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Tunisia CAS: Public Information Notice

World Bank Board Discusses
Tunisia Country Assistance Strategy Report

1. On April 25, 2000, The World Bank's Board of Executive Directors discussed the Bank Group's Country Assistance Strategy (CAS) for Tunisia covering the period 2000-2002.

Country Context

2. Stressing equitable development and macroeconomic prudence over a long period, Tunisia has progressed remarkably to lower middle-income country status. Since independence, real per capita incomes have grown over two and a half times while social and economic well-being have improved significantly: poverty incidence has dropped from 40% to 7%; almost all children enroll in primary school; life expectancy has grown from 50 to 70 years; and the status of women has improved steadily, with women now comprising a third of the labor force. Tunisia has also built up the strongest policy and institutional framework for sustainable development in the region. With a liberalized offshore sector in place since the 1970s, Tunisia opened its economy further when, in 1995, it signed a partnership agreement, including free trade provision, with the EU.

3. Given Tunisia's limited markets, the EU agreement and, more generally, outward-looking economic policies, are critical to stimulating higher growth and employment, which is paramount among the country's development objectives for the medium term. At the same time, the agreement poses challenges for Tunisia well beyond trade measures. The heightened international competition will require it to develop a more dynamic private sector; strengthen further its human capital base; and consolidate its sound management of natural resources. This, in turn, will need a new framework for economic governance, so far substantially led by the public sector, towards more neutral and predictable policies for the private sector, coupled with increased participation of the civil society in the development process.

Bank Strategy

4. In line with the country's stage of development and emerging challenges, the Bank's assistance strategy takes a broad approach to poverty reduction; it focuses on labor-intensive growth, employment and vulnerability issues in the wake of increased competition, and refinement and greater coverage of the social protection system, while promoting decentralized and community-based approaches in poverty pockets.

5. Given Tunisia's access to external finance, the government of Tunisia places greater weight on policy dialogue with the Bank than on the level of financing. To that end, the Bank's assistance strategy emphasizes non-lending services, analytical work and seminars, with a view to broadening policy dialogue and increasing the role of civil society in the development process.

Priorities for Bank Assistance

6. To team up with Tunisia in this endeavor, and in line with Government requests, the strategy includes the following priorities for Bank Group support:

* Consolidating long-term development through activities in sectors of traditional Bank involvement, mainly human resources development, natural resources management, transport, and rural and urban development;
* Supporting economic reforms to enhance competitiveness and increase employment, with safeguards against transitional costs of adjustments;
* New initiatives of catalytic nature to strengthen local institutions, launch new development niches (e.g., information technology), and mobilize external finance.

7. The proposed priorities ensure continuity with the last CAS (1997-99), the implementation of which proceeded closely as planned. The main objectives of the last CAS were met, with the exception that the pace of private investment remained gradual. Hence, the IFC and Bank will work together closely to foster private sector development, especially in promoting private investment in infrastructure and supporting small and medium enterprises.

8. The lending program for 2000-2002 maintains the level of commitments of previous years, averaging about US$200 million per year. It will sustain the change in the mix of instruments begun with the last CAS, with fewer traditional projects and more sector investment loans and adaptable programs loans. The lending program will be applied flexibly, especially regarding the share of policy-based operations, depending on the speed of reforms and the possible impact of fluctuations in the external environment.

Partnerships

9. The government has long-established mechanisms for coordinated consultations within the country and with external agencies. Against this backdrop, the participatory process followed in developing the CAS included extended consultations and discussion of the draft CAS document with the government. The CAS was also prepared after consultation with civil society groups in Tunisia, including discussions with representatives of the trade unions and employers, a workshop in Tunis involving local NGOs and focus group discussions concerning the impact and the priorities for reforms.

10. The Bank's proposed strategy ties in closely with other donor programs in the country. Besides the traditional coordination between the Bank Group and the IMF, the Bank's program has been closely coordinated with the EU, which has provided parallel financing along each of the Bank's two competitiveness adjustment policy loans to-date. The Bank Group has also developed joint approaches with other donors in almost all sectors where it is involved. The move towards program loans has served as a framework for other financing. The Bank's program is also closely coordinated with the EIB, the AfDB and the UN Agencies and key bilateral donors, among them France, Italy, Japan, Germany, Kuwait and Switzerland. These coordination experiences have been encouraging and have promoted stronger dialogue with the government, and the arrangement is being used as a prototype for other countries in the region. Under the Bank's assistance strategy, the use of sector approaches, dialogue on the reform program, and innovative projects in new areas would also serve as catalyst for bilateral funding and private investments, thus complementing external finance available to the country.
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