the announcement of the merger agreement last January, Masmoudi was discredited by the strong negative domestic and international reaction, and he was ousted by President Bourguiba. Chatti, his successor, is close to Bourguiba, personally as well as politically. The purposes of his visit to the United States are to improve bilateral relations, which had been less than what both sides desired under Masmoudi, to meet with Secretary of State Kissinger to discuss the Middle East, and to prepare the projected visit to the United States by President Bourguiba. The Bourguiba visit is expected to take place sometime in the next few months.

Chatti speaks English.

14

OFFICE MEMORANDUM

TO: Memorandum for Record

DATE: June 12, 1974

FROM: Wolfgang E. Siebeck, Chief, EMENA CP II-C *WES*SUBJECT: TUNISIA: Visit of Planning Minister Moalla

1. Planning Minister Moalla called on Mr. McNamara on May 28. Ambassador Hedda and Messrs. Knapp, Benjenk, Bart and Siebeck attended. Issues discussed were Bank assistance to project preparation and Tunisia's eligibility for IDA funding.

Bank Assistance to Project Preparation

6/14
2. Referring to the increasingly complex nature of development projects in Tunisia, the Minister suggested that a new form of cooperation between the Bank and the Tunisian authorities should be developed. Less than in the past should the Bank attend to matters of detail which could confidently be left to be solved by the Tunisian authorities, and should rather focus on policy and other major issues. In his view, it should be of little concern to the Bank if Tunisia followed a low interest policy for agricultural credit, and whether the long-term rate for industrial lending was 8 or 9 percent. He would see the Bank's role much more in helping Tunisia to frame the project content of its next five year plan whether such projects would be financed by the Bank or other donors.

3. In recognition of the need for a new approach to project preparation, the Planning Ministry would shortly create a new outfit responsible for coordinating identification and preparation of projects which transgressed responsibility of individual ministries. Bank assistance in formulating the terms of reference of the Institute for Regional Planning and Development would be appreciated.

4. Mr. McNamara welcomed the Minister's proposals, adding however that in preparing projects the Bank would have to continue paying sufficient attention to essential details. Among the essential details he listed the rate of interest for agricultural credit, which at 3 to 4 percent was clearly too low while he had no strong feelings on whether BDET's industrial term lending rate should be 8 or 9 percent. Mr. McNamara added that two projects in the past had failed precisely because insufficient attention had been paid to detailed project preparation including cost estimates. He referred to the population and the cooperative farm projects. The Minister replied that the population project had particularly suffered from the fact that the Association had prescribed the employment of expatriate architectural consultants, a task which could have been discharged more rapidly and efficiently by Tunisian firms. However, the project was now moving ahead swiftly, as was the National Family Planning Program, with the number of acceptors increasing rapidly.

June 12, 1974

IDA Eligibility

5. Mr. Moalla expressed disappointment at the Bank's recent cutting off of IDA funding to Tunisia. He admitted that Tunisia in light of her recently improved economic performance and the more important needs of poorer countries, was a borderline case. However, Tunisia's per capita income could only be one criterion, and the fact that the rising outflow of capital for debt service was rapidly reducing the net inflow of foreign aid (allegedly to 25 percent of total aid by 1977) should not be ignored. Moreover, recent economic progress was based on such volatile factors as good weather for agriculture and higher inflow of tourists up to 1972. IDA funding was also helpful in easing the Planning Ministry's task of making reluctant government departments heed the Bank's advice in formulating and implementing more socially oriented projects. For all these reasons the Minister felt that a small IDA program should be maintained.

6. Compared to the mounting economic difficulties that some of the Bank's poorest customers were experiencing in the wake of changed energy prices, Mr. McNamara said he considered Tunisia in a favorable situation, particularly in light of her increased revenues from oil and phosphate export. He would be ready to review once again the Bank's projection in this regard, but warned the Minister not to expect a change in his position. (A letter to Mr. Moalla for Mr. McNamara's signature is being prepared.)

Cleared and cc: Messrs. Benjenk
Bart

cc: Mr. McNamara's office (2)
Mr. Knapp
Mr. Zaidan
Mr. R. Frank
Mr. Sekse

WESiebeck:cek

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: M. P. Benjenk, Vice President, EMENA Region

SUBJECT: TUNISIA: Visit of Planning Minister Moalla

DATE: May 28, 1974

1. The Tunisian Minister of Planning, Mr. Moalla, will call on you at 5.30 pm on Tuesday, May 28. A short biographical statement is attached. Minister Moalla will certainly wish to raise with you the question of Tunisia's eligibility to IDA; he may also want to discuss the differences on the assessment of Tunisia's economic performance which came to light in connection with the draft basic economic report, and rural development. You will find below short notes on these subjects.

2. IDA Eligibility. Following a request made by Mr. Khelif asking you to reconsider the discontinuation of IDA lending to Tunisia, you have re-asserted the stand taken in the past few months in light of: (a) Tunisia's improved economic situation (deriving, among others from the increase in the prices of phosphate and oil); and (b) the mounting needs of the poorest countries. Tunisia's Fourth Plan (1973-76) forecasts an improved balance of payments position, with an increase of \$203 million in net reserves and a decrease from 18 percent to 14.7 percent in the debt service ratio during the plan period. The Bank's projections, which take into account the new situation created by the energy crisis, forecast an increase of \$560 million in reserves and a decline of the debt service ratio to less than 9 percent in 1976, when GNP per capita is expected to reach \$452 (in 1972 dollars, compared with \$379 in 1972). There is, therefore, little ground to alter our stand and the Government seems resigned to forego IDA lending as illustrated by the recent negotiations for Bank loans for water supply and hotel training.

3. Economic Performance. The draft economic report is being revised in light of the comments made and of the new data provided by the Government; in order to put Tunisia's performance in perspective, we are also taking into account the obstacles faced by the other two Maghreb countries in reducing income disparities and in creating jobs. In keeping with your statement to the Tunisian Foreign Minister, we are limiting the revision of the reports to the correction of errors of fact or in judgement. While the body of the report will not be appreciably modified (except for new GNP series submitted by the Government) the general thrust of the conclusions is likely to give more justice to the Government's efforts in the social field. Indeed, Tunisia's bourgeois regime has faced the same constraints as socialist Algeria when trying to spread the benefits of growth to the poorest segments of the population, albeit with a less determined effort towards maximizing savings and industrialization. Both countries lack programs and projects designed to improve the lot of their traditional (rainfed) agriculture. Tunisia may be somewhat ahead of Algeria in devising specific schemes of rural development, as mentioned below.

May 28, 1974

4. The revision of the basic economic report will be completed by the end of June. The new data made available by the Government, and accepted by the Bank, will largely exonerate the Neo-Destour regime from having systematically favored the richer classes. In the dialogue we have had on this subject, it appeared that the statistics on which judgments regarding income distribution were based needed much improvement; the Government has asked the Bank to help in the preparation of a request to UNDP or bilateral donors to improve the methodology used in this regard.

5. In the circumstances, I believe that we can now proceed with the lending program approved at the last CPP review and start arrangements for the next meeting of the Consultative Group, which the Government would like us to hold in November 1974.

6. Rural Development. Minister Moalla has taken a considerable personal interest in rural development and has pressed the cumbersome Ministry of Agriculture towards a more active role in this area. With Mr. Moalla's encouragement, a rural development program has been included in the 1973-1976 Plan; the equivalent of \$100 million has been allocated to the program, but it has been slow in getting off the ground and lacks a clear conceptual base. An adequate capacity to prepare and execute small individual rural development projects at the level of the provincial governorates responsible for the program remains to be created. Mr. Moalla has strongly urged Bank involvement in Tunisia's rural development efforts, being a strong promoter of the three projects presently in the pipeline with rural development components: Irrigation Rehabilitation (FY 1975, carryover from FY 1974), Sedjenane Livestock and Rural Development (FY 1975) and Central Tunisia Integrated Rural Development (FY 1976).

7. At the 1973 Annual Meetings and subsequently, Mr. Moalla asked Messrs. McNamara and Benjenk for a Bank mission to review the Fourth Plan rural development program, and was given a favorable reply. Delays in the completion of the basic economic report on Tunisia prevented an early start in the preparation of the mission. In the interim, the focus of Mr. Moalla's thinking has broadened. In addition to the agriculture and employment-oriented program for rural areas included in the Fourth Plan, he now proposes (a) the establishment of growth poles based on regional industrial development possibilities in selected villages and towns in the interior of the country; (b) national investment schemes for certain sectors such as water supply, electricity and housing; and (c) an integrated fisheries project based on the reconstruction of some fifteen secondary ports. Plans are now being made for a Bank rural development mission in September or October 1974.

cc to Messrs. Benjenk, Asfour and Siebeck

AEElmendorf/WSiebeck/MPBart:rpo

MR. MANSOUR MOALLA

Governor of the Bank
Minister of Planning

Age: 44. A French trained "Inspecteur des Finances", Moalla is one of the technocrats in the present Government. He has held important positions in the financial field: Director-General of the Central Bank 1959, Managing Director of EDET (DFC) 1961, first Vice-President of the African Development Bank 1964, Under-Secretary for Industry and Commerce 1968. He fell out of favor under Ben Salah, re-emerged as State Secretary for posts and telecommunications after Ben Salah's fall, and has been Minister of Planning since June 1970. Since the last Party Congress in October 1971, Moalla has also held the position of Deputy Secretary General of the Destourian Socialist Party. (The next Party Congress is to be held in October 1974.) He has expressed considerable interest in and sympathy with the concerns expressed by Mr. McNamara for rural development and more equitable income distribution.

15

OFFICE MEMORANDUM

TO: Memorandum for the Record DATE: January 30, 1975

FROM: Hans O. Schulte^h Division Chief, EMENA CP II-B

SUBJECT: TUNISIA - Visit of Mr. Ayari, Minister of Planning, to Mr. McNamara

1. On January 16, 1975, Mr. Chedli Ayari, Minister of Planning of Tunisia, paid a courtesy call on Mr. McNamara. Minister Ayari was accompanied by Mr. Ghedira, Secretary of State in the Ministry of Agriculture, His Excellency Ali Hedda, Tunisian Ambassador to the United States, and Mr. Terbeche, assistant to Mr. Khelif, Executive Director. Messrs. Bart and Schulte also attended the meeting.
2. Mr. Ayari made a brief exposé explaining the purpose of his visit to the United States and outlining recent economic developments in Tunisia. He stressed in particular the high rate of economic growth achieved during the last few years and the relatively modest rate of inflation in Tunisia. He drew attention to the employment problem created by the recent recession in the European countries which has considerably decreased emigration of Tunisian workers to Europe.
3. Minister Ayari stressed the good relation between his country and the Bank and pointed out that the Bank was now Tunisia main source of international finance. He added however, that Tunisia had started to borrow increasingly also from the arab oil exporting countries.
4. In his reply, Mr. McNamara expressed his satisfaction about the good relations between Tunisia and the Bank and about the country's impressive economic performance in recent years. He stressed Tunisia excellent human resources base which he considered as a particular asset for the country's development.
5. There was no detailed discussion on current operational matters. However, when Minister Ayari mentionned that the Government was giving increasing importance to rural development (referring to the Sedjenane Livestock and Rural Development and Central Tunisia projects), Mr. McNamara warned that no investments should be undertaken if the economic returns were insufficient; he also expressed concern about the current situation of BDET.
6. The meeting was followed by a private conversation between Mr. McNamara and Minister Ayari alone.

cc: Mr. McNamara's office (2)
Mr. Benjenk
Mr. Elmendorf

HOSchulte/sn

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: January 15, 1975

FROM: Munir P. Benjenk, Vice-President, EMENA Region

SUBJECT: TUNISIA: Visit of Planning Minister

1. The new Tunisian Minister of Planning, Mr. Chedli Ayari, who is attending the meetings of the Interim and the Development Committees, will call on you at 6:30 p.m. on Thursday, January 16th. He will be accompanied by Messrs. Mohamed Ghédira, Secretary of State in the Ministry of Agriculture and the Tunisian Ambassador in Washington. While this will be largely a courtesy visit, Mr. Ayari may also take this opportunity to review Tunisia's relations with the Bank which continue to be of importance to the Government owing to the broad technical assistance they continue to seek from us, to the role assigned to the Consultative Group in Tunisia's relations with its main donors and to Bank lending program (\$46.6 million in FY74; \$85.5 million expected in FY75). Below you will find notes on some points he may raise. We suggest you stress the importance of strengthening the role of the Planning Ministry in pursuing with other Ministries policies agreed upon in connection with Bank loans and in the preparation and execution of public investments which are lagging behind available resources. Attached is a short biographical statement on Mr. Ayari, and a translation of his letter to you dated December 2, 1974.

Rural Development and Income Distribution

2. Minister Ayari's predecessor, Mansour Moalla, was strongly committed to "Nairobi". Mr. Ayari's views are not known. However, it was possible to reach agreement with him on the Basic Economic Report (to be issued momentarily) with the first draft of which Mr. Moalla had taken strong exception. The report now incorporates new data given by the Government, recognizes the progress achieved but still stresses income disparities, the need for land reform and the weaknesses in implementation capability. The Government has been groping towards policy changes that would improve the lot of rural areas, and the rural poor in particular. The Fourth Plan, 1973-1976, contains a rural development program which has not been particularly successful for lack of clear ideas and administrative support. The Fifth Plan, 1977-1981, for which ideas are beginning to be discussed publicly, is expected to give major emphasis to a broadened rural development program with institutional adjustments to facilitate regional planning, and to improve income distribution. The Bank has begun to assist the Tunisians in dealing with rural development. The recently approved Irrigation Rehabilitation project is a first concrete step, involving major changes in the application of land tenure policies and, potentially, in agricultural credit policy. On land tenure, we are urging the Government to apply existing laws for the distribution of the larger estates (some of which are still growing rainfed crops in areas

long irrigated) but political obstacles have so far limited distribution to former "colon" land and to State land. On rural development, Bank assistance has been directed towards the formulation of regional plans in Northern and Central Tunisia but the low resource (and low returns) are difficult obstacles to overcome.

3. On income distribution, the Basic Economic Report on Tunisia concludes that the proportion of the population living in poverty, as defined by the Tunisians, may have fallen from about 70 percent in 1959 to 40 percent in 1968; in subsequent years, thanks to increased agricultural production and the inflow of workers' remittances from abroad, this proportion is thought to have fallen further. Within the rural sector, income disparities remain as a consequence of an unequal land ownership structure whereas within the modern sector, particularly in industry, the increase in real income has been greater than the rise in productivity, and the income-distribution trend has been in favor of industrial workers. Aware of the weakness of the statistical base for a more reliable income distribution analysis, Minister Ayari has requested Bank assistance in this field; a positive response to his request, at least in regard to methodological questions, will be recommended in the next CPP.

Project administration and the role of the Planning Ministry

4. Tunisia's public investments are running one quarter below Plan projections (in real terms). A number of Bank/IDA projects, especially population, agricultural credit, fisheries, highways, railways have fallen behind their implementation schedule. Two main factors account for the tardiness in project execution: insufficient administrative capacity (especially in project executing agencies), and the lack of an authoritative coordinating body in the Planning Ministry to monitor projects. Recent trends suggest that the situation may worsen unless corrective measures are taken immediately.

5. The failure to resolve the competition between Government subsidized funds (FOSDA) and Bank/IDA funds for dairy farm development under the Bank Group agricultural credit project (Loan 779, Credit 263) is a typical example of the Government's weakness in project administration. In keeping with the line of action approved by the Loan Committee, I intend to submit shortly for your approval a formal notice of suspension with a view to cancelling part of the loan in mid-February, if the default situation has not been removed by then.

6. Another case in point is that of the Tunisian DFC which has been beset by poor management, a low lending rate (8% with the foreign exchange risk borne by the Government), a serious arrears situation and considerable risks in its portfolio (mostly because the Government has not been able to regularize title to the land of several BDET projects, thus preventing it

to have valid mortgages as security). We intend to resolve some of these issues with Mr. Ayari but the situation is complicated by the fact that BDET is headed by Mr. Bourguiba Junior. In any event, unless the major issues affecting BDET are resolved we do not feel that we can support a new loan.

IDA eligibility

7. In December 1974, Tunisian officials, including Mr. Ayari asked a Bank mission to convey to management the Government's view that IDA funds be made available for non-revenue producing projects and in particular, the proposed third education project. Since you last met with Minister Moalla in May 1974, no development has occurred in Tunisia's economic situation which would justify resumption of IDA lending to Tunisia. Per capita GNP, which amounted to \$403 in 1973, reached \$438 in 1974, and may reach \$510 in 1976, at 1973 prices. Tunisia's reserves, which amounted to \$297 million at end 1973, are estimated at \$390 million in 1974 and may increase to \$400-500 million in 1976, the equivalent of about 4 months of imports. The debt service ratio which was 15% in 1973, should fall to 9-10% in 1976. I see no reason to modify our stand on IDA lending to Tunisia.

cc: Mr. J. Burke Knapp
Mr. Bart
Mr. Wapenhans
Mr. Siebeck

EBenjamin/MPBart:ns

Biographical Statement

Chedli Ayari - Planning Minister

Mr. Ayari was born in August 1933 in Tunis. He holds the highest french degree (agrégation) in Economics and has a good command of English. His professional career includes: various posts at the Société Tunisienne de Banque, the largest bank in Tunisia (1959), teacher and dean at the Law faculty of the University of Tunis (1967- to present), economic counsellor at Tunisia's permanent mission to the UN (1960-1964). During this latter period, he chaired UNCTAD's Industrial Committee (1962-1964) and was Alternate Executive Director at the World Bank Group (1964-1965). In 1967, he was Director of the Center for Economic and Social Studies and Research and was appointed in 1969 Secretary of State for Planning. From 1970 to October 1971, Mr. Ayari was Minister of Education, Youth and Sports. From March 1972 to 1974, he was Minister of the National Economy; he was appointed Planning Minister in October 1974.

Mr. Ayari is the Chairman of the International Association of French-speaking Sociologists. He is also a member of the International Committee for Development Planning, and has written numerous studies on the Tunisian economy (money, savings, and financing). Mr. Ayari has been a member of the Central Committee of the Neo Destour Party since October 1971, and of the Political Bureau since October 1974. Reportedly, he is a rising figure on the Tunisian political scene.

In May 1973, Mr. Ayari accompanied Mr. McNamara during the latter's visit to the South of Tunisia (GAFSA phosphate mines, oasis developments around Nefta).

December 2, 1974

UNOFFICIAL TRANSLATION

Mr. President:

Thank you for your November 18th letter. In this letter, you recalled my stay at the Bank, as an alternate Executive Director in 1964-65. I have the fondest recollection of my short stay at the Bank where I learned much. I also have the fondest recollection of our short meeting in Tunis, and in particular our trip to GAFSA. This trip to the South has yielded a Bank loan for the Sehib Phosphate project.

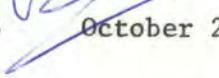
I would very much like to meet you in Washington during my next visit to the American capital from January 17th to 21st. This would enable me to review with you and your collaborators cooperation between Tunisia and the Bank just before the meeting of the Consultative Group for Tunisia.

My wife and I send our best wishes to Mrs. McNamara and to you.

Please accept, Mr. President, the assurances of my high consideration.

Chedli Ayari

MEMORANDUM FOR THE RECORD

FROM : Guy de Lusignan, Div. Chief, EMENA CPII-B  October 29, 1976

SUBJECT : TUNISIA : Visit of Minister Zaanouni

1. The Minister of Planning of Tunisia, Mr. Moustapha Zaanouni called on Mr. McNamara on October 19, 1976. He was accompanied by Ambassador Hedda. Messrs. Benjenk and de Lusignan were present. During this meeting, Mr. Zaanouni gave some information on recent economic developments of his country, emphasizing the trade deficit, the need for additional foreign resources and hoped that the Bank would continue to expand its operations.

12/12
2. Mr. Zaanouni tried to reiterate without very much conviction his earlier request for Tunisia acceding to the Third Window. He finally expressed the hope that Mr. McNamara would pay another visit to Tunisia. Mr. McNamara was sympathetic to the Bank's continuing involvement with Tunisia, but said that Tunisia was not to expect any assistance from the Third Window, which was unlikely to be extended. He added that his main concern was to obtain more resources for the Bank Group, first by increasing Bank's capital and secondly by replenishing IDA's funds. The meeting was only a courtesy visit from the Minister and did not lead to any conclusive points.

Distribution:

cc: Messrs. McNamara (2)
Benjenk
Bart
Guy de Lusignan
Elmendorf, Benjamin, Ruggeri

OFFICE MEMORANDUM

64-68 53
 69-73 168
 74-78 198
 75 64
 76 57

TO: Mr. Robert S. McNamara
 FROM: Munir P. Benjenk, Vice President, EMENA Region
 SUBJECT: TUNISIA - Visit of the Minister of Planning

DATE: October 19, 1976

77 77 ✓

For your meeting today at 6:00 p.m. with Minister Zaanouni you will find attached a summary of our discussions with him and his delegation in Manila and a bibliographical note. The Minister will be accompanied by Ambassador Ali Hedda.

10/19
 Most likely Minister Zaanouni intends to reiterate with you the subjects of Tunisia's eligibility to the Third Window and increase of Bank lending. You may wish to tell Minister Zaanouni that in the course of this fiscal year we would give due consideration for possible increases for projects in the current pipeline. As you know we agreed during negotiations of the Second Agricultural Credit project to increase our proposed loan amount from \$10 million to \$12. As per Mr. Knapp's request, I suggested last week to P & B a list of possible increases in Bank loans for FY77. In addition to the Agricultural Credit, we could envisage additional loan amounts for the Sidi Salem and Power II projects. With respect to Tunisia access to the Third Window, you might wish to recall the points you made earlier to Mr. Khelif.

Attachments

cc: Messrs. Bart (o/r)
 Siebeck

GdeLusignan:itd

Biographical Notes

His Excellency Mustapha Zaanouni

Governor of Bank
Minister of Planning

Age 49. After studying law, economics and public administration in Paris, Zaanouni was assigned to the Secrétariat d'Etat au Plan from 1956 to 1958. From 1959 through 1964 he was head of the Economic Affairs Division in the Secrétariat d'Etat à l'Agriculture. From 1964 through 1969, he worked in FAO, initially responsible for supervision of FAO/UNDP Special Fund projects and later as an economist in the FAO/IBRD cooperative program. In 1970, he returned to Tunisia, working as Director of the National Center for Industrial Studies, then as Secretary of State in the Ministry of Agriculture, then holding the same position in the Ministry of Planning. Upon the resignation of Mr. Ayari, Mr. Zaanouni was named Minister of Planning. Mr. Zaanouni is not known as a particularly forceful and energetic minister. He speaks English well.

OFFICE MEMORANDUM

TO: Files

DATE: October 15, 1976

FROM: Edward Elmendorf, Senior Loan Officer, EMENA CP II B

SUBJECT: TUNISIA: 1976 Annual Meetings Discussions

1. Mr. Bart met with the Tunisian delegation to the 1976 Annual Meetings on October 4, 1976; Mr. Benjenk joined part of the discussion. Present on the Tunisian side were Messrs. Zaanouni (Minister of Planning), Sfar (Finance Ministry Secretary-General), Hamza (Technical Assistant to the Executive Director for Tunisia), and Farhat (Secretary-General of the Tunisian DFC, BDET).

Third Window Eligibility

2. Minister Zaanouni had received a copy of Mr. McNamara's memorandum of September 24 to Mr. Khelif on the question of Tunisia's eligibility for Third Window (TW) borrowing, and pressed strongly and repeatedly for access to the TW. With active support and comments from Mr. Hamza, the Minister said that Tunisia's 1975 consumption survey would demonstrate a lower (144 dinars) per capita income than the national accounts (180 dinars), compared Tunisia's economic position (unemployment, defense expenditure etc.) unfavorably with other countries that had received TW loans, argued that recent experiences demonstrated that Tunisia did not have the market access that the Bank thought, said that the Bank should apply to itself the analysis in the recent economic memorandum concluding that Tunisia should try to borrow more funds on concessionary terms, and concluded that Tunisia should be given access to the remaining allegedly unallocated funds in the first TW tranche. Mr. Bart said that the staff had pressed the Tunisian case, unfortunately without success in view of the more pressing needs of other countries, and explained the Bank's policy and allocation criteria in some detail. The Minister was unconvinced, concluding with an air of resignation that the Prime Minister regarded the Bank's decision as a personal disappointment and that he, the Minister, wished to register his Government's suggestion that he may have to discuss the issue with Mr. Knapp but promised to relay Tunisia's concern on this matter.

Consultative Group

3. Minister Zaanouni accepted the Bank's offer of assistance in organizing the next meeting of the Consultative Group in Tunisia. The Minister expected that about two days of meetings would be followed by field visits chosen by the participants among three or four alternatives but he was unable to give any precise idea on the date of the meeting. In response to Mr. Bart's reference to Mr. Schelzig's recent discussions indicating that the Tunisians might wish to present an edited version of the Bank's Plan review economic report to the Group, Minister Zaanouni indicated that he preferred the traditional formula (e.g., distribution of Bank and Tunisian analyses as separate papers). Mr. Bart told the Minister that Norway had decided not to join the Group (though this should still be confirmed in writing to the Government) and that the Government might wish to consider following the type of organizational

Memorandum to Files

October 15, 1976

arrangements made by the Government of Jordan for its development conference in 1975.

Orientation of Bank Program in Tunisia

4. Commenting in some detail on Mr. Bart's letter of August 6, 1976, the Minister expressed no particular concern on the overall magnitude of Bank lending, even indicating that he would gladly accept a reduction in return for TW access. He feared the Bank might have misunderstood his attitude towards co-financing; in fact, he wished to have as much co-financing as possible in appropriate circumstances, recognizing that the Bank's appraisal reports can be helpful in raising funds from other lenders. However, aside from Saudi Arabia, he felt that the Arab sources preferred to finance separately identifiable projects, and thought that the additional effort required to arrange co-financing for what he considered to be relatively small sums of \$5 to \$15 million was often not worthwhile. As an example, he mentioned that he had recently been asked to approve STEG external borrowing of an additional \$2-\$3 million in connection with Power II; Mr. Bart expressed surprise regarding this amount, since the financing gap initially expected was of the order of \$ 13 million, and said that much smaller gap could be resolved during negotiations. The Minister was not thoroughly enough briefed to permit more detailed discussing of the financing plan for Power II, but mentioned an expectation of French assistance for a large power plant at Sousse.

5. Concerning the possibility of Bank financing of rural development and other social projects, the Minister explained that his reluctance to encourage Bank involvement was based on Tunisia's previous unfortunate experience and the tendency of such projects to have low economic returns. In any case, the Government was active in rural development through its FOSDA credit program and the special rural development fund. However, he did not wish to close the door on such projects, hoping, however, that they would be considered outside the present lending limits, starting perhaps initially as technical assistance and then leading to investment projects. He hoped Bank technical projects missions in this area would only be sent when there was a reasonable likelihood that a project for Bank financing would emerge, but welcomed Mr. Bart's proposal to include one or two experts in rural development in the November 1976 Plan review economic mission; this sector work could encompass the early stages of project identification. It was also agreed that the economic mission could include an urban development specialist. (The latter may, however, possibly be handled through the Urban Projects Department missions that are continuing under the Tunis Urban Planning and Public Transport Project). Minister Zaanouni added that the new Plan would put stress on directing publicly-supported housing programs to the poorest population groups.

Memorandum to Files

October 15, 1976

Future Projects

6. During the discussion of urban development, Minister Zaanouni presented a brief note on a proposed \$120 million investment in a modern tramway system for Tunis, requesting Bank financial assistance and especially technical advice on the system. He said the project would be suitable for co-financing possibly with the EIB^{1/}, and that the calendar foreseen in the note (looking forward to bidding at the end of 1976 and the award of contracts in mid-1977) was not important. In response to Mr. Benjenk's statement of Mr. McNamara's concern with private automobile restraint in connection with any urban transport projects financed by the Bank, the Minister said he was in favor of such measures, mentioning without detail recent restrictions on parking in Tunis.
7. In response to Mr. Bart's query, the Minister expressed general satisfaction with the results of the Agricultural Credit II negotiations, on which he had received a report from the head of the Tunisian negotiating team; he noted, however, that the Managing Director of the borrower, BNT, had hoped for more funds for large farmers.
8. The Minister reiterated the Tunisian suggestion that the negotiations on the Sidi Salem Multipurpose Project be held in Tunis, mentioning in particular the possibility that the Germans might prefer this approach. Mr. Bart said we were in touch with the Germans and explained the difficulties that negotiations in Tunis might create for the Bank; Minister Zaanouni did not press the proposal.
9. Minister Zaanouni assured Mr. Bart that the Government would present the necessary dossiers for Water IV, but had not realized the importance of timing in view of our work on the project as an FY 77 operation.
10. The Minister reiterated the Government's interest in continuing and expanding cooperation on DFC's. He expressed a marginal preference to put BDET ahead of COFITOUR but said we should proceed soon with a preparation mission on a COFITOUR project. Mr. Farhat said that the Arab Fund was expected to send an appraisal mission later this month to BDET, which would lead to a loan of \$20-\$30 million. He said the reference to "subsidies" in Mr. Bart's recent supervision follow-up letter had shocked BDET; following Mr. Bart's forceful reference to the discussion of the interest equalization account under BDET VI and with Minister Zaanouni's explicit support, the issue was dropped. However, it served to remind that interest rates might be a major issue on any future DFC operation.
11. In response to Mr. Bart's question, the Minister confirmed the Government's desire to pursue a second Fisheries project with the Bank. If necessary, he was prepared to cut the program of 13 fishing ports to a first tranche of three or four ports within the framework of the project, in order to permit its presentation to the Executive Directors in FY 78.

^{1/} Mr. Hartwich subsequently indicated that it will take some time before the EIB becomes active in Tunisia.

Memorandum to Files

October 15, 1976

12. Concerning industry, Minister Zaanouni mentioned again the possibility of a second phosphate mining project, Kef Echfair, which he hoped we would examine. Mr. Bart stressed the importance of solving the problems of the Gafsa mining project before moving into a second project.

13. In response to Mr. Bart's inquiry about possible Government interest in a second population project, the Minister said he would look into the matter and let us know the Government's position, indicating that USAID was already active in this field and might provide the necessary external assistance.

Conclusion

14. The meeting, which took place in a relaxed and mutually confident atmosphere, helped to soften the tensions felt between the Government and the Bank in recent months. In these circumstances, the Minister and Mr. Bart agreed that it would not be necessary for Mr. Bart to visit Tunisia on his present mission. No reference was made to possible discussions of Mr. Bart with the Prime Minister, but the idea of a visit by Mr. Bart for signature of the Sidi Salem agreements and/or in connection with the preparation of the Consultative Group meeting was mentioned. The Tunisians took almost no notes, and Mr. Bart agreed to write the Minister a confirming letter on the discussions.

AEElmendorf:be

Cleared and cc: Mr. Bart

cc: Messrs. Benjenk, Knox, Pollan, Haynes, El Darwish, de Lusignan, Sekse, Fish, Frank, Le Moigne, French-Mullen, Thys, Turnham, Mérat, Schelzig, Lachman, Venkateswaran, Carrère, Odone, Cash, Messenger, de Mérode.

TO: Memorandum for the Record

July 15, 1977

FROM: A. Edward Elmendorf, Acting Division Chief, EMENA CP II-B

SUBJECT: TUNISIA: Call on Mr. McNamara by Minister of Agriculture

1. His Excellency Hassan Belkhodja, Tunisian Minister of Agriculture, called on Mr. McNamara yesterday, July 14. Mr. Knox, the Tunisian Charge d'Affaires, Mr. Ali Tekaia, and I also attended the meeting.

2. Following the usual exchange of courtesies, Mr. Belkhodja outlined two projects to Mr. McNamara:

- (a) the Ghardimaou project for the establishment of 5,800 hectares of new irrigated land, from which USAID had withdrawn but on which studies had been completed and the only problem impeding implementation was availability of funds; and
- (b) a program to increase production on 100,000 hectares of small farms in Northern Tunisia which were suffering as a result of inadequate training of farmers, inadequate extension services, insufficient fertilizer supplies and insufficient use of improved seeds.

The Minister expressed concern at the inadequacy of funds available to finance Fifth Plan agricultural development, and suggested that the Bank might chair a small group bringing together other donors (he mentioned only USAID and the US Ex-Im Bank) to organize the financing of Tunisia's agricultural development.

3. Mr. McNamara expressed particular interest in the small farm program, especially after being assured by the Minister of its economic viability, and hoped the Bank would be able to contribute to it. In response to the Minister's proposal for a Bank lead in financing Tunisian agriculture, he suggested that the most practical course would be to identify, prepare, and appraise a project; in that framework we would be glad to help the Government assure the necessary financing.

cc: Mr. McNamara's Office (2)
Messrs. Knox, Davar, Pollan, Haynes, LeMoigne, Polti, Quicke

AEElmendorf:ljd

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 14, 1977

FROM: A. David Knox, Acting Vice President, EMENA Region

SUBJECT: Courtesy Call by Tunisian Minister of Agriculture

1. The Minister of Agriculture of Tunisia, His Excellency Hassam Belkhodja, will call on you today at 6:30 p.m. Mr. Elmendorf and I propose to join you at the meeting.

2. The Minister is visiting the United States as the guest of the Secretary of Agriculture. His visit had originally been conceived as a private trip in connection with an attempt by an American firm to sell agricultural equipment in Tunisia; Belkhodja saw a potential conflict of interest, and an invitation from the Secretary of Agriculture was arranged. He has seen Vice President Mondale, and will also see a number of Senators.

Background on the Minister

3. Belkhodja, 57 years old, has long been in Tunisian public life. He was Tunisian High Commissioner in France immediately before Independence in 1956, and first Tunisian Ambassador in Paris thereafter. He has been active in the business and banking world, founding the Tunisian National Bank (BNT), a two-time Bank borrower for agricultural credit. He has also been general manager of Tunisia's principal commercial bank. He became Minister of Agriculture in 1974. He is close to President Bourguiba, and has been mentioned among the possible candidates for succession in the event that the formal succession of the Prime Minister does not work out. He is generally conservative in his views, has stressed increasing agricultural production as his main present concern, and is known for his desire to decentralize the services of his ministry. He speaks little English, but can understand it fairly well.

Topics You Might Raise

4. In Tunisia we have tried, unsuccessfully, to be associated with integrated rural development projects, and the failure of two projects, for the Sedjenane area and Central Tunisia, to meet the test of an adequate rate of return during pre-appraisal and appraisal, largely for lack of an adequate resource base, has caused us difficulties in our cooperation with the Government generally and particularly with the Ministry of Agriculture. We believe that we have now largely overcome the strong Tunisian reaction to our rejection of these projects, and will continue to try to reach the target group with our financing.

5. Although from what the Embassy informs us, his call on you is essentially a courtesy call, he might raise the question of the Bank's future involvement in the sector. If he does not, you may wish to invite his views on this subject. It may also be worth noting the increasing importance of the Bank's

Mr. Robert S. McNamara

July 14, 1977

program in agriculture: projects in agricultural credit, fisheries, irrigation rehabilitation, and the recently approved Sidi Salem Multipurpose Project are in execution, and the pipeline of projects under consideration includes fisheries, irrigation development in Southern Tunisia, and rural roads. In view of the importance of irrigated agriculture in our lending program, you may wish to stress to the Minister the importance we attach to Government decisions, if necessary through direct land purchase, to implement the requirements of Tunisian land reform legislation concerning public irrigation areas, in order to ensure that the full production potential of these large public investments may be realized.

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Cl. with & cc: Mr. Davar

cc: Messrs. Pollan & Le Moigne

AEElmendorf:itd

18

OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: October 2, 1980

FROM: Abdallah El Maaroufi, Division Chief, EMENA CP II-C *Adm*SUBJECT: TUNISIA: Annual Meeting Discussions

1. Mr. McNamara met with His Excellency Mansour Moalla, Minister of Planning and Finance of Tunisia on Sunday, September 28, at 6:00 p.m. Messrs. Souissi, Director General of Projects in the Ministry of Planning and Finance, and Ali Hedda, Tunisia's Ambassador to the U.S., accompanied Minister Moalla. Messrs. Chaufournier, Bart, Dubey and El Maaroufi attended on the Bank side.

2. Minister Moalla began by outlining the economic achievements of Tunisia during the past two decades in terms of growth (7.3 percent per annum during the past decade), investment levels, per capita income, and domestic savings. The Government of Tunisia intends to pursue three major objectives during the coming decade.

(i) The first objective would be to pursue economic growth with greater emphasis on employment-creating activities. While the Government had been able to create about 13,000 new jobs per year during the 1960s and 40,000 new jobs per year during the 1970s, it is estimated that about 65,000 new jobs per year would have to be created during the 1980s. Preliminary estimates indicate that the investment requirements of the Sixth Five-Year Development Plan (1982-1986) would be substantially higher than during the Fifth Plan, with about 20-30 percent being financed from external sources.

(ii) The second major objective of the Government will be to improve the quality of development. This implies greater emphasis on more balanced regional development and better income distribution. While the proportion of the poor to the total population had decreased from 75 percent in 1960 to 20 percent in 1980, a great deal more still needs to be done. A number of reforms are presently under consideration in the fields of education, administration, fiscal policy, social security, health, and housing.

(iii) The third objective is to improve the management of the economy. This will entail a reduction of the preponderant role that the Government has played in the economy in the past and more emphasis on market forces. The Government will rely to a larger extent on financial intermediaries rather than on direct intervention in the productive sectors. To this end, several financial institutions are being created with the help of other Arab countries.

2. Minister Moalla emphasized the importance which the Government of Tunisia attaches to Bank assistance. The Bank is the most important single provider of external assistance to Tunisia, and Minister Moalla expressed the hope that this will continue to be the case. He requested that Bank assistance emphasize two new areas of endeavor:

(i) Provision of assistance to the Government in its efforts to correct the imbalances in economic development between its eastern and western regions. To this end, the Government is keen to secure Bank assistance in the preparation and implementation of integrated development programs for the northwest, central, and southern regions of Tunisia.

(ii) Provision of assistance to the Government in the translation of its economic development plans into specific projects. To this end, the Government is interested in establishing a project identification and preparation task force which would not only identify and prepare projects but also coordinate the efforts of existing Government agencies in this field.

3. Mr. McNamara indicated that he agreed with the three major economic development objectives outlined by the Minister and that he also agreed that the Bank could be of assistance to the Government in the two areas indicated by the Minister. Mr. McNamara asked the Minister what the Government envisaged doing about expanding exports in view of the likelihood that Tunisia's present oil exports will taper off. The Minister indicated that energy was an important priority area for the Government and that he hoped the Bank would continue its association with the Government in this vital field. Export expansion was another area to which the Government attaches great priority. In this regard, the Government hoped to give greater emphasis to tourism than has been the case in the past decade. Mr. McNamara told Minister Moalla that the Bank would maintain its assistance to the Government for its economic development efforts and would continue its substantial lending to Tunisia.

4. Mr. McNamara informed the Minister that one of his objectives during the next 6 to 9 months would be to secure a consensus among the member countries of the Bank about the need for a substantial increase in the Bank's lending capacity and about the means to achieve this. He hoped that the Executive Director representing Tunisia would support his efforts.

Cleared with & cc: Messrs. Bart, Dubey
cc: Messrs. McNamara, Stern, Chauffournier, Picciotto

AEI Maaroufi:js

19

OFFICE MEMORANDUM

916

TO: Mr. Robert S. McNamara

FROM: Munir P. Benjenk, Vice President, EMENA Region

SUBJECT: TUNISIA - Brief for your meeting with Prime Minister Nourira

DATE: November 27, 1978

64-26 53
69-73 168
74-78 328
75-83 587
76 57
77 93
78 67
79 70
80 120

1. You will meet on November 29 (3:15 p.m.) at Blair House with Prime Minister Hedi Nourira, whom you met in 1973 during your visit to Tunisia.

11/28

2. Political Situation. In December 1977 and January 1978, labor unrest in Tunisia culminated in serious clashes, with many victims, and led to a reshuffle of the Government and to a change in leadership of the Union Générale des Travailleurs Tunisiens (UGTT), the only labor-union in the country. While the labor union's demands for increased wages were the avowed cause of the conflict, it also resulted from the struggle among various political factions to determine who would exercise power after the Bourguiba era, which seems to be coming to a close with the President's frequent medical treatments and reduced activity. Prime Minister Nourira, the constitutionally designated successor to President Bourguiba, emerged as the winner in this struggle and has taken measures to strengthen his position, including the sentencing of UGTT's leaders to jail terms. Nevertheless, his Government has been compelled by recent events to show increasing concern for social problems and target groups through the establishment of employment and poverty-oriented action programs. Yet, there remains significant opposition to Mr. Nourira's Government in Tunisia and among exiled politicians, and the struggle for power is likely to continue until President Bourguiba's successors are firmly in the saddle. Whether Tunisia will enjoy, after his disappearance, the remarkable stability it preserved since independence is open to question.

3. Economic Assessment. The Tunisian economy is undergoing some important trend changes which we expect will reduce its growth rate from an average of 8.6 percent during 1970-77 to 6-7 percent p.a. in coming years. While the rapid growth of the first half of the 1970's has been due to a combination of factors, such as good weather, very fast tourism development, and price increases of the country's chief exports (oil, olive oil, phosphate), Tunisia's future development rests on the adoption of policies which allow a more efficient use of the country's own resources. This would include measures to: (i) strengthen the absorptive capacity for investment, (ii) improve productivity, (iii) expand export-oriented industries, and (iv) base economic management on an efficient price system. The Government appears to be determined to follow these policies so that a comparatively rapid development can be expected with a manageable debt service and continued creditworthiness, but it will have to strike a delicate balance between its economic and social objectives.

Mr. Robert S. McNamara

November 27, 1978

4. Issues likely to be raised by Mr. Nourira. Bank relations with Tunisia are excellent. There are no major issues outstanding and problems are usually resolved without much difficulty. Bank lending may average \$100 million annually in coming years. Mr. Moncef Belkhodja has informed us that the Prime Minister intends to raise with you three major points: rural development; better integration of agriculture in the industrial sector; and promotion of small and medium scale industries.

5. On the first topic, the Prime Minister is likely to confirm statements he made in the press and at the Tunisian Parliament over recent months expressing his Government's concern to improve the standard of living of the Tunisian poorer classes by promoting the rural sector and by discouraging migration to the urban centers. Mr. Nourira may request increased Bank support in financing rural development projects in Tunisia. Despite the poor resource base in much of Tunisia and the resulting difficulties in identifying investments with adequate returns, the Bank has lately made some progress. The Rural Roads project, approved in FY78, combines a rural road construction/rehabilitation program with the financing of selected agricultural investments in zones of influence of those roads. In response to Minister of Agriculture Belkhodja's request to you in July 1977, and following my own discussions with Prime Minister Nourira last March, an agriculture-based project is being prepared in the Northwest region for FY80. Future programs include other projects (such as the Second Fisheries project in FY79, the Irrigation Development project in Southern Tunisia in FY80) whose beneficiaries are expected to be mainly in the target group.

6. Over the past year, diversification of industrial production based on agriculture has become a key element in Government strategy to increase output and create employment. You may wish to suggest to Mr. Nourira that the establishment of coherent regional development programs, which would take into account development of both farm and non-farm activities, may be a first step towards the better integration of agriculture and industries.

7. More effective assistance could be provided to the Government in both the above fields if it: (i) adopted a more systematic approach to long-term planning of development of rural areas, (ii) reviewed the related macro-economic issues such as prices, incentives and other policies affecting regional development, and (iii) decentralized its administrative machinery to facilitate project design and implementation at local levels. We plan to discuss this approach with Government authorities in connection with a special Bank paper on social issues.

8. Employment creation remains the major objective during the remaining years of the Fifth Plan. With 220,000 unemployed in 1977 (representing 13 percent of the labor force), considerable under-employment in

His Excellency Hedi Nouria, Prime Minister

Age: 63. Born at Monastir, Mr. Nouria studied law in Paris. Detained in Tunisia and in France with Bourguiba, he was freed in 1943 and became a member of the Political Bureau in 1948. He was the principal editor of the monthly "Mission" - the Party's French language publication. In 1954 he headed the Department of Commerce in the first autonomous Government. A year later, he became Minister of Finance until he was appointed Governor of the Central Bank in 1958. As Central Bank Governor, he was elected Chairman of the Copenhagen Annual Meetings of the Bank and Fund in 1970. Mr. Nouria remains a member of the Political Bureau and became Secretary-General of the Party in 1971. He became Prime Minister in late 1970. Overseas at the time of the joint Bourguiba-Kaddafi statement in early 1974, Nouria played an important role in the Tunisian retreat from the proposed merger with Libya. He is generally regarded as Bourguiba's most likely successor.

His Excellency Mustapha Zaanouni, Minister of Planning - Governor of Bank

Age: 50. After studying law, economics and public administration in Paris, Zaanouni was assigned to the Secrétariat d'Etat au Plan from 1956 to 1958. From 1959 through 1964 he was head of the Economic Affairs Division in the Secrétariat d'Etat à Agriculture. From 1964 through 1969, he worked in FAO, initially responsible for supervision of FAO/UNDP Special Fund projects and later as an economist. In 1970, he returned to Tunisia, working as Director of the National Center for Industrial Studies, then as Secretary of State in the Ministry of Agriculture, then holding the same position in the Ministry of Planning. Upon the resignation of Mr. Ayari, Mr. Zaanouni was named Minister of Planning. He speaks English well.