AFRICAN DEVELOPMENT BANK GROUP

TUNISIA

FIRST LINES OF CREDIT GRANTED TO FIVE DEVELOPMENT BANKS

Project Performance Evaluation Report (PPER)

OPERATIONS EVALUATION DEPARTMENT
(OPEV)

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ABSTRACT OF EVALUATION REPORTS

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REPUBLIC OF TUNISIA

Board Reference Number

FIRST LINES OF CREDIT GRANTED TO FIVE TUNISIAN DEVELOPMENT BANKS (BNDT, BTEI, BTKD, BTQI AND STUSID)

1. The first lines of credit granted by the African Development Bank (ADB) to five Tunisian Development Banks (BNDT, BTKD, STUSID, BTEI and BTQI) in December 1984, June 1988 and July 1990, for the first three lines of credit to BNDT, respectively, and in March 1988 for the other four development banks, were intended to finance the foreign exchange costs of the investment projects in the tourist, para-tourist and manufacturing sectors.

2. The lines of credit were aimed at contributing to the achievement of the objectives set by the Tunisian Government for the 1982-1991 period, which coincides with the VIth (1982-86) and VIIth (1987-91) development plans. The objective of these lines of credit, which are in line with the sectoral objectives, is to ensure the development and promotion of projects by financing through these five development banks, the creation, extension or rehabilitation of viable SMEs in two sectors of the economy.

3. These lines of credit were followed by others in 1990 (4th line of credit to BNDT and 2nd line of credit to the four development banks, namely BTKD, STUSID, BTEI and BTQI) and in 1994, a 3rd line of credit to the same four development banks - BTKD, STUSID, BTEI and BTQI. This was within the context of the ADB's support to the VIIIth (1992-1996) economic and social development plan of Tunisia.

4. In spite of the difficulties encountered in the start-up of the first line of credit, these banks did not encounter any particular problems in the mobilization and utilization of the lines of credit granted to them, thanks to the efficiency of their organizational structure and management procedures. Similarly, regarding the first line of credit granted to the other four development banks (BTKD, STUSID, BTQI, BTEI), its utilization schedule was considered satisfactory (2 to 3 years on average) in spite of a certain delay in disbursements.

5. The ADB conducted only one supervision mission for the three lines of credit granted to BNDT and no supervision mission was conducted for the first line of credit granted to the other four development banks in spite of the large number of sub-projects and the involvement of these banks which were not yet familiar with the Bank's procedures. However, a monitoring mission and a financial supervision mission were sent out each year and this was appreciated by the development banks concerned.

6. The current procedure for the disbursement of the lines of credit was considered by the development banks to be very restrictive as they sometimes had to wait for several weeks before being refunded the credits granted to sub-projects. The Bank could have been more effective by setting up a revolving fund for the BNDT which was granted its third line of credit. However, this procedure has been improved.

7. The lines of credit, the maturity terms of which are longer than those of credits granted by the development banks to sub-projects, are perfectly suited to the needs of these banks and preserve their financial balance quite well. They contributed enormously to increasing the resources of the development banks, particularly their foreign exchange borrowings.

8. In spite of the low results obtained during certain years by most of these development banks, one could say that the lines of credit have positively influenced their financial results. They have contributed very positively to the development of the tourist sector in which they financed 205 projects. However, they did not contribute sufficiently to the promotion of the manufacturing sector where only 17 projects were financed. The success rate of these projects stands at 85% which is quite appreciable. The rate of default on the repayment of these lines of credit has remained low.

9. The economic and financial situation of the majority of projects financed by these lines of credit is reassuring. The difficulties encountered by certain tourist projects are temporary and most of them could be overcome through arrangements with the banks to reschedule the debts, whereas those of certain industrial projects are much more difficult to solve and could permanently compromise the future of these projects.

10. The SMEs with investments not exceeding 2 million dinars were not particularly encouraged by the development banks which devoted only 9% of the amount of the lines of credit to them. This is in fact confirmed by the increase in investment and job-creation costs.

11. Notwithstanding their limited number, the industrial projects financed by these lines of credit have contributed to the creation of more than 1,400 permanent jobs, the diversification of the economy, the promotion of certain local raw materials, the substitution of local products for certain imported items, the development of exports and the transfer of technology. As for tourist projects, they have created almost 18,200 permanent jobs, increased hotel accommodation capacity by 46,000 additional beds (38% of the capacity available at the end of 1991) and diversified the tourist products.

12. More than 90% of the beneficiaries of the lines of credit are private enterprises, of which more than 80% are new private concerns. Out of an investment of about 990 million dinars (UA 757 million), self-financing represented almost 400 million dinars (UA 306 million), i.e. 40%, of which 30 million dinars (UA 23 million) were in foreign exchange.

13. In conclusion, the results of these lines of credit granted to five development banks are satisfactory and have contributed to the development of the tourism and industrial sectors, the promotion of private enterprise and the consolidation of the financial situation of these banks.

14. Lessons have been learnt from the experience acquired from these lines of credit, particularly regarding the efficiency of the decision-making and management structures of the five development banks and their capacity to monitor the trends of the economic sectors in which they operate and which have made it possible to avoid slippages or escapism in the face of the economic crisis.

15. Recommendations have been made to both the borrowers and the Bank. The main recommendations were:

15.1 To strengthen the human and material resources of the monitoring structures of these development banks and to extend their prerogatives to include technical assistance to new promoters. These banks should deploy more efforts in the mobilization of resources, particularly foreign exchange, required for financing the industrial sector restructuring programme.

15.2 To envisage selling their equity participation in institutional projects to local or foreign private promoters capable of rehabilitating and managing them more efficiently.

15.3 In order to avoid delays and allow the relaxing of disbursement procedures, it would be desirable to envisage putting at the disposal of the development banks, a revolving fund representing 10 to 15% of the amount of the line of credit, to be used for disbursing credits granted to sub-projects and it will be resupplied by the ADB upon presentation of the relevant documents justifying the disbursements.

15.4 Considering the importance of the supervision and monitoring of the implementation of the lines of credit, the Bank should consider using local consultants for performing the duties which will contribute to accelerating the processing of sub-project files and to providing periodically, the information necessary for the global monitoring of the utilisation of the lines of credit.

15.5 Given the economic integration of the tourist sector in Tunisia, the Bank should consider the possibility of granting lines of credit in local currency, particularly in favour of the SMEs of the sector.

15.6 The Bank should organise regional seminars for the managers of the development banks with a view to exchanging points of view on the terms of utilisation of the ADB line of credit as an instrument for financing private enterprise and to draw the necessary lessons from past experiences in financing the development of productive sectors.

15.7 The Bank should support the activities of these development banks which shall be required to play an increasingly important role in financing the industrial sector restructuring programme.

15.8 Considering the proportion of the lines of credit to Tunisian development banks (including all sectors) in the Bank's portfolio, the latter should commission an impact study to determine the contribution of these lines of credit to Tunisia's economic development and to draw the necessary lessons with regard to the private enterprise development policies and procedures.

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This report was prepared by Messrs M.H. MANAI, Financial Analyst (OPEV) and F. KILANI (Société SAMEF - Tunisia) following their missions to Tunisia from 8 to 15 November, 1992 and from 18 to 29 January 1993.

CURRENCIES, ACRONYMS AND ABBREVIATIONS

Currency Equivalents and Abbreviations

Currency Unit : Tunisian Dinar (TD)

	At Appraisal	At Completion	At Post-Evaluation
1st LOC - BNDT (Sept-1984)	UA 1 = TD 0.78526	UA 1 = TD 1.3039 (Sept. 1991)	UA 1 = TD 1.3071 (Jan. 1993)
2nd LOC - BNDT (Aug. 1987)	UA 1 = TD 1.09483	- do -	- do -
3rd LOC - BNDT (Sept-1989)	UA 1 = TD 1.19359	- do -	- do -
1st LOC - BTKD-STUSID - BTQI-BTEI (December 1987)	UA 1 = TD 1.09483	UA 1 = TD 1.1904 (March 1991)	- do -

Fiscal Year

1st January - 31 December

Weights and Measures

Metric System

Abbreviations

ADB	:	African Development Bank
AFI	:	Agence foncière industrielle
AFT	:	Agence foncière touristique
ANPE	:	Agence de protection de l'environnement (Environmental Protection Agency)
API	:	Agence de promotion de l'investissement
BCT	:	Banque centrale de Tunisie (Central Bank of Tunisia)
BDET	:	Banque de développement économique de Tunisie
BNA	:	Banque nationale agricole
BNDT	:	Banque Nationale de développement touristique
BTEI	:	Banque tuniso-émirats d'investissement
BTKD	:	Banque tuniso-koweitienne de développement
BTQI	:	Banque tuniso-quatarie d'investissement
CEPEX	:	Centre de promotion des exportations (Exports Promotion Centre)
GDP	:	Gross Domestic Product
INNORPI	:	Institut national de normalisation et de protection industrielle (National Standardization and Industrial Promotion Institute)
ONTT	:	Office national du tourisme et thermalisme
SME	:	Small and Medium-Size Enterprises
PCR	:	Project Completion Report
PPAR	:	Project Performance Audit Report
STUSID	:	Société tuniso-saoudienne d'investissement et de développement

PREFACE

1. This Project Performance Audit Report (PPAR) concerns the first lines of credit granted by the African Development Bank (ADB) to five Tunisian Development banks (BNDT, BTKD, STUSID, BTEI and BTQI)). The first three lines of credit were granted to BNDT in December 1984, June 1988 and July 1990 and the remaining four development banks were granted lines of credit in March 1988.

2. These lines of credit were earmarked for financing the foreign exchange costs of investment projects in the tourist, para-tourist and manufacturing sectors. They were followed by other lines of credit in 1990 (fourth line of credit to BNDT and a second line of credit to the four development banks, namely BTKD, STUSID, BTEI and BTQI) and in 1994 (a third line of credit to the same four development banks, viz BTKD, STUSID, BTEI and BTQI). This was within the framework of the ADB's support to Tunisia's 1992-1996 VIIIth Economic and Social Plan.

3. The project completion reports (PCRs) were prepared by the Bank in January 1991, for the three lines of credit granted to BNDT, and in April 1991, in the case of the lines granted to the other development banks.

4. This memorandum was prepared following the sending of enquiry questionnaires to the five development banks in November 1992 and a Bank audit mission to Tunisia from 18 to 29 January, 1993. It makes references to the appraisal and completion reports and is based on (i) information available in the Bank's files on these projects, (ii) the conclusions drawn from the enquiry questionnaires sent to the development banks, (iii) the statistical, economic and financial data collected during the mission, and (iv) the discussions and meetings held by the audit mission with the authorities and the key managers of the banks concerned as well as with staff members of the Bank.

5. The PPAR comprises the Performance Audit Memorandum and the Completion Reports. The Memorandum complements the observations of the completion reports and includes an evaluation of the results, the performances and the impact of the LOCs on the macro-economic and sectoral plans. It draws conclusions and lessons therefrom and makes recommendations to the Borrowers and the Bank for the consolidation and development of the benefits obtained from these lines of credit.

6. Copies of the PPAR have been sent to the Tunisian Government, the Tunisian development banks and the Bank's operations departments, for observations. These observations have been taken into account in this report.

BACKGROUND INFORMATION ON THE PROJECTS

Preliminary Data

Country	:	Republic of Tunisia
Project	:	ADB Lines of Credit
Loans	:	B/BNDT/CS/TN/84/024 B/BNDT/CS/TN/IND-TOU/88/031 B/BNDT/TUN/LIC-TOU/90/38 B/BTKD/TUN/LIC-IND.TOU/88/033 B/STUSID/TUN/LIC-IND.TOU/88/032 B/BTEI/TUN/LIC-IND.TOU/88/030 B/BTQI/TUN/LIC-IND.TOU/88/03
Guarantor	:	The Tunisian Government
Borrowers and Executing Agency	:	Banque Nationale de Développement touristique (BNDT) Banque Tuniso-Koweitienne de Développement (BTKD) Société Tuniso-Saoudienne d'investissement et de développement (STUSID) Banque de Tunisie et des Emirats d'investissement (BTEI) Banque Tuniso-Quatarie d'investissement (BTQI)

A - Basic Data on the ADB Lines of Credit

1. First Line of Credit BNDT/CS/TN/IND/84/024

	ESTIMATES	ACTUAL
a - Essential Data		
Official Request	N/A	1984
Amount	UA 30.0 million	UA 30.0 million
Interest	10%	10%
Statutory Commission	1% per annum on the amounts disbursed and outstanding	
Commitment charge	1 % per annum on the undisbursed loan amount	
Repayment schedule	15 years	
Grace period	4 years	
Date of Appraisal	N/A	Sept. 1984
Negotiation of the Loan in Abidjan	N/A	1984
Board Approval	N/A	12/12/1984
Loan Signature	N/A	28/12/1984
Loan Effectiveness	N/A	29/06/1985

Deadline of First Disbursement	31/12/1985	31/12/1985
Deadline for Last Disbursement	31/12/1989	31/12/91

b - Disbursement

Amount disbursed	Entire amount

c - Commitment — Entire amount

2. Second Line of Credit BNDT/TN/LC/IND-TOU/88/031

	ESTIMATES	ACTUAL
a - Basic Data		
Official request	N/A	1988
Amount	UA 20.0 million	UA 20.0 million
Interest	7.55% per annum on amounts disbursed and outstanding	7.55%
Statutory commission	0.25% per annum on amounts disbursed and outstanding	
Commitment charge	1% per annum on the undisbursed portion of the loan	
Repayment schedule	15 years	
Grace period	4 years	
Date of Appraisal	N/A	August 1987
Negotiation of loan in Abidjan	N/A	1988
Board Approval	N/A	21/03/1988
Loan signature	N/A	01/06/1988
Loan Effectiveness	N/A	16/09/1988
Deadline of first disbursement	31/12/1989	31/12/1989
Deadline for last disbursement	31/12/1993	31/12/1993
b - Disbursement		
Disbursement amount	Entire amount	
c - Commitment	Entire amount	

3. Third Line BNDT/TUN/LIC/IND-TOU/90/38

	ESTIMATES	ACTUAL
a - Basic Data		
Official request	N/A	1989
Amount	UA 60.0 million	UA 60.0 million
Interest	7.5% per annum on amounts disbursed and outstanding	7.5%
Statutory commission	-	
Commitment charge	1% per annum on the undisbursed portion of all loan	
Repayment schedule	15 years	
Grace period	4 years	
Appraisal date	N/A	Sept-1989
Negotiation of the loan in Abidjan	N/A	1990
Board Approval	N/A	14/05/1990
Loan signature	N/A	24/07/1990
Loan effectiveness	N/A	14/11/1990
Deadline of first disbursement	31/12/1991	31/12/1991
Deadline for last disbursement	31/12/1995	31/12/1995
b - Disbursement	(as at 30/11/92)	(as at 7/9/94)
Amount disbursed	UA 45,708,328	UA 54,111,894
Undisbursed amount	UA 14,291,672	UA 5,888,106
Disbursement rate	76.8%	90%
c - Commitment	Entire amount	

4. First ADB Lines of Credit to 4 Development Banks

B/BTKD/TUN/LIC/IND-TOU/88/033
B/STUSID/TUN/LIC-IND.TOU/88/032
B/BTEI/TUN/LIC-IND.TOU/88/030
B/BTQI/TUN/LIC-IND.TOU/88/031

	ESTIMATES	**ACTUAL**
a - Essential Data		
Official request	N/A	1987
Amount	UA 40.0 million (BTKD = 15 STUSID = 10 ; BTEI = 8 ; BTQI = 7)	
Interest	7.55 % per annum on amounts disbursed and outstanding	
Statutory commission	0.25 % on the undisbursed amount	
Repayment schedule	15 years	
Grace period	4 years	

Appraisal date	N/A	January 1988
Negotiation of the loan in Abidjan	N/A	1988
Board approval	N/A	21/03/1988
Loan signature	N/A	01/06/1988
Loan effectiveness	N/A	21/10/1988
Deadline of first disbursement	31/12/1991	31/12/1991
Deadline for last disbursement	31/12/1993	31/12/1993

b - Disbursement

Amount disbursed	UA 39,888,083
Undisbursed amount	UA 111,917
Disbursement rate	99.72%

c - Commitment — Entire amount

B - Performance Indicators

1. Number of extensions of the last disbursement deadline	Nil
2. Status of the LOCs	Completed
3. Operational Performance	Satisfactory
4. Financial Perfomance	Satisfactory
6. Efficiency of the Boorowers	Satisfactory
7. Efficiency of the Bank	Satisfactory
8. Overall performance	Satisfactory

C - Missions

N°	Types of mission	Number of persons	Date	Number of days	Man/days
1	Preparation-Appraisal	2 2 2 2 1	May 1983 Sept.1984 Aug. 1987 Dec.1987 Sept.1989	N.I	N.I
2	Financial Supervision	N.I	Each year	N.I	N.I
3	Supervision	N.I	Oct-1989 (BNDT)	N.I	N.I
4	Completion	2 2	March 1991 Sept. 1991	N.I N.I	N.I N.I
5	Post-Evaluation	2	8-15/11/1992 18-29/01/1993	18	36

D - Other Lines of Credit Financed by the Bank Group in Tunisia

	Year of Approval	Loan (million UA)	Status	Completion Date Estimated/Revised	PPAR
1st Line of Credit to BDET	1976	3.0	Completed	1979	1995
2nd Line of Credit to BDET	1980	10.0	Completed	1983	1995
3rd Line of Credit to BDET	1982	10.0	Completed	1985	1995
4th Line of Credit to BDET	1984	20.0	Completed	1992	1995
1st Line of Credit to "Banque nationale agricole"	1985	18.0	Completed	1994	1995
Fifth Line of Credit to BDET	1990	30.0	Completed	1994	1995
Second LOC to (BTKD, BTEI, BTQI, STUSID)	1990	100.0	On-going	1996	1997
Fourth LOC to BNDT	1990	120.0	On-going	1997	1998
2nd Line of Credit to "Banque nationale agricole"	1992	50.0	Effective	1996	1997
6th Line of Credit to BDET	1993	60.0	Effective	1996	1997
3rd Line of Credit to (BTKD, BTEI, BTQI, STUSID)	1994	80.0	Effective	1997	1998
	Total	501.0			

AUDIT MEMORANDUM SUMMARY, CONCLUSIONS, LESSONS RECOMMENDATIONS

I. SUMMARY AND CONCLUSIONS OF THE MEMORANDUM

1.1 The Performance Audit Memorandum is on the first lines of credit granted by the African Development Bank (ADB) to five Tunisian development banks (BNDT, BTKD, STUSID, BTEI, BTQI). The first three lines of credit were granted to BNDT in December 1984, June 1988 and July 1990 and the remaining four development banks were granted lines of credit in March 1988.

1.2 The lines of credit were aimed at contributing to the achievement of the objectives set by the Tunisian Government for the 1982-1991 period, which coincides with the VIth (1982-86) and VIIth (1987-91) development plans. The objective of these lines of credit, which are in line with the sectoral objectives, is to ensure the development and promotion of projects by financing through these five development banks, the creation, extension or renovation of viable SMEs in two sectors of the economy. These lines of credit covered part of the foreign exchange needs of projects submitted beforehand to the Bank, for approval.

1.3 In spite of the difficulties encountered in the start-up of the first line of credit, the BNDT did not encounter any particular problems in the mobilisation and utilisation of the 3 lines of credit, thanks to the efficiency of its organisational structure and its management procedures. Similarly, regarding the first line of credit granted to the other four development banks (BTKD, STUSID, BTQI, BTEI), their disbursements were slow. However, the study and approval of the sub-projects were carried out satisfactorily. Consequently, the 4 banks, inspite of their recent creation, did not encounter any problems in the mobilisation and utilisation of the lines of credit, thanks to the efficiency of their structures, their procedures and the competence of their staff.

1.4 In spite of a certain delay in disbursements, the implementation schedule was considered satisfactory (2 to 3 years on average). The ADB conducted only one supervision mission for the three lines of credit granted to BNDT and no supervision mission was conducted for the first line of credit granted to the other four development banks in spite of the large number of sub-projects and the involvement of these banks which were not yet familiar with the Bank procedures. However, a monitoring mission and a financial supervision mission were sent out each year and this was appreciated by the development banks concerned.

1.5 The current procedure for the disbursement of the lines of credit was considered by the development banks to be very constraining as they sometimes had to wait for several weeks before being refunded the credits granted to sub-projects. The Bank could have been more effective by setting up a revolving fund for the BNDT which was granted its third line of credit. However, this procedure has been improved.

1.6 The lines of credit, the maturity terms of which are longer than those of credits granted by the development banks to sub-projects, are perfectly suited to the needs of these banks and preserve their financial balance quite well. They contributed enormously to increasing the resources of the development banks, particularly their foreign exchange borrowings. The share of the lines of credit in this category of borrowings represents 43% to 100% depending on the bank. These additional resources enhanced the development of the operations of the beneficiary banks by increasing their loan approvals, commitments and disbursements.

1.7 In spite of the low results obtained during certain years by most of these development banks, one could say that the lines of credit have positively influenced these results because their net income of the banks was between 1 and 1.5% of the amount of the lines of credit, depending on the banks.

1.8 The lines of credit granted to the 5 development banks have contributed very positively to the development of the tourist sector in which they financed 25 projects. However, they did not contribute sufficiently to the promotion of the manufacturing sector where only 17 projects were financed. The success rate of these projects stands at 85% which is quite appreciable. The rate of default on the repayment of these lines of credit has remained low.

1.9 The economic and financial situation of the majority of projects financed by these lines of credit is reassuring. The difficulties encountered by certain tourist projects are temporary and most of them could be overcome through arrangements with the banks to reschedule the debts, whereas those of certain industrial projects are much more difficult to solve and could permanently compromise the future of these projects.

1.10 The SMEs with investments not exceeding 2 million dinars were not particularly encouraged by the development banks which devoted only 9% of the amount of the lines of credidt to them. This is in fact confirmed by the increase in investment and job-creation costs. The ceiling of investment costs chargeable to the lines of credit granted by the Bank were considered by the development banks to be restrictive.

1.11 Furthermore, these banks adopted prudent or even conservative attitudes in the mobilisation of resources to finance development activities. Their share of equity (50% of which comes from the Gulf Emirates in the case of the 4 joint development banks) remains considerable and these banks are therefore expected to attract more foreign exchange.

1.12 Notwithstanding, their limited number, the industrial projects financed by these lines of credit have contributed to the creation of more than 1,400 permanent jobs, the diversification of the economy, the promotion of certain local raw materials, the substitution of local products for certain imported items, the development of exports and the transfer of technology. As for tourist projects, they have created almost 18,200 permanent jobs, increased hotel accommodation capacity by 46,000 additional beds (38% of the capacity available at the end of 1991) and diversified the tourist products.

1.13 More than 90% of the beneficiaries of the lines of credit are private enterprises, of which more than 80% are new private concerns. Out of an investment of about 900 million dinars, self-financing represented almost 400 million dinars, i.e. 40%, of which 30 million dinars were in foreign exchange.

1.14 In conclusion, the results of these lines of credit granted to five development banks are satisfactory and have contributed to the development of the tourism and industrial sectors, the promotion of private enterprise and the consolidation of the financial situation of these banks.

II. LESSONS

a. At the Level of the Development Banks

2.1 The contribution of the development banks to the institutional projects, which mobilised a considerable part of their resources in the form of equity participation and loans, was not always crowned with success. The current situation of most of these projects has led the development banks to modify their attitude vis-a-vis this type of projects, the financing of which is henceforth subject to the same conditions of selection, appraisal and approval as the private projects.

2.2 The carrying practised by some development banks is a form of encouragement to private enterprise because it helps the new promoters to secure the equity funds required for the implementation of their project and enables them to obtain the technical assistance of the development bank in its capacity as member of the Board of Directors of the enterprise during its start-up phase.

2.3 The efficiency of the decision-making and management structures of the five development banks and their capacity to monitor the trends of the economic sectors in which they operate, have made it possible to avoid slippages or escapism in the face of the economic crisis.

2.4 The provisions policy adopted by the development banks is very prudent because it makes it possible to rehabilitate the portfolio and produce the financial statements which reflect the financial situation and the actual results of the activities. This provisions policy was facilitated, for the four development banks (BTKD, STUSID, BTEI, BTQI), by the substantial gross margins obtained thanks to the very special structure of their resources, composed mainly of equity capital.

2.5 Investment overruns and delays in the implementation of projects financed by the development banks are very often caused by start-up difficulties which could be crippling to the projects the promoters of which are then unable to mobilise the resources required to keep them afloat. Given their lack of experience and, sometimes, their limited financial base, the new promoters are the most exposed to these risks. Hence the need for the development banks to strengthen the monitoring of the projects of these promoters and to provide them with the technical assistance required for the implementation of these projects according to plan and for start-up in the best possible conditions of success.

b. At the Level of the ADB

2.6 The share of the SMEs in the lines of credit granted to five development banks was very low in spite of the setting of a ceiling on the level of investment to be financed. In fact, a quota of each line of credit should have been reserved for financing this type of enterprises which play a very important role in the tourist and manufacturing sectors.

2.7 Lines of credit granted to development banks have made it possible to finance more than 200 projects and thus contribute to the development of the tourist and industrial sectors and the promotion of private enterprise. However, this type of intervention is insufficient because the achievement of these two objectives requires the conduct of other operations to be borne by the support structures such as the API, ONTT, AFI, AFT, CEPEX, INNOPRI etc... which also need to be encouraged by providing them with the credits necessary for the implementation of their missions towards the financing of which the ADB could play an important role. Progress has been made in this area since the 1995 lending programme includes a project for financing the industrial areas.

III. RECOMMENDATIONS

a. To the Development Banks

3.1 The development banks should strengthen the human and material resources of their monitoring structures and extend their prerogatives to include therein technical assistance to new promoters. These banks should deploy more efforts in the mobilisation of resources, particularly foreign exchange, required for financing the industrial sector restructuring programme.

3.2 These development banks have made considerable sacrifices, by substantially increasing their provisions and by transforming their entire profits into reserves, in order to rehabilitate their portfolios and consolidate their financial base. Under this policy, they could also envisage selling their equity participation in institutional projects to local or foreign private promoters capable of rehabilitating and managing them more efficiently.

b. To the ADB

3.3 Aware that the four joint development banks (BTKD, STUSID, BTEI, BTQI) have, on the one hand, used the line of credit granted to them to finance tourist projects mainly and, on the other, have allocated an insignificant part of this line of credit to SMEs, it is recommended to envisage for the future, the granting of distinct lines of credit for financing SMEs in the tourism and industrial sectors. Furthermore, it is necessary to set a quota which gives priority to the new promoters.

3.4 The granting of lines of credit to development banks is considered as a significant contribution of the ADB to the development of the tourist and industrial sectors in Tunisia. However, this contribution which is restricted to the financing of projects in the two sectors, could be extended to the support structures by providing the latter with the credits required for financing their programmes of action. As a result, the ADB operation would have made it possible not only to finance investments in the tourist and industrial sectors but also to implement the support and encouragement programme required to boost them.

3.5 Considering the nature and importance of investments in these institutional projects, their financing from the lines of credit granted to the development banks could seriously impinge on these resources and penalise the promotion of private enterprise. To avoid this problem, it would be preferable to reserve the lines of credit to the financing of private projects and in return, ensure institutional projects direct access to ADB financing.

3.6 In order to avoid delays and allow the relaxing of disbursement procedures, it would be desirable to envisage putting at the disposal of the development banks, a working capital representing 10 to 15% of the amount of the line of credit, to be used for disbursing credits granted to sub-projects and it will be resupplied by the ADB upon presentation of the relevant documents justifying the disbursements.

3.7 Considering the importance of the supervision and monitoring of the implementation of the lines of credit, the Bank should consider using local consultants for performing the duties which will contribute to accelerating the processing of sub-project files and to providing periodically, the information necessary for the global monitoring of the utilisation of the lines of credit.

3.8 The procedure for the processing of disbursement applications should be accelerated while allowing the banks to keep the documents justifying the utilization of the working capital and to make them available to any person or institution designated by the Bank.

3.9 Given the economic integration of the tourist sector in Tunisia, the Bank should consider the possibility of granting lines of credit in local currency, particularly in favour of the SMEs of the sector.

3.10 The Bank should organise regional seminars for the managers of the development banks with a view to exchanging points of view on the terms of utilisation of the ADB line of credit as an instrument for financing private enterprise and to draw the necessary lessons from past experiences in financing the development of productive sectors.

3.11 The Bank should support the activities of these development banks which shall be required to play an increasingly important role in financing the industrial sector restructuring programme.

3.12 Considering the proportion of the lines of credit to Tunisian development banks (including all sectors) in the Bank's portfolio, the latter should commission an impact study to determine the contribution of these lines of credit to Tunisia's economic development and to draw the necessary lessons with regard to the private enterprise development policies and procedures.

MEMORANDUM ON THE PERFORMANCE AUDIT OF THE FIRST LINES OF CREDIT GRANTED TO FIVE DEVELOPMENT BANKS

I. CONTEXT OF THE FIRST LINE OF CREDIT

1.1 General Overview of the Tunisian Economy

1.1.1 Of an area of 164,150 km², Tunisia is located at the eastern extremity of North Africa and shares land borders with Algeria to the west and Libya to the south. It is bordered to the north and east by the Mediterranean Sea along 1,200 km. The country has both the maritime and continental saharan type climates. Rainfall is heaviest in northern and coastal regions which means that the waterways are supplied the year round. Compared to these regions, a large part of the country is arid or semi-arid with a hydrography which offers a limited opportunity for irrigation.

1.1.2 The Tunisian population was estimated at 8 million inhabitants in 1990 with a natural growth rate of 1.91% per annum. Considerable efforts have been deployed with regard to population and health policy which made it possible to enter into a phase of demographic transition characterised by a decline in fertility and an increase in life expectancy at birth. The gross birth rate fell from 44 to 30 per thousand between 1966 and 1989 and the mortality rate from 19 to 7 per thousand. Life expectancy at birth increased from 52 to 67 years. In spite of the decline in fertility and the population growth rate, job demand remains high. The rate of unemployment is estimated at 15% of the workforce and the arrival of generations of young graduates on the job market is a source of concern for the Government.

1.1.3 Alongside the demographic trend, the Tunisian population is experiencing a double geographical shift characterised by a concentration of the population on the coast (65% in 1989 as against 61% in 1966) and an accelerated urbanisation (40% in 1966 compared to 54% in 1989). This urban and regional expansion will be a factor to be taken into account in the land development plans and for a more balanced regional development of the country.

1.1.4 After a period of vigorous growth in the 1970s, the Tunisian economy, still dominated by agriculture and non-manufacturing industries (mines and energy), entered the 1980s in hardly favourable conditions. The difficulties which surfaced are:

(i) the decline in petroleum products exports owing to a fall in production, on the one hand, and the increase in domestic consumption resulting from the industrialisation of the country and the improvement in the standard of living of the population, on the other;

(ii) the integration of Spain, Portugal and Grece into the Commun Market rendered the access of Tunisian agricultural produce to this market more difficult;

(iii) the virtually complete closure of the borders of the European Community countries to immigration, which hitherto absorbed part of the unsatisfied job demand and thus contributed, through the transfer of workers abroad, to keeping the balance of payments on an even keel; and

(iv) the increasingly strong pressure of social expenditure on the State budget which was accompanied by a limitation of public investments owing to lack of sufficient additional resources.

1.1.5 This situation led the Tunisian authorities to set for the 1982-1986 VIth Economic and Social Plan, objectives capable of meeting the challenges and ensuring sufficient and sustainable growth for the economy. Special emphasis was laid on:

(i) the diversification of the economy to reduce its dependence on the agricultural and non-manufacturing industries sector (mines and energy) by enhancing investments in tourism and the manufacturing industries;

(ii) strengthening of the agriculture modernisation effort in order to improve the profitability of this sector, increase its competitiveness on the export markets and improve its attractiveness for the youths who usually prefer other sectors of activity to agriculture; and

(iii) encouragement of employment-generating private investments in the sectors of tourism, manufacturing industries and agriculture to support the State's effort in the economic field.

1.1.6 Despite the efforts deployed to provide the Tunisian economy with the means to ensure its sufficient and sustainable growth, the results were not only below expectations but they were also so insufficient that the country, prior to the adoption of the VIIth Plan in 1986, was in a fairly preoccupying situation. Indeed, the major economic indicators during the VIth Plan (1982-86) read as follows:

(i) a limited GDP growth rate of 2.9% per annum, on average;

(ii) a worsening of the unemployment situation which went from 12% to 14% of the workforce;

(iii) a slower growth of exports compared to imports (5.9% as against 7.4%) and the attendant deterioration of the coverage rate which was already unfavourable (63% for goods and 79% in the case of goods and services);

(iv) a decline in the proportion of investments/GDP which was merely 23% in 1986; and

(v) an increase in the proportion of debt/goods and services exports which was 27.9% in 1986 as against 14% in 1980.

1.1.7 The insufficiency of the results obtained showed that beyond the economic problems referred to above and to which the VIth Plan tried to find effective and viable solutions, the Tunisian economy suffers from structural problems which limit its capacity to sustain lasting growth. Hence the structural adjustment programme, the orientations of which were largely maintained by the VIIth Economic and Social Development Plan, towards the financing of which the African Development Bank contributed by granting the Tunisian Government a loan of UA 80 million and by putting at the disposal of the five development banks (BNDT, BTKD, STUSID, BTQI, BTEI) lines of credit of a total amount of UA 120 million (second and third BNDT lines of credit of an amount of UA 80 million and first line of credit to STUSID, BTKD, BTQI and BTEI of an amount of UA 40 million).

1.2 The Manufacturing Industrial Sector

1.2.1 The role played by the manufacturing industries sector in boosting the Tunisian economy during the 1970s encouraged the authorities to consider it as one of the key elements for the socio-economic development of the country. Hence the special attention paid to it during the VIth Plan (1982-86). The results obtained by this sector during the period are considered to be satisfactory given the unfavourable economic environment in which they were obtained. The key performance indicators of this sector are the following:

(i) the growth rate of the sector reached 5.5% whereas that of GDP was merely 2.9%;

(ii) the number of jobs created by the sector represented 29% of the total number of jobs created;

(iii) exports of the sector represented 20% of overall exports with a peak of 27% in 1986; and

(iv) the proportion of investments/GDP of the industrial sector stood at 43% in 1986 whereas it was only 23% for the entire economy.

1.2.2 In spite of its significant contribution to GDP growth, job creation and the development of exports, the manufacturing industries sector is confronted with various structural problems which hinder its growth and limit its contribution to the socio-economic development of the country. Out of these problems, the following should be pointed out:

(i) the under-utilisation of the existing capacity owing to the reduction in and the weakness of domestic demand as well as the investment code which favours new investments to the detriment of the renewal of existing ones;

(ii) the low productivity of the manufacturing sector as a result of the excessive protection of the domestic market, the price and industrial margin setting system which is considered to be inflationist as well as the excessive manpower costs which are not related to productivity;

(iii) the structure of investments in which the share of public investments between 1972 and 1986, represents 60% as against 40% for private investments and in which highly labour intensive investments represent 40% instead of the planned 60%;

(iv) the decline in the competitiveness of export industries and the difficulty to access new export markets; and

(v) the concentration of industrial units along the coastal areas despite the existence of industrial areas developed in the hinterland.

1.2.3 The measures recommended by the structural adjustment programme and restated in the VIIth 1987-91 Economic and Social Development Plan could steer the Tunisian economy toward the market economy mechanisms which are so badly needed by the manufacturing sector in order to improve its performances and develop its capacity to back up economic growth.

1.2.4 During the 1987-91 Plan, the manufacturing sector recorded good performances with regard to growth, employment and exports (Annexes 2 and 3). The growth of the sector improved considerably to 6.2% per annum, in spite of the weak growth of certain branches, particularly agro-food. These good results stem from the economic and institutional reforms implemented by the Tunisian Government during the 1980s. They are attributable, in particular, to the incentive and supervisory measures adopted to enhance industrial investments.

1.3 The Tourist Sector

1.3.1 Encouraged in the drive to reduce the balance of payments deficit, the tourist sector became during the 1970s, a vital component of the Tunisian economy as a result of both its direct and indirect impact on the economy. Consequently, tourism was considered as a priority sector and major incentive measures were taken in its favour during the VIth Plan. During the 1972-81 period, the growth rate of the value added at constant prices in the tourist sector stood at 8.1% per annum, on average, as against 5.8% for the entire economy. For the 1982-90 period, the growth rate of value added at constant prices was 3.4% per annum on average. Two sub-periods should be distinguished. The first (1982-86) was marked by a negative growth rate (-2.5% per annum, on average). During this period, the number of jobs created by the sector was less than 5% of the total number; the proportion of investments/GDP of the sector stood at 39% and was therefore higher than the average ratio of all the economic sectors (33%).

1.3.2 The second sub-period going from 1987 to 1990, was characterised by the expansion of the tourist sector. The growth rate at an annual average of 16%. The significant increase in the value added during this period was due to the devaluation of the dinar, on the one hand, and the opening of the Libyan borders, on the other. The average occupancy rate was 56.9% as against the targeted 50.5%; investments totalled 532 million dinars compared to the estimated 370 million; the number of hotel beds increased to 27,400 as against the projected 19,000; and the number of overnight stays rose by about 17%. The economic indicators such as the foreign exchange earnings, value added and the number of jobs created

also increased by 45.3%, 46% and 50% respectively, between 1987 and 1990 (Annex 4.1). However, these notable performances should not conceal the counterperformances of the sector in 1991, following the Gulf crisis.

1.3.3 Concerning the tourism zones, the coastal areas have the best occupancy rates and number of overnight stays (89.2% in 1990) whereas tourism in the capital and saharan region remain low (9.4% and 1.4% respectively). To this end, the Tunisian authorities promulgated a new tourism investment code (March 1990) which, among other things, plans to give specific encouragement to investments in the Sahara region.

1.3.4 The main constraints to the full development of the sector are the lack of diversification of the Tunisian tourist product which affects the country's share of the world tourist market (its performance is below that of some of its competitors such as Morocco, Portugal and particularly Turkey) and the high cost of creating jobs in the tourism sector (compared to the manufacturing industries sector).

1.4 The Financial System

1.4.1 The Tunisian financial system comprises the following:

- the Central Bank of Tunisia (issuing institute);
- 12 deposits banks;
- 8 development banks (including one specialized in tourism);
- 8 offshore banks;
- 2 leasing companies;
- a venture capital company;
- the national savings fund; and
- the postal order centre (centre de chèques postaux).

1.4.2 The industrial and commercial adjustment programme (ICAP)implemented as of 1987, has introduced liberalisation measures into banking activities. Fundamental changes have been made in interest rate setting and in the money supply and credit distribution procedures. As of January 1987, interest rates on debit accounts are set freely by banks within the framework of the professional Association of Tunisian Banks depending on the market conditions, with the exception however of interest rates relating to priority sectors and activities (agriculture, exports, SMEs and energy saving) which are still set by the Central Bank. With regard to interest rates on credit accounts, with the exception of special savings accounts and deposits in convertible dinars, they are in principle, negotiated freely between banks and depositors in the drive to give a new impetus to savings. However, in order to avoid abuses which could threaten the monetary and financial balance, a 2% interest rate ceiling was set in 1990, on deposits and investments of less than 3 months. Concurrently, the volume of Central Bank refinancing was considerably reduced and the rate of the repurchase agreement was raised.

1.4.3 Continuing the interest rates liberalisation policy aimed at increased efficiency of the banking system and more generally, the strengthening of financial resources mobilisation and allocation mechanisms, the monetary authorities introduced in 1991, certain changes in the debit interest and rediscount rates have been raised by one percentage point as of January

1992. As for the other categories of credit and in the drive to enable the banks to have greater latitude in setting interest rates, bearing in mind the nature of the credit and the capacity of the borrower, are now set freely by the banks. However, the interest rates should not exceed the average money market rate, increased by 3 points. These new rates will replace the ceiling of three percentage points on the former base rate.

1.4.4 Moreover, the Central Bank instituted, in December 1991, new prudential ratios in order to strengthen the financial base of the banks and safeguard their credibility to enable them to have direct access to external financial markets and to guarantee the security of the depositors. The new prudential standards which are based on objective criteria will enable banks to assess risks automatically and prevent the bankruptcy of enterprises by ensuring permanent monitoring of all their assets (balance and off-balance sheet assets). In addition to the risk concentration norms, the new regulatory framework will impose on banks a classification of all their assets, stringent accounting rules relating to products and minimum reserves for doubful assets (20%), worrisome assets (50%) and comprised assets (100%). Indeed, the risks incurred with regard to a single beneficiary should no longer exceed 40% of the bank's net equity. In the same vein, the risks incurred in respect of the managers, the executive directors and shareholders whose equity participation is more than 10%, should not exceed three times the bank's net equity.

1.4.5 Furthermore, stringent measures were taken with regard to overdrafts and operations relating to arrangements, reschedulings and consolidations. Finally, in the drive to attract savers to medium and long-term investments and savers to medium and long-term investments and to give impetus to the securities market, a new category of tied savings was instituted. Thus, any natural person can open in the deposit, development and investment banks as well as with stock exchange intermediaries, an account called "debeature loan savings account" to deposit therein amounts serving solely to buy bonds for the depositors.

1.4.6 The adoption of these measures enabled the banking system to achieve good results with regard to:

(i) control of the trend of liquidities: the money supply grew by 5.9% in 1991 and GDP at current prices increased by 10.3%;

(ii) consolidation of long-term savings and development of negotiable instruments, with an increase in debenture bonds of 72 million dinars in 1991, compared to their level at the end of last year; and

(iii) an increase in the activity of development bank.

1.4.7 Of an amount of 7,254 million dinars in 1991, assistance to the economy increased by 11.9% as against 11.1% the past year. This progression concerns credit on special resources and the securities portfolio. Credits on ordinary resources increased in 1991 at almost the same rythm as in 1990.

1.4.8 The four development banks (STUSID, BTKD, BTQI, BTEI) were established during the VIth Plan. The resources mobilised by these banks made it possible to finance numerous institutional and private projects. In an effort to meet the objective assigned to them, the development banks intensified in 1991, their financing, investment and credit granting

operations. As a result, the disbursements made as at the end of 1991 amounted to 254 million dinars, that is an increase of 18% compared to 1990, representing approximately 63% and 54% of total approvals. Still representing more than 90% of total application of funds, assistance to the economy granted by the development banks increased by 18.6% in 1991 as against 16.7% the preceding year. The acceleration concerns credits granted from ordinary and special resources. In contrast, the growth rate of the securities portfolio decelerated.

1.4.9 Made up for more than 80% by stable resources, particularly equity funds and special resources, the resources of development banks increased by 16.2% in 1991. This rate is one percentage point below that of the preceding year. All the categories of resources increased, at different rates.

1.4.10 The refinancing of the development banks by the Central Bank increased by 39 million dinars in 1991, to a total amount of 86 million dinars. As in 1990, this refinancing concerned the "Banque de Développement Economique de Tunisie" (BDET) and the "Banque Tuniso-Koweitienne de Développement" (BTKD) for the purpose of relaying the mobilisation of external resources.

1.5 Aims and Objectives of the LOCs

1.5.1 The lines of credit seek to contribute to the achievement of the objectives set by the Tunisian Government for the 1982-91 period, coinciding with the VIth (1982-86) and VIIth (1987-91) development plans which lay emphasis on the optimal utilisation of the existing capacities of the tourism and manufacturing industries sectors, the creation of jobs and intensification of exports in these sectors in order to improve the balance of payments.

1.5.2 The objective of these lines of credit, which is in keeping with the sectoral objectives, is to ensure the promotion and development of these projects by financing through these five development banks, the creation, extension or rehabilitation of viable SMEs in these two economic sectors.

1.5.3 These lines of credit serve to cover part of the foreign exchange required to finance projects submitted to prior approval of the Bank.

1.6 Preparation and Appraisal

1.6.1 The first BNDT line of credit was prepared in 1982, followed by an initial appraisal in May 1983. As the specificity of the tourism sector was incompatible with the Bank's preceding line of credit policy, it was necessary to review and update the initial appraisal. The update mission visited the country in September 1994.

1.6.2 The second BNDT line of credit was prepared in August 1987 and appraised in January 1988 at the same time as the first line of credit granted to the other four development banks (BTEI, BTQI, BTKD and STUSID).

1.6.3 The third line of credit was prepared in 1988, followed by an appraisal mission in September 1989.

1.7 Executing Agency

1.7.1 The executing agencies of these lines of credit are development banks, 50% of which belongs to the Tunisian State or Tunisian institutions and the other 50% to foreign partners. One of these development banks (BNDT) is specialised in the tourist sector. These banks, the creation of which dates back to more than 10 years, have viable equatorial structures which make it possible to mobilise resources put at their disposal by the Bank.

1.7.2 The level of their institutional framework, organisation and management as well as their operational policies and procedures, have been sufficiently commented in the completion reports of the three lines of credit granted to BNDT and the line of credit granted to the our development banks (BTKD, STUSID, BTEI, BTQI), prepared by the Infrastructure and Industry Department, North Region, following mission to Tunisia in January, March and September 1991 (see chapter 3 of the attached completion report).

1.7.3 A comparative analysis of the five development banks is given in Annexes 5.1.1, 5.1.2 and 5.1.3 which consist in a summary of the answers to the questionnaires sent to these banks and relating to their organisation and management, operational procedures and financial performances.

II. EFFECTIVENESS OF THE IMPLEMENTATION

2.1 Approval, Signature and Effectiveness

a. BNDT Line of Credit

2.1.1 The first BNDT line of credit was approved by the Board on 12 December, 1984. The loan was signed on 28 December 1984 and became effective on 22 July, 1985. With regard to the first operation with the BNDT, the time seperating approval from effectiveness seems normal.

2.1.2 As for the second line of credit, it was approved by the Board on 21 March, 1988 (following the addition thereto of the first line of credit granted to four development banks and which was appraised in December 1987). The loan was signed on June 1988 and became effective on 21 October 1988, i.e. four months later.

2.1.3 The third line of credit was approved by the Board on 12 March 1990. The loan was signed on 24 July, 1990 and became effective on 26 December 1990, i.e. five months later.1990 soit 5 mois plus tard.

2.1.4 The appraisal reports of the second and third lines of credit pointed out start-up difficulties owing to the first ADB operation in the tourism sector and BNDT's lack of familiarisation with Bank procedures relating to the approval of sub-projects and disbursements.

b. Lines of Credit Granted to the Four Development Banks

2.1.5 The line of credit granted to the four development banks was approved by the Board on 21 March 1988. The loan was signed on 1 June and became effective in October 1988. This was the first operation in favour of these development banks.

2.2 Implementation

a. BNDT Lines of Credit

2.2.1 The conditions precedent to the first disbursement, consisting in undertakings to be given by the BNDT, did not cause any particular problems.

2.2.2 In spite of the start-up difficulties of the first line of credit, the BNDT did not encounter any particular problems in the mobilisation and utilisation of the three lines of credit, thanks to the efficiency of its structure and its management procedures.

b. Lines of Credit to the Four Development Banks

2.2.3 The conditions precedent to the first disbursement, consisting in undertakings to be given by the four development banks, did not cause any particular problems.

2.2.4 The "other conditions" include the forwarding of supervision reports on financed sub-projects. Compliance with this condition has not been ascertained.

2.2.5 Disbursements of the first line of credit granted to these banks have been slow. However, the study and approval of the sub-projects have been conducted satisfactorily. Consequently, the four banks in spite of the fact that they were established recently, did not encounter difficulties in the mobilisation or utilisation of the lines of credit, thanks to the efficiency of their structures, their procedures and the competence of their staff.

2.3 Implementation Schedule and Disbursement

2.3.1 The current line of credit disbursement procedure was considered too restrictive by the development banks which sometimes have to wait weeks to be refunded the credits they grant to sub-projects. These delays often lead to drawings on the money market at rates higher than those of the lines of credit.

2.3.2 The implementation schedule, in spite of certain delays in disbursements, was considered satisfactory (2 to 3 years on average).

2.4 Supervision and Monitoring

a. BNDT Line of Credit

2.4.1 The ADB conducted only one supervision mission for the 3 lines of credit granted to BNDT, which is insufficient considering the number of sub-projects. It should be noted that one monitoring mission and one financial supervision mission were conducted each year.

b. Lines of Credit Granted to the Four Development Banks

2.4.2 The ADB did not conduct a supervision mission for this first line of credit in spite of the numerous number of sub-projects and the involvement of development banks which were not yet familiar with Bank procedures.

2.5 Accounting and Audit

The account of the five development banks were well kept and the accounting services were organised to supply periodic financial statements to their respective boards of directors. The accounts were audited by auditors registered in the order of accountants and auditors of Tunisia. Furthermore, since these are banks with foreign equity participation, an internationally reputed firm audits their accounts annually, give a professional opinion on the exactitude and regularity of the financial situation and issues a report to the Boards of Directors and donor agencies. This report contains, in addition to the opinion of the auditors on the financial statements, supplementary data prepared in accordance with international accounting standards.

III. RESULTS OF THE LOCs

3.1 Overall Results of the Lines of Credit

3.1.1 As shown in the following table, the lines of credit were utilised as follows: 8% to industrial sector projects (8.2% of the amount of the lines of credit) and the remainder to the tourism sector.

Breakdown of the Projects and Financing

	Number of Projects		Financing (in MDT)	
	Industry	Tourism	Industry	Tourism
BNDT				
- 1st line	-	82	-	31.3
- 2nd line	-	34	-	23.8
- 3rd line	-	55	-	74.5
BTKD	3	15	1.6	16.2
STUSID	5	7	5.9	7.6
BTEI	3	9	1.9	8.4
BTQI	7	3	5.4	3.3
TOTAL	18	205	14.8	165.1
%	8 %	92 %	8.2%	91.8%

3.1.2 The lines of credit were used mainly to finance fairly big projects, the investments of which exceeded 2 million dinars. The table below gives the breakdown of the creation of new projects and the credits granted to them by investment tranche.

Breakdown of the Creation of New Projects and of Credits by Investment Tranche

	INV < 1 MD		1 <INV< 2		2 <INV<5		5 <INV<10		INV>10 MD		TOTAL	
	proj	fin.	proj.	fin.	proj.	fin.	proj.	fin.	proj	fin.	proj.	fin.
BNDT	33	4.9	24	9.2	45	33	24	37	18	39.2	144	123.3
BTKD												
Tourism					1	0.9	2	1.5	5	7.4	8	9.8
Industry							1	0.9			1	0.9
STUSID												
Tourism					4	2.0	2	3.4	1	2.1	7	7.5
Industry			1	0.5	2	1.4			1	3.0	4	4.9
BTEI												
Tourism	1	0.2	1		2	0.8	2	1.0	2	5.4	8	7.4
Industry					2	0.9					2	0.9
BTQI												
Tourism					1	0.6			1	1.6	2	2.2
Industry			2	0.9	1	0.7			1	1.4	4	3.0
TOTAL												
Tourism	34	5.1	25	9.2	53	37.3	30	42.9	27	55.7	169	150.2
Industry	-	-	3	1.4	5	3.0	1	0.9	2	4.4	11	9.7

a. Manufacturing Sector

3.1.3 The line of credit granted to the 4 development banks (BTKD, STUSID, BTEI, and BTQI) served to finance 17 projects for an overall investment of 69 million dinars and created 1,415 permanent jobs. The sectoral breakdown of these projects is as follows:

	PROJECTS	INVESTMENTS	JOBS
Agro. Food Industry	2	5.8	83
Ind. Mat. Const. Cu. Ver.	2	11.8	186
Mech. & Electrical Indus.	3	6.4	177
Chem. & Pharm. Indus.	3	6.9	65
Text. Clothing & Leather Industry	2	27.7	200
Miscell. Industry	5	11.0	704
	17	69.6	1415

3.1.4 The geographic distribution is as follows:

	PROJECTS	INVEST.	JOBS
Tunis and Zaghouan District	6	12.9	470
North, North-east and mid-east	8	34.6	601
North-west, centre and mid-west	2	18.7	304
South	1	3.4	40
	17	69.6	1415

3.1.5 Five out of the 17 projects financed by the lines of credit contributed to the development of local raw materials, 13 facilitated the substitution of local production for imports, 6 contributed to the development of exports, 11 made it possible to diversify the economy and 10 out of the 17 projects enhanced the acquisition of new technologies.

b. Tourism Sector

3.1.6 Taken together, the three lines of credit granted to BNDT and the line of credit granted to the four development banks (BTKD, STUSID, BTEI and BTQI) made it possible to finance 205 projects for a total investment of 907 million dinars and to create 18,188 permanent jobs.

3.1.7 The 205 projects financed are broken down as follows:

- 181 hotels;
- 3 restaurants;
- 11 outreach centres;
- 5 car rentals;
- 2 travel agencies;
- 3 golf courses.

3.1.8 The geographical distribution of these projects is as follows:

- Tunis - Zaghouan : 27
- Nabeul - Hammamet : 50
- Sousse - Kairouan : 38
- Monastir - Mahdia - Sfax : 23
- Jerba - Zarzis - Gabès : 32
- Gafsa - Tozeur - Kebili : 25
- Bizerte - Tabarka : 10

This geographical distribution of the projects shows an increasing interest of the promoters, in addition to that shown for the traditional tourism areas, for the Gafsa - Tozeur and Bizerte - Tabarka regions where investments are also granted fiscal and financial incentives. Indeed, 17% of the projects financed from the lines of credit were implemented in these two regions.

3.1.9 These projects increased hotel capacity by 46,335 beds, i.e 38% of the capacity available at the end of 1991. They also created 18,188 permanent jobs, i.e 9% of the total number of jobs created during the 1987 - 1991 VIIth Plan.

3.2 BNDT Lines of Credit

3.2.1 Totally disbursed, the first line of credit financed 82 projects (70 new projects and 12 extensions), all of which are already operational, for an overall investment of about 214 million dinars. The number of permanent jobs created amounted to 5,700. 89% of the ADB financing was devoted to increasing hotel capacity and 11,857 additional beds were thus created. The remainder of the financing served to finance para-tourist units (2 golf courses, 4 social centres, 3 restaurants, 3 car rentals and a tourist transport agency). The average investment cost per hotel bed amounted, on average to the TD 12,000 and 88% of the lines of credit was allocated to small and medium hotel establishments. The cost per job for the hotel establishments stood at TD 38,000, on average. From the regional standpoint, the sub-projects were primarily concentrated in the traditional tourist regions (Sousse, Nabeul, hammamet).

3.2.2 Due payments under loans charged to this line of credit, as noted in the completion report (paragraph 4.1.3), concerned at the time of the post-evaluation, seven sub-projects (representing 9% of the amounts disbursed) which encountered start-up difficulties or delays in their entry into operation. Agreements should be made for these seven projects the outstanding debts of which need to be restructured. However, there are no real disputes regarding these sub-projects and BNDT has real securities guaranteeing its loans.

3.2.3 The second line of credit has been fully disbursed and served to finance 34 projects (26 new projects, 6 extensions and 2 renovations) all of which have become operational. Overall investment stands at about 117 million dinars. A total number of 2,537 permanent jobs have been created. 98% of the funds went to the creation of additional hotel space (8,100 new hotel beds) and the remainder was allocated to para-tourist activities (2 social and leisure centres and 1 restaurant). The investment per hotel bed was TD 14,000, on average, and 75% of the line of credit was granted to small and medium-size hotel establishments. The cost per job creates by the hotels stood about TD 50,000, on average. From the regional standpoint, the sub-projects were concentrated mainly in the traditional tourist regions (Sousse, Nabeul, Hammamet).

3.2.4 Due payments under the loans charged to this line of credit, as noted in the completion report (paragraph 4.2.2), concern five sub-projects (representing about 15% of the amount disbursed), one of which is being rehabilitated. These sub-projects concern mainly 4 star luxurs hotel projects which ran into start-up difficulties due to the economic situation or the date of entry into operation of which were delayed. BNDT should devise agreements on these projects the outstanding debts of which need to be restructured.

3.2.5 The third line of credit has been fully committed and disbursed to the tune of 77%. It served to finance 55 project (50 new projects and 5 extensions), of which only 31 have become operational. The overall investment in these projects amount to 356.5 million dinars of which 96% was devoted to increasing hotel accommodation capacity (16,200 additional beds) and the rest went to para-tourist activities (a golf course and three social centres). The

total number of permanent jobs created or to be created by these projects stands at 5,953. The average investment cost per hotel bed stands at about TD 21,000 (owing to the large number of 4-star luxury hotels) and only 60% of the line of credit were allocated to small or medium-sized hotels. The cost of a job created by the hotels stands on average, at TD 61,500. From the regional standpoint, the sub-projects were implemented in all the tourist regions of Tunisia, including 19 in the traditional tourist areas (Sousse, Nabeul, hammamet).

3.2.6 Due payments under the loans charged to this line of credit concern only one sub-project (representing about 1% of the total disbursed amount) which became operational in January 1993.

3.3 Lines of Credit Granted to Four Development Banks

3.3.1 The line of credit granted to the BTKD has been fully committed and disbursed. It served to finance 15 tourist projects (8 new projects, 7 extensions or renovations) and 3 industrial projects (1 new project and 2 extensions or renovations) all of which have become operational. Total investments into these projects reached 110 million dinars, of which 100.6 million dinars were allocated to tourism (and helped create 4,775 additonal hotel beds) and 9.4 million dinars to industry. The average investment cost per hotel bed stood at TD 20,000 (owing to the large number of 4 star luxury hotels). A total number of 1646 jobs were created, including 1,580 in the tourism sector and 66 in industry. 90% of the line of credit was allocated to small and medium-sized hotels. The average cost of creating a hotel job was TD 73,000. From the regional standpoint, the sub-projects have been implemented in all the tourist regions of Tunisia, including 6 in the traditional tourism regions (Sousse, Nabeul, Hammamet).

3.3.2 Seven projects overran their initial costs by 8 to 36% but these overruns were compensated by additional equity contributions and by supplementary credits. Considering the start-up difficulties and the negative consequences of the Gulf crisis on tourism in 1991, three projects were unable to comply with their schedules.

3.3.3 The line of credit granted to STUSID has been fully committed and disbursed to the tune of 99%. To-date, it served to finance 7 new tourist projects and 5 industrial projects (4 new projects and 1 extension) all of which have become operational. Total investment in these projects amounts to 61 million dinars of which 26 million dinars are in industry and 35 million dinars in tourism. These projects created 1,078 jobs, including 518 in industry and 560 in tourism. The cost per employment created stands at TD 56,000 for industry and TD 62,500 in the case of tourism.

3.3.4 While there were no cost overruns for the industrial projects, all the tourism projects overspent their initial costs by 6 to 69%. All these overruns, the most significant of which are due to the modification of initial project designs, were financed by additional equity capital contributions and loans contractors from banks.

3.3.5 The line of credit granted to BTEI has been fully committed and disbursed. It served to finance 9 tourist projects (8 new projects and 1 extension) and 3 industrial projects (2 new projects and 1 extension), all of which are now operational. Total investment into these projects stands at 58 million dinars of which 16 million dinars went to industry and

42 million dinars to tourism. A total number of 1,561 jobs were created, of which 1,378 were created by tourist projects and 183 by industrial projects. Tow-thirds of the projects were overspent. For 4 projects, this overspending was between 49 and 84%. The bank did not contribute to the financing of any of these overruns which were made up for by equity contributions and in some cases by loans contracted from other donor agencies.

3.3.6 The line of credit granted to BTQI has been fully committed and disbursed. It served to finance 7 industrial projects (4 new projects and 3 extensions) and 3 tourist projects (2 new projects and 1 extension renovation), nine of which are operational. Overall investments amounted to 63 million dinars of which 31 million was allocated to tourism and 32 million to industry. A total of 1,278 jobs were created by these projects, of which 480 were in the tourism sector and 798 in industry. Four projects overspent their costs by 18 to 51% while two others made savings of 5 and 10% on their initial costs.

3.3.7 Due payments under the loans charged to these lines of credit concern mainly two industrial sub-projects (representing about 2% of the total disbursed amount of these lines of credit) which encountered start-up difficulties and/or delays in their entry into operation.

IV. PERFORMANCE EVALUATION

4.1 Operational and Financial Performance of the Development Banks

a. BNDT

4.1.1 BNDT's 1982-91 operations are summarised in the table below:

Summary of BNDT's Operations (1982-1991)
(in million dinars)

	Approvals	Commitments	Disbursements
1982	39.3	43.7	20.5
1983	24.6	24.1	30.6
1984	29.3	22.0	32.6
1985	21.6	14.1	22.0
1986	10.7	10.3	15.8
1987	10.3	10.3	14.4
1988	47.5	17.1	16.1
1989	76.9	26.6	20.1
1990	88.1	71.4	45.9
1991	95.1	49.8	48.8
Total	443.4	289.4	266.8

4.1.2 From 1982 to 1987, there was a substantial steadt decline in approvals from 39.3 million dinars in 1982 to 10.3 million dinars in 1987. As of 1988, the trend was reversed and approvals have ever since been on the increase going from 47.5 million dinars in 1988 (four times that of 1987) to 95.1 million dinars in 1991 (double that of 1988), well in excess of the forecasts (Annex 4.1 of the appraisal report of the third line of credit). The reduction in approvals between 1985 and 1987 is due, on the one hand, to the blocking of investments following the poor performances recorded by the tourist sector between 1982 and 1987 when the occupancy rate fell below 60% with the lowest level of the period being 45.2% in 1984, and, on the other, the entry into operation of 4 Tuniso-arabe development banks (BTKD, STUSID, BTEI, and BTQI) which attracted part of the investments of the sector. As for the renewed increase in approvals, it is due to the upturn which started in 1987 and which was buttressed by the spectacular results recorded in 1988 (occupancy rate of 62.3%, income in excess of 1 billion dollars, i.e. triple that of 1986). All this contributed to improving the level of the economic indicators of the sector.

4.1.3 The commitments, which followed the same trend as approvals, dropped from 43.7 million dinars in 1982 to 10.3 million in 1987. Later, they increased between 1988 and 1990 from 17.1 million dinars to 71.4 million, respectively, followed by a drop to 49.8 million dinars in 1991 as a result of the Gulf crisis. The average commitment/approval ratio, which was 65.2% during the 1982-91 period, with a peak of 111.2% in 1982 and a low of 34.6% in 1989, testifies to the capacity of BNDT's decision-making bodies to follow the trends of the sector and avoid slippages.

4.1.4 Disbursements fluctuated between 1982 and 1991. They increased from 20.5 million dinars in 1982 to 32.6 million in 1984 and dropped to 14.4 million dinars in 1987, followed by an increase to 48.8 million in 1991. The average disbursement/commitment ratio for the 1982-91 period was 92.2%, with a peak of 156% in 1985 and a low of 64.3% in 1990.

4.1.5 BNDT's 1982-91 portfolio is summarised in the following table:

BNDT Portfolio (1982-1991)
(in million dinars)

	Equity	Loans	Outstanding Loans	Total
1982	14.0	46.5	2.9	63.4
1983	19.0	67.8	4.2	91.0
1984	22.6	92.9	5.5	121.0
1985	24.0	108.0	7.7	139.7
1986	24.3	118.3	16.6	159.2
1987	24.9	124.9	21.9	171.7
1988	24.6	128.6	22.7	175.9
1989	22.7	135.1	27.1	184.9
1990	27.8	152.4	19.4	199.6
1991	29.8	191.1	28.4	249.3

4.1.6 BNDT's portfolio was multiplied almost four fold between 1982 and 1991. This trend is more marked in the case of loans which increased by 34.5% per annum, on average, than in that of equity participations which increased by merely 12.5% per annum, on average. The proportion of equity participations to portfolio dropped from 22% in 1982 to 11.9% in 1991 which thus sanctions the trend of the Bank's policy not to participate systematically in the capital of the projects they finance, on the one hand, and on the other, to resert increasingly to cost carrying of its new equity participations.

4.1.7 Furthermore, from the point of view of the mobilisation of resources, the volume of BNDT's portfolio confirms its position as the leading institution in the financing of the tourist sector. However, this involves risks as shown by the level of outstanding payments.

4.1.8 However, the proportion of outstanding payments to loans which was about 6 to 7% from 1982 to 1985, shot up to 14% in 1986 and continued increasing up to 20% in 1989. In 1990, this proportion dropped to 12.7% but the decline did not continue into 1991 because of the impact of the Gulf crisis on the tourist sector. The outstanding payments which, as at 31/12/91, stood at 28.4 million dinars (14.8% of loans) were covered by provisions to the tune of 58.4%. This rate of coverage is considered quite insufficient by the managers of the bank because all disputes which opposed them to their customers ended in their favour and enabled them to recover all their claims, thanks to the continuous increase in the price of real estate in Tunisia and the solidity of the securities held by the Bank in respect of its loans.

4.1.9 The bank's invested capital from 1982 to 1991 is summarized in the table below:

BNDT's Invested Capital
(in millions of dinars)

	Equity capital	Borrowings	Total
1982	19.2	55.5	74.7
1983	23.3	74.3	97.6
1984	24.9	107.2	132.1
1985	31.6	130.8	162.4
1986	32.8	141.2	174.0
1987	35.6	143.2	178.8
1988	38.6	140.5	179.1
1989	43.7	158.2	201.9
1990	46.9	193.7	240.6
1991	50.4	243.4	293.8

4.1.10 The invested capital was multiplied fourfold between 1982 and 1991. The equity capital was multiplied by 2.6 as a result of the 13.8 million dinar capital increase and the constitution of 17.4 million dinars in reserves. As for borrowings, they were multiplied by 4.4. The borrowings/equity capital ratio went from 2.9 in 1982 to 4.8 in 1991. This rise reflects the increased confidence of donor agencies in the tourist sector, on the one hand, and the credibility of the bank, on the other.

4.1.11 BNDT's 1982-91 operating income is summarized in the table below:

Summary of BNDT's 1982-1991 Operating Account
(in million dinars)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Int/Loan	4.3	6.0	9.0	11.4	13.1	13.4	14.2	14.9	16.9	21.5
Equity Part.	0.1	0.2	0.1	0.2	0.3	1.0	1.3	6.1	3.0	0.8
Other income	0.8	0.9	0.9	0.7	0.4	0.7	1.5	2.6	7.2	8.0
Total income	**5.2**	**7.1**	**10.0**	**12.3**	**13.8**	**15.1**	**17.0**	**23.2**	**27.1**	**30.3**
Financial costs	3.4	4.8	6.5	8.7	9.8	10.8	11.0	11.9	15.5	20.0
Gross margin	**1.8**	**2.3**	**3.5**	**3.6**	**4.0**	**4.3**	**6.0**	**11.7**	**11.6**	10.3
Personnel expenses	0.5	0.6	0.7	0.8	0.9	1.0	1.0	1.1	1.3	1.4
Provisions	0.2	0.2	-	0.4	2.0	1.9	1.2	3.2	4.5	2.1
Other costs	0.6	0.8	0.6	0.5	0.5	0.7	0.9	0.8	1.2	1.5
Profit	**0.5**	**0.7**	**2.2**	**1.9**	**0.6**	**0.7**	**2.9**	**6.6**	**4.6**	**5.3**
Rate of return ratio Productivity portfolio (%)	6.9	6.8	7.5	8.3	8.4	8.4	8.8	11.3	10.0	8.9
Rate of gross margin (%)	35	32	35	29	29	28	35	50	43	34
Rate of net margin (%)	9.6	9.8	22	15.4	4.3	4.6	17	28	17	17.5
Rate of return on equity capital (%)	2.6	3.0	8.8	6.0	1.8	2.0	7.5	17.1	9.8	10.5

4.1.12 BNDT's income was multiplied by 5.8 from 1982 to 1991, which is well in excess of the estimates (Annex 4.2 of the appraisal report of the 3rd LOC). This performance is the result of the marked increase in the interest of the loans, the amount of which was multiplied almost fivefold, as well as that of the sizeable capital gains recorded during the transfer equity participations as of 1987. The share of interest on loans in the income rose from 83% in 1982 to 95% in 1986 as a result of the gradual increase in these interests and the stagnation of income from equity participations and other income. Later, it fell to 62% in 1990 owing to the considerable increase in income accruing from equity participations, particularly from the transfer of the latter, as well as that from investments on the money market. Since interests on loans increased continously from 1982 to 1991, these changes in the income structure is due to the stability of other changes in the income structure is due to the stability of other types of income between 1982 and 1986 as well as their spectacular growth between 1987 and 1990. In fact, the share of interests on loans rose again to 71% in 1991 as a result of the decline in the amount of the other types of income, particularly the capital gains on the transfer of equity participations which dropped because of the decline in the transfer of equity participations following the Gulf crisis.

4.1.13 BNDT's expenses were multiplied by 5.3 from 1982 to 1991. This trend is due primarily to the increase in financial costs which were multiplied by 5.9 during the same period, particularly, because of the increase in interest rates on borrowings. Personnel and other expenses increased by an annual average of 20% and 16.6%, respectively, which, considering the increase in the activities of the bank, is a good performance.

4.1.14 The portfolio yield (portfolio income/portfolio) stood at 6.8% to 8.8% between 1982 and 1988 thanks primarily to the increase in interest rates on loans. In 1989 and 1990, it crossed the 10% threshold as a result of the substantial capital gains on the transfer of equity participations. The rate of the gross margin (income - financial charges/income) fluctuated between 28% and 35% as owing to the fact that the increase in borrowing costs was offset by the rise in interest rates on loans. However, this ratio reached much higher levels in 1989 (50%) and 1990 (43%) thanks to the capital gains on the transfer of equity participations. The rate of the net margin (profits/income) fluctuated considerably between 1982 and 1991. Indeed, it rose by about 10% in 1982 and 1983, 22% and 15.4% in 1984 and 1985, respectively, and fell to 4.3% in 1986, followed by a slight increase to 4.6% in 1987 and a sharp increase to 17% in 1988. It maintained this level the ensuing years, with a peak of 28% in 1989. These fluctuations were also noted in respect of returns on equity capital (profits/equity capital) which were between 1.8% and 8.8% between 1982 and 1988 but improved considerably as of 1989 when BNDT recorded its highest rate of return which stood at 17.1%.

4.1.15 BNDT's balance sheets for the 1983-1991 financial years are summarised in the following table:

Summary of BNDT's 1983-1991 Balance Sheets
(in million dinars)

	1983	1984	1985	1986	1987	1988	1989	1990	1991
ASSETS									
Net fixed assets	0.9	0.8	2.3	3.3	4.9	5.4	8.3	17.5	16.6
Loan & equity partic.	78.3	104.5	115.8	117.6	121.1	125.7	124.4	145.0	180.5
Current assets	21.8	29.1	44.2	52.0	53.0	51.6	73.2	86.0	110.0
Total	**101.0**	**134.4**	**162.3**	**172.9**	**179.0**	**182.7**	**205.9**	**248.5**	**307.1**
LIABILITIES									
Equity capital	23.3	24.9	31.6	32.8	35.6	38.6	43.7	46.9	50.4
MLT borrowings	64.3	92.0	88.0	73.5	104.8	105.2	121.5	149.0	197.6
Provisions for increases in ST debts	13.4	17.5	42.7	66.6	38.6	38.9	0.8 39.9	1.7 50.9	2.0 57.1
Total	**101.0**	**134.4**	**162.3**	**172.9**	**179.0**	**182.7**	**205.9**	**248.5**	**307.1**
Invested capital/fixed assets	1.1	1.1	1.0	0.9	1.1	1.1	1.2	1.2	1.3
MLT borrowings/equity cap.	2.8	3.7	2.8	2.2	3.0	2.7	2.9	3.2	3.9
Liquidity	1.6	1.7	1.0	0.8	1.4	1.3	1.8	1.7	1.9

4.1.16 BNDT's financial structure is very sound as shown by the main indicators presented below which, for 1988-1991, exceed estimates (Annex 4.3 of the appraisal report of the 3rd LOC). The financial base of the bank, as demonstrated by the fixed capital/invested assets ratio, has always been higher than 1, which clearly shows the financial solidity and the structural balance of the bank. The bank's medium and long-term debt ratio, expressed by the medium and long-term borrowings/equity capital ratio, has always been higher than 4. However, the faster increase in borrowings, compared to that equity capital, over the past three years, shows that if this trend is maintained, borrowings will, in the short-term, be more than four times the equity capital. The liquidity ratio, expressed by the current assets/short-term debt ratio, with the exception of 1986 which was marked by the economic crisis, has constantly been higher than 1 and in fact it often stood between 1.6 and 2.2, which shows that short-term debts are largely covered by the circulating assets.

b. BTKD

4.1.17 BTKD's 1987-1991 operations are summarized in the table below:

Summary of BTKD's 1987-1991 Operations
(in million dinars)

	1987	1988	1989	1990	1991	TOTAL
Approvals	29.3	32.5	56.1	29.4	-	147.3
Commitments	19.8	23.9	30.2	39.9	28.3	142.1
Disbursements	25.1	26.9	26.9	33.9	25.6	134.7

4.1.18 BTKD's approvals almost doubled between 1987 and 1989, going from 29.2 million dinars to 56.1 million. This fairly large increase was halted during the second half of 1990 as a result of the Gulf crisis which completely paralysed the Board of Directors up to the end of 1991. No approval was made in 1991.

4.1.19 The commitments of the bank doubled between 1987 and 1990, going from 19.8 million dinars to 39.9 million, respectively. This increase slowed down in 1991 owing to the decline in approvals as of the second half of 1990. The proportion of commitments to approvals was between 54% and 73%, except for 1990 when commitments reached 136% of approvals as a result of the sharp fall in approvals. In spite of this incident, achievements in respect of both approval and commitments, exceeded the estimates.

4.1.20 Disbursements increased regularly between 1987 and 1990, going from 25.1 million dinars to 33.9 million. In 1991, disbursements fell to 25.6 million dinars owing to the insufficient volume of commitments. The proportion of disbursements to commitments was between 85 and 97% except in 1987 when disbursements reached 127%.

4.1.21 BTKD's 1987-1991 portfolio is summarized in the table below:

BTKD's 1987-1991 PORTFOLIO
(in million dinars)

	1987	1988	1989	1990	1991
Equity participations	36.9	40.7	41.3	48.4	49.5
Loans	132.3	133.7	141.3	151.3	148.3
Outstanding debts	14.5	24.1	35.9	45.1	69.8
Total	183.7	198.5	218.5	244.8	267.6

4.1.22 BTKD's portfolio increased by 45% from 1987 to 1991. This increase is due more to the spectacular increase of 38% in outstanding loans, which went up from 14.5 million dinars to 69.8 million, than to the increase in operations because equity investments and loans increased by merely 34% and 12%, respectively.

4.1.23 The due payments, the bulk of which concern a small number of institutional projects financed by the bank during the first five years of its existence (1981-1985), are sufficiently covered by the provisions which, as at 31/12/91, stood at 26.3 million dinars, i.e. 38% of the amount of the due payments. Alongside this provisions policy, BTKD is continuing its efforts to rehabilitate its doubtful debts portfolio, either by consolidating outstanding loans or by selling equity participations or assets or by leasing projects in difficulty.

4.1.24 The bank's invested capital, from 1987 to 1991, is summarized in the following table:

BTKD's Invested Capital (1987-1991)
(in million dinars)

	1987	1988	1989	1990	1991
Equity capital	142.7	150.1	156.6	166.4	175.5
Borrowings	40.7	48.3	51.9	57.3	54.4
Total	183.4	198.4	208.5	223.7	229.9

4.1.25 The bank's invested capital increased by 25% from 1987 to 1991. With regard to equity capital and borrowings, this increase stood at 23% and 34%, respectively. The borrowings/equity capital ratio increased from 0.28 in 1987 to 0.31 in 1991. The low level of this ratio is due to the considerable amount of the equity capital of this bank, of which the capital stock was set at 100 million dinars to enable it, precisely, to participate actively, as of its establishment, in financing the economy and to satisfy the financing requests, during its start-up phase, from its equity capital.

4.1.26 From the resource mobilisation stand point, BTKD initially adopted a cautious attitude from 1987 to 1989 and later resolutely undertook to improve its performance. These efforts to improve its performance were impeded by the Gulf crisi which also increased outstanding loan repayments.

4.1.27 BTKD's 1987-1991 operating income is summarized in the table below:

Summary of BTKD's 1987-1991 Operating Accounts
(in million dinars)

	1987	1988	1989	1990	1991
Int. & Comm./Loans	16.0	15.2	15.1	16.2	17.5
Equity particip. income	0.2	0.5	1.0	0.4	1.0
Other income	0.1	0.3	0.4	2.8	0.2
Total income	**16.3**	**16.0**	**16.5**	**19.4**	**18.7**
Financial costs	3.0	3.9	5.1	6.0	7.7
Gross margin	**13.3**	**12.1**	**11.4**	**13.4**	**11.0**
Personnel expenses	0.6	0.7	0.8	1.0	1.1
Provisions	4.3	4.3	6.6	6.8	8.1
Other expenses	1.6	1.0	1.8	1.1	0.6
Profit	**6.8**	**6.1**	**2.2**	**4.5**	**1.2**
Yied ratio					
Portfolio income (%)	8.8	7.9	7.4	6.8	6.9
Rate of gross margin (%)	81.0	75.0	69.0	69.0	59.0
Rate of net margin (%)	42.0	38.0	13.0	2.3	6.4
Returns on equity capital (%)	4.7	4.0	1.3	2.3	0.7

4.1.28 Although they are consistent with estimates, BTKD's income did not change significantly between 1987 and 1991. Indeed, it increased from 16.3 million dinars to 18.7 million, i.e. an increase of 14.7%. The income of lending operations (interests and commissions) represent an average of 92% of income while income from equity participations (dividends and capital gains on equity participation transfers) represent only 3.6%. As for operating costs, they doubled from 1987 to 1991, going from 8.7 million dinars to 17.6 million, thus resulting in a deterioration in the rate of the administrative margin which stood at an average of 1% between 1987 and 1991. This doubling is due to the 156% increase in financial costs, the 83% rise in the wage bill and the increase in provisions, the amount of which almost doubled going from 4.3 million dinars in 1987 to 8.1 million in 1991. The virtual stagnation of income, coupled with the twofold increase in costs, considerably affected the income level of the bank, of which the profit dropped from 6.8 million dinars in 1987 to 1.2 million in 1991.

4.1.29 The productivity of the portfolio stood between 6.8% and 8.8%. The productivity of loans (8.9% on average) is much higher than that of equity participation (1.4% on average), mainly because of the profit distribution policy adopted by most of the enterprises as well as the difficult situation of certain institutional projects in which the bank is a shareholder. The rate of the gross margin is between 59% and 81%, with a regularly declining trend between 1987 and 1991. This trend is due to the excessively rapid increase in financial charges which went up from 7.3% to 14.1% of borrowings between 1987 and 1991. The rate of the gross margin also followed a marked declining trend, dropping from 42% in 1987 to 6.4% in 1991 and 2.3% in 1990. This collapse is due not only to the rise in financial costs but also to the increase in salaries and the strengthening of provisions which rose from 2.3% to 3% of the portfolio between 1987 and 1991 (that is a cumulative total of 13.7% of the portfolio).

4.1.30 The return of equity capital is quite insufficient and has continue to deteriorate from one year to another as a result of the increasingly low results obtained by the bank between 1987 and 1991. Of course, the provisions policy adopted by the bank over the past years and which resulted in allocations which take up 27 to 43% of income, has largely affected its profits but this prudent policy has been justified by the rapid deterioration in the quality of the portfolio and the uncertainties of the sector following the Gulf crisis. The rate of return has also suffered from the increase in the financial costs which, as stated above, rose from 7.3% to 14% of borrowings from 1987 to 1991, thus absorbing 41% of the 1991 income compared to 18.4% in 1987.

4.1.31 BTKD's balance sheets for the 1987-1991 financial years are summarized in the following table:

SUMMARY OF BTKD'S 1987 - 1991 BALANCE SHEETS
(in million dinars)

	1987	1988	1989	1990	1991
ASSETS					
Net fixed assets	1.1	1.1	3.0	6.8	10.2
Loans and equity participations	169.2	174.4	182.6	199.7	197.8
Current assets	24.4	38.8	75.1	86.4	121.7
Total	**194.7**	**214.3**	**260.7**	**292.9**	**329.7**
LIABILITIES					
Equity capital	142.7	150.1	156.6	166.4	175.5
MLT borrowings	40.7	48.3	51.9	57.3	54.4
ST debts	11.3	15.9	52.2	69.2	99.8
Total	**194.7**	**214.3**	**260.7**	**292.9**	**329.7**
Financial base	1.07	1.13	1.12	1.08	1.10
Debts	0.28	0.32	0.33	0.34	0.31
Liquidity	2.1	2.4	1.4	1.2	1.2

4.1.32 BTKD's financial base is very sound as demonstrated by the indicators presented above. Indeed, the invested capital/fixed assets ratio which reflects the financial base has always been higher than 1. The debt ratio is very low because the bank's equity capital had for several years been sufficient for financing its operations. The liquidity ratio is also satisfactory in spite of its marked decline from 2.4 in 1988 to 1.4 in 1989 as a result of the spectacular increase in the credit customer current accounts.

c. STUSID

4.1.33 STUSID's operations from 1987 to 1991 are summarized in the table below:

SUMMARY OF STUSID'S OPERATION (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991	Total
Approvals	12.1	25.1	24.6	49.6	77.1	188.5
Commitments	9.6	11.2	19.6	18.4	34.5	93.3
Disbursements	12.2	15.3	18.7	19.7	36.3	102.2

4.1.34 STUSID's approvals multiplied by 6.4 from 1987 to 1991. The increase is owing to the dynamism of the bank which intervenes actively in the identification and promotion of certain projects in addition to its great ability to appraise projects submitted to it by private promoters.

4.1.35 The bank's commitments multiplied by 3.6 from 1987 to 1991. The increase in commitments was not regular as their amount doubled from 1987 to 1989 and then dropped slightly in 1990 (-6%) before increasing very sharply in 1991 (+87%). The average commitment/approval ratio is 49%, which shows the bank's cautious resource attitude in granting resources to the promoters. However, actual approvals and commitments were higher than estimates.

4.1.36 The bank's disbursements almost tripled from 1987 to 1991. Unlike commitments, disbursements steadily increased from 12.2 to 36.3 million dinars. The average disbursement/commitment ratio rose to 109%.

4.1.37 The portfolio of STUSID, from 1987 to 1991, is summarized in the table below:

STUSID's Portfolio (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991
Equity Participations	40.2	41.8	46.0	52.4	58.5
Loans	56.2	64.3	60.0	73.9	96.3
Outstanding loans	7.9	11.9	17.5	24.7	29.8
Total	104.3	118.0	123.5	151.0	184.6

4.1.38 STUSID's portfolio increased by 77% from 1987 to 1991. While investments increased regularly from one year to another, lendings dropped by 7% in 1989. Outstanding loans almost quadrupled over the period 1987-1991, up from 7.9 to 29.8 million dinars. The bulk of these outstanding loans is in respect of institutional projects which the bank financed during the early years

of its establishment. The recovery of these outstanding payments is one of the major concerns of STUSID which is multiplying efforts to find the most suitable ways to adjust its portfolio and strengthen its provisions totalling 25.7 million dinars as at 31/12/1991, i.e. 13.9% of the portfolio.

4.1.39 STUSID's stable resources, from 1987 to 1991, are summarized in the table hereunder:

STUSID's Stable Resources (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991
Equity	135.7	143.2	148.8	154.4	159.5
Borrowing	2.3	6.6	10.2	15.2	23.7
Total	138.0	149.8	159.0	169.6	183.2

4.1.40 STUSID's stable resources rose by 33% from 1987 to 1991, representing an increase of 23.8 million dinars in equity between 1987 and 1991 (i.e. 17.5%) and of 21.4 in borrowings 1987). The borrowings/equity ratio, end of 1991, was 14.8%. This low ratio is explained by the equity volume of the bank the establishment of which enabled the mobilization, in the form of capital stock, of 100 million dinars, half of it of Saudi origin, for the financing of the Tunisian economy. It is to be noted that the resources mobilization ratio (portfolio/stable resources) did not exceed 85% during the period, thus confirming the bank's cautious attitude.

4.1.41 STUSID's operating incomes, from 1987 to 1991, are summarized in the table below:

Summary of STUSID's Operating Accounts (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991
Investment incomes	3.6	3.5	3.4	3.7	3.2
Int. & Com./Loans	7.7	8.5	8.9	9.7	11.1
Equity incomes	0.7	1.2	1.8	1.4	0.3
Other incomes	0.4	0.4	3.3	2.5	0.8
Total incomes	**12.4**	**13.6**	**17.4**	**17.3**	**15.4**
Financial expenses	0.3	0.6	0.8	1.1	2.2
Gross Margin	**12.1**	**13.0**	**16.6**	**16.2**	**13.2**
Personnel Expenses	0.8	0.8	0.8	1.0	1.1
Reserves	1.7	4.1	4.7	7.5	5.7
Other Expenses	0.6	1.1	3.5	2.1	2.0
Profit	**8.9**	**7.0**	**7.6**	**5.6**	**4.4**
Profitability ratios					
Portfolio incomes (%)	8.0	8.7	7.3	6.2	6.2
Gross margin ratio (%)	97.6	95.6	95.4	93.6	85.7
Net margin ratio (%)	71.8	51.5	43.7	32.4	28.6
Equity return (%)	6.5	4.9	5.1	3.6	2.7

4.1.42 STUSID's incomes increased by 24% from 1987 to 1991. The increase was mainly due to interests and commissions on loans which went up from 7.7 to 11.1 million dinars, i.e. a rise of 44%. Investment incomes maintained a stable level of 3.2 and 3.7 million dinars while equity revenues were characterized by their irregular variations of 0.3 to 1.8 million dinars from one year to another. Operating expenses almost tripled between 1987 and 1991, rising from 3.5 million to 11 million dinars. This was mainly owing to the increase of 1.9 million dinars in financial costs because of the growing resort to borrowing, and of 4.0 million dinars in reserves.

4.1.43 Portfolio productivity fluctuated between 6.2 and 8.7%. The average productivity of loans (10.4%) is more substantial than the return on equity (2.2%) because of the profits allocation policy adopted by the enterprises, which favours the strengthening of reserves for the distribution of dividends and also because of the difficult situation of a large number of the institutional projects in which the bank is a share holder. The gross margin rate is very satisfactory despite its downward trend. The high level of this rate is explained by the low debt ratio of the bank while its downward trend is justified by the regular increase in financial costs. The net mark-up still remains appreciable (28.6%) in spite of the marked downward trend. This drop is however not alarming as it is explained by the bank's resolute policy to beef up reserves in order to adjust its portfolio. The return on equity, which is between 6.5 and 2.7%, has been steadily declining from one year to another.

4.1.44 STUSID's financial statements for the 1987-1991 financial years are summarizd in the table that follows:

STUSID's Summary Financial Statements (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991
ASSETS					
Net fixed assets	6.1	5.0	4.8	5.0	4.6
Loans and equity	96.4	106.1	106.1	126.3	154.8
Current and Liquid assets	50.3	52.8	69.9	69.4	62.5
Total	**152.8**	**163.9**	**180.7**	**200.7**	**221.9**
LIABILITIES					
Equity capital	135.7	143.2	148.8	154.4	159.5
MLT borrowings	2.3	6.6	10.2	15.2	23.7
ST Debts	14.8	14.1	21.7	31.1	38.7
Total	**152.8**	**163.9**	**180.7**	**200.7**	**221.9**
Capital base	1.34	1.35	1.43	1.29	1.15
Debt	0.02	0.04	0.07	0.15	0.15
Liquidity	3.4	3.7	3.2	2.2	1.6

4.1.45 The financial structure of STUSID, as reflected in the above ratios is very sound. Indeed, the coverage of fixed assets by stable resources (capital base) is between 1.43 and 1.15; the debt is paltry and the liquidity ratio between 3.7 and 1.6.

d. BTEI

4.1.46 BTEI's operations from 1987 to 1991, are summarized in the table below:

Summary of BTEI's Operations (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991	Total
Approvals	22.6	34.4	40.5	19.6	26.7	144.2
Commitments	4.9	19.1	19.3	12.2	18.6	74.1
Disbursements	7.8	19.0	18.7	9.9	11.5	66.9

4.1.47 BTEI's approvals reached 144.2 million dinars from 1987 to 1991, i.e. an average of 28.8 million dinars per year. The highest level of approvals was recorded in 1989 (40.9 million dinars) and the lowest in 1990 owing to the drop in investments in the manufacturing sector.

4.1.48 Commitments and disbursements reached 74.1 and 66.9 million dinars respectively from 1987 to 1991. Thus, the average commitment/approval ratio was 51% while the average disbursement/commitment ratio reached 90%. These achievements were below estimates especially for 1990 and 1991 (-50%).

4.1.49 BTEI's portfolio, from 1987 to 1991, is summarized in the table below:

BTEI's PORTFOLIO (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991
Investments	9.0	10.4	11.9	13.4	18.2
Loans	30.6	36.8	41.0	44.8	60.7
Outstanding loans	0.9	2.4	4.9	5.6	8.6
TOTAL	40.5	49.6	57.8	63.8	87.5

4.1.50 BTEI's portfolio more than doubled from 1987 to 1991. Loans and investments increased at the same rate from 30.6 and 9.0 million dinars respectively in 1987 to 60.7 and 18.2 million dinars in 1991. End of 1991, outstanding loans amounted to 8.6 million dinars, i.e. nearly 10% of the portfolio and over 12% of the loans. In addition to the efforts made at portfolio adjustment through a policy of consolidating and restructuring loans granted to enterprises in difficulty, the bank continued to strengthen its reserves which, in 1991, amounted to 12% of the portfolio and 41% of the investments and outstanding loans.

4.1.51 BTEI's stable resources from 1987 to 1991 are summarized in the table below:

BTEI's Stable Resources (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991
Capital Equity	62.1	65.1	69.3	73.6	78.8
Borrowings	2.8	7.1	12.1	14.1	15.3
TOTAL	64.9	72.2	81.4	87.7	94.1

4.1.52 The stable resources of the bank increased by 458%, equity by 27% while borrowings multiplied by roughly 4.5. Equity which accounted for 95% of the stable resources in 1987, represented only 84% in 1991. Notwithstanding this drop, its share of stable resources remains very comfortable.

4.1.53 BTEI's operating incomes, from 1987 to 1991, are summarized below:

Summary of BTEI's Operating Accounts (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991
Incomes from investments	2.8	2.6	2.4	2.8	2.6
Int. & Com./Loans	3.7	3.0	4.7	5.3	6.3
Revenues from holdings	-	-	0.1	0.2	0.3
Other incomes	0.7	0.7	1.5	0.9	1.3
Total incomes	**7.2**	**6.3**	**8.7**	**9.2**	**10.5**
Financial expenses	-	0.1	0.8	1.3	1.6
Gross margin	**7.2**	**6.2**	**7.9**	**7.9**	**8.9**
Personnel expenses	0.5	0.5	0.6	0.8	0.9
Reserves	0.4	1.1	3.7	3.9	3.2
Other expenses	1.2	0.7	0.7	0.3	1.2
Profits	**5.1**	**3.9**	**2.9**	**2.9**	**3.6**
Profitability ratios					
Portfolio incomes (%)	9.1	6.0	8.3	8.6	7.5
Gross margin ratio (%)	100.0	98.0	91.0	86.0	85.0
Net margin ratio (%)	71.0	62.0	33.0	31.0	34.0
Equity return (%)	8.2	6.0	4.2	3.9	4.5

4.1.54 BTEI's incomes increased by nearly 46% from 1987 to 1991 but fell short of estimates. The increase was mainly owing to a 70% rise in loan interests during the period. The share of revenues from loans and investments in the proceeds jumped from 51% in 1987 to 63% in 1991, thanks to the improvement in the resource mobilization ratio from 62% in 1987 to 93% in 1991. BTEI's expenses tripled from 1987 to 1991, owing to the increase in financial expenses and provisions.

4.1.55 The non-achievement of projections had an effect on the return indicators. Indeed, the average portfolio return (excluding bonds) was 7.9% over the period 1987-1991. This return was more substantial for loans (9.9%) than for investments (1%). The low investment return was owing mainly to the policy of allocating profits to reserves by most of the enterprises and to the inadequate incomes generated by certain projects in which BTEI is a shareholder. The average gross margin ratio, from 1987 to 1991, was 91%. The ratio showed a downward trend from 100% in 1987 to 85% in 1991, due to the increase in financial expenses resulting from the bank's greater resort to borrowing in order to finance its activities. The average net margin reached 44% between 1987 and 1991. This ratio which was higher than 60% in 1987 and 1988, suddenly dropped from 1989 to about 30%, due to the sharp increase in appropriations to reserves.

4.1.56 The average equity return reached 5.3% between 1987 and 1991. This return which was 8.2% in 1987 dropped to 4.5% in 1991 (-50% of the estimates) and even to 4.2% and 3.9% in 1989 and 1990 respectively, under the effect of the increase in financial expenses and appropriations to reserves.

4.1.57 BTEI's financial statements for the 1987-1991 financial years are summarized in the table below:

Summary of BTEI's Financial (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991
ASSETS					
Net fixed Assets	2.1	2.1	2.1	2.2	2.3
Loans and Investments	39.6	47.2	52.9	58.2	78.9
Current and Liquid assets	32.9	35.3	35.4	38.1	30.1
Total	**74.6**	**84.6**	**90.4**	**98.5**	**111.3**
LIABILITIES					
Equity Capital	62.1	65.1	69.3	73.6	78.8
MLT borrowings	2.8	7.1	12.1	14.1	15.3
ST Debts	9.7	12.4	9.0	10.8	17.2
Total	**74.6**	**84.6**	**90.4**	**98.5**	**111.3**
Capital base	1.55	1.46	1.48	1.45	1.16
Debt	0.04	0.17	0.19	0.19	0.19
Liquidity	3.4	2.8	3.9	3.5	1.7

4.1.58 Notwithstanding the non-achievement of the projected activities and productivity, the bank's financial structure remains sound as the above indicators show. The paltry debt is explained by the high equity of the bank which was established with a capital of 50 millioni dinars to enable it to have adequate resources for a successful take-off. The liquidity level is equally satisfactory.

e. **BTQI**

4.1.59 BTQI's operations, from 1987 to 1991, are summarized in the table below:

Summary of BTQI's Operations (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991	TOTAL
Approvals	8.2	15.9	24.9	35.2	23.2	107.4
Commitments	1.7	8.4	14.0	16.4	14.8	55.3
Disbursements	5.4	8.0	11.1	11.5	17.8	53.8

4.1.60 BTQI's approvals during the 1987-1991 period amounted to 107.4 million dinars, i.e. an average of 21.4 million dinars per year. These approvals increased steadily from 41 to 94 per year between 1987 and 1990, but dropped, in 1991, by 34% in relation to 1990, thus upsetting the level of achievement of the projections (-25%).

4.1.61 From 1987 to 1991, the commitments of the bank amounted to 55.3 million dinars, i.e. 50% of the approvals while over the same period, disbursements reached 53.8 million dinars or 97% of the commitments. Unlike approvals and commitments which marked time in 1991, disbursements continued to increase from year to year; they rose from 5.4 million dinars in 1987 to 17.8 million dinars in 1991, i.e. an average increase of 57% per annum.

4.1.62 BTQI's portfolio, from 1987 to 1991, is summarized in the table below:

BTQI's Portfolio (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991
Investments	8.6	8.5	9.4	11.0	12.9
LMT Loans	34.0	38.4	45.2	46.2	51.3
ST Loans and deadlines in less than one year of the LMT loans	14.2	22.9	16.9	11.0	8.1
Outstanding loans	8.3	7.5	8.9	9.5	17.2
TOTAL	65.1	77.3	80.4	77.7	89.5

4.1.63 BTQI's portfolio increased by 37% from 1987 to 1991. Investments and long and medium-term loans increased each by 50% while outstanding loans more than doubled. The sharp increase in outstanding loans is however not alarming as it concerns a limited number of old loans undergoing adjustment. Thanks to its prudent risk coverage policy, 16% of the portfolio and 48% of the investments and outstanding loans are covered by reserves the amount of which was 14.4 million dinars as at 31/12/1991.

4.1.64 BTQI's stable resources, from 1987 to 1991, are summed up in the table below:

BTQI's Stable Resources (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991
Equity and reserves	64.8	68.8	75.6	81.0	47.2[1]
Borrowing	2.2	1.4	0.7	2.8	40.3[2]
TOTAL	67.0	70.2	76.3	83.8	87.5

4.1.65 Over the period 1987-1991, the stable resources of the bank increased steadily from 67 to 87.5 million dinars. However, the equity share which represented 96% and 99% of the stable resources from 1987 to 1990 plummeted to 54% in 1991 owing to the loss of 37.2 million dinars suffered that year.

4.1.66 BTQI's operating incomes from 1987 to 1991, are summarized in the table below:

Summary of BTQI's Operating Accounts (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991
Investment revenues	2.3	2.0	1.8	1.2	0.7
Int. & Com./Loans	4.9	4.9	6.0	6.6	8.6
Equity revenues	-	-	-	-	-
Other revenues	0.1	0.1	0.2	0.2	0.1
Total revenues	**7.3**	**7.0**	**8.0**	**8.0**	**9.4**
Financial expenses	0.2	0.2	0.2	0.2	2.1
Gross margin	**7.1**	**6.8**	**7.8**	**7.8**	**7.3**
Personnel expenses	0.6	0.6	0.7	0.8	1.0
Reserves	4.6	0.9	1.5	4.7	7.8
Other financial expenses	-	-	-	-	33.0
Other operating expenses	1.0	0.9	0.6	0.9	2.7
Profit (loss)	**0.9**	**4.4**	**5.0**	**1.4**	**(37.2)**
Profitability ratios					
Portfolio incomes (%)	7.5	6.3	7.4	8.5	9.6
Gross margin ratio (%)	96.0	97.0	97.0	97.0	78.0
Net margin ratio (%)	12.0	63.0	62.0	17.0	-39.5
Equity return (%)	1.4	6.4	6.6	1.7	-45.9

[1] This amount takes into account the loss of 37.2 million dinars suffered in 1991.

[2] This amount includes securities of 31.6 million dinars given in pawn to BTQI.

4.1.67 BTQI's revenus increased by 29% from 1987 to 1991. The share of interests and commissions rose steadily from 67 to 91% between 1987 and 1991. Other revenues come mainly from investments but these revenues are continuously decreasing because of the gradual commitment of the bank's resources to credit operations. BTQI's expenses were characterized by their irregularity. Indeed, they dropped from 6.4 million dinars in 1987 to 2.6 million dinars in 1988, and rose from 3 million dinars in 1989 to 6.6 million dinars in 1990. These variations stem from the modification of appropriations to reserves which dropped from 4.7 million dinars in 1987 to 0.9 million dinars in 1988, and rose from 1.5 million dinars in 1989 to 4.7 million dinars in 1990. In 1991, expenses went up spectacularly owing mainly to the loss of 33 million dinars on international operations and the increase in financial expenses and appropriations to reserves. The fluctuations in expenses obviously affected the operating income which registered a profit of 0.9 to 5 million dinars between 1987 and 1990 but incurred a loss of 37.2 million dinars in 1991, i.e. a little more than half of the capital stock.

4.1.68 BTQI's gross margin ratio which was close to 100% from 1987 to 1990, dropped to 78% in 1991 owing to the increase in financial expenses, especially on securities given to it in term pawn by other banks to assist it in adjusting its financial structure which was seriously unbalanced by the loss of 1991. The net margin ratio was considerably influenced by the appropriations to reserves. In effect, it rose from 12 to 63% in 1987-1988 owing to the decrease in appropriations to reserves from 4.6 to 0/9 million dinars but dropped from 62 to 17% in 1989-1990 as a result of the increase in these appropriations from 1.5 to 4.7 million dinars. Portfolio productivity was between 6.3 and 9.6% while equity return was between 1.4 and 6.6%.

4.1.69 BTQI's balance sheets for the 1987-1991 fiscal years are summed up in the table below:

BTQI's Summary Balance Sheets (1987 - 1991)
(in millions of dinars)

	1987	1988	1989	1990	1991
ASSETS					
Net fixed assets	1.3	2.2	2.9	3.4	3.3
Loans and investments	42.6	46.9	54.6	57.2	64.2
Current and liquid assets	70.4	71.5	57.7	56.0	45.5
TOTAL	**114.3**	**120.6**	**115.2**	**116.6**	**113.0**
LIABILITIES					
Equity Capital	64.8	68.8	75.6	81.0	47.2
LMT Borrowings	2.2	1.4	0.7	2.8	40.3
ST Debts	47.3	50.4	38.9	32.8	25.5
TOTAL	**114.3**	**120.6**	**115.2**	**116.6**	**113.0**
Permanent capital/Fixed assets	1.52	1.43	1.32	1.38	1.29
Borrowings/Equity	0.03	0.02	0.01	0.03	0.85
CLA/ST debts	1.48	1.42	1.48	1.71	1.78

4.1.70 BTQI's financial structure, as reflected by the above indicators, is sound. It was greatly unbalanced in 1991; the structure was quickly readjusted, thanks to securities given to it in term pawn by other banks. Like all the other joint banks (BTKD-STUSID-BTEI), BTQI has a low debt ratio because of the high level of its equity. However, this ratio increased sharply in 1991; although it does not present any risk to the structural position of the bank, this ratio calls for higher performance in the implementation of its activities.

4.2 Performance of Sub-projects

a. Manufacturing Sub-project

a.1 Operational and Technical Performances

4.2.1 Despite the newness of the projects (50% of them are less than two years old), the resort of 70% of them to new technologies and the opening of the Tunisian market to international competition (import liberalization and the substantial reduction of customs duties), only four (4) of 16 projects that have gone into operation experienced take-off difficulties.

- STUFEL, a rubber processing project financed by STUSID and in operation for nearly two years, has not yet attained full momentum mainly owing to marketing difficulties. Considerable efforts have been made to diversify production and find export markets. These efforts have paid off with regard to broadening the production range and are beginning to bear fruit with regard to exports (50% of the turnover in 1991 came from exports).

- Franco-Tunisienne d'Engrenage (FTE), a speed reducer manufacturing project financed by BTEI and in opeation for three and a half years, has currently suspended operations. The suspension is due to the disagreement between the two Tunisian and French co-promoters. Several options to revive the project have been proposed by BTEI whose officials maintain that the project is viable and needs only a good manager to do well.

- BACOFIL II, a spinning project financed by BTEI, has been in operation for three years but is unable to repay its debts. This project promoted by one of the leading textile industrialists in the country, has difficulties in coping with foreign competition, especially from countries of South-East Asia the selling prices of which are lower than the manufacturing cost of BACOFIL's products. The promoter has approached the Government to grant it customs protection in order to help make the project profitable. The arrangements led very recently to the introduction of a provisional compensation tax on BACOFIL's competitive products. In principle, this tax should enable the project to operate under profitable conditions for the next three years, but can BACOFIL make it alone at the end of this period.

- Etablishments Slama Frères (ESF), a refined and hydrogenized vegetable fat manufacturing project financed by BTQI and in operation for roughly three years, had a difficult start-up, first because of technical problems which were quickly overcome, and then because of commercial problems as a result of the uncompetitive selling prices of the company whose manufacturing prices are increased by customs duties on vegetable oil imports (raw materials). These problems have just been overcome, thanks to the reduction in the vegetable oil tax from 43% to 17% and the company's passing of this reduction on to the selling price which yields an acceptable profit margin.

4.2.2 In conclusion, of the four projects which encountered start-up difficulties, only one project (FTE) is still marking time; the second (BACOFIL) has been temporarily bailed out by a customs protection while the other two have either overcome their difficulties or are in the process of doing so. With this, it can be affirmed that the rate of success of the manufacturing projects has exceeded 85%.

a2. Financial and Economic Performance

4.2.3 The evaluation of the economic and financial performance is based on a random sample of eight (8) projects chosen from among the 16 projects in operation. In general, 50% of the projects have a financial structure characterized by the inadequate cover of invested capital by stable resources. This situation results from equity shortage or inadequate financing of overruns by short-term resources, or from commercial difficulties during the take-off period which aggravate the need for working capital. The financial difficulties encountered by these three projects were such that the first (Céramiques Réunies) was taken over by a company belonging to quite a powerful industrial group, the second (BACOFIL) benefited from temporary customs protection for its adjustment and the third (FTE) suspended its operations.

4.2.4 Apart from FTE whose activity suddenly collapsed in 1991, the turnover of the other projects has in the last three years been on the increase. This increase has been particularly significant in certain projects that encountered take-off difficulties, like Céramiques Réunies (815%) and STEM (331%) between 1990 and 1991. The difficulties affected the productivity of equipment which still remains low for all the enterprises of the sample.

4.2.5 The 75% financial return on the projects is too low and sometimes even negative. This poor performance stems from the inadequate working capital of certain projects and their massive resort to short-term bank loans to finance their operations, thereby leading to a worsening of the share of financial expenses in the incomes. It is also explained by the commercial start-up difficulties which lead managers to lower prices and/or grant customers longer payment periods in order to penetrate the market; this results also in low profit margins and more substantial working capital requirements. The situation has considerably affected the repayment capacity of four of the six projects concerned. The credits of one of these projects (BACOFIL) are being consolidated, while those of a third (FTE) have been suspended.

4.2.6 The economic and financial performances of the sub-projects in the manufacturing sector differ according to type of project (development of the local raw material, import substitution, diversification of the economy, export development, ...), quality of the promoter (institutional project, partnership project, etc ...), destination of the production (domestic market, part or total export), promoters' ability to control the cost of investments and mobilize the equity capital required to finance the investment and possible overrun and, lastly, successful take-off permitting the attainment of full development in the shortest possible time. In effect, the liberalization of investments and prices on the one hand and, on the other, the liberalization of imports and reduction of customs duties have placed Tunisia's manufacturing industry in such a situation that from now on, its survival depends on its ability to cope with internal and external competition on the domestic market, its development and ability to position itself on the external markets, especially in Europe and AMU. That is why partnership projects the production of which is intended for total or part export, seem to be preferred by development banks which rightly consider that they are better equipped to face the market.

b. Tourist Sub-projects

b1. Operational and Technical Performance

4.2.7 Despite the fact that they are new (50% of the projects gone into operation have been in business for less than three years), and despite the adverse effects of the Gulf crisis on the tourist sector, only 23 of the 179 projects, i.e. 13% of the projects financed from lines of credit and gone into operation, have experienced difficulties:

- 5 institutional projects financed by BNDT along with other development banks, in order to promote the new tourist zones (Northern Mahdia), assist the young promoters or diversify the tourist product (holiday village);

- 8 projects implemented by private promoters but whose start-up coincided with the Gulf crisis;

- 3 projects whose investments incurred considerable overruns;

- 7 projects which have encountered commercial difficulties: one of them changed ownership recently and the other is currently managed in place of the proprietor.

At present, these projects are functioning fairly satisfactorily although they have difficulties in repaying the first instalments of their loans.

b2. Financial and Economic Performance

4.2.8 The evaluation of the financial and economic performance (see Annex 5.2.2) is based on a random sample of 20 projects chosen from among the 129 projects gone into operation for at least one year. 75% of the projects have a financial structure characterized by inadequate cover of the fixed assets by long-term capital. This situation, which results from the inadequate mobilization of equity capital or from investment cost overruns, was aggravated by the poor performance of nearly all the projects in the wake of the Gulf crisis.

4.2.9 The gross margin ratio (Ratio of the gross operating margin to the turnover) is higher than 35% for 85% of the projects. However, the repayment capacity of only 70% of the projects exceeded 10%. These two ratios show that about 9 of 10 projects succeed in easily covering their operating expenses through earnings while only 7 out of 10 projects are able to repay their borrowings regularly. Project with outstanding payments are specially monitored by the development banks which, very often, come to an agreement with the promoters for the stabilization of their position.

4.2.10 With the exception of 1991 when tourist activity suddenly dropped following the Gulf crisis, the turnover of 95% of the projects has been on the increase. This trend is as a result of the satisfactory quality of the tourist product, the competitiveness of the prices applied by hotel-keepers, the effectiveness of the commercial measures adopted by ONTT in the countries of origin of the tourists and the mastery of the channels by the hoteliers.

4.2.11 The financial return (Ratio of the net operating income to the invested capital) of 55% of the projects does not exceed 10%. This return is even below 5% for 20% of the projects. Two of the four projects whose return is below 5%, are the institutional projects whose return is below 5%, are the institutional projects (Ribat and Promogolf Monastir), the other two are private projects of which one (Oriental Palace) had a substantial cost overrun of its investment and the other (Entertainment Centre) had start-up difficulties. Their problems are now being solved.

4.2.12 The economic and financial performance of the tourist sub-projects shows that, unlike the manufacturing sector, the return on investments in this sector depends mainly on the promoter's ability to mobilize the equity necessary for financing the project and to control the investment cost; and the manager's ability to provide it with an adequate occupancy rate, maintain the quality of service at an acceptable standard and control the operating costs. Considering that the operators have over 25 years cumulative experience in the sector, the operation of the tourist projects does not pose major problems; nevertheless, the inadequate working capital of certain promoters coupled, in some cases, with the cost overrun of the investments, gives rise to certain start-up problems which are sometimes difficult to overcome.

4.3 Effectiveness of the ADB

4.3.1 The Bank carried out only one supervision mission of BNDT's three lines of credit, which is not enough considering the number of sub-projects, it did not undertake the supervision mission of the first line of credit to four development banks despite the large number of sub-projects and the involvement of the development banks which are not yet used to the Bank's procedures. However, every year, the Bank was able to carry out a monitoring mission and a financial supervision mission, which was appreciated by the development banks.

4.3.2 The current procedure for disbursing lines of credit has been considered extremely constraining by development banks which must sometimes wait for several weeks for the reimbursement of credits granted to sub-projects. The Bank's efficiency could have been enhanced by the provision of a working capital for BNDT which is at its third line of credit.

V. IMPACTS OF THE LINES OF CREDIT

5.1 At the level of the Development Banks

5.1.1 It goes without saying that the impacts of the lines of credit on the operations and financial incomes (financial base, profit margin and equity return) of the development banks were significant. Representing 45 to 70% of the foreign exchange borrowings of these banks, the lines of credit granted enabled the banks to consolidate their financial position (5 to 10% increase in their stable resources) and improve their management incomes. Indeed, projected activities and estimated returns were achieved for three of the five banks but all of them maintained, and even improved, their economic and financial performance (See chapter 4). Furthermore, with regard to exchange risk management (currently covered by the Banque Centrale de Tunisie for a coverage charge of 3%), the banks have in addition instituted a flat, exchange equalization charge of 1%.

5.1.2. With regard to internal organization and operational procedures, the 5 banks recognize that the management of these lines of credit has enabled them to question their own identification, selection, appraisal and monitoring procedures, while complying with those of the Bank (strengthening the selection and monitoring policy of Bank-financed projects). To this end, the adoption of certain monitoring tools (sub-projects monitoring briefs reflecting the physical and financial status of the sub-projects) has enabled these banks to fine-tune their information system and to put in place the instruments (computer tools, project appraisal softwares) needed to meet in the shortest possible time the Bank's information requests.

5.2 At the Sectoral Level

a. Manufacturing Sector

5.2.1 The lines of credit made available to the four joint development banks (BTKD, STUSID, BTEI, BTQI) have made possible the financing of 17 manufacturing projects for a global cost of 69 million dinars. The impacts of these projects, at the sectoral level, are multiple (see annex 5.1.4):

- Creation of 1,415 regular jobs with two-thirds of them outside Tunis district and 1/4 in the underprivileged regions (North West Centre - Centre West - South).

- Diversification of the economy - half of the projects concern activities that do not exist or that are very little spread in the country.

- Development of local raw materials: about one-third of the projects have contributed to the development of local raw materials (ceramics, spinning, mineral water).

- Replacement of imports with local production: 2/3 of the projects financed by the line of credit have made it possible to replace imports with local production.

- Export development: 1/3 of the projects have succeeded in exporting their production (processing of rubber and thermoplastic, spinning, manufacture of wrappings, manufacture of vegetable fats, pharmaceuticals).

- Acquisition of new technologies: 2/3 of the projects have enabled the transfer of new technologies.

b. Tourist Sector

5.2.2 The three lines of credit made available to BNDT and the line of credit put at the disposal of the four joint development banks (BTKD, STUSID, BTEI, BTQI) have permitted the financing of 205 tourist projects for an overall cost of 907 million dinars. The impacts of these projects, at the sectoral level, are:

- the creation of 18,188 regular jobs;
- the diversification of the tourist production through the development of two new regions:
  - Bizerte - Tabarka, a mountainous and forest region in the north of the country, where 10 projects have been implemented,
  - Gafsa - Tozeur - Kebili, a Saharan region in the south of the country, where 25 projects have been implemented.
- The development of the country's accommodation capacity by providing 46,335 beds, i.e. 38% of the capacity available in the whole country end of 1991.
- The foreign exchange earnings and value-added of these projects (during the peak period) will help realize 400 and 220 million dinars per annum (i.e. 64 and 60% respectively of the tourist sector total in 1991).

5.3 Impact on the Environment

Almost all the projects financed from lines of credit are located in the industrial or developed tourist zones. No project visited by the Agence Nationale de Protection de l'Environnement (National Agency for Environmental Protection) is known to have violated the environmental protection regulation. There is therefore every reason to believe that these projects are either non-polluting or equipped with facilities that enable them to safeguard their environment against various forms of discharges and pollutions which may affect it.

5.4 Impact on the Development of Private Initiative

Not fewer than 203 private enterprises, 164 of which are new, have benefited from lines of credit. These enterprises have devoted 388 million dinars, including 29 million dinars in foreign exchange contribution to the self-financing of their projects. The breakdown, per bank, of the enterprises financed and their self-financing is as follows:

Breakdown of Enterprises Financed by Lines of Credit

	Enterprises		Self-financing (in millions of Dinars)	
	Creations	Extensions	Local Saving	Foreign Exchange Contribution
BNDT	127	23	223	-
BTKD	9	9	55	-
STUSID	11	1	30	4.5
BTEI	12	2	28	-
BTQI	5	4	23	24.5
TOTAL	164	39	359	29

5.5 Impact on the Integration of Women in Development

These lines of credit did not, strictly speaking, further the integration of women in development as the projects in question were not specifically geared towards the achievement of this objective. Besides, only two projects were promoted by women. Nevertheless, these lines of credit had an impact on the creation of women's jobs (not specified in the answers to the questionnaire sent to development banks).

5.6 Impact on Regional Economic Integration

Among the projects financed from the lines of credit, there are at least three which have succeeded in breaking into the markets of other Maghrebi countries (Libya, Algeria, Morocco) and thereby contribute, through the part export of their production on these markets, to the development of trade between Tunisia and other Maghrebi countries.

VI. SUSTAINABILITY OF THE IMPACTS AND DEVELOPMENT OF LINES OF CREDIT

6.1 Sustainability of Results and Impacts

a. Development Banks

6.1.1 The solidity of the financial structure of the development banks, which absorbed the shock of the industrial sector crisis and the Gulf crisis of 1991, is an adequate guarantee of the sustainability of the results. In organizational structure and management, these banks revealed their ability to follow the trends and correct their actions as the crisis unfolded, through economic data monitoring and processing bodies.

6.1.2 The organization of the development banks and their participation in operations in favour of businessmen and potential investors enable them to better apprehend their role in development financing. The sectoral distribution of their operations (for the 4 development banks) appears balanced and thereby minimizes the impacts of external factors.

b. Manufacturing Sub-projects

6.1.3 Despite the start-up difficulties encountered by some projects, the favourable economic environment, the technological mastery and management capacity of most of the projects permit to think that the future prospects of 14 out of the 16 projects in operation are reassuring. The future of the other two projects depends on the measures that would be taken in the short-term by their promoters to solve their problems. One of them, BACOFIL (Spinning), is in difficulty because it was unable to withstand foreign competition. This project has just benefited from a customs protection which consists in introducing a temporary tax compensation on imported competitive products. This protection will certainly enable the project to survive but its temporary nature is likely, once removed, to put the project in difficulty again if no measure to improve its return is taken in the short-term.

6.1.4 The second project, Franco-Tunisienne d'Engrenage (manufacture of speed reducers) has been currently suspended. Its restart-up does not seem to pose any problem as several requests have been sent to BTEI for its rehabilitation. However, its viability depends on its ability to find solutions to the lack of technical partner and to the problems of integration on the domestic market.

c. Tourist Sub-projects

6.1.5 Tourism has become a flourishing activity, thanks to the considerable efforts made by the Government to improve the infrastructure (roads, airports, drinking water, electricity and telecommunications networks, etc.), to develop the tourist zones and encourage promoters of tourist projects; and thanks to the interest shown in this sector by investors because of its profitability and security (steady increase in real estate price). Consequently, the situation of certain projects in difficulty is not worrying for the development banks which have already envisaged solutions for their rehabilitation, namely:

- postponement or shift of outstanding payments on loans granted to projects encountering start-up difficulties;

- renting/management contract or transfer of projects where the owners prove incapable of conveniently operating them and repaying their loans.

6.2. Development of Lines of Credit

6.2.1 The lines of credit put at the disposal of the five development banks in Tunisia were mainly used to finance the tourist sector. While we consider it quite normal that BNDT, a bank specialized in tourism financing, should devote all the three lines of credit granted to it to tourist and para-tourist projects, we think that the other development banks could have devoted a larger part of their lines of credit to finance industrial projects (see table in paragraph 3.1.1).

6.2.2 The operational policy of the banks did not favour the industrial sector which, more than the tourist sector, needs to be supported for it to successfully take of. Knowing that lines of credit are provided for the promotion of industry and tourism, it is recommended that separate lines of credit be provided for the financing of each sector, based on an assessment of the financing needs of the sector concerned and on the capacity of each sector to mobilize the funds put at its disposal, or that quotas be fixed by sector for each line of credit. Thus, lines of credit will be actually utilized for the development of the sectors for which they are intended.

6.2.3 The table in paragraph 3.1.2 shows that new projects whose investments do not exceed 2 million dinars, received only 9% of the lines of credit. This utilization does not favour the development SMEs which play an important role in the creation of jobs, diversification of the economy, transfer of technology and promotion of exports; neither does it encourage new promoters whose financial resources are modest but who can through their talent and goodwill widen the base of the current contractors and give fresher impetus to the industrial and tourist sectors. This tendency to neglect, even involuntarily, the financing of SMEs and the encouragement of new promoters could be corrected by setting aside, in each line of credit, a quota for funding SMEs, more especially those promoted by new promoters.

6.2.4 Special programmes such as those relating to privatization, environmental protection and energy control are not financed by lines of credit, and yet, they fall within the framework of the policy promoted by ADB. The World Bank takes part in the funding of the energy control programme but, to the best of our knowledge, the privatization and environmental protection programmes, which deserve no less support, are not yet financed. ADB could encourage them by authorizing that the take-over of public enterprises and investments made by polluting industrial enterprises intended to safeguard the environment, be charged to the lines of credit.

6.2.5 It should be noted that the ADB granted other lines of credit in 1990 (4th line of credit to BNDT and 2nd line of credit to four development banks BTKD, STUSID, BTEI, BTQI) and in 1994 (3rd line to four development banks BTKD, STUSID, BTEI, BTQI), and this, as part of ADB's support to Tunisia's 8th Economic and Social Plan (1992-1996).

VII. CONCLUSIONS, LESSONS AND RECOMMENDATIONS

7.1 Conclusions

7.1.1 Apart from the difficulties encountered at the start-up of the first line of credit, BNDT did not encounter particular problems in the mobilization and implementation of the three lines of credit because of the efficiency of its structures and management procedures. But the disbursements of the first line of credit granted to the four development banks (BTKD, STUSID, BTQI, BTEI) were slow; however, the study and approval of the sub-projects were satisfactorily done. Thus, despite their newness, the four banks did not encounter problems in mobilizing and implementing the lines of credit, thanks to the efficiency of their structures, their procedures and their competent staff.

7.1.2 In spite of a certain disbursement delay, the implementation time was considered satisfactory (2 to 3 years on average). ADB carried out only one supervision mission of the three lines of credit to BNDT, but did not undertake any supervision mission of the first line of credit to the 4 banks despite the large number of sub-projects and the involvement of these banks which are not yet familiar with the Bank's procedures. However, every year, the Bank was able to carry out one monitoring mission and one financial supervision mission, which were, by the way, appreciated by the development banks.

7.1.3 The present procedure for disbursing lines of credit has been deemed highly restrictive by the development banks which must sometimes wait several weeks for the repayment of the loans granted to the sub-projects. The Bank's efficiency could have been more enhanced by the establishment of a working capital for BNDT which was at its third line of credit. However, this procedure was improved for the subsequent lines of credit.

7.1.4 Lines of credit with a duration longer than that of credits granted by development banks to sub-projects, are perfectly adapted to their needs and maintain their financial balance quite well. They have greatly contributed to the increase in the resources of development banks and, more especially, in their foreign exchange borrowings. The share of lines of credit in borrowings of this category represents 43 to 100% according to the bank. These additional resources have favoured the development of the operations of the beneficiary banks whose approvals, commitments and disbursements have generally increased.

7.1.5 Notwithstanding the poor results achieved in some years by most of the development banks, it can be affirmed that lines of credit have had a positive impact on these results as their net revenues represented 1 to 1.5% of their amounts, depending on the banks.

7.1.6 The lines of credit made available to the 5 development banks have contributed positively to the development of the tourist sector in which they have made possible the financing of 205 projects, but not enough to the promotion of the manufacturing sector in which only 17 projects have been financed. The rate of success of these projects is around 85%, which is appreciable. The rate of outstanding payments in respect of these lines of credit remains reliable.

7.1.7 The economic and financial situation of most of the projects financed by lines of credit is reassuring. The difficulties encountered by some tourist projects are temporary and can be overcome, for most of them, through arrangements with banks for the rescheduling of their credits; whereas the difficulties encountered by certain industrial projects, which are more delicate to solve, could jeopardize their future for good.

7.1.8 SMEs whose investments do not exceed 2 million dinars were not specially encouraged by the development banks which allocated to them only 9% of the amount of the lines of credit. This is moreover confirmed by the increase in investment costs and creation of jobs. Consequently, the setting of a ceiling to the maximum investment costs chargeable to the Bank's lines of credit, has been considered restrictive by the development banks.

7.1.9 Furthermore, these banks have adopted cautious and even conservative attitudes in the mobilization of resources and financing of development activities. Their equity share (50% from the Gulf Emirates for the four joint banks) remains substantial and it should be expected that these banks might further attract other foreign exchange resources.

7.1.10 Despite their limited number, industrial projects financed by lines of credit have contributed to the creation of over 1,400 permanent jobs, to the diversification of the economy, the development of certain local raw materials, the substitution of some imported products with the local production, the development of exports and the transfer of technology. Tourist projects have enabled the creation of nearly 18,200 permanent jobs, the utilization of more than 46,000 additional beds (38% of the capacity available end of 1991) and the diversification of the tourist product.

7.1.11 More than 90% of the beneficiaries of the lines of credit are private enterprises, over 80% of which are new private entities. Out of an investment of roughly 900 million dinars, nearly 400 million dinars go to self-financing, i.e. 40% including about 30 million dinars in foreign exchange.

7.1.12 In conclusion, the results of these lines of credit to five development banks are satisfactory and have contributed to the development of the tourist and industrial sectors, the promotion of private initiative and to the consolidation of the financial position of these banks.

7.2 Lessons

a. To the development banks

7.2.1 The participation of the development banks in institutional projects which have mobilized a considerable portion of their resources in equity or loan form, has not always been successful. The current situation of a large number of these projects has led the development banks to modify their attitude to projects of this type, the funding of which will henceforth be subjected to the same selection, appraisal and approval conditions as the private projects.

7.2.2 The portage practised by certain development banks is a way of encouraging private initiative, as it helps new promoters to raise the working capital required to implement their projects and enables them to benefit from the technical assistance of the development bank, as a member of the board of directors of the enterprise, during the start-up period.

7.2.3 The efficiency of the decision-making and management structures of the five development banks, and their ability to monitor the trends of the economic sector in which they operate, have made it possible to avoid slippages and escapism in the wake of economic crises.

7.2.4 The reserves policy adopted by the development banks is very wise as it permits portfolio adjustment and the production of financial statements which reflect the financial position and the actual performance. This policy has been facilitated, for the 4 joint development banks (BTKD, STUSID, BTEI, BTQI), by the substantial gross margins realized, thanks to the highly special structure of their resources composed primarily of equity capital.

7.2.5 The investment overruns and the delays in putting into operation projects financed by development banks very often give rise to start-up difficulties which could be disastrous for projects whose promoters are unable to mobilize the funds needed to bail them out. Given their inexperience and, sometimes, their narrow capital base, the new promoters are the most exposed to these risks. Hence the necessity for the development banks to strengthen the monitoring of their projects and to provide them with the technical assistance required to enable them to implement their projects in accordance with projections and to start them up smoothly.

b. To the ADB

7.2.6 The SME's share of the lines of credit granted to the 5 development banks was very small despite the setting of a ceiling to the level of investment to be financed. As a matter of fact, a quota of each line of credit should have been reserved for enterprises of this type which play a very important role in the tourist and manufacturing sectors. However, the question as to whether lines of credit of this type are the best adapted for the financing and promotion of SMEs remains fully asked. A step has been taken in this direction as provision has been made for an industrial estate financing project in the 1995 lending programme.

7.2.7 The lines of credit granted to the development banks have, of course, permitted the financing of more than 200 projects and thereby contributed to the development of the tourist and industrial sectors and the promotion of private initiative. Nevertheless, this form of operation is inadequate as the achievement of these two objectives requires the conduct of other actions borne by such support structures as API, ONTT, AFI, AFT, CEPEX, INNOPRI, etc, which deserve as much to be encouraged by putting at their disposal credits required for the accomplishment of their missions and in the financing of which credits ADB can play an important role.

7.3 Recommendations

a. To the Development Banks

7.3.1 The development banks are called upon to strengthen the human and material resources of their monitoring structures and to widen their prerogatives so as to include technical assistance for the new promoters. These banks should multiply their efforts at mobilizing resources, notably in foreign exchange, needed to finance the industrial sector restructuring programme.

7.3.2 Development banks have made great sacrifices by considerably increasing their appropriations to reserves and by allocating all their profits to reserves in order to adjust their portfolios and consolidate their capital base. As part of this policy, they could also envisage transferring their equity in the institutional projects to national or foreign private promoters who would be capable of rehabilitating and operating them more efficiently.

b. To ADB

7.3.3 Knowing that the four joint development banks (BTKD, STUSID, BTEI, BTQI) utilized the line of credit granted to them, primarily to finance tourist projects, and allocated a small part of this line to SMEs, it is recommended that in the future, provisions be made for separate lines of credit to finance SMEs, tourism and industry. In addition, it would be advisable to set a quota which gives priority to new promoters.

7.3.4 The grant of lines of credit to development banks is considered an appreciable contribution of ADB to the development of the tourist and industrial sectors in Tunisia. However, this contribution which is limited to the financing of projects in the two sectors, could be extended to support structures by providing them with credits necessary for the financing of their programmes of action. Thus, ADB's intervention will not only have permitted the financing of investments in the tourist and industrial sectors, but also favoured the implementation of support and incentive programmes required to boost them.

7.3.5 Given the nature and importance of institutional project investments, their financing from lines of credit granted to development banks may seriously affect these resources by putting the promotion of private initiative at a disadvantage. To avoid this problem, it would be preferable to reserve lines of credit for the financing of private projects and, on the other hand, enable institutional projects to have access to direct ADB financing.

7.3.6 To avoid delays and ease disbursement procedures, it would be advisable to envisage providing development banks with a fixed working capital equal to 10% or 15% of the amount of the line of credit which will be utilized for the disbursement of credits granted to sub-projects. ADB's injection of more money into the line of credit will be upon presentation of justifications for the amounts disbursed.

7.3.7 Given the importance of supervising and monitoring the implementation of lines of credit, the Bank should envisage having recourse to local consultants for the accomplishment of these assignments; this would help expedite the processing of sub-project documents as well as furnish, from time to time, the information necessary for the global monitoring of the implementation of these lines.

7.3.8 The procedure for the processing of disbursement applications should be accelerated while allowing the banks to keep the documents justifying the utilization of the working capital and to make them available to any person or institution designated by the Bank to review them.

7.3.9 In view of the economic integration of the tourist sector in Tunisia, the Bank will have to explore ways and means of granting lines of credit in local currency, especially for the SME sector.

7.3.10 The Bank should organize regional seminars for the executives of development banks for purposes of exchange of points of view on the modalities of utilizing ADB lines of credit as an instrument for financing private initiative, and in order to draw necessary lessons from past experiences in the development financing of productive sectors.

7.3.11 The Bank should support the activities of these development banks which will be required to play a yet more important role in the financing of the industrial sector restructuring programme.

7.3.12 Given the volume of its portfolio of lines of credit to Tunisian development banks (irrespective of sector), the Bank should initiate an impact study in order to assess the contribution of these lines to the economic development of Tunisia and draw the necessary lessons from the private initiative development policies and procedures.

RETROSPECTIVE PROJECT MATRIX

NAME OF PROJECT : FIRST LINES OF CREDIT TO FIVE TUNISIAN DEVELOPMENT BANKS
DATE OF COMPLETION : JANUARY AND APRIL 1991
PROJECT AUDIT : JANUARY 1993
DESIGN TEAM : M.H. MANAI/F.KILANI (CONSULTANT)

HIERARCHY OF OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	HYPOYHESES/RISQUES IMPORTANTS
GLOBAL OBJECTIVE Promote the development of the industrial and tourist sectors in the context of the VIth (1982–1986) and the VIIth Plan (1987–1991)	– GDP growth rate per sector – Export growth rate – Number of jobs created	– Ministry of Planning – Central Bank of Tunisia – Ministry of Planning	
OBJECTIVES OF THE LINES OF CREDIT Promote the creation, extension or renovation of viable SMEs in the industry and tourism sectors	– Number of sub–projects : 205 – Success rate of sub–projects : 85% – Percentage of the growth of value added per sector : DT 400 m – Percentage in export growth : DT 240 m – Number of jobs created : 18188 – Unit investment cost (per bed) : DT 12000 to 21000 on average – Cost of job creation : Tourism : TD 40000 to 70000 on average Industry : TD 62500 on average	– Ministry of Planning – Central Bank of Tunisia – Ministry of Planning – Questionnaires development banks – ONTT – API, Ministry of Employment	– Stable economic and legal environment (Investment Code favourable to private initiative) – Effects of the crises on issuing mrket controlled (tourism) – Competitiveness of Tunisian products maintained
ACHIEVEMENTS (OUTPUT)			
Consolidated financial situation of development banks	– Investment capital/long term assets : over 1 – LMT loans/equity : less than 8 – General liquidity : over 1	– Financial statements of development banks	Effectiveness of the financial policy of development banks
Portfolio of progressing banks	– Commitments/Clearances : less than 100% – Disbursements/Commitments : less than 100% – Loan growth : positive – Share growth : positive – Portfolio/stable resources : more than 100%	– Questionnaires on the portfolio situation	Resource mobilization, project identification appraisal and supervision
Portfolio of restructured banks	– Unpaid loans/Loans : less than 30% – Portfolio productivity : over 10% – Gross margin rate (proceeds–financial expenses/proceeds) : positive – Operating costs : less than 1% – Provisioning rate/portfolio : BTC prudential norms – Equity return : positive	– Financial statements and questionnaires of banks	Fiscal incentives for portfolio adjustment

RETROSPECTIVE PROJECT MATRIX

NAME OF PROJECT : FIRST LINES OF CREDIT TO FIVE TUNISIAN DEVELOPMENT BANKS
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PROJECT AUDIT : JANUARY 1993
DESIGN TEAM : M.H. MANAI/F.KILANI (CONSULTANT)

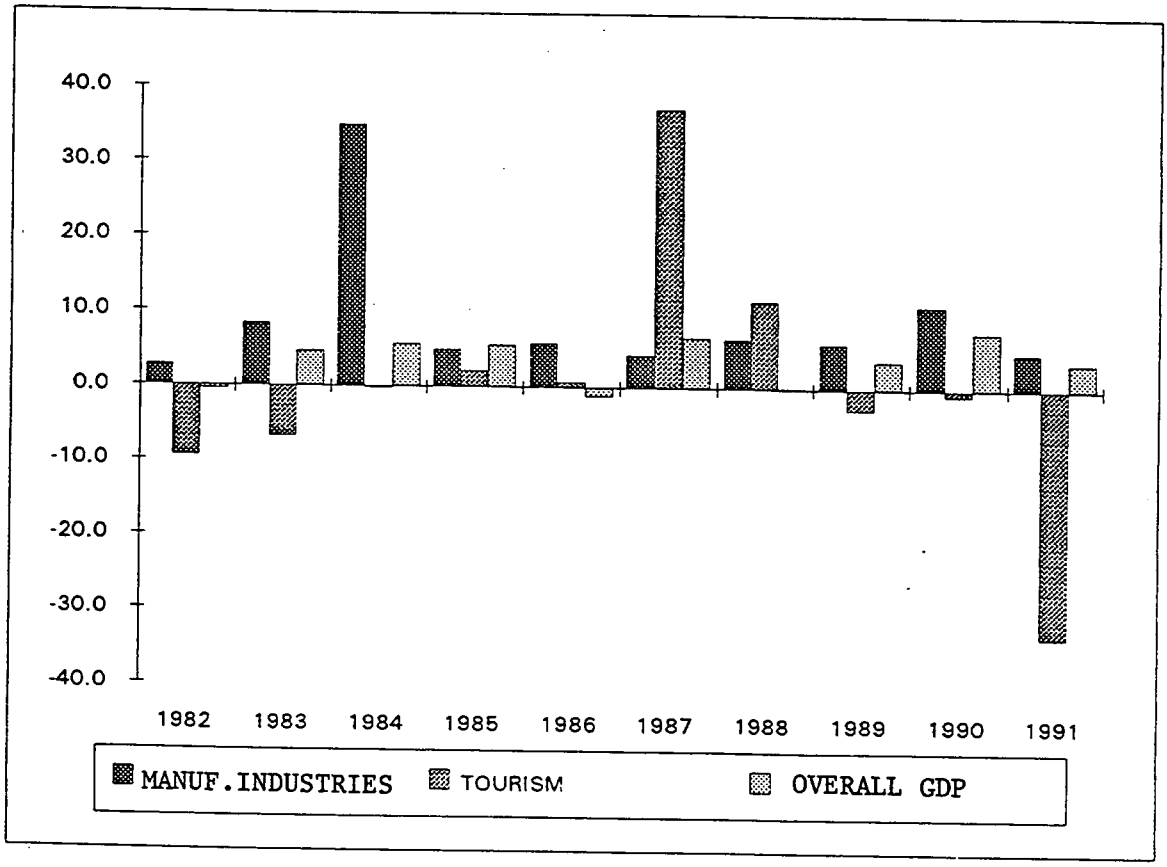
HIERARCHY OF OBJECTIVES	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	HYPOYHESES/RISQUES IMPORTANTS
ACHIEVEMENTS (Cont'd)			
Operational, technical and financial situation of viable sub–projects	– Delay in commissioning : less than 2 years – Initial investment cost overrun : less than 10% – Repayment capacity : more than 1 – Equipment productivity : more than 1 – Revolving capital and revolving capital requirenent : positive – Growth of turnover : positive	– Banks questionnaires and sub–projects questionnaires	Start–up allowance and financing of revolving fund guaranteed Start–up crisis controlled Holder market
Effects on the environment controlled	– Favourable authorization of ANPE	– Banks questionnaires and sub–projects questionnaires	Effectiveness of the State environment protection agencies (ANPE)
ACTIVITIES (INPUTS)			
Utilization of financing – ADB – Development banks	Financing (UA million) ADB Banks BNDT 1st line of credit 35 30 BNDT 2nd LOC 20 21 BNDT 3rd LOC 60 60 STUSID 10 12.9 BTKD 15 4.7 BTEI 8 12.5 BTQI 7 1.5	– Banks financial statements – Questionnaires	– Effectiveness of structures and bank procedures in the promotion, appraisal and supervision of sub–projects
–Self–financing of sub–projects	Self–financing : DT 359 million Share in F.E. : DT 29 million (equivalent)	– Questionnaires – Banks statements	– Credit–worthiness of promoters and firmness of guarantees

GDP Growth Rate (1982-1991)

ANNEX 2.1

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
MANUFACT. INDUSTRIES	2.8	8.3	34.9	5.0	5.9	4.4	6.5	6.0	11.1	4.8
TOURISM	-9.5	-6.8	-0.2	2.2	0.7	37.2	11.6	-2.8	-0.8	-33.5
OVERALL GDP	-0.5	4.7	5.7	5.6	-1.2	6.7	0.01	3.7	7.6	3.5
AGRICULTURE AND FISHERY	-10.0	2.5	12.9	17.4	-12.6	20.5	-25.8	5.7	27.7	14.7
NON-MANUF.INDUSTRIES	1.6	5.6	1.8	-0.6	-3.8	-3.1	-1.6	4.7	0.9	3.9
NON-ADMIN. SERVICES	3.0	4.4	6.2	3.0	1.6	4.7	9.4	3.0	3.7	2.3

Source: Ministry of Planning

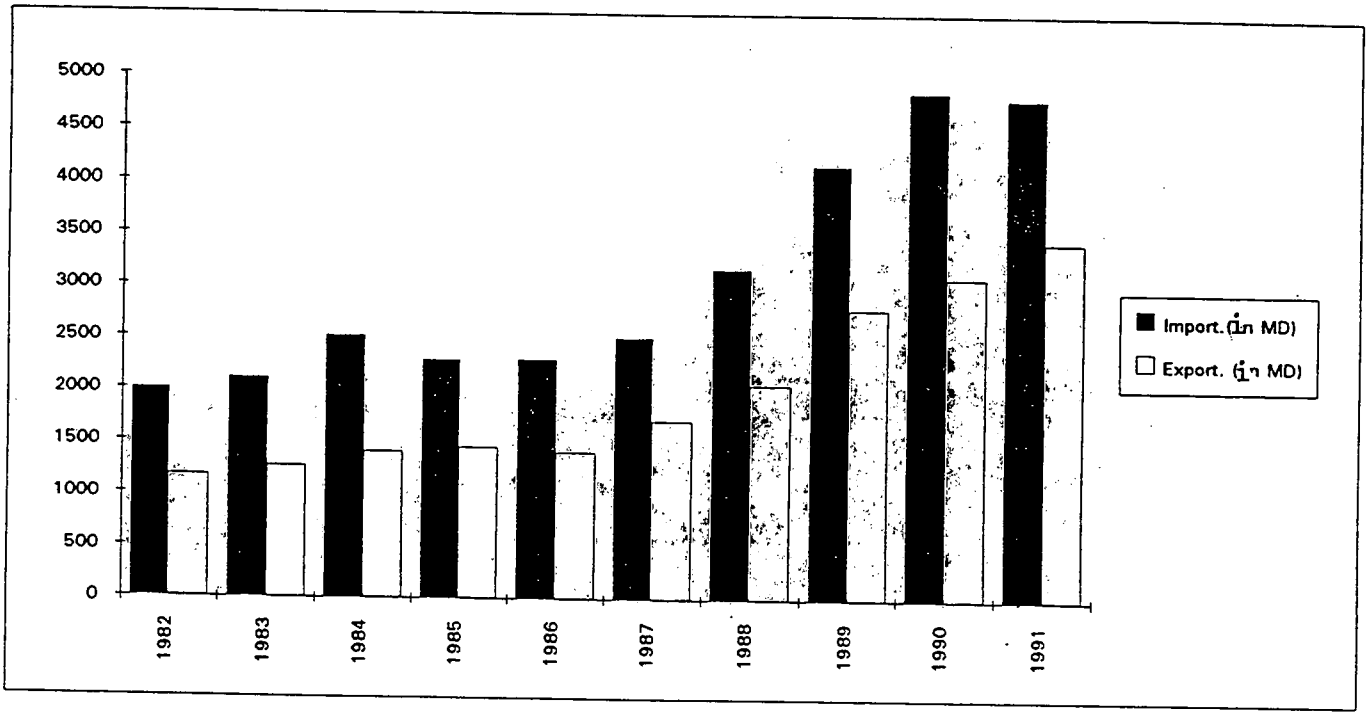


Trade Balance (1982-1991)

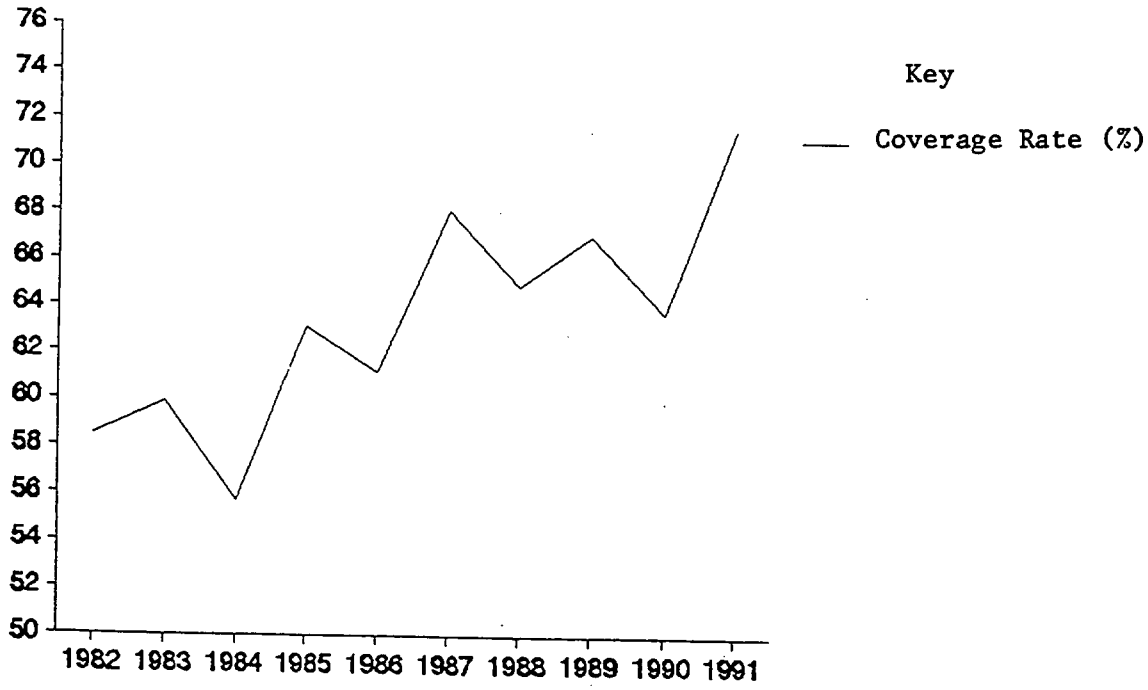
ANNEX 2.2

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Import.(in MD)	2000.2	2106.4	2511	2287	2295	2509	3167	4150	4852.2	4789
Export. (in MD)	1169.4	1262.6	1399.1	1443	1403.8	1707.7	2055.5	2782	3088.6	3429.9
Taux de couv.(%)	58.5	59.9	55.7	63.1	61.2	68.1	64.9	67.0	63.7	71.6

Source: Central Bank



Trend of Coverage Rate



Goods and Services Exports (in MD)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agriculture & API	107.0	97.3	147.0	143.5	174.8	228.5	256.9	281.9	347.6	533.6
Phosphate & Chemistry	206.2	239.5	244.0	257.9	302.8	329.0	457.0	544.4	454.0	492.0
Energy	537.9	564.6	619.3	603.6	339.9	418.3	330.3	555.4	534.6	489.5
Manufacturing Ind.	318.3	361.2	388.8	428.0	586.3	794.9	1011.0	1400.3	1752.4	1914.8
Non-adm. services	263.9	296.0	357.1	394.1	393.0	458.9	497.4	591.0	675.5	714.0
Tourism	340.0	389.2	357.5	416.0	382.0	568.9	1086.1	880.7	827.8	620.1
Overall exports	1773.3	1947.8	2113.7	2253.1	2178.8	2798.5	3639	4253.7	4591.9	4764

Source: Central Bank of Tunisia

Exports Trend Index

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agriculture & API	100.0	90.9	137.4	134.1	163.4	213.6	240.1	263.5	324.9	498.7
Phosphate & Chemistry	100.0	116.1	118.3	129.9	146.8	159.6	221.6	264.0	220.2	238.6
Energy	100.0	105.0	115.1	112.2	63.2	77.8	61.5	103.3	99.4	91.0
Manuf. industry	100.0	113.5	122.1	134.5	184.2	249.7	317.6	439.9	550.5	601.6
Non-admin. serv.	100.0	112.2	135.3	149.3	148.9	173.9	188.5	223.9	256.0	270.6
Tourism	100.0	114.5	105.1	122.4	112.4	167.3	319.4	259.0	243.5	182.4
Overall exports	100.0	109.8	119.2	127.1	122.9	157.8	205.2	239.9	258.9	268.7

Source: Central Bank of Tunisia

Goods and Services exports (in %)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agriculture & API	6.0	5.0	7.0	6.4	8.0	8.2	7.1	6.6	7.6	11.2
Phosphate & Chemistry	11.6	12.3	11.5	11.9	13.9	11.8	12.6	12.8	9.9	10.3
Energy	30.3	29.0	29.3	26.8	15.6	14.9	9.1	13.1	11.6	10.3
Manuf. industries	17.9	18.5	18.4	19.0	26.9	28.4	27.8	32.9	38.2	40.2
Non-admin. serv.	14.9	15.2	16.9	17.5	18.0	16.4	13.7	13.9	14.7	15.0
Tourism	19.2	20.0	16.9	18.5	17.5	20.3	29.8	20.7	18.0	13.0
Overall exports	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Central Bank of Tunisia

ANNEX 2.4

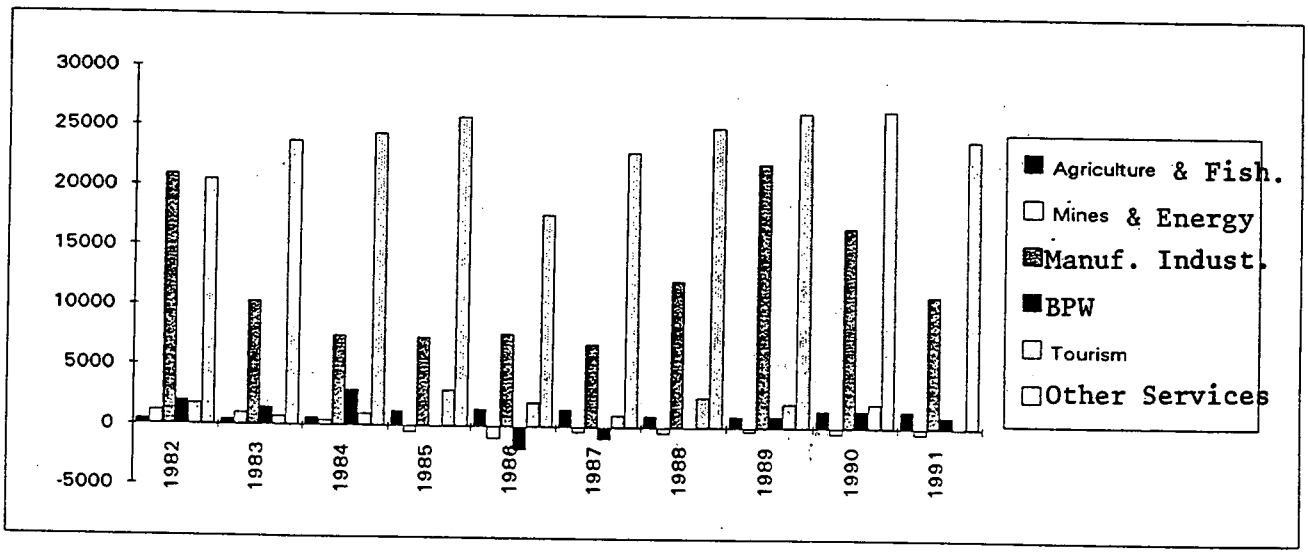
Job Creation (1982-1991)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agriculture & Fishery	500	500	700	1300	1500	1500	1000	1000	1500	1500
Mines and Energy	1170	1020	440	-550	-1050	-450	-500	-300	-500	-500
Manuf. Industries	20900	10300	7500	7400	7700	6900	12200	22100	16700	11000
BPW	2000	1500	3000		-2000	-1000		1000	1500	1000
Tourism	1750	750	1000	3000	2000	1000	2500	2000	2000	
Other Services	20500	23750	24400	25850	17700	22950	25000	26300	26500	24000
TOTAL	46820	37820	37040	37000	25850	30900	40200	52100	47700	37000

Source: Ministry of Planning

Job Creation (in %)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agriculture & Fishery	1.1	1.3	1.9	3.5	5.8	4.9	2.5	1.9	3.1	4.1
Mines and Energy	2.5	2.7	1.2	-1.5	-4.1	-1.5	-1.2	-0.6	-1.0	-1.4
Manuf. Industries	44.6	27.2	20.2	20.0	29.8	22.3	30.3	42.4	35.0	29.7
BPW	4.3	4.0	8.1	0.0	-7.7	-3.2	0.0	1.9	3.1	2.7
Tourism	3.7	2.0	2.7	8.1	7.7	3.2	6.2	3.8	4.2	0.0
Other Services	43.8	62.8	65.9	69.9	68.5	74.3	62.2	50.5	55.6	64.9
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0



Investmentsby Sector

ANNEX 2.5

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agricult .Fishery	204.7	261.7	265.5	316.1	332	260.5	279.6	347.1	393.1	471.2
Manuf. Industr.	289.5	362.4	364.3	274.1	253	273.8	265.7	370.1	435.9	453.9
Non-Manuf.Indus.	426.3	363.5	418.1	382.1	322.6	258.2	236	241.8	305.5	341
Tourism	44.9	74.3	95	105	78	65	84	109	121	125
Other Services	564.6	555.3	615.3	609.7	580.3	592.5	624.2	718.3	1036.5	1115.9
Utilities	105	132.8	161.8	163	144.1	170	190.5	213.7	258	293
Total	1635	1750	1920	1850	1710	1620	1680	2000	2550	2800

Source: Ministry of Planning

Investmentsby Sector

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agriculture & Fishery	12.5	15.0	13.8	17.1	19.4	16.1	16.6	17.4	15.4	16.8
Manuf. Industries	17.7	20.7	19.0	14.8	14.8	16.9	15.8	18.5	17.1	16.2
Non-Manuf.Indus.	26.1	20.8	21.8	20.7	18.9	15.9	14.0	12.1	12.0	12.2
Tourism	2.7	4.2	4.9	5.7	4.6	4.0	5.0	5.5	4.7	4.5
Other Services	34.5	31.7	32.0	33.0	33.9	36.6	37.2	35.9	40.6	39.9
Utilities	6.4	7.6	8.4	8.8	8.4	10.5	11.3	10.7	10.1	10.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Investments Trend Index (Base 100 in 1982)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Agriculture & Fishery	100.0	127.8	129.7	154.4	162.2	127.3	136.6	169.6	192.0	230.2
Manuf. Industr.	100.0	125.2	125.8	94.7	87.4	94.6	91.8	127.8	150.6	156.8
Non-Manuf. Indus.	100.0	85.3	98.1	89.6	75.7	60.6	55.4	56.7	71.7	80.0
Tourisme	100.0	165.5	211.6	233.9	173.7	144.8	187.1	242.8	269.5	278.4
Other Services	100.0	98.4	109.0	108.0	102.8	104.9	110.6	127.2	183.6	197.6
Utilities	100.0	126.5	154.1	155.2	137.2	161.9	181.4	203.5	245.7	279.0
Total	100.0	107.0	117.4	113.1	104.6	99.1	102.8	122.3	156.0	171.3

ANNEX 2.6

VALUE ADDED AT CONSTANT PRICES BY SECTOR (in MD)

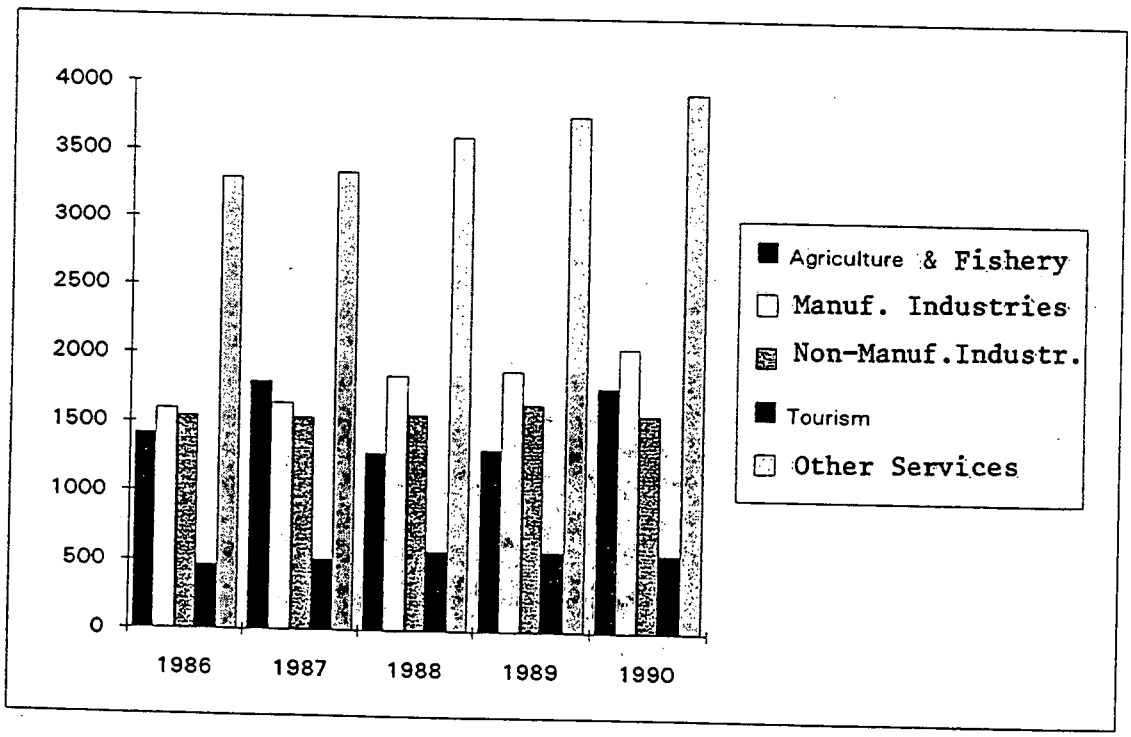
	1986	1987	1988	1989	1990
Agriculture & Fishery	1419.1	1798.4	1287.5	1318.8	1776.5
Manuf. Industries	1598.8	1643.2	1848.1	1888.2	2059.6
Non-Manuf. Industries	1545.2	1543.6	1564.1	1648.1	1581.1
Tourism	472.5	516.3	585.4	587.5	573.6
Other Services	3296.5	3340.7	3606.3	3766.5	3941.3
TOTAL	8332.1	8842.2	8891.3	9209.1	9932.1

source:I.N.S

Value Added Growth Rate by Sector (in %)

	1986	1987	1988	1989	1990
Agriculture and Fishery		26.7	-28.4	2.4	34.7
Manuf. Industries		2.8	12.5	2.2	9.1
Non-Manuf. Industries		-0.1	1.3	5.4	-4.1
Tourism		9.3	13.4	0.4	-2.4
Other Services		1.3	8.1	4.4	4.6
TOTAL		6.1	0.6	3.6	7.8

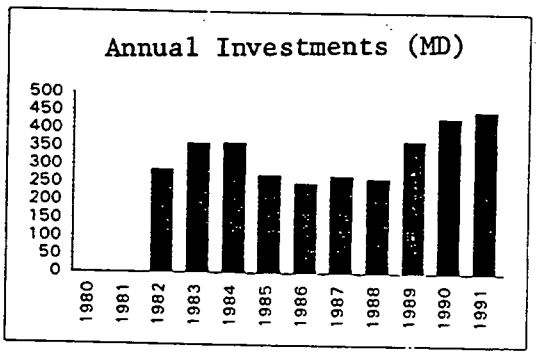
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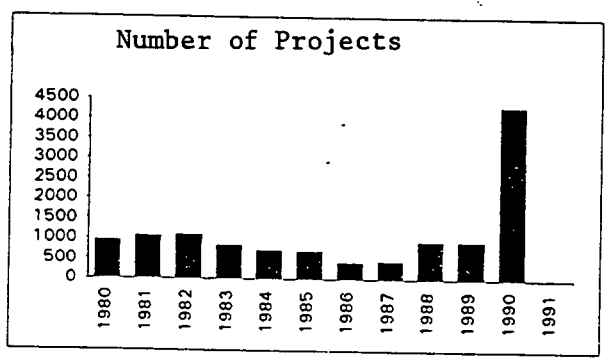


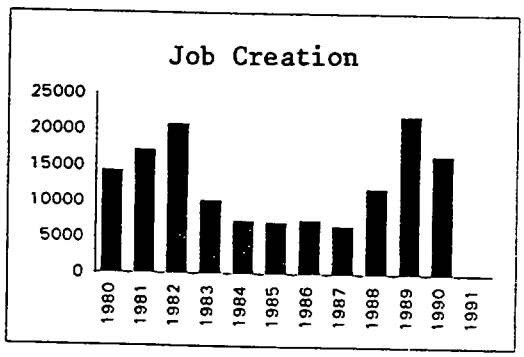
Principal Industrial Indicators (1980-1991)

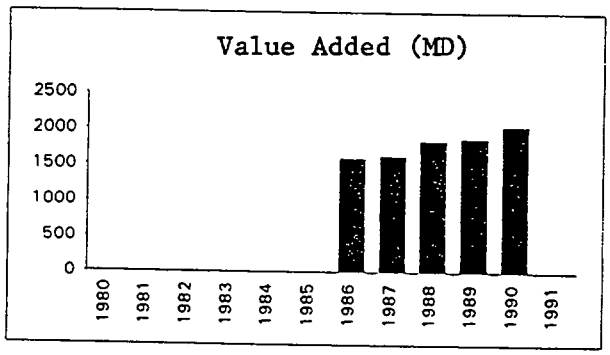
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Annual Investment Index			289.5	362.4	364.3	274.1	253	273.8	265.7	370.1	435.9	453.9
			100	125.2	125.8	94.7	87.4	94.6	91.8	127.8	150.6	156.8
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Number of Projects Index	967	1072	1111	860	725	716	447	466	961	967	4321	
	100	110.9	114.9	88.9	75	74	46.2	48.2	99.4	100	446.8	
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Job Creation Index	14383	17322	20926	10343	7537	7365	7665	6937	12156	22123	16655	
			100	49.4	36	35.2	36.6	33.2	58.1	105.7	79.6	
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Value Added (MD) Index							1598.8	1643.2	1848	1888.2	2059.6	
							100	135.3	152.2	155.5	169.6	
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Exports (MD) Index			318.3	361.2	388.8	428	586.3	794.9	1011	1400.3	1752.4	1914.8
			100	113.5	122.1	134.5	184.2	249.7	317.6	439.9	550.5	601.6
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Investment by Job Index			13.8	35	48.3	37.2	33	39.5	21.9	16.7	26.2	
			100	253.9	350.3	269.7	239.2	286	158.4	121.2	189.7	

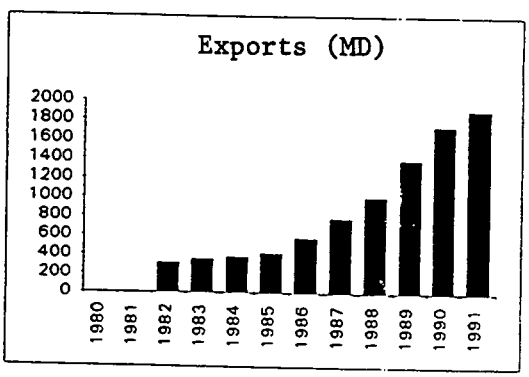
Sources: Ministry of Planning
Central Bank
I.N.S
A.P.I

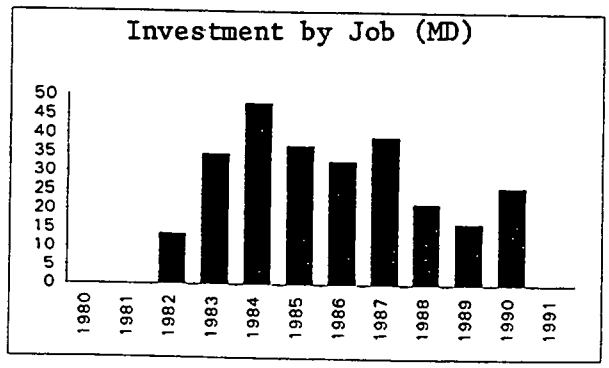












Investments (in MD)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
API	63.9	47.8	35.8	35.4	23.0	31.0	35.5	52.0	73.5	60.0
IME	39.6	66.0	71.6	69.6	69.0	45.4	60.9	71.2	73.7	76.3
IMCCV	76.9	96.4	85.2	67.7	63.0	73.8	40.0	53.7	65.5	73.6
ITC	27.3	35.8	35.8	23.6	21.0	52.5	63.1	132.0	145.0	155.0
ICHC	52.6	85.2	109.2	56.5	56.0	55.7	17.9	23.3	33.0	30.9
ID	29.2	31.2	26.7	21.3	21.0	15.4	28.3	37.9	45.2	55.1
TOTAL	289.5	362.4	364.3	274.1	253.0	273.8	265.7	370.1	435.9	450.9

Source: Ministry of Planning

Source: Ministry of Planning

Investments (in %)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
API	22.1	13.2	9.8	12.9	9.1	11.3	13.4	14.1	16.9	13.3
IME	13.7	18.2	19.7	25.4	27.3	16.6	30.4	19.2	16.9	16.9
IMCCV	26.6	26.6	23.4	24.7	24.9	27.0	15.1	14.5	15.0	16.3
ITC	9.4	9.9	9.8	8.6	8.3	19.2	23.7	35.7	33.3	34.4
ICHC	18.2	23.5	30.0	20.6	22.1	20.3	6.7	6.3	7.6	6.9
ID	10.1	8.6	7.3	7.8	8.3	5.6	10.7	10.2	10.4	12.2
TOTAL	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Planning

ANNEX 3.3

ANNUAL TREND OF PROJECTS IMPLEMENTED

YEAR	P R O J E C T S			INVESTMENTS			JOBS		
	APPROV.	IMPLEMENT.	RR %	APPROV.	IMPLEMENT.	RR %	APPROV.	IMPLEM.	RR %
1980	1569	967	61,63	373,8	301,7	80,69	34958	14383	41,14
1981	1880	1072	57,02	435,2	301,8	69,34	39531	17322	43,81
1982	2083	1111	53,33	553,1	414,5	74,94	39321	20926	53,21
1983	1840	860	46,73	647,2	256,3	39,60	29880	10343	34,61
1984	1665	725	43,54	365,1	107,2	29,37	23791	7537	31,68
1985	1508	716	47,48	308,0	144,3	46,86	22241	7365	33,11
1986	929	447	48,11	282,5	130,3	46,14	19425	7665	39,45
1987	923	466	50,48	224,9	753,4	33,49	17865	6937	38,83
1988	1942	961	49,48	418,5	177,3	42,36	36850	12156	32,98
1989	3416	967	28,30	777,1	230,6	29,68	70584	22123	31,34
1990	4321	1029	23,81	1054,4	175,6	16,65	99003	16655	16,82

Source : API

ANNEX 4.1

Principal Tourism Indicators

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Annual Investments	31.6	33.7	43	74.5	113.2	99	85	63	78.8	109.1	118.8	125
Index	100	106.6	136.1	235.8	358.2	313.3	269.0	199.4	249.4	345.3	375.9	395.6
Number of Establ.	13	17	28	0	8	48	14	9	22	11	32	24
Index	100	130.8	215.4	0.0	61.5	369.2	107.7	69.2	169.2	84.6	246.2	184.6
Boarding Capacity	2686	4318	4380	1935	2102	9011	5393	1788	4398	4917	6763	6654
Index	100	160.8	163.1	72.0	78.3	335.5	200.8	66.6	163.7	183.1	251.8	247.7
Job Creation	900	1500	1750	750	1000	3000	2000	1000	2500	2000	2000	
Index	100	166.7	194.4	83.3	111.1	333.3	222.2	111.1	277.8	222.2	222.2	
Arrivals	1602	2151	1355	1439	1580	2003	1502	1875	3468	3222	3204	3224
Index	100	134.3	84.6	89.8	98.6	125.0	93.8	117.0	216.5	201.1	200.0	201.2
Total Overnight S	12792	13228	12111	11357	11366	13798	13734	18557	20660	20126	20019	13793
Index	100	103.4	94.7	88.8	88.9	107.9	107.4	145.1	161.5	157.3	156.5	107.8
Proceeds	259.7	295.2	340.7	389.2	357.7	415	385.8	568.9	1086.1	880.7	827.8	630.3
Index	100	113.7	131.2	149.9	137.7	159.8	148.6	219.1	418.2	339.1	318.8	242.7
Value Added	139.7	162.3	192.1	222.6	206.2	235.3	219.3	313.6	595.2	484.5	457	363.6
Index	100	116.2	137.5	159.3	147.6	168.4	157.0	224.5	426.1	346.8	327.1	260.3

Source: O.N.T.T

Principal Tourism Ratios

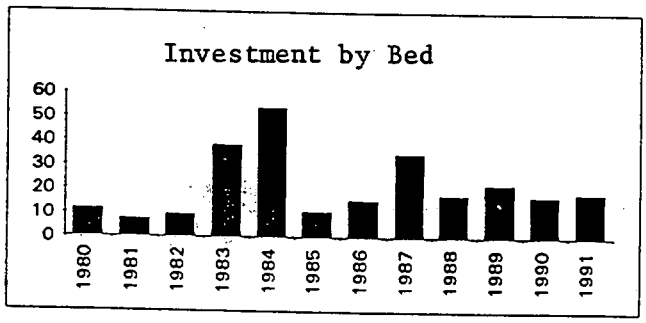
	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Investment by Bed	11.8	7.8	9.8	38.5	53.9	11.0	15.8	35.2	17.9	22.2	17.6	18.8
Index	100.0	66.1	83.2	326.3	456.4	93.1	133.6	298.6	151.8	188.0	148.9	159.2
Investment by Job	35.1	22.5	24.6	99.3	113.2	33.0	42.5	63.0	31.5	54.6	59.4	
Index	100	64.0	70.0	283.0	322.5	94.0	121.1	179.5	89.8	155.4	169.2	
Proceeds	21.5	23.6	30.5	37.7	34.9	32.8	30.7	32.5	55.4	46.3	43.9	50.7
Index	100	109.8	141.9	175.3	162.3	152.6	142.8	151.2	257.7	215.3	204.2	235.8
Occupancy Rate	60	59.4	51	46.4	45.2	50	46.2	58.8	62.3	57.6	54	37.6
Index	100	99.0	85.0	77.3	75.3	83.3	77.0	98.0	103.8	96.0	90.0	62.7
Average Dur.of Stay	7.6	6.4	8.2	7.2	6.5	6.3	8.4	9.3	5.7	5.9	5.9	3.9
Index	100	84.2	107.9	94.7	85.5	82.9	110.5	122.4	75.0	77.6	77.6	51.3

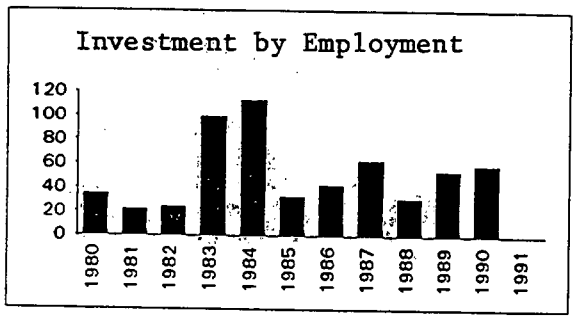
Source: O.N.T.T

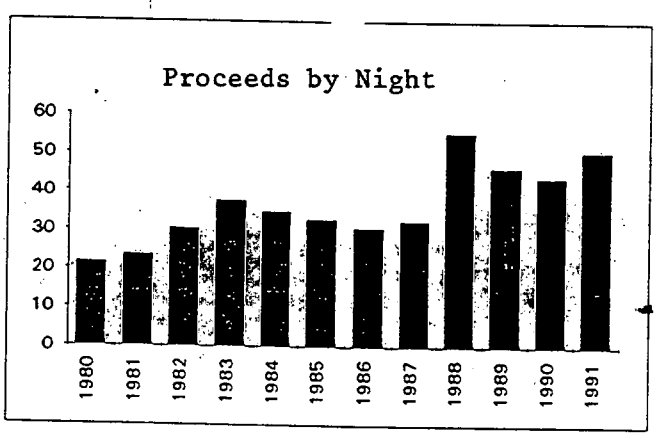
* Updated Figures

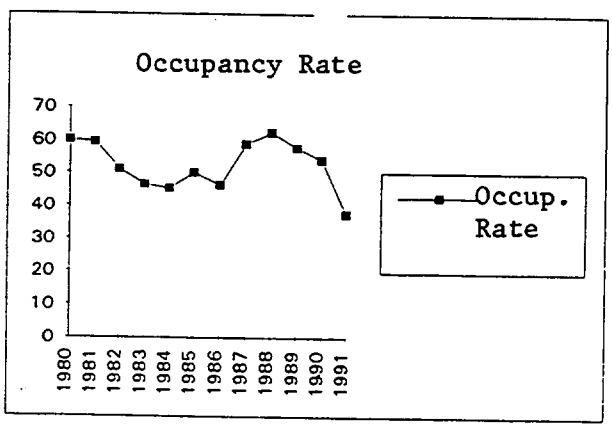
ANNEX 4-1

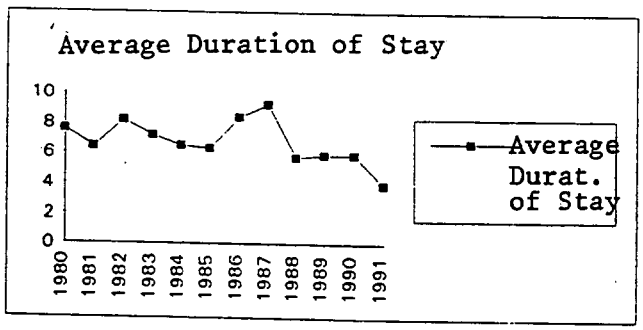
Major Tourism Ratios

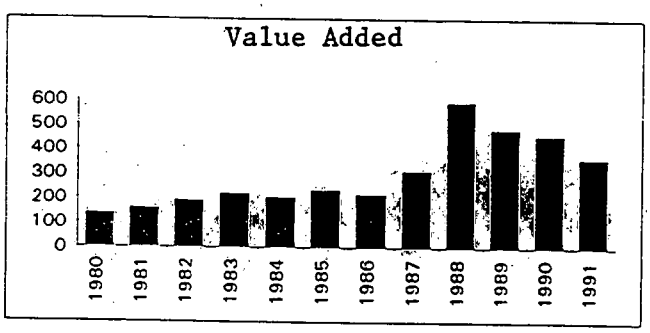












Arrivals of non-residents
by nationality (in thousand)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
FRENCH	370.0	344.1	371.2	401.0	411.6	484.3	479 4	460.7	458.1	210.9
GERMAN	279.1	230.2	212.4	277.7	300.5	436.1	474.0	454.5	479.4	393.4
ENGLISH	100.5	82.3	68.4	99.5	124.4	164.9	225.6	220.4	191 4	120.3
ITALIAN	64.8	64.3	68.4	83.3	58.7	100.2	133.4	157.2	189.5	152.5
SCANDINAVIAN	42.8	40.4	60.4	67.6	71.8	79.9	89.9	81.5	77.1	27.0
SWISS	45.6	38.2	35.4	39.4	34.0	43.8	43.8	43.5	48.2	27 5
BELGIAN	32.5	32.4	30.1	35.6	38.5	66.9	75.6	78.1	74.4	39 1
NORTH AFRICANS	250 3	433.5	568.2	818 4	908.1	265.1	1696.6	1439.9	1378 4	2058.7
OTHER	178.5	173.3	164.9	180.4	154.6	213.6	250.2	286.6	307.3	194 5
Total	1364.1	1436.7	1579.4	2002.9	1502.2	1874.8	3468.5	3222 4	3203.8	3223.9

Source. ONTT

Overnight Stays of Non-Residents
by Nationality (in thousand)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
FRENCH	3027 4	2942.2	3107.1	3574.2	3609.2	4368.2	4103.9	3963 8	3689 8	1604 1
GERMAN	3794.1	3092.6	2798.4	3688.5	3999.3	6039.8	6528.6	6158.3	6500.2	5122.6
ENGLISH	1147.0	919.9	736.4	1105.5	1383.5	2135.0	2593.9	2452.0	2149 4	1304.8
ITALIAN	423.3	466.6	522.6	660.8	423.2	806.5	1122.4	1306.2	1610.8	1302.4
SCANDINAVIAN	388.1	342.7	533.4	650.8	692.0	807.0	931.4	795.3	710.0	241.9
SWISS	485 8	420.0	414.9	441.6	376.1	487 4	489.1	468 5	502.8	273 7
BELGIAN	363.6	374.9	350.6	418.0	438.2	843.9	914.0	939.8	821.7	376.0
NORTH AFRICANS	345.8	618.0	525.9	634.5	317.6	238.5	879.2	711.0	629 8	805.9
OTHER	1185.1	1153.6	1262.4	1479.3	1310.5	1789.2	2039.1	2215.5	2217.6	1411 8
Total	11160.2	10330.5	10251.7	12653.2	12549.6	17515.5	19601.6	19010 4	18832 1	12443.2

Source: ONTT

Arrivals of Non-Residents

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
FRENCH	27.1	23 9	23.5	20.0	27.4	25.8	13.8	14.3	14.3	5 5
GERMAN	20.5	16.0	13.4	13.9	20.0	23.3	13.7	14.1	15.0	12.2
ENGLISH	7 4	5 7	4.3	5.0	8.3	9.5	6.5	6.8	6.0	3.7
ITALIAN	4.8	4 5	4.3	4.2	3.9	5.3	3.8	4.9	5.9	4 7
SCANDINAVIAN	3 1	2.8	3.8	3.4	4.8	4.3	2.6	2.5	2.4	0.8
SWISS	3.3	2.7	2.2	2.0	2.3	2.3	1.3	1.3	1.5	0.9
BELGIAN	2.4	2.3	1.9	1.8	2.6	3.6	2.2	2.4	2.3	1.2
N.AFRICANS	18.3	30.1	36.0	40.9	20.5	14.1	48.9	44.7	43.0	63.9
OTHER	13 1	12.0	10 4	9.0	10.3	11 4	7.2	8.9	9.6	6.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100 0

Source ONTT

Overnight Stays of Non-Residents

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
FRENCH	27.1	28 5	30.3	28.2	28.8	24.9	20.9	20.9	19.6	12 9
GERMAN	34 0	29.9	27.3	29.2	31.9	34.5	33.3	32 4	34 5	41 2
ENGLISH	10.3	8.9	7.2	8.7	11.0	12.2	13.2	12.9	11.4	10.5
ITALIAN	3.8	4.5	5.1	5.2	3.4	4.6	5.7	6.9	8.6	10.5
SCANDINAVIAN	3.5	3.3	5.2	5.1	5.5	4.6	4.8	4.2	3.8	1.9
SWISS	4.4	4.1	4.0	3.5	3.0	2.8	2.5	2.5	2.7	2.2
BELGIAN	3.3	3.6	3 4	3.3	3.5	4 8	4.7	4 9	4 4	3.0
NORTH AFRICANS	3.1	6.0	.5.1	5.0	2.5	1.4	4.5	3.7	3.3	6.5
OTHER	10.6	11.2	12.3	11.7	10.4	10.2	10.4	11.7	11.8	11.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: O.N.T.T

Source: ONTT

ORGANIZATION AND MANAGEMENT

	BNDT	STUSID	BTKD	BTEI	BTQI
Capital (DTU 100)	DT 30,000,000	DT 100,000	DT 100,000	DT 50,000	DT 70,000
Capital structure	- 34.53% state and public organizations - 16.92% private - 46.55% foreign	- 50% state and Tunisian public organizations - 50% State and Saudi public organization	- 50% state and Tunisian public organizations - and 50% state and Kuwait public organization	- 50% Tunisian Government and public organization - 50% Government and public and foreign organization	- 50% Tunisian Government - 50% Qatar Government
Activity	promote and implement tourist and para-tourist investments	- project promotion - financing of development projects	- identification - promotion : projects - participation in financing	promote economic activity in Tunisia and relations with other arab states	
Ceilings for co-financing the same project	15% of the Bank's net asset	10% of capital	10% equity	10% equity	10% of released capital
Ceilings for sectoral investment	Unlimited tourist project financing	there are no pre-determined ceilings, they are fixed by the Board of Directors	agriculture 20% industry 60% tourism 50%	industry 35% tourism 35% agriculture 15% services 15%	agriculture 5% industry 60% transport 5% hotels 30%
Types of guarantees required of promoters	- mortgage on land and construction - pledging - personal guarantees - insurance	- mortgage on the land and buildings - pledge on movables - personal and joint guarantee - mortgage guarantee	- mortgage pledge - joint and several guarantee - mortgage pledge - joint and several guarantee	project mortgage - pledge - insurance - joint and several guarantees - mortgage on other immovables if necessary	1. mortgage 2. pledge 3. personnel guarantee 4. joint and several guarantee 5. insurance
Freedom to decide - investment - recruitment - recruitment - salary scale and benefits - interest rate	- board of directors or EC - CMD - collective agreement - board of directors	- board of directors EC - CMD - collective agreement - board of directors	- board of directors or EC - general directorate - collective agreement APB	autonomous autonomous autonomous BCT	- Board of directors - General directorate - Collective agreement APB
Importance and sectoral priority	1. hotelry 2. tourist service 3. para-tourist service	1. Agriculture 2. Industry 3. Tourism 4. Others	1. tourism, industry, agriculture 3. mining, survey, transport	1. industry and tourism 2. agro-industry and transport	1. industry 2. hotel 3. agriculture 4. agro-industry 5. transport

Composition of Board of Directors	Tunisian Government 3 State enterprises 1 Private Tunisian 2 Foreign shareholders	50% Tunisian Government 50% Saudi shareholders	5 representatives of the Government and Tunisian public, 5 representative of Kuwait: Government and Public Organization	5 representatives of the Tunisian Government 1 BCT representative and 6 foreign shareholders	4 Tunisian Government 4 Qatar Government
Power of the Board of Directors - Appointment of Managing Director - Recruitment and dismissal of DG - Rejection of financing requests submitted by authorities - Term of Board members - Board members meeting	YES YES YES	YES YES YES 3 YEARS 4 to 5 times/year	YES YES YES 5 YEARS 4 times/year	No (Government) YES YES 4 times/year	No (Government) NO YES 5 YEARS 4 times/year
Power of DG - Loan approval - Recruitment, sanction, dismissal - Scope of power	NO YES under the articles and powers granted by the Board of directors	NO YES Sufficiently wide	NO YES Sufficiently wide	NO YES Sufficiently wide	NO YES Sufficiently wide

OPERATIONAL PROCEDURES

	BNDT	STUSID	BTKD	BTEI	BTQI
Compiling of loan request file	- CV and reference of the promoter-individual - Status, SR of GA, CV of Director, Statements, bank references, for firm - Technical and financial information on project - Financing schedule	- Financing request - Feasibility study - Other documents after approval	- Financing request - Technical study - Market study - Investment and financing plan - Financial study - Information on the promoter	- Financing request - Promoters CV - Financial situation firm - Last 3 statements - Article of the company - Capital structure - Banking commitments - Project description	- Request for financing - Feasibility study - Bills and invoices - Layout of factory - Financial statements - In case of extension - Agreement in principle of public institutions
Project selection procedure	- Consideration of financing request - Distribution of a relevance brief - presentation of brief to CMD who determines the relevance of a more thorough study	- preparation of a project brief - analysis of brief by appraisal committee - preparation of a document for the Board on projects selected	- Examination of document by appraisal report - Discussion on the project presentation by General Management - More complete appraisal decision for projects concerning the bank	- Examination of loan request document - Preparation of an appraisal report comprising: - Project description - costs - Financial projections - Conclusions	The procedure manual is being finalized
Number and profile of officials responsible for examining and analyzing requests	- 1 engineer - 7 economists and analyst - 1 secretary	- 15 engineers - 6 economists and financial analysts	- 3 engineers - 3 economists - 2 financial analysts	- 2 engineers - 4 economists - 3 financial analysts	- 5 engineers - 4 economists
Criteria for project selection	- the borrower - the promoter's profile - the project site - the investment programme - the investment cost - financing scheme - the market - means of marketing management - financial and economic rate of return	- capital structure - technical viability - financial viability - economic viability - ability of authorities	- capital structure - value and liquidity of assets - technical viability - financial viability - economic viability - power of authorities - capacity of the project and:or promoter to cover the loan with real guarantees - investments - 500,000 Tunisian dinars	- capital structure - asset value and liquidity - technical, financial and economic reliability - impact on the country's foreign exchange balance - competence of authorities	- capital structure - asset value - technical financial and economic reliability - power of authorities - transfer of techniques - tax alloc. - job creation
Number and profile of project appraises	- 1 engineer - 7 economists and financial analysts	- 18 engineers - 3 economists	- 3 engineers - 3 economists - 2 analysts	- 2 engineers - 4 economists - 2 financial analysts	- 4 engineers - 5 economists

Project appraisal procedures	- designation of a project manager in the Studies Department - meeting of the project committee - finalization or resumption of study - presentation of document to board	- analysis of all aspects of projects: technical, economic, financial		see selection procedure	procedure manual being finalized
Means and tools put at the disposal of the appraisers to determine economical financial return	- calculation of the economic and financial rate of return - reference taking method - break even - value added - job created	- economic and financial IRR - reference taking method for certain projects - jobs - value added - divided statement	IRR calculation software	- economic and financial rate of return estimate - cash flow estimate	- financial IRR estimate - reference taking method or effect method - provisional treasury - debt service - pay back period
Appraisal report control structure	1. project committee 2. project manager 3. chief of study division 4. director of project	Appraisal committee	Head of appraisal department	- internal audit by the Project Evaluation Directorate - control by the Management Committee	- the project committee does not control, it examines
Credit proposal approval authority	the Board of Directors and the Executive Committee	- Board of Directors - Credit Committee (PME)	1. Management committee 2. Board of Directors	- Board of Directors - API	- Studies and General Directorate
Approval proportion of credit proposal Interest rate differed depending on: - the project activity sector - size of project - duration of credit Interest rate - tourism - industry	60% including revolving fund NO N0 NO	15 to 20 including RF YES N0 NO 15% 13 to 15.5%	60% excluding revolving fund YES NO YES 10 years (14%)-10 years (15%) 10 years (13%)-10 years (13.5%)	60% including revolving fund YES YES 15% 13% and 13.5%	60% including PF YES NO NO 15% 13.5%

Commission and charges					
- study and management	1%	1% flat	1% of the flat loan amount	1% flat	1% flat
- commitment	1%	1% balance of unused	1% balance of unused	1% of the unused balance	1% flat
- exchange subst.		1% flat	1% of the flat amount	1% flat to BCT	1% flat
Guarantees:					
- mortgage	YES	YES	YES	YES	YES
- pledge	YES	YES	YES	YES	YES
- solidarity guarantee	YES	YES	YES	YES	YES
- life insurance	YES	YES	NO	YES	NO
- lien on goodwill and walls	YES	YES	NO	YES	YES
real guarantee independent of enterprise	YES	YES	YES (as the case may be) Rarely	YES	
- transit of customers account by the bank	YES	NO	YES	YES	YES
- insurance of equipment for the bank	NO				

	BNDT	STUSID	BTKD	BTEI	BTQI
Exchange risk is borne by: - the BCT - the bank - the sub-project	 YES NO NO	 YES NO NO	 YES NO NO	 YES NO NO	 YES NO NO
Duration of repayment of bank foreign exchange borrowings	12.8 years	14 years	14 years	14 years	14 years
Repayment deadline of bank loans	- study of release request and visit of site by investment directorate - release preparation	- preparation of a project brief - analysis of brief by appraisal committee - preparation of a document for the Board on projects selected	- Examination of document by appraisal report - Discussion on the project presentation by General Management - More complete appraisal decision for projects concerning the bank	- Examination of loan request document - Preparation of an appraisal report comprising: - Project description - costs - Financial projections - Conclusions	The procedure manual is being finalized
Releases take the form of: - repayment - revolving fund/advance - direct payment to suppliers - letter of credit	 NO NO YES YES	 NO NO YES YES	 YES NO YES (in most cases) YES	 YES NO YES YES	 YES YES YES YES
Releases are made: - after complete use of equity - after partial use (50% of equity) - in parallel and proportionate to the use of equity	YES	YES YES	 in some cases in most cases	 YES for the tourist sector YES for the other sectors	 if the bank is not a shareholder if the bank is shareholder
On-going projects are supervised periodically - at each release request - depending on the credit utilization rate	Quarterly YES	YES	Quarterly 50%-75%-90%	from 1 to 3 months YES	YES

Operational projects are monitored: - monthly - quarterly - half yearly	YES	4 times per annum and representation on the Board of affiliate companies	if the bank is shareholder if the project is in difficulty if the project is not in difficulty	if the project is in difficulty in all other cases	YES
Denomination of the unit responsible for project supervision	- investment division - portfolio management	follow-up department	monitoring and restructuring department	monitoring and shares directorate	monitoring division/studies directorate
Number and profile of officials responsible for project supervision	16 officials between economists and financial analysts	4	- 2 economists - 2 engineers	7 officials	2 officials and 1 secretary
Frequency of project inspection	4 times a year	once a year	- 3 to 4 times a year - once a year (other projects)	once or twice a year	twice a year
The Bank participation: - the search for new investment opportunities - research financing - training and sensitization	YES YES	YES NO YES	YES NO NO	YES YES YES	YES NO YES

C:tuni-tab

FINANCIAL RESULTS

	BNDT										BTUSID					BTKD					BTEI					BTQI				
	82	83	84	85	86	87	88	89	90	91	87	88	89	90	91	87	88	89	90	91	87	88	89	90	91	87	88	89	90	91
TREND OF RESOURCES																														
Equity capital (%)		21	6,6	27	4	6,5	6,4		21	7,6		7,4	3,7	5,3	3,6		3	4,7	1,6	3,2		3	1,5	2,6	3		0,9	3,6	3,6	1,3
- Loans		34	44	22	6	1,4	-1,9	12,6	22,4	26		166	55	50	56		16,9	7,4	10	-5		169	70	17	6		3,6	-40	-9	-32
Permanent resources(%)		30	35	23	7	2,7	0,2	1	22,2	22,2		10,6	6,1	6,2	6,7		6,9	5,4	3,9	0,7		10	6	5	4		1,6	-0,2	1,4	-0,4
ACTIVITY TREND																														
- Approval (%)		-37	19	-26	-50	-3	361	62	14	6		107	-2	101	55		11	72	-47	-100		52	19	-52	36		94	56	41	-34
- Commitments (%)		-45	-6	-36	-27		66	55	166	-30		16,7	75	-6,1	67,5		20	26	32	-29		290	1	-36	52		401	67	17	-9
- Disbursements (%)		50	6,5	-32	-26	-9	12	25	126	6		25,4	9,2	16	64		-7	16	26	-24		143	-1,6	-47	16		49	36	3,9	54
CAPITAL STRUCTURE																														
- Financial base		0,9	1,05	1,2	1,3	1,07	1,05	1,06	1,2	1,15	0,9	0,9	0,66	0,65	0,65	0,9	0,9	0,96	0,8	0,9	34	17	5,7	9,4	6,3	1,7	1,6	1,4	1,1	1,4
-	20	25	31	14	10	7,2	7,2	4,6	2,7	3,03	24	27	29	29	35	109	113	44	20	13	32,5	34,6	37,4	37,2	37,6	59	35	27	24	25
- Leverage rate (%)	289	319	430	414	430	402	358	401	406	466	2,1	5,1	7,5	12,2	16	32	37	36	42	39	4,6	11	19	21,6	22,6	36	37	22	19	2,7
- RV/total asset		21	6,6	0,9	-6,4	6	10	19	16	20	22,5	19,7	23,6	16,7	6,5	6,6	9,4	14	13	24		27	29	24	22,6	22,4	19,6	13	20	-5
- BFR/A total (%)		19	6,5	0,6	-6,6	6,6	6,3	7	1,6	5,7	24,1	20,1	26,4	17,6	9	5	5,4	2,6	7,4	4		2,6	12,6	6,6	12,3	21,6	16,2	11,6	20	-3,6
RESULTS																														
Financial rate of return (%)	2,7	3	9	6	1,9	2	7,7	17	9,6	10,6	7	5,2	5,4	3,6	3,3	6,5	4,7	1,5	3,3	0,6	6,3	6,1	4,5	4,5	6,3	2	6,6	7,2	2,7	
Repayment capacity	1,3	1,3	2,2	1,6	1,9	2	2,3	1,7	1,3	1,6	4,2	1,7	1,2	0,75	0,45	0,27	0,21	0,16	0,2	0,17	2	0,72	0,55	0,5	0,45	0,26	0,21	0,42	0,45	-13
Gross oper. margin rate																														
Portion of financial exp. in turnover (%)	14,7	19,5	24	19	20	20	32	60	45	30	92	95	97	90	76	74	69	64	61	53		87	83	72	71	123	93	79	20	-400
Portion of personnel costs (%)																														
Portion of overhead and	64	71	67	72	73	60	76	70	69	77	2,9	4,7	7,6	6,1	16,4	19	25	33	31	43		0,2	1,3	1,6	1,9	3,9	6,3	3,9	3,4	401
admin. cost in turnover																														
Portion of reserves in turnover (%)	10	9,4	7,1	6,6	6,5	6,9	7	6,4	5,6	5	6,5	6,7	6,7	6,9	7,2	4	4,3	4,9	5,2	6,3		0,9	0,9	0,9	1	11,6	12,6	10,5	12,4	11,2
Average cost of loans (%)																														
Portfolio productivity (%)	6	5,3	4	2,6	2,4	2,3	5,6	4,9	5,3	4,9	5	4,2	3,6	4,2	4,1	4,2	3,9	3,6	3,3	2,6		6,2	5,6	5,3	4,2	10,5	10	9	9	7
Rate of provision (%)	3	2,5		3	15	14	6,3	19	20	7,4	14	33	37	54	36	26	27	43	36	46		19	65	47	35	66,5	19,4	24	70	90
Rate of commitment (%)	6	6,4	6,1	6,7	7	7,6	7,9	7,7	8,1	9	13,1	8,4	9,2	6,1	9,1	7,5	8,1	9,9	10,6	14		0,2	0,7	0,9	1,06	0,6	0,9	1,4	1,6	16
Rate of disbursement (%)	8,6	7,6	6,4	9,1	9,4	9,1	10,6	14,7	14,3	13,3	12,2	11,5	11,7	10,1	8,2	25,2	21,7	22,2	23,9	22,7	16,4	13	14,2	14,6	13,9	23	16,2	15,9	13,7	13,6
Rate of collection (%)	2	1,5	1,2	1,4	2,9	3,6					3,7	6,6	10	13	14	6,1	8,6	11,6	14,2	16,5		3,6	9,6	13,2	16,2	16,4	11,9	11	16,7	20,7
Rate of unpaid loans(%)	90	102	133	153	104	100	277	269	124	191	126	224	125	269	223	147	136	185	73		461	180	212	160	143	490	190	178	216	167
	47	127	148	156	153	140	94	75	64	96	127	136	85	107	105	127	97	89	85	90	159	100	97	81	61	320	95	79	70	120
	6,4	6,2	6	7,1	14	17	17	20	12	15	12,3	15,6	26,6	20	19	11	18	25	30	47	2,8	6,5	11,6	12,4	17,6	35,6	22,7	21,7	20	30

IMPACT OF THE LINES OF CREDIT

ANNEX 5.1.4 (a)

	BNDT	STUSID	BTKD	BTEI	BTQI
1. Impact on the bank					
a) Resource mobilisation					
- Resources growth (an. average)	YES	YES		YES	YES
- Percentage of LOC in loans					
- Percentage of LOC in Foreign Exchange loans (31/12/91)	43 %	65 %		72 %	100 %
b) Operational policy					
- Project selection and appraisal					
- Conditions and terms for granting loans					
- Interest and commissions					
- Guarantee policy					
- Exchange risk					
- Disbursement procedure					
- Project supervision and follow- up					
c) Financial Performance					
- Strengthening of financial base (an. av.)		YES		YES	YES
- Growth of fin. rate of return (annual av.)		YES		YES	YES
2. Impact on the economy					
- Investments					
- Job creation					
- Value added	YES	YES		9.470 MD	YES
- Exports	YES	YES	1646	1.561	YES
	YES	YES		YES	YES
3. Impact on women	YES	YES		YES	YES
- Number of women employed by the bank					
- Number of women promoters of sub-projects	37	31		26	30
- Number of female jobs created by sub-projects	2				
4. Impact on the promotion of private initiative					
- Number of private projects financed on the LOC including					
. creations	127	11		12	24
. extensions	23	1		4	10
. renovations					
- Part of self-financing in private project	223 MD	30 MD		27,75 MD	79 MD
- Counter value in UTD of foreign exchange projects (foreign contrib.+ loans/LOC in FE)		0,045 MD			
5. Impact on the environment					
- Unfavourable effect					
- No effect.	YES	YES			

ANNEX 5.1.4 (b)

ECONOMIC IMPACT OF MANUFACTURING SUB-PROJECTS

SUB-PROJECTS	LOCAL RAW MAT UPGRAD.	IMPORT SUBSTI-TUTION	EXPORT DEVELOP-MENT	ECONOMIC DIVERSI-FICATION	NEW TECHNO-LOGY
BTKD					
MAGRIPLAST		X			
CERAMIQUES	X				X
REUNIES		X		X	X
SIPMAT					
STUSID					
SERUM UNIMED		X		X	X
STEM	X				
STUFEL		X	X	X	
F. H. A	X	X	X	X	X
STEM EMBAL			X		
BTEI					
FTE		X		X	X
SIMED		X		X	X
BACOFIL	X	X		X	X
BTQI					
ETS. SLAMA		X	X	X	
F. H. A.					
SOFAS		X	X	X	X
SIA		X		X	X
SOTUPA		X	X	X	
CERAMIQUE ESSID	X				X
STEEL ENOX		X			

NATIONAL BANK FOR THE DEVELOPMENT OF TOURISM

LINE OF CREDIT N° B/BNDT/TUN/LIC-TOU/84/024

LIST OF SUB-PROJECTS

(in TD 000)

N°	PROJECT	ACTIVITY	SITE	CAPACITY	COMMISIONED	INVESTMENTS PROV.	INVESTMENTS FINAL	APPROVALS BNDT	APPROVALS ADB	COMMITMENTS BNDT	COMMITMENTS ADB	DISBURSEMENTS BNDT	DISBURSEMENTS ADB	COMMENTS
1	SFAX CENTER	TOURISM	SFAX	266	Jui-1987	6 000	7 500	950	950	950	950	950	950	
2	PROMOTEL	TOURISM	TOZEUR	120	Jui-1987	1 600	1 942	288	288	288	288	288	288	On force account
3	PENELOPE	TOURISM	JERBA	404	Jui-1985	3 800	3 800	375	375	375	375	375	375	"
4	DAR DHIAFA	TOURISM	MONASTIR	500	Aoû-1986	5 500	5 500	738	738	738	738	738	738	
5	DIPLOMATE	TOURISM	TUNIS	360	Jui-1986	6 000	8 000	750	750	750	750	750	750	"
6	LAYALI EL ONS	TOURISM	NABEUL	56	Jui-1986	150	150	60	60	60	60	60	60	"
7	EL KANDIL	TOURISM	SOUSSE	RESTAURANT	Sep-1986	75	75	30	30	30	30	30	30	"
8	OMARIT	TOURISM	ZARZIS	FINAN COMPL	Sep-1981	200	200	80	80	80	80	80	80	
9	PHENICIA	TOURISM	HAMMAMET	EXTENSION	Jui-1985	400	400	160	160	160	160	160	160	
10	RYM	TOURISM	MONASTIR	RENOVATION	Jui-1986	660	660	400	260	400	260	400	260	Loan settled
11	EL MOURADI	TOURISM	SOUSSE	774	Avr-1985	5 600	5 600	2 160	569	2 160	569	2 160	569	
12	KARIM	TOURISM	TUNIS-NORD	330	Déc-1988	3 000	3 000	1 125	375	1 125	375	1 125	375	
13	ROYAL	TOURISM	TUNIS	108	Aoû-1986	1 150	1 150	690	150	690	150	690	150	
14	MAHDIA NORD	TOURISM	MAHDIA	686	Jui-1986	5 000	5 800	1 305	1 055	1 305	1 055	1 305	1 055	On force account
15	S . N . V . V	TOURISM	TUNIS-NORD	FINAN COMPL	Jui-1986	6 000	6 000	513	373	513	373	513	373	"
16	HARI CLUB	TOURISM	JERBA	440	Aoû-1986	3 200	3 200	1 200	500	1 200	500	1 200	500	
17	RESIDENCE IMENE	TOURISM	NABEUL	160	Jui-1987	1 600	1 600	960	633	960	633	960	633	"
18	TENNIS PLAGE	TOURISM	SOUSSE-NORD	250	Sep-1986	3 100	3 100	200	127	200	127	200	127	"
19	HAMMAMET BEACH	TOURISM	HAMMAMET	144	Mar-1985	900	900	540	100	540	100	540	100	"
20	TERGUI	TOURISM	SOUSSE-NORD	404	Avr-1986	2 800	3 255	600	40	600	40	600	40	
21	SOLEIL D'HAMMAMET	TOURISM	HAMMAMET	FINAN.COMPL	Jui-1986	4 000	4 000	420	170	420	170	420	170	unpaid
22	LES MIMOSAS	TOURISM	NABEUL	230	Jui-1985	1 850	1 850	270	180	270	180	270	180	
23	LE PRESIDENT	TOURISM	HAMMAMET	FINAN COMPL.	Jui-1985	5 000	5 250	600	270	600	270	600	270	
24	LA HUCHETTE	TOURISM	TUNIS	RESTAURANT	Jui-1986	80	80	48	28	48	28	48	28	
25	LA VOITURE DES VACANCES	TOURISM	TUNIS	LOCATION	Jui-1986	120	120	65	35	65	35	65	35	
26	KHROUMIRIE	TOURISM	AIN DRAHAM	136	Jan-1988	1 300	1 300	490	490	490	490	490	490	
27	HOUDA	TOURISM	MONASTIR	358	Aoû-1986	3 400	4 280	1 260	1 260	1 260	1 260	1 260	1 260	Loan settled
28	APPARTHOTEL SAID	TOURISM	SOUSSE	84	Oct-1986	900	900	138	138	138	138	138	138	
29	HARI - CLUB	TOURISM	JERBA	FINAN.COMPL.	Aoû-1986	800	800	480	480	480	480	480	480	
30	T T I	TOURISM	TUNIS	216	Sep-1988	2 100	2 100	360	360	360	360	360	360	
31	KARIM	TOURISM	TUNIS-NORD	230	Sep-1987	4 560	4 560	585	585	585	585	585	585	On force account
32	ROYAL	TOURISM	TUNIS	FINAN COMPL.	Aoû-1986	250	250	150	150	150	150	150	150	
33	MENCHIA CLUB	TOURISM	SOUSSE	C D'ANIMAT	Jui-1986	240	240	120	96	120	96	120	96	
34	SYPHAX	TOURISM	SFAX	RENOVATION	Mar-1981	300	300	150	120	150	120	150	120	"
35	AQUA - VIVA	TOURISM	TUNIS-NORD	C D'ANIMAT	Jui-1987	930	1 090	358	358	358	358	358	358	

N°	PROJECT	ACTIVITY	SITE	CAPACITY	COMMISI-ONED	INVESTMENTS PROV.	INVESTMENTS FINAL	APPROVALS BNDT	APPROVALS ADB	COMMITMENTS BNDT	COMMITMENTS ADB	DISBUR-S BNDT	DISBUR-S ADB	COMMENTS
36	TENNIS MEDITERRANEE	TOURISM	SOUSSE-NORD	300	Jui-1986	5 000	5 000	392	392	392	392	392	392	
37	TENNIS DE VOYAGE	TOURISM	TUNIS	LOCATION	Nov-1985	84	84	50	34	50	34	50	34	
38	SINOBAD BAZAR	TOURISM	SOUSE-NORD	C. D'ANIMAT.	Aoû-1986	235	235	140	94	140	94	140	94	Loan settled
39	PENELOPE	TOURISM	JERBA	FINAN.COMPL.	Jui-1985	250	250	105	105	105	105	105	105	
40	LES MIMOSAS	TOURISM	NABEUL	FINAN.COMPL.	Jui-1985	1 850	2 300	100	100	100	100	100	100	On force account
41	SOHOTOMI	TOURISM	SOUSSE	ACHAT BUS	Oct-1985	495	495	300	198	300	198	300	198	"
42	NOZHA - BEACH	TOURISM	HAMMAMET	200	Jui-1983	1 300	1 300	390	390	390	390	390	390	"
43	ZAYANI	TOURISM	SOUSSE	36	Mar-1987	300	305	150	120	150	120	150	120	"
44	CARTHAGO	TOURISM	TUNIS	LOCATION	Nov-1986	136	136	77	54	77	54	77	54	
45	LE SULTAN	TOURISM	HAMMAMET	REAMENAG.	Avr-1982	400	400	150	150	150	150	150	150	
46	GOLF MONASTIR	TOURISM	MONASTIR	GOLF	Nov-1988	2 500	2 500	750	750	750	750	750	750	Loan settled
47	LES ORANGERS	TOURISM	HAMMAMET	206	Mai-1987	3 500	3 500	630	630	630	630	630	630	
48	MOHDI	TOURISM	MAHDIA	80	Aoû-1988	610	610	300	244	300	244	300	244	
49	LE PRINCE	TOURISM	NABEUL	EXTENSION	Jui-1986	5 250	5 750	270	270	270	270	270	270	On force account
50	BAKINI	TOURISM	SILIANA	32	Jui-1990	265	360	70	70	70	70	70	70	
51	MOUKA	TOURISM	TUNIS-NORD	412	Jui-1987	5 350	5 350	300	300	300	300	300	300	"
52	TOUAREG	TOURISM	TUNIS	LOCATION	Jui-1986	479	479	287	191	287	191	287	191	
53	SAMARA	TOURISM	SOUSSE	614	Déc-1988	550	550	300	220	300	220	300	220	"
54	L'UNIVERS	TOURISM	SOUSSE	C. D'ANIMAT.	Mar-1988	550	550	300	220	300	220	300	220	
55	PROMOTEL	TOURISM	TOZEUR	FINAN.COMPL.	Jui-1987	1 942	1 942	58	58	58	58	58	58	"
56	EL MENCHIA	TOURISM	SOUSSE-NORD	FINAN.COMPL.	Oct-1986	70	70	40	40	40	40	40	40	
57	APPARTHOTEL AMEL	TOURISM	SOUSSE	240	Mai-1988	2 600	2 600	1 560	1 040	1 560	1 040	1 560	1 040	unpaid
58	PROMOGOLF HAMMAMET	TOURISM	HAMMAMET	GOLF	Jan-1990	3 600	3 600	1 080	1 080	1 080	1 080	1 080	1 080	
59	KHROUMIRIE	TOURISM	AIN DRAHAM	FINAN.COMPL.	Jan-1988	700	700	260	260	260	260	260	260	
60	T T I	TOURISM	TUNIS	FINAN.COMPL.	Sep-1988	800	800	280	280	280	280	280	280	
61	GOLF MONASTIR	TOURISM	MONASTIR	FINAN.COMPL.	Nov-1988	671	671	150	150	150	150	150	150	
62	RESIDENCE IMENE	TOURISM	NABEUL	FINAN.COMPL.	Jui-1987	750	750	300	300	300	300	300	300	
63	SOPRAT	TOURISM	HAMMAMET	C. D'ANIMAT.	Déc-1987	588	588	235	235	235	235	235	235	Loan settled
64	BOUZGARROU	TOURISM	MONASTIR	LOCATION	Déc-1987	174	174	78	69	78	69	78	69	
65	DOUZ HOTEL	TOURISM	TOZEUR	230	Oct-1988	3 500	3 500	300	300	300	300	300	300	
66	EL MOURADI	TOURISM	SOUSSE-NORD	156	Avr-1985	1 261	1 261	256	256	256	256	256	256	On force account
67	N S K	TOURISM	SOUSSE	200	Jui-1983	1 120	1 120	172	172	172	172	172	172	
68	KHROUMIRIE	TOURISM	AIN DRAHAM	FINAN COMPL	Jui-1988	450	450	170	170	170	170	170	170	
69	MOUKA	TOURISM	TUNIS-NORD	FINAN.COMPL	Jui-1987	1 650	1 650	155	155	155	155	155	155	"
70	HAMMAMET CLUB	TOURISM	HAMMAMET	450	Jui-1989	7 000	7 000	2 150	2 150	2 150	2 150	2 150	2 150	
71	DAR DHIAFA	TOURISM	MONASTIR	FINAN.COMPL.	Jui-1985	1 450	1 450	240	240	240	240	240	240	
72	CAP CARTHAGE	TOURISM	TUNIS-NORD	FINAN.COMPL	Avr-1985	1 248	1 248	200	200	200	200	200	200	"
73	LE RIBAT	TOURISM	MONASTIR	750	Déc-1987	13 000	17 750	1 300	1 300	1 300	1 300	1 300	1 300	
74	CIAT	TOURISM	HAMMAMET	416	Déc-1987	11 000	11 000	915	915	915	915	915	915	
75	EL HAMMAM	TOURISM	SOUSSE-NORD	475	Avr-1987	11 000	16 150	900	900	900	900	900	900	Being arranged
76	MANAROUI	TOURISM	SOUSSE	80	Déc-1988	500	500	200	155	200	155	200	155	

N°	PROJECT	ACTIVITY	SITE	CAPACITY	COMMISI-ONED	INVESTMENTS PROV.	INVESTMENTS FINAL	APPROVALS BNDT	APPROVALS ADB	COMMITMENTS BNDT	COMMITMENTS ADB	DISBUR. BNDT	DISBUR. ADB	COMMENTS
77	TOURING CLUB	TOURISM	TUNIS-NORD		Aoû-1989	305	305	125	122	125	122	125	122	On force account
78	MARHABA INTER.	TOURISM	SOUSSE	660	Déc-1988	13 500	13 500	2 150	2 150	2 150	2 150	2 150	2 150	"
79	EL HAMMAM	TOURISM	SOUSSE	FINAN.COMPL.	Avr-1987	3 500	3 500	1 050	1 050	1 050	1 050	1 050	1 050	
80	KHROUMIRIE	TOURISM	AIN DRAHAM	FINAN.COMPL.	Jan-1988	580	580	135	131	135	131	135	131	"
81	GOLF MONASTIR	TOURISM	MONASTIR	FINAN.COMPL.	Nov-1988	1 000	1 000	400	388	400	388	400	388	"
82	KITAM	TOURISM	KEBILI	64	Mai-1991	1 000	1 000	300	135	300	135	300	135	
	TOTAL			11 857		196 620	213 965	38 030	31 266	38 030	31 266	38 030	31 266	

LINE OF CREDIT N° B/BNDT/TUN/LIC-TOU/88/031

NATIONAL BANK FOR THE DEVELOPMENT OF TOURISM

LIST OF SUB-PROJECTS

(in TD 000)

N°	PROJECT	ACTIVITY	SITE	CAPACITE* CAPACITY	COMMISI-ONED	INVESTMENTS PROV.	INVESTMENTS FINAL	APPROVALS BNDT	APPROVALS ADB	COMMITMENTS BNDT	COMMITMENTS ADB	DISBUR. BNDT	DISBUR. ADB	COMMENTS
1	SIMITHUS	TOURISM	JENDOUBA	54	Avr-1989	550	550	220	190	220	190	220	190	Renovation underway
2	SUN SET CITY	TOURISM	HAMMAMET	C D'ANIMAT°	Déc-1991	660	1 215	260	260	260	260	260	260	"
3	KOHISHANA	TOURISM	MONASTIR	550	Déc-1988	1 800	1 800	650	650	650	650	650	650	
4	STE RIHAB	TOURISM	HAMMAMET	204	Déc-1991	3 000	3 000	840	840	840	840	840	840	On force account situation
5	MATMATA	TOURISM	MATMATA	61	Sep-1989	470	750	165	165	165	165	165	165	
6	LUNE HOTEL	TOURISM	GAFSA	18	Jui-1990	250	250	90	90	90	90	90	90	
7	STE REST LOISIRS	TOURISM	TUNIS-NORD	RESTAURANT	Déc-1991	180	190	90	72	90	72	90	72	
8	MME KHECHINE	TOURISM	SOUSSE	20	Jan-1991	200	190	90	75	90	75	90	75	"
9	C.H CENTRE VILLES	TOURISM	SFAX	188	Jui-1991	2 950	3 400	885	885	885	885	885	885	"
10	STE ANIMAT.SAHAR	TOURISM	KEBILI	300	Aoû-1990	2 350	2 350	806	806	806	806	806	806	"
11	CLUB AQUARIUS JERBA	TOURISM	JERBA	600	Déc-1991	9 200	9 200	2 760	2 760	2 760	2 760	2 760	2 760	
12	SAMARA •	TOURISM	SOUSSE	252	Oct-1990	3 500	3 500	810	810	810	810	810	810	Renovation underway
13	CARAVANSERAIL	TOURISM	NEFTA	154	Jui-1990	2 560	2 811	722	722	722	722	722	722	
14	PALM BEACH	TOURISM	JERBA	158	Déc-1989	2 000	2 162	660	660	660	660	660	660	"
15	HAMMAMET HOTEL	TOURISM	HAMMAMET	168	Jan-1989	1 600	1 600	640	588	640	588	640	588	
16	CHADLYA	TOURISM	TUNIS	120	Déc-1991	1 435	2 080	430	430	430	430	430	430	
17	SINDABAD CENTER	TOURISM	HAMMAM SOUSS	142	Jui-1989	1 000	1 000	500	350	500	350	500	350	unpaid
18	EL MENCHIA	TOURISM	HAMMAM SOUSS	120	Jan-1990	1 000	1 000	332	332	332	332	332	332	
19	LES PINS	TOURISM	TABARKA	600	Déc-1991	11 000	11 000	1 750	1 750	1 750	1 750	1 750	1 750	
20	LES AMBASSADEURS	TOURISM	TUNIS	108	Déc-1991	1 850	2 100	740	635	740	635	740	635	
21	H HORIZON	TOURISM	NEFTA	180	Déc-1991	2 750	2 750	963	963	963	963	963	963	
22	MIRAMAR	TOURISM	HAMMAMET	690	Jan-1990	7 000	7 000	1 000	1 000	1 000	1 000	1 000	1 000	Renovation underway
23	LE KHALIFE	TOURISM	HAMMAMET	458	Déc-1991	8 750	8 750	1 725	1 725	1 725	1 725	1 725	1 725	
24	KHEOPS	TOURISM	NABEUL	906	Jui-1989	14 400	16 400	2 400	2 400	2 400	2 400	2 400	2 400	
25	S H T A.A.	TOURISM	TUNIS	770	Sep-1989	13 895	18 060	1 200	1 200	1 200	1 200	1 200	1 200	On force account situation
26	TOUMANA CLUB	TOURISM	JERBA	80	Jui-1987	500	516	200	172	200	172	200	172	
27	PHENIX	TOURISM	SOUSSE	120	Jui-1990	1 140	1 140	300	300	300	300	300	300	
28	LA ROSERAIE	TOURISM	SOUSSE	110	Jui-1990	1 330	1 700	300	300	300	300	300	300	
29	INES	TOURISM	HAMMAM SOUSS	140	Jui-1989	1 300	1 500	300	300	300	300	300	300	"
30	TERGUI	TOURISM	SOUSSE-NORD	104	Jui-1989	750	750	225	215	225	215	225	215	
31	DOUAR	TOURISM	SIDI BOU ALI	C DE LOISIRS	Déc-1988	300	300	120	97	120	97	120	97	"
32	C I A T	TOURISM	HAMMAMET	300	Mar-1989	750	750	250	250	250	250	250	250	
33	LE PRINTEMPS	TOURISM	SOUSSE	180	Déc-1991	2 750	3 600	1 100	836	1 100	836	1 100	836	unpaid
34	SAPHIR	TOURISM	HAMMAMET	238	Jui-1992	3 500	3 500	1 400	1 010	1 400	1 010	1 400	1 010	On force accou situation
	TOTAL			8 093		106 670	116 864	24 923	23 030	24 923	23 030	24 923	23 030	

NATIONAL BANK FOR THE DEVELOPMENT OF TOURISM

LINE OF CRÉDIT N° 3/BNDT/TUN/LIC-TOU/90/38

LIST OF SUB-PROJECTS

(in 000 TD)

N°	PROJECT	ACTIVITY	SITE	CAPACITY	COMMISSIONED	INVESTMENTS		APPROVALS		COMMITMENTS		DISBUR.		COMMENTS
						PROV.	FINAL	BNDT	ADB	BNDT	ADB	BNDT	ADB	
1	BEL TOURISME	TOURISM	JERBA	450	Jan-1992	9 000	13 000	1 350	1 350	1 350	1 350	1 350	1 350	On force account
2	GERHOTEL	TOURISM	HAMMAMET	234	Déc-1991	1 680	1 680	756	756	756	756	756	756	
3	CLUB MAHDIA	TOURISM	MAHDIA	484	Aoû-1992	10 000	10 000	2 000	2 000	2 000	2 000	2 000	2 000	Under grace
4	LA PALMERAIE	TOURISM	NEFTA	154	Aoû-1991	3 151	3 475	1 100	1 100	1 100	1 100	1 100	1 100	
5	LE PRESIDENT	TOURISM	HAMMAMET	204	Déc-1991	3 700	3 400	810	810	810	810	810	810	
6	GOLF DE TUNISIE	TOURISM	HAMMAMET	TER. DE GOLF	Jui-1993	7 000	9 500	2 100	2 100	2 100	2 100	1 400	1 400	"
7	CLUB ALDIANA	TOURISM	JERBA	600	Mar-1993	17 500	17 500	3 500	3 500	3 500	3 500	339	1 494	"
8	ALADIN JERBA	TOURISM	JERBA	602	Avr-1992	9 000	10 000	1 800	1 800	1 800	1 800	1 800	1 800	"
9	SOUSSE CENTER	TOURISM	SOUSSE	472	Jui-1991	16 000	16 000	2 400	2 400	2 400	2 400	2 400	2 400	
10	KILMA	TOURISM	HAMMAMET	406	Jui-1992	6 000	6 000	1 200	1 200	1 200	1 200	1 200	1 200	In investment
11	EXCEL HOTEL	TOURISM	TUNIS	66	Fév-1992	1 500	1 780	675	675	675	675	675	675	
12	KAISER	TOURISME	SOUSSE	176	Jan-1993	2 400	2 400	720	720	720	720	661	661	"
13	KITAM	TOURISME	KEBILI	64	Mai-1991	1 000	1 000	165	165	165	165	165	165	
14	MEHARI BEACH	TOURISME	JERBA	596	Jui-1992	12 000	12 000	1 600	1 600	1 600	1 600	1 600	1 600	
15	DAR MIDOUN	TOURISM	JERBA	544	Aoû-1992	14 000	14 000	2 800	2 800	2 800	2 800	2 636	2 636	Under grace
16	EDEN CLUB	TOURISM	TUNIS	322	Aoû-1992	4 850	4 850	1 090	1 090	1 090	1 090	1 090	1 090	"
17	LE CARLTON	TOURISME	TUNIS	112	Mar-1993	3 550	3 550	1 239	1 239	1 239	1 239	552	552	
18	NAHRAWESS	TOURISME	HAMMAMET	232	Jui-1992	3 600	3 600	580	580	580	580	580	580	"
19	LE MYRIAM PALACE	TOURISME	HAMMAMET	C. D'ANIMAT.	Jui-1993	2 300	2 300	840	840	840	840			
20	RESIDENCE MAHMOUD	TOURISME	HAMMAMET	72	Déc-1991	1 240	1 240	500	500	500	500	500	500	
21	HELYA TOURS HOTELS	TOURISME	MONASTIR	408	Jui-1993	8 200	8 200	1 640	1 640	1 640	1 640	1 640	1 640	Loan settled
22	OLIVIA BEACH	TOURISME	HAMMAMET	424	Jui-1993	8 700	8 700	1 360	1 360	1 360	1 360	1 360	1 360	
23	THAPSUS	TOURISM	MAHDIA	525	Jui-1992	11 500	11 500	2 585	2 585	2 585	2 585	2 585	2 585	
24	OASIS BEACH	TOURISM	MONASTIR	654	Jui-1993	9 900	9 900	2 600	2 600	2 600	2 600			On force account
25	LA PAIX	TOURISM	HAMMAMET	202	Jui-1991	2 500	2 500	1 000	1 000	1 000	1 000	1 000	1 000	
26	FESTIVAL	TOURISM	MONASTIR	442	Mar-1993	8 800	8 800	1 760	1 760	1 760	1 760	1 600	1 600	
27	JEGHAM	TOURISME	SOUSSE-NORD	C. D'ANIMAT.	Jui-1992	260	260	130	130	130	130	130	130	
28	C.H.C.V.	TOURISME	SFAX	188	Jan-1991	3 400	3 400	135	135	135	135	135	135	"
29	LE RIADH	TOURISME	SOUSSE	1 000	Déc-1991	20 000	20 000	3 000	3 000	3 000	3 000	3 000	3 000	
30	GEORIANE	TOURISM	JERBA	140	Avr-1993	2 800	2 800	1 205	1 205	1 205	1 205	1 075	1 075	"
31	ABOU NAWAS TOZEUR	TOURISME	TOZEUR	184	Jui-1992	5 500	5 500	1 265	1 265	1 265	1 265	1 265	1 265	
32	YADIS	TOURISM	JERBA	584	Jui-1992	15 700	15 700	3 000	3 000	3 000	3 000	3 000	3 000	In unpaid
33	ABOU NAWAS JERBA	TOURISM	JERBA	48	Jan-1993	900	900	450	450	450	450	450	450	
34	ANIET DU SAHARIEN	TOURISM	KEBILI	170	Jan-1991	3 370	3 370	235	235	235	235	235	235	
35	IMBAOS	TOURISM	HAMMAMET	140	Jan-1993	7 000	7 000	1 325	1 325	1 325	1 325	1 325	1 325	In investment

N°	PROJECT	ACTIVITY	SITE	CAPACITY	COMMISS-IONED	INVESTMENTS PROV.	INVESTMENTS FINAL	APPROVALS BNDT	APPROVALS ADB	COMMITMENTS BNDT	COMMITMENTS ADB	DISBURSEM. BNDT	DISBURSEM. ADB	COMMENTS
36	LES FATIMIDES	TOURISM	MAHDIA	556	Apr-1993	11 200	11 200	2 240	2 240	2 240	2 240	2 240	2 240	In Investmen
37	DJERBA TOURISME	TOURISM	ZARZIS	400	Mar-1993	8 000	8 000	1 600	1 600	1 600	1 600			"
38	QUATRE SAISONS	TOURISM	JERBA	400	Mar-1993	8 200	8 200	1 640	1 640	1 640	1 640	1 237	1 237	"
39	CLUB ABOU SOFIANE	TOURISM	SOUSSE-NORD	500	Mar-1993	8 800	8 800	1 760	1 760	1 760	1 760	1 760	1 760	"
40	HOTEL DAKYANUS	TOURISM	TATAOUINE	100	Déc-1993	2 615	2 615	790	790	790	790	186	186	"
41	WASSIM	TOURISM	TOZEUR	204	Jan-1993	3 800	3 800	887	887	887	887	729	729	"
42	CAP CARTHAGE	TOURISM	TUNIS-NORD	352	Jan-1993	2 615	2 615	655	655	655	655	655	655	"
43	KSAR JERBA	TOURISM	JERBA	140	Mar-1993	2 800	2 800	750	750	750	750	537	537	"
44	RES. LA CARAVELLE	TOURISM	HAMMAMET	138	Déc-1993	2 800	2 800	700	700	700	700	240	240	"
45	ZENITH	TOURISM	HAMMAMET	140	Jul-1994	2 800	2 800	1 205	1 205	1 205	1 205			"
46	NAPLOUSE	TOURISM	TUNIS	72	Aug-1992	875	875	436	436	436	436	436	436	"
47	C.H.T.	TOURISM	HAMMAMET	236	Jan-1996	9 450	9 450	2 835	2 835	2 835	2 835	2 835	2 835	Under Grace
48	HOTEL SALWA CITY	TOURISM	SOUSSE	700	Juin-1992	15 300	15 300	2 550	2 550	2 550	2 550	2 550	2 550	"
49	SALWA CITY APPART	TOURISM	SOUSSE	300	Apr-1993	8 700	8 700	1 450	1 450	1 450	1 450	1 450	1 450	"
50	DAR GHAOUAR	TOURISM	TOZEUR	116	Déc-1993	1 700	1 700	595	595	595	595	502	502	In Investment
51	SAHARA EVASION	TOURISM	TAMAGHZA	120	May-1992	2 460	2 460	722	722	722	722	722	722	Under Grace
52	PARADISE PARK	TOURISM	TOZEUR	144	May-1992	2 750	2 750	642	642	642	642	642	642	"
53	LES MANEGES	TOURISM	HAMMAMET	C. D'ANIMAT.	Aug-1991	1 350	1 350	400	400	400	400	400	400	In order
54	EMIR HOTEL	TOURISM	GAAFOUR	48	Jul-1993	530	530	150	150	150	150	150	150	In Investment
55	PLAZA	TOURISM	JERBA	630	Jul-1992	18 000	18 000	3 600	3 600	3 600	3 600	3 600	3 600	Under Grace
	TOTAL			16 201		347 746	356 550	74 544	74 544	74 544	74 544	61 307	62 462	

B. T. K. D.
DIRECTION CENTRALE FINANCIERE
Département Titres et Ressources

B.T.K.D. Département Titres et Ressources

BANK

LINE OF CREDIT N° B/BTKD/TUN/LIC-IND-TOU/88/033

LIST OF SUB-PROJECTS

U = 1000 DT

DENOMINATION OR TRADE NAME	ACTL	SITE	CAPA.	COMMIS.	INVEST.		APPROVALS		COMMITMENTS		DISBURSEMENTS		COMMENTS
					PROV.	ACT.	BANK	ADB	BANK	ADB	BANK	ADB	
Hôtel JAWHARA	Tourism	Sousse	-	Begin-ning89	3 500	3 500	160	943	107	943	107	943	No cost overrun - some marketing problems in 1991(following crisis) - Position better in 1992
Sté d'Investissement Hôtelière -Jerba Menzel-	Tourism	Jerba	132	Begin-ning 89	3 600	3 600	266	814	266	814	266	814	• Good project
Sté Jerba Aghir -Hôtel Sana Club-	Tourism	Jreba	598	May 90	8 500	10 200	301	989	301	989	301	989	. Overrun of TD 1700 m, financed with equity and BTEI credit . Loss of TD 666 m in 1991 due to crisis of same year.
Douz Hôtel	Tourism	Douz	230	Begin-ning 1989	7 730	7 730	31	869	131	869	131	869	• Good project
Hôtel ASDRUBAL	Tourism	Jerba	428	July 90	13 150	14 185	671	2 029	671	2 029	671	2 029	. Overrun of TD 1035 m, financed with equity . Good project
MAGRIPLAST	Industry	Tunis	-	Jan.89	700	700	179	521	179	521	179	521	• Good project
Céramiques Réunies	Industry	Agareb	-	Sept. 1989	5 500	6 700	59	891	59	891	59	891	. Company absorbed by the Carthago Ceramic Company in January 1991
SIPHAT	Industry	Tunis	-	April 1992	2 000	2 000	259	241	259	241	259	241	• Good project

C. T. K. D.
DIRECTION CENTRALE FINANCIERE
Département Taxes et Ressources

LINE OF CREDI N° B/BTKD/TUN/LIC-IND-TOU/88/033
LIST OF SUB-PROJECTS

U = 1000 DT

DENOMINATION OR TRADE NAME	ACTI.	SITE	CAPAC.	DATE OF COMMIS.	INVET-MENTS		APPROVALS		COMMITMENTS		DISBURSE-MENTS		COMMENTS
					PROV.	ACT.	BANK	ADB	BANK	ADB	BANK	ADB	
Hôtel ROBINSON	Tourism	Jerba	608	Mai-90	14 000	14 000	141	1 859	141	1 859	141	1 859	• Going through difficulties due to tariff increase by management • Tariff policy being revised. Net loss of TD 1869 in 1991
Hôtel Beau Rivage	Tourism	Hammame	104	Mar-90	1 570	1 570	174	768	174	768	174	768	• Good project
Hôtel ULYSSE	Tourism	Jerba	200	Jui-90	5 800	5 800	377	1 373	377	1 373	377	1 373	• Good project
Hôtel MIREAMAR	Tourism	Hammame	370	Dec 89	3 600	3 600	411	1 089	411	1 089	411	1 089	• Some temporary difficulties
Hôtel HOUDA	Tourism	Monastir	200	Fev 89	1 500	2 042	25	200	25	200	25	200	• Overrun of TD 592m financed with a loan from a travel agency (TD 250m) and by cash-flow (TD 292m). Normal commercialisation
Animation et Tourisme Saharien	Tourism	Kébili	300	Aoû-90	2 900	3 150	342	882	342	882	342	882	• Some start-up difficulties due to cost overrun • Improvement as of 1992
Hôtel El MANAR (Appart Hôtel)	Tourism	Hammame	373	Aoû-90	5 950	6 600	202	1 298	202	1 298	202	1 298	• Cost overrun - Decision to commercialise as hotel instead of flat-hotel) - • On-going complementary investment programme
ALBATROS	Tourism	Hammame	460	Avr-92	10 800	13 500	869	1 587	869	1 587	869	1 587	• Operation reassuring despite overrun
Sté Hôtelière le KALIFE	Tourism	Hammame	700	Juillet 92	12 369	16 800	189	966	189	966	189	966	• Commissioned in the right conditions • Significant overrun settled
Hôtel SAHARA DOUZ	Tourism	Douz	304	Avr-90	5 000	5 000	414	586	414	586	414	586	• Some difficulties due to the 1991 crisis

STUSID/DDS

Dec-92

1ST ADB LINE OF CREDIT

(N° B/STUSID/TN/IN/TOU/88/032)

DENOMINATION OR TRADE NAME	ACTIVIT	SITE	DATE OF COMMISS.	(BEDS) CAPAC.	INVEST. (1000 DT PROV.	ACT.	APPROVALS BANK	ADB	COMMITMENTS BANK	ADB	DISBURSEMENTS BANK	ADB	COMMENTS
CARAV. NEFTA (3*)	TOURISM	NE TA	Jan-90	302	2560	4330	1 730	500	1 730	500	1 730	500	302 beds instead of 17
BAR CHRAIT (4*)	TOURISM	TOZEUR	Ju -90	200	5100	5400	1 148	450	1 148	450	1 148	450	
MONTAZAH HOTEL(5*	TOURISM	TABARKA	A r-92	600	10000	10800	2 150	2 150	2 150	2150	2 150	2 146	
CARAV. DOUZ (4*)	TOURISM	DOUZ	Dec-91	170	2400	3290	500	500	500	500	500	451	
CARAV.TOZEUR (3*	TOURISM	TOZEUR	Jul-91	200	2466	2877	500	500	500	500	500	448	200 instead of 12
CARAV. TAMARZA(3*	TOURISM	TAMARZA	A r-92	120	2460	3500	500	500	500	500	500	448	
MONTAZAH GOLF	TOURISM	TABARKA	Dec-91	40	5000	5500	3 000	3 000	3 000	3000	3 000	2 497	18 holes(SMT)
SERUM UNIMED	PHARMA	SOUSSE	Nov-92		1500	1500	525	500	525	500	525	458	1 million boxes
STEI SAFIA	MIN. WATER	KSOUR	Aug-90		3195	3195	820	820	820	820	820	820	40 million b./yr
STUFEL /IDEAL GOM	RUBBER	SOLIMAN	Mar-91		2500	2500	600	600	600	600	600	600	360T/yr;450000 sy
FILAT. HAJEB EL AYOU	WEAVING	HAJEB/AY	Sep-91		15750	15750	3 000	3 000	3 000	3000	3 000	2 401	1530 T/yr
STEM EMBALLAGE	ND MISC.	MEGRINE	Jan-91		2800	2800	980	980	980	980	980	980	6000T/ yr

LINE OF CREDIT N°B/BTEI/TUN/LIC – IND/TUN/88/030

LIST OF SUB-PROJECTS

(Amounts in millions of Tunisian dinars)

Denomination or trade name	Activity	Implantation	Capacit	Commis.	Investments		Approvals		Engagements		Disburs.		Comments
					Prov.	Act.	Bank	ADB	Bank	ADB	Bank	ADB	
Hôtel SANA	Tourism	Jerba	600 Beds	May 1989	8.6	10.58	4.934	3.459	4.934	3.459	4.934	3.459	
Sté tunisienne d'Engrenage (S.T.E)	Industry	Tunis		June 1989	2.5	2.854	1.351	0.7	1.351	0.7	1.351	0.576	
Sté Franco–tunisienne de développement touristique	Tourism	Hammamet	450Beds	Avr.1989	6.8	7.04	0.55	0.55	0.55	0.55	0.55	0.55	Situation in order
Hôtel VENUS	Tourism	Hammamet	200Beds	June 1989	2.35	2.35	0.8	0.8	0.8	0.8	0.8	0.737	Situation in order
SIMED	Industry	Sfax		1992	1.96	3.4	0.2	0.2	0.2	0.2	0.2	0.154	Situation in order
Hammamet Hôtel	Tourism	Hammamet	182Beds	July 1989	1.6	2.94	1.12	0.32	1.12	0.32	1.12	0.29	Situation in order
Africa Tour	Tourism	Jerba		1988	0.39	0.39	0.25	0.25	0.25	0.25	0.25	0.228	
Bacofil II	Industry	Boumerdes		Jan. 1990	11	12	1	1	1	1	1	0.851	
Hôtel JECOTOUR	Tourism	Jerba	300Beds	May 1990	5.1	5.1	0.51	0.5	0.51	0.5	0.51	0.455	Situation in order
Hôtel ROBINSON	Tourism	Jerba	517Beds	May 1990	14	14	2	2	2	2	2	1.783	Situation in order
Hôtel RIHAB	Tourism	Hammamet	200Beds	1990	2.65	3.95	0.979	0.442	0.979	0.442	0.979	0.437	Situation in order
SUN SET CITY	Tourism	Hammamet		1990	0.66	1.215	0.123	0.41	0.123	0.41	0.123	0.41	Situation in order

BANQUE - Banque Tuniso -Patrie D'Investissement

LINE OF CREDIT No. B/BIQI/TUN/LIC-IND-TOU/88/034
LIST OF SUB-PROJECTS

Denomination or Trade Name	Activity	Site	Capacity (in beds)	Date of Commission.	Investments		Approval		Commitments		Disbur-sements		COMMENTS
					Prov.	Act.	BANK	ADB	BANK	ADB	BANK	ADB	
EE-HANA Palace	Tourism	EL KANTAOUI (Sousse)	218	July 92	6 760	10 085	-	1610	-	1610	-	1610	Increase in investment cost of 3.325 thousand dinars due to: - Construction of a casino (1000 m^2 covers) - Increase in the price of raw materials - Procurement of other unscheduled equipment -Delay in implementation due to the economic crisis (5 month halt on the site).
Hotel PHEIRA	Tourism	Tozeur	180	May 92	2 750	4 150	-	642	-	642	-	642	* Increase of 1.400 thousand dinars in the investment cost due to: - Extension of common area and lodging. - Air-conditioning and transformer package. - The company is faced with marketing difficulties (36% occupany rate).
Ulysse Palace	Tourism	Djerba	598	February 90	14 000	16 985	469	1031	409	1031	409	1031	* Increase of TD 2.985 thousand in investment cost due to: - New technical data - Increase in cost of equipment and redecoration and refurnishing - More interests during construction. * The company fulfils its commitments regularly.

(1) Concerns hotels only.
(2) Initial loans increased by supplements.

BANQUE - Banque Tuniso -Patrie D'Investissement

LINE OF CREDIT No. B/BIQI/TUN/LIC-IND-TOU/88/034
LIST OF SUB-PROJECTS

Denomination or Trade Name	Activity	Site	Capacity (in beds)	Date of Commission.	Investments		Approval		Commit-ments		Disbur-sements		COMMENTS
					Prov.	Act.	BANK	ADB	BANK	ADB	BANK	ADB	
ETS-SLAMA	Agro-Industry	Oued Ellil (Tunis)		March 90	2 200	2 592	5	785	5	785	5	785	Project which has overcome its commercial difficulties repaying maturities normally.
P.H.A.	Industry	Hadjeb El Ayoun (Kairouan)		Oct. 91	16 500	15 750	1 045	1 455	1 045	1 455	1 045	1 455	Savings of TD 750 m company in the black (as at 31/12/92)
S.O.F.A.S	Industry	Le Kef		Sept.91	3 430	3 063	-	700	-	700	-	700	Savings of TD 367 m registered under equipment and civil works. Unpaid = 0 as at 31/12/92
S.I.A.	Industry	Ben Arous		June 90	2 000	2 000	-	650	-	650	-	650	Executed according to estimates - Company has arrears of TD 39.000 (as at 31/12/92).
S.O.T.U.P.A	Industry	Bouhjar (Monastir)		March 90	2 000	2 000	-	525	-	525	-	525	Executed according to estimates-No problems stemming from project.
STEEL INOX	Industry	Nabeul		Nov. 92	2 100	-	-	1 000	-	1 000	-	1 000	One year and a half of delay in implementation. Final cost not yet settled for reasons of organization of the company.
	Industry	Kalaa Seghira		June 93 (Prov.)	1 600	-	187	273	187	273	187	273	Being implemented according to estimates, the project will register an overrun of about 500 million dinars due to the 2 year implementation delay and related consequences-Will have difficulties paying initial maturities.

(1) Concerns hotels only.
(2) Initial loans increased by supplements.

ANNEX 5.2.2

KEY

CIC : Coverage of Invested Capital

CIA : Coverage of Invested Assets

ODR : Overall Debt Rate

FRR : Financial Rate of Return

RC : Repayment Capacity

RVA : Rate of Value Added

RGOM: Rate of Gross Operating Margin

PFC : Proportion of the Financial Costs in the Gross Operating Income

CT : Capital Turnover

PIR : Physical Investment Rate

TO : Turnover

WC : Working Capital

PE : Productivity of Equipment

PL : Productivity of Labour

FINANCIAL PERFORMANCE OF INDUSTRIAL SUB-PROJECTS

ENTREPRISES	CIC			CIA			ODK			FRR			RC			RVA			RCOM			PFC			CT		
	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91
BACOFIL	N.D.	0.72	0.68	N.D.	0.68	0.63	N.D.	4.17	4.44	N.D.	0.07	0.09	N.D.	0.08	0.10	N.D.	0.35	0.47	N.D.	0.30	0.33	N.D.	0.27	0.32	N.D.	0.32	0.41
STE.FRANCO-TUNI.D'ENGRENAGE	0.99	0.93	0.81	0.99	0.68	0.49	2.10	6.61	-6.30	0.02	-0.15	-0.03	0.03	-0.17	-0.03	0.48	-0.26	0.41	0.37	-0.66	-0.11	0.02	-0.15	-3.58	0.05	0.19	0.07
MAGRIPLAST	0.71	0.73	0.76	0.81	0.84	0.90	3.12	2.57	1.66	0.05	0.14	0.23	0.07	0.20	0.35	0.31	0.48	0.57	0.17	0.35	0.41	0.35	0.21	0.13	0.51	0.55	0.67
CARTHAGO CERAMIC	0.98	0.78	0.62	0.69	0.71	0.62	2.71	7.65	3.16	-0.06	-0.03	-0.06	-0.08	-0.03	-0.07	-0.63	0.07	0.01	-0.64	0.01	-0.01	-0.15	15.64	-5.64	0.08	0.26	1.05
STEM	N.D.	1.03	0.69	N.D.	0.99	1.02	N.D.	3.08	2.63	N.D.	0.02	0.15	N.D.	0.03	0.20	N.D.	0.54	0.70	N.D.	0.39	0.59	N.D.	0.09	0.02	N.D.	0.06	0.26
STUFEL	N.D.	N.D.	0.94	N.D.	N.D.	1.15	N.D.	N.D.	3.08	N.D.	N.D.	0.01	N.D.	N.D.	0.02	N.D.	N.D.	0.44	N.D.	N.D.	0.31	N.D.	N.D.	0.13	N.D.	N.D.	0.17
SOTUPA	0.90	0.82	0.82	1.25	1.17	1.06	1.54	1.66	1.03	0.08	0.10	0.20	0.11	0.15	0.33	0.22	0.18	0.18	0.14	0.11	0.11	0.41	0.29	0.22	1.09	1.46	2.99
FHA	N.D.	N.D.	1.01	N.D.	N.D.	1.02	N.D.	N.D.	2.41	N.D.	N.D.	0.00	N.D.	N.D.	0.01	N.D.	N.D.	0.28	N.D.	N.D.	0.33	N.D.	N.D.	0.15	N.D.	N.D.	0.04

ENTREPRISES	PIR			TO			WC			PE			PL			ROT STOCKS			CUST° CRED.			SUPPLIES CREDIT		
	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91
BACOFIL	N.D.	6.20	5.64	0.00	15089.00	17485.00	0.00	-4611.00	-5980.00	N.D.	0.43	0.46	N.D.	13.13	8.61	0.00	0.42	0.36	0.00	58.54	53.37	0.00	18.25	23.01
STE.FRANCO-TUNI.D'ENGRENAGE	31.99	-16.06	34.62	179.00	441.00	110.00	-28.00	-1009.00	-1360.00	0.07	0.15	0.04	5.00	2.93	1.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MAGRIPLAST	6.21	3.60	2.65	2383.00	2409.00	2643.00	-769.00	-606.00	-346.00	0.60	0.67	0.76	7.27	6.66	6.35	0.26	0.23	0.26	138.18	111.63	101.05	42.26	73.58	77.28
CARTHAGO CERAMIC	-19.34	53.02	126.62	493.00	1499.00	13730.00	-717.00	-1807.00	-2362.00	0.07	0.24	1.05	98.60	15.61	64.46	0.80	0.36	0.25	200.07	225.59	69.37	1270.44	525.68	90.24
STEM	N.D.	29.43	5.57	0.00	284.00	1226.00	0.00	-52.00	78.00	N.D.	0.06	0.29	N.D.	6.76	9.19	N.D.	0.06	0.02	0.00	607.60	319.74	0.00	561.40	176.64
STUFEL	N.D.	N.D.	9.60	0.00	.	562.00	0.00	0.00	406.00	N.D.	N.D.	0.29	N.D.	N.D.	4.67	0.00	0.00	0.77	0.00	0.00	109.50	0.00	0.00	0.00
SOTUPA	3.90	3.67	1.85	2566.00	3745.00	6813.00	416.00	308.00	101.00	1.60	2.13	3.94	11.09	12.65	15.46	0.23	0.19	0.14	101.92	91.66	67.29	43.82	41.59	33.60
FHA	N.D.	N.D.	51.50	0.00	0.00	697.00	0.00	0.00	298.00	N.D.	N.D.	0.07	N.D.	N.D.	11.65	0.00	0.00	1.12	0.00	0.00	670.12	0.00	0.00	133.65

FINANCIAL PERFORMANCE OF TOURISM PROJECTS

ENTREPRISES	CTC			CTA			ODK			FRR			RC			VAT			RGOM			PFC			CT		
	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91
HOTEL VENUS	0.87	0.89	0.84	0.87	0.86	0.81	2.41	1.96	2.05	0.16	0.13	0.06	0.23	0.20	0.08	0.54	0.49	0.41	0.41	0.35	0.22	0.05	0.10	0.24	0.41	0.43	0.34
JERBA AGHIR	0.90	1.00	0.93	0.94	1.09	1.04	2.57	2.52	2.92	0.03	0.11	0.05	0.04	0.15	0.06	0.36	0.56	0.51	0.19	0.37	0.21	0.01	0.00	0.01	0.15	0.31	0.22
DOUZHOTEL	1.06	1.04	1.02	0.73	1.14	1.10	2.62	2.36	2.23	0.07	0.05	0.07	0.09	0.07	0.10	0.90	0.96	0.97	0.90	0.89	0.91	0.00	0.01	0.00	0.06	0.06	0.06
STE.BEAU RIVAGE	0.93	0.95	0.86	0.72	0.72	0.69	1.77	1.32	1.54	0.11	0.13	0.01	0.18	0.20	0.01	0.55	0.63	0.63	0.40	0.43	0.30	0.05	0.05	0.28	0.40	0.47	0.24
HOTEL MANAR	0.89	0.88	0.87	0.99	0.92	0.87	0.99	0.94	0.94	0.07	0.06	0.04	0.13	0.13	0.09	0.56	0.59	0.56	0.41	0.40	0.31	0.02	0.01	0.03	0.17	0.16	0.14
HOTEL CLUB BASMA	N.D.	N.D.	1.00	N.D.	N.D.	0.82	N.D.	N.D.	2.92	N.D.	N.D.	0.01	N.D.	N.D.	0.02	N.D.	N.D.	0.90	N.D.	N.D.	0.82	N.D.	N.D.	0.05	N.D.	N.D.	0.04
STE. MONTAZAH TABARKA	N.D.	1.06	1.01	N.D.	0.85	1.20	N.D.	0.80	0.51	N.D.	0.00	0.29	N.D.	0.00	0.84	N.D.	N.D.	0.65	N.D.	N.D.	0.85	N.D.	N.D.	0.00	N.D.	0.00	0.34
HAMMAMET CLUB	N.D.	0.89	0.89	N.D.	0.96	0.94	N.D.	1.02	1.05	N.D.	0.07	0.06	N.D.	0.14	0.16	N.D.	0.97	0.98	N.D.	0.94	0.96	N.D.	0.02	0.02	N.D.	0.07	0.09
ACQUA VIVA CLUB	0.77	0.75	0.65	0.79	0.78	1.17	4.65	4.27	0.66	0.06	0.08	0.03	0.10	0.10	0.07	0.69	0.72	0.63	0.73	0.54	0.48	0.03	0.03	0.10	0.12	0.15	0.07
LE RIBAT	0.92	0.81	0.69	1.09	0.91	0.76	2.36	4.02	7.93	0.02	-0.02	-0.03	0.02	-0.02	-0.04	0.48	0.60	0.86	0.47	0.57	0.65	0.00	0.00	0.00	0.20	0.10	0.07
LE DIPLOMATE *	0.94	0.86	0.90	1.15	1.03	1.01	0.86	1.14	0.98	0.09	0.06	0.07	0.20	0.11	0.15	0.72	0.50	0.79	0.52	0.29	0.70	0.01	0.03	0.01	0.18	0.21	0.11
DAR DHIAFA	N.D.	0.67	0.61	N.D.	0.71	0.66	N.D.	1.72	2.22	N.D.	0.12	0.04	N.D.	0.18	0.05	N.D.	0.48	0.46	N.D.	0.35	0.24	N.D.	0.13	0.36	N.D.	0.38	0.23
PROMOGOLF MONASTIR	0.71	0.86	0.78	0.73	0.89	0.82	2.11	1.80	2.48	-0.01	0.01	0.03	-0.01	0.02	0.04	0.67	0.95	1.05	0.63	0.93	1.04	1.20	0.02	0.01	0.00	0.02	0.03
SFAX CENTER	0.69	0.84	0.81	1.00	0.93	0.93	1.16	1.38	1.35	0.06	0.08	0.08	0.12	0.13	0.14	0.57	0.59	0.60	0.32	0.31	0.29	0.00	0.00	0.00	0.21	0.25	0.28
PENELOPE	0.75	0.71	0.50	0.81	0.77	0.53	1.55	1.61	4.76	0.06	0.10	-0.11	0.09	0.14	-0.13	0.46	0.43	0.07	0.26	0.24	-0.36	0.00	0.00	-0.01	0.26	0.47	0.24
STE. TOURI. KROUMERIE	0.79	0.76	0.71	0.85	0.81	0.75	1.57	1.79	2.16	0.04	0.06	0.05	0.07	0.09	0.07	0.58	0.56	0.57	0.34	0.36	0.31	0.09	0.04	0.07	0.13	0.17	0.17
CARAVANSERAIL	N.D.	0.79	0.83	N.D.	0.82	0.89	N.D.	1.46	1.63	N.D.	0.07	0.04	N.D.	0.11	0.06	N.D.	0.49	0.49	N.D.	0.35	0.28	N.D.	0.10	0.01	N.D.	0.21	0.13
SAPHIR *	0.76	0.80	0.77	0.81	0.91	0.91	1.62	1.31	1.03	0.16	0.22	0.17	0.29	0.37	0.33	0.51	0.55	0.53	0.37	0.40	0.36	0.04	0.03	0.02	0.52	0.57	0.49
STE. ANIMA.TOUR. SAHARIEN	N.D.	0.82	0.74	N.D.	0.94	0.83	N.D.	1.20	1.57	N.D.	0.01	-0.01	N.D.	0.02	-0.01	N.D.	0.49	0.38	N.D.	0.26	0.00	N.D.	0.39	N.D.	N.D.	0.05	0.08
C H T	0.14	0.72	0.67	0.15	0.99	0.83	6.87	2.56	1.95	0.05	0.01	-0.02	0.05	0.01	-0.03	0.55	0.67	0.61	0.31	0.34	0.32	0.60	0.66	0.53	0.38	0.19	0.13

ENTREPRISES	PTR			TO			WC			PE			PL			ROT STOCKS			CUST. CRED.			SUPPLIERS CR		
	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91	89	90	91
HOTEL VENUS	4.52	4.74	7.25	3271.00	3477.00	2485.00	-1066.00	-946.00	-1396.00	0.41	0.42	0.33	7.66	6.89	5.45	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
JERBA AGHIR	16.01	5.56	8.84	1947.00	3094.00	2696.00	-755.00	1076.00	440.00	0.16	0.34	0.25	5.95	4.77	3.34	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DOUZHOTEL	14.11	17.99	13.33	253.00	380.00	478.00	-1256.00	861.00	593.00	0.05	0.06	0.06	N.D.	14.07	17.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
STE.BEAU RIVAGE	4.55	3.38	6.70	2904.00	3542.00	1950.00	-2667.00	-2844.00	-3123.00	0.31	0.35	0.19	6.62	4.86	3.08	0.02	0.02	0.03	36.24	27.28	68.80	0.61	0.51	1.02
HOTEL MANAR	10.66	10.42	12.92	3657.00	4308.00	3369.00	-242.00	-2144.00	-3055.00	0.19	0.17	0.14	6.77	5.12	4.01	0.05	0.07	0.08	293.81	268.70	333.11	120.23	208.14	141.36
HOTEL CLUB BASMA	N.D.	N.D.	25.64	0.00	0.00	159.00	0.00	0.00	-779.00	N.D.	N.D.	0.04	N.D.	N.D.	12.23	0.00	0.00	0.00	0.00	0.00	696.66	0.00	0.00	0.00
STE. MONTAZAH TABARKA	N.D.	N.D.	3.19	0.00		2955.00	0.00	-1008.00	1470.00	N.D.	0.00	0.57	N.D.	N.D.	16.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
HAMMAMET CLUB	N.D.	13.64	11.43	0.00	743.10	780.80	0.00	-400.10	-456.40	N.D.	0.08	0.09	N.D.	31.89	43.38	0.00	316.50	214.79	0.00	0.00	0.00	0.00	0.00	0.00
ACQUA VIVA CLUB	9.53	9.07	23.06	129.80	153.10	124.40	-221.20	-211.10	221.20	0.12	0.16	0.09	6.97	5.49	6.72	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LE RIBAT	10.61	15.96	15.56	2921.40	1420.50	930.00	1067.90	-1077.40	-2829.00	0.23	0.12	0.08	97.71	39.02	43.66	0.20	0.16	0.12	195.19	304.55	366.76	0.00	0.00	0.00
LE DIPLOMATE *	7.68	9.77	11.98	2130.20	2194.80	956.80	1480.10	256.40	92.60	0.22	0.25	0.12	4.94	4.74	10.67	0.12	0.07	0.00	305.71	250.29	346.83	0.00	0.00	0.00
DAR DHIAFA	N.D.	5.45	9.67	0.00	2650.60	1635.40	0.00	-2044.00	-2245.50	N.D.	0.40	0.24	N.D.	7.30	4.65	0.00	0.02	0.02	0.00	0.00	0.00	0.00	0.00	0.00
PROMOGOLF MONASTIR	317.49	63.70	34.66	26.70	100.80	155.80	-1490.20	-651.90	-950.90	0.00	0.02	0.03	26.70	53.05	66.56	0.00	0.00	0.00	1634.22	736.66	925.57	0.00	0.00	0.00
SFAX CENTER	8.46	6.74	6.00	2004.10	2204.70	2327.20	37.50	-578.00	-540.70	0.24	0.26	0.32	4.04	3.54	3.26	0.07	0.06	0.06	158.14	103.75	139.03	0.00	0.00	0.00
PENELOPE	7.53	4.96	61.66	1496.20	2302.20	1039.20	-924.10	-1034.10	-1958.60	0.31	0.51	0.24	4.63	5.25	2.29	0.04	0.03	0.04	84.24	42.07	67.85	0.00	0.00	0.00
STE. TOURI. KROUMERIE	13.16	10.04	10.35	480.80	504.00	533.80	-522.30	-602.50	-740.00	0.14	0.18	0.18	4.10	4.62	3.83	0.05	0.04	0.03	151.02	109.72	96.77	0.00	0.00	0.00
CARAVANSERAIL	N.D.	9.02	14.90	0.00	1000.60	810.00	0.00	-765.80	-636.20	N.D.	0.23	0.15	N.D.	6.30	4.53	0.00	0.05	0.06	0.00	51.60	130.31	0.00	0.00	0.00
SAPHIR *	3.76	3.19	3.85	1764.50	1639.50	1593.50	-592.50	-270.00	-238.80	0.56	0.64	0.58	7.29	6.66	5.79	0.01	0.02	0.02	41.17	65.10	97.06	0.00	0.00	0.00
STE. ANIMA.TOUR. SAHARIEN	N.D.	37.91	33.03	0.00	347.00	467.50	0.00	-325.90	-694.00	N.D.	0.06	0.09	N.D.	4.92	2.63	0.00	0.05	0.05	0.00	795.52	471.36	0.00	0.00	0.00
C H T	4.73	7.75	12.43	2992.40	3516.00	3157.60	-6213.90	-95.70	-3223.40	0.41	0.26	0.17	4.17	3.02	3.51	0.01	0.01	0.00	60.10	475.69	510.94	0.00	0.00	0.00

ANNEX 6

Comments of the Tunisian Development Banks

- B.T.E.I.
- BNDT
- STUSID

BANQUE DE TUNISIE ET DES EMIRATS D'INVESTISSEMENTS

D.F./94/No. 1106/CEO/RM

Tunis, 6 September, 1994

AFRICAN DEVELOPMENT BANK
01 BP 1387 ABIDJAN 01
COTE D'IVOIRE

FOR THE ATTENTION OF MR. R.M. BISHAI/AG. DIRECTOR OF THE PROJECTS EVALUATION OFFICE

SUBJECT : PROJECT PERFORMANCE AUDIT REPORT, PREPARED BY THE ADB, ON THE FIRST LINES OF CREDIT GRANTED TO FIVE TUNISIAN DEVELOPMENT BANKS

Sir,

We have the honour to acknowledge receipt of the above-mentioned audit report. We should like to make the following observations on the part of the report relating to the operations of the "Banque de Tunisie et des Emirats d'Investissement":

1. The BACOFIL Project II is being rehabilitated by the banking pool which financed the project.

2. Promoters have made takeover bids for the FTE Project. These bids are being studied.

3. BTEI has virtually stopped financing institutional projects.

4. The increase in the volume of due debt was stopped through a sustained recovery effort deployed as of 1992.

5. To ensure that achievements are conform to forecasts (approvals/commitments/disbursements/turnover/costs), the Studies Department was entrusted with new duties relating to the planning of activities over five-year periods as well as the estimation and preparation of annual budgets on the basis of criteria which have been assessed and are conform to the trends of the bank. Budget implementation, on the other hand, is monitored, as of 1992, by the Management Committee on the basis of monthly notes addressed to the Control and Management Directorate.

6. The current procedure of charging sub-projects to the ADB lines of credit is still slow and raises numerous problems of reconciliation between BTEI and ADB accounts.

Please accept, sir, the assurances of our highest consideration.

The Finance Director,

Mohamed KHELIL

BANQUE NATIONALE DE DEVELOPPEMENT TOURISTIQUES

OUR REF. N° .... Tunis:

Mr. R.M. BISHAI,
Ag. Director of the Operations Evaluation Office,
African Development Bank,
B.P. 1387
ABIDJAN
Côte d'Ivoire

SUBJECT : PRELIMINARY PERFORMANCE AUDIT REPORT ON THE FIRST ADB LINES OF CREDIT

REFERENCE : Your letter dated 12 August, 1994

Dear Sir,

We should like to thank you for your above-mentioned letter under cover of which you submitted to us, for comments, the Preliminary Performance Audit Report on the First ADB Lines of Credit granted to BNDT, BTKD, STUSID, BTQI and BTEI.

The performance audit conducted by the ADB on the said lines of credit is a very laudable undertaking which deserves to be highlighted because it is the first of its kind in Bank Group operations in Tunisia, in this area.

The report mentioned several times the general satisfaction regarding the utilization of the ADB's first lines, which contributed to the achievement of the objectives assigned to them.

In the same vein, the ADB's first lines of credit have had a positive impact on the performance of the development banks, particularly for the consolidation of their financial situations, the strengthening of their support structures and the back-up of the resource mobilization programmes which they embarked upon to meet the requirements of the different economic development sectors.

We should also like to make the following observations:

1) Financing of Small and Medium-Size Enterprises (SMEs)

According to the above-mentioned audit report, the development banks reserved 9% of the amounts of the lines of credit for the financing of SME projects of a cost not exceeding 2 million dinars.

We should like to draw your attention to the fact that, for tourist projects, we consider this cost to be too low.

Indeed, according to the selected investment programme, tourist projects require much higher financial resources judging from the selected investment programme.

The capacity of small and medium-size projects varies between 40 and 200 beds, at a cost ranging from 1.2 to 8 million dinars, while the optimum capacity of the other projects varies between 300 and 500 beds, that is a project cost of 12 to 20 million dinars, depending on the investment programme to be implemented.

Moreover, the proposal to set an SME financing quota for the next lines of credit is in keeping with the encouragement of this category of enterprises and is consistent with the overall development strategy defined in the new investment code which has adopted special incentive measures in favour of the new promoters of small and medium-size enterprises.

However, to ensure that this quota does not become too restrictive a constraint which must be complied with at all costs during the implementation of the financing programme, for which the line of credit is earmarked, we believe it would be more appropriate to stipulate this quota as a recommendation to the beneficiary of the line of credit instead of a set target. This will ensure greater flexibility in the implementation of the investment programme which in fact varies depending on the executing agency.

2) An Advance in the Form of a Revolving Fund

We have noted with satisfaction, the proposal to put at the disposal of the Tunisian development banks, 10 to 15% of the amount of the line of credit to serve as a revolving fund.

This revolving fund will enable the banks to put at the disposal of the new promoters the funds required for the timely implementation of their projects.

Furthermore, within the context of the reflection on the subsequent improvement of the current disbursement procedures and in order to facilitate the processing of the disbursement requests, it is proposed to study the possibility of allowing the banks to keep, following a written agreement, the investment expenditure supporting documents which will be made available to any person authorized by the ADB to review them for the said disbursements.

This procedure will relive the banks of the duty of submitting to the Bank the supporting documents, the number of which is growing considerably with the development of their operations.

These are the main observations we wish to make on this report. We would like to seize this opportunity to congratulate the ADB experts who undertook this mission, for the quality of their work.

Please accept, Sir, the expression of our highest consideration.

BANQUE NATIONALE DE DEVELOPPEMENT TOURISTIQUE

STUSID - DED

Tunis, 10 October, 1994

For the Attention of: Mr. I.B.C. JOHN

Subject : Performance Audit Report on the First Line of Credit

Sir,

Following your fax of 3/10/94, we have the honour to inform you that the section of the performance audit report on the first line of credit, relating to STUSID, reflects in its entirety our point of view on the utilization and efficiency of the line of credit.

However, we have noted that some of the data in the tables on STUSID need to be completed.

a) Page 26 - table entitled "Summary of STUSID's Operating Accounts" - under 1987 - Financial expenses: read 0.3 million dinars instead of 3 million dinars.

b) Annex 5.1.1: Columns to be completed or rectified:

b1 - Activity - read under STUSID:

- project promotion; and
- financing of services, industrial and agricultural development projects.

b2 - Types of guarantees required of promoters:

- mortgage on land and buildings;
- personal and joint guarantee;
- mortgage guarantee, etc...

b3 - Freedom to decide: Interest rates - they are set by the Board of Directors not the APBT.

b4 - Importance of sectoral priorities:

1) Agriculture;
2) Industry;
3) Others and tourism.

b5 - Powers of the BOD: appointment of MD: YES (instead of NO).

c) Annex 5.1.2 columns to be completed or rectified.

c1 - Exchange risk to be borne by BCT, not by the sub-project.

c2 - Disbursement procedure:

- Presentation of a request backed by supporting documents produced by the Customer;
- Processing of and opinion on the application of the Project Manager;
- Agreement of the General Directorate; and
- Release by the Finance Department (Treasury).

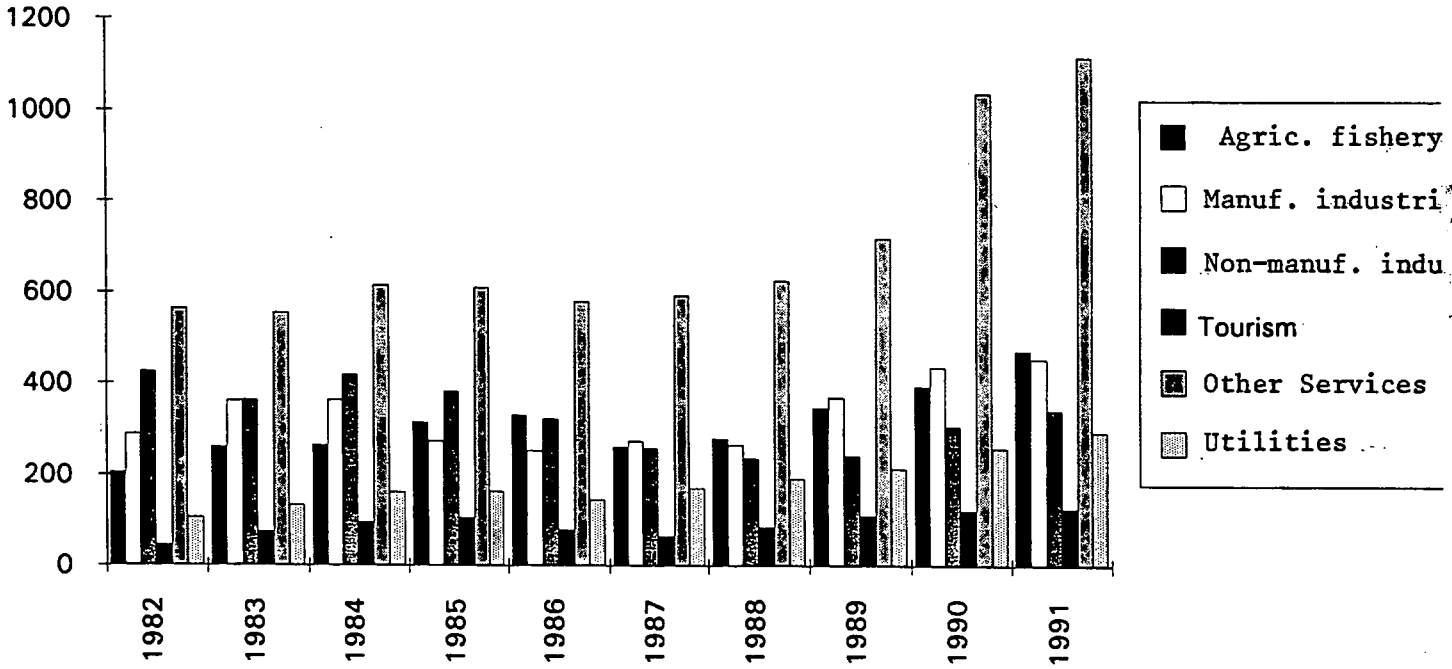
c3 - Monitoring of operational projects: monitoring on a quarterly basis in addition to participation of the affiliate companies in Board meetings.

Please accept, the assurances of our highest consideration.

D.E.D.

R. KRARTI

Investment by Sector (in MD)



AFRICAN DEVELOPMENT BANK

Original: French
Translated by: E.P. Alexander

PROJECT COMPLETION REPORT

ON THE LINES OF CREDIT EXTENDED TO THE

BANQUE NATIONALE DE DEVELOPPEMENT TOURISTIQUE (BNDT)

REPUBLIC OF TUNISIA

INFRASTRUCTURE AND INDUSTRY DEPARTMENT

MONETARY EQUIVALENT AND ABBREVIATIONS

Monetary Unit: The Tunisian Dinar (TD)

During Appraisal

1st Line of Credit (September 1984)	2nd Line of Credit (August 1987)	3rd Line of Credit (September 1989)
BUA 1 = TD 0.785266	BUA 1 = TD 1.09483	BUA 1 = TD 1.19359
TD 1 = BUA 1.273454	TD 1 = BUA 0.91338	TD 1 = BUA 0.83780

During Post-Evaluation

BUA 1 = TD 1.3039
TD 1 = BUA 0.7670
TD 1 = BUA 1.008

Accounting Year

1st January to 31st December

Weights and Measures

Metric System

ADB	-	African Development Bank
BCT	-	Banque Centrale de Tunisie (Central Bank of Tunisia)
BNDT	-	Banque Nationale de Dévéloppement Touristique (National Bank for Tourism Development)
COFITOUR	-	Compagnie Financière et Touristique (Finance and Tourism Company)
GDP	-	Gross Domestic Product
SNVV	-	Société Nationale des Villages de Vacances
SHTAA	-	Société Hoteliere Tunisienne Arabo-Africaine
TD	-	Tunisian Dinar

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PREFACE

The African Development Bank granted three lines of credit to the Banque Nationale de Développement Touristique (BNDT) for financing the direct and indirect foreign exchange costs of tourism and related projects. The first line of credit of BUA 30 million approved in 1984, the second of BUA 20 million approved in 1988 and the third of BUA 60 million approved in 1990 have been fully committed.

The mission comprising Mr. El Ghali, senior Financial Analyst and Head of Mission, accompanied by Mr. M. Germouni, Consultant, visited Tunisia in September 1991 for the purpose of preparing a project completion report on the three lines of credit and appraising the fourth.

This completion report focuses on the trend of beneficiary's status at the institutional, organizational and financial levels. It highlights results obtained from sub-projects financed by the ADB lines of credit through the BNDT.

The information used in this report is based on data collected during the appraisal mission and those obtained from the headquarters of the BNDT.

BASIC DATA

COUNTRY	:	Tunisia
PROJECT TITLE	:	First ADB Line of Credit
LOAN NUMBER	:	BNDT/CS/TN/IND/84/024
GUARANTOR	:	Government of the Republic of Tunisia
EXECUTING AGENCY (BNDT)	:	Banque Nationale de Développement Touristique

I. BASIC DATA ON THE FIRST LINE OF CREDIT

	Estimate	Actual
-- Amount	BUA 30 million	BUA 30 million
-- Interest Rate	10%	10%
-- Statutory Commission	1%	1%
-- Commitment Charge on Non-disbursed balance	1%	1%
-- Repayment Period	15 years	15 years
-- Grace Period	4 years	4 years

2. Disbursement

-- Amount Disbursed : Full

3. Commitment : Full

4. Significant Events and Dates

-- Appraisal Date	:	September 1984
-- Date of Loan Approval	:	12 September 1984
-- Date of Loan Signature	:	28 December 1984
-- Date of Effectiveness	:	22 July 1985
-- Deadline of 1st Disbursement	:	31/12/85
-- Deadline of Last Disbursement	:	31/12/89

II.

PROJECT TITLE	:	ADB Second Line of Credit
LOAN NUMBER	:	BNDT/TN/LC/IND-TOU/88/031
GUARANTOR	:	Government of the Republic of Tunisia
BORROWER AND EXECUTING AGENCY	:	Banque Nationale de Développement Touristique (BNDT)

ESSENTIAL DATA ON THE SECOND LINE OF CREDIT

	Estimate	Actual
-- Amount	BUA 20 million	BUA 20 million
-- Interest Rate	7.55%	7.55%
-- Statutory Commission	0.25%	0.25%
-- Commitment Charge on Non-disbursed Balance	1%	1%
-- Repayment Period	15 years	15 years
-- Grace Period	4 years	4 years

2. Amount Disbursed : BUA 18 943 733
   Undisbursed Amount : BUA 1 056 267

3. Commitment : Full

4. Significant Events and Dates

-- Appraisal Date	: August 1987
-- Loan Approval Date	: 21/03/88
-- Date of Loan Signature	: 01/06/88
-- Date of Effectiveness	: 21/10/1988
-- Deadline of 1st Disbursement	: 31/12/89
-- Deadline of Last Disbursement	: 31/12/93

III. PROJECT TITLE : Third ADB Line of Credit

LOAN NUMBER : B/BNDT/TUN/LIC-TOU/90/38

GUARANTOR : Government of the Republic of Tunisia

BORROWER AND EXECUTING AGENCY : Banque Nationale de Développement Touristique (BNDT)

1. BASIC DATA ON THE THIRD ADB LINE OF CREDIT

	Estimate	Actual
-- Amount	BUA 60 million	BUA 60 million
-- Interest Rate	7.5%	7.5%
-- Statutory Commission	--	--
-- Commitment Charge on Non-disbursed Balance	1%	1%
-- Repayment Period	15 years	15 years
-- Grace Period	4 years	4 years

2.	Amount Disbursed	:	BUA 36,595,500
	Undisbursed Amount	:	BUA 23,404,500
3.	Commitment	:	Full
4.	Significant Events and Dates		
	-- Appraisal Date	:	September 1989
	-- Loan Approval Date	:	12/03/90
	-- Date of Loan Signature	:	24/07/90
	-- Date of Effectiveness	:	26/12/90
	-- Deadline of 1st Disbursement	:	31/12/91
	-- Deadline of Last Disbursement	:	31/12/95

1. INTRODUCTION

1.1 For several years, the Republic of Tunisia has confronted serious economic problems emanating mainly from a high population growth, insufficient natural resources, unequal development of the regions, the limited local market and the climatic and sub-economic constraints that limit agricultural production.

1.2 In view of this situation, the Government in the course of several decades, put in place a number of measures aimed at structurally adjusting and reforming the economic environment in general, and strengthening the competitiveness of sectoral policies both qualitatively and quantitatively.

1.3 Dating back to the '60s, the tourism sector has received priority attention from the Government especially in regard to investments for establishing tourism facilities. The ADB gave its support to the Government's economic recovery actions particularly by extending lines of credits to industrial and tourism development banks. Credit extension mainly to the industrial sector of the economy underscored the need to direct financial resources to the tourism sector. Therefore, the ADB extended three lines of credit to the Banque Nationale de Dévéloppement Touristique (BNDT).

1.4 Since its establishment in 1983, the BNDT has played an active role in financing tourism development. In this regard, it grants loans for the establishment or extension of accommodation facilities, development of entertainment centres and means of transport that go hand in hand with tourism. It also subscribes to the capital of some projects whose shares are ceded at the operating phase.

2. PROJECT BACKGROUND

2.1 General Survey of the Tunisian Economy

The Tunisian economy recorded moderate growth in the past decade, comparative to an average annual rhythm of 7.2% during the 1970's. The combined effect of the fall in petroleum production and prices slowed down the GDP growth to an average 3.7% per annum between 1982 and 1986. The 1987-1989 period recorded a slight improvement, bringing the GDP growth to an average 3.3% per annum. In spite of major efforts made by the Tunisian authorities, 1989 turned out to be rather difficult due to hardy controllable exogenous factors. Poor climatic conditions resulted in a fall in agricultural production and farmers' revenue. Although the direct effects of the Gulf crisis on the balance of payment appeared to be temporary, they would very likely have a major impact on economic growth beyond 1991. The second half of the 80's (1985-1990) marked a crucial stage in Tunisia's economic restructuring aimed at improving its internal financing capacity and international competitiveness.

2.2 The Tourism Sector

2.2.1 The last three decades were marked by steady growth, at world level, of international tourists, but at decreasing rhythms:

9.0% between 1960 and 1970
5.6% between 1971 and 1980
3.0% between 1981 and 1990.

In relation to Tunisia, tourism in the mediterranean region recorded a similar trend, with average annual rates of 8.8%, 4.2% and 3.6% over the same period under review. The various tourism indicators on Tunisia are provided in detail in Annex 2.1.

2.2.2 Tourism Demand: The demand for tourism in regard to Tunisia, expressed in night-stay terms stood at 7.5% and 3.5% per annum for the period covering the last two decades respectively. A slight 2% fall recorded between 1982 and 1983 was overcome with a remarkable increase in activity between 1985 and 1989 borne out of a more favourable international environment and, to a larger extent, the fall in the value of the Dinar and its subsequent devaluation whose stimulating effect was felt all around, rendering the Tunisian tourism product relatively competitive in the Mediterranean region. After a slight slow-down between 1989 and 1990, and a first quarter relatively hamstrung by the Gulf crisis, this year, going by encouraging provisional indicators for the second semester, heralds increased arrival and stay of non-residents.

2.2.3 Eighty-eight per cent (88%) of foreign tourists to Tunisia come from European countries, especially from the EC and Scandinavia. The volume and trend of this demand is largely due to the economic and social conditions in these

countries. Tunisia received an average 3.5% of European tourists in the last decade - a remarkable performance indeed vis-a-vis the region. The demand for tourism in the Maghreb region fluctuates from year to year and is limited to an average 3% of overnight stays.

2.2.4 Eighty-five per cent (85%) of the demand concerns classical and famous locations on the Tunisian coast, namely, the Hammamet, Sousse, Monastir and Jerba areas which attract an average 2/3 of foreign customers every year. The average stay per non-resident tourist is in the region of six nights. Calculated on the basis of the last decade, the occupation rate stands at an average 53.7%. Nearly 70% of the customers go to middle category accommodation facilities corresponding to two and three-star hotels. Improved comfort and quality service have increasingly become soft-spots for attracting tourists. The annual growth in overnight stays recorded by four-star hotels and above have continued to increase since 1988, compared to a slight fall recorded in other categories.

2.2.5 The competitiveness of Tunisia's tourism products, have withstood competition from Costa d'el sol, Greece, Morocco and former Yugoslavia. It became even better with the fall in the value of the Dinar and its subsequent devaluation, and particularly the revaluation of the Spanish currency. Maintaining this competitiveness will in future require management and organization of tourism firms, insofar as inflation is held in check. European tour operators who market nearly 90% of visits to and night-stays in Tunisia, control and direct demand to various Mediterranean regions. They constitute compulsory partners, and impose quality norms and price conditions. Through them, 70% of Tunisia's tourism products have been marketed in just the German, French and English markets in recent years. Going beyond mere accommodation, demand is increasingly attracted by cultural spectacles, sporting and recreational activities adapted to the tastes and needs of customers from well-to-do and developed societies, representative of current trends.

2.2.6 <u>Supply:</u> The development of Tunisia's accommodating capacity which began in the 60s has generally been sustained and regular. This capacity increased from 4,077 beds in 1962 to 35,297 in 1970 and 116,534 in 1990. During the same period, the number of hotels increased from 74 to the current 508. The average capacity per unit has also risen to 229 from 162 in 1990. This remarkable growth has made possible investments which grew from TD 10.1 million in 1962 to TD 118.7 million last year, i.e. an average annual growth of nearly 41%. The private sector controls most of Tunisia's tourism in the wake of the State's successful disengagement between 1965 and 1970.

2.2.7 The current available lodging capacity was constructed, in nearly 85% of cases, in hotels adapted to mass tourism and characteristic of seaside resorts. Although units of four-star and above continue to increase considerably in number and capacity, one to three-star units still account for 4/5 of the capacity of registered establishments. The lodging possibilities offered by luxury units (four-star and above) increased by 18% per annum, compared to 11% for lower category units over the 1987/90 period, indicating an on-going restructuring in

supply. The sharing of the total existing capacity amongst the major tourist areas is relatively balanced and concerns the large seaside resorts developed in the last three decades, namely, Hammamet, Sousse, Jerba and Monastir. Most of these resorts have become saturated and no longer have suitable space for tourism-related activity. New areas (fifteen in all) which have already been marked out will be developed and will provide an additional capacity for 80,000 beds. Implementation thereof is scheduled for the next ten years.

2.2.8 On-going and future consolidation of Tunisia's tourism is done through the supply of additional qualitative entertainment and recreational facilities in order to fully benefit from the advantage of proximity to Europe. Improved catering services, electronic games facilities, recreational facilities, television channels as well as such rich and diversified services as fishing, sailing, golf, horse-riding, etc., have increasingly become some of the rigorous criteria used by tour operators in selecting resorts and hotel units. Tour operators are sought after for their views during the design and construction of any suitable hotel. The renovation and expansion of older units follow the same tendency of investing in quality to ensure that the tourism product offered competes favourably with those in other Mediterranean regions.

2.2.9 A realistic and cautious estimate of the major indicators of European tourism trends suggests a slight improvement in Tunisia's share from 3.5% to 4% at about 1996. An estimated total supply of nearly 26 million night-stays requires the strengthening of the lodging capacity by some 7,000 beds per annum. The corresponding investments for putting up the programmed new hotel units will require an annual TD 200 million between 1992 and 1996.

2.2.10 <u>Sectoral Performance:</u> The tourism sector in Tunisia slowed down somewhat in 1989 and 1990, after recording strong growth two years prior to that period. The recovery in investment, therefore of the lodging capacity, which was stimulated by previously recorded performance, was not accompanied by any significant improvement in such activities as on-resident night-stays and foreign exchange receipts. Although the foreign exchange inflow attributable to the tourism sector decreased by 24% in the past two years, it did cover nearly 56% of the trade deficit in 1990. Tourism activity which represented 26.8% of the export value, has become Tunisia's first source of foreign exchange earnings, way ahead of the petroleum and textile sectors.

2.2.11 The tourism sector accounts for about 50,000 permanent employment positions, to which may be added double that number of workers corresponding to the employment created in other sectors of the Tunisian economy related to tourism (agriculture, industry, art and craft and other services). Investment in this sector represented 5% of the gross capital formation in 1990. In spite of current difficulties, tourism remains a profitable sector of the Tunisian economy and one of its main sources of foreign exchange.

2.2.12 <u>Government Policy:</u> Tourism remains Tunisia's priority sector. The State intervenes by encouraging the private sector to invest, developing basic

infrastructure and establishing conditions that improve the promotion of the country's tourism products. The support of Public Authorities to the sector is governed by an investment edict adopted in 1969 and reviewed in 1986 and 1990. The benefits and guarantees contained therein are applicable to all tourism promoters notwithstanding their status. Tourism investment concerns lodging, entertainment and transport facilities. The sitting of these investments within or outside specially prepared area no longer matters. Temporary authorization is given within one month while the final authorization on the basis of the complete engineering documents can be obtained within two months of depositing them. The establishment, extension, transformation, development and renewal all receive the same attention from a special committee established for the purpose.

2.2.13 Common benefits concern the option for a site in a tourist area, a waiver for registering for 10 years, a tax rebate of up to 70% of the profit reinvested in so-called decentralization areas meant for the saharan regions as a whole, in addition to the suspension of VAT on the capital equipment for approved projects. With regard to lodging activities, the State directly assumes the responsibility of providing necessary infrastructure within the project site. Provision has also been made to peg the interest rate to a maximum 3% for medium and long-term loans up to 60% of the investment cost, a study subvention and a minimum 10% tax on the profit. All extension of the lodging capacity by 20% and above is now considered as a creation, compared to 30% previously. Decentralized areas give right especially to a 4% interest rate rebate and a two-year extension on the tax waiver. Tourism investments in the saharan regions receive a 5% interest rate rebate and study subventions at highly favourable conditions. New promoters, i.e. promoters developing their first unit, may receive loans covering up to 75% of the investment and a 4% to 5% interest rate rebate, depending on the project site, but for a capacity of not more than 140 beds. More favourable conditions may be accorded by agreement for larger tourism investments. The Office Nationale du Tourisme Tunisien (National Tourism Department) (ONTT) is responsible for monitoring and supervising the sector, and for coordinating departments concerned with its operation.

2.2.14 The implementing orders stipulate the organization of the committee for the extension of benefits, conditions for tourism financing, so-called decentralized tourist areas, the saharan regions and modalities for extending study subvention. Since May 1990, the edict's benefits can only be granted when the capital base represents at least 40% of the cost of investment for lodging) 30% in the saharan region and in relation to tourism transport and entertainment, 25% in the case of new promoters, 20% for equipment renewal during a major extension and only 15% in regard to activities, entertainment or transport benefitting from supplier-credit. Study subvention aimed at encouraging aesthetic and art works was fixed at 4% of the investment cost off-site by the regulation in force since January 1991. Tunisia's public authorities have become increasingly worried by certain activities in disregard to nature and the image of touristic sites such as household refuse and their disposal, and pollution in some coastal regions. The preservation of the environment has become of priority in view of the strong relationship it has with the selection of tourist destinations. Provisions have been

made for the adoption of measures in this regard, in collaboration with affected municipal authorities.

2.2.15 For the subsequent plan (1992-1996) nearly TD 76 million will be set aside for studies, research and prospection of possibilities in the international tourism market. This promotion activity to which some competing countries allocate up to 3% of their tourism income has become imperative, even as the need for more rigorous professional training in order to improve the quality of services. In addition to major efforts so far made, such training should be dispensed to one of two employees and will cover two years instead of the current span of one year. A new centre has been scheduled to open in Ain Draham.

2.3 <u>ADB Lines of Credit</u>

Between 1984 and 1990, the BNDT received three lines of credit from the ADB.

2.3.1 Study for the first line of credit of UA 30 million was undertaken in July 1983, and the appraisal updated in September 1984 before being approved by the Board in December 1984. The ADB loan, first of its kind to the tourism sector, became effective in July 1985. The line of credit has been fully committed and disbursed. The first repayments by the BNDT have already been made; subsequent repayments are progressing normally.

2.3.2 The second ADB line of credit of BUA 20 million was appraised in August and December 1987. The Board approved the project in March 1988 and the loan became effective in October 1988. The line of credit has been fully committed and 94.7% disbursed as at end of February 1992.

2.3.3 The third line of credit of BUA 60 million was appraised in September 1989 and approved by the Board in March 1990. The loan became effective in December 1990 and has been totally committed. As at end of February 1992, disbursement stood at 61%.

3. THE BNDT

3.1 Institutional Framework

3.1.1 The BNDT was established in 1983 following changes in the bylaws of the Compagnie Financière et Touristique (Financial and Tourism Company (COFITOUR), itself established in 1969; the BNDT assumed the responsibilities of the latter. The first series of changes in COFITOUR's bylaws were made in 1978 and concerned the inclusion of real estate financing (for commercial and office use) in its operations. In 1982, a second change transformed the COFITOUR into an investment bank, in accordance with the Tunisian law in force, authorized to grant loans and make borrowings. The name "Banque nationale de dévéloppement touristique" dates back to 1983.

3.1.2 The BNDT is a public company with headquarters in Tunis. In accordance with Tunisian banking laws, the BNDT may support the development of tourism in Tunisia by extending medium and long-term loans for the promotion, establishing, extension and modernization of tourism establishments and related activities. The Bank could also subscribe shares in existing companies or those to be established that receive its loans, with a view to strengthening their capital base. The BNDT is financially and legally autonomous.

3.1.3 BNDT's share capital has remained at TD 30 million since 1984 when the last capital increase was undertaken. Its debt - equity ratio is acceptable and it does not need to proceed with new borrowings to meet its commitments. Tunisian shareholders, including the State and certain institutions hold 51.45% of the six million shares. Other shareholders are foreigners and hold 48.55% shared out mainly among the Kuwait Estates Investment Consortium (31.65), the Caisse centrale de cooperation économique (5%), the Arab Investment Company (4.3) and the International Finance Corporation (3.33%). The list of shareholders is reproduced in Annex 3.1.

3.2 Organization and Management

3.2.1 The BNDT possesses two main decision-making organs, namely, the Board of Directors and the Executive Committee. The Board takes the major decisions concerning its operational policy; it is vested with the authority to review the general policy declaration and to undertake all reorganization which it deems necessary. The Board meets four times a year, ratifies decisions taken by the Executive Committee and considers loans of TD 500,000 and above. The Chairman of the Board is chosen from the 15 Directors on proposal from the Tunisian Government and his mandate is for six years. The Executive Committee is composed of resident Directors and meets two to three times between Board meetings. It decides, on authority, on all loan applications not exceeding TD 300,000 (this ceiling was raised to TD 500,000 in March 1989, following the trend in the size and cost of projects presented to the BNDT). The action of raising the ceiling was appropriate since it introduced more flexibility and efficiency in the decision-making process concerning the granting of loans. The Chairman who also

serves as the Director-General sits over the deliberations of the Board and of the Executive Committee.

3.2.2 The Director-General is entrusted with the responsibility of running the BNDT. He acts on its behalf and undertakes all operations concerning the institution. He is responsible for implementing the Board's decisions and renders account to same. The current Director-General, a Tunisian, was appointed in 1989. He is a trained economist with 30 years of banking experience in Tunisia and abroad.

3.2.3 The structures of the BNDT have been reviewed since 1983 to adapt the institution to the coordination and efficiency needs necessitated by the nature of its operations. BNDT's organization chart is reproduced in Annex 3.2. The last major reorganization was undertaken towards the end of 1988 and concerned the regrouping of the Bank's departments into general directorates - one responsible for projects and operations, the other in charge of administration and finance. Their supervision was handed over to two Deputy Director-Generals, with an average 20-year experience in the BNDT and university qualification. They receive directives from the Chairman and are directly accountable to him. However, the audit and inspection directorate remains under the Director-General; the legal directorate is now part of the general directorate of project and operations.

3.2.4 The General Directorate of Projects and Operations consists of three directorates (Projects, Operations, Legal) which are in turn organized into the operational, development, studies and investments, portfolio management and recovery, claims and guarantees departments. This general directorate boasts 35 senior managers including 11 economists, four engineers, seven financiers, five lawyers and two accountants, all with an average 10-year banking experience. The directorate will be strengthened next year with four additional managers in view of the envisaged expansion of investments and the pipeline.

3.2.5 The General Directorate of Administration and Finance also comprises three directorates (Administration, Finance, Accounts and Computer), each with two departments. It has 22 senior managers and will be reinforced with the recruitment of one computer engineer, one financial manager and one administrative manager.

3.3 Staff and Training

3.3.1 Over the past few years, BNDT's staff strength increased steadily even as the volume of its commitments and trend of its portfolio. Between 1987 and 1991, it recorded a net 11.3% increase, with 11 recruitments, nine of them operational managers. Recruitment is undertaken on the basis of tests and interviews directed by the Bank's officials, and results thereof are submitted to the General Directorate for approval. As at end of August 1991, BNDT had 121 staff members including 66 managers and management staff. The manpower breakdown is given in Annex 3.4.

3.3.2 Generally, the staff strength is stable and workers are adapted to BNDT's specialized activity, its work procedures and methods. Internal promotion has led to loyalty to the institution and most of the officers have built their career therein, each counting a decade or more on average. The training ratio has been steadily strengthened in the last five years and stood at 56% as at end September 1991, compared to 47.7% in 1987.

3.3.3 Training and skills improvement courses are regularly organized for staff on the basis of identified needs annually. A good number of staff have benefitted from training courses both in Tunisia and abroad.

3.4 Policy and Procedures

Policy

3.4.1 BNDT's operational policy is guided by a general policy declaration adopted in 1969 and which is subject to amendments whenever the Board of Directors deems it necessary. The BNDT sticks religiously to this document which is reproduced in Annex 3.5. Tourism constitutes its priority sector of operation representing 70% of its accumulated operations. The financing of the construction of commercial and office premises although forming part of its social mission has so far only received one operation since BNDT's inception. This activity was suspended by the Board in 1980 due to fluctuations in financing conditions in the market which could not be passed over to a clientele used to fixed lending conditions. BNDT extends loans to private firms whose projects offer the necessary guarantees of proper management and prospects of satisfactory profit. Apart from these operations which may in the long or medium-term concern establishment, extension or equipment renewal, the BNDT subscribes shares with a view to provisionally strengthening the equity base of its customers' firms. Such participation is ceded during the project's peak period, often with substantial value-added. The BNDT has never financed more than 60% of the total cost of any one project, nor has it ever subscribed more than 15% of the shares of any given firm. Finally, none of its project operations has ever gone beyond 15% of its share capital which is the limit fixed by its general policy.

3.4.2 Apart from cases involving para-tourism units (travel agencies, car hiring services and restaurants), the actual duration of loans is an average 15 years, i.e. the maximum period stipulated in BNDT's policy declaration, in light of the character of tourism investments. The grace period varies from two to three years depending on the conclusions reached in the appraisal report. Loans attract a fixed interest rate which had to be reviewed due to economic policy constraints. After a short experiment with varied rates between 1988 and 1989, the BNDT went back to a fixed rate which was slightly increased from 13.50% to 14% in November 1990. It should be recalled that this rate is generally accompanied with rebates of up to 5% as part of incentives extended by the State to encourage the tourism sector. Most projects approved by the BNDT have benefitted from such rebates. This action reduces the rate actually borne by the clientele to a 9% to 12% range.

3.4.3 The BNDT rarely finances a project alone ever since it adopted a policy to cofinance with other development or commercial banks. The systemizing of this financing model has reduced its commitment level per project, increased the number of operations that it has undertaken and enabled it to diversify its portfolio.

Exchange Risk

3.4.4 Exchange risk related to external borrowers contracted by the BNDT to finance its operations in the tourism sector was entirely borne by the Tunisian State up to end 1987. Since then, a new mechanism has been set up to gradually have the end-users assume the cost of such a risk, except for development activities in which tourism financing forms part. Henceforth, it is the responsibility of the Central Bank of Tunisia (BCT) to provide real exchange risk cover through a contribution negotiated with the affected banking system. In relation to the use of successive ADB lines of credit extended to the BNDT, exchange risk cover has so far been provided through a flat counterpart 1% commission on the amount of loan extended to customers, deducted at the first disbursement, and a 2% to 3% contribution integrated into the structure of the interest rate on the same project. Risk management is, therefore, increasingly being borne by the final borrower, although within the limit of interests and commissions agreed to during the signature of the loan agreement. In light of the structure of the interest rate in force (14%), 2% goes to servicing exchange risk for the third ADB line of credit, compared to 2.2% for the second line of credit.

Procedures

3.4.5 The BNDT has a procedures manual prepared in 1983 which assembles details on the major operations, especially those concerning studies and appraisal, follow-up and disbursement. In all, such procedures have been gradually fine-tuned through organization briefs, and have been rigorously applied.

3.4.6 The BNDT keeps close watch over trends in world tourism through reports issued regularly by the development department. Study on major trends in the sector and identification of investment opportunities enable the BNDT to promote, single-handedly or in association with other institutions, new tourism projects and products in response to international demand.

3.4.7 Projects soliciting BNDT's support are thoroughly appraised. After introducing a loan request, a first investment brief is sent by the Studies Department to general management for its views. Since 1989, a request for information on the customers has systematically been made to the Risks Department of the Central Bank of Tunisia, especially to respond more appropriately to information required by the ADB. A second and more detailed opportunity brief indicating the status of the dossier is then sent to general management for consideration. Selected projects are appraised by loans officers and subsequently discussed by a Project Committee which brings together all relevant officials (Projects, Operations, Legal and Financial), before being presented

for the Executive Committee's approval for amounts of up to TD 500,000 and for the Board's approval for larger amounts.

3.4.8 Loans are granted after the preparation of contracts and other lending documents, registration of guarantees and signing of contracts under the supervision of the Legal Department. Guarantees are provided para-passu with other Tunisian funding agencies, due to the nearly systematic cofinancing, and often includes the joint and several guarantee of shareholders, in addition to the usual mortgages and pledges. This generally seems prudent and justifiable in relation to 15-year loans.

3.4.9 Disbursements, corresponding to the amounts in the loan agreement, are done according to scheduled tranches and on the basis of supporting documents presented by the promoter. These documents should agree with the content of the appraisal report and would have been approved by the departments responsible for site monitoring and on-going constructions. The disbursement procedures have, since 1986, concerned the two general directorates (Projects and Finance) both of which should have their say before the project document is forwarded to the General Directorate. Prior to now, only the general directorate in charge of projects handled disbursement requests. The change in 1986 brought about additional monitoring which was lacking. It should also be emphasized that this procedure is backed with the technical reports prepared by the coordinating and supervisory offices which regularly monitor implementation. The BNDT makes this mandatory before giving its support.

3.5 Monitoring and Supervision

3.5.1 Project monitoring starts as soon as the loan agreement is signed. It is carried out both through documents and site inspection throughout the implementation period and especially before each disbursement. Monitoring is the responsibility of the Investments Department and is done with detailed reports accompanied with photographs giving concrete illustration of the status of the project. All projects are monitored and, generally, the same procedures are used. Overruns are often estimated and analyzed well before the first disbursement, resulting in the reappraisal of the programme by the relevant departments.

3.5.2 Coming under the Portfolio Management Department, supervision of projects under implementation is carefully planned with priority given to units undergoing difficulties. Supervision missions comprise visit to promoters, collection and analysis of necessary documents. Conclusions arrived at by these missions are made in reports and, where necessary, advice is given to the customers in league with the other funding agencies. Generally, project monitoring and supervision are satisfactorily carried out.

3.6 Accounts and Auditing

BNDT's accounts are fully computerized, well kept and organized. Quarterly statements comprising an analysis of all headings are prepared for the

Board of Directors. Therefore, at the end of each financial year, closed accounts are audited by an external auditor recognized by Tunisia's Association of Chartered Accountants and Auditors. The auditor forwards two reports (general and special) to the shareholders which are presented during the Annual Ordinary Meeting, in accordance with the commerce law. The auditor's mission is to express an honest and fair opinion on the status of account and financial statements and to prepare a report to be forwarded to the Board of Directors and funding agencies. The report in question comprises, in addition to the auditor's opinion, the financial statements and additional information presented in accordance with international accounting norms.

3.7 Analysis of Past Operations and of the Portfolio

Past Operations

3.7.1 BNDT's operations from 1985 to 1990 may be summarized as follows:

Table 3.1
Summary of BNDT Operations (1985-1990)
(in TD million)

	1985	1986	1987	1988	1989	1990	TOTAL
1. Approvals							
- 1984 Estimates	24	24	26.5	32	-	-	-
- 1987 Estimates	-	-	-	12.5	14	15.5	-
- 1990 Estimates	-	-	-	-	-	40	-
- Actual	21.6	10.7	10.8	47.5	76.9	88.1	255.1
2. Commitments	14.1	10.3	10.3	17.1	26.6	71.4	149.8
3. Disbursements	22	15.8	14.4	16.1	20.1	45.9	134.3

3.7.2 The total financing approved by the BNDT for the financial year ending 31 December 1990 stood at TD 255.1 million. Investments on tourism recorded a net decrease with approvals amounting to TD 10.7 million, compared to TD 21.6 million in 1985, i.e. a 50.5% decrease, and stagnated in 1987. Operations from 1985 to 1987 were below estimates made in 1984. The fall in investments is due to the economic crisis which affected the tourism sector in 1986 and the decreasing demand for tourism mostly set on by the events which took place in the Mediterranean basin. In 1988, approved investments in tourism quadrupled compared to 1987 mainly because of the new political climate which appeared around that year. This favourable trend was also due to BNDT's mobilization efforts for local and external resources. The spectacular recovery in investments continued into 1989 and 1990. Indeed, investments increased from TD 47.5 million in 1988 to TD 76.9 in 1989 and TD 88.1 million in 1990. Operations between 1988 to 1990 were higher than those for the three previous estimates.

3.7.3 The sectoral breakdown of BNDT approvals indicates 95% for the tourism sector which comprises hotels and tourism-related activities. Other related sectors account for the remaining 5%. As at the end of 1990, the total number of tourism projects financed by the BNDT since its inception stood at 450.

3.7.4 Commitments and disbursements followed the same trend as for approvals. They decreased between 1986 and 1987, then began to steadily increase from 1988. Commitments and disbursements for the 1985 to 1990 period stand at TD 149.8 million and TD 134.3 million respectively. The average commitment/approval and disbursement/commitment ratio for the period under review was 58.7% and 89.7% respectively. The low average commitment ratio is due to the effects of the fall in commitments recorded in 1986 and 1987. The average disbursement ratio is satisfactory.

Portfolio

3.7.5 Customer support grew appreciably. It increased from TD 28.6 million in 188 to TD 135.1 million in 1989 and TD 152.4 million in 1990, i.e. a 5% and 12% growth rate in 1989 and 1990 respectively. As at 30 June 1991, it rose to TD 166.5 million - a 9.3% increase in 6 months. Ninety-eight (98%) per cent of the portfolio or thereabout goes to the tourism sector. The balance represents BNDT's operation in other sectors, especially in real estate. The institution is now directing all its efforts to the tourism and related sectors. Statistics on the portfolio are presented in Annex 3.6.

3.7.6 Arrears of more than six months stood at TD 21.4 million as at 30 June 1991 compared with 16.9 million as at 31 December 1990 and TD 23.6 millions as at 31 December 1989. These areas are largely attributable to the single real estate operation undertaken by the BNDT in 1978 and 1980, and represent 50% of outstanding areas, whereas its share of the total portfolio is only 1.1%. The BNDT is convinced it can recover all the debt should it choose to sell mortgaged property since real estate has recorded high value-added in Tunisia between 1980 and 1990. Moreover, the operation in question is guaranteed by the State. The quality of the tourism-related portfolio is good. Indeed, the arrears/loan ratio in the tourism sector stood at 6.4% in 1991 compared to 6.9% in 1990 and 9.1% in 1989. Arrears of more than a year stood at TD 4.6 million as at 30 June 1991 and represent 2.8% of the total outstanding debt. Therefore, the portfolio of the tourism sector is in good shape. Moreover, the arrears on the first, second and third ADB lines of credit represent 8.1%, 3.7% and 0.5% of the outstanding loans respectively.

3.7.7 Total reserves for risk on loans rose from TD 9.7 million in 1989 to TD 14.2 million in 1990. The reserves covered 53.6% of arrears in 1990 compared to 51% in 1989. The BNDT fixes its allocations to reserves after considering its customers' financial situation, their development prospects and after the appraisal of collaterals given as guarantee for loans. In light of property mortgaged, this reserve is sufficient. Differed premium stood at TD 2.9 million as at 31 December 1990.

3.8 Financial Analysis for Previous Years

3.8.1 This financial analysis is based on the financial statements certified by an internationally known firm of chartered accountants and approved by the Board of Directors for the 1987-1990 financial years. Annexes 3.7, 3.8 and 3.9 contain details of these statements as summarized in the following tables.

	1987	1988	1989	1990
Interest on Loans	13.6	14.4	15.2	17.7
Other Income	1.4	2.6	8.4	9.7
Total Income	15.0	17.0	23.6	27.4
Financial Charges	10.8	11.0	12.0	15.5
Staff Expenses	0.9	1.0	1.1	1.3
Reserves	1.9	1.2	3.2	4.5
Other Charges	0.7	0.7	0.7	0.8
Total Charges	14.3	13.9	17.0	22.1
Net Profit	0.7	3.0	6.6	4.9
Average Debt	143.0	147.0	147.0	157.0
Income/Average Debt (%)	10.4	11.6	16.0	17.5
Charges/Average Debt (%)	10.2	9.4	10.6	14.0
Result/Equity (%)	1.9	8.0	15.1	11.35
Staff Expenses/Charges	6.4%	7.2%	6.4%	5.9%

Performance

3.8.2 Income increased steadily in the last four years, from TD 15 million in 1987 to TD 17 million in 1988 and TD 23.6 million in 1989, i.e. a 13.3% and 38.8% increase in 1988 and 1989 respectively. In 1990, income grew to TD 27.4 million, i.e. a 16.1% increase compared with 1989. This income basically comes from loan products which account for an average of 76% of the total income, and from value-added on stock transfers, the latter representing 13.1% of the medium term portfolio in 1990 compared to 9.8% in 1987. This is partly due to the increase in interest rate.

3.8.3 Operating expenses increased from TD 13.9 million in 1988 to TD 17 million in 1989 and TD 22.1 million in 1990, i.e. an increase of 22.3% and 30% in 1989 and 1990 respectively. The heading which took the lion share (average of 74% of the charges) was "Financial Charges." These financial charges are largely due to the increase in expenditures. Indeed, the financial charges/ medium-term portfolio ratio stood at 9.2% in 1990 compared with 7.7% in 1989 and 7.3% in 1988. Other charges remained within reasonable limits. Staff expenditure, for example, represented 5.9% of operating expenses in 1990 compared with 6.4% in 1987.

3.8.4 The net results showed a surplus in the past four years. They rose from TD 3 million in 1988 to TD 6.6 million in 1989 and TD 4.9 million in 1990.

The results/equity capital ratio stood at 11.3% in 1990 compared with 15,1% in 1989. The decrease in 1990 is partly due to the increase in the cost of resources and the remarkable fall in profit representing the value added on investments.

3.8.5 The performance given above outstripped the estimates. The 1989 results were as follows (in TD million).

	1987	1988	1989	1990
-- Estimated Results	0.24	0.73	1.92	2.65
-- Actual Results	0.7	3.0	6.6	4.9

This bright performance is due to the fact that the products grew more rapidly than the charges.

Financial Structure

3.8.6 BNDT's balance sheets for the 1987/1990 financial years are given in detail in Annex 3.8 and summarized hereunder.

	1987	1988	1989	1990
ASSETS				
Net Fixed Assets	4.9	5.4	8.3	17.5
SLT Loans and Interests	121.1	125.7	124.3	145.0
Available Liquid Assets	53.0	51.6	73.2	86.0
TOTAL	179.0	182.7	205.8	248.5
LIABILITIES				
Capital	30.0	30.0	30.0	30.0
Reserves	5.6	8.6	13.7	16.9
SLT Debts	104.8	105.2	121.5	148.7
Short Term Repayment	38.6	38.9	40.7	52.9
TOTAL	179.0	182.7	205.9	248.5
Permanent Capital/ Fixed Assets	111.4%	109.7%	124.0%	120.4%
Equity capital	294%	272 %	278%	317.4%

3.8.7 The total balance increased from TD 179 million in 1987 to TD 182 million in 1988 and TD 205.9 million in 1989, i.e. a 2.1% and 12.7% increase in 1988 and 1989 respectively. The total balance in 1990 stood at TD 248.5 million, that is to say an increase of 20.8% compared with 1989. The favourable trend is mainly due to the increase in loans portfolio and investments which represented an average 64% of the total assets. This indicates the level of progress in BNDT's operations. Liquid assets have constituted the second heading under assets since 1989 and come largely from promoters' self-financing required by the BNDT before

the disbursement of loans. This enables the BNDT to have a large income from investments.

3.8.8 The most important liability headings are those on medium and long-term debt which account for an average 60% of the liabilities, considered to be reasonable. The medium and long-term debt/equity capital ratio was 317% in 1990 compared with 294% in 1987. The BNDT may yet incur more debt since the generally accepted ratio is eight times the amount of the equity capital.

3.8.9 BNDT's financial structure is balanced and in good shape. The investment capital largely covers the fixed assets. The investment capital/ fixed asset ratio was 120.4% in 1990 compared with 111.4% in 1989.

Resources - Application

3.8.10 The resources-application table is provided in Annex 3.9. In 1988 application grew faster than the resources since the latter increased by TD 3.4 million and the former by TD 5.1 million. Consequently, the structural surplus decreased from TD 14.4 million in 1987 to TD 12.7 million in 1988. This is due to the increase in the loans portfolio.

3.8.11 In 1989 and 1990, resources increased faster than their application, the latter increasing from TD 1.5 million in 1989 to TD 29.9 million in 1990, while the former grew from TD 21.4 million in 1989 to TD 30.4 million in 1990. Consequently, the structural surplus increased from TD 12.7 million in 1988 to TD 32.6 million in 1989 and TD 33.1 million in 1990. This favourable trend is due to the increase in medium and long-term debt and indicates BNDT's capability to mobilize resources that it needs for undertaking its programme of activity.

4. EVALUATION OF THE THREE LINES OF CREDIT

4.1 First ADB Line of Credit

4.1.1 The BNDT was extended UA 30 million as ADB's first line of credit in 1984. The line of credit has been fully disbursed and with it, 82 projects in the tourism sector were financed. All these projects are now operational. With this loan, total investments with UA 225 million were made and 5,700 permanent employment positions created. But for a few para-tourism units (two golf courses, three car hiring services, three restaurants, one tourist transport company), 89% of the ADB financing was directed towards increasing the accommodation capacity of hotels and clubs. The list of sub-projects undertaken figures in Annex 4.1.

4.1.2 Small and medium-size units (500 beds and below) took 88% of the line of credit compared to eleven projects with an accommodation capacity of more than 500 beds. This first line of credit allowed for the construction of 70 new units and the extension/renovation of 12 existing units. The additional accommodation capacity created by this line of credit amounts to 11,800 beds at an average investment of TD 18,045 per bed. Projects carried out in the Sousse, Hammanet and Tunis regions account for 83% of the line of credit.

4.1.3 Arrears on loans concerning this line of credit stood at TD 3 million as at end September 1991 out of a total TD 38.1 million disbursed (i.e. 8%) and mainly affected four (4) projects with temporary problems (Société nouvelle des villages de vacances - SNVV - and the Ribat) or start-up difficulties (Molka and Tennis Meditérranée). In regard to the SNVV, a year's delay in commencing operations and poor management led to excessive short-term debt; the situation is gradually improving. The Ribat which combines a hotel and a guest house went through certain difficulties and had to be transformed into a three-star hotel. This brought about over-expenditures which had to be financed at the expense of debt servicing. Work is still in progress and re-opening was fixed for November 1991. In both cases, their debt servicing will have to be restructured to reflect the results which fall below estimates (MOLKA Hotel). No real problem exists for the other projects financed with this line of credit. Most of the units visited are in operation and are being managed by competent promoters and managers. Mobilization estimates have been achieved.

4.2 Second ADB Line of Credit

4.2.1 The second ADB line of credit of UA 20 million extended in 1988 was fully disbursed within 16 months - a remarkable record indeed. In all, 33 projects (25 new establishments, six extensions and two renovations) were financed with the line of credit, corresponding to total investments of UA 104.7 million and the creation of 2,240 programmed jobs. The list of sub-projects is provided in Annex 4.2. Accommodation received 98% of the committed amount, while only 2% went to para-tourism activities (two conference/reception centres and a restaurant). As at end September 1991, twenty projects were already operational. In six of these visited, qualified and capable managers were in charge.

4.2.2 According to BNDT's Monitoring Department, most of the units nearing completion should become operational by the end of this year. All the tourism regions benefitted from projects under this line of credit with the Sousse and Hammamet regions receiving half of them (17 units), thus recording an additional accommodation capacity of 8,000 beds. As at end September, 1991, arrears on loans extended from this line of credit stand at TD 0.9 million out of TD 24.5 million disbursed, (i.e 3.7%) and mainly affected two projects (Kheops Hotel and SHTAA) which are less than one year behind in payment. Late opening made worse by the crisis in the tourism sector forced the BNDT to review the Kheops Hotel's repayment schedule. Similarly, repayment difficulties encountered by the Société hotelière tunisienne arabo-africaine (SHTAA) which manages the Oriental Palace (4-Star) necessitating the BNDT to review the company's repayment schedule can be traced to the negative consequences of the hotel's late start of operations. Commitments undertaken were in accordance with estimates and mobilization satisfactorily done.

4.3 <u>Third ADB Line of Credit</u>

4.3.1 Approved in June 1990, the third line of credit to the BNDT for UA 60 million was used in financing 52 projects. Accommodation will absorb 96% of the total amount which has so far been disbursed by 60% as at end September 1991. New establishments are nine times more than the extensions (47 units compared to 5 extensions), while small and medium-size projects number 32 (60%). The projects concerned are: Hammanet (12), Jerba (12), Sousse (8) and Monastir (8). None of the projects under this line of credit had begun as at end September 1991. Start-up of the first units is scheduled for 1992 in accordance with the implementation schedule. On completion, the projects will provide an additional accommodation capacity of 15,700 beds and create 6,000 work positions. Registration and disbursement are progressing normally.

4.3.2 The three ADB lines of credit were meant to contribute to the development of the tourism sector by increasing the accommodation capacity through additional investments, creation of new jobs and increase in tourism income. This objective has been attained to a good extent. Indeed, the three lines of credit have contributed to the creation of 16,940 jobs and the provision of about 24,000 beds.

5. PERFORMANCE OF THE BNDT AND OF THE ADB

5.1 Performance of the BNDT

5.1.1 The BNDT has a very large absorptive capacity. Disbursements for the second and third lines of credit were rapid, after delays recorded during that of the first. The BNDT used the three lines of credit in full respect of the conditions agreed to with the ADB. It has acquired a good understanding of ADB procedures.

5.1.2 Projects are thoroughly appraised and selected in line with conditions of viability and profitability which ADB financing requires. Monitoring is regular and disbursements are only made after satisfactory justification and verification procedures. Additional loans extended for use in financing cost overruns (between an average 8% and 9% vis-a-vis estimates) are technically and financially justified. The BNDT has managed to keep such overruns within accepted limits and participates in their financing cautiously and selectively.

5.1.3 The loans extended are for practically the same duration as ADB loans (15 years), for 95% of the portfolio. The planning of project implementation and operation periods is undertaken by BNDT departments, and delays recorded are of less than three months. All the project for the first line of credit and 2/3 of the second are in their operational stage. The implementation and completion of the remaining projects continue satisfactorily in spite of some negative effects of the Gulf crisis.

5.1.4 The BNDT supervises its portfolio satisfactorily and extends help to projects in difficulty in collaboration with the other funding agencies. The amount of arrears in relation to the first two ADB lines of credit remains very low. BNDT's participation in the capital of several units enables it to solve some problems on time. The BNDT, however, does not send regular quarterly supervision reports to the ADB.

5.1.5 The benefits and the support of Tunisia's public authorities to tourism contributed to encouraging investments in the sector and BNDT's active involvement. Thorough monitoring undertaken by tourism authorities, dissuasive sanctions whenever commitments are not honoured ranging from lowering categorical classification to loss in benefits and incentives provided, have helped to maintain a satisfactory management of tourism entreprises.

5.2 Performance of the ADB

5.2.1 The study and approval of sub-projects were undertaken satisfactorily. Disbursements were long for the first line of credit; disbursement rhythm, however, improved considerable for the second and third lines of credit.

5.2.2 Only one supervision mission for the three lines of credit was undertaken in October 1989. This was flagrantly insufficient in view of the number of projects financed with the said lines of credit. On the other hand, a follow-up mission and a financial supervision mission was undertaken every year.

6. CONCLUSION AND RECOMMENDATIONS

6.1 Conclusions

6.1.1 The BNDT has an effective capacity for mobilizing ADB lines of credit. Registrations are rapid and disbursements made within an acceptable period in spite of the unfavourable economic climate that has reigned these past years.

6.1.2 The careful selection of projects to be financed with the lines of credit and their regular supervision have limited the number of problematic cases and reduced the volume of arrears to the barest minimum.

6.1.3 The objectives for extending these three lines of credit have been largely met. With them, the accommodation capacity has been enlarged by an additional 35,500 beds and 13,940 permanent jobs created. The lines of credit have directly or indirectly contributed to improving foreign exchange inflow.

6.1.4 The BNDT is well managed and its financial structure is in good standing. The quality of its portfolio is satisfactory. It is supported by the Government and presents very little risk.

6.2 Recommendations

A. For the BNDT

The mission recommends:

forwarding to the ADB of quarterly supervision reports in accordance with commitments made by the BNDT.

B. For the ADB

The mission recommends that the ADB should:

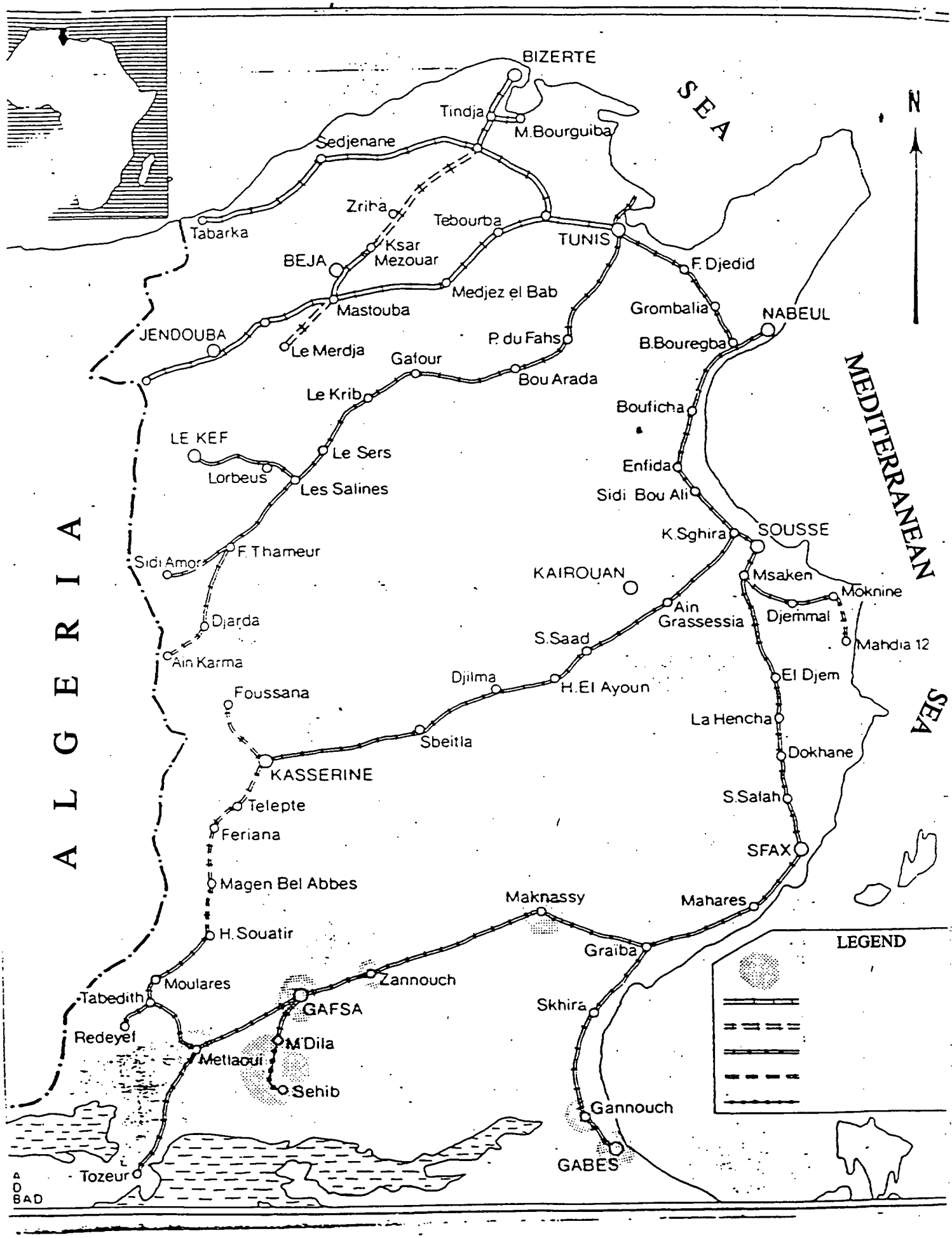
i) regularly supervise the lines of credit;

ii) implementation of a study on the tourism sector and an appraisal of the impact of its intervention in the said sector.

This study is necessary since the ADB has participated significantly in Tunisia's tourism sector by granting four lines of credit to the BNDT for a total BUA 240 million. Moreover, the larger part of its loans amounting to BUA 113 million extended to other Tunisian banks, was also directed to that sector.

TUNISIA

ANNEX 1



BNDT - COMPLETION REPORT ON THREE LINES OF CREDIT
TREND OF INDICATORS OF TUNISIAN TOURISM (1962-1990)

Source : O N T T

YEAR	INVESTMENTS	INDEX	NUMBER OF ESTABLISHMENTS	BED CAPACITY	DIRECT EMPLOYMENTS	INDEX	ENTRY BY NON-RESIDENTS	INDEX	NIGHTS PASSED BY NON-RESIDENTS	INDEX	NIGHTS PASSED BY RESIDENTS	AVERAGE DURATION OF STAY	OCCUPATION RATE	INCOME IN FOREIGN EXCHANGE	INDEX	INCOME PER NIGHT IN DINARS	INCOME PER BED IN DINARS
1962	10.141	100	74	4.077	1.631	100	52.752	100	395.777	100	244.642	7,5	58,2	1.970	100	5,0	483
1963	16.772	165	84	5.743	2.297	141	104.731	199	540.759	175	211.348	5,2	45,7	3.700	188	6,8	644
1964	29.636	292	91	7.573	3.029	186	138.238	262	694.374	175	212.628	5,0	44,0	5.300	269	8,1	700
1965	40.675	401	85	8.726	3.490	214	165.840	314	1.129.416	285	190.737	6,8	50,0	9.200	467	8,1	1.054
1966	51.307	506	118	14.484	6.194	380	218.817	415	1.636.881	414	204.841	7,5	40,0	13.600	690	8,3	939
1967	62.417	615	149	17.996	7.198	441	231.088	438	2.030.086	513	225.239	8,8	46,4	16.433	834	8,1	913
1968	79.412	783	173	23.263	9.305	571	330.284	626	3.082.313	779	261.927	9,3	56,4	22.168	1.125	7,2	953
1969	94.304	930	196	30.421	12.168	746	373.320	708	3.406.422	861	274.122	9,1	50,9	26.101	1.325	7,7	858
1970	108.800	1.071	212	35.297	14.119	866	410.749	779	3.819.616	965	295.367	9,3	46,7	31.600	1.604	8,3	895
1971	126.600	1.247	226	41.252	16.500	1.012	608.206	1.153	5.821.090	1.479	296.468	9,6	56,7	53.800	2.731	9,2	1.304
1972	150.300	1.482	242	46.306	18.522	1.136	780.350	1.479	6.777.779	1.713	326.548	8,7	57,6	68.437	3.474	10,1	1.478
1973	174.700	1.723	254	52.924	21.170	1.298	721.897	1.368	5.882.497	1.486	371.056	8,1	43,7	72.395	3.675	12,3	1.368
1974	187.900	1.853	260	55.748	22.299	1.367	716.003	1.357	5.636.385	1.424	436.585	7,9	41,2	80.873	4.105	14,3	1.451
1975	196.200	1.935	273	62.397	24.959	1.530	1.013.851	1.922	8.652.556	2.186	520.344	8,8	53,7	115.158	5.846	13,0	1.846
1976	205.700	2.028	285	63.333	25.333	1.553	977.818	1.854	8.898.029	2.248	678.288	9,1	51,0	126.918	6.443	14,3	2.004
1977	216.200	2.132	288	64.097	25.639	1.572	1.015.966	1.926	8.117.577	2.051	686.868	8,0	47,1	139.439	7.078	17,2	2.175
1978	233.400	2.302	290	66.059	26.424	1.620	1.141.942	2.165	8.804.945	2.225	651.310	7,7	50,0	169.691	8.492	19,0	2.524
1979	243.400	2.400	306	68.843	27.537	1.689	1.355.951	2.570	11.170.943	2.823	846.073	8,2	59,1	219.186	11.126	19,6	3.184
1980	275.038	2.712	319	71.529	28.612	1.754	1.602.054	3.037	12.097.984	3.057	694.394	7,6	60,0	259.703	13.183	21,5	3.631
1981	308.698	3.044	336	75.847	30.339	1.860	2.150.996	4.078	12.507.186	3.160	720.332	6,4	59,4	295.200	14.985	23,6	3.892
1982	351.698	3.468	364	80.227	32.091	1.968	1.355.129	2.569	11.160.209	2.820	950.634	8,2	51,0	340.700	17.294	30,5	4.247
1983	426.198	4.202	364	82.162	32.865	2.015	1.438.872	2.727	10.330.408	2.610	1.026.796	7,2	46,4	389.200	19.060	37,7	4.737
1984	539.408	5.319	372	84.264	33.706	2.067	1.579.607	2.994	10.251.787	2.590	1.114.663	6,5	45,2	357.700	18.157	34,9	4.245
1985	638.400	6.295	420	93.275	37.309	2.287	2.002.997	3.797	12.671.218	3.202	1.126.868	6,3	50,0	415.000	21.065	32,8	4.449
1986	723.400	7.133	434	98.668	39.467	2.420	1.502.092	2.847	12 549.689	3.170	1.184.451	8,4	46,2	385.800	19.584	30,7	3.910
1987	786.400	7.755	443	100.456	40.182	2.464	1.874.734	3.554	17.515.741	4.426	1.041.052	9,3	58,8	550.200	27.929	31,4	5.477
1988	865.191	8.531	465	104.854	41.941	2.571	3.468.360	6.575	19.601.781	4.953	1.058.997	5,7	62,3	1.080.000	54 822	55,1	10.300
1989	974.298	9.607	476	109.771	43.908	2.692	3.222.236	6.108	19.010.643	4.803	1.115.148	5,9	57,6	855.200	43.411	45,0	7.790,7
1990	1.093.066	10.779	508	116.534	46.614	2.858	3.203.787	6073	18.841.291	4761	1.177.879	5,9	54,0	833.300	42.299	44,2	7,150,7

* En millions de Dinars

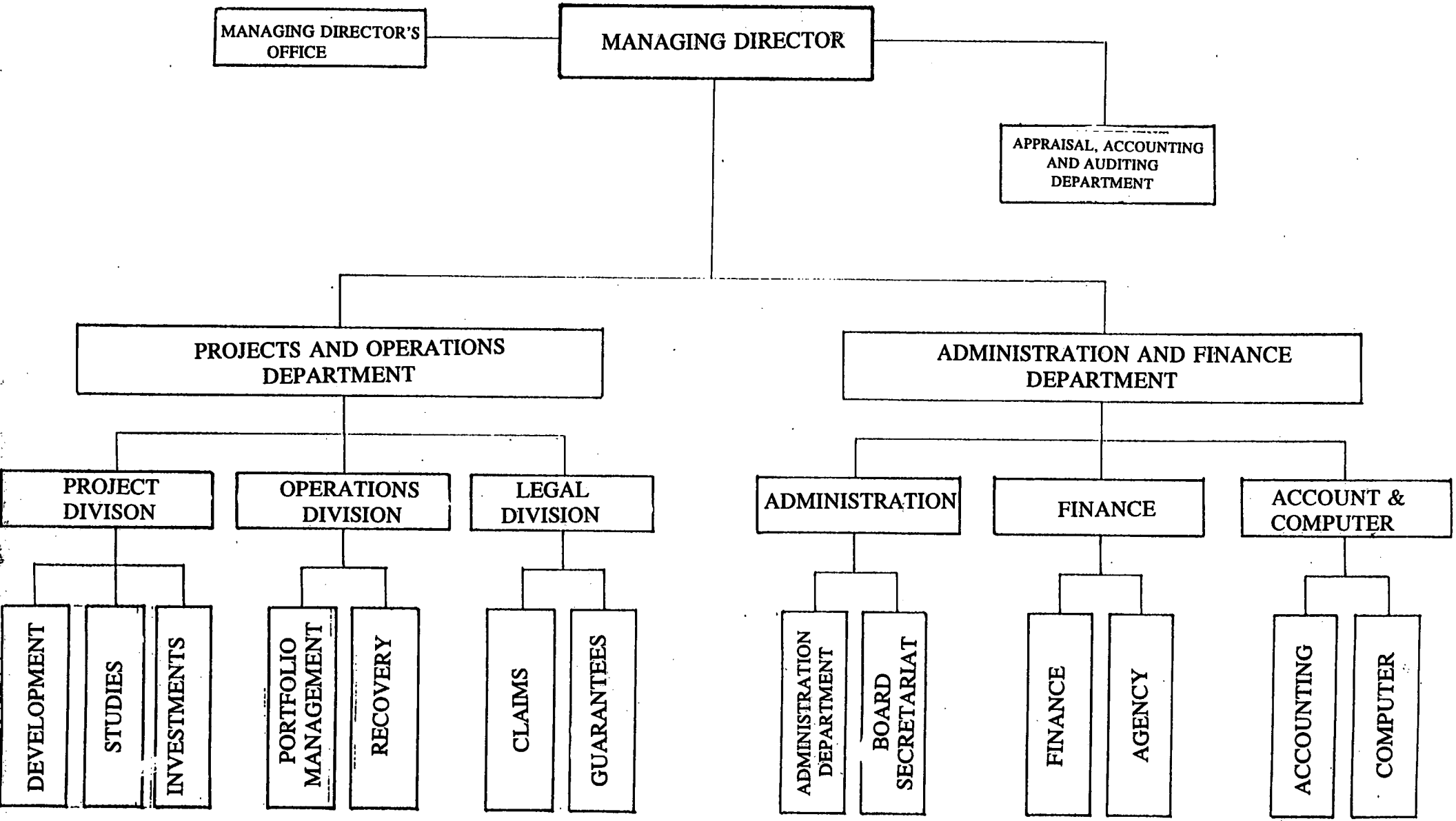
ANNEX 3.1

TUNISIA

BNDT : PROJECT COMPLETION REPORT ON THREE LINES OF CREDIT
Capital Structure of BNDT
Capital DT 30,000,000

SHAREHOLDERS	Numbers of Share	Amount DT	%
- Tunisian State	1,619,717	8,098,585	26.92
- Public Enterprises	450,352	2,251,760	7.50
- Phospheric Acid and Fertilizer Company	20,000	100,000	0.33
- Tunisia Sugar Company	10,000	50,000	0,17
- Société Tunisienne de Banque	56,639	283,195,	0.94
- Banque du Sud	56,334	281,670	0.94
- Tunisia Economic Development Bank	200,579	1,002,895	3.34
- Tunisia Insurance and Reinsurance Company	103,800	519,000	1,73
- Tunisia Insurance Corporation (LLoyd Tunisia)	3,000	15,000	0.05
- Banking Institutions	650,000	3,350,000	10.83
- BTEI (Banque de Tunisie et des Emirates d'Investissement)	200,000	1,000,000	03.33
- BTKD (Banque tuniso-Koweitienne de Développement)	150,000	150,000	02,50
- Other Banking Institutions	70,573	352,865	01.17
- Insurance Companies	104,115	520,575	01.74
- Hotel and Tourism Companies	66,718	333,590	01.12
- Tunisia Private Legal Individual Entities	125,825	629,125	02.10
Sub-Total	3,087,300	15,436,500	51.45
- **Foreign Entities**	2,912,390	14,563,500	48.55
Consortium Koweitien d'Investissement Immobilier (CKII)	1,908,390	9,541,950	31.80
Caisse Centrale de Coopération Economique (CCCE)	300,000	1,500,000	05.00
International Finance Company (IFC)	200,000	1,000,000	03.33
Deutsche Finanzierungsgesellschaft für Beteiligungen In Entwicklungslandern (DEG)	70,000	350,000	01.17
AGHA KHAN FUND ECONOMIC DEVELOPMENT	70,000	350,000	01.17
Arab African International Bank (A.A.I.B)	70,000	350,000	01.17
Arab Investment Company "A I C"	263,000	1,315,000	04.38
Koweit Foreign Trading contracting and Investment Company "KFTCI"	25,000	125,000	00.42
Swedish Group	6,310	31,550	00.11
TOTAL	6,000,000	30,000,000	100.00

BNDT ORGANISATION CHART



ANNEX 3.3

TUNISIA

COMPOSITON OF THE BNDT BOARD OF DIRECTORS

Messrs.	HABIB GHENIM	Managing Director
	MAHJOUB GUERFALI	Tunisian state
	MOHAMED BECHIOU	Tunisian Staff
	AHMED EL IBRAHIM	Kuweit Stock Investment Consortium
	ABDALLAH AHMED EL OBEID	Kuweit Stock Investment Consortium
	TIJUANI CHELLY	Tunisian Economic Develoment Bank
	AISSA HIDOUSSI	Tunisian Emirates Investment Bank
	NEJI SKHIRI	Tunisian-Quatar Investment Bank
	ABDELLTIF LOUSSAIEF	Arab Investment Company
	GIOVANNI VACCHELLI	International Finance Company
	JOEL MAURICE	Caisse Centrale de Coopération Economique
	HANS J. BLATTNER	Managing Director, Deutsche Investment und Entwicklungsgesellschaft mbH
	ALI OWERGHI	State Auditor

TUNISIA

BANQUE NATIONALE DE DEVELOPPEMENT TOURISTIQUE

FOURTH LINE OF CREDIT

BREAKDOWN OF MANAGERS BY SPECIALIZATION

	ENGI-NEERS	ECONO-MISTS	FINAN-CIERS	LEGAL OFFICERS	ACCOUNT-ANTS	OTHERS	TOTAL
		1	1	1		2	5
FINANCE DIRECTORATE			5		3	1	9
ACCOUNTS/COMPUTER	4				3	3	10
ADMINISTRATION					2	1	3
PROJECTS DIRECTORATE	4	7	4			3	18
OPERATIONS		3	3	1	2	2	11
LEGAL DIRECTORATE		1		4		1	6
ESTIMATES DIRECTORATE							
INSPECTION AND AUDITING			1		2	1	4
TOTAL	8	12	14	6	12	14	66

Secretariat
Hotel and Tourism Administration
English and French Literature
Computer Expert

TUNISIA

BANQUE NATIONALE DE DEVELOPPEMENT TOURISTIQUE:
FOURTH LINE OF CREDIT

STAFF TREND AND BREAKDOWN

YEARS	*1987*	*1988*	*1989*	*1990*	*1991*	
					AUGUST	*DECEMBER*
Permanent Staff	*109*	*110*	*111*	*123*	*121*	*133*
Management	*20*	*21*	*19*	*24*	*23*	*23*
Managers	*32*	*30*	*39*	*42*	*43*	*52*
Operations	*57*	*59*	*53*	*57*	*55*	*58*
Temporary Staff						
TOTAL	*109*	*110*	*111*	*123*	*121*	*133*

TUNISIA

BANQUE NATIONALE DE DEVELOPPEMENT TOURISTIQUE:

BNDT: COMPLETION REPORT ON THE 3 LINES OF CREDIT

STAFF STRENGTH PER DIRECTORATE AS AT 31 AUGUST 1991

	MANAGEMENT STAFF	MANAGERS	OPERATIONS	TOTAL
FINANCE DIRECTORATE	3	2	2	7
FINANCE DIRECTORATE	2	7	7	16
ACCOUNTS/COMPUTER	2	8	6	16
ADMINISTRATION	1	2	29	32
PROJECTS DIRECTORATE	7	11	4	22
OPERATIONS DIRECTORATE	5	6	3	14
LEGAL DIRECTORATE	2	4	4	10
INSPECTION AND AUDITING	1	3	-	4
	23	43	55	121

T U N I S I A

BNDT: COMPLETION REPORT ON THREE LINES OF CREDIT

OPERATIONS POLICY OF THE BANQUE NATIONALE DE DEVELOPPEMENT TOURISTIQUE

Introduction: In Accordance with Article II, the Bank may:

-- *study, promote or implement any project on the establishment, extension, modernization or transformation of any real estate or industrial firm in connection with tourism activity;*

-- *assist with all resources at its disposal in the establishment of firms especially through grants, loans, long and medium-term loans, partnership, subscription, purchase of stocks or shares and extension of guarantees in exceptional cases and, where necessary, mobilize external resources.*

-- *generally undertake all commercial, financial, industrial and estate operations directly or indirectly concerned with the aim mentioned above or similar objectives.*

Sectors of operation: The BNDT intervenes in the following sectors:

* *Tourism*
* *Other sectors involved in tourism or paratourism.*

Principles and levels of intervention: The BNDT intervenes in eligible projects in two forms:

-- *long and medium-term loans or participation cum loans:*

-- *when the BNDT intervenes in a project with a view to the mobilization of the operating capital, such participation is accompanied with a loan.*

-- *the level of BNDT's participation in the capital of any project is determined by the following norms:*

* *A total commitment, irrespective of the form of intervention, of 50% of the total cost of the project. This ceiling may be surpassed in exceptional cases after an in-depth study of the risks and justification for such a level of intervention.*

* *A minimum level of intervention of TD 50, per financing operations.*

* *Participation limited at 25% of the capital of a project. This limit may be surpassed in exceptional cases where the Bank is also the promoter. As a general rule, BNDT participation in the capital of financial enterprises should be retroceded and negotiated well in advance.*

-- *The BNDT only finances the establishment of new enterprises or the extension, improvement and renewal of equipment in existing enterprises.*

-- *The BNDT can under no circumstance refinance or replace medium and long- term loans by intervening in loan restructuring operations which do not concern its customers and are outside the confines of economic restructuring operations.*

-- *Enterprises receiving BNDT support should be soundly managed, with satisfactory prospects for profit-making.*

-- *Every BNDT-financed project should be based on an all-round appraisal of the project's economic, financial and technical aspects.*

-- *For every project likely to receive BNDT financing, the financing structure must include the promoter's self-financing component.*

-- *The amount of financing per enterprise should not be more than 15% of its total assets.*

-- *Participation should be below or equal to the operating expenses.*

-- *Participation vis-a-vis the total cost should be below or equal to 1/5.*

-- *Final commitment to finance a project should only be given after the BNDT would have been convinced of the project cost on the basis of the outcome of competitive bidding.*

-- *As part of its development activity, the General Management of the BNDT may commit funds for the identification, study and promotion of projects. These funds may be used as participation in consultancy firms or to finance studies on development projects.*

However, the accumulated amount of such commitments should not surpass AD 100,000 without the approval of the Executive Committee or Board of Directors for its renewal.

-- *The BNDT will be provided with an AD 200,000 for the purpose of purchasing real estate shares in the stock exchange.*

EXECUTIVE COMMITTEE

Responsibilities

In between Board of Directors' meetings, the Executive Committee is authorized to exercise the functions of the Board in regard to approving Bank financing subject, however, to the Committee not;

-- *approving financing of more than AD 500,000 for all investment or supplementary financing project. In the latter case, the approved amount should not be more than 20% of the initial financing;*

-- *overlooking the Bank's General Policy;*

-- *assuming the duties of the Board for conducting the affairs of the Bank.*

Composition

The Executive Committee is open to all the Directors; only resident Directors are invited to its meetings.

TUNISIA

BANQUE NATIONALE DE DEVELOPPEMENT TOURISTIQUE:

COMPLETION REPORT ON THE 3 LINES OF CREDIT

- - - - - - - -

TREND OF BNDT LOANS PORTFOLIO
(in TD million)

SECTORS	31/12/1988	31/12/1989	31/12/1990	30/06/1991
Tourism	124.3	131.6	149.2	163.6
Real Estate	2.9	2.3	2.1	1.9
Other Sectors	1.4	1.2	1.1	1.0
TOTAL LOANS	128.6	135.1	152.4	166.5
Arrears on Principal	7.6	8.2	5.8	8.7
Arrears on Interest (+ 6 months)	12.9	15.4	11.1	12.7
TOTAL ARREARS	20.5	23.6	16.9	21.4
% Outstanding Arrears on Principal	5.9%	6.1%	3.8%	5.2%
% Total Arrears	15.9%	17.5%	11.1%	12.8%

TUNISIA

BANQUE NATIONALE DE DEVELOPPEMENT TOURISTIQUE:

COMPLETION REPORT ON THE 3 LINES OF CREDIT

- - - - - - - -

SECTORS	*31/12/1988*		*31/12/1989*		*31/12/1990*		*30/06/1991*	
	Principal	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*	*Principal*	*Interest*
"Tourism" Arrears	*7.0*	*6.3*	*7.5*	*7.7*	*4.7*	*2.2*	*7.2*	*3.4*
"Real Estate" Arrears	*0.6*	*6.6*	*0.7*	*7.7*	*1.1*	*8.9*	*1.4*	*9.3*
"Other Sectors" Arrears	*-*	*-*	*-*	*-*	*-*	*--*	*0.1*	*-*
	7.6	*12.9*	*8.2*	*15.4*	*5.8*	*11.1*	*8.7*	*12.7*
T O T A L		*20.5*		*23.6*		*16.9*		*21.4*

**Including Exchange Risk*

ANNEX 3.7

TUNISIA

COMPLETION REPORT ON THREE LINES OF CREDIT

(IN DT MILLION)

GENERAL OPERATIONS ACCOUNTS

INCOME	1987	1988	1989	1990
Interest on Loans	13.4	14.2	14.9	16.9
Commissions	0.2	0.2	0.3	0.8
Profit on Share Transfers	0.9	1.3	5.9	2.9
Investments	0.2	0.8	1.8	4.8
Others	0.3	0.5	0.7	2.0
Total Product	15.0	17.0	23.6	27.4
CHARGES				
Financial Charges	10.8	11.0	12.0	15.5
Staff Expenses	0.9	1.0	1.1	1.3
Operational Expenses	0.4	0.3	0.3	0.4
Duties and Taxes	0.1	0.1	0.1	0.1
Appropriation to the Reserve	1.9	1.2	3.2	4.5
Amortization	0.2	0.3	0.3	0.3
Total Charges	14.3	13.9	17.0	22.1
Profit Before Tax	0.7	3.1	6.6	5.3
Tax	-	0.1	-	0.4
Net Profit	0.7	3.0	6.6	4.9

ANNEX 3.8

TUNISIA

COMPLETION REPORT ON THREE LINES OF CREDIT

(1987-1990 BALANCE SHEET)

ASSETS	1987	1988	1989	1990
Net Fixed Assets	4.9	5.4	8.3	17.5
Loans and Interests	121.1	125.7	124.3	145.0
- Loans	101.8	107.7	111.3	131.4
- Interest	24.9	24.7	22.7	27.8
- Reserve	5.6	6.6	9.7	14.2
Liquid Assets	49.3	41.8	45.3	44.3
- Maturity at (-) One Year on Loan	23.2	20.9	23.7	20.8
- Interest	7.4	6.1	5.3	2.9
- Others	18.7	14.8	16.8	20.5
Available	3.7	9.8	27.9	41.7
Total Assets	179.0	182.7	205.9	248.5

LIABILITIES				
Maturity at (-) one year	23.0	23.7	23.3	28.6
Other Short-Term Debt	10.6	9.7	10.2	14.0
Provision	5.0	5.5	7.2	10.3
Long and Medium-Term Debt	104.8	105.2	121.5	148.7
Capital	30.0	30.0	30.0	30.0
Reserves	5.6	8.6	13.7	16.9
Total Liabilities	179.0	182.7	205.9	248.5

ANNEX 3.9

T U N I S I A

COMPLETION REPORT ON THREE LINES OF CREDIT

(Resources - Use Table in DT million)

RESOURCES-VARIATION	*1988*	*1989*	*1990*
- Shareholders' Equity	*3.0*	*5.1*	*3.2*
- L & M T Debt	*0.4*	*16.3*	*27.2*
Total	*3.4*	*21.4*	*30.4*
USE VARIATION			
Fixed Assets	*0.5*	*2.9*	*9.2*
Loans and Interest	*4.6*	*-1.4*	*20.7*
Total	*5.1*	*1.5*	*29.9*
Balance	*-1.7*	*19.9*	*0.5*
Net Working Capital	*12.7*	*32.6*	*33.1*
1987: 14.4			

PROJECT COMPLETION REPORT ON 3 LINES OF CREDIT

B.N.D.T

1ST ADB LINE OF CREDIT: PROJECTS RECORDED

(IN TD 000)

	PROJECT	LOCATION	CAPACITY*	START OF OPERATION	COST ESTIMATE	COST FINAL	FINANCING BNDT(1)	FINANCING ADB (2)	% OF FINANCING
1	SFAX CENTER	SFAX	266	July -87	6 000	7 500	950	950	100%
2	PROMOTEL	TOZEUR	120	July -87	1 600	1 942	288	288	100%
3	PENELOPE	JERBA	404	July 85	3 800	3 800	375	375	100%
4	DAR DHIAFA	MONASTIR	500	Aug. -86	5 500	5 500	738	738	100%
5	DIPLOMATE	TUNIS	360	July -86	6 000	8 000	750	750	100%
6	LAYALI EL ONS	NABEUL	56	July -86	150	150	60	60	100%
7	EL KANDIL	SOUSSE	RESTAURANT	Sept-86	75	75	30	30	100%
8	CHAMIT	ZARZIS	SUPPFINAN.	Sept-81	200	200	80	80	100%
9	PHENICIA	HAMMAMET	EXTENSION	July 85	400	400	160	160	100%
10	PYM	MONASTIR	RENOVATION	July 86	660	660	400	260	65%
11	EL MOURADI	SOUSSE	774	April-85	5 600	5 600	2 160	569	26%
12	CAPITI	TUNIS-NORD	330	Dec. -81	3 000	3 000	1 125	375	33%
13	OYAL	TUNIS	108	Aug. -86	1 150	1 150	690	150	21%
14	MAHDIA NORD	MAHDIA	680	July -86	5 000	5 800	1 305	1 055	81%
15	. M . V . V	TUNIS-NORD	SUPPFINAN.	July -86	6 000	6 000	513	373	73%
16	CAPI CLUB	JERBA	440	Aug. 86	3 200	3 200	1 200	500	41%
17	RESIDENCE HEDIE	NABEUL	160	July 87	1 600	1 600	950	675	60%
18	TUNIS PLAGE	SOUSSE-NORD	250	Sept. 86	3 100	3 100	700	127	64%
19	HAMMAMET BEACH	HAMMAMET	144	May 85	900	900	540	100	19%
	EPSUL	SOUSSE-NORD	164	April 86	2 800	2 [illegible]	600	40	7%

	PROJECT		CAPACITY*	START OF OPERATION	COST ESTIMATE	COST FINAL	FINANCING BNDT	FINANCING ADB	% OF FINANCING
1	SOLEIL D'HAMMAMET	HAM	PP. FINAN	July 86	1 000	1 000	420	170	40%
2	LES MIMOSAS	HAB	250	July 85	1 850	1 850	270	180	67%
3	LE PRESIDENT	HAM	PP. FINAN	July 87	5 000	5 250	600	270	45%
4	LA HUCHETTE	TUN	STAUPANT	July 86	80	80	48	28	58%
5	LA VOITURE DES VACAN	TUN	ICATION	July 86	120	120	65	35	54%
6	EHPOUMIRIE	AIN	136	Jan. 86	1 300	1 300	490	490	100%
7	HOUDA	MON	358	Aug. 86	3 400	4 280	1 260	1 260	100%
8	APPARTHOTEL SAID	SOU	84	Oct. 86	900	900	138	138	100%
9	HAPI - CLUB	JER	PP. FINAN	Aug. 86	800	800	480	480	100%
10	T T I	TUN	240	Sep. 86	2 100	2 100	760	360	100%
11	PAPIN	TUN	330	Sept 87	4 560	4 560	585	585	100%
12	ROYAL	TUN	PP. FINAN	Aug. 86	250	250	150	150	100%
13	MENCHIA CLUB	SOU	PP. FINAN	July 86	240	240	120	96	80%
14	SYPHAX	SFA	NOVATION	March 87	300	300	150	120	80%
15	ACQUA - VIVA	TUN	NTERT. FACILITY	July 87	930	1 090	358	358	100%
16	TENNIS MEDITERRANEE	SOU	300	July 86	5 000	5 000	392	392	100%
17	TENNIS VOYAGE	TUN		Nov. 85	84	84	50	34	68%
18	SINDBAD BAZAR	SOU	STAUPANT	Aug. 86	235	235	140	94	67%
19	PENELOPE	JER	PP. FINAN	July 87	250	250	105	105	100%
20	LES MIMOSAS	HAM	PP. FINAN	July 85	1 850	1 850	1 000	1 000	100%
21	SOHOTOUR	SOU	PURCHASE	Dec. 87	195	195	200	195	98%
22	MOZHA - BEACH	HAM	300	July 87	1 500	1 500	900	900	100%
23	BAZAR	SOU	46	March 87	300	305	150	120	80%
24	[illegible]	TUN	RING SERVICE	Nov. 86	136	136	77	54	70%
25	[illegible]	HAM	HABILITATION	Aug. 87	300	300	150	150	100%

	PROJECT	LOCATION	CAPACITY*	START OF OPERATION	COST ESTIMATE	COST FINAL	FINANCING BNDT	FINANCING ADB	% OF FINANCING
	GOLF	MONASTIR	GOLF	Nov. [illegible]	2 500	2 500	750	750	100%
	LES ORANGERS	HAMMAMET	2nd	May [illegible]	3 500	3 500	630	630	100%
	MONDI	MAHDIA	9H	Aug. [illegible]	610	610	244	244	81%
	LE PRINCE	NABEUL	EXTENSION	July [illegible]	5 250	5 250	270	270	100%
	BAFINI	SILIANA	32	July [illegible]	265	360	70	70	100%
	MOUKA	TUNIS-NORD	412	July [illegible]	5 350	5 350	300	300	100%
	TOUAREG	TUNIS	HIRING SERVICE	July [illegible]	479	479	287	191	67%
	SAHARA	SOUSSE	614	Dec. [illegible]	550	550	300	220	73%
	UNIVERS	SOUSSE	C D'ARMEMENT	March [illegible]	550	550	300	220	73%
	MONOTEL	TOZEUR	SUPP. FINAN	July [illegible]	1 042	1 042	98	98	100%
	TIBERIADA	SOUSSE NORD	SUPP. FINAN	Oct. [illegible]	50	50	40	40	100%
	EPARTHOTEL SKIRA	SOUSSE	240	May [illegible]	2 600	3 [illegible]	1 500	1 010	67%
	MONASTIR HAMMAMET	HAMMAMET	PORT	Jan. [illegible]	2 600	2 600	1 080	1 080	100%
	IMPERIAL	AIN DRAHAM	SUPP. FINAN	Jan. [illegible]	700	700	260	260	100%
	T I	TUNIS	SUPP. FINAN	Sep. [illegible]	800	800	280	280	100%
	GOLF MONASTIR	MONASTIR	SUPP. FINAN	Nov. [illegible]	671	671	150	150	100%
	RESIDENCE IRENE	NABEUL	SUPP. FINAN	July [illegible]	750	750	300	300	100%
	SOPPAT	HAMMAMET	ENT. FACILITY	Dec. [illegible]	588	588	235	235	100%
	BOUSSARSOU	MONASTIR	HIRING SERVICE	Dec. [illegible]	174	174	69	69	80%
65	DOUZ HOTEL	TOZEUR	250	Oct. [illegible]	2 500	2 500	500	500	100%
66	EL MOURADI	SOUSSE-NORD	150	April [illegible]	1 [illegible]	1 [illegible]	256	256	100%
67	H S I	SOUSSE	200	July [illegible]	1 1 [illegible]	1 1 [illegible]	132	132	100%
68	IMPERIAL	AIN DRAHAM	SUPP. FINAN	July [illegible]	1 [illegible]	1 [illegible]	130	130	100%
69	MOUKA	TUNIS-NORD	SUPP. FINAN	July [illegible]	1 [illegible]	1 [illegible]	155	155	100%
70	HAMMAMET CLUB	HAMMAMET	150	July [illegible]	2 000	2 [illegible]	150	150	100%

	JECT	LOCAT	APACITY*	START OF OPERATION	COST ESTIMATE	COST FINAL	FINANCING BNDT	FINANCING ADB	% OF FINANCING
	AP DHIAFA	HOUMAS							
	AP CARTHAGE	TUNIS-	. FINAN	July -85	1 450	1 450	240	240	100%
	PIBAT	HONAS	. FINAN	April -85	1 248	1 248	200	200	100%
73		HAMMA	750	Dec. -87	13 000	17 750	1 300	1 300	100%
74	TAT	SOUSSI	416	Dec. 87	11 000	11 000	915	915	100%
75	HAMMAM	SOUSS-	475	April 87	11 000	16 150	900	900	100%
76	APABOUT	TUNIS-	80	Dec. -88	500	500	300	155	76%
77	TOURING CLUB	SOUSS	HENAG.	Aug. 87	305	305	125	122	98%
78	HAPHABA INTER	SOUSS	660	Dec. 88	13 500	13 500	2 150	2 150	100%
79	EL HAMMAM	SOUSS	. FINAN	April 87	3 500	3 500	1 050	1 050	100%
80	RHROUMIRIE	AIN DR	. FINAN	Jan. -88	580	580	135	131	97%
81	PROMOGOLF HOUMAS UP	HONA'		Nov. 80	1 000	1 000	300	288	97%
82	LITAM	KEBIL	64	May -91	1 000	1 000	300	135	45%
	TOTAL		11 857		196 628	214 965	38 838	41 266	81%

ACITY OF HOTEL UNITS

TUNISIA

PROJECT COMPLETION REPORT ON 3 LINES OF CREDIT

B.N.D.T

2ND ADB LINE OF CREDIT: PROJECTS RECORDED

(IN TD 000)

PROJECT	LOCATION	CAPACITY*	START OF OPERATION	ESTIMATE	FINAL	FINANCING ADB (2)	% OF FINANCING
. SIDITHUS	JENDOUBA	54	April -89	550	550	220	190	86%
. SUN SET CITY	HAMMAMET	ENTERT. FACILITY	Dec. -91	660	1 215	260	260	100%
. COHISHAMA	MONASTIR	550	Dec. -88	1 800	1 800	650	650	100%
. STE RIHAB	HAMMAMET	204	Déc. -91	3 000	3 000	840	840	100%
. HATMATA	HATMATA	61	Sep. -89	470	750	165	165	100%
. LUNE HOTEL	GAFSA	18	July -90	250	250	90	90	100%
. STE RESTAURANTS	TUNIS-BOPO	RESTAURANT	Dec. -91	180	190	90	72	80%
. HE KHECHINE	SOUSSE	20	Jan. -91	200	190	90	75	83%
. CH.CENTRE VILLES	SFAX	188	July -91	2 950	3 400	685	685	100%
. STE ANIMAT SAHAR	LEGILI	300	Aug. -90	2 350	2 350	806	806	100%
. CLUB AQUAPLUS JERBA	JERBA	600	Dec. -91	9 200	9 200	2 760	760	100%
. SAHARA	SOUSSE	252	Oct. -90	3 500	3 500	810	810	100%
. CAPAVANSERAIL	NEFTA	154	July -90	2 560	2 611	732	732	100%
. PALM BEACH	JERBA	158	Dec. -89	2 000	2 100	600	600	100%
. HAMMAMET HOTEL	HAMMAMET	160	Jan. -89	1 600	1 600	568	568	100%
. CHADLYA	TUNIS	120	Dec. -91	1 435	2 080	430	430	100%
. SINDABAD CENTER	HAMMAM SOUSSE	142	July -90	1 000	1 000	350	350	100%
. EL MENZAH	HAMMAM SOUSSE	130	Jan. -90	1 000	1 000	432	432	100%
. LES PINS	TABARKA	1000	Dec. -91	11 000	11 000	1 250	1 250	100%

PROJECT	LOCATION	CAPACITY*	START OF OPERATION	COST		FINANCING		% OF FINANCING
				ESTIMATE	FINAL	BNDT	ADB	
ES AMBASSADEURS	TUNIS	106	Dec. -91	1 850	2 100	740	635	86%
HORIZON	NEFTA	180	Dec. -91	2 750	2 750	963	963	100%
IRAMAR	HAMMAMET	690	Jan. -90	7 000	7 000	1 000	1 000	100%
PHALIFE	HAMMAMET	458	Dec. -91	8 750	8 750	1 725	1 725	100%
IEOPS	NABEUL	906	July -87	14 400	16 300	2 400	2 400	100%
IIT.A.A	TUNIS	770	Sep. -87	12 895	13 060	1 200	1 200	100%
JUMANA CLUB	JERBA	80	July -87	500	516	200	172	86%
ENIX	SOUSSE	120	July -90	1 140	1 140	300	300	100%
ROSERAIE	SOUSSE	110	July -90	1 330	1 700	300	300	100%
?	HAMMAM SOUSSE	140	July -89	1 300	1 500	300	300	100%
GUI	SOUSSE NORD	104	July -89	750	750	225	215	96%
AP	SIDI BOU ALI	LEISURE COMPLEX	Dec. -88	300	300	120	97	81%
AT	HAMMAMET	700	March -87	750	750	250	250	100%
PRINTEMPS	SOUSSE	160	Dec. -91	2 750	3 000	1 100	836	76%
OTAL		4 895		64 420	66 751	21 523	17 436	81%

* CAPACITY OF HOTEL UNITS

TUNISIA

COMPLETION REPORT ON 3 LINES OF CREDIT

B.N.D.T

3RD ADB LINE OF CREDIT

(IN TD 000)

	PROJECT	LOC/	CAPACITY*	START OF OPERATION	COST ESTIMATE	COST FINAL	FINANCING BNDT	FINANCING ADB (2)	% OF ADB/BNDT FINANCING
1	BEL TOURISME	JERBA	450	Jan. -92	9 000	13 000	1 350	1 350	100%
2	GERHOTEL	HAMM/	234	Dec. -91	1 680	1 680	756	756	100%
3	CLUB MAHDIA	MAHDI	434	Aug. -92	10 000	10 000	2 000	2 000	100%
4	LA PALMERAIE	NEFTA	154	Aug. 91	3 151	3 475	1 100	1 100	100%
5	LE PRESIDENT	HAMM	204	Dec. -91	2 700	3 400	810	810	100%
6	GOLF DE TUNISIE	HAMM/	F COURSE	Jan. -92	7 000	9 500	2 100	2 100	100%
7	CLUB ALDIANA	JERB/	600	March -93	17 500	17 500	3 500	3 500	100%
8	ALADIN JERBA	JERBA	602	Jan. -92	9 000	10 000	1 800	1 800	100%
9	SOUSSE CENTER	SOUSSE	472	July -91	16 000	16 000	2 400	2 400	100%
10	FILMA	HAMMAMET	406	April -92	6 000	6 000	1 200	1 200	100%
11	EXCEL HOTEL	TUNIS	66	Feb. -92	1 500	1 780	675	675	100%
12	KAISER	SOUSSE	176	Jan. -93	2 400	2 400	720	720	100%
13	KITAN	KEBILI	64	May -91	1 000	1 000	165	165	100%
14	MEHARI BEACH	JERBA	596	July 92	12 000	12 000	1 600	1 600	100%
15	DAR MEDOUN	JERBA	544	July -92	14 000	14 000	2 800	2 800	100%
16	EDEN CLUB	TUNIS	192	July 92	4 850	4 850	1 090	1 090	100%
17	LE CARLTON	TUNIS	112	March -93	5 500	5 550	1 239	1 239	100%
18	NAHRAWESS	HAMMAMET	332	July 92	5 600	5 600	580	580	100%
19	LE NYMPHA PALACE	HAMMAMET	ENTERT. FACILITY	July 93	2 300	2 300	640	640	100%
20	PRESIDENCE HAMMAMET	HAMMAMET	72	July -91	1 240	1 240	500	500	100%
21	HELYA TOURS HOTELS	DJERBA/ZIP	1063	Dec. 92	11 000	11 000	1 640	1 640	100%

	PROJECT	LOCATION	CAPACITY*	START OF OPERATION	COST ESTIMATE	COST FINAL	FINANCING BNDT	FINANCING ADB	% OF FINANCING
22	OLIVIA BEACH	HAMMAMET	424	Jan-92	8 700	8 700	1 360	1 360	100%
23	THAPSUS	MAHDIA	520	Jan-92	11 500	11 500	2 585	2 585	100%
24	OASIS BEACH	MONASTIR	654	Jan-92	9 900	9 900	2 600	2 600	100%
25	LA PAIX	HAMMAMET	202	July 91	2 500	2 500	1 000	1 000	100%
26	FESTIVAL	MONASTIR	442	Sep-92	8 800	8 800	1 760	1 760	100%
27	JEGHAM	SOUSSE-NORD	ENTERT. FACILITY	Jan-92	260	260	130	130	100%
28	[illegible] H.C.V	SFAX	188	Jan-91	3 400	3 400	135	135	100%
29	[illegible] E RIADH	SOUSSE	1 000	Dec.-91	20 000	20 000	3 000	3 000	100%
30	JEDRIANE	JERBA	140	April-93	2 800	2 800	1 205	1 205	100%
31	ABOU NAWAS TOZEUR	TOZEUR	184	Jan-92	5 500	5 500	1 285	1 285	100%
32	YADIS	JERBA	584	July 92	15 700	15 700	3 000	3 000	100%
33	ABOU NAWAS JERBA	JERBA	48	Jan-93	900	900	450	450	100%
34	ANIM TOUSAHAPIEN	KEBILI	176	Jan-91	3 370	3 370	235	235	100%
35	BYBLOS	HAMMAMET	140	Jan-93	3 000	3 000	1 325	1 325	100%
36	LES FATIMIDES	MAHDIA	556	Mar-93	11 200	11 200	2 240	2 240	100%
37	SIKTIS TOURISME	ZARZIS	400	Mar-93	8 000	8 000	1 600	1 600	100%
38	QUATRE SAISONS	JERBA	400	Mar-92	8 200	8 200	1 640	1 640	100%
39	CLUB ABOU SOFIANE	SOUSSE-NORD	420	Jan-92	8 800	8 800	1 760	1 760	100%
40	WASSIM	TOZEUR	204	Jan-92	3 600	3 600	887	887	100%
41	CAP CARTHAGE	TUNIS-NORD	452	Jan-92	2 615	2 615	655	655	100%
42	[illegible] SAP JERBA	JERBA	140	Mar-93	3 600	3 600	750	750	100%
43	MAPLOUSE	TUNIS	72	Mar-92	875	875	438	438	100%
44	[illegible] T	HAMMAMET	246	Jan-90	9 450	9 450	2 835	2 835	100%
45	HOTEL SALWA CITY	SOUSSE	200	Mar 92	15 200	15 200	2 550	2 550	100%
46	SALWA CITY APPART	SOUSSE	200	Mar-92	8 700	8 700	1 450	1 450	100%

	PROJECT	LOCATION	CAPACITY*	START OF OPERATION	COST ESTIMATE	COST FINAL	FINANCING BNDT	FINANCING ADB	[illegible]
47	OAS GHADDAR	TOZEUR	116	Mar-92	1 700	1 700	595	595	100%
48	SAHARA EVASION	TAMAGHZA	120	Jan-92	2 460	2 460	722	722	100%
49	PARADISE PARK	TOZEUR	144	Jan-92	2 750	2 750	642	642	100%
50	LES MANEGES	HAMMAMET	C D ANNIAT	Aug.-91	1 350	1 350	400	400	100%
51	EMIR HOTEL	GAAFOUR	48	Mar-92	530	530	150	150	100%
52	PLAZA	JERBA	630	Jan-92	18 000	18 000	3 600		
	TOTAL		15 743		339 531	348 335	71 849	68 249	95%

CAPACITY OF HOTEL UNITS

AFRICAN DEVELOPMENT BANK

Original: French
Translated by: L. Manneh
K. Ansah-Sem
Mrs. Attia-Opoku

PROJECT COMPLETION REPORT

FIRST LINES OF CREDIT GRANTED TO FOUR DEVELOPMENT BANKS:

"Banque tuniso-koweitienne de développement" (BTKD)
"Société tuniso-saoudienne d'investissement et de développement" (STUSID)
"Banque de Tunisie et des Emirats d'Investissement" (BTEI)
"Banque tuniso-qatarie d'investissement" (BTQI)

REPUBLIC OF TUNISIA

INFRASTRUCTURE AND INDUSTRY DEPARTMENT
NORTH REGION

APRIL 1991

1460r

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This report was prepared by Messrs. S. SOW, Division Chief, NISI.3 and X. ALIBERT, Consultant, following their mission to Tunisia and Abidjan in January and March 1991.

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CURRENCY EQUIVALENTS AND ABBREVIATIONS

Currency unit : Tunisian Dinar (TD)

1. As at appraisal (December 1987)

1 Unit of Account (BUA)	=	TD 1.09483
1 Tunisian Dinar (TD)	=	BUA 0.91338

2. As at post evaluation (March 1991)

1 Unit of Account (BUA)	=	TD 1.19040
1 Tunisian Dinar (TD)	=	BUA 0.8400

Financial Year

1 January to 31 December

ACRONYMS AND ABBREVIATIONS

ADB	:	African Development Bank
BNDT	:	Banque nationale de développement touristique
BTEI	:	Banque de Tunisie et des Emirats d'Investissement
BTKD	:	Banque tuniso-koweitienne de développement
BTQI	:	Banque tuniso-qatarie d'investissement
GDP	:	Gross Domestic Product
LMT	:	Long and Medium-term
STUSID	:	Société tuniso-saoudienne d'investissement et de développement
TD	:	Tunisian Dinar

PREFACE

The African Development Bank granted a line of credit to four (4) Tunisian development banks, namely, BTKD, STUSID, BTEI and BTQI for financing the foreign exchange costs of sub-projects selected in the manufacturing industry and tourist sectors.

This line of credit of an amount of BUA 40 million, granted in 1988, has been totally committed in the case of STUSID and BTQI and to the tune of 99.3% in respect of BTKD and BTEI. It served to finance 49 projects. Disbursements are still being made from this line of credit; considering the on-going disbursements, they should reach 92% in favour of BTKD, 78% for STUSID, 99.2% for BTEI and 47% for BTQI. By the end of the first semester of 1991, disbursements should be almost 100% in favour of all the banks.

The information used in this report is obtained, on the one hand, from data collected during the appraisal mission and from the managers of the banks concerned during their visit to Abidjan from 11 to 22 March, 1991, and on the other, from data available at the Bank Headquarters.

BASIC DATA

COUNTRY	:	TUNISIA
PROJECT TITLE	:	ADB Line of Credit
LOAN NUMBERS	:	- B/BTKD/TUN/LIC-IND. TOU/88/033 - B/STUSID/TUN/LIC-IND. TOU/88/032 - B/BTEI/TUN/LIC-IND. TOU/88/030 - B/BTQI/TUN/LIC-IND. TOU/88/034
GUARANTOR	:	The Government of the Republic of Tunisia
BORROWERS AND EXECUTING AGENCY	:	- Banque tuniso-koweitienne de développement (BTKD) - Société tuniso-séoudienne d'investissement et de développement (STUSID) - Banque de Tunisie et des Emirats d'Investissement (BTEI) - Banque tuniso-qatarie d'investissement (BTQI)

1. ESSENTIAL DATA ON THE FIRST ADB LINE OF CREDIT

Amount	:	BUA 40 million (BTKD = 15 million, STUSID = 10 million, BTEI = 8 million, BTQI = 7 million).
Interest rate	:	7.55%
Statutory charge	:	0.25%
Commitment charge on undrawn balance	:	1%
Repayment period	:	15 years
including a grace period of	:	4 years

2. DISBURSEMENTS

Disbursed amount	:	BTKD	- BUA	14,803,887
	:	STUSID	- BUA	9,662,431
	:	BTEI	- BUA	7,947,785
	:	BTQI	- BUA	6,776,205
Undisbursed amount	:	BTKD	- BUA	196,113
	:	STUSID	- BUA	337,569
	:	BTEI	- BUA	52,215
	:	BTQI	- BUA	223,795

3. IMPORTANT DATES AND EVENTS

- Date of appraisal	:	January 1988
- Date of loan approval	:	21 March, 1988
- Date of loan signature	:	1 June, 1988
- Date of loan effectiveness	:	October 1988
- Deadline for first disburbursement	:	31 December, 1989
- Deadline for last disbursement	:	31 December, 1993

1. INTRODUCTION

1.1 In 1990, the Tunisian economy was marked by the resumption of growth. Initially evaluated at 5.2% at constant prices, the 1990 GDP growth reached 6.5% for the first time in more than ten (10) years. This was due, in particular, to the good agricultural performances (+ 27% at constant prices) as a result of significant improvements in cereal and olive harvests, the continued growth of the export sectors excluding oil and fertilisers and finally, the revival of activity in the industrial and service sectors which are aimed at the domestic market following the increase in demand both at the level of consumption and investment. The continued revival of investment is the second positive factor for the performances of the Tunisian economy in 1990. This was due, in particular, to the sustained contribution of the public sector and a marked resumption of private investment. This acceleration in growth and investment has had a positive impact on the employment market with 46,000 jobs created in sectors other than agriculture thus absorbing 84% of the estimated number of new job seekers for the year.

1.2 However, these positive trends create pressures on the internal and external financial balances, namely, an acceleration of consumption (+ 5.1% at constant prices as against the 2.7% projected) as a result of salary increases, the increase in agricultural income and the widening of the job market which increased demand. These trends had an impact on the monetary and financial systems by accelerating the growth of the money supply and increasing the State expenditure budget which inflated as a result of the Gulf crisis. As for the balance of payments, it was severely affected by the above-mentioned factors.

1.3 This was the context in which the recovery programme of the 1987-1991 VIIth Economic and Social Development Plan was implemented. In 1990, the main orientations of this plan were the continuation of the major structural reforms undertaken (entry into force of the new legislation on direct taxes, the public corporation restructuring and rehabilitation programme, privatisations), improvement of the general economic environment (liberalisation of foreign trade and prices, regulation of competition), refining of sectoral policies, particularly in the tourist and service sectors through the implementation of the new investment codes and the entry into force of a significant number of measures on the social dimensions of adjustment. The 1992-1996 VIIIth Plan is also being prepared in this same context. The concerns of this plan are the same as those which prevailed during the preparation of the 1991 Development Plan, namely, making the fundamental adjustments required for reconciling the necessary control of domestic demand with the need to support economic recovery, the only approach capable of preserving financial balances, in spite of the pressures, and keeping inflation under control.

1.4 This report concerns the utilisation of the lines of credit granted to four banks in 1988, namely, BTKD, STUSID, BTEI and BTQI. This completion report is based on documents put at the disposal of the ADB and meetings held in Abidjan in March 1991 with the management of the four banks concerned.

2. PROJECT CONTEXT

2.1 General Overview of the Tunisian Economy

The growth of the Tunisian economy grew at a moderate rate during the past decade compared to the average annual growth rate of 7.2% in the 1970s. The combined effects of the drop in production and oil prices resulted in a slowing down of the GDP growth rate to an average of 3.7% per annum between 1982 and 1986. The economy picked up between 1987 and 1989 and recorded an average annual growth rate of 3.3%. In spite of the important efforts undertaken by the Tunisian authorities, 1989 was a rather difficult year because of the hardly controllable exogenous factors. The poor climatic conditions led to a reduction in agricultural production and the income of farmers. The direct effects of the Gulf crisis on the balance of payments will probably be temporary. Nonetheless, they will have considerable repercussions on the economy well beyond 1991. The past years (1985-1990) were an important phase in the rehabilitation of the Tunisian economy in the drive to improve the internal financing capacity and international competitiveness.

2.2 The Manufacturing Industries Sector

2.2.1 According to the classification in force in Tunisia, this sector comprises the following branches:

AFI - Agricultural and Food Industries,
CMCGI - Construction Materials, Ceramic and Glass Industries,
MEI - Mechanical and Electrical Industries,
CRI - Chemical and Rubber Industries,
TLSI - Textile, Leather and Shoe Industries,
MMI - Miscellaneous Manufacturing Industries (Wood and Furniture, Paper and Cartons, Printing, Plastic).

Achievement of the Sector

2.2.2 The results expected of the manufacturing industries sector during the VIIth Development Plan should not be too different from the initial projections as shown in the table below:

Table 2.2.1

Achievements of the Manufacturing Industries Sector

1987 - 1991 VIIth Plan	Probable results	Initial projections
Growth rate at constant prices %		
Manufacturing industries total	6.0	6.3
Export industries	13.5	8.7
Inward looking industries	3.4	5.5
Total exports in million dinars	9,211.8	6,972.5
Total investments in million dinars	1,832.7	1,700.0
Public sector	583.7	599.4
as a percentage of total	31.8	35.3
Private sector	1,249.0	1,100.9
as a percentage of total	68.3	64.7
Total number of jobs created	69,000	67,000

2.2.3 With regard to production, the average growth rate of the sector, in terms of value added, stands at 6% per annum for the period, slightly below the projected rate (6.3%). However, this rate shows an increase in exports which makes up for the shortfall of the inward looking industries. Indeed, the value added of manufactured products intended for export has increased by an annual average of 13.5% thereby exceeding the initial estimates of 8.7% per annum. All the sectors have contributed to this positive result, particularly the textile, leather and shoe industries (13.3% per annum instead of the estimated 8.6%) and the construction materials industry (+36% per annum as against the estimated 11%). In contrast, the growth objectives of the inward-looking industries have remained well below estimates, with an average growth rate of 3.4% as against the estimated 5.5%. This deceleration is noted in almost all the branches of activity but it is particularly marked in the case of the mechanical and electrical industries owing especially to the shelving of major industrial projects in this sector such as the car assembly line, the Tunisian machinery complex for the production of tractors and agricultural machinery (projects which increased the unpaid debts of the development banks) and the construction materials industry following the sharp fall in domestic demand for products of the sector, particularly at the beginning of the plan period. The table below summarises these sectoral trends.

Table 2.2.2
Results by Branch
1987 - 1991 VIIth Plan
(as a %)

	Export Industries		Inward-looking industries		Total manufacturing industries	
	Probable Results	Estimates	Probable Results	Estimates	Probable Results	Estimates
AFI	5.6	1.9	2.4	5.3	2.7	5.-
CMCGI	36.1	10.9	2.9	6.1	6.4	6.5
MEI	13.2	13.9	1.7	6.8	4.3	7.6
CRI	9.6	8.4	3.2	2.2	6.7	5.6
TLSI	13.3	8.6	5.1	5.3	9.3	5.9
MMI	27.7	19.8	5.3	7.3	6.2	7.6
Total manuf. indust.	13.5	8.7	3.4	5.5	6.0	6.3

1991 Economic Budget - Republic of Tunisia.

2.2.4 The investment package set aside for the manufacturing industry in the VIIth Plan estimates stood at 1,700 billion dinars, that is 25% less than the VIth Plan estimates, in constant terms. The share of the private sector represents about 65% of the total amount. Actual implementation figures will apparently amount to 1.833 million dinars for the entire period which is slightly higher than expected. In spite of the slowing down at the beginning of the Plan period (1987-1988), investment in the manufacturing industry rose significantly thanks, in particular, to the increase in the share of private investments (34% in 1986 as against 68% for the VIIth Plan). The best performance was achieved by the textile, leather and shoe industries sector with investments amounting to 542 million dinars, that is, double the level projected in the Plan (270 million). This sector alone accounts for 30% of investments in the manufacturing industry during the period.

2.2.5 The industrial manufacturing sector continues to create a considerable number of jobs. The overall total of new jobs created during the plan period was estimated at 69,000 as against the estimated 67,000. Here again, the contribution of the textile, clothing and leather industries sector was the highest with 29,000 new jobs created, representing 42% of the total number of jobs created by the manufacturing industries which employed 333,000 people in 1989, that is, 17% of the working population.

2.2.6 In spite of these performances in a depressed international economic environment, the Tunisian industry is relatively backward compared to those of the developed countries or the newly industrialized countries. Indeed, the share of industrial value added in the GDP as well as the volume of employment of the working population in industry are below the international averages.

Indicators	Tunisia	Developed countries	NICs
Industrial Employment in industry/ working population	17%	30%	25-30%
Share of industrial value added in GDP	18%	25%	28%

Indeed, the Tunisian industry suffers from three internal structural deficiencies which should be corrected in future so as to enable it to increase control of its production and bolster its competitiveness. They are its low integration, absence of modernisation and its low number of qualified staff (1% supervision rate, six (6) times lower than that of the developed countries).

Action Programme for Industrial Development and Orientations of the 1992-1996 VIIIth Plan

2.2.7 The industrial development strategy and action programme are a continuation of the liberalisation and adjustment policy being implemented since 1987 under the Industrial Structural Adjustment Programme (ISAP). This programme is supported by the ADB Group.

2.2.8 A prerequisite for the liberalisation activities would be to eliminate all the bureaucratic obstacles which still hinder private initiative and to create an institutional framework as well as clear and lasting rules. The continuation of the goods and price liberalisation policies should be based on a precise schedule and supply measures intended to safeguard smooth transition from a situation of overprotection to that of international competitiveness. Emphasis will be laid on the following support measures:

- tariff safeguard measures (harmonisation of customs duties, definition of a list of products to be liberated etc...);

- support programmes for the restructuring and modernisation of companies and the subsequent creation of an industrial reconversion fund for financing the initial analysis and studies; and

- strengthening the standardisation and inspection means.

2.2.9 In future, industrial sector development activities could be based on the following ideas:

i) strengthening the partnership promotion and export policies;

ii) continuation of the privatisation policy: the State should divest from all the non-strategic production and service sectors which can be taken over by the private sector and in which there is sufficient competition; the State should restrict its participation to new projects which require its intervention;

iii) clear and transparent financing in order to restrict interest subsidies and concessionary rates to a limited number of priority industrial sectors and infrastructure projects with differed returns;

iv) industrial studies on sectoral strategies and creation of a national industrial information system;

v) intensification of traininig activities in order to increase the supervision rate and the level of qualification of the employees, multiplication of university-industry relations and development of industrial research;

vi) creation of a technology promotion and mastery fund to partly finance studies prior to technological investments and procurement of state-of-the-art equipment, and to contribute to strengthening national engineering capacity indispensable to the development of the industrial sector;

vii) intensification of the decentralisation, industrial zone development and environmental protection policies; and

viii) strengthening and/or reform of the public structures which assist companies and supervise the industrial sector.

2.3 Tourist Sector

2.3.1 The past three decades were characterised at the world level by a continuous growth in the number of international tourists, albeit at increasingly lower rates:

9.0% between 1960 and 1970;
5.6% between 1971 and 1980; and
3.0% between 1981 and 1990.

In the specific case of Tunisia, the tourism trends were similar to the above figures with average annual growth rates of 8.8%, 4.2% and 3.6% for the respective periods under review.

2.3.2 Tourist demand: The tourist demand for Tunisia, expressed in overnight stays, grew by 7.5% and 3.5% per annum for the 1970s and 1980s respectively. A slight drop of 2% in 1982 and 1983 was compensated by a remarkable recovery between 1985 and 1989, thanks to a more favourable international environment and, particularly, a slide in the value of the dinar followed by a devaluation, the stimulating effects of which have been felt all along making the Tunisian product relatively competitive in the Mediterranean region. After a slight slowing down between 1989 and 1990 and a first semester relatively compromised by the Gulf crisis, this year heralds, in the light of the provisional and encouraging indicators for the second semester, another increase in arrivals and overnight stays of non-residents.

2.3.3 88% of the foreign guests staying in Tunisia are from the European countries, in particular the EU and Scandinavia. The volume and trend of this demand depends to a large extent on the economic and social situation of the home countries of the tourists. These past years, Tunisia received on average, 3.5% of total European tourists which constitutes a remarkable performance in the region. Demand for the Maghreb destination fluctuates from one year to another and is limited to about 3% of overnight stays on average.

2.3.4 The coastal resorts account for 85% of demand for Tunisia and this demand concerns the traditional and famous tourist regions of the Tunisian coast, namely the Hammamet, Sousse, Monastir and Jerba regions which attract, on average 2/3 of the foreign tourists each year. The average duration of stay seems to stabilise around six nights per non-resident tourist. The hotel occupancy rate for the last decade was 53.7% on average. Almost 70% of the guests stay in average standard establishments which correspond to 2 and 3-star hotels. Improved comfort and quality service are becoming, increasingly, the factors which attract tourists. The yearly overnight stays in 4-star and luxury hotels has been on the increase since 1988 whereas that of other categories of hotels has recorded a slight drop.

2.3.5 The competitiveness of the Tunisian tourist product has been a major asset in the face of competition from Costa d'el sol, Greece, Morocco and the ex-Yugoslavia. This competitiveness was improved by the slide in the value of the dinar followed by a devaluation which was relayed in 1990-1991 by the revaluation of the Spanish currency in particular. In future, maintaining this competitiveness will require efforts in managing and organising the tourist companies while ensuring that inflation is relatively under control. The European tour operators who market about 90% of stays in Tunisia, control and direct demand for the various Mediterranean regions. They are indispensable partners who impose quality standards and prices. Over the past years, they marketed 70% of the Tunisian tourist product on the German, French and English markets alone. Attracting demand requires more than mere accommodation; it requires social, sporting and recreational activities adapted to the taste and needs of customers coming from wealthy and developed countries and who are representative of the current trends.

2.3.6 Offer: Since the 1960s, Tunisia's accommodation capacity has been increasing steadily. This capacity increased from 4,077 beds in 1962, to 35,297 in 1970 and 116,534 in 1990. During this same period, the number of hotel establishments rose from 74 to 508 today. The average capacity per establishment has also grown from 162 beds in 1990 to 229 beds today. This remarkable growth was made possible by investments which rose from TD 10.1 million in 1962 to TD 118.7 million last year, that is, an average annual growth rate of about 41%. Following the successful State divestiture between 1965 and 1970, the bulk of Tunisian tourist activities is controlled by the private sector.

2.3.7 Hotel establishments such as coastal holiday resorts which are ideal for mass tourism, account for 85% of the increase in accommodation capacity to reach the current level. Although the number and capacity of 4-star and luxury hotels is increasing significantly, the 1 to 3-star hotels still account for 4/5 of the capacity of classified establishments. During the 1987/1990 period, accommodation offered by high standing establishments (4-star and luxury) has increased by 18% per annum as against 11% for those of a lower standing, thus indicating the on-going restructuring of the accommodation offer. The distribution of overall existing capacity between the main tourist areas is relatively balanced and concerns the major coastal resorts developed during the past three decades, namely, Hammamet, Sousse, Jerba and Monastir. Most of these resorts are saturated now and no longer have lands adapted to tourist activities. Fifteen already designed new sites will be developed in the next ten years and will provide 80,000 additional beds.

2.3.8 The on-going and future consolidation of Tunisia's tourist position will be done by offering additional qualitative social activities and recreational equipment so as to take full advantage of the proximity of Europe. Improved services with regard to restauration, sports and recreational halls, television channels as well as improved and diversified facilities such as fishing, water sports, boating, golf and riding are increasingly important criteria in the selection of hotel establishments by tour operators. The latter are frequently and actively consulted during the design and construction of any hotel establishment of importance. The renovation and enlargement of existing hotel establishments are in keeping with the same trend of investing in quality so that the proposed Tunisian tourist product could be truely competitive compared to those of the other Mediterranean regions.

2.3.9 A realistic and careful interpretation of the main indicators of European tourism trends points to a slight consolidation of Tunisia's share of the market which is expected to increase from 3.5% to 4% by 1996. An overall estimated offer of almost 26 million overnight stays requires increasing the accommodation capacity by 7,000 beds per annum. The construction of the planned new hotel establishments will require annual investments of TD 200 million during the 1992-1996 period.

2.3.10 Performance of the Sector: The Tunisian tourist sector declined in 1989 and 1990 after a strong growth in the preceding two years. The revival of investment and the resultant increase in accommodation capacity which were stimulated by the above-mentioned performances did not lead to an improvement in the major activity criteria such as overnight stays of non-residents and foreign exchange earnings. Although the foreign exchange earnings of the tourist sector fell by 24% during the past two years, it made up for almost 56% of the 1990 trade deficit. Tourism represents the equivalent of 26.8% of the value of exports and has become Tunisia's primary source of foreign exchange, ahead of oil and textile products.

2.3.11 The tourist sector provides direct and permanent employment for about 50,000 people and almost double that number in other tourist-related areas of the Tunisian economy (agriculture, industry, cottage industries and other services). Investments in this sector represented 5% of the gross fixed capital formation in 1990. In spite of the difficulties it is faced with, tourism is still a productive sector of the Tunisian economy and one of its main sources of foreign exchange.

2.3.12 Government Policy: Tourism is still a priority sector of the Tunisian economy. The State intervenes in it through incentives such as the creation of basic infrastructure and facilitating the creation of conditions which improve the Tunisian tourist product thereby attracting private investment to the sector. Government support to the sector is regulated by an investment code adopted in 1969 and which was reviewed and updated in 1986 and 1990. All tourism promoters, whatever their status, benefit from the advantages and guarantees stipulated therein. Investments in tourism concern accommodation, social amenities and tourist transport. Investment within or outside specially developed zones no longer give rise to discriminatory treatment. The initial authorisation is notified within a month and the final approval, based on a comprehensive technical file, is given within two months following submission. Creation, extension, transformation, improvement, renewal and renovation enjoy the same benefits which are granted by a special commission set up to this effect.

2.3.13 The common benefits concern the option on land in a tourist area, exemption from registration for 10 years, tax rebate on up to 70% of profits reinvested in the so-called decentralisation regions or on entire profits reinvested in the Sahara regions. These are in addition to the VAT waivers on the capital goods of approved projects. Activities for the creation of accommodation, for their part, enjoy special benefits in that the State bears the costs of constructing the necessary infrastructure up to the edge of the project land. Interest rate subsidies to a maximum of 3% on medium and long-term loans within the limit of 60% of investment costs, a study subsidy and a minimal 10% tax on profits, have also been provided. Henceforth, a 20% increase in accommodation capacity, as against 30% before, is considered to be construction of a new hotel establishment. Investment in decentralised regions entitles one to a 4% interest subsidy and a two-year extension of the tax rebate period. Those of these tourist investments which are made in the Sahara region will enjoy a 5% interest rate subsidy and more favourable study subsidies. The new promoters, i.e. young promoters, building their first hotel establishment of a capacity not exceeding 140 beds, may obtain loans covering up to 75% of the investment costs and a 4 to 5% interest rate subsidy depending on the project location. More favourable terms may be granted, through an agreement, to major tourist investments. The "Office nationale du tourisme tunisien" (Tunisian National Tourist Board) is the main monitoring and inspection body of the sector and the coordinator of the administrations involved in the operations of the sector.

2.3.14 The commission for granting the benefits, the tourist industry financing terms, the so called decentralisation tourist zones, the Saharan regions and the terms for granting study subsidies are all regulated by decrees of implementation. As of May 1990, the benefits of the code may be granted only when equity funds represent at least 40% of investments in accommodation, 30% in the case of investments in the Sahara, in tourism-related social activities and tourist transportation, 25% regarding

investments made by young promoters, 20% of equipment replacement costs during a major extension and 15% in the case of social and transport activities financed through supplier credits. Study subsidies for encouraging esthetic developments according to accepted practices, has been limited by the regulations in force since January 1991, to 4% of off-site investment costs. The Tunisian authorities are increasingly concerned by certain shortcomings such as the disposal and treatment of household refuse and the pollution of certain areas of the coastline. Environment conservation has become a priority because the choice of tourist destinations is highly dependent on it. Actions have been planned to this effect in agreement with the municipal authorities concerned.

2.3.15 During the course of the next plan (1992-1996), almost TD 76 million will be allocated to the study, research and prospection of the international tourist market. The development of this promotion activity to which certain competing countries allocate up to 3% of their tourist revenue, has become indispensable. The same applies to vocational training in order to improve the quality of service. In addition to the considerable efforts deployed to-date, this training will involve one out of every two new employees and will henceforth last for two years instead of one year as was the case. To this effect, a new training centre will be opened at Ain Draham.

2.4 The Financial System

2.4.1 In relation to its size, Tunisia has a relatively developed banking system which includes, in addition to the Central Bank of Tunisia:

- a stock exchange;
- a "centre de chèques postaux" - CCP (a giro cheque office);
- representation office of foreign banks;
- 11 deposit banks;
- 8 development banks;
- 1 institution specialised in receiving savings;
- 9 portfolio management bodies;
- 9 off-shore banks; and
- 2 leasing companies, the list of which is given in Annex 2.3.

2.4.2 The industrial and commercial adjustment programme (ICAP) implemented as of 1987, has introduced liberalisation measures into banking activities. Fundamental changes have been made in interest rate setting and in the definition of the conditions for the intervention of the Central Bank in the money supply and credit distribution procedures. As of January 1987, interest rates on debit accounts are set freely by banks within the framework of the Professional Association of Tunisian Banks depending on the market conditions, with the exception however, of interest rates relating to priority sectors and activities (agriculture, exports, SMEs and energy saving) which are still set by the Central Bank. With regard to interest rates on credit accounts, with the exception of special savings accounts and deposits in convertible dinars, they are, in principle, negotiated freely between banks and depositors in the drive to give a new impetus to savings. However, in order to avoid abuses which could threaten the monetary and financial balance, a 2% interest rate ceiling was set in 1990 on deposits and investments of less than three months. Concurrently, the volume of Central Bank refinancing was considerably reduced and the rate of the repurchase agreement was raised.

2.4.3 Measures have been taken to back up the on-going structural reforms, further relax the regulatory environment, promote long-term savings and develop negotiable investment instruments. Three-month, six-month and one-year Treasury Notes were therefore introduced and in June 1990, the concessionary interest rates on almost 1/4 of total credits were thoroughly reviewed in order to direct public operators towards financing at conventional terms thereby reducing the volume of subsidised credit by almost half. Concurrently, the interest rates applied to the rest of the concessionary loans were raised from 0.5 to 1% in view of allowing interest rates to play their role in the allocation of funds and the establishment of financial balances. In addition, the control instruments of the monetary authorities have been strengthened by the reactivation in 1989 of the legal reserve constitution policy and the temporary introduction of the additional legal reserves for the banks.

2.4.4 The adoption of these measures enabled the system to achieve good results with regard to:

i) liquidity control by keeping the growth rate of money supply 3 points below that of GDP at constant prices;

ii) consideration of long-term savings and the development of negotiable instruments by launching a TD 50 million debenture loan through banks in 1990, in addition to the TD 87 million mobilised in 1989; and

iii) increase in the activity of development banks with a much higher disbursement rate in 1990 compared to 1989 (243 million dinars compared to 167 million).

2.4.5 The contribution of the financial system is increasing constantly and should reach TD 1.141 billion in 1991 compared to TD 1.008 billion in 1990. In 1991, total investment and operations financing should account for 67 to 67.5% of the total financing package as against only 60% in 1988 and 1989.

Contribution of the financial system to the economy
(in million T.D)

	1988	1989	1990	1991
. Short-term loans	224	406	330	371
. Medium and long-term loans	438	435	624	701
. Security/investment portfolio	55	26	54	69
Total	717	867	1 008	1 141

Source: 1991 Economic Budget - Republic of Tunisia.

2.4.6 The gradual liberalisation of the banking system during the past years and the removal of barriers between deposit and investment banks in view of facilitating competition are beginning to bear fruit. Since 1989, the activities of the financial sector have picked up significantly with an average 16% increase in value added, thus marking a change from the sluggishness of the 1986-1988 period when value-added increased on average by 3%. This recovery is due to the improvement in the intermediation margin and the revival of economic activity which was accompanied by an increased credit demand.

2.5 ADB Line of Credit

The first ADB line of credit, of a total amount of BUA 40 million (excluding BNDT), granted to the four Tunisian development banks was appraised in January 1988 and approved by the ADB Board of Directors the same year. Signed on 1st June 1988, this loan became effective in October 1988. It served to finance part or all the foreign exchange costs of about 50 projects, 26 of which are already operational. The performances of those projects are analysed in chapter 4. This line of credit has been almost entirely committed by the four banks and, as at 15 March, 1991, it was still being disbursed. At that same date, the banks had not yet started repaying the principal of the loan since the grace period had not yet come to an end.

3. THE BORROWERS

3.1 The "Banque tuniso-koweitienne de développement" - BTKD

3.1.1 Institutional Framework

3.1.1.1 Established by the 29 October, 1980 Agreement between the Republic of Tunisia and the State of Kuwait, BTKD is a banking institution governed by Tunisian law. Its objective is to promote, realise and ensure the financing of projects of public interest in the key sectors of the Tunisian economy. Its headquarters is located in Tunis and it started its operations in 1981.

3.1.1.2 BTKD operates in all sectors of the economy but takes particular interest in industrial projects. Indeed, the Bank's general policy requires it to direct 60% of its resources to industry, 20% to agriculture, 15% to tourism and real estate and 5% to the service sector (transport etc...). At any rate, it is required to give priority to investment projects in Tunisia, particularly those aimed at facilitating job creation, export increase, regional development and industrial integration.

3.1.1.3 BTKD's capital stock stands at TD 100 million. It was entirely subscribed by 31 December, 1985 and its present breakdown is as follows:

- Tunisian shareholders: 50%, i.e. TD 50 million of which TD 49.4 million was subscribed by the Tunisian State; and

- Kuwaiti shareholders: 50%, i.e. TD 50 million of which TD 36.8 million was subscribed by the Kuwaiti State.

The list of shareholders is given as Annex 3.1.1.

3.1.2 Administration, Organisation and Management

3.1.2.1 Like the three other development banks which are the subject of this report, BTKD is established as a public limited corporation governed by Tunisian law, its Articles of Association, company law and legal provisions relating to investment banks as provided in Act 67-51 of 7 December, 1967, governing the banking profession and the subsequent laws amending or completing it.

3.1.2.2 BTKD is managed by a Board of Directors composed of 10 members chosen from among the shareholders and appointed by the General Assembly according to the principle of equal representation. The Kuwaiti and Tunisian parties are each represented by five executive directors. In order to put right a contradiction which existed in the agreement establishing the bank and in the initial Articles of Association, BTKD's Extraodinary General Assembly of shareholders of 4 June, 1983, amended Articles 40, 44, and 45 of the Articles of Association. Henceforth, the latter stipulate that the Board shall appoint, from among its members, a Managing Director representing one of the two parties, and a Deputy Managing Director representing the other party. The amended Articles of Association further stipulate that the Board may appoint its Chairman from among its members, representing one of the two parties and a Vice-Chairman representing the other party. In such a case, as is now the prevailing practice in BTKD, the Board of Directors shall appoint a Director General entrusted with the Management of the Bank and answerable to the Board. The Articles of Association further provide that each executive director shall have five shares in order to ensure proper management during his entire term. The list of BTKD Executive Directors is given as Annex 3.1.2.

3.1.2.3 Under the authority of the General Directorate, BTKD's operations are distributed horizontally and vertically according to an organisation chart and relayed by intermediary links. The BTDK organisation chart is given as Annex 3.1.3 and the bank has been operating in its present structure since 1st November, 1990. All its services are placed under the direct authority of the General Directorate through two Central Directorates, a Legal Directorate and two Departments (Administrative and Computer). The two Central Directores are the backbone of the bank. They are:

i) the Central Projects Directorate, subdivided into two Directorates, namely the Appraisal Directorate and the Monitoring, Restructu- ring and Representation Directorate:

- the Appraisal Directorate, responsible for the identification and appraisal of projects, is subdivided into three sectoral departments: the Industrial Projects Department, Tourist Projects Department and Agricultural Projects Department. They are responsible for examining financing requests; and

- the Monitoring, Restructuring and Representation Directorate, subdivided into two departments - the Monitoring and Restructuring Department and the Representation Department - is responsible for monitoring the implementation of projects financed by the bank, the restructuring of projects which might run into difficulty and monitoring the companies in which the bank has made an equity investment.

ii) As for the Central Finance Directorate it oversees four different services:

- the Credit, Securities and Resources Directorate is subdivided into two departments; the Credit Department, responsible for loan disbursements and withdrawals from the loans, and the Securities and Resources Directorate, responsible for managing the loans and the bank's security portfolio;

- the Accounts and Statistics Directorate which is entrusted with all the accounts related operations, the preparation of the balance sheet and the accounts as well as the monthly statements addressed to the Central Bank,

- the Banking Operations Department, responsible for implementing all the cash operations of the bank; and

- the Recovery Service which monitors the loan repayment schedules.

3.1.3 Staff and Training

3.1.3.1 As at 31 December, 1990, BTKD had 101 employees, 95 of whom were at headquarters and six at major project sites (project leaders). This staff population included 22 senior managers (Directors, Deputy Directors, Administrators, Heads of key departments), 35 middle management officers and 44 junior officers. Management staff represent 57% of the staff population which is a satisfactory proportion for a development bank. The increase in the bank's staff population appears to be very reasonable, particularly during the 1987/1990 period when the number of employees increased from 95 to 101 (+6.3%), in keeping with the volume of its activities. Most of the junior officers are in the Administration Department (26 out of the total 44) and the Central Projects Department and affiliated services have the highest concentration of management staff (22). The level of training, motivation and competence of the bank staff is generally satisfactory. Nevertheless, BTKD could state forward planning its staff requirements at each level of qualification, in keeping with its five-year development plan, so as to programme its recruitment and training activities.

3.1.3.2 BTKD has no specific training programme. However, it continues its refresher courses and training programmes through in-service training provided by senior officials of the bank for the support staff, training at the "Institut de formation bancaire" (Bank Training Institute) for middle management staff and seminars for senior managers.

3.1.4 Financing Policies and Procedures

General Policies

3.1.4.1 In order to achieve its objectives, BTKD provides assistance to the Tunisian economy through one or several of the following operations:

i) equity investment in existing companies or those to be established in Tunisia or abroad using its net worth;

ii) granting in local currency or convertible foreign exchange, long-term loans from its net worth or long-term borrowings, and medium-term loans from foreign borrowings and fixed-term deposits;

iii) providing guarantees and securities for companies and any necessary signed commitment relating to international trade operations;

iv) financing export operations in order to facilitate the marketing of Tunisian products, and import operations of industrial and other companies established in Tunisia;

v) participating in the expansion of capital and stock markets; and

vi) developing assistance and consultancy activities for Tunisian and foreign companies in respect of financing.

It should be noted that BTKD has not yet been able to implement the last three operations mentioned above.

3.1.4.2 In light of the level of its operations, the general policy of BTKD in this area, is as follows:

- the bank does not intervene in projects the total investment of which is less than TD 500,000; this intervention threshold which was initially set at TD 1,000,000 was brought down to TD 500,000 in 1984 in order to allow the financing of SMES;

- the bank's total equity investment (capital + loans) cannot exceed 50% of its networth;

- the bank's total contribution to a project in the form of equity investment or loans cannot exceed 10% of its net worth, unless in exceptional cases;

- the bank's equity investment in a project cannot exceed 15% of the capital stock of the venture but this proportion may be increased to 30% if it is the promoter and lead bank in the venture;

- unless in exceptional cases, the bank cannot invest in the capital stock of a venture where its contribution, in the form of a loan, is not requested; and

- about 85% of the bank's resources shall be allocated to lending operations and 15% to equity investment.

3.1.4.3 The repayment period of loans granted by the bank shall be determined according to the nature and specific features of the projects and shall, in any case, be more than two years and less than or equal to 15 years.

3.1.4.4 BTKD's financial policies are aimed mainly at maintaining the level of its networth, managing its funds in such a way as to enable it to honour its commitments and ensuring returns in view of constituting sufficient provisions and reserves, and distributing reasonable dividends to its shareholders. In order to acheive these objectives, BTKD shall:

- ensure a reasonable balance between the medium and long-term commitments and resources;

- ensure that the outstanding medium and long-term borrowings are not more than four times its networth;

- ensure that fixed interest rate loans are financed from its networth or from fixed-rate borrowings;

- match the maturity dates of its borrowings and loans;

- set sufficient remuneration levels for its services to enable it obtain sufficient returns; and

- make allowance for the constitution of provision for subsequent losses and reserve funds which take into account the nature of commitments and the risk taken.

Interest Rate

3.1.4.5 With regard to interest rates, although in principle they are set freely by the banks, the current practice is that the rates applied by the development banks are set by the Professional Association of Tunisian Banks, with the exception of those applicable to the priority sectors. As of 20 November, 1990, the rates applied by these banks, depending on the duration of the loan and the sector of activity, are as follows:

*loans to the tourist sector:

- less than 10 years duration 13.50%
- ten years and more 14.00%

(It should be noted that projects approved in this sector enjoy a 3% interest rate subsidy).

*Other loans

- less than 10 years duration 13.00%
- ten years and more 13.50%.

Under normal operating conditions, these exit rates or the interest rate on the onlending of the line of credit to the final borrowers should normally enable the bank to cover its operating costs, financial charges and risks, contribute to exchange risk hedging and generate reasonable profits. The interest rate policy is the same for all the banks.

Exchange Risks

3.1.4.6 Like the other banks, BTKD does not bear exchange risks on the external resources it uses. This risk is borne by the State against payment by the banks of a 1% flat charge on the loan (2.2% for the ADB line of credit). This commission supplies the Exchange Equalisation Fund managed by the Central Bank of Tunisia on behalf of the Treasury. The cost of this charge is borne by the final borrower and is incorporated in the structure of the exit rates of the loans.

The exchange risk hedging policy is the same for all the banks.

Procedures

3.1.4.7 The quality of BTKD's project appraisal is satisfactory. The identified projects, the appraisal of which is recommended by the Management Committee, are completely and thoroughly analysed by the Appraisal Department officials according to the predefined procedures, thus making it possible to harmonise the style and substance of appraisal reports. When the Management Committee decides that a project has fulfilled all the requisite conditions for submission to the Board of Directors, the bank's General Directorate then prepares for the following Board meeting, a file containing a note on the project, the financial conditions retained, the requisite guarantees and the appraisal report.

3.1.4.8 Project implementation is monitored through monthly reports and site visits. These reports outline the engineering and financial status of the project and point out their differentials with the estimates. In addition, joint site visits by officers of the Appraisal and Credit Departments, responsible for disbursements, are organised systematically each time a disbursement is requested. During the operations phase, visits and audits are carried out by the Monitoring Department which prepares half-yearly reports on the different aspects of operation. Finally, BTKD ensures systematic follow up of the companies in which it holds more than 10% of the capital stock, by transferring one of its officials to the Board of Directors of the company concerned.

3.1.5 Operations and Portfolio Analysis

3.1.5.1 From the beginning of its operations in 1981 to 31 December, 1990, BTKD's cumulative loan approvals amounted to TD 383.9 million including TD 66.5 million (17.3%) in equity investments and TD 317.4 million (82.7%) in loans. Cumulative commitments over the same period stand at TD 301.3 million including TD 61.6 million in equity investments (20.4%) and TD 239.7 million in loans (79.6%). The general average of the commitment/approval ratio is 78.5% which is a good performance for a bank which started operating less than 10 years ago. Cumulative disbursements over the same period amounted to TD 282.1 million including TD 54.9 million in equity investments (19.5%) and TD 227.2 million in loans (80.5%). The general average of the disbursement/commitment rate stands at 93.6%. The following table summarises BTKD operations during the last five years, i.e. 1986 to 1990.

Table 3.1.1
Summary BTKD Operations - 1986 to 1990
(in thousand TD)

	1986	1987	1988	1989	1990	TOTAL
1/ Loans						
Approvals	15488	25430	27653	48003	26390*	142964
Commitments	17007	16199	19637	22927	26690	102460
Disbursements	20601	20248	18467	21025	26215	106556
Commitment/Approval Rate	109.8%	63.7%	71.0%	47.8%	104.1%	71.7%
Disbursement/Commitment Rate	121.1%	125.0%	94.0%	91.7%	98.2%	104.0%
2/ Equity investments						
Approvals	4983	3888	4872	8074	2547*	24364
Commitments	5106	3645	4225	7276	8616	31568
Disbursements	5281	4880	4761	5900	6961	27783
Commitment/Approval Rate	102.5%	93.8%	86.7%	90.1%	338.3%	129.6%
Disbursement/Commitment Rate	103.4%	133.9%	112.7%	81.7%	80.8%	88.0%

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* This figure does not take into consideration the TD 24 million of the pending files. The Board of Directors was unable to meet in December 1990 to approve them.

3.1.5.2 This table clearly shows that total loan approvals increased considerably, particularly in 1989, and dropped significantly in 1990. It should be noted that files of a total value of about TD 24 million are awaiting approval. This amount which could be approved, would put total 1990 approvals at par with those of 1989. The loan disbursement rythm over the period is quite satisfactory and the disbursement/commitment rate is more than 100% owing to a lag in the disbursement schedule. Approved equity investments represents 14.56% of cumulative approvals of the period. This is consistent with the bank's general policy of limiting equity investments to about 15% of its outstanding loans.

3.1.5.3 From its establishment in 1981 to 31 December, 1989, the bank has approved a total of 212 projects representing a total cost of about TD 2.065 billion. Annex 3.1.5 outlines the breakdown of the approvals in the main sectors of activity over the 1986-90 period. The industrial sector which accounted for 68% of the approvals in 1986, represented only 40% of approvals for the 1986-90 period. This drop was in favour of the tourist sector the share of which rose during the same period from 20% to 55% of approvals. This phenomenon is due mainly to the ending of investments in the mechanical industries sectors in 1985/86, owing to the major difficulties encountered in several parastatal institutional projects in 1982/83 and, in general, the decline in industrial sector investments up to 1988. This was beneficiary to the tourist sector which, at the time, enjoyed the support of the authorities, a favourable environment and the resumption of private investments.

3.1.5.4 The trend of BTKD's due loan repayment portfolio, as shown by table 3.1.2 below may appear worrying.

Table 3.1.2
Trend of BTKD's Unpaid Maturities, 1986 - 1990
(Claims more than one year old)
(in thousand TD)

	1986	1987	1988	1989	1990	%
Principal	2,340.7	5,598.7	10,006.3	12,772.8	19,193.6	46.3
Interests	4,512.9	8,435.0	9,956.2	12,024.1	15,015.9	36.3
Penalty for default/ cons.	73.0	626.0	2,327.5	3,976.9	7,203.7	17.4
	6,926.6	14,659.7	22,290.0	28,773.8	41,413.2	100.0
Outstanding loans as at 31/12	129,425.2	136,336.4	137,165.5	145,372.7	157,951.0	
% unpaid maturities/ outstanding loans	5.3	10.7	16.2	19.7	26.2	

Although in absolute terms the percentage of due principal and interest payments on the outstanding debts of customers as per the balance sheet, has increased from 5.35% in 1986 to 26.2% in 1990, this increase is due basically to the simultaneous maturity of identical loans and not a decline in the quality of the portfolio. The due principal and interest payments are increased by new maturities of the loans of the same old customers, particularly maturities of institutional industrial projects financed by the development banks.

3.1.5.5 A policy of systematic interest reserves and constitution of provisions, considered for each individual customer by an ad hoc committee of the bank, is applied to debts due for more than one year. The amount of the provision depends on the age of the loan, the likelihood of recovering it and securities deposited. As at 31 December, 1990, provisions for due loan repayments stood at TD 14 million, representing 34% of due principal, interest and penalty payments at the same date. The efforts made by BTKD to constitute provisions is satisfactory but should be continued in the financial years ahead to cover the older maturities. Alongside this policy of constituting provisions, BTKD is continuing its efforts to rehabilitate its bad debt portfolio through restructuring, consolidation, sale of assets and businesses or by managing companies going through a temporary difficulty. In a drive to ensure the exactitude of its balance sheet, BTKD is also making considerable efforts to constitute provisions for the amortization of its equity stocks. As at 31 December, 1990, provisions made to this effect stood at TD 10.286 million and represent more than 21% of the equity investments recorded in the balance sheet (TD 48.448 million).

3.1.6 Accounting and Audit

The books are kept by the Accounts and Statistics Department which is one of the main components of the Central Finance Department. All the bank's finance-related operations are centralised in this department. It prepares the balance sheets, the accounts and the monthly statements sent to the Central Bank of Tunisia (CBT). It is equipped with a computer network including a Microvacs micro-computer and about ten terminals. The accounting, in real time, seems to be reliable and the quality of the documents is good. The annual accounts are certified by an auditor who is a chartered accountant and is appointed by the General Assembly of the shareholders.

3.1.7 Retrospective Analysis of Financial Performances, Operations, Results and Returns

3.1.7.1 Detailed BTKD income and expenditure accounts of the 1987-1990 financial years are given as Annexes 3.1.4 and 3.1.5. They are summarised in the table below which gives a certain number of ratios for analysing the bank's profitability.

Table 3.1.3
BTDK's 1987-1990 Simplified Income and Expenditure Account
(in million TD)

	1987	1988	1989	1990 (Prov.)
PROCEEDS				
a. Proceeds of investments	0.7	0.4	0.3	0.6
b. Proceeds of credit operations	15.0	14.4	14.4	15.8
c. Charges	0.3	0.4	0.4	0.4
d. Equity investment income	0.2	0.5	1.0	0.4
e. Other proceeds	-	-	-	-
TOTAL	16.2	15.7	16.1	17.2
EXPENDITURE				
f. Financial charges	3.0	3.9	5.1	6.1
g. Operating charges	1.1	1.1	1.3	1.6
h. (including staff expenses)	(0.6)	(0.7)	(0.8)	(1.0)
i. Other expenses	0.2	0.2	-	-
j. Amortization	0.2	0.2	0.1	0.1
k. Provisions	4.2	4.2	6.6	6.0
TOTAL	8.7	9.6	13.1	13.8
l. Operating income	7.5	6.1	3.0	3.4
m. Profit and loss	(-0.7)	(-0.1)	(1.0)	2.1
n. Net results	6.8	6.0	2.0	5.5
o. Net bank results	12.3	10.9	9.7	10.1
p. Operating cash flow	11.2	10.4	8.7	11.6
q. Average portfolio	130.6	133.5	139.1	148.6
r. Networth (before dividend distribution)	136.0	144.0	154.6	161.5
RETURNS (%)				
1. Cash-flow/Networth	8.20%	7.20%	5.60%	7.20%
2. Net bank proceeds/operating charges	9.50%	8.40%	7.40%	6.30%
3. Personnel expenses/operating expenses	50.00%	54.00%	57.00%	58.00%
4. Administrative margin	1.14%	1.12%	1.00%	1.14%
5. Provision/total portfolio	2.50%	2.50%	3.70%	3.10%

3.1.7.2 All bank proceeds virtually stagnated between 1987 and 1990 going from TD 16.2 million to TD 17.2 million, that is an increase of merely 6.17% in current dinars with a slight decline during the two intermediate financial years. Proceeds of lending operations (interest and charges) account for 90 to 95% of total proceeds. The liquidity investment proceeds and equity investment income remained marginal. Charges increased during the same period by 58.6% from TD 8.7 million to TD 13.8 million. Although operating costs increased in reasonable limits, in contrast, financial costs doubled during the same period rising from TD 3 million to TD 6.1 million, that is from 34 to 44% of total costs which thus signifying a greater mobilisation of borrowed resources (drawings from the IBRD and ADB lines of credit, 1989/90 debenture loan and borrowing from the Arab Banking Corporation). As a result of allocations to the provision accounts during each financial year, the bank's operating income kept fluctuating, going from TD 7.5 million in 1987 to TD 3.4 million in 1990. It should be noted that the figures for the 1990 financial year are provisional since the accounts had not been closed by the Board of Directors nor approved by the General Assembly of shareholders.

3.1.7.3 As shown by the table below, actual results were lower than the projections.

(in million TD)

	1987	1988	1989	1990
Projected results	10.9	9.7	10.3	10.4
Actual results	6.8	6.0	2.0	5.5

This is due to the fact that the proceeds have been lower than projections and the costs higher than projections as shown by the following table:

	1987	1988	1989	1990
Projected proceeds	17.5	17.5	18.1	18.4
Actual proceeds	16.2	15.7	16.1	17.2
Projected costs	6.6	7.8	7.8	8.0
Actual costs	8.7	9.6	13.1	13.8

The differential of the actual and projected costs is due particularly to the magnitude of provisions made necessary by the degradation of the portfolio.

3.1.7.4 Even though BTKD is still "solvent", the increase in the volume of frozen debts and due repayments of its portfolio, for which more provisions will have to be made, has resulted in a significant drop of certain ratios. This is particularly true for the interest margin, that is the relation of net bank proceeds to average outstanding debts of the debt portfolio which has dropped from 9.41% in 1987 to 6.7% in 1990 thus signifying a deterioration in the bank's rate of return. BTKD should be more vigilant in its future operations in order to rectify this situation and rehabilitate its portfolio quickly in view of ensuring that the returns which dwindled in 1989 and improved in 1990, are restored to adequate levels.

Balance Sheet and Financial Balance

3.1.7.5 These detailed BTKD results are given as Annex 3.1.5. Table 3.1.4 below summarises the trends of the accounts of the bank's balance sheet for the 1987 to 1990 financial years. This table also provides a certain number of ratios which explain the trend of BTKD's structural balances.

Table 3.1.4
BTKD's Simplified Balance Sheets, 1987-1990
(in million TD)

	1987	1988	1989	1990 (Prov.)
ASSETS				
a) Current assets	24.4	37.8	72.7	84.0
b) Medium and long-term loans	132.3	134.7	143.6	153.6
c) Equity investments	36.9	40.7	41.3	48.5
d) Net fixed assets	1.1	1.1	3.0	6.7
e) Total	194.7	214.3	260.6	292.8
LIABILITIES				
f) Current liabilities	11.2	16.0	52.1	68.6
g) Medium and long-term debts	40.7	48.3	51.9	57.2
h) Networth and provisons	136.0	144.0	154.6	161.5
i) Income	6.8	6.0	2.0	5.5
j) Total	194.7	214.3	260.6	292.8
STRUCTURE AND RETURNS RATIO				
1. Debt ratio (g/h)	0.3	0.3	0.3	0.3
2. Liquidity ratio (a/f)	2.1	2.4	1.4	1.2
3. Financial balance ratio (g+h)/(b+c+d)	1.0	1.1	1.1	1.0
4. Net profits/Capital	6.8%	6.0%	2.0%	5.5%
5. Cash-flow/Capital	11.2%	10.4%	8.7%	11.6%

3.1.7.6 An analysis of the last four BTKD balance sheets (the figures of the 1990 balance sheet are provisional) shows a regular progression of the balance sheet total which increases from TD 194.7 million as at 31 December, 1987 to TD 292.8 million on 31 December, 1990, that is a 50 per cent increase over the four years. The increase over the last two years - 1989 and 1990 - should be put in perspective because it includes an exceptional non-operational customer deposit of TD 24 million entered under the current assets of the balance sheet.

3.1.7.7 Under assets, the increase in current assets from TD 24.4 million in 1987 to TD 84 million in 1990, reflects, subject to the above remark on the exceptional deposit, an increase in outstanding claims. As for the due claims, they are recorded under "miscellaneous debtors". Regarding non-available assets which include medium and long-term loans, equity investments and fixed assets, they represented 87.4% of the balance sheet total in 1987 but merely 71.3% in 1990. Moreover, it should be noted that the fixed assets are quite limited. They increased in 1989-90 mainly because of the investments relating to the construction of the bank headquarters.

3.1.7.8 Under liabilities, the networth has been increasing regularly through the contribution of the income and expenditure account, the reserves and provisions but has been falling constantly in relation to the balance sheet total. It represented 73.3% of this total in 1987 as against only 57% on 31 December, 1990. The percentage of medium and long-term debts in total liabilities is still low and represented only 19.5% on 31 December, 1990, which signifies a considerable borrowing capacity. The working capital shows a surplus and it rose from TD 13.2 million in 1987 to TD 21.8 million in 1988 and dropped to TD 15.4 million in 1990. This working capital can finance only slightly more than 10% of the outstanding loans average, which is low and underscores the necessity for BTKD to seek additional resources in the near future in order to maintain its fixed assets at a level in keeping with the increase in its activities.

3.1.7.9 The liquidity ratio is adequate but has declined considerably during the past two financial years thus showing the increasing burden of outstanding claims of the portfolio and for which more provision will have to be made. BTKD's debt ratio is also satisfactory and indicates that the bank's borrowing capacity is almost intact. Finally, even though some problems have come to light owing to the increase in the outstanding claims, BTKD's balance sheet seems to be well balanced and do not require taking any corrective measures. However, it is recommended that the status of the outstanding debt portfolio be monitored closely.

3.2 The "Société tuniso-saoudienne d'Investissement et de Développement" - STUSID

3.2.1 Institutional Framework

3.2.1.1 Established on 30 May, 1981, by an agreement signed on 6 January, 1981, between the Government of the Kingdom of Saudi Arabia and the Government of the Republic of Tunisia, STUSID is a banking institution governed by Tunisian law. Its objective is to promote and finance development projects in Tunisia, particularly industrial, tourist, agricultural and real estate projects. Its headquarters is located in Tunis and it became operational in 1981, the year it was established.

3.2.1.2 STUSID operates in all sectors of the economy but must ensure that its operations are diversified and distributed between the various sectors of the economy in proportions deemed reasonable. It is also required to give priority to investment projects situated in Tunisia as well as those which have the most favourable impact on the Tunisian economy, particularly with regard to job creation and the improvement of the balance of payments. It is also expected to enhance the development of economic relations between Tunisia and Saudi Arabia, particularly, by attracting private and public Saudi funds to Tunisia, developing relations between the financial institutions of the two countries and promoting trade. To the latter effect, STUSID contributed in 1989, to the creation of T.S.T., the "Société tuniso-saoudienne de commerce (the Tuniso-Saudi Trading Corporation).

3.2.1.3 STUSID's capital stock stands at TD 100 million. It has been entirely subscribed since 1986 and is evenly divided between the Kingdom of Saudi Arabia (50%) on one hand, and the Republic of Tunisia and Tunisian public institutions (50%), on the other. The detailed breakdown of STUSID's capital is given as Annex 3.2.1.

3.2.2 Administration, Organisation and Management

3.2.2.1 STUSID is managed by the Board of Directors without prejudice to the powers vested in the General Assembly of shareholders by law and the Articles of Association. The Board is composed of 10 members appointed by the General Assembly, five (5) of whom, including the Chairman, are appointed by Saudi Arabia and the other five, including the Managing Director, are appointed by Tunisia. The list of STUSID's Executive Directors is given as Annex 3.2.2. They are appointed for a three-year term renewable. The Board meets at least three times a year and its decisions are valid only if approved by an absolute majority of members present. With the exception of the powers reserved for the General Assembly, the Board of Directors is fully empowered to act on behalf of the company. In this capacity, it closes the bank's yearly accounts and financial statements and presents to the General Assembly at the end of each financial year, a detailed report on the activities of the company. It also prepares the company's organisation chart, defines it internal rules, staff rules and appoints from among its members, the Chairman of the Board and the Managing Director. It defines the duties of the latter and the powers delegated to him.

3.2.2.2 Two committees originating in the Board of Directors, are also set up:

i) an Executive Committee, composed of resident Executive Directors, which takes over from the Board of Directors when the latter is not sitting. It has the same powers as the Board with the exception that it cannot exceed the ceiling of TD 500,000 for financial commitments and TD 1,000,000 for loans; and

ii) a Loan Committee, under the authority of the Managing Director and composed of the directors of the operational departments, is empowered to decide on STUSID's operations which are less than TD 1 million and which concern projects of a maximum total cost of TD 2 million.

3.2.2.3 The organisation of STUSID, defined in the organisation chart adopted in March 1989 (cf Annex 3.2.3), is characterised by :

i) a General Directorate, assisted by:

- an adviser responsible for providing secretarial services for the Board of Directors' meetings and the General Assemblies;
- a management assistant who will head the documentation and computer services; and
- a legal department.

The General Directorate has 11 staff members.

ii) The five directorates which perform the various activities of the bank are:

- the Development and Monitoring Directorate is responsible for identifying and promoting projects initiated by the bank, defining their objectives and mobilising fresh resources for their implementation as well as coordinating the implementation of projects financed by the bank and monitoring their operation. This directorate, composed of 14 employees, comprises two departments; the Monitoring Department and the Planning and Resources Department as well as five project chiefs;

- the Appraisal Directorate, responsible for appraising requests for equity investment and financing of industrial and tourist projects submitted to it from outside the bank as well as for monitoring the implementation of these projects. This directorate is composed of eight members of staff including five project chiefs;

- the Agricultural and Agroprocessing Projects Directorate, a specificity of STUSID which intends to pay particular attention to this sector, is responsible for identifying, studying and promoting agricultural, agro-industrial and fisheries projects and appraising proposals in this sector which are submitted to them; this directorate has six members of staff including three project chiefs;

- the Financial Directorate, composed of 11 members of staff, is responsible for managing the funds of the bank and all the financial and stock exchange operations related to its activities; this directorate oversees the Treasury Division, the Accounting Service, the Loans and Equity Investments Division in charge of the schedules and disbursements and the Foreign Division which centralizes all the bank's foreign operations, including drawings on the foreign lines of credit; and

- the Administrative Directorate, responsible for the bank's personnel management, administration and the logistics relating to bank operations. This directorate has a staff of 40 employees.

3.2.2.4 The organisation of STUSID also highlights the existence of informal consultation and coordination structures aimed at ensuring a collegial management of operations. As a result, the management, identification, appraisal and monitoring committees which are composed of the senior officers of the departments concerned, meet as and when necessary, under the authority of the General Directorate.

3.2.3 Staff and Training

3.2.3.1 STUSID started operating in 1981 with a staff of 51 senior and junior officers. As at 31 December, 1990, it had 90 employees, including 30 senior officers and 13 management staff. The supervisory staff, composed of 43 employees, represents 48% of total bank staff and includes economists, engineers and financial analysts. In addition, 18 senior STUSID officers are currently seconded to subsidiaries, State institutions and other corporations and four former officers have set up their own projects. The entire STUSID staff is very dynamic and seem qualified and competent and it is acquiring over the years, the experience and maturity necessary for this type of institution. Considering STUSID's operations, it has sufficient staff but its development should be backed by a recruitment schedule for the five years ahead.

3.2.3.2 In the drive to increase the competence of staff, STUSID favours the continuous training of its employees. Each year about forty employees attend upgrading courses, training courses and specialised seminars (CFPB, IFID, BCT etc...). During the 1981-1990 period, more than 7,500 hours of training were provided for the various staff categories, i.e. an average of 21 hours/year per employee. This is quite a satisfactory average which proves STUSID's dynamism with regard to training.

3.2.4 Financial Policies and Procedures
General Policies

3.2.4.1 STUSID, a development finance institution, contributes to the Tunisian economy through the following operations:

i) equity investment in the capital of existing companies or those about to be established;

ii) medium and long-term loans in local currency or foreign exchange obtained from medium or long-term borrowings, fixed deposits or equity;

iii) provision of securities or guarantees;

iv) contribution to the financing of export and import operations;

v) investment of available funds;

vi) contribution to the development of capital and stock markets; and;

vii) financial advice and assistance.

3.2.4.2 STUSID's initial operations policy was to participate, through loans and equity investment, in projects requiring a high investment (TD 2 million for industrial projects and TD 3 million for other projects). Since September 1986, and pursuant to the decisions taken by its Board of Directors, STUSID has extended its operational scope to small and medium size projects and currently there is no ceiling on operations in this sector. The total amount of STUSID's contribution to a project in the form of equity investment or a loan, cannot exceed 10% of the project capital, which is more restrictive compared to a similar provision for BTKD where the percentage concerns the net worth. In general, STUSID's equity investment in a project should be between 15 and 30% of the capital, depending on the project, and exceptionally, it could be more than 30% if STUSID is the promoter of the project. Moreover, unless in exceptional cases such as in investment companies, STUSID is not authorised to hold equity shares in ventures in which its contribution in the form of a loan is not requested. In any case, the proportion of equity investment to loans should correspond more or less to the proportions of this two types of financing laid down in the project financing scheme (currently 30% equity and 70% borrowed capital, except for "young promoters" for whom this proportion is 25/75).

3.2.4.3 The repayment schedule of STUSID loans is determined according to the specific features of the project submitted for financing and its projected cash-flow trends. The schedule varies between two and 15 years and is 10 years on average including a three-year grace period.

3.2.4.4 With regard to its financial policy, STUSID's objectives are virtually the same as those of BTKD, namely, preservation of its assets, sound management of its funds and adequate returns (cf. paragraph 3.1.4.3 above). However, an agreement between the Saudi and Tunisian parties stipulates that no dividends will be paid to the shareholders during the period of tax exemption provided by the agreement establishing the bank (a five-year tax exemption, already renewed once).

Procedures

3.2.4.5 Since its establishment, STUSID has given special importance to project identification and promotion operations to which it devotes a significant quota of its human and material resources. These operations, initiated in the bank's Development Directorate, cover all aspects of project development: design, search for partners and assistance to promoters in all the project implementation stages.

3.2.4.6 The quality of STUSID's project appraisal is quite satisfactory. The appraisal reports are presented to the Appraisal Committee by senior officers of the Appraisal Directorate or by those of the Agricultural and Agro-processing Projects Directorate according to a procedure which is pre-determined and codified in a procedure handbook. Once approved by the Appraisal Committee, the projects are submitted, for final approval, either to the Board of Directors, the Executive Committee or the Loan Committee depending on which one has jurisdiction (cf. paragraph 3.2.2.3 above).

3.2.4.7 Project supervision and monitoring are conducted during the implementation or operational phases by the Monitoring Department of the Development and Monitoring Directorate. STUSID has set up to this effect, a data collection and processing system enabling it to ensure that the set objectives of each company or project are achieved as well as to take corrective measures where necessary. This monitoring is conducted through systematic site visits and audits which are included in supervision reports. Finally, as is the case in the other banks, STUSID monitors closely the companies in which it holds significant shares, by seconding one of its officers to the Board of Directors of these companies or through ad hoc supervision and analysis missions.

3.2.5 Retrospective Operations and Portfolio Analysis

3.2.5.1 As at the end of 1990, cumulative gross STUSID approvals from the beginning of its operations reached TD 335 million thus contributing to financing 235 projects. Table 3.2.1 below gives the trend of these approvals.

Table 3.2.1
Trend of STUSID's Approvals
from 1981 to 1990
(in millions of TD)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	GROSS TOTAL
CREDITS	17.20	32.50	35.40	21.00	18.00	9.40	12.10	25.10	24.60	49.60	245.00
EQUITY INVEST.	4.40	19.30	16.90	8.50	5.60	3.90	4.10	6.70	7.70	13.50	90.00
TOTAL	21.60	51.80	52.30	29.50	23.60	13.30	16.20	31.80	32.30	63.10	335.00

Consequently, over the period covering the first ten years of the Bank's activity, average annual approval amounted to DT 33.5 million shared among nearly 24 projects.

On the whole, over this 1981-1990 period, the average approval was in the proportion of 27% in the form of equity investment and 73% in the form of loans.

3.2.5.2 For the same 1981-1990 period, the sectoral distribution of approvals was broken down as follows:

Table 3.2.2
Sectoral Distribution
of STUSID's Cumulative Approvals 1981-1990
(in millions of TD)

	Number of Projects	Gross Amount	%	Net Amount*	%
Agriculture-Fishery and Agro-industry	50	52.90	15.80	49.50	17.40
Mines and Energy	5	22.50	6.70	21.60	7.60
Manufacturing Industries	120	193.00	57.60	155.40	54.50
Furniture, Tourism and Services	60	66.60	19.90	58.50	20.50
TOTAL	235	335.00	100.00	285.00	100.00

(*) These amounts were obtained after deductions of cancelled approvals.

3.2.5.3 Concerning the Bank's commitments over the period 1981-1990. their trend and distribution between credits and equity investment is summarized in the following table:

Table 3.2.3
Trend of STUSID's Commitments 1981-1990
(in millions of TD)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	GROSS TOTAL
CREDITS		20.00	17.80	19.30	10.80	11.50	9.60	11.20	19.60	18.40	138.20
EQUITY INVEST.	2.90	7.70	16.00	8.30	4.00	5.30	2.90	3.40	6.30	9.70	66.50
TOTAL	2.90	27.70	33.80	27.60	14.80	16.80	12.50	14.60	25.90	28.10	204.70

Overall, during the period 1981-1990, STUSID's commitments were in the proportion of 67.30% in the form of credits and 32.70% equity participation, the total percentage of commitments over approvals being 61% (56.40% for loans and 73.80% for equity investment). The sectoral distribution of commitments net of cancellations over the period is 14.30% for agriculture and fishery, 9% for mines and energy, 54.50% for manufacturing industries and 22.20% for tourism, real estate and services, and this shows a very good division of sectoral risks.

3.2.5.4 The trend of disbursements and their distribution between credits and equity participations is as follows:

Table 3.2.4
Trend of STUSID's Disbursements 1981-1990
(in millions of TD)

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	GROSS TOTAL
CREDITS	1.00	4.90	13.60	17.00	14.50	10.50	12.20	15.30	16.70	19.70	125.40
EQUITY INVEST.	-	6.00	11.00	8.00	4.90	4.90	4.00	5.40	7.10	7.20	58.50
TOTAL	1.00	10.90	24.60	25.00	19.40	15.40	16.20	20.70	23.80	26.90	183.90

Overall, during the period 1981-1990, cumulative gross disbursements effected by STUSID amounted to nearly TD 184 million, of which 68.20% was in the form of loans and 31.80% in the form of equity investment, the overall average ratio of disbursements over commitments being 89.80% (90.70% for credits and 88% for equity participations), which is quite satisfactory.

3.2.5.5 Arrears on payment and unpaid maturities form the subject of a quarterly report, at the same time as the project supervision report. Unpaid amounts, as in the case of the BTKD with which STUSID financed about twenty major projects, come mostly from institutional industrial projects of 1982/1983 which subsequently encountered great difficulties. The trend of STUSID's arrears over the last five years is summed up hereunder:

Table 3.2.5
Trend of STUSID's Arrears
(in thousands of TD)

	1986	1987	1988	1989	1990
Arrears on the Loan Principal of the Loans	1,225	1,701	4,140	9,577	12,229
Arrears on the Interest of the Loans	2,032	3,820	6,307	6,057	8,907
Total	3,257	5,521	10,447	15,634	21,136
Outstanding Loans	56,148	59,280	68,384	79,387	92,100
Provisions for Payments	718	218	1,919	2,130	4,080
Arrears on Principal, % Outstanding	2.1	2.8	6	12	13.30
Provisions/Outstanding %	1.3	0.4	2.8	2.7	4.4

3.2.5.6 STUSID's policy is to limit loan arrears on principal to a maximum 15% of the outstanding loan: end 1990, this ratio was 13.30% but it should be noticed that at the same time, cumulative provisions in the unpaid debts account were TD 9.622 thousand, representing a 78% cover of unpaid principal and 10.5% of outstanding loans as at 31 December, 1990. For three years now, STUSID has adopted a deliberate policy on provisions in order to rid its balance sheet of arrears on the 15 major institutional projects of 1982/83.

3.2.5.7 As at 31 December, 1990, the sectoral distribution of STUSID's arrears was as follows:

Table 3.2.6
Sectoral Distribution of STUSID's Arrears
as at 31/12/1990
(in thousands of TD)

Secteur	Outstanding Loans (A)	Arrears on Principal (a)	Unpaid Interest (b)	Total (a)+(b)	Ratio a/A
Agriculture	13,360	1,099	897	1,996	8.2 %
Industry	58,878	9,433	6,861	16,294	16.0 %
*BMCGI		4,151	2,348	6,499	
*MEI		5,162	4,450	9,612	
*TCLI		120	63	183	
Tertiary	19,902	1,697	1,149	2,846	8.50 %
*Tourism		926	604	1,530	
*Services		771	545	1,316	
TOTAL	92,140	12,229	8,907	21,136	13.3 %

NB : BMCGI : Building Materials, Ceramic Glassmaking Industries
MEI : Mechanical and Electrical Industries
TCLI : Textiles, Clothing and Leather Industries.

The industrial sector generated more than 3/4 of the arrears. Details of STUSID's arrears as at 31 December, 1990 are given in Annex 3.2.4.

3.2.5.8 In addition to its efforts to make provision for old arrears, STUSID also follows a policy of making provision for its equity securities. As at 30 December, 1990, total provisions for depreciation of its securities portfolio amounted to TD 9.630 million for outstanding securities of 57,764 million representing a satisfactory cover of 16.50%. STUSID is also continuing its efforts to recover loans from companies in difficulty, either by restructuring and/or consolidation, or by transfer of securities or business or by renting.

3.2.6 Accounting and Audit

Accounts are kept by the Finance Directorate where entries are centralized. The head of the Accounts Department is a senior staff and a chartered accountant. Accounting is based on a logistical information system which comprises three applications: staff salaries, actual general accounting and budget management. These applications are used on an H.P.3000 mini-computer which makes it possible, from a network of 10 terminals, to do operations in real time. The accounting is reliable, and up-todate and documents are correctly presented. To enable STUSID to better control its procedures and information channel, it is being provided with an internal audit department directly attached to the General Management. Moreover, apart from the possibility of controlling its accounts by BCT, STUSID's annual accounts are certified by an External Auditor, a chartered accountant registered with the Accountancy Board and duly recognized.

3.2.7 Retrospective Analysis of Financial Performances, Operations, Results and Returns

3.2.7.1 STUSID's detailed results accounts appear in Annex 3.2.4. They are summarized in the table below, which also contains some ratios for the analysis of the banks operations and returns:

Table 3.2.7
STUSID Simplified Results Account, 1987-1990
(in thousands of TD)

	1987	1988	1989	1990
INCOME				
a. Income from Investments	3,603	3,539	3,375	3,699
b. Income from Credit Operations	7,751	8,519	8,874	9,735
c. Commissions	263	187	241	270
d. Income from Equity Particip.	695	1,098	1,689	1,366
e. Other Income	177	340	769	159
TOTAL	12,489	13,683	14,948	15,229
EXPENSES				
f. Financial Charges	340	578	982	1,116
g. Operating Costs	1,267	1,311	1,211	1,492
h. (including staff expenses)	(760)	(828)	(848)	(957)
i. Other Expenses	102	60	50	47
j. Amortization	110	388	368	508
k. Provisions	1,683	4,083	4,710	7,542
TOTAL	3,502	6,420	7,321	10,705
l. Operating Result	8,987	7,263	7,627	4,524
m. Profit and Loss	-46	-216	-	+1,079
n. Net Income	8,941	7,046	7,627	5,603
o. Net Bank Proceeds	7,674	8,128	8,133	8,889
p. Operating Cash-flow	10,780	11,734	12,705	12,574
q. Average Portfolio	57,714	63,832	73,885	85,743
r. Equity (before dist.)	126,851	136,190	141,237	148,868
PROFITABILITY %				
1. Cash-flow/Equity	8.50 %	8.60 %	9.00 %	8.40 %
2. Net Bank Yield/ Operating Costs	5.85 %	6.35 %	7.22 %	6.50 %
3. Staff Expenses/ Operating Costs	55.50 %	60.30 %	67.20 %	62.10 %
4. Administrative Margin	2.60 %	2.80 %	2.20 %	2.40 %
5. Provisions/Portfolio	2.90 %	6.40 %	6.40 %	8.80 %

3.2.7.2 Between 1987 and 1990, all yields generated by STUSID increased by nearly 22% from 12.489 million dinars to 15.229 million. Yield on credit operations (interests + commissions) represents about 65% of total yields, whereas income from treasury placements averages 25%. It should also be noted that income from equity investment held by STUSID constitute a considerable asset, as these gross incomes, apart from potential capital gains, vary between 1.5% and 4% of the total securities held. During the same 1987/1990 period all expenditures increased from 205%; if operating and running costs

increase reasonably from TD 1.369 million in 1987 to 1.539 in 1990 (+12.4%), financial charges more than tripled, rising from 0.340 million to 1.116 million, and this expresses a more sustained recourse to borrowed resources. But the increase in expenditures is particularly due to the substantial increase in provisions for depreciation and payments, as the former increases from TD 0.110 million in 1987 to 0.508 million in 1990 (beginning of depreciation of the headquarters building) and the appropriations for provisions (on unpaid debts and securities) went up from TD 1.683 million in 1987 to TD 7.542 million in 1990 (+348%).

3.2.7.3 Estimated results were below actuals as shown in the table below (in millions of TD):

	1987	1988	1989	1990
Estimated Results	9.9	9.7	10.7	12.6
Actual Results	8.9	7.0	7.6	5.6

This is especially due to the fact that actual expenditures were higher than estimates. For the differences between actual and estimated yieds were very low:

	1987	1988	1989	1990
Actual Yields	12.5	13.5	14.9	15.2
Estimated Yields	12.6	13.4	15.1	17.3
Extimated Expenditures	3.5	6.4	7.3	10.7
Actual Expenditures	9.9	9.7	10.6	12.6

3.2.7.4 The size of the provisions constituted by STUSID during the last three financial years explains the sharp fall in operating results. However, all the ratios of analysis of the bank's operating account are very satisfactory, the operating cash-flow stays around 8.5 to 9% of equity and interest margin, i.e. the net bank yield/average outstanding portfolio ratio, even if it marks a slight decrease, still remains above 10% in 1990.

Balance Sheets and Financial Balance

3.2.7.5 STUSID's detailed balance sheets appear in Annex 3.2.5. Table 3.2.8 below summarizes the trend of the bank's balance sheet accounts for the 1987 to 1990 financial years and at the same time it shows a range of ratios intended to make it possible to appreciate the trend of STUSID's structural balances.

Table 3.2.8
STUSID's Simplified Balance Sheets, 1987-1990
(in thousands of TD)

	1987	1988	1989	1990
ASSETS				
a. Current Assets	57,080	58,246	65,155	69,806
b. Long and Medium-Term Loans	48,658	54,906	56,611	58,009
c. Participations	34,020	37,962	42,944	48,171
d. Net Fixed Assets	6,073	5,776	5,388	5,054
e. Total	145,831	156,890	170,098	181,640*
LIABILITIES				
f. Current Liabilities	7,756	6,741	12,034	11,956
g. Long and Medium-Term Debts	2,283	6,913	9,200	15,213
h. Equity	126,851	136,190	141,237	148,868
i. Income	8,941	7,046	7,627	5,603
j. Total	145,831	156,890	170,098	181,640*
Structure and Profitability Ratios				
1. Debt-equity Ratio (g/h)	0.02	0.05	0.06	0.1
2. Liquidity Ratio (a/f)	7.35	8.64	5.41	5.83
3. Financial Balance Ratio (g + h)/(b + c + d)	1.55	1.52	1.5	1
4. Net Profit/Capital	8.90 %	7.10 %	7.60 %	5.60 %
5. Cash-flow/capital	10.80 %	11.70 %	12.70 %	12.60 %
PM : Paid-up Capital	100,000	100,000	100,000	100,000

* After neutralization of provisions for securities and bad debts (liabilities) and neutralization of the corresponding assets (securities and loans).

3.2.7.6 A reading of this table shows a very regular progression of the balance sheet total from TD 145.8 million as at 31 December, 1987, to TD 181.6 million as at 31 December, 1990, (after reprocessing), representing an increase of nearly 25% in four fiscal years. Concerning the assets, long and medium-term loans increase by nearly TD 10 million over the period, whereas the securities portfolio increases by nearly 42%, as STUSID's policy is to take significant equity participations in the projects which it finances. Fixed assets in net value, fall by the application of amortizations.

3.2.7.7 Regarding the liabilities, equity increases steadily from retained earnings, whereas long and medium-term borrowings progress sharply, from TD 2.283 million as at 31 December, 1987, to TD 15.213 million as at 31 December, 1990, (+566%); however, LMT loans represent only 8.4% of the total balance sheet and leave STUSID's borrowing capacity intact. Working capital is largely positive and increases steadily, from TD 49.3 million in 1987 to TD 58.4 million in 1990, when it makes it possible to finance more than 68% of the average outstanding portfolio (loans- equity investment) of the bank, and this is very satisfactory.

3.2.7.8 STUSID's general liquidity ratio remains above 5.4 throughout the period, and this attests to a solid cash position but also some caution in increasing loans. The debt ratio rose from 1.8% to 10.2% over the four fiscal years 1987-1990, and this is still far from absorbing the bank's borrowing capacity whereas the financial balance ratio remains stable around 68%-69% and is evidence of a very strong financial structure.

3.3 Banque de Tunisie et des Emirats d'Investissement - BTEI

3.3.1 Institutional Framework

3.3.1.1 BTEI was founded on 7 March, 1982, by virtue of an agreement signed between the Republic of Tunisia and the Government of the United Arab Emirates represented by the Abu Dhabi Fund. The main objective of BTEI is to promote economic development in Tunisia through the design, implementation and financing of industrial, agricultural, housing and other projects and to strengthen the ties of economic and financial co-operation with the United Arab Emirates.

3.3.1.2 A limited company by shares under Tunisian law, BTEI's capital is 50 million dinars fully paid up and held in equal proportions by:

- The State of Tunisia: 50 %, i.e. TD 25 million (17.5% shares held by the Central Bank of Tunisia were transferred to the State in November 1988);

- The ABU DHABI INVESTMENT AUTHORITY: ADIA, 50%. Although, this was not confirmed to us, and the memorandum and articles of the bank do not expressly provide for it, we believe that the members of the Board are also shareholders in respect of the management guarantee stocks that they must hold. Failing this, BTEI would not have the minimum seven shareholders needed to validate the establishment of a limited company. The list of shareholders appears in Annex 3.3.1.;

3.3.2 Administration, Organization and Management

3.3.2.1 Apart from the powers reserved by the law or the memorandum and articles for the General Assembly of shareholders, such as the approval or (rejection) of the reports submitted by the Board of Directors and the External Auditors, the balance sheets and the accounts of each financial year or determining the distribution of profits, it is the Board of Directors which is vested with the widest powers under the registered object, to "represent, manage, administer, commit and develop the bank". The Board consists of 12 members (10 initially) selected from among the shareholders and appointed by the General Assembly by observing the rule of equality between the Tunisian party and the Abu Dhabi Investment Fund. The Chairman of the Board of Directors is appointed from among the members representing the Abu Dhabi Fund, whereas the Managing Director, chosen from among the members representing the Tunisian side, is responsible for the management of the Bank in accordance with the Board's instructions. The executive directors are appointed for five years and can be re-elected. The list of directors of BTEI appears in Annex 3.3.2.

3.3.2.2 BTEI's organization emanating from the current organization chart (cf Annex 3.3.3) is characterized by a diagram "with branches" whose structure is satisfactory and which comprises:

i) A general directorate, assisted by:

- an adviser responsible for presiding over the recruitment, purchasing and disbursement committees,
- three functional departments, a legal department which has three management staff, a computer department and a documentation centre,
- a general inspectorate, which is not the Bank's internal audit, but which is responsible for drawing up, monitoring and controlling the budget, controlling the prevailing procedures and specific inspection of branches;

ii) Five operational directorates which among themselves share the various activities of the bank:

- The Study and Development Directorate, responsible for project promotion, study and development, particularly in the poor areas, and for sectoral studies, has three senior officers (engineers and economists)
- The Project Appraisal Directorate studies project financing files and is divided into three departments: agriculture, industry and tourism/services. This Directorate has a staff of eight cadres: engineers, economists and finance officers
- The Operations Directorate, responsible for all the bank's commitments, recovery and treasury measures and banking operations. This directorate has a staff of four finance officers and five junior staff,
- The Monitoring and Equity Investment Directorate, which has three cadres: one engineer, two finance officers, examines disbursement requests, project monitoring, the restructuring of projects in difficulty and the management of the bank's equity holdings (30 files),
- The Administration and Accounts Directorate, heads the Accounts Department, directed by a chartered accountant and the Administration Department which handles personnel management and the bank's general services; this directorate has the greatest number of junior employees and non-bank staff. Accounting, organization, procedures and information channels are systematically audited by an external auditor on contract.

3.3.3 Staff and Training

3.3.3.1 BTEI's staff as at 1 January, 1991, stood at 75 persons and comprised 30 cadres equally divided between the senior (15) and middle-level (15) management staff, 27 officers and foremen and 18 subordinate staff. The 40% supervision rate is satisfactory and meets the professions's average standards. This staff has been remarkably stable over the past four years: 78 employees in 1986, 76 in 1988, 72 in 1989 and 75 in 1990. The current staffing position seems adequate considering the bank's volume of activity.

3.3.3.2 In 1989 and 1990, BTEI continued the implementation of its computer decentralization policy, marked by the launching of new applications and the installation of a network system for data processing in real time and optimizing the use of data. Concerning training, the bank continued its retraining measures to improve its employees' qualifications and output. About 25% of its management and junior staff participated in seminars given by specialized agencies and in professional training courses organized by the Institut des techniques bancaires (ITB), the Exchange Brokers Association, the Arab Maghreb Development Finance Institute (IFID), the Institut supérieur de gestion des entreprises (ISG), the Central Bank of Tunisia and the National Computer Centre.

3.3.4 Financing Policy and Procedures

General Policy

3.3.4.1 The bank's loans can be granted to both private and institutional or public enterprises. Generally, such assistance may take the form of loans, equity participation or issuance of securities and guarantees, or by the association of two or several of these formulae. Concerning the rules relating to the bank's volume of operations, it is necessary to distinguish between two categories of rules:

a) Concerning Projects Initiated by the Bank: The latter always teams up with partners whose technical reputation, management capacity and class are beyond doubt; the technical partner should hold a significant percentage of the capital and all the bank's operations should not exceed 60% of the total project cost;

b) Regarding Projects Promoted from Outside: The bank's equity investment in private projects should not be higher than that of the promoter, but beyond 34% for institutional projects (blocking minority). The ratio of equity investment to loans granted by the bank should tend towards 1/3, without under any circumstances exceeding 1/2. The total amount of the bank's operations in the same enterprise should not exceed 10% of its equity (capital/reserves) while remaining within the limit of 60% of the total project cost.

3.3.4.2 Concerning the conditions of the bank's operations, the equity needed for project financing cannot under any circumstances be below 25% of the total project cost. The duration of the granting of loans is determined according to the projected cash-flows generated by the project. Regarding dinar operations, the duration cannot exceed 15 years including a maximum grace period of four years. Concerning operations in foreign exchange, this period varies between two and ten years. The fixing of interest rates charged by BTEI should in principle take into account the structure of the bank's resources and the lending rate in Tunisia, but, in practice, BTEI observes the conditions laid down by the Tunisian Bankers' Association (cf. para. 3.1.4.4 above).

The study fee (1% flat of the loan amount) and the commitment charge (1% of the amounts committed and not yet utilized) should be added to the interests.

Procedures

3.3.4.3 Like STUSID, BTEI has assigned itself the priority task of helping to increase the capacity of project identification in Tunisia, through its promotion activity for which the Study and Development Directorate is responsible, and which aims at identifying and developing economically viable and financially profitable projects.

3.3.4.4 The appraisal of projects by BTEI is done by the management staff of the Appraisal Directorate and results in an exhaustive analysis of projects (financial profitability, economic calculation, overall balance of the bank's commitments) and the drafting of an appraisal report which serves as the basis of a document which is submitted to the Board of Directors for approval.

3.3.4.5 BTEI has an adequate capacity of expertise for proper control of its disbursement and supervision procedures. The trend of the implementation of projects and the monitoring of their operation are handled by the cadres of the Monitoring and Participations Directorate through supervision reports supported by field visits; these reports relate to the technical and financial execution of projects, stressing differences compared with projections and trying to resolve the issues which could have arisen, in collaboration with the promoters. Each project is recorded on a computerized monitoring card on which are centralized all data and parameters needed for monitoring, and this makes it possible to quickly apply alert procedures in case of slippage.

3.3.5 Retrospective Analysis of Operations and Portfolio

3.3.5.1 From the beginning of the bank's activity in 1983 to 31 December, 1990, the aggregate amount of BTEI's approvals was TD 185.2 million including 20% in participations and 80% in loans. At the same time, cumulative commitments amounted to TD 97.3 million with the same proportion of loans and equity participation. During the same 1983-1990 period, cumulative disbursements stood at TD 87.8 million, including TD 15.2 million in equity participations (17.3%) and 72.6 million for loans (82.7%). The commitments/approvals ratio for the period is 52.5%, and this may seem low, but account should be taken of the easing introduced in 1990, (the Gulf war), the disbursements/commitments ratio being clearly more favourable with 87.8%. Table 3.3.1 below summarizes BTEI's activity for the last five financial years (1986-1990).

Table 3.3.1
Summary of BTEI's Operations (1986 to 1990)
(in thousands of TD)

	1986	1987	1988	1989	1990	TOTAL
Approvals	18,780	22,659	34,399	40,900	19,585	136,323
Commitments	10,282	4,855	19,114	19,300	12,245	65,796
Disbursements	5,190	7,790	19,048	18,700	9,918	60,646
Commitments/ Approvals Ratio %	54.7	21.4	55.5	47.2	62.5	48.2
Disbursements/ Commitments Ratio %	50.4	160.4	99.0	96.9	81.0	92.1

3.3.5.2 The table above shows a normal progression of approvals, except in 1990 when the amount of approvals reduced by half compared with the previous financial year, because of the easing carried out in connection with the Gulf events; this phenomenon can also be noticed in the commitments, which fall by more than TD 7 million (-36%), the commitments/approvals ratio, which was 60.6% in 1989 falling to less than 50% on average for the period 1986-1990. For their part, disbursements were satisfactory with a very good average disbursements/commitments ratio of 92.1% over the period.

3.3.5.3 The distribution of total commitments, net of cancellations, between the various sectors of BTEI's operations is summarized in the table below:

Table 3.3.2
Sectoral Distribution of BTEI's Approvals (1986 to 1990)
(in millions of TD)

	1986	1987	1988	1989	1990	TOTAL	%
Industry	11.7	7.7	12.0	7.0	9.6	48.0	36.6
Agriculture and Fishery	-	0.3	2.5	4.4	2.6	9.8	7.5
Tourism	1.5	2.3	8.9	17.1	7.4	37.2	28.4
Others (Transport)	0.3	12.3	11.0	12.4	-	36.0	27.5
Total	13.5	22.6	34.4	40.9	19.6	131.0	100.0

* Approvals Net of Cancellations

3.3.5.4 It can be seen from this table that BTEI's operations over the last five financial years are directed in a balanced manner to three principal sectors, industry with 36.6% of operations, tourism with 28.4% and services/transport with 27.5%. The agriculture/fishery sector receives the smallest portion with 7.5% of the bank's operations. The cumulative trend over the eight years of the bank's activity (1983-1990) shows slightly different operational percentages as indicated in the following table:

Table 3.3.3
Sectoral Distribution of BTEI's Net Approvals (cumulative 1983/1990)
(in millions of TD)

Secteur	Total Net Approvals in millions of TD	%
Industry	72.9	44.4
Agriculture/Fishery	14.8	9.-
Tourism	44.9	27.4
Services/Transport	31.4	19.2
	164.0	100.0

This table shows that BTEI follows a policy of balanced distribution of risks, with a reduction of its operations in the industrial sector from 76% in 1986 to 44.4% in 1990, for the benefit of tourism, which increases from 10.2% to 27.4% and the services/transport sector whose share in operations increases from 11.4% to 19.2%.

3.3.5.5 The situation of BTEI's portfolio in terms of quality does not seem disquieting. As at 31 December, 1990, arrears of more than six months concerned 14 cases and were distributed as follows:

- Arrears on principal : TD 2.716 million
- Arrears on interests/commissions : TD 2.896 million
  Total TD 5.612 million

At the same time, provisions for principal and interests were TD 3.500 million, representing a 62% cover of the outstanding arrears (principal + interest) which is very satisfactory. The status of loan arrears and provisions as at 31 December, 1990, is shown in Annex 3.3.4. Again, BTEI also makes provision for its equity investment based on an evaluation of these securities at the mathematical value calculated on the basis of the last available accounting situations. The appropriation for provisions in this respect for the 1990 financial year is TD 2.171 million, bringing all the provisions for depreciation of equity stock held by BTEI as at 31 December, 1990, to TD 4.268 million for securities with a gross value of TD 13.344 million representing a very satisfactory cover rate of 32%.

3.3.5.6 Apart from its appropriation effort, BTEI follows a policy of rehabilitating its bad debts portfolio by seeking positive solutions to difficult cases, particularly through restructuring and/or consolidation, the search for partners, for the management, hire-management or capitalization of arrears.

3.3.6 Accounting and Audit

In the Administration and Accounting Directorate, the Accounts Department headed by a senior management staff (chartered accountant) is responsible for centralizing all entries and opening of accounts, balance sheets and monthly statements to BCT. The balance sheet and accounts are certified by an external auditor, a recognized chartered accountant, appointed by the General Assembly of shareholders. The accounting documents are of good quality due largely to new computer applications which will enable BTEI to have data in real time.

3.3.7 Retrospective Analysis of Financial Performance, Operation, Results and Profitability

3.3.7.1 The operating and results account of BTEI for the last four financial years (1987-1990) are set out in detail in Annex 3.3.4. The trend of the accounts is summarized in the table below:

Table 3.3.4
BTEI's Simplified Income Accounts (1987-1990)
(in thousands of TD)

	1987	1988	1989	1990 (Prov)
INCOME				
a. Income from Investments	2 851	2 099	1 745	1 967
b. Income from Credit Operations	3 676	3 516	5 382	6 174
c. Commissions	153	359	314	199
d. Income from Equity Participation	0	0	63	183
e. Other Income	544	162	0	0
TOTAL	7 224	6 136	7 504	8 523
EXPENDITURES				
f. Financial Charges	0	130	853	1 343
g. Operating Costs	857	900	1 007	1 219
h. (incl. Personnel Expenditure)	(477)	(547)	(628)	(772)
i. Other Charges	607	204	23	30
j. Amortization	132	150	158	122
k. Provisions	410	1 075	3 736	3 953
TOTAL	2 006	2 459	5 777	6 667
l. Operating Results	5 218	3 677	1 727	1 856
m. Profit and Loss	- 122	211	1 134	1 105
n. Net Income	5 096	3 888	2 861	2 961
o. Net Bank Proceeds	3 829	3 745	4 843	5 030
p. Operating Cash-Flow	5 638	5 113	6 755	7 036
q. Average Portfolio (excl. Particip.)	29 231	36 386	45 597	50 827
r. Equity (before distribution)	62 162	65 117	68 337	73 687
PROFITABILITY (%)				
1. Cash-flow/Equity	9.06	7.85	9.88	9.54
2. Net Bank Yield/ Operating Expenses	4.46	4.16	4.70	4.02
3. Staff Expenses/ Operating Expenses	55.60	60.70	60.90	61.80
4. Administrative Expenses	3.38	2.88	2.60	2.69
5. Provisions/Portfolio	1.40	2.95	8.19	7.77

3.3.7.2 The table above shows that the yields generated by BTEI do not evolve in a linear manner, but that they depend on the bank's rate of activity and can be influenced by exogenous factors such as the trend of interest rates. The placement of the bank's liquid assets generates a substantial amount of financial yields for the balance of its operating account. The yields on lending operations grow at the rate of loans granted by the bank from TD 6,174 million between 1987 and 1990, representing an increase of 68%. Commissions follow the rate of disbursements but still remain marginal, just like income from equity stock held by the bank, income which is expected to increase considerably in the future, as and when companies in which BTEI holds shares commence their activities. It should be noted that the item "Other Yields" of 1987 and 1988 concerns taxes to be paid back and should be neutralized.

3.3.7.3 Expenditures excluding appropriations for amortization and provisions after falling by 15% between 1987 and 1988 increased by 52.6% between 1988 and 1989 and by 37.6% between 1989 and 1990. The bank's operating costs increased by 21% between 1989 and 1990, from TD 1,030 million to TD 1,249 million. Staff expenses increased by the same percentage, but remain stable in absolute value, representing between 60% and 62% of all operating costs over the last three financial years. Financial charges recorded the highest increases from TD 0.13 million in 1988 to TD 0.835 million in 1989 and TD 1.343 in 1990 (+57.4% between 1989 and 1990). This is due to the increase in drawings effected by BTEI on the lines of credit obtained from BDET, IBRD and ADB, as well as the remuneration of customers' deposits. It should also be noticed that the substantial appropriations effort over the last two financial years to rehabilitate its securities and loans portfolios and which had a definite impact on the level of the bank's operating results, is in a considerable decline compared to the results of the 1987 and 1988 financial years.

3.3.7.4 Actual results were below estimates as indicated in the table below: (in millions of TD)

	1987	1988	1989	1990
Actual Results	5,2	3,7	1,7	1,8
Estimated Results	5,1	5,5	5,8	6,2

The differences between estimated results and actual results are due to the fact that BTEI was unable to achieve the estimated yields and charges above estimates.

	1987	1988	1989	1990
Estimated Income	7.6	8.8	10.5	11.5
Actual Income	7.2	6.1	7.5	8.5
Estimated Expenditures	2.4	3.4	4.6	5.2
Actual Expenditures	2.0	2.5	5.8	6.7

3.3.7.5 Despite this fall, the bank's profitability ratio continues to be satisfactory: the net bank yield covers more than four times the operating costs, the profitability of equity measured in terms of cash-flow is nearly 10% over the last two financial years, whereas the costs + amortization/average portfolio is good with a ratio of between 2.6 and 3 over the last three financial years.

Balance sheets and Financial Balance

3.3.7.6 BTEI's balance sheets relating to the 1987 to 1990 financial years are presented in detail in Annexes 3.3.5. Table 3.3.5 below gives a summary while bringing out a number of ratios for making it possible to assess the trend of the bank's structural balance.

Table 3.3.5
Simplified Balance Sheets of BTEI (1987-1990)
(in thousands of TD)

	1987	1988	1989	1990 (Prov)
ASSETS				
a) Current Assets	32 817	30 049	27 305	30 347
b) Long and Medium-Term Loans	30 642	42 131	49 063	52 591
c) Equity Investment	9 021	10 373	11 904	13 345
d) Net Fixed Assets	2 124	2 085	2 116	2 206
e) Total	74 604	84 638	90 388	98 489
LIABILITIES				
f) Current Liabilities	9 676	12 380	9 893	10 696
g) Medium and Long-term Debts	2 766	7 141	12 158	14 107
h) Equity and Provisons	57 066	61 229	65 476	70 725
i) Income	5 096	3 888	2 861	2 961
j) Total	74 604	84 638	90 388	98 489
STRUCTURE AND PROFITABILITY (%) RATIO				
1. Debt-Equity Ratio (g/h)	4.84	11.66	18.56	19.94
2. Liquity Ratio (a/f)	339.0	242.70	276.0	283.70
3. Financial Balance Ratio (g+h) / (b+c+d)	1.43	1.25	1.23	1.24
4. Net Profit/Capital	10.19	7.77	5.72	5.92
5. Cash-flow/Capital	11.27	10.22	13.51	14.07
Paid-up Capital	50 000	50 000	50 000	50 000

3.3.7.7 The trend of BTEI measured through its balance-sheet items is very satisfactory, and the bank's structure seems strong and very balanced: stable assets in circulation and abundant liquidity (nearly 20% of assets in 1990), continuous increase in outstanding loans and equity investment; stable fixed assets, are the principal features of the assets of the bank's balance sheet.

3.3.7.8 Regarding liabilities, relative stability of short-term debts, steady increase in equity and short-term debt, enable BTEI to keep a good financial balance, with a largely positive working capital making it possible to finance a great part of the banks fixed assets. The debt ratio, evolves in tandem with the drawings on the lines of credit and was close to 20% in 1990, which still gives BTEI a very strong borrowing capacity.

3.4 Banque Tuniso-Qatarie d'Investissement BTQI

3.4.1 Institutional Framework

3.4.1.1. The Banque tuniso-qatarie d'investissement (BTQI) was created on 3 March, 1982, under the terms of an agreement signed between the Government of Tunisia and the State of Qatar. It is a banking institution under Tunisian law, established in the form of a limited liability company whose principal object is the preparation, implementation and financing of industrial, tourist, agricultural, real estate and other projects in Tunisia, provided that they are regarded as economically viable and financially profitable. It can also participate in financing joint venture projects outside Tunisia. It also performs the functions of an international off-shore bank expected to operate in convertible dinars outside Tunisia's economic area. BTQI has its headquarters in Tunisia and began its activities in 1983.

3.4.1.2 As part of its operational strategy in Tunisia, BTQI seeks to give priority to:

- the development of activities involving strong industrial integration and better technology control;
- the promotion of agricultural production;
- export-oriented projects, because of their favourable impact on the balance of payments;
- the creation of a greater number of jobs; and
- private sector projects.

It also endeavours to attract foreign investors to the projects it finances, having regard to the various comparative advantages Tunisia offers (favourable customs and tax scheme, availability of qualified labour, continuous growth of the market, central geographic position between Europe, Africa and the Middle East).

3.4.1.3 BTQI's capital, at the time of its establishment, was fixed at TD 70 million, shared equally between the State of Qatar: 50% (350,000 shares of 100 dinars, representing 35 million dinars) and the Republic of Tunisia: 50% (35 million dinars). This fully subscribed capital ought to have been paid up fully at the latest within five years of the establishment of the bank, i.e. on 31 December, 1988, at the latest. However, as at 31 December, 1990, only 82% had been paid up, representing TD 57.4 million, in violation of the relevant legal, statutory and conventional provisions, and payment of the balances is scheduled only for the 1992 and 1993 financial years in the proportions of 50% or TD 6.3 million and the remaining 50% respectively. The estimated timetable for paying up the balance of the bank's capital should be presented so that its full payment takes place on 31 December, 1992. It will be one of the conditions for disbursement of the second line of credit. The list of shareholders appears in Annex 3.4.1.

3.4.2 Administration, Organization and Management

3.4.2.1 Under the authority and control of the General Assembly which represents all shareholders, whose decisions are binding on all and to which are given powers that are within its exclusive competence, it is the Board of Directors which manages and commits the Bank and is vested with the widest powers to act on its behalf in the framework of its registered purpose, subject to those reserved for the General Assembly. The Board of Directors of BTQI is made up of eight (8) members selected from among the shareholders and appointed by the General Assembly according to an egalitarian distribution key: four Tunisians, including the Managing Director, and four Qataris, including the Vice-Chairman of the Board. The directors are appointed for five years, and can be re-elected. Unlike other banks, the Managing Director of BTQI is a genuine MD; apart from his function of presiding over board meetings and general assemblies, he also handles the general management of the bank, and in this respect, the Board of Directors may delegate to him part of its powers. The list of directors of BTQI is shown in Annex 3.4.2.

3.4.2.2 Under the authority of the General Directorate, BTQI's activities are shared between two functional departments and five operational departments; the bank's organization chart appears in Annex 3.4.3. The two functional directorates, directly attached to the General Directorate in the last organization chart are:

- the Accounts Department, manned by eight persons with a senior management staff, one executive cadre, one officer and five subordinate staff, handles the bank's accounts both in dinars and foreign exchange and prepares the balance sheets and statements of accounts;

- the Legal Department, with a staff of four persons including two senior management staff, studies project legal documents, ensures that guarantees requested are materialized, handles the legal monitoring of equity investments made by the bank and is responsible for the relevant disputes.

The five operational directorates are:

- the Administration and Finance Department with a staff of 27 persons, including 4 senior cadres, 2 executive cadres, 1 middle-level cadre and 20 subordinate employees, has the highest number of staff. In addition to financial (treasury management, budget preparation and monitoring) and administration (personnel and equipment management), this department is responsible for the implementation of the bank's computer plan, the management of the documentation centre and the preparation of training programmes;

- the International Banking Operations Department is the "off-shore" unit of the bank. With a staff of 13 persons, including 6 management staff, it finances international trade and all related activities (purchase and sale of foreign exchange, lending or borrowing in foreign exchange, arbitrage and so on ..) and manages the estate of non-residents;

- the Development Department, with a staff of 8 persons, including 6 management staff (3 senior managers) is responsible for identifying and promoting new investments or extension of projects, conducting sectoral studies and assisting investors;

- the Appraisal Department, with a staff of 6 management personnel and 2 subordinate staff, is responsible for engineering, economic and financial studies of all project financing requests in order to submit them for the Board's decision;

- the Implementation and Monitoring Department which should be called the Management Department, has a staff of 8 persons including 2 senior management staff and 4 other senior staff. It is responsible for disbursing loans, operations relating to the repayment and recovery of loans granted, the management of the bank's equity investments portfolio, resource management and project monitoring.

It should be noticed that a new organization chart, intended to optimize, and streamline the bank's human resources, is being prepared with the assistance of a consultant in organization.

3.4.2.3 Alongside the organization chart, BTQI also has informal discussion structures:

- the weekly Management Committee, which embraces the MD and all directors and reviews all problems related to the bank's activity;

- the Loans Committee which is sub-divided into the "Appraisal" Loans Committee and the "Development" Loans Committee whose role is not to approve loans but to analyse the pipeline of projects and to do their selection;

- the weekly Computer Committee which embraces all directors and the computer officer, follows up the bringing into service of the bank's information system and its applications.

3.4.3 Staff and Training

3.4.3.1 BTQI's current staffing position is 81 employees compared with 76 at the end of 1987. However, two recruitments are planned over the second quarter of 1991, including one in the Implementation and Monitoring Department, and this appears as a necessity for better staffing compared with all the tasks performed by this department. The supervisory staff, numbering 38 including 20 senior management staff, represents 47% of the bank staff and this is quite a satisfactory ratio. The distribution of BTQI's staff is satisfactory compared with the present volume of activity, but it should be embodied in a projected recruitment programme to match the staff with the foreseeable trend of activities during the next five-year period.

3.4.3.2 The bank's staff receives intermittent training courses organized by the Training Division in the Administration and Finance Department, particularly in introduction to and advanced training in data processing and bank law business. The supervisory staff on the other hand, participates in short-term seminars or advanced training courses in specialized training institutes both in Tunisia and abroad.

3.4.4. Financing Policy and Procedures
General Policy

3.4.4.1. The bank's general policy should make it distribute its operations as follows:

- 65 % to industry;
- 10 % to agriculture and fishery;
- 20 % to tourism and real estate;
- 5 % to services and miscellaneous.

The bank finances medium and large-scale projects, within the limits of the authorized ceilings. However, the operational threshold within which it cannot act was reduced in 1988 from 1 million to 500,000 dinars to make for the financing of the SMEs sector, then currently to 250,000 dinars to facilitate the financing of mini-projects.

3.4.4.2 To achieve its goals, BTQI gives assistance according to the following operational modalities:

- equity investments in Tunisian or foreign companies;

- the grant of medium or long-term loans supported by equity long-term borrowings or term deposits;

- performing all banking operations (acceptance of deposits, issue of borrowings, grant of guarantees ...);

- financing of international trade;

- sale and purchase of real estate and all related services;

- placement of available funds, in foreign exchange or local currency so long as the application of such funds is not required for financing operations.

The bank's financial operation in respect of a single project (loans and equity investment) should be between a minimum of TD 250,000 and a maximum equal to 10% of its paid-up capital. Again, the ceiling of the bank's overall operation per project is fixed at 60% of the project cost. Regarding equity investments by the bank, their level is generally between 10 and 25% of the capital, more if the project is directly promoted by BTQI. Concerning interest rates applied, the conditions are aligned on the Tunisian financial market and, in fact, like the other three banks, BTQI applies the rates decided by the APBT (cf. para. 3.1.4.4 above).

Procedures

3.4.4.3 Appraisal, supervision and disbursement procedures initiated and monitored by BTQI are satisfactory and meet the relevant criteria laid down by the Bank Group.

3.4.4.4 Projects identified by the Development Department and whose appraisal is recommended by the "Development" Loans Committee are systematically analysed by the management staff of the Appraisal Department according to laid-down procedure manuals which make uniform the presentation and contents of appraisal reports. The appraisal reports are then submitted to the "Appraisal" Loans Committee which may decide to reject them, ask for a supplementary study or their presentation to the Board of Directors.

3.4.4.5 Project monitoring and supervision are handled by the Implementation and Monitoring Department or Management Department through quarterly reports supported by field trips. These reports state the progress of project implementation from the technical and financial viewpoints and study differences compared with estimates. In principle, there can be no disbursement prior to checking the fulfilment of the loan conditions (existence of self-financing, providing guarantees). Besides, BTQI, like other banks, undertakes special monitoring of its equity, by attaching a management staff to the Boards of Directors of enterprises in which it holds significant shares (10 to 15% and more).

3.4.5 Retrospective Analysis of Operations and Portfolio

3.4.5.1 The table below summarizes BTQI's operations from 1986 to 1990::

Table 3.4.1

Summary of BTQI's Operations
1986 to 1990 Financial Years
(in thousands of TD)

	1986	1987	1988	1989	1990	TOTAL
Approvals	12 853	8 208	14 813.20	25.396	37 000	98 270.20
Commitments	6 505.9	1 673.4	8 382.6	13 988.3	16 377	46 927.2
Disbursements	7 790.7	5 356.4	8 010.2	11 081.5	11 513	43 751.8
Commitments/ Approv. Ratio	50.6 %	20.40 %	56.60 %	55.00 %	44.30 %	47.75 %
Disbursement/ Commitments Ratio	119.7 %	320 %	95.60 %	79.20 %	70.30 %	93.23 %

3.4.5.2 This table shows a sharp increase in the volume of approvals over the last two financial years by 71.40% and 45.70% respectively; total approvals, equity investments and loans combined, are TD 98.27 million for five financial years (1986 to 1990), representing on average nearly 20 million of approvals per financial year. This increase is encouraging as the approvals of 1989 attain the level of those of 1985, prior to the period of recession in Tunisia. During the same period, the Bank's total commitments rose to TD 46.90 million and disbursements to 43.75 million. While the disbursement/approvals ratio is satisfactory with 93.20%, the commitments/approvals ratio is low, with 47.75%, and this shows a sharp easing, over time, of commitments on projects, representing outright cancellations of the latter. BTQI should be able to display, in the future, better control of its commitments to tend towards a standard commitments/approvals ratio of 66%.

3.4.5.3 BTQI's cumulative approvals from its opening to 31 December, 1990, amounted to TD 134.30 million, for TD 75 million of commitments and TD 64.20 million of disbursements, and this raises the commitments/approvals ratio to nearly 56%. From 1983 to 1989, approvals involved 110 projects comprising 105 loans and 60 equity investments, the loans/equity investments percentage over the period being 86.20% and 13.80%, respectively.

3.4.5.4 The distribution of total approvals among the various sectors of BTQI's operations over the period 1983-1990 is summarized in the table below:

Table 3.4.2
BTQI - SECTORAL DISTRIBUTION OF APPROVALS (1983-1990)

	Equity Investments		Loan		Approvals			
	Amounts	%	Amounts	%	Nb	Amounts	%	
Sectors	(TD 1 000)		(TD 1 000)			(TD 1 000)		% Sect.
INDUSTRY								
1983 to 1987	4 299.9	45.2	33 969.0	71.5	43	38 268.9	67.1	
1988	918.25	60.9	7 845.0	59.0	11	8 763.25	59.2	
1989	705.0	29.6	9 228.5	40.1	11	9 933.5	39.1	
1990	NC		NC			24 000	65	
S/Total						80 965.7		60.28
TOURISM AND REAL ESTATE								
1983 to 1987	2 516.6	26.4	9 317.0	19.6	15	11 833.6	20.7	
1988	440.0	29.2	4 520.0	34.0	4	4 960.0	33.5	
1989	1 085.0	45.6	10 811.5	47.0	6*	11896.5*	46.8	
1990	NC		NC			9250	25.	
S/Total						37940.1		28.25
AGRICULTURE & FISHERY								
1983 to 1987	1 014.5	10.7	3 134.0	6.6	6	4148.5	7.3	
1988	150.0	9.9	940.0	7.0	1	1090.0	7.3	
1989	340.0	14.3	1 701.0	7.4	3	2041.0	8.1	
1990	NC	NC				2000	5.4	
S/Total						9315.5		6.93
SERVICES AND MISCL.								
1983 to 1987	1 692.0	17.7	1 120.0	2.3	6	2 812.0	4.9	
1988	-	-	-	-	-	-	-	
1989	250.0	10.5	1 275.0	5.5	4	1 525.0	6.0	
1990	NC		NC			1 750	4.6	
S/Total						6 087.0		4.54
Total 1983-1990						134 308.3		100

NC : Uncommunicated
(*) In view of the conversion into dinars of a foreign exchange loan granted to Cie Touristique Arabe.

3.4.5.5 From this distribution, it can be seen that the industrial sector is the principal beneficiary of BTQI's operations with more than 60% of approvals, compared with 69% at end 1986. The manufacturing industries, particularly engineering (23.20%) of the sector's approvals, building construction materials (19.20%) and textile and hides (15.80%) followed by agro-food industries are the branches of activities to have benefited most from the bank's operations. The tourism and real estate sector which represented only 18% of BTQI's activities in 1986, accounted for more than 28% at end 1990, with agriculture, fishery and the services sector sharing between them the remaining 11.5%. It should be recalled that the sectoral ratios adopted under the bank's general policy are 65% for industry, 20% for tourism and real estate, 10% for agriculture and 5% for services. It would therefore be advisable that, if BTQI wants to approach these percentages, it increases its operations in the agricultural and industrial sectors and observes a break in the tourist sector.

3.4.5.6 The arrears portfolio, which was TD 3.94 million as at 31 December, 1989, made up of 1.09 million in principal and 2.85 million in interests and which represented 8% of outstanding loans rose to TD 8.98 million as at 31 December, 1990, (TD 3.50 million in principal and TD 5.48 million in interest including TD 1 million of unpaid interest) following the maturity of March and September 1990 payments. If it increases in volume, for this reason, the portfolio does not worsen in risk: it is the same old unpaid cases which increase the arrears as and when the maturities fall due. Applying the Central Bank's recommendations on the classification and processing of arrears, BTQI began several years ago to make provision for its bad and doubtful debts all of them representing about 15 loans. Total arrears, in principal and interests, on these loans was TD 6.948 million as at 31 December 1990 and the appropriation for the provisions account in respect of these cases at the same date is TD 3.283 million representing a cover rate of 47.25%, which is satisfactory, but BTQI must continue its appropriation for loans. Concerning the provisions for depreciation of equity investments, BTQI follows a cautious policy by making provision for securities relating to enterprises whose last results reveal potential capital-loss: as at 31 December, 1990, the amount of provisions constituted in this respect was DT 1.962 million for outstanding equity investment of TD 10.725 million representing more than 18% cover.

3.4.6 Accounting and Audit

BTQI's accounts are kept by the Accounting Department in both dinars and foreign exchange; it also draws up the balance sheets and accounts with the help of a computer system whose applications are currently being developed. The accounts and balance sheet are certified by the external auditor, a chartered accountant, appointed by the General Assembly of shareholders. It would be desirable that the Internal Audit Unit is turned into a real accounts and procedures inspection corps, instead of only undertaking budget control.

3.4.7 Retrospective Analysis of Financial Performance Operations, Income and Profitability

3.4.7.1 BTQI's operating and income accounts for 1987 to 1990 are presented in Annex 3.4.4 and summarized in the table below:

Table 3.4.3
Simplified Income Accounts (1987-1990)
(in thousands of TD)

	1987	1988	1989	1990(Prov)
INCOME				
a. Income from Investments	2 310.00	2 065.20	1 801.30	N. C.
b. Income on Credit Operations	4 903.50	4 463.70	6 002.40	-
c. Commissions	98.00	184.00	116.10	-
d. Income from Equity Invests.	-	-	-	-
e. Other Income	23.50	16.60	32.30	-
TOTAL	7 335.00	6 729.50	7 992.10	-
EXPENDITURES				
f. Financial Charges	170.20	248.40	245.90	
g. Operating Costs	1 013.90	1 048.30	1 194.90	
h. (incl. Staff Expenditures)	(596.60)	(589.80)	(657.50)	
i. Other Costs (duties and taxes repaid in 1987)	543.90	13.10	20.30	
j. Amortization	73.20	73.40	68.40	
k. Provisions	4 580.30	911.20	1 492.00	
TOTAL	6 381.50	2 294.40	3 021.50	
l. Operating Income	953.40	4 435.10	4 970.60	
m. Profit and Loss	585.90	714.90	716.80	
n. Net Income	1 538.90	5 150.00	5 687.40	
o. Net Bank Proceeds	4 831.30	4 399.30	5 872.60	
p. Operating Cash-flow	1 612.10	5 223.40	5 755.80	
q. Average Portfolio	30 847.00	38 303.00	44 278.00	
r. Equity (before distribut.)	58 734.90	63 999.90	63 999.90	

	1987	1988	1989
PROFITABILITY (%)			
1. Cash-flow/Equity	2.7 %	8.06 %	9.00 %
2. Net Bank Proceeds/Operating Expenses	4.60 %	4.10 %	4.80 %
3. Staff Expenses/Operating Expenses	58.80 %	56.20 %	55.00 %
4. Administrative Expenditures	3.58 %	2.96 %	2.89 %
5. Provisions/Portfolio	14.80 %	2.37 %	3.36 %

3.4.7.2 A study of the trend of the income account concerns financial years 1987 to 1989 only as the figures for the 1990 financial year could not be obtained in time. The trend of the income reflects that of the bank's portfolio, with a fall in 1988 and a considerable recovery in 1989. The income derived from cash investments decline, to the benefit of income on credit operations which also include income accruing from international banking activities whose share in total income increases (15% in 1989). It should be noticed that BTQI does not yet derive any income from its equity investments, since the bank's porterage operations are still new and the enterprises in which it has taken shares do not yet for the most part, generate adequate cash-flow to envisage distributions. The Bank's running costs, particularly staff expenses (+11.4% between 1988 and 1989) and financial charges still remain very light since they represent only 3.4% and 5.3% of the income on credit operations. It is definitely the involvement of provisions which influences the result; the major provisions effort made by

BTQI in 1987 to rehabilitate its portfolio considerably reduced the operating income which was only TD 0.953 million compared with TD 4.435 million in 1988 and TD 4.970 million in 1989. Apart from the levelling-off in 1988, net bank proceeds is satisfactory and makes it possible to cover between 4 1/2 and 5 times the operating costs, whilst the margin on interest, which is relatively high, obviously takes into account the income accruing from international banking operations.

3.4.7.3 Actual income were below estimates as shown in the table below: (in millions of TD)

	1987	1988	1989
Estimated Income	4.8	6.1	6.8
Actual Income	0.9	4.4	5.0

This is due to the fact that BTQI could not achieve the estimated income and actual expenditures were above estimates:

	1987	1988	1989
Estimated Income	6.3	8.6	10.4
Actual Income	7.3	6.7	8.0
Projected Expenditures	1.5	2.5	3.5
Actual Expenditures	6.3	2.3	3.0

3.4.7.4 BTQI's balance sheets for the 1987 to 1989 financial years appear in Annex 3.4.5. They are summarized in the Table below, after reprocessing to compensate for the portion of the capital which has not been paid up:

Table 3.4.4
Reprocessed Simplified Balance-Sheets of BTQI - (1987-1990)
(in thousands of TD)

	1987	1988	1989
ASSETS			
a. Current Assets	50 013.90	53 089.60	39 593.00
b. Long and Medium-Term Loans	37 083.90	39 521.50	49 035.30
c. Equity Investment	8 617.10	8 519.90	9 398.50
d. Net Fixed Assets	1 275.90	2 152.20	2 918.40
e. Total	96 990.80	103 283.20	100 945.20
LIABILITIES			
f. Current Liabilities	3 023.90	5 165.70	7 120.70
g. LMT Debts	29 130.10	29 268.40	18 605.90
h. Equity*	63 298.00	63 699.20	69 531.20
i. Income	1 538.90	5 149.90	5 687.40
j. Total	96 990.80	103 283.20	100 945.20
Ratios of Structure and Profitability			
1. Debt Ratio (g/h)	46.00 %	45.90 %	26.75 %
2. Liquidity Ratio (a/h)	1 653.90 %	1 027.7 %	556.00 %
3. Financial Balance Ratio (g + h)/(b + c + d)	196.70 %	185.20 %	143.60 %
4. Net Profit/Paid-up Capital	2.92 %	9.87 %	10.21 %
5. Cash-flow/capital	11.75 %	11.64 %	13.01 %
PM : Paid-up Capital	52 684.10	52 684.10	55 696.60

(*) After neutralization of unpaid capital.

3.4.7.5 The bank's balance sheet did not increase significantly over these three financial years and reflects the cautious policy adopted by its Board (non intervention in the tourism and real estate sector in 1987 and 1988). Concerning assets, a considerable reduction in available liquidity related to loan repayments in 1989 reduced liquidity from TD 24.6 million in 1987 to TD 12.8 million in 1989. At the same time, the long and medium-term loans increased from TD 37.1 million to TD 49 million between 1987 and 1989. Regarding the liabilities side, we notice a slight increase in equity and retained earnings over the period, a considerable increase in short-term liabilities which results, as a corollary, in a reduction in the liquidity ratio and a sharp fall in long and medium-term loans, which also sharply reduces the debt ratio, from 46% to 26.7%. This double factor results in a weakening of the bank's financial structure without bringing into question the financial balance of the institution, as the working capital remains largely positive in 1989.

4. EVALUATION OF THE LINES OF CREDIT

4.1 Evaluation of the BTKD Line of Credit

4.1.1 An amount of BUA 15 million was granted to BTKD under the first line of credit in 1988. This line of credit was used to finance 17 sub-projects, 15 of which have become operational. Fifteen of the 17 projects belong to the tourism sector compared with only two from the industrial sector. In the tourism sector, one project involves the renovation/rehabilitation of a hotel, six projects involve the extension of existing hotel units and eight projects are new structures. One of the two industrial projects involves the extension of an existing factory, the other a new structure. Cumulative investments on these 17 sub-projects amounts to nearly TD 100 million, including only TD 6.2 million for the industrial sector. From the geographic view-point, one of the two industrial projects (procurement of an extrusion line for the production of plastic packages) is located in the Tunis suburb, the other projects involve various regions of the interior, particularly the seaside resorts (Hammamet, Sousse, Djerba) and the southern region near the desert (development of Saharan tourism). The status of these projects appears in Annex 4.1.

4.1.2 Fifteen of the 17 sub-projects began operations in 1989 or 1990 and are in their first or second financial year. The sixteenth project was expected to begin its activities in May or June 1991 and the last at end 1991. It is certainly premature to judge now the viability of these projects since most of them have been in existence for barely one or two years and have not yet attained their full operational capacity. However, several characteristics can be observed:

i) nine (9) out of the 17 sub-projects have recorded from 5.2% to 42% cost overruns: 4% of them have overruns of less than 10% but the other five have recorded overruns of 18.6% (hôtel Jerba Aghir), 20% (hôtel Sahara Douz), 21,8% (Céramiques Réunies), 36% (Hôtel Houda) and 42% (Hôtel Beaurivage); these overruns were generally financed by internal resources (capital increase, cash-flow, partners' current accounts) and by supplementary loans granted by other development or deposit banks;

ii) four projects show negative results, as the periods of commencement of operations were generally not suitable for immediate profitability, but the gross operating results of these projects are largely positive and their situation is not alarming. Among these four projects are two hotels and two industrial projects; and

iii) most of these projects have not yet entered the loans repayment phase, because of the grace periods granted and the few unpaid maturities (TD 356,000 as at 31 December, 1990) particularly from arrears on three projects.

4.1.3 These 17 sub-projects were approved by the ADB in the amount of UA 14.905 million, representing a 99.36% commitment rate in respect of the line of credit as at 15 December, 1991. The disbursement rate, with UA 13.788 million, is close to 92%.

4.2 Evaluation of the STUSID Line of Credit

4.2.1 STUSID was granted BUA 10 million under the first line of credit in 1988. This line of credit was used in financing, as at 15 March, 1991, 13 sub-projects, one of which has been cancelled. Seven projects belong to the tourism sector, the other five to the industrial sector; this distribution is very satisfactory. Almost all the sub-projects involve the establishment of new units, only one involves an extension (package manufacturing factory).

Cumulative investments under these 12 sub-projects is estimated at TD 61.2 million equally distributed between the tourism sector (TD 30 million) and the industrial sector (TD 31.2 million). It should be noticed that only one industrial project (acrylic spinning mill) represents 50% of the sector's investment financed on the ADB facility. Regarding geographic distribution, 10 of the 12 projects are located outside the Tunis region, especially in Tabarka Region in the North and in the Southern Region near the desert (Saharan tourism), thereby contributing to the development of handicapped regions.

4.2.2 Only three out of the twelve approved projects have started total or partial operations: they are two hotel projects in South Tunisia, at NEFTA and TOZEUR, opened in 1990 and a mineral water bottling factory which began production on 8 September, 1990, at KSOUR. The other nine projects are still being implemented and should become operational in 1991 or 1992. At the current stage of implementation, only one project recorded a slight overrun of 11% over the initial cost estimate. At any rate, it would be premature to judge the future viability of the projects, as most of them have not yet commenced production or are in the period of repaying loans granted by STUSID. The latter, in addition to funding on the ADB lines of credit, has also made direct equity investment in the enterprises established around most of these sub-projects and actively monitors the implementation or operation of these projects through the presence of one of its members on the Boards of Directors of these enterprises.

4.2.3 These 12 sub-projects financed by STUSID were approved by the ADB for UA 11.277 million, representing a 112.8% commitment rate on the line of credit as at 15 March, 1991. Actual disbursement rate is 26.1% and a requested supplementary disbursement of 51.8% (UA 5.179 million), representing a total requested disbursement of nearly 78%. The line of credit is therefore totally committed and beyond by STUSID and the disbursement rate should reach 100% at the end of the first quarter of 1991. An analysis of the appplications of the ADB line of credit by STUSID is presented in Annex 4.2.

4.3 Evaluation of the BTEI Line of Credit

4.3.1 An amount of BUA 8 million was granted to BTEI, under the first line of credit, in 1988. This line of credit was used to finance 11 sub-projects, eight of which have become operational. Among these projects, seven involve the hôtellerie/tourism sector, three are from the industrial sector (textile, engineering, pharmaceutical) and one concerns the tertiary sector (car hire). Among the hotel projects, two involve extensions to existing units, the others are new units. The total investment cost of these projects is estimated at TD 64.5 million comprising TD 18.1 million for industry and TD 46.4 million for the tourism and services sectors. From the geographic viewpoint, four projects are located in Hammamet, four others in Jerba, the remaining three in the Sfax, Sousse and Tunis regions. The list of sub-projects financed on the ADB loan appears in Annex 4.4.

4.3.2 Five of the projects financed by BTEI on the ADB facility have exceeded their initial estimated costs. These overruns concern three projects with 23%, 43% and 84% overruns and two industrial projects which recorded overruns of 9% and 69% respectively. These overruns were financed by capital increases and supplementary loans granted by BTEI itself in two cases and by other development banks (STUSID in particular) as well as by additional suppliers' credits. Apart from granting loans for these projects, BTEI made direct equity investments in the capital of the companies set up for these projects; the percentage of BTEI's participation ranges from 8.9% to 28 or 37%. When all these projects become operational, they should generate nearly 1,000 new jobs. Only one project is encountering real problems, following the default of the investor: it is Africa Tours, a car-hire company at Jerba to

which BTEI granted a loan of TD 250,000. Arrears amounted to TD 142,000 as at 31 December, 1990, including TD 107,000 in principal. Provisions at the same date were TD 98,000 representing a 91.5% cover on the unpaid principal. Moreover, BTEI has the collateral security on the vehicles it financed.

4.3.3 These 11 projects financed by BTEI were approved by the ADB in the amount of UA 7.947 million, representing a 99.34% commitment rate as at 15 March, 1991. Actual disbursements at the same date were UA 6.955 million, representing a disbursement rate of 89.6%; current disbursement requests amount to UA 0.984 million, and this will increase the disbursement rate to 99.2%. The status of the sub-projects financed by BTEI is given in Annex 4.3.

4.4 Evaluation of the BTQI Line of Credit

4.4.1 BTQI was granted BUA 7 million in respect of the first line of credit in 1988. This line of credit was used to finance nine sub-projects only three of which have become operational. Six of these sub-projects belong to the industrial sector, with two extensions and four involving the establishment of new units; the remaining three are in the tourism/hotellerie sector in which there are extension/renovation of an existing unit and the establishment of two new hotels. Cumulative investments under these nine sub-projects amount to TD 55 million, made up of TD 31.4 million for the industrial sector and TD 23.6 million for tourism and the hotel industry. The geographic distribution of the projects diversified and falls within the scope of a sound decentralization policy and national development, making it possible to halt rural depopulation: only three projects are located in Tunis or in its region, the other six being located in the regions of Sousse (3 projects), Djerba (1 project), Kairouan (1 project) and Tozeur-Sud Tunisien (1 project).

4.4.2 The three operational projects involve three industrial units, two of which are extensions and one new unit. The extensions concern Ets. SLAMA (Hydrogenation of vegetable fats and manufacture of margarine) an industrial unit whose market is very satisfactory and SOTUPA whose start-up was delayed, hence arrears on payments which caused the postponement of unpaid maturities at the end of the credit amounting to TD 78,257. The new unit is SOFAS which was also delayed because of the removal of the monopoly of the State tobacco and matches company and which recently became operational. The other six projects are still in the investment and implementation phase, two of them (Phaedra and El Hana Hotels) are expected to begin operations in July 1991. All these nine projects are expected to generate 673 new jobs and help to maintain the working population in the regions. It is too early to judge the future viability of these projects and their ability to generate enough cash-flow for the repayment of their loans, as almost all the projects are still in their grace periods. Apart from financing these projects in the form of loans, BTQI has made direct equity investments in three enterprises: two industrial enterprises and a hotel unit, its total equity stock in these projects being 7.80% of its global operations.

4.4.3 These nine projects financed by BTQI were approved by ADB in the amount of UA 7.141 million, representing a 102% commitment rate on the line of credit; disbursements were 47% as at 15 March, 1991 and the entire line of credit was expected to be disbursed at the end of the third quarter of 1991.

5. PERFORMANCES OF THE BANKS AND ADB

5.1 Performances of the Banks

5.1.1 The line of credit was used quite rapidly, considering that it was the first granted by ADB to these recently established Tunisian banks (between six and seven years of existence at the time of appraisal). The banks used the line of credit in financing only the foreign exchange costs of investments in enterprises which were nearly all in the manufacturing industries and the hotels/tourism sectors; they thus met the ADB loan conditions. The commitment amount per sub-project under this line of credit is generally between BUA 500,000 and 2 million, which is also in keeping with the loan conditions.

5.1.2 Though recently established, the four Tunisian development banks have acquired both operational and functional structures and suitable human resources to enable them efficiently monitor the entire project cycle, from the identification to ex-post evaluation. The supervisory staff is dynamic and competent, especially in the appraisal and monitoring departments. Each bank has acquired the means to monitor the implementation and operation of the projects it finances. They have set up information collection and processing systems which enable them to ensure that the objectives for each project and enterprise are attained and, where necesssary, apply the appropriate remedial measures. In cases of direct equity investment, these banks carry out regular monitoring by obtaining representation on the Boards of Directors of the enterprises concerned, through supervision or re-appraisal missions or in the context of specific diagnostic studies or audits. Whereas the BTKD, the STUSID and BTEI monitoring departments are adequately staffed and structured, considering their present portfolio position, this is apparently not the case with that of BTQI which does not have the staff required to satisfactorily conduct project monitoring and supervision missions and needs to be strengthened.

5.1.3 Since it is only recently that the four banks began using the line of credit, it is too early to judge their performances in terms of the quality of the projects financed and therefore that of the banks' portfolio, generally speaking. Nearly all the projects financed are still in the grace period or repayment phases while some are not yet in operation. Only a few cases of cost overruns have been noted and these have not compromised the viability of the projects concerned, since financial solutions have been found to them. It however seems that the performances of the BTKD, and to a lesser extent, the BTEI and the STUSID, have been affected by the deterioration of the institutional projects they had previously financed which have given rise to most of their bad debts. It is therefore strongly recommended that these three banks closely monitor the quality of their portfolios.

5.2 ADB Performances

5.2.1 ADB identification and evaluation of the line of credit was satisfactory and timely. The process of approval of the sub-projects by the operations department was normal and without delay. Some delays and lags were however noted, especially during the setting up and disbursement of the line of credit, with the result that the implementation of certain projects was perturbed. In that regard, it is recommended that ADB systematically send acknowledgement of receipt of the drawing requests submitted by the banks and that it ensure systematic and prompt transmission of disbursement vouchers so as to enable the banks to better monitor their drawdowns from the line of credit (adjustment of UA/local currency value, determining value dates...).

5.2.2 Since the line of credit is recent (1988), there has been no project supervision by the ADB operations staff and this is the first report on its use by the four Tunisian banks.

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusions

6.1.1 Less than three years after the first ADB line of credit was put in place and considering that the four Tunisian banks were not familiar with ADB procedures, the utilization of the funds has been altogether in accordance with the development objectives set, even if some of the development projects financed are not yet operational. Actually, most of these sub-projects are recent and it is no doubt too early to assess their long-term chances of viability. The banks which financed these projects now have a greater and more satisfactory task, with the starting years behind them, and have acquired adequate and efficient structures, procedures, staff and skills to go through the entire project cycle. The quality of their respective portfolios does not raise any real problems.

6.1.2 These banks however need to adjust to the trend and development of their activities by accompanying their growth with streamlined management and new skills. Concerning the sectoral distribution of their future activities, it seems necessary to proceed cautiously in the hotels/tourism sector, given its decline in clientele noted over the past two years and the probable repercussions the Gulf war may have on it.

6.1.3 The four banks using the line of credit do not, a priori, show any particular weaknesses requiring urgent redress. They have hardly used their debt capacity, their financial structures are sound though in some cases limited (BTKD, BTEI), and their intrinsic rate of return (outside provisions) is satisfactory, though diminishing under the heavy burden of unpaid debts, which imply continued expense (BTKD).

6.2 Recommendations

Given the relatively satisfactory operation of the Tunisian development banks over the past two years, we have no major remedial action to recommend. However:

i) the banks, and especially BTKD, should pay particularly keen attention to their bad debt portfolio so as to avoid slippage;

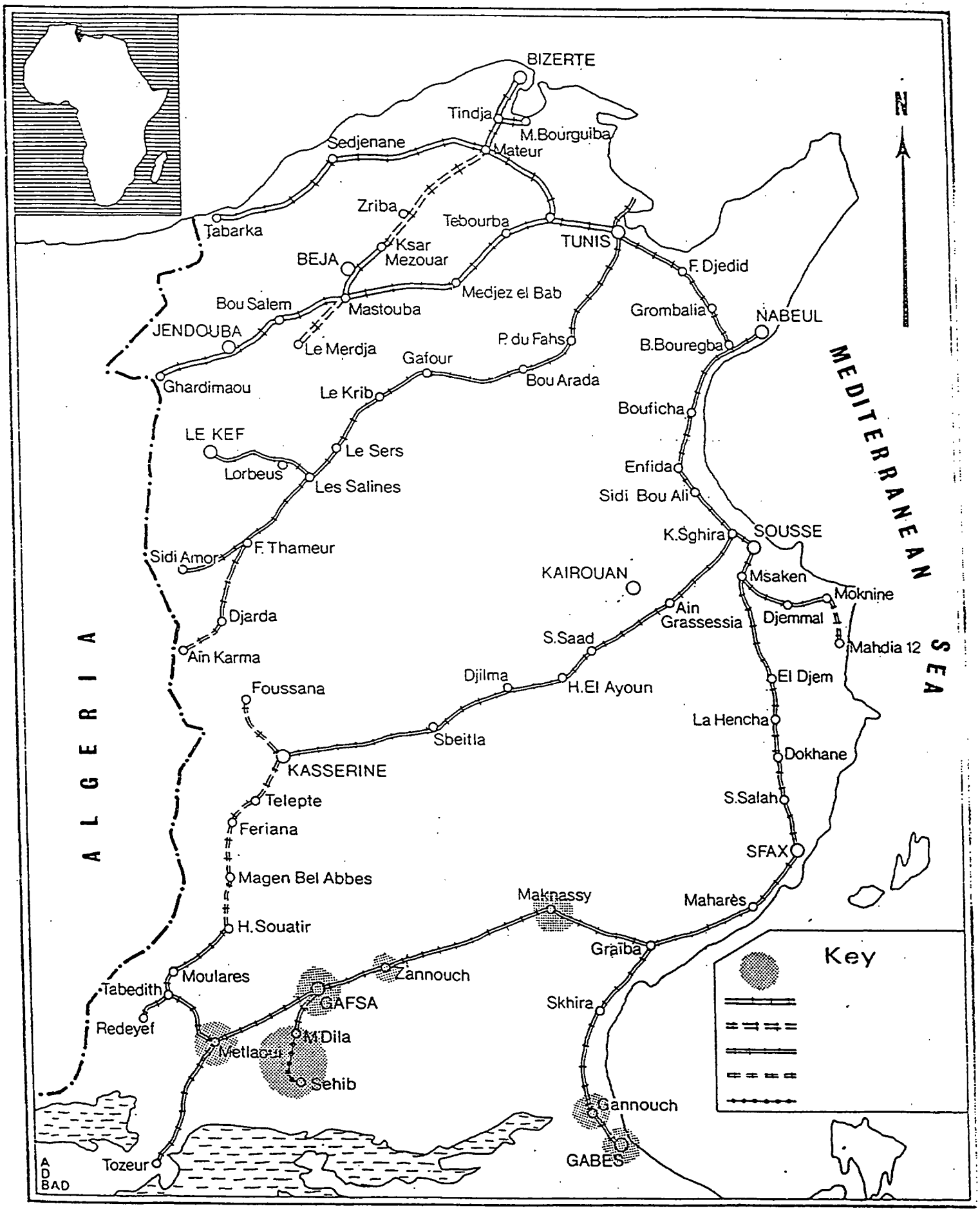
ii) those with the most commitments in the tourism/hotels sector should exercise maximum caution with regard to any further projects in that sector and also follow the sector's evolution very closely;

iii) the banks should actively contribute to reviving sub-projects which encounter difficulties, though viable;

iv) they should adopt a realist approach, in consultation with the country's monetary authorities, to carry through the exchange risk coverage reform without raising credit costs.

TUNISIA

Annex 1



T U N I S I A

LINE OF CREDIT TO FOUR (4) DEVELOPMENT BANKS

B. T. K. D. CAPITAL STRUCTURE

SHAREHOLDERS	NUMBER OF SHARES	AMOUNT (In TD)
* TUNINIAN SHARES		
. Tunisian State (1)	494,000	49,400,000
. Caisse Nationale de Retraite et de Prévoyance Sociale	5,000	500,000
Office National du Tourisme Tunisien	1,000	100,000
* KUWAITI SHARES		
. State of Kuwait	868,000	36,800,000
.(Etablissement Public de (Sécurité Sociale	100,000	10,000,000
. Consortium Koweitien d'Investissement Immobilier	20,000	2,000,000
. Industrial Bank	12,000	1,200,000
	1,000,000	100,000,000

(1) The State of Tunisia on 3 November, 1988 took over the 17,500 shares formerly held by the Central Bank of Tunisia

Par value of share = T.D. 100

1250r

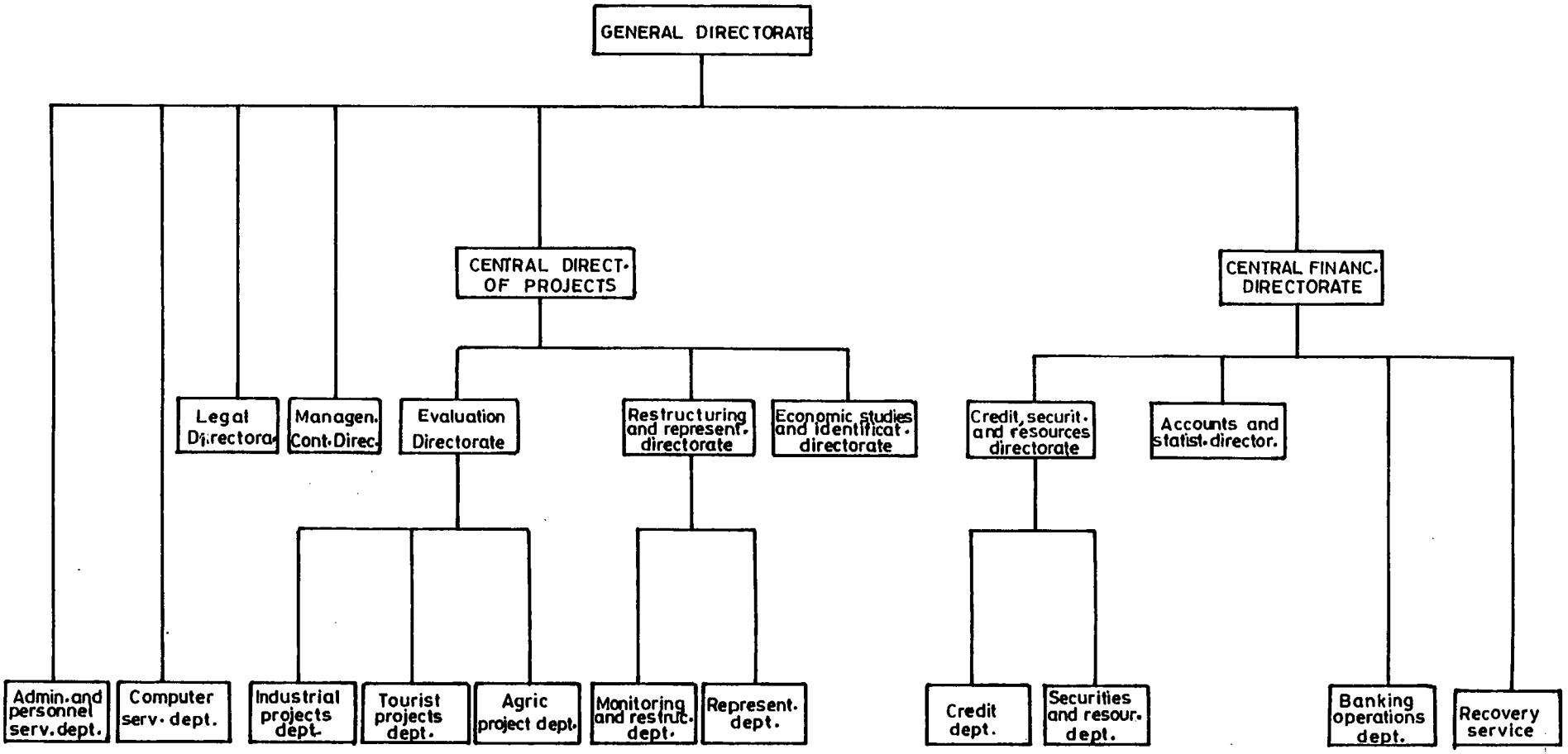
ANNEX 2.2

B. T. K. D. – LIST OF EXECUTIVE DIRECTORS AS AT 01/01/1991

LAST AND FIRST NAMES	DATE OF APPOINTMENT	ORGANISATIONS REPRESENTED
KUWAIT		
Abdul Rassoul ABULHASSEN – CBD	25/06/1986	Minister of Finance Kuwait
Ahmed IBRAHIM	25/06/1986	C.K.I.I. Consortium Koweitien d'Investissement Immobilier
Salah AL QUADHI	25/06/1986	Etablissement Public de Sécurité Sociale de Koweit
Heshem AL WOQYAN	25/06/1986	Kuwaiti Ministry of the Economy and Finance
TUNISIA		
Sal Med AL YOUSSEF	25/06/1986	
Abdellatif SADDAM – Vice C.B.D	19/12/1987	Tunisian Ministry of the Economy and Finance
Laroussi BAYOUDH	01/04/1987	Central Bank of Tunisia
Hosni TOUMI	08/12/1988	Tunisian Ministry of the Economy and Finance
Rachidr KECHICHE	30/05/1989	Tunisian Ministry of the Economy and Finance
Ali DEBAYA	08/12/1988	Tunisian Ministry of Agriculture

Managing Director : Abdelghaffar EZZEDINE (Tunisia)

B T K D ORGANISATION CHART



ANNEX : 2.3

ANNEX 2.4

B.T.K.D SIMPLIFIED INCOME STATEMENTS
1987 TO 1990
(in million of TD)

I N C O M E	1987	1988	1989	1990
Cash investment proceeds	0.7	0.4	0.3	0.6
Loan interest	15.0	14.4	14.4	15.8
Commissions	0.3	0.4	0.4	0.4
Equity income	0.2	0.5	1.0	0.4
Other income	-	-	-	-
TOTAL INCOME	**16.2**	**15.7**	**16.1**	**17.2**
E X P E N D I T U R E				
Financial expenditure	3.0	3.9	5.1	6.1
Personnel expenditure	0.6	0.7	0.8	1.0
Operating cost	0.5	0.4	0.5	0.6
Miscellenous	0.2	0.2	-	-
Depreciation expenses	0.2	0.2	0.1	0.1
Provisions	4.2	4.2	6.6	6.0
TOTAL EXPENDITURE	**8.7**	**9.6**	**13.1**	**13.8**
Operating income	7.5	6.1	3.0	3.4
Profit and losses +/-	(-0.7)	(-0.1	(-1.0)	2.1
Net income	6.8	6.0	2.0	5.5

ANNEX 2.5

B.T.K.D - COMPARATIVE BALANCE SHEETS OF THE 1987-1990 FINANCIAL YEARS
(in millions of TD)

A S S E T S	1987	1988	1989	1990
Cash, BCT, Money market loans, CCP	2.8	8.0	29.0*	28.1*
Banks and correspondants	0.5	0.6	0.9	0.8
Short-term realisable securities	4.5	3.7	4.4	7.0
Medium and Long-term loans	132.3	134.7	143.6	153.6
Various Debtors	15.9	24.9	38.0	47.6
Portfolio - shares	36.9	40.7	41.3	48.5
Assets equilization account	0.7	0.6	0.4	0.5
Net fixed assets	1.1	1.1	3.0	6.7
TOTAL ASSETS	**194.7**	**214.3**	**260.6**	**292.8**
L I A B I L I T I E S				
Treasury Account	-	-	5.4	11.5
Client deposit account	2.3	3.3	27.7	30.2
Various creditors	1.1	0.8	1.4	5.9
Bonds and borrowing	40.6	48.3	51.9	57.3
Liability equalisation Account	7.9	11.9	17.6	20.9
Provisions	10.8	15.0	19.5	24.3
Social funds	0.7	0.8	0.9	1.0
Reserves	24.5	28.2	34.2	36.2
Carry forward	-	-	-	-
Paid up capital	100.0	100.0	100.0	100.0
Income	6.8	6.0	2.0	5.5
TOTAL LIABILITIES	194.7	214.3	260.6	292.8

* Exceptional Client deposit of 24 million

STUSID CAPITAL AND SHAREHOLDING

CAPITAL TOTALLY PAID IN: 100 MILLION DINARS
DIVIDED INTO 1,000,000 SHARES OF 100 DINARS EACH

SHAREHOLDERS OF CAPITAL SUBSCRIBED AS AT 31/12/1990

. Kingdom of Saudi Arabia represented by the Ministry of Finance and Economy	50,000,000	50%
Government of the Republic of Tunisia	49,249,900 DT*)	
. Tunisia Treasury Department	100 DT)	
. Caisse Nationale de Retraite et de Prévoyance Sociale	375,000 DT)	
. Office National du Tourisme Tunisien	125,000 DT)	
Entreprise Tunisienne d'Activité Pétrolière	125,000 DT)	
. Compagnie TUNIS AIR	125,000 DT)	
TOTAL	**100,000,000 DT**	

* The Government of the Republic of Tunisa in November 1988, took over the 175,000 shares held by the Central Bank of Tunisia.

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ANNEX 3.2

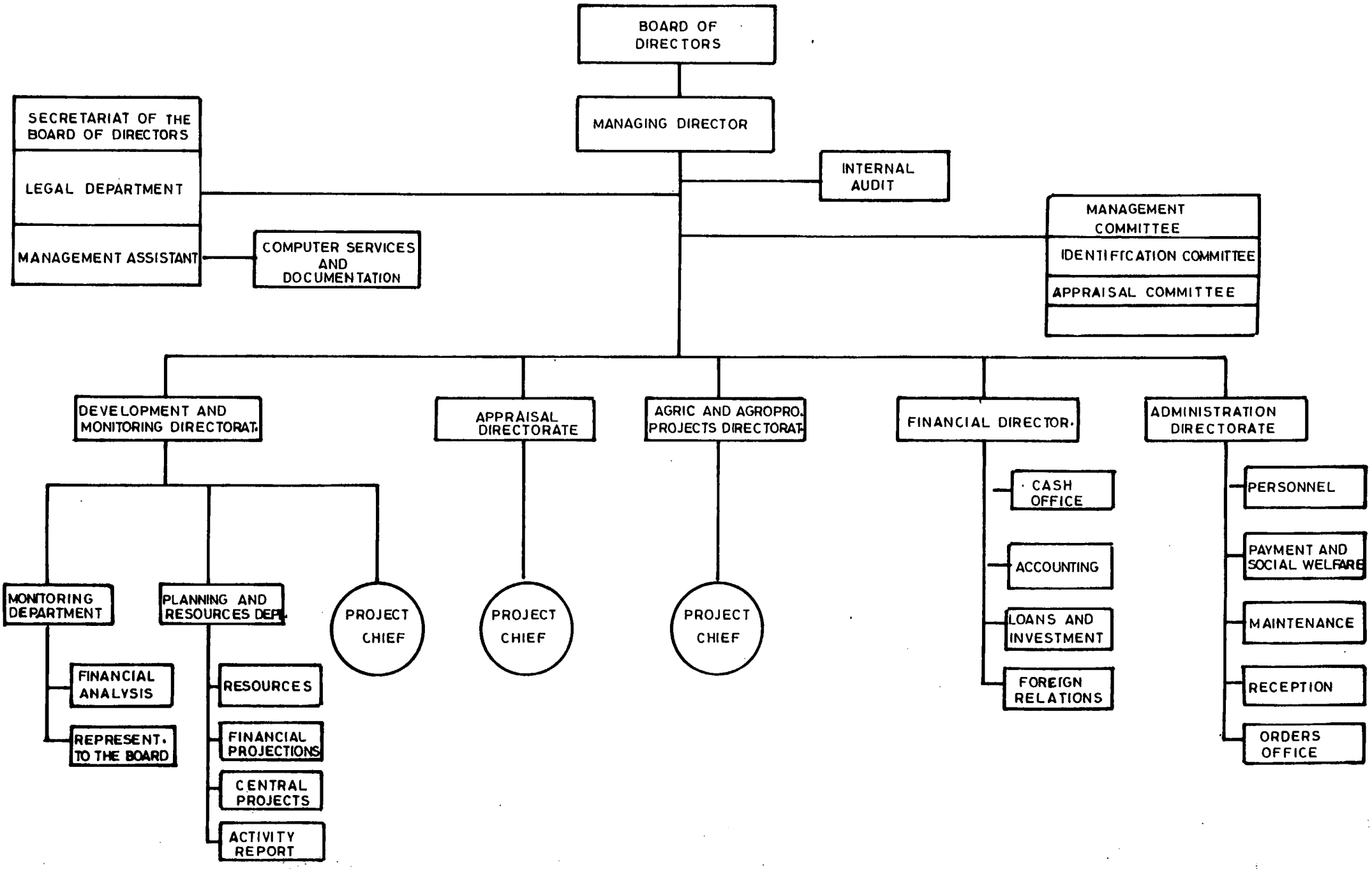
STUSID – LIST OF MEMBERS OF THE BOARD OF DIRECTORS AS AT 01/01/1991

NAME	FUNCTION	NATIONALITY
Dr. Mahsoun Bahjet JALEL	Chairman Board of Directors	Saudi
Mr. Sadok BAHROUN	Chairman/Managing Director	Tunisian
Mr. Salah Al MUSSAAD	Deputy Managing Director of the Saudi Development Fund	Saudi
Mr. Ali CHAOUACHI	Secretary General of Ministry of Finance	Tunisian
Mr. Salah Ibrahim AL HUDAITI	Director of Cost Analysis Dept., Ministry of Finance	Saudi
Mr. Brahim M. AL ROUAMIH	Adviser of the Investment Fund	Saudi
Mr. Ahmed KARAM	Director of the Exchange and External Trade at the Central Bank	Tunisian
Mr. Salah HANNACHI	Chairman/Managing Director of the "Agence de Promotion de l'Industrie"	Tunisian
Mr. Mohamed M. AL SHOUMRANI	Deputy Director of the Investment Department of Saudi Arabia Investment Fund	Saudi
Mr. Amor NSAIRI	Chef de Cabinet of the Ministry of Agriculture	Tunisian
Mr. Hamadi SAHLI	Secretary to the Board	Tunisian

(*) The term (Chairman) Managing Director does not seem to be appropriate, since there is already a Chairman of the Board of Directors. He is actually a Managing Director, who is also an Executive Director.

ANNEX 3.3
March 1989

STUSID ORGANISATION CHART



ANNEX 3.4

S T U S I D

INCOME STATEMENT'S OF THE 1987-1990 FINANCIAL YEARS
(in thousands of TD)

INCOME	1987	1988	1989	1990
Cash Investment proceeds	3,603	3,539	3,375	3,699
Loan interest	7,751	8,519	8,874	9,735
Commissions	263	187	241	270
Interest subsidies	-	-	-	-
Income from equity investments	695	1,098	1,689	1,366
Other proceeds	177	340	769	159
TOTAL INCOME	**12,489**	**13,683**	**14,948**	**15,229**
EXPENDITURE				
Financial Expenditure	340	578	982	1,116
Personnel Expenditure	760	828	848	957
Operating Expenditure	507	483	363	535
Miscellanous	102	60	50	47
Depreciation expenses	110	388	368	508
Provisions	1,683	4,083	4,710	7,542
TOTAL EXPENDITURE	**3,502**	**6,420**	**7,321**	**10,705**
Operating Income	8,987	7,263	7,627	4,524
Profit and Loss (+/-)	-46	-216	-	+1,079
Taxes and Duty	-	-	-	- *
NET INCOME	**8,941**	**7,046**	**7,627**	**5,603**

(*) STUSID is exempt from profit taxes by virtue of its establishing agreement (renewed for 5 years in 1986).

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ANNEX 3.5

TUNIASIA

LINE OF CREDIT TO FOUR (4) DEVELOPMENT BANKS

STUSID
COMPARATIVE BALANCE SHEETS OF THE 1987-1990 FINANCIAL YEARS
(in thousand TD)

ASSETS	1987	1988	1989	1990
Cash, BCT, Money market loans,				
CCP, Banks and Correspondents	38,674	36,191	34,300	32,837
Short-term realisable securities	18,406	22,055	30,855	36,969
Long and Medium-Term loans	48,214	54,506	56,140	58,083
Various debtors	444	401	471	526
Securities Portfolio	34,020	37,962	42,944	48,171
Equalisation Account (Assets)	-	-	-	-
Net fixed assets	6,073	5,776	5,388	5,054
TOTAL ASSETS	**145,831**	**156,891**	**170,098**	**181,640**
LIABILITIES				
Treasury Accounts	-	-	-	2,944
Client Deposit Accounts	2,674	2,969	5,572	2,838
Various Credits outstanding	5,083	3,772	6,462	6,124
Bonds and Borrowings	-	-	-	-
Equilisation Account	-	-	-	-
Liabilities	2,283	6,913	9,200	15,213
Provisions 1	800	2,198	198	198
Social Fund	526	526	526	526
Reserves	24,505	33,399	40,504	48,067
Carry Forward	20	67	9	77
Capital	100,000	100,000	100,000	100,000
Income	8,941	7,046	7,627	5,603
TOTAL LIABILITIES	**145,831**	**156,891**	**170,098**	**181,640**

ANNEX 4.1

TUNISIAN REPUBLIC

BANQUE DE TUNISIE ET DES EMIRATS D'INVESTISSEMENT

B.T.E.I.

DISTRIBUTION OF SHARES (28/02/1991

Sharesholders	No. of Capital shares held of TDI 100	in T.D.I	% Held
Tunisian State	250 000	25 000 000	50 %
Abu Dhabi Investment Authority (ADIA)	250 000	25 000 000	50 %
TOTAL	500 000	50 000 000	100 %

ANNEX 4.2

REPUBLIC OF TUNISIA

BANQUE DE TUNISIE ET DES EMIRATS D'INVESTISSEMENT

B.T.E.I.

LIST OF EXECUTIVE DIRECTORS AS AT 28/02/1991

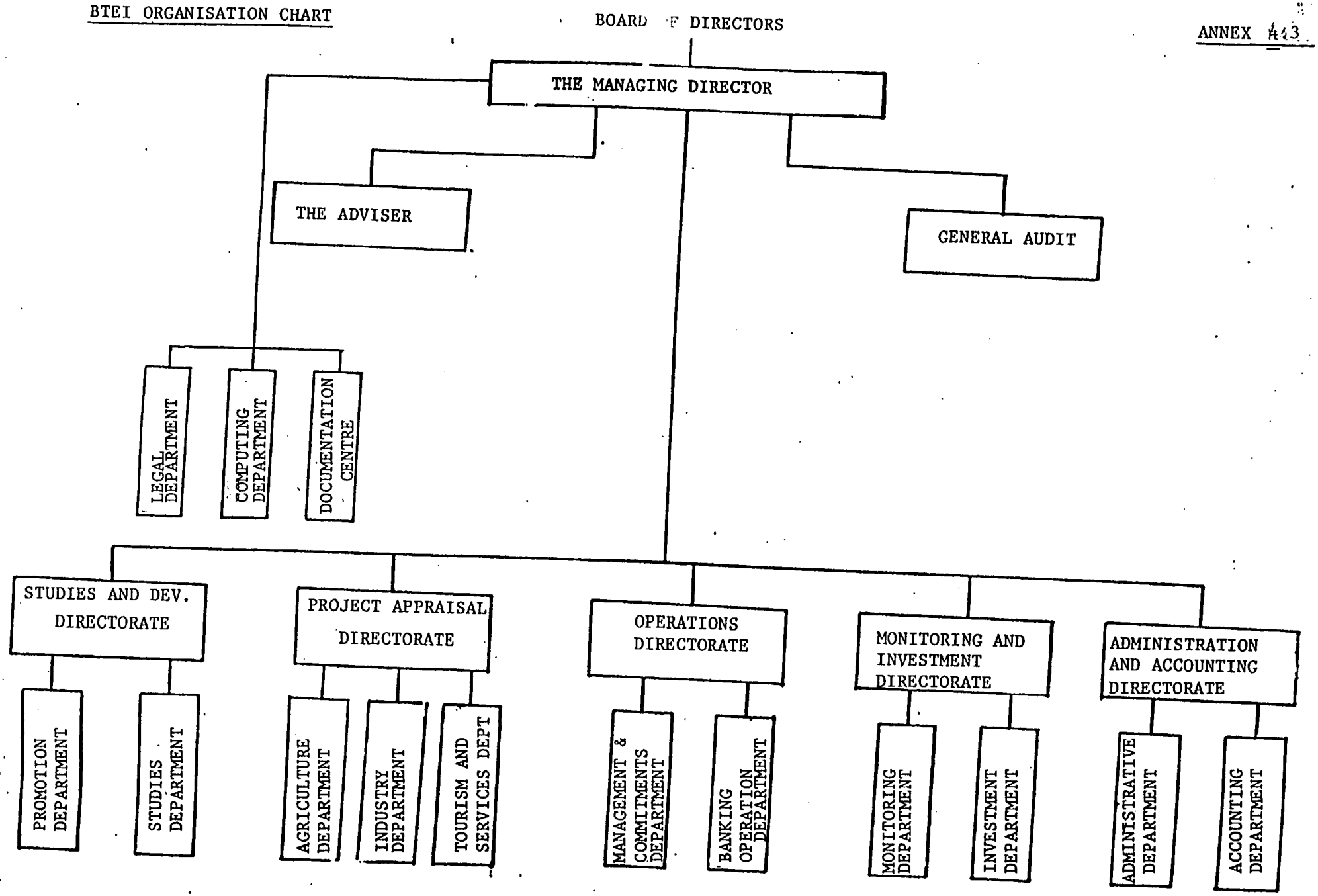
EMIRAT DIRECTORS

Messrs.	Abdallah MAZRUI	Chairman of the Board and of Abu Dhabi Investment Authority
	Mohamed ENNASRI	
	Ahmed EDHAHIRI	
	Saleh EL MOUHANNADI	
	Mohamed EL FAHIM	
	Obeidellah EDHAHIR	

TUNISIAN DIRECTORS

Messrs	Aïssa HIDOUSSI	Chairman/Managing Director
	Mohamed BOUDAYA	Director of Economic and Finance Affairs under the Prime Minister
	Brahim JAMELEDDINE	Director of Customs
	Taoufik BACCAR	Directeur de Cabinet of the Ministry of Planning and Regional Development
	Chedly OUNIS	Director in BCT
	Salah HANACHI	Chairman/Managing Director of Agence de Promotion de l'Industrie.

BTEI ORGANISATION CHART



ANNEX 4.4

TUNISIAN REPUBLIC

BANQUE DE TUNISIE ET DES EMIRATS D'INVESTISSEMENT
B.T.E.I.

INCOME STATEMENTS OF THE 1987-1990 FINANCIAL YEARS
(in thousand TD)

INCOME	1987	1988	1989	1990
Cash investment proceeds	2,851	2,099	1,745	1,967
Loan interest	3,676	3,516	5,382	6,174
Commissions	153	359	314	199
Equity Income	0	0	63	183
Other proceeds * (VAT/TPS to be paid)	544	162	0	0
TOTAL INCOME	**7,224**	**6,136**	**7,504**	**8,523**
EXPENDITURE				
Financial Expenditure	0	130	853	1,343
Personnel Expenditure	477	547	628	772
Operating Cost	380	353	379	447
Miscellanous expenses including VAT/TPS to be paid in 1987 and 1988	607	204	23	30
Depreciation expenses	132	150	158	122
Provision allocation	410	1,075	3,736	3,953
TOTAL EXPENDITURE	**2,006**	**2,459**	**5,777**	**6,667**
Operating Income	5,218	3,677	1,727	1,856
Profit and Loss	(122)	211	1,134	1,105
Duties and Taxes	-	-	-	-
Net Income	5,096	3,888	2,861	2,961

** The duty for the year is not covered. It is taken into account at the time of allocation of income and is shown in the liabilities column of the opening balance sheet as dividends to be paid.

ANNEX 4.5

TUNISIAN REPUBLIC

BANQUE DE TUNISIE ET DES EMIRATS D'INVESTISSEMENT
B.T.E.I.

BTEI - Comparative Balance Sheets of the 1987-1990 Financial Years
(in thousand TD)

A S S E T S	1987	1988	1989	1990
Cash BCT, Money market loans, CCP	26,537	20,714	14,868	18,200
Banks and correspondants	-	-	-	-
Short-term realisable securities	-	-	-	-
Medium and Long-term loans	30,642	42,131	49,063	52,591
Various Debtors	350	297	271	221
Portfolio - shares	9,021	10,373	11,904	13,345
Assets equilisation account	5,930	9,038	12,166	11,926
Net fixed assets	2,124	2,085	2,116	2,206
TOTAL ASSETS	**74,604**	**84,638**	**90,388**	**98,489**
L I A B I L I T I E S				
Treasury Account	-	-	-	731
Client deposit account	1,041	1,625	283	1,825
Various creditors	1,167	1,057	419	501
Bonds and borrowing	2,766	7,141	12,158	14,107
Liability equalisation Account	7,468	9,698	8,192	7,639
Provisions	719	1,794	5,020	7,768
Social funds	720	1,012	1,001	998
Reserves	5,627	8,423	10,454	11,959
Paid up capital	50,000	50,000	50,000	50,000
Income	5,096	3,888	2,861	2,961
TOTAL	**74,604**	**84,638**	**90,388**	**98,489**

ANNEX 5.1

TUNISIAN REPUBLIC

B. T. Q. I.

CAPITAL STRUCTURE AS AT 31/12/1990
(in Tunisian Dinars)

SHAREHOLDERS	CAPITAL SUBSCRIBED	CAPITAL TO BE PAID IN	PAID IN CAPITAL
State of Qatar	35,000,000	6,300,000	28,700,000
Republic of Tunisia	35,000,000	6,300,000	28,684,000
Caisse Nationale de Retraite et de Prévoyance Sociale	-	-	16,000
TOTAL	**70,000,000**	**12,600,000**	**57,400,000**

N.B.: The Qatar and Tunisian Directors are also shareholders (guarantee shares they are required to hold under article 35 of the by laws).

ANNEX 5.2

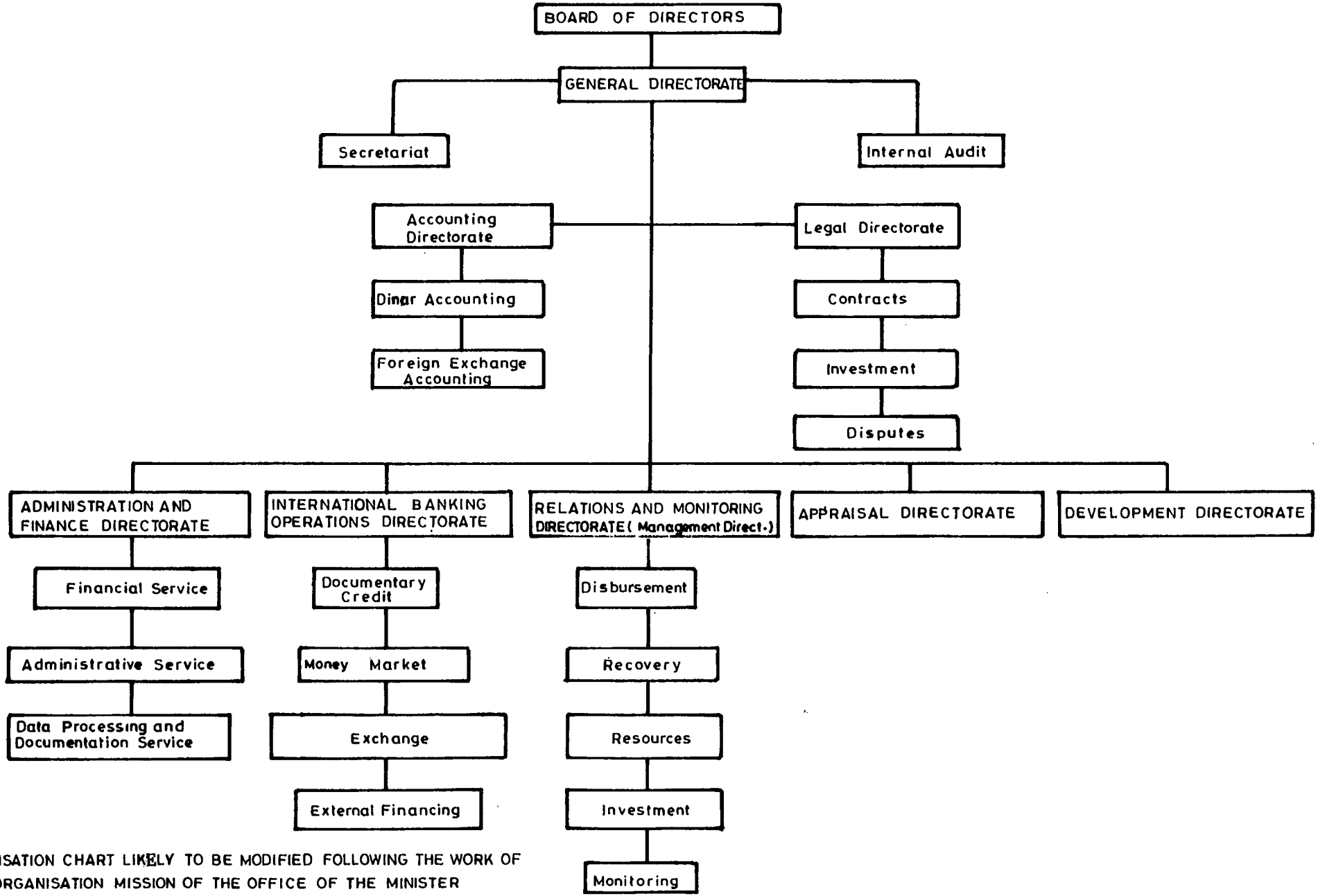
B. T. Q. I.

LIST OF EXECUTIVE DIRECTORS IN SERVICE AS AT 28/02/1991

NAMES	FUNCTION	NATIONALITY
Mr. Taoufik KALAI	Chairman/Managing Director	Tunisian
Dr. Nejmaddine DAJJANI	Vice-President to Minister of Finance and Petroleum	Qatar
Mr. Mohamed AMOR	Chef de Cabinet, Ministry of Finance	Tunisian
Mr. Naceur EL HEJRI	Principal Adviser, Ministry of Finance and Petroleum	Qatar
Mr. Hosni TOUMI	Adviser to the Minister of Finance	Tunisian
Mr. Khalaf MANNAI	Director at the Ministry of Finance and Petroleum	Qatar
Mr. Abdel Majid FRAJ	Managing Director of Tunisia Central Bank	Tunisian
Mr. Cheikh Hamad Ben KHALIFA AL THANI		Qatar

ANNEX 5.3

BTQI ORGANISATION CHART



N.B. ORGANISATION CHART LIKELY TO BE MODIFIED FOLLOWING THE WORK OF THE ORGANISATION MISSION OF THE OFFICE OF THE MINISTER

ANNEX 5.4

B. T. Q. I.

OPERATING INCOME OF
THE 1987-1990 FINANCIAL YEARS
(in thousands of TD)

INCOME	1987	1988	1989	1990
Cash investment proceeds	2,310.0	2,065.2	1,801,3	N. P.
Loan interest	4,903.5	4,463.6	6,002.3	"
Commissions	98.0	184.1	116.2	"
Equity income	-	-	-	"
Other income	23.5	16.6	72.3	"
TOTAL INCOME	**7,335.0**	**6,729.5**	**7,992.1**	
EXPENDITURE				
Financial expenditure	170.2	248.3	245.9	N.P
Personnel expenditure	596.6	589.8	657.5	"
Operating cost	728.6	209.9	247.9	"
Miscellenous	232.6	261.8	309.9	"
Depreciation expenses	73.2	73.4	68.4	"
Provisions	4,580.3	911.2	1,491.9	"
TOTAL EXPENDITURE	**6,381.5**	**2,294.4**	**3,021.5**	"
Operating income	953.5	4,435.1	4,970.6	N.P.
Profit and loss +/-	585.4	1,202.8	1,340.5	"
Duties and taxes (-)	-	(487.9)	(623.7)	"
NET INCOME	**1,538.9**	**5,150.0**	**5,687.4**	

NP.: Not Provided

MAA-0438s

BTQI
REVIEWED COMPARATIVE BALANCE SHEETS
(After Compensation of Unreleased Capital)

of the 1987-1990 Financial Years
(in thousand DT)

	1987	1988	1989	1990
Cash, STB, Loans on the Money Market, Giro	23,950.5	19,490.7	11,440.3	NI
Banks and Correspondents	675.8	1,773.8	1,405.8	
Current Assets	16,639.5	22,966.5	17,329.4	
Medium & Long-term Losses	37,083.9	39,521.5	49,035.3	
Various Debtors	3,342.5	8,028.7	8,935.3	
Investment	8,617.1	8,519.9	9,318.5	
Assets Adjustment Account	405.6	829.9	482.2	
Net Fixed Assets	1,275.9	2,152.2	2,518.4	
TOTAL ASSETS	96,990.8	103,283.2	100,945.2	
LIABILITIES				
Cash Account	64.8	1.4	14.2	
Customer Deposit Account	-	-	-	
Various Creditors	1,624.2	3,661.6	5,083.9	
Obligations and Borrowings	29,130.1	29,268.4	18,605.1	
Liabilities Adjustment Account	1,334.9	1,502.7	22,022.6	
Provisions	5,260.3	4,964.3	5,531.3	
Social Welfare Funds	336.0	366.0	44.6	
Reserves	4,900.7	5,670.1	8,245.1	
Amount Carried Forward	116.7	14.7	13.6	
Paid-up Capital	52,684.1	52,684.1	55,696.6	
	1,538.9	5,149.9	5 687.4	
TOTAL LIABILITIES	96,990.8	103,283.2	100 945.2	

ANNEX 6.1

TUNISIA: B.T.K.D

LIST OF SUB PROJECTS FINANCED FROM THE ADB LINE OF CREDIT

No.	SUB PROJECTS	SECTOR	AMOUNTS APPROVED U.A.
1.	JAWHARA Hotel	Tourism	846,770.24
2.	Sté d'Invest. Hôtel JERBA-MENZEL	Tourism	802,203.38
3.	Sté JERBA AGHIR (SANA-Club)	Tourism	891,337.09
4.	DOUZ Hôtel	Tourism	714,000.00
5.	Hôtel ASDRUBAL	Tourism	1,730,358.27
6.	MAGRIPLAST	Industry	432,589.65
7.	Les Céramiques Réunies	Industry	692,143.31
8.	Hôtel ROBINSON	Tourism	1,557,322.44
9.	Hôtel BEAU RIVAGE	Tourism	688,064.36
10.	Hôtel ULYSSE	Tourism	1,105,978.24
11.	Hôtel MIRAMAR	Tourism	915,100.00
12.	Hôtel HOUDA	Tourism	166,500.00
13.	Animation & Tourisme SAHARIEN	Tourism	749,256.98
14.	Hôtel EL MANAR	Tourism	1,082,260.09
15.	ALBATROS VACANCES & LOISIRS	Tourism	1,332,012.42
16.	Sté Hôtelière LE KALIFE	Tourism	749,256.98
17.	Hôtel SAHARA DOUZ	Tourism	500,000.00
	TOTAL		**14,905,153.36**

ANNEX 6.2

TUNISIA: STUSID

LIST OF SUB-PROJECTS FINANCED FROM THE ADB LINE OF CREDIT

	PROJECTS	U.A. AMOUNT
1.	CARAVANE SERAIL NEFTA	441,416.30
2.	DAR CHRAYET	382,138.51
3.	CARAVANE SERAIL DOUZ	316,975.64
4.	MONTAZAH HOTEL	1,468,094.00
5.	SOCIETE TUNISIENNE DES EMBALLAGES MODERNES (STEM)	844,900.00
6.	CARAVANE SERAIL TOZEUR (STS)	385,856.00
7.	FILATURES HAJEB EL AYOUN	1,955,119.00
8.	SOCIETE TUNISO-FRANCAISE D'ELALASTOMERES (STUFEL)	517,286.00
9.	SOCIETE TUNISIENNE DES EAUX MINERALES (STEM)	706,957.00
10.	MONTAZAH HOTEL	385,387.00
11.	CARAN SERAIL DOUZ (SDS)	67,295.00
12.	MONTAZAH GOLF	2,521,009.00
	TOTAL	**9,992,033.00**

ANNEX 6.3

B.T.E.I. LINE OF CREDIT

LIST OF SUB-PROJECTS FINANCED FROM THE ADB LINE OF CREDIT

	SUB-PROJECTS	UPDATED AMOUNT
1.	SOCIETE FRANCO-TUNISIENNE DE DEVELOPPEMENT TOURISTIQUE (S.F.T.D.T.)	385,000
2.	SOCIETE FRANCO-TUNISIENNE D'ENGRENAGE	484,000
3.	HOTEL SANA JERBA	2,905,400
4.	SIMED	154,000
5.	HOTEL VENUS	619,000
6.	SOCIETE BACOFIL II	715,000
7.	AFRICA TOURS	192,000
8.	HAMMAMET HOTEL	244,000
9.	HOTEL JECOTOUR	384,000
10.	ROBINSON-CLUB	1,498,000
11.	HOTEL RIHAB	367,202
	TOTAL	7,947,602

ANNEX 6.4

TUNISIA :BTQI

LIST OF SUB-PROJECTS FINANCED FROM THE ADB LINE OF CREDIT

No.	SUB-PROJECTS	APPROVED AMOUNT (In BUA)
1.	ETS. SLAMA	657,681
2.	SOTUPA	437,067
3.	EL HANA PALACE	1,340,338
4.	SOFAS	582,755
5.	PHEDRA	536,200
6.	ESSID	832,508
7.	S.I.A.	541,130
8.	FILATURE H.A.	1,214,286
9.	ULYSSE PALOU	858,035
	TOTAL	7,000,000