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*Republic of Tunisia*  
*Ministry of Development and International Cooperation*

# **THE ECONOMIC BUDGET 2006**

## **IN BRIEF**

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## Foreword

This document summarizes the content of the Economic budget for the year 2006. It includes two parts :

- The first part covers the main results expected for the year 2005 and illustrates the objectives set within the development scheme for the year 2006, in addition to the various policies aiming at the achievement of these objectives.
- The second part gathers some statistical tables which reflect the evolution of key economic, financial and social indicators during the year 2006.

This document also includes an appendix which shows the table of contents of the main Economic budget 2006 document, as well as the list of tables, frames and charts that have been introduced into this document.



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## Introduction to the Economic budget 2006

The year 2006 has a major importance within the development process of the country since it corresponds to the last year of the Tenth Development Plan and the reference year for the Eleventh Plan, and with regard to the progress accomplished in the implementation of the objectives of the Presidential Program "Tomorrow's Tunisia", in addition to the expected developments on the international arena in relation with the sharp and continuous increase of oil prices, the dismantling of multifiber agreements and the increase of competition in the international markets in general.

On this basis, the components of the Economic budget for 2006 were defined in order to achieve quantitative and qualitative objectives in accordance with the national development principles and the objectives set by the Presidential Program "Tomorrow's Tunisia", especially the further improvement of living standards, reinforcement of social assets and enhancement of economic performance.

In this regard, efforts will be concentrated on the promotion of human resources through an enhanced modernization of the education system, of vocational training, promotion of scientific research and technological innovation, besides the improvement of healthcare services, of culture and youth services and strengthening of programs targeting children, woman and categories with specific needs.

Efforts will also cover the improvement of the business climate through projected economic and financial reforms aiming at the strengthening of the company's capacity to cope with the new developments and face the upcoming changes and competition as well as a better support of export-oriented and promising activities, the modernization of private investment support and financing mechanisms, in addition to the adoption of appropriate sectoral policies and the continuous modernization of infrastructure.

Along with these improvements, efforts will be multiplied to achieve the national priorities, especially those inherent to the creation of a new employment dynamics, in particular to the advantage of university graduates, besides the improvement of performance and upgrading of production units and the consolidation of the foundations of the knowledge-based economy, economy of energy and preservation of natural resources.

The regional development programs, as an important pillar of the national development process, will be significantly enhanced by strengthening the regions prerogatives and attributions within a comprehensive vision orientated to the consolidation of growth factors in every field and the concrete achievement of comprehensive development through the implementation of a series of programs

and plans to the benefit of priority delegations.

The Economic budget document includes an exhaustive analysis of the different expected developments and projected policies, programs and projects. Its different parts have been

enriched by some charts and graphs related to quantitative objectives and explanatory frames have been added to illustrate a number of new topics which will characterize the development endeavors in the upcoming year.

**PART ONE**  
**EXPECTED RESULTS FOR 2005**  
**AND DEVELOPMENT SCHEME FOR 2006**



## Executive summary

**1. Economic situation in 2005:** the year 2005 has been characterized by unfavorable developments, both on the international and the national levels. On the international level, the situation was characterized by a remarkable

**Resistance of the world and the national economies to the excessive increase in oil prices and the invasion of international markets by the Chinese textile products**

increase in raw materials prices. The price index of these materials in dollars rose by 29% during the period January-

August of the current year, further to the increase in oil prices (41% during the same period) which have almost tripled during the first eight months of 2005 in comparison with the same period of 2004, thus achieving record levels, besides the disturbances of the exchange markets marked by the increase of the Euro against the dollar.

The year 2005 was also marked by the end of application of the multifiber agreements and the happening of a number of natural disasters such as the hurricane Katrina having caused considerable losses at the level of oil and gas facilities in the Gulf of Mexico, and the earthquake in

Pakistan having killed thousands of people.

In spite of these unfavorable developments, the world economy resisted and it is expected to grow at 4,3%, only slightly below the peak level of 5,1% achieved in 2004. This growth is basically due to the confirmation of economic revival in the United States which is expected to achieve the highest growth rate among the G7-Group, as well as to growth in some emerging countries such as China and India, whereas growth in the Euro zone will be slowing down (1,6% compared to 2% in 2004) especially in Tunisia's main partner countries such as Italy, France and Germany.

**2.** At the national level, and besides the difficult situation brought by the end of application of the multifiber agreements and its negative consequences on the textile/clothing industry, as well as the excessive increase in oil prices and its impact on the State budget, the national arena was marked by several events including the launch of implementation of the 21 items of the Presidential program "Tomorrow's Tunisia" for the 2005-2009 period and the preparations for hosting the World

Summit on the Information Society in Tunis, the launching of the sixth round of social negotiations for the 2005-2007 period, in addition to the climatic disturbances in the beginning of the year marked by a sensitive fall of temperatures in January and February accompanied with important rainfall having harmed some crops and the insufficiency of precipitations in the Centre and the South having affected the harvest of olives.

The country has also witnessed an important political event this year, namely the election of the Chamber of Advisors members and the opening of the parliamentary session by the launch of the bicameral system.

3. In such an environment, development endeavors in 2005 were characterized by several short-term measures to minimize the impact of these events, in the field of hydrocarbons through the partial adjustment of prices to alleviate the compensation costs and the rationalization of expenditure in certain public establishments and State-owned companies, which had a positive impact on the pace of imports and the trade deficit.

Along with these short-term measures, effort were focused in 2005 on the implementation of the different reforms and programs set by the Tenth Plan as well as on the elaboration of specific programs to address the situation of certain sectors affected by the consequences of the unfavorable short-term factors in order to restructure them and enhance their competitiveness, such as

textile/clothing, energy, tourism, investment, business creation and employment.

The textile/clothing industry benefited from a consistent strategy aiming at the enhancement of its competitiveness and the support of its companies for the continuation of their exports at a higher pace, through an improved technical assistance, the strengthening of financial resources to help some of them shift from subcontracting to co-production, in addition to the creation of a line of guarantee devoted to the restructuring of projects in the textile sector the management of which was confided to the Tunisian Guarantee Society (SOTUGAR).

In the field of economy of energy, a series of appropriate measures have been taken with a view to minimize the impact of the increase of oil prices through the partial adjustment of prices and the multiplication of awareness-raising activities, the creation of a system of economy of energy with a view to support actions aiming at the rationalization of energy consumption, the promotion of renewable energies and use of alternative energies, through the creation of auto-financing mechanisms to ensure a sustained and effective support of operations allowing for the economy of energy.

As for the tourism sector, several measures were taken for the promotion of the tourist companies through the set up of a program of financial restructuring to minimize the impact of

events undergone by the world tourism, to diversify and enrich the tourist product and reinforce promotion, besides the creation of a State Secretariat in charge of the upgrading of tourist companies and the promulgation of laws and regulations governing this operation. A strategic study was also carried out to promote the sector in the long run.

The field of investment and business creation of firms received great attention through the creation in 2005 of new mechanisms such as the Bank of Financing of SMES, the start-up funds, the pilot spin-off program and the business centers. A national campaign started and involved all stakeholders, sectors and regions for a grater mobilization of private investment.

In the field of employment and besides the efforts deployed to increase the pace of job creation through the enhancement of growth, the strengthening of the components of the voluntarist employment policy, a better support of job-seekers, the improvement of their employability and the preservation of existing jobs, a specific program was launched in 2005 targeting a local resolution of unemployment in the priority delegations with higher unemployment rates than the national average, while taking into account the specificities of the job-seekers and the potential existing in the concerned zones.

4. Thanks to the different measures which were taken and the uninterrupted reforms, the country

managed to accomplish positive results on the whole. Although below forecasts in certain domains because of the difficult situation and the transitional stage which the country witnessed, these results have an important qualitative character and can be described as follows :

**At the level of growth :** In 2005, the growth rate was consolidated at 4,2%, further to the dynamics observed in 2003 (5,6%) and 2004 (6,0%) compared with the low rate registered in 2001 (1,7% only).

**A Sustained growth, although slowing down, mainly driven by services and internal demand**

This deceleration of growth is mainly due to the agricultural sector (-5% compared to 21,5% in 2003 and 10,1% in 2004), food industries (0,6% versus 12,4% in 2004), the textile/clothing industry which crosses a difficult period accompanied by a continuous decrease of its activity (-3,7% in 2003, -0,4% in 2004 and -2,5% expected in 2005). On the other hand, the services sector continued growing at a steady pace to reach 8,9% versus 8,1% in 2004 and 5,4% in 2003, in relation with the sustained growth in telecommunications.

Moreover, it is worth mentioning that the non-agricultural sectors will grow at 5,6% by the end of 2005 compared to 5,5% in 2004 and 3,6% in 2003. This increasing pace of growth in non-agricultural sectors, in spite of the difficult situation and the transitional

stage which the country witnesses, reflects the positive impact of the policy of diversification of the economic basis increasingly depending on services and innovative activities. In fact, communication technologies account for about 7% of GDP, various marketable services for 8,7% and mechanical and electrical industries for 3% of GDP.

This change in the structure of production is a positive tendency, especially that activities with a high knowledge-content contribute more and more to the value-added as shown by the evolution of their share from 15,8% in 2001 to 18% in 2004 to reach 19,5% in 2005. However, development efforts focused during the previous years on internal demand and especially private consumption which has become the main source of growth, with an insufficient contribution of external demand, which requires appropriate measures to avoid any slide which would compromise the general balances of the national economy.

**At the level of investment :** It is expected that the volume of investment increases by about 6,3% to reach 8410 MD and 22,6% of GDP. It is also expected that the private sector's share reaches 56,3% of total investments, exceeding forecasts by

**Continuity of the investment dynamics observed in 2004, after the under-performance during the first two years of the Plan**

0,7 points, thanks to the increase of the volume of private investments at about 7,9%, a faster growth than that of total investments. The foreign direct investment contributes up to 12% of private investment, that is 1000 MD, thus exceeding the estimates of the Plan by 4% and the 2004 achievements by 16,5%, knowing that the share of manufacturing industries in these foreign investments reached 33% versus 21,4% in 2002.

**Employment :** Thanks to a sustained growth and the programs and mechanisms supportive of employment promotion, the country succeeded in creating no less than 76500 job opportunities in 2005, bringing the total of creations expected for the first four years of the Tenth Plan up to 282 000 job opportunities, which accounts for about 88% of the additional demand estimated by the Plan for the same period.

**The creation of jobs increases from one year to the other**

Although below forecasts, these achievements are considered to be positive, given the pressures inherent to the continued upgrading of the economy and the recent character of the measures taken in favor of employment and growth, the positive impact of which requires more time to be fulfilled, knowing that the services sector contributed up to 66,8% of the creations expected for 2005 among which 83% generated by marketable services, confirming the judicious

choice of diversification of the economic basis.

**Regional development:** In 2005, efforts were pursued for the implementation of the different plans and

**An overall mobilization for the development of all the regions and a specific program for priority delegations**

programs set by the Tenth Plan to the benefit of all the

regions, as well as the Presidential projects introduced during the extraordinary sessions of the Regional Councils, in addition to the launch of implementation of the 9<sup>th</sup> point of the Presidential Program "Tomorrow's Tunisia" which consists in transforming the region into an active pole of development.

A particular attention was also dedicated to the priority zones through the launching of a specific three-fold program covering the period 2005-2006 to the benefit of 55 delegations belonging to 16 governorates at an estimated cost of 50 MD. The implementation of the three phases has effectively begun, while the study of a fourth phase (42 delegations) and fifth phase (28 delegations) is under way, with a view to promote the sources of growth and employment in these areas. A thorough assessment was also carried out in 2005 relating to the projects of the second generation of the integrated development program. A new program of integrated development was set up covering both rural and urban areas and aiming to

prioritize job creation, training and the diversification of the economic basis.

**At the level of macroeconomic balances :** Indicators in this field show that the country succeeded in keeping the balance of payments current deficit within control reducing it from more

than 4% in 2000 and 2001, to 3,6% in

**A stable macro-economic framework**

2002, 3% in 2003, and 2% in 2004 and 2005. It was also possible to maintain the budget deficit at an acceptable level (3,1% GDP), in spite of the high cost of the exceptional compensation of hydrocarbons and electricity prices, to maintain the debt indicators within the limit of 51,7%, i.e. the same indebtedness ratio registered in 2004, and to reduce the debt service to 13,2%, i.e. 0,9 points lower than that registered in 2004. It is expected that the evolution of prices takes back its usual pace to settle at 2% only compared to 3,6% in 2004 and 3% per year during the period 2002-2004.

It is also expected that the currency reserves increase to cover 114 days of imports, a very positive performance which illustrates the determination to assure internal and external financial balances in spite of the existing pressures.

**At the level of competitiveness :** The increasing attention devoted to the enhancement of the national economy's

**An improving competitiveness and a more favorable positioning**

competitiveness allowed for the improvement of Tunisia's competitive positioning as evidenced by the honorable ranks obtained within the classifications established by specialized international agencies. Indeed, Tunisia occupies the 40<sup>th</sup> position among a total of 117 countries with respect to the growth competitiveness index, that is the first rank in Africa. It is also ranked 35<sup>th</sup> among 116 countries according to the business competitiveness index, which corresponds to the second position in Africa after South Africa and well ahead of other competitors or industrialized countries such as Italy, Jordan, Romania and Egypt.

The achieved growth and the economic dynamics allowed for the improvement of the catch-up index vis-à-vis developed countries from 27,8% in 2003 to 28,2% in 2004 and 29% forecasted for 2005.

According to the Human Development Report of 2005, Tunisia occupies the 89<sup>th</sup> rank, particularly thanks to the improvement of life expectancy, the fall of the demographic growth rate and the increase of per capita income which has been continuously increasing from 3080 dinars in 2002 to 3286 dinars in 2003, 3565 dinars in 2004 and 3735 dinars in 2005. Moreover, the living conditions in rural areas have been improved through the increase of the potable water supply rate up to 90% in 2005 versus 81,7% at the end of the Ninth Plan period. The rural electrification rate is expected to reach 97% in 2005

versus 39,1% at the end of the Ninth Plan period.

The foundations of the knowledge-based society were consolidated from one year to the other and allowed Tunisia to occupy the 31<sup>st</sup> position among 104 countries in the field of information and communication technologies, ahead of several European countries and all African countries. It occupies the 15<sup>th</sup> position among these 104 countries according to the quality of its education system and the 44<sup>th</sup> position according to the quality of its scientific research establishments.

**5.** The outcome of development endeavors in 2005 shows that the performance of the Tunisian economy is in continuous improvement. The analysis of the economic situation and the achieved results makes it possible to draw several conclusions and lessons that should be taken into account in the preparation of orientations and objectives for the upcoming period.

The first lesson relates to the importance of the structural reforms having allowed the economy to face the unfavorable short-term disturbances with the minimum of damage. Consequences would have been more serious on the State budget and on the textile sector without a policy of rationalization of the energy consumption adopted since 2003 and the industrial upgrading program to which a big number of companies adhered, with 55% of approvals and

28,6% of the total annual investments between 2002 and 2005.

The evolution of the international environment requires more attention and efforts in order to foresee future developments, get ready to face up future problems and reinforce the national economy's capacity to cope with unpredictable changes, given the level of openness of the national economy which is expected to increase bringing about a higher risk of exhibition to external shocks.

The second lesson relates to the importance of good governance of the economy, which allowed for mobilizing the necessary resources for the compensation of hydrocarbon prices and minimizing the negative impact of the increase of oil prices on the citizen's purchasing power and on the company's competitiveness.

The mobilization of additional budget resources has a great importance given the sustained pressures resulting from the continuity of tariff-dismantling and the possible continued increase of oil prices, which will have negative effects on the mobilization of resources required for the achievement of key objectives. The latter consist in the promotion of employment considered as the number one priority, the establishment of the knowledge-based economy through the increase of scientific research expenditure to 1,25% of GDP by the end of 2009 and the allocation of 1,5% of the State budget to the fields of culture and youth, in addition to the strengthening of growth factors in the other fields

through direct investments in infrastructure, health and education, the introduction of required incentives and continuity of the social policy in favor of deprived social categories.

The third lesson relates to the sources of growth, since the emergence of new activities requires to provide them support through a better allocation of invested resources among stakeholders and sectors, with a view to speed up growth by enhancing and properly allocating investments, promotion of exports, thereby limiting the contribution of consumption to growth which rose to frightening levels.

## 6. Development prospects for 2006 :

The year 2006 has a major importance since it corresponds to the last year of the Tenth Development Plan, the second year of implementation of the objectives included in the Presidential Program "Tomorrow's Tunisia" and the reference year for the Eleventh Plan.

**Forecasts which pave the way for a promising reference year to the Eleventh Plan**

The development priorities for next year were defined on the basis of the specificities of the economic situation in 2005 and conclusions drawn from the assessment of achievements during the first four years of implementation of the Tenth Plan, while taking into account the orientations and choices set by the Presidential Program.

These priorities relate to the following items : (a) employment promotion (b) private investment promotion and enhancement of business creation (c) strengthening of the knowledge-based economy (d) promotion of regional development (e) preservation of internal and external financial balances.

7. Based upon these priorities and the expected evolution of the international environment characterized by the continuity of high oil price levels, the stability of world growth at the same level of 2005, that is 4,3%, and the increase of competition in international markets, especially from Asian countries, the Development Scheme for next year was defined with a view to :

– **Boost growth and enhance the contribution of investment and exports to this growth** : the development scheme for next year is based on the acceleration of growth which will reach 5,8% versus 4,2% in 2005, thanks to growth in non-agricultural sectors at 6,2% versus 5,9% in 2005 based on sustained growth of promising activities such as mechanical and electrical industries (8%) and growth of services (9,1%) thanks to the important growth of communication technologies, besides the expected remarkable dynamics of food industries further to the stagnation observed in 2005.

In this regard, it is worth mentioning that the value-added in activities with a high knowledge-content will increase

by 11,6%, which will bring their contribution to GDP to 20,3% versus 19,3% in 2005.

The analysis of the sources of growth shows the importance of the internal demand contribution to GDP growth, which will reach 5,4 points in 2006 compared to 3,6 points in 2005, resulting from the contribution of private consumption (3,3%), while the contribution of investment and exports will increase to 1,3 and 2,5 respectively versus 0,5 and 1,4 respectively in 2005.

The acceleration of the pace of growth will allow for improving the per capita income which will rise to about 4000 dinars in 2006.

– **Consolidate the pace of investment growth and reinforce the private sector's share** : the development scheme for 2006 is based on the strengthening of the positive trend of investment observed during the last two years. The target consists in achieving an investment volume of 9163 MD in current terms, which correspond to an 8,9% increase compared to 2005. This volume represents 22,7% of GDP and includes a private contribution of 56,9% versus 56,7% in 2005. It is also expected to attract about 1100 MD of foreign direct investments, an increase of 100 MD or 10% in comparison with 2005 forecasts.

– **Create more job opportunities** : along with the acceleration of growth and the continuity of the investment

dynamics, efforts will focus in 2006 on the effective use of private initiative and self-employment encouragement mechanisms, the assistance of job-seekers and facilitating their integration in the labor market, which will allow for the creation of 78000 job opportunities in 2006 compared to 76500 in 2005. Therefore, the total creations expected for the full Tenth Plan period would be 360000 corresponding to 90% of additional demand for the same period (402000).

– **Maintain overall balances** : through the preservation of external balances by restricting the balance of payments current deficit to 2,3% of GDP, a lower level than that estimated by the Plan for the same year (2,4%). The foreign debt indicators will be further improved by limiting the indebtedness ratio to 49,2% of GNAI and the debt service to 14% of current receipts versus 51,7% and 13,2% respectively in 2005. The public finances balance will be ensured by restricting the budget deficit to 3% GDP in spite of additional expenses inherent to the compensation of hydrocarbons and the alleviation of the fiscal burden down to 20,5% of GDP compared to 20,9% expected in 2005. The year 2006 will also be characterized by the continued control of inflation within the limit of 2,7%, which is below the level targeted by the Presidential Program (3%), thanks to the modernization of the supply system and the adoption of a sound macroeconomic policy and a prudent monetary policy. National savings will also be consolidated to reach 21,4% of

GDP versus 21,3% expected in 2005 thanks to an increased rationalization of private consumption and the spread of a culture privileging the consumption of domestic products.

It appears through the study of these objectives that they have a consistent and interdependent character and that they reflect the willingness to preserve the stability of the general economic framework, a fundamental condition for minimizing risks and encouraging of the private sector to undertake investments the evolution of which represents a challenge to fulfill development ambitions. The objectives inherent to external debt and savings translate the concern to avoid excessive borrowing which could result in serious imbalances, and rely more on our internal resources and the mobilization of foreign investments.

Besides these objectives related to macroeconomic indicators, the development scheme includes some detailed objectives inherent to the introduction of programs and projects aiming at the promotion of human resources, particularly in the fields of education and training, the consolidation of the knowledge-based economy, in addition to the continued attention devoted to the fields of social development and healthcare, to cultural and sports fields, youth, women and childhood in accordance with the objectives set by the Tenth Plan and the orientations defined by the Presidential Program.

8. The study and analysis of these objectives show that they have a very important qualitative character due to the fact that a large part of credits will be dedicated to projects and programs which will enhance the macroeconomic competitiveness of the national economy.

As an example, the available data show that investment credits allocated to activities with a high knowledge content will rise by 9,7% in 2006 compared to 8,9% for all the sectors. In this respect, a great attention will be devoted to scientific research programs and projects which credits will rise by 10% to reach 317 MD in 2006, accounting for 0,83% of GDP versus 1,25% projected by the Presidential Program by 2009.

A particular attention will also be devoted to the transport infrastructure. Credits were programmed to finance projects of national and international magnitude inherent to highways, to the new airport and to the deep-water harbor.

Moreover, the upcoming year will be characterized by the continued overall mobilization started in 2005 with the launch of implementation of the components of "Tomorrow's Tunisia" program related to the promotion of investment and business creation, the consolidation of growth sources and the promotion of employment in priority zones, through the efficient use of mechanisms created for this purpose, especially the most recent ones such as the Bank of Financing of SMES, the start-up funds, business

centers and the spin-off system, and a greater publicity on the incentives introduced to promote investment and create income sources.

In the field of energy, the programs of economy will be continued through the effective implementation of measures taken in this regard with a view to exploit the existing potential, besides the projects and programs for the promotion of renewable energies, which would alleviate the pressure on the State budget, both at the level of compensation of hydrocarbons and for their imports.

More precisely, the projects, programs and measures set for 2006 within the Economic Budget and the Finance Law can be summarized within key topics covering employment, competitiveness, investment, knowledge-based economy, economy of energy, sustainable development and regional development.

9. In the field of **employment**, efforts will be focused on the promotion of employment of university graduates and in the priority zones to the benefit of delegations having high unemployment rates, through the enhancement of business creation by the effective use of relevant mechanisms, while focusing on the promising and labor-intensive activities, attracting more foreign investments, updating the system of encouragement of private initiative and modernizing infrastructure. An attention will be devoted to the preparation of new job-seekers willing to set up their own projects for their

integration into the economic channels through an improved adaptation of the vocational training system and the Higher education specialities to the needs of the economy.

The components of the active employment policy will be further consolidated after the recent introduction of mechanisms and new programs such as the professional reintegration contract, the system of contracts of training for reintegration, besides the National Employment Fund which has been reinforced by new upgrading and self-employment mechanisms, the Fund of Integration and Professional Adaptation and the programs of encouragement of youth employment.

Along with these efforts, the evolution of the labor market will be more closely monitored through the efficient use of data relative to employment obtained through the General census on population and housing of 2004, especially at the local level, undertaking the annual survey on employment and the projections of the active population to foresee the changes that will occur within the demand for jobs, as well as the finalization of five studies on employment in collaboration with the World Bank.

**10. Concerning the enhancement of economic competitiveness,** efforts will be multiplied to take more advantage of export and investment attraction opportunities, face up external risks and short-term disturbances and improve the

productivity of production factors and their contribution to growth.

On this basis, reforms will be continued, particularly within the Fourth competitiveness enhancement program. These reforms relate to the financial sector and the business climate to continue the elimination of administrative approvals and the limitation of their number to a minimum, simplify procedures and set up a program to reduce the gap between export-oriented companies and those working for the domestic market. Efforts will also be continued to overcome certain weaknesses within the business climate, especially the improvement of Customs performance, review of the Customs Code, strengthening of infrastructure and modernization of the transport sector.

As far as the integration into the world economy is concerned, the year 2006 will be marked by the continued implementation of the second program of development of exports and the launching of some studies including a first study to set up a working plan to develop textile and clothing exports and a second one on the commercial establishment overseas.

Moreover, efforts will cover the improvement by companies of the quality of their products and their adherence to the different programs established in their benefit, besides the continued improvement of the monitoring methodology with a view to enhance the effectiveness of relevant mechanisms including

surveys and develop productivity and international comparisons indicators.

**11.** In the field of **investment promotion and strengthening of entrepreneurship**, the year 2006 will be marked by the multiplication of efforts to further modernize the business climate, especially through the reduction of enterprise-establishment procedures, strengthening of partnership with the private sector in the field of training, diversification of the economic basis and promotion of innovative activities, modernization of the private initiative enhancement system, and a better adaptation of the vocational training system of Higher education specialties to the needs of the national economy.

The attention will be focused on the implementation of a first series of projects within the spin-off program, establishment of new one-stop-shops and business centers in governorates with a view to improve the assistance to investors and providing access to economic information without difficulties, set up a modern infrastructure by further developing the telecommunication infrastructure and linking up frontier zones and priority zones to the network of roads.

As far as foreign investment is concerned, efforts will be multiplied to drain higher volumes, mainly through the revival of concession projects and the development of promotion methods, besides the targeting of promotion activities to reinforce foreign investments in manufacturing industries and services, diversification

of the sources of investment and support to the foreign companies established in our country.

**12.** In the field of the **knowledge economy**, efforts will be deployed to enhance the pace of investments in activities with a high knowledge content and multiply reforms in the sectors which provide the pillars for the establishment of the knowledge-based economy.

In this regard, the telecommunications infrastructure will be further developed through the increase of the telephone network capacity, the extension of mobile and fixed telephony networks, the continued improvement of the service quality and strengthening of access to the Internet.

The mechanisms of training, education and development of skills will be consolidated through the introduction of a new orientation system, the generalization of English language courses to all sixth year classes of elementary education, diversification of the specialties and development of Higher education short branches, modernization of the national scientific research system, creation of doctoral schools in promising specialties and strengthening of links between universities, research centers and companies.

Efforts will also be continued to improve the private sector performance and reinforce its contribution to investment and value-added growth, through the effective launch of the use of data transmission networks, set up of a

second data transmission operator and opening the capital of the National Telecommunications Society to a strategic partner.

**13.** At the level of the **financial policy**, the fiscal system will be modernized through the improvement of the tax system performance, consolidation of fiscal earnings, strengthening of the financing mechanisms by increasing the VAT surplus refund rate and by helping export-oriented companies integrate the domestic industrial basis giving them the possibility to participate in the national tenders, besides the review of the minimum tax rates on income and corporate profits and fixing a minimum level of these taxes.

As far as the monetary policy is concerned, its efficiency will be reinforced and it will be geared towards the control of inflation at acceptable levels, while allocating the available monetary tools to the management of the monetary policy and use of indirect tools through open market operations.

The modernization of the banking sector will continue through reforms in order to strengthen the financial basis of banking establishments and encourage banks to set aside the necessary provisions and make use of the existing mechanisms to deal with the problem of bad loans. The role of control and supervision of the Central Bank will be consolidated, and the quality of banking services will be improved through the use of modern banking techniques to cope with the

evolution and diversity of needs, development of human resources, development within banks of a culture which dedicates full care to the customer, development and innovation of the savings products, modernization of financing methods and mechanisms and strengthening of the electronic banking services.

More efforts will be deployed to enhance the dynamics of the financial market by simplifying stock exchange access procedures, initiating a program that will be implemented soon in order to open the capital of State-owned companies to participation on the stock exchange, developing the savings products in the financial market by adding more flexibility to the conditions of allocating savings accounts funds into equity, broadening the scope of the mechanism of stock option to cover all the quoted companies regardless of their activity.

In the insurance sector, the institutional framework will be further developed to reinforce control by granting administrative and financial autonomy to the General Insurance Committee, continuing the reform of insurance categories, promoting fully exploited categories, addressing the situation of the vehicle insurance system, promoting export insurance and life insurance and modernizing the legislation which governs the corporative agricultural insurance system. The quality of services will also be enhanced through the continued modernization of the insurance companies, the development

of human resources, strengthening of financial basis of the insurance companies and ensuring the respect of prudential management rules.

In the field of exchange rate and financial liberalization, the exchange rate policy will be based on flexibility for the fixing of exchange rates, enhancing the exchange market dynamics and encouraging the economic operators to make use of the available risk coverage mechanisms. The progressive orientation towards the full liberalization of the Dinar will be consolidated by the continued simplification of conditions relating to capital transactions to boost exports. At the same time, the attraction of foreign direct investments will be enhanced through the existing opportunities in promising activities and opening of certain vital domains to the participation of strategic promoters having enough experience and skills, such as the fields of insurance and telecommunications.

**14.** In the field of the **economy of energy**, the sensitization and awareness-raising operations will be continued to boost the optimization of energy consumption through the multiplication of spots, the effective implementation of the program of economy of energy, the improvement of monitoring and the promotion of renewable energies. On this basis, it is expected to undertake 40 energy inventories, to conclude 40 contract-programs in the industry, services and housing sectors, continue the substitution of energy by natural gas

through the connection of 50000 new subscribers and the purchase of additional buses which use gas energy, the set up of natural gas supply stations and the promotion of combined-cycle generation of electrical and thermal power.

As part of the promotion of renewable energies, projects will be implemented in the field of solar energy, wind energy and bio-gas energy. More solar panels will be installed and a pilot program of photovoltaic energy will be implemented.

**15.** As for **social development**, the ratio of social and healthcare coverage will be reinforced with a view to reach an overall effective coverage of about 90%. This requires undertaking sensitization campaigns to raise the coverage rates of certain professional categories, and finalizing the texts inherent to the entry into force of the new health insurance system.

Categories with specific needs will continue being supported through specific programs to their benefit, such as the National program of help to needy families, providing financial aids to pupils and students belonging to low-income families, besides the continued interventions of mechanisms of employment promotion and creation of the income sources such as the Tunisian Bank of Solidarity, the system of micro-credits and the programs of regional development, as well as the effective implementation of the Orientation Law for the promotion and protection of handicapped persons.

In the cultural field, assets will be consolidated through the increase of the budget dedicated to culture up to 1,15% in 2006 and the continued encouragement of production and investment in the cultural industries through the use of the Guarantee Fund to finance projects in this field, besides the modernization and upgrading of the network of public libraries and houses of culture.

In the field of education, the education methods will be more developed and the innovation capacity of children and youth reinforced. Optional courses will be introduced within the curriculum of the ninth level of elementary education. The basic skills approach will be generalized through all the primary cycle and modern technologies will be introduced into education and training programs.

Given the attention devoted to the youth, efforts will continue to support this sector, especially as regards the access to modern technologies and to cultural and sports activities, through the full implementation of the national strategy to modernize youth houses, the implementation of the fourth phase of the national plan of development of neighborhood stadiums located near schools, strengthening the network of sports areas, promotion of physical education in schools, especially at the level of primary and Higher education.

In order to reinforce the assets of women, the professional activity of females will be consolidated through the finalization of a study on « Women and the new jobs » and the use of its

results and recommendations to set up a working plan to reinforce the presence of women in the promising activities and help them cope with the changes which occur within jobs, and raise their share in the training and rehabilitation programs with a view to facilitate their professional integration.

**16.** In the field of **sustainable development**, the national strategy of the Agenda 21 will be generalized and its application reinforced at the regional and local level, through the continued cooperation among regional and local stakeholders with a view to integrate the environmental dimension into the economic and social fields, supporting the process of elaboration of the regional and local Agenda 21 and the efforts provided by municipalities to set up plans and programs in the field of sustainable development.

The implementation of projects included within the national strategies will be followed, as well as the preparation of the regional anti-desertification plans through the continued implementation of the national water resources mobilization strategy and programs relating to forest and pasture plantations and the preservation of water and soil against erosion.

As part of the interest granted to the urban environment, the program aiming at the transformation of forests into urban parks will be continued with a view to protect forests located near the cities against urban extension and destruction. Efforts will also be

continued to extend the coverage of sewerage treatment services to all the regions, reinforce of the system of wastewater reutilization, continue the projects relating to the network of pluvial waters, the maintenance of existing urban networks, the maintenance of river banks and water courses crossing cities, building more dumps for the collection of solid waste, maintenance of green zones and Environment boulevards, development of Earth boulevards, encouragement of the creation of green zones in communal perimeters, in addition to the implementation of programs of smartening-up of cities and main roads, strengthening the national air quality control network, especially in the zones hosting industrial poles or having a high demographic intensity.

**17.** In the field of **regional development**, the year 2006 will be marked by the strengthening of decentralization and deconcentration by giving the regions a greater responsibility in fixing development priorities and the elaboration of regional projects, while reinforcing their current resources. Regional councils will also take more responsibility in the elaboration of sectoral contracts which will be concluded between regions and concerned sectors.

The regions competitiveness will be reinforced through the improvement of infrastructure, the interconnection of internal regions by the development of rural infrastructure and road facilities, continued development of industrial

zones in Souassi, Kairouan and Béja-Nord and rehabilitation of the zones of Boussalem, Jendouba, Kébili, and Tabarka, strengthening of the decentralization of Higher education, creation of business incubators and development of human resources.

Efforts will also concern the improvement of performance of regional development bodies and the strengthening of their capacities in the field of private investment promotion in the regions, revitalization of the role of Regional committees for the creation of firms and promotion of innovative projects and clarification of their relation with business centers, implementation of measures taken in favor of development-capital societies for the financing of innovative projects in their respective regions.

A specific program of employment promotion in the priority delegations will be implemented with a view to consolidate the development factors in the regions, support active employment programs and encourage self-employment. These delegations will also be the target of the first phase of the new integrated development program.

Efforts will be multiplied to promote international decentralized cooperation through the set up of a cooperation program with Japan to benefit from the experience «One village, one product» in favor of development associations in the governorates of Jendouba, Le Kef, Tozeur, Médenine and Tataouine. The second phase of the technical cooperation program with the

European Union will be initiated with a view to reinforce the capacities of regional development bodies in the field of private investment within the framework of the program of support to the implementation of the Association Agreement (PAAA).

**18.** The achievement of the objectives fixed within the Economic Budget for 2006 requires the conjunction of efforts of all stakeholders and the mobilization of potential and of national competencies through a continued deepening of reforms and effective implementation of relevant programs and mechanisms. The achievement of these objectives is considered as a challenge, given the expected developments on the international arena in relation with the

enlargement of the European Union, the increase of competition and the appearance of new competitors among emerging countries, the progress of negotiations on services and agriculture within the World Trade Organization and with the European Union, the end of application of the multifiber agreements in the field of textile, besides the evolution of raw material prices, particularly oil prices and the consequences of their increase on world growth.

The successful implementation of the objectives fixed for 2006 will pave the way for greater ambitions for the period of the Eleventh Plan, since 2006 will be the reference year for the next Plan.

## Evolution of Key economic indicators (in constant terms)

	2002	2003	2004	2005	2006
GDP growth (%)	1.7	5.6	6.0	4.2	5.8
GDP Agriculture not included	3.4	3.6	5.5	5.6	6.2
Investment <sup>1</sup>	0.9	-0.9	5.0	6.3	8.9
Private consumption	4.1	5.2	5.5	4.8	5.3
Exports of goods and services <sup>1</sup>	-1.2	4.2	16.5	8.6	8.7
Imports of goods and services <sup>1</sup>	-1.4	3.7	13.8	7.8	8.7
As% GDP					
Investment	25.4	23.4	22.6	22.6	22.7
Savings <sup>2</sup>	21.9	21.9	22.0	21.3	21.4
Current deficit	3.6	3.0	2.0	2.0	2.3
Budget deficit	2.5	3.2	2.3	3.1	3.0
Exports	45.2	43.8	46.9	48.0	48.2
Imports	49.5	47.7	49.9	50.6	50.8
Indebtedness ratio <sup>2</sup>	51.6	51.1	51.8	51.7	49.2
Public debt	61.5	60.4	59.7	60.8	60.4
Inflation	2.7	2.9	3.6	2.0	2.7
Foreign debt (MD)	15550	16610	18350	19350	19930
Per capita income (D) <sup>2</sup>	3079.5	3286.0	3565.0	3735.0	3995.0
Individual consumption	2405	2565	2780	2941	3139
Job creations	65000	67400	74400	76540	78000
Private investment (% total)	56.4	57.8	55.4	56.3	56.9
FDI (MD)	1194.0	794.0	858.0	1000.0	1100.0
% private investment	15.7	10.5	10.8	11.9	12.0
Debt service	2310.0	2114.0	2655.0	2690.0	3110.0
% current receipts	14.9	13.1	14.1	13.2	14.0
Currency reserves (months)	2.7	2.9	3.4	3.8	3.5
<b>Main adopted hypothesis</b>					
Dinar/Dollar	1.421	1.287	1.245	1.320	1.350
Crude oil price (\$/barrel)	24.0	28.8	38.0	56.5	60.0
VAT on hydrocarbons	18	18	18	18 - 10	10
Budget resources	3.3	3.1	9.4	4.6	6.9
Total resources	1.5	2.1	11.4	1.7	5.3

<sup>1</sup> in current terms

<sup>2</sup> comparison to GNAI

**PART TWO**  
**STATISTICAL TABLES**



# STATISTICAL TABLES

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## Economic and financial indicators

**Table N° I : Resources and counterparts in 1990 constant terms**  
(TD million)

	2002	2003	2004	2005	2006
GDP in current terms	18329.7	19348.8	20517.2	21384.0	22625.6
Growth (%)	1.7	5.6	6.0	4.2	5.8
Imports of goods and services	8652.0	8612.6	8917.9	9018.0	9474.1
Growth (%)	-3.8	-0.5	3.5	1.1	5.1
Total of resources and counterparts	26981.7	27961.4	29435.1	30401.9	32099.7
Growth (%)	-0.2	3.6	5.3	3.3	5.6
Public consumption	2900.8	3040.1	3173.6	3313.2	3459.0
Growth (%)	4.3	4.8	4.4	4.4	4.4
Private consumption	11553.7	12150.4	12814.1	13424.1	14135.5
Growth (%)	4.1	5.2	5.5	4.8	5.3
Total consumption	14454.5	15190.5	15987.7	16737.3	17594.5
Growth (%)	4.1	5.1	5.2	4.7	5.1
Investment (GFCF)	4403.6	4262.7	4266.6	4368.1	4652.0
Growth (%)	-1.7	-3.2	0.1	2.4	6.5
Stock variation	24.0	404.3	447.0	279.6	290.1
Domestic demand	18882.1	19857.5	20701.3	21385.0	22536.7
Growth (%)	1.5	5.2	4.2	3.3	5.4
Exports of goods and services	8099.5	8103.9	8733.8	9017.0	9562.9
Growth (%)	-3.7	0.1	7.8	3.2	6.1
Exports of goods (FOB)	5832.8	5940.7	6404.8	6699.8	7117.4
Growth (%)	0.0	1.9	7.8	4.6	6.2
Imports of goods (CAF)	7886.8	7870.7	8147.0	8263.4	8688.4
Growth (%)	-3.5	-0.2	3.5	1.4	5.1

**Table N° II : Resources and counterparts in current terms****(TD million)**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
GDP in current terms	29923.8	32202.4	35035.0	37201.7	40304.9
Growth (%)	4.1	7.6	8.8	6.2	8.3
Imports of goods and services	14815.5	15356.4	17468.9	18838.3	20483.7
Growth (%)	-1.4	3.7	13.8	7.8	8.7
Total of resources and counterparts	44739.3	47558.8	52503.9	56040.0	60788.6
Growth (%)	2.2	6.3	10.4	6.7	8.5
Public consumption	4748.3	5056.9	5405.0	5772.5	6165.1
Growth (%)	5.9	6.5	6.9	6.8	6.8
Private consumption	18772.0	20308.9	22195.1	23717.7	25638.8
Growth (%)	6.9	8.2	9.3	6.9	8.1
Total consumption	23520.3	25365.8	27600.1	29490.2	31803.9
Growth (%)	6.7	7.8	8.8	6.8	7.8
Investment (GFCF)	7607.1	7536.1	7913.8	8410.0	9162.6
Growth (%)	0.9	-0.9	5.0	6.3	8.9
Stock variation	76.8	547.8	550.5	285.8	413.7
Domestic demand	31204.2	33449.7	36064.4	38186.0	41380.2
Growth (%)	3.8	7.2	7.8	5.9	8.4
Exports of goods and services	13535.1	14109.2	16439.5	17854.0	19408.4
Growth (%)	-1.3	4.2	16.5	8.6	8.7
Exports of goods (FOB)	9748.6	10342.6	12054.9	13266.0	14445.0
Growth (%)	2.6	6.1	16.6	10.0	8.9
Imports of goods (CAF)	13510.9	14038.9	15965.1	17262.0	18785.0
Growth (%)	-1.1	3.9	13.7	8.1	8.8

**Table N° III : Savings and external financing in current terms****(TD million)**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
GDP in current terms	29923.8	32202.4	35035.0	37201.7	40304.9
Net external income	-1352.0	-1334.1	-1592.0	-1799.0	-1965.0
GNP	28571.8	30868.3	33443.0	35402.7	38339.9
Balance of current transfers	1548.8	1620.2	1956.3	2055.3	2131.3
GNAI	30120.6	32488.5	35399.3	37458.0	40471.2
Total consumption	23520.3	25365.8	27600.1	29490.2	31803.9
National savings	6600.3	7122.7	7799.2	7967.8	8667.3
% GNAI	21.9	21.9	22.0	21.3	21.4
Investment (GFCF)	7607.1	7536.1	7913.8	8410.0	9162.6
% GDP	25.4	23.4	22.6	22.6	22.7
Stock variation	76.8	547.8	550.5	285.8	413.7
Current deficit	-1083.6	-961.2	-686.4	-728.0	-909.0
% GDP	3.6	3.0	2.0	2.0	2.3
Net capital transfers	107.8	75.7	133.7	143.0	143.0
National financing needs	-975.8	-885.5	-552.7	-585.0	-766.0
% GNAI	3.2	2.7	1.6	1.6	1.9
% Investment (GFCF)	12.8	11.8	7.0	7.0	8.4
% Current receipts	6.3	5.5	2.9	2.9	3.5
External debt	15550.0	16610.0	18350.0	19350.0	19930.0
% GNAI	51.6	51.1	51.8	51.7	49.2
Debt service	2309.7	2114.0	2654.5	2690.0	3110.0
% Current receipts	14.9	13.1	14.1	13.2	14.0
% Exports of goods & services	17.2	15.2	16.2	15.1	16.0
Current receipts	15458.5	16104.2	18877.0	20447.0	22136.0
Exports of goods & services	13400.2	13913.3	16373.7	17854.0	19408.4

**Table N° IV : Per capita income and consumption in current terms**  
(TD million)

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
GDP (TD million)	28571.8	30868.3	33443.0	35402.7	38339.9
Balance of current transfers (TD million)	1548.8	1620.2	1956.3	2055.3	2131.3
GNAI (TD million)	30120.6	32488.5	35399.3	37458.0	40471.2
Population (thousands)	9781	9888.0	9929.5	10028.8	10131.2
Per capita GDP (TD)	2921.15	3121.8	3368.0	3530.1	3784.3
Per capita GNAI (TD)	3079.5	3285.6	3565.1	3735.0	3994.7
Total per capita consumption (TD)	2404.69	2565.3	2779.6	2940.6	3139.2
Private per capita consumption (TD)	1919.23	2053.9	2235.3	2365.0	2530.7

**Table N° V : Sectoral value-added and GDP in 1990 constant terms****(TD million)**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Agriculture & fisheries	1991.2	2419.3	2664.0	2530.8	2606.7
Manufacturing industries	3394.6	3417.0	3589.1	3658.2	3813.4
Agri-business and food industry	590.3	600.3	674.6	670.6	718.2
Construction materials, ceramics and glass	342.1	352.4	373.5	381.0	400.1
Mechanical and electrical industries	527.1	559.3	603.9	652.2	704.4
Chemical industries	343.4	344.4	354.7	367.1	380.0
Textiles, leather and shoes	1134.4	1092.6	1088.2	1061.0	1050.4
Miscellaneous	457.3	468.0	494.1	526.2	560.4
(Manuf.indust. other than Agri-business and food industry)	2804.3	2816.7	2914.5	2987.6	3095.3
Non-manufacturing industries	2107.6	2152.1	2239.7	2316.2	2393.7
Mining	139.1	145.3	146.8	141.4	132.6
Hydrocarbons	680.5	654.5	676.4	704.1	703.4
Electricity	305.1	319.3	334.0	354.0	375.3
Water	90.2	93.8	95.4	100.0	104.7
Construction and public works	892.7	939.2	987.1	1016.7	1077.7
Services	7051.5	7431.3	8036.8	8753.0	9548.7
Commerce	1756.0	1868.9	1988.4	2103.7	2236.3
Transport	993.3	1015.4	1086.5	1157.1	1226.5
Telecommunications	839.7	1003.4	1209.4	1500.1	1845.2
Hotels, cafés & restaurants	867.5	887.4	960.2	1032.2	1094.1
Financial institutions	951.5	974.4	1028.0	1089.7	1160.5
Other trading activities	1643.5	1681.8	1764.3	1870.2	1986.1
Incl. : Housing	623.3	648.3	674.2	701.2	729.2
Intermediate consumption not including financial services (-)	775.4	798.8	865.3	903.4	961.3
Total trading services	13769.5	14620.6	15664.3	16354.8	17401.3
Non-trading services	2454.4	2545.2	2641.6	2773.7	2912.4
Incl. : Civil service	2337.3	2430.8	2528.1	2629.2	2734.4
GDP at factors' costs	16223.9	17165.8	18305.9	19128.4	20313.7
Indirect taxes not including subsidies	2105.8	2183.0	2211.3	2255.5	2311.9
GDP at market prices	18329.7	19348.8	20517.2	21384.0	22625.6
Growth (%)	1.7	5.6	6.0	4.2	5.8
GDP growth (Agriculture not included)	3.4	3.6	5.5	5.6	6.2
GDP growth (Agriculture and food industry not included)	3.6	3.7	5.2	5.8	6.1
GDP growth (Agriculture, food industry, mining and hydrocarbons not included)	3.5	4.0	5.3	6.0	6.5

**Table N° VI : Sectoral value-added and GDP in current terms****(TD million)**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Agriculture & fisheries	3078.3	3884.8	4450.2	4334.0	4555.0
Manufacturing industries	5562.8	5772.0	6207.6	6523.1	6995.3
Agri-business and food industry	941.1	989.4	1162.9	1210.0	1358.8
Construction materials, ceramics and glass	527.2	556.1	609.6	649.8	703.7
Mechanical and electrical industries	844.2	928.3	1050.0	1181.0	1309.7
Chemical industries	602.8	614.8	651.8	694.8	738.6
Textiles, leather and shoes	1973.9	1966.1	1968.3	1948.3	1958.0
Miscellaneous industries	673.6	717.3	765.0	839.2	926.5
(Manuf.indust. other than Agri-business and food industry)	4621.7	4782.6	5044.7	5313.1	5636.5
Non-manufacturing industries	3280.6	3334.1	3673.9	4141.2	4494.0
Mining	236.0	230.9	200.4	208.0	203.8
Hydrocarbons	1013.4	947.7	1103.0	1478.0	1625.8
Electricity	329.3	294.2	375.8	334.1	357.1
Water	134.9	144.5	154.8	165.3	178.1
Construction and public works	1567.0	1716.8	1839.9	1955.8	2129.1
Services	10775.3	11575.1	12638.2	13992.3	15490.1
Commerce	2750.7	3063.2	3263.8	3521.6	3856.2
Transport	1695.7	1789.0	1953.8	2117.9	2304.3
Telecommunications	864.4	1033.4	1270.9	1591.2	1957.1
Hotels, cafés & restaurants	1708.1	1794.3	2000.4	2228.4	2437.9
Financial institutions	1055.3	980.7	1036.0	1108.5	1199.4
Other trading activities	2701.1	2914.5	3113.3	3424.6	3735.2
Incl. : Housing	1018.5	1090.8	1162.8	1242.0	1326.5
Intermediate consumption not including financial services (-)	827.0	760.3	823.6	885.3	963.0
Total trading services	21870.0	23805.7	26146.3	28105.4	30571.4
Non-trading services	4178.0	4448.0	4742.6	5074.6	5470.4
Incl. : Civil service	4078.7	4368.2	4670.2	4988.1	5327.7
GDP at factor costs	26048.0	28253.7	30888.9	33180.0	36041.8
Indirect taxes not including subsidies	3875.8	3948.7	4146.1	4021.8	4263.1
GDP at market prices	29923.8	32202.4	35035.0	37201.7	40304.9
Growth (%)	4.1	7.6	8.8	6.2	8.3

**Table N° VII : Breakdown of investment (GFCF) by sector****(TD million)**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Agriculture & fisheries	821.7	780.0	870.0	890.0	917.0
Manufacturing industries	1023.3	1021.0	993.0	1030.0	1124.0
Agri-business and food industry	200.0	210.0	225.0	230.0	250.0
Construction materials, ceramics and glass	223.3	220.0	178.0	190.0	210.0
Mechanical and electrical industries	180.0	160.0	185.0	200.0	220.0
Chemical industries	95.0	100.0	105.0	110.0	135.0
Textiles, leather and shoes	185.0	191.0	180.0	180.0	184.0
Miscellaneous industries	140.0	140.0	120.0	120.0	125.0
Non-manufacturing industries	1023.9	899.1	1019.5	1115.1	1176.3
Mining	36.9	23.8	32.4	40.0	46.0
Hydrocarbons	477.0	350.0	336.0	393.0	405.0
Electricity	260.0	274.9	372.1	394.1	445.3
Water	100.0	105.0	129.0	118.0	100.0
Construction and public works	150.0	145.4	150.0	170.0	180.0
Services	3854.4	3842.0	4106.0	4437.7	4984.5
Transport	954.9	868.7	1014.4	1237.7	1473.5
Telecommunications	545.0	593.3	655.0	585.0	675.0
Hotels, cafés & restaurants	340.0	320.0	320.0	330.0	360.0
Housing	1266.3	1276.0	1307.0	1422.0	1570.0
Commerce & other services	748.2	784.0	809.6	863.0	906.0
Public utilities	883.8	994.0	925.3	937.2	960.8
Total investment (GFCF)	7607.1	7536.1	7913.8	8410.0	9162.6
Growth (%)	0.9	-0.9	5.0	6.3	8.9

**Table N° VIII : External current transactions account****(TD million)**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Imports of goods & services	14815.5	15356.4	17468.9	18838.3	20483.7
Exports of goods & services	13535.1	14109.2	16439.5	17854.0	19408.4
Balance of goods and services	-1280.4	-1247.2	-1029.4	-984.3	-1075.3
Resources	1598.3	1601.3	1862.3	2126.0	2315.0
Counterparts	246.3	267.2	324.4	327.0	350.0
Revenue transfers	-1352.0	-1334.1	-1537.9	-1799.0	-1965.0
Resources	124.7	137.5	140.3	210.7	246.3
Counterparts	1696.9	1777.9	2017.0	2266.0	2377.6
Current transfers	1572.2	1640.4	1876.7	2055.3	2131.3
Total current resources	16538.5	17095.2	19471.5	21175.0	23045.0
Total current counterparts	15478.3	16154.3	18780.9	20447.0	22136.0
Balance of current transactions	-1060.2	-940.9	-690.6	-728.0	-909.0
Capital transfers	107.8	75.7	133.7	143.0	143.0
Resources	10.6	8.9	7.3	7.0	7.0
Counterparts	118.4	84.6	141.0	150.0	150.0
Financing capacity and needs	-952.4	-865.2	-556.9	-585.0	-766.0
Overseas operations					
Resources	2150.1	1756.3	2123.7	2115.0	2534.0
Repayment of principal	1575.4	1376.5	1856.0	1850.0	2200.0
Equity participation	60.7	81.2	94.6	95.0	110.0
Short-term loans and adjustments	514.0	298.6	173.1	170.0	224.0
Counterparts	3302.1	3117.2	3893.5	3300.0	3300.0
Equity participation <sup>1</sup>	1193.6	794.0	858.0	1000.0	1100.0
Public loans	1000.0	1127.0	1240.0	1180.0	1200.0
Private loans	1108.5	1196.2	1795.5	1120.0	1000.0
Balance of financial operations	1152.0	1360.9	1769.8	1185.0	766.0
General balance	199.6	495.7	1212.9	600.0	0.0

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<sup>1</sup> Not including financial market mechanisms

**Table N° IX : External current transactions account :  
current counterparts****(TD million)**

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Exports of goods (customs statistics)	<b>9748.6</b>	<b>10342.8</b>	<b>12054.8</b>	<b>13266.0</b>	<b>14445.0</b>
Agriculture and food industry	694.9	750.0	1368.9	1330.0	1500.0
Phosphates and chemicals	951.8	976.1	1149.9	1350.0	1420.0
Energy	911.9	1032.6	1151.0	1650.0	1955.0
Textiles & leather	4734.7	4880.6	5111.8	5186.0	5350.0
Mechanical and electrical industries	1887.1	2149.7	2597.8	3050.0	3450.0
Other exports	568.2	553.8	675.4	700.0	770.0
Adjustments <sup>1</sup>	161.0	173.8	217.1	200.0	220.0
Exports of goods (national accounts)	<b>9909.6</b>	<b>10516.6</b>	<b>12271.9</b>	<b>13466.0</b>	<b>14665.0</b>
Exports of services	<b>3490.6</b>	<b>3396.7</b>	<b>4101.8</b>	<b>4388.0</b>	<b>4743.4</b>
Transport	875.3	911.8	1129.0	1139.0	1170.0
Tourism & other trips	2351.0	2277.9	2695.0	3010.0	3305.0
Incl. : tourist earnings	2021.0	1902.9	2290.0	2575.0	2840.0
Other services	264.3	207.0	277.8	239.0	268.4
Total exports of goods & services	<b>13400.2</b>	<b>13913.3</b>	<b>16373.7</b>	<b>17854.0</b>	<b>19408.4</b>
Revenue transfers	<b>240.3</b>	<b>253.2</b>	<b>301.7</b>	<b>327.0</b>	<b>350.0</b>
Capital transfers	125.3	128.2	167.0	182.0	195.0
Income transfers	115.0	125.0	134.7	145.0	155.0
Current transfers	<b>1818.0</b>	<b>1937.7</b>	<b>2201.6</b>	<b>2266.0</b>	<b>2377.6</b>
Incl. : Foreign currency revenue transfers	1521.7	1610.9	1782.7	1845.0	1950.0
Total transfers	<b>2058.3</b>	<b>2190.9</b>	<b>2503.3</b>	<b>2593.0</b>	<b>2727.6</b>
Total current counterparts	<b>15458.5</b>	<b>16104.2</b>	<b>18877.0</b>	<b>20447.0</b>	<b>22136.0</b>

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1 Adjustments for national accounts requirements

**Table N° X : External current transactions account :  
current resources**

(TD million)

	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Imports of goods (customs statistics) CAF	<b>13510.9</b>	<b>14038.9</b>	<b>15965.1</b>	<b>16902.0</b>	<b>18785.0</b>
Equipment goods	2964.4	2865.3	3308.9	3260.0	3920.0
Raw materials and semi-finished goods	3626.9	4085.6	4912.6	5330.0	5780.0
Petroleum derivatives	1227.1	1456.2	1658.0	2057.0	2470.0
Food	1143.0	894.1	1042.0	1070.0	1170.0
Consumer products other than food	4549.5	4737.7	5043.6	5185.0	5445.0
Adjustments <sup>1</sup>	160.0	156.8	167.7	189.0	179.0
Imports of goods (national accounts)	<b>13670.9</b>	<b>14195.7</b>	<b>16132.8</b>	<b>17434.0</b>	<b>18964.0</b>
Imports of services	<b>994.3</b>	<b>1023.1</b>	<b>1291.6</b>	<b>1404.3</b>	<b>1519.7</b>
Transport & insurance (not incl. Transport of goods)	210.5	263.9	419.9	425.0	463.0
Tourism & other trips	318.4	325.6	358.7	392.3	428.7
Other services	465.4	433.6	513.0	587.0	628.0
Total imports of goods & services	<b>14665.2</b>	<b>15218.8</b>	<b>17424.4</b>	<b>18838.3</b>	<b>20483.7</b>
Revenue transfers	<b>1655.8</b>	<b>1664.3</b>	<b>1893.7</b>	<b>2126.0</b>	<b>2315.0</b>
Capital transfers	<b>1637.7</b>	<b>1646.1</b>	<b>1872.1</b>	<b>2105.0</b>	<b>2290.0</b>
Interest on loans	734.3	737.5	798.5	840.0	910.0
Other capital transfers	903.4	908.6	1073.6	1265.0	1380.0
Income transfers	<b>18.1</b>	<b>18.2</b>	<b>21.6</b>	<b>21.0</b>	<b>25.0</b>
Current transfers	<b>202.3</b>	<b>199.0</b>	<b>245.3</b>	<b>210.7</b>	<b>246.3</b>
Total transfers	<b>1858.1</b>	<b>1863.3</b>	<b>2139.0</b>	<b>2336.7</b>	<b>2561.3</b>
Total current resources	<b>16523.3</b>	<b>17082.1</b>	<b>19563.4</b>	<b>21175.0</b>	<b>23045.0</b>

<sup>1</sup> Adjustments for national accounts requirements

**Table N° XI : Public finance : State income and expenditure\***

(TD million)

	2001	2002	2003	2004	2005		2006
					Budgeted	Updated	
<b>Tax revenues</b>	<b>6221.5</b>	<b>6429.2</b>	<b>6630.8</b>	<b>7253.9</b>	<b>7672.0</b>	<b>7770.0</b>	<b>8282.0</b>
% GDP	21.7	21.5	20.6	20.7	20.3	20.9	20.5
Direct taxes	1827.7	2024.6	2176.9	2385.2	2593.0	2769.0	3022.0
Indirect taxes	4393.8	4404.6	4453.9	4868.7	5079.0	5001.0	5260.0
<b>Non-tax revenues</b>	<b>874.1</b>	<b>1240.7</b>	<b>1190.2</b>	<b>1462.3</b>	<b>1411.0</b>	<b>1346.0</b>	<b>1460.0</b>
Gas & oil revenues	194.4	194.8	184.9	221.2	238.0	270.0	270.0
Loan and grant earnings	180.3	214.7	174.4	173.9	176.0	227.7	250.4
Non fiscal revenues	224.2	376.8	492.7	508.2	576.0	450.0	515.0
Other revenues	11.0	156.5	7.6	125.1	135.0	135.0	150.0
Privatisation	264.2	297.9	330.6	433.9	286.0	263.3	274.6
<b>Total revenues and grants</b>	<b>7095.6</b>	<b>7669.9</b>	<b>7821.0</b>	<b>8716.2</b>	<b>9083.0</b>	<b>9116.0</b>	<b>9742.0</b>
Loans	3783.7	3368.1	3738.9	4024.5	4007.0	3846.0	3910.0
<b>Total State income</b>	<b>10879.3</b>	<b>11038.0</b>	<b>11559.9</b>	<b>12740.7</b>	<b>13090.0</b>	<b>12962.0</b>	<b>13652.0</b>
<b>Debt service</b>	<b>3498.6</b>	<b>3907.0</b>	<b>3118.8</b>	<b>4468.6</b>	<b>4080.0</b>	<b>3773.0</b>	<b>3869.0</b>
Interest	885.0	915.1	904.3	988.9	1028.0	1067.0	1150.0
Principal	2613.6	2991.9	2214.5	3479.7	3052.0	2706.0	2719.0
<b>Management expenditure</b>	<b>4704.7</b>	<b>5010.7</b>	<b>5335.4</b>	<b>5911.5</b>	<b>6188.0</b>	<b>6529.0</b>	<b>7076.0</b>
Wages of civil servants	3424.8	3684.0	3968.0	4252.7	4526.3	4605.3	4927.6
Facilities	490.8	502.0	521.0	552.6	556.0	556.0	574.7
Public programmers	789.1	824.7	846.4	1106.2	997.4	1297.4	1437.6
Treasury funds	119.0	87.4	90.1	128.0	50.0	50.0	55.0
Extraordinary management expenditure					108.3	70.3	136.1
<b>Investment expenditure</b>	<b>2500.5</b>	<b>2505.1</b>	<b>2609.7</b>	<b>2615.8</b>	<b>2822.0</b>	<b>2660.0</b>	<b>2707.0</b>
Direct investments	834.5	843.4	895.3	926.2	977.0	884.8	919.1
Public funding	510.6	528.1	548.7	554.0	664.0	650.3	574.1
External resources allocated to investment projects	722.1	657.3	734.2	599.3	634.0	634.0	639.1
State investments	581.2	555.7	522.3	507.0	534.0	534.0	539.1
Loans retroceded to public enterprises	140.9	101.6	211.9	92.3	100.0	100.0	100.0
Treasury funds	413.3	412.6	452.3	563.0	461.0	405.0	460.0
Extraordinary investment expenditure					86.0	85.9	114.7
Balance of the treasury	20.0	63.7	-20.9	-26.7			
<b>Total State expenditure</b>	<b>10703.8</b>	<b>11422.8</b>	<b>11063.9</b>	<b>12995.9</b>	<b>13090.0</b>	<b>12962.0</b>	<b>13652.0</b>
<b>Net deficit of the treasury</b>	<b>994.6</b>	<b>761.0</b>	<b>1028.4</b>	<b>800.0</b>	<b>955.0</b>	<b>1140.0</b>	<b>1191.0</b>
% GDP	3.5	2.5	3.2	2.3	2.5	3.1	3.0

\* Including affected external resources

**Table N° XII : Resources and counterparts of the financial sector**  
**(End of the period figures in TD million)**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Money supply broad sense (M4 aggregate)	18048	18757	19814	21694	23474	25238
Money supply broad sense (M3)	17402	18302	19457	21466	23176	24918
Money mass strict sense (M2)	16052	16682	17859	19846	21403	22964
Money (M1)	6745	6619	6992	7686	8283	8887
Quasi-money	9307	10063	10867	12160	13120	14077
(M3-M2)	1350	1620	1598	1620	1773	1954
(M4-M3)	646	455	357	228	298	320
Other resources	7040	7497	7665	8341	9180	9491
Total resources = total counterparts	25087	26254	27479	30035	32654	34729
Net claims on abroad	1597	1909	2279	3127	3911	3922
Net claims on the State	3472	3391	3289	3825	4288	4538
Financing of the economy	20018	20954	21911	23083	24455	26269

## Social indicators

**Table N° XIII : Demographic indicators**

	2001	2002	2003	2004
Population as of July 1st (thousands)	9673.6	9781.1	9888.0	9910.9
Demographic growth rate (%)	1.14	1.08	1.1	1.21
Births (thousand)	163.9	163.0	-	-
Birth rate (per 1000 inhabitants)	16.9	16.7	-	-
Death rate (per 1000 inhabitants)	5.5	5.8	-	-
Fertility index	2.05	2.0	-	-

**Table N° XIV : Indicators about education, Higher education and vocational training**

	2001	2002	2003	2004	2005
Number of pupils and students in the public sector (thousands)					
Primary school	1363.4	1314.8	1265.5	1215.9	1171.0
High school	580.9	603.8	598.0	583.0	576.0
Secondary school	382.0	424.0	459.3	493.2	508.8
University	207.4	226.1	262.5	291.8	311.0
Number of pupils in the private sector (thousands)					
Primary school	10.5	10.9	11.7	12.5	13.3
High school	10.3	9.7	8.7	8.2	8.8
Secondary school	42.7	36.9	36.7	38.9	42.9
University	-	0.5	0.9	2.0	4.0
Number of University graduates	24.543	28.565	34.244	40.321	49.508
Number of primary school pupils per teacher	22.7	22.0	21.4	20.7	20.1
Number of high school and secondary school pupils per teacher	21.0	20.8	20.4	19.3	18.3
Average number of pupils in a primary school class	29.0	28.3	27.1	25.6	25.0
Average number of pupils in a high school class	33.7	33.5	33.1	32.8	32.5
Average number of pupils in a secondary school class	32.0	32.4	32.3	32.1	31.6
Share of education and Higher education budget in GDP (%)	6.4	6.9	6.8	6.8	6.8
Enrollment in vocational training approved programs	<b>30582</b>	<b>34119</b>	<b>37242</b>	<b>42982</b>	<b>56237</b>
Tunisian vocational Training Agency	27363	31192	34514	39370	52537
National Tourism Agency	2076	1804	1715	2423	2600
Agency for Agricultural Support and Training	1143	1123	1013	1189	1200
Illiteracy rate (among those more than 10 years old) (%)	24.7	23.6	-	22.9	-

**Table N° XV : Some healthcare and social coverage indicators**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>
Life expectancy at birth (years)	72.9	73.0	73.2	73.4
Number of public hospital beds	16.400	16.782	16.900	-
Number of basic healthcare centers	2.000	2.028	2.040	2.067
Number of inhabitants per doctor	1.167	1.155	1.150	1.015
Number of inhabitants per healthcare center	4.830	4.823	4.840	4.794
Children death rate (per 1000 born children)	22.8	22.1	21.1	-
Social coverage rate among employees legally concerned by social security systems (%) <sup>(1)</sup>	84.2	85.5	86.0	87.4

<sup>(1)</sup> Not including regimes created in 2002

**Table N° XVI : Indicators about sports, youth, children and culture**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Number of stadiums planted with grass	106	115	130	135	147
Number of sports halls	78	80	86	90	108
Number of youth houses	280	277	281	282	283
Number of culture halls	198	198	200	200	203
Number of public libraries	334	338	349	362	362
Share of State budget allocated to culture	0.6	0.73	0.88	1.0	1.15

**APPENDICES**  
**CONTENT OF THE ECONOMIC BUDGET 2005**



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