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COMPREHENSIVE ECONOMIC PLANNING IN TUNISIA

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I. HISTORICAL BACKGROUND OF PLANNING WORK IN TUNISIA

Planning work in Tunisia began after the second world war and even before independence. Thus a Subordinate Planning Board (Sous-Direction du plan) was set up in 1948 and attached to the General Secretariat of the Tunisian Government, i.e. the Office of the Prime Minister. At that time the post of General Secretary was occupied by a representative of the French Government for the purpose of supervising the activity of the Tunisian Prime Minister. In fact the powers of the General Secretary were more extensive than those of the Prime Minister.

The Subordinate Planning Board was responsible for preparing, within the framework of the French 4-year plans of modernization and capital development, the whole of the estimates concerning Tunisia. Hence the planning work in Tunisia was carried on in close association with the French work. The targets assigned to the various French plans were the same as those which were set for Tunisia.

The method used in Frnace was also followed in Tunisia. In other words, Tunisia was considered as forming part of French territory, and the action approved for Tunisia was intended to enable the French objectives to be achieved.

Furthermore, the planning work was oriented not so as to obtain forecasts regarding the whole of the economic activities but so as to justify the granting of loans by the French Modernization and Capital Development Fund to Tunisia. That was why the 4-year plans prepared in Tunisia did not deal with production sectors such as agriculture or industry at all, and why they comprised multi-annual programmes of public investment. These plans were worked out mainly in administrative commissions composed of representatives of the technical and financial Boards. Although some expanded Advisory Commissions including representatives of chambers of commerce and trade unions were convened to discuss those plans, their participation remained limited.

Following independence, the Subordinate Planning Board was attached to the Prime Minister, owing to the abolition of the post of General Secretary. Besides the preparation of economic development plans, the Subordinate Planning Board was entrusted with new functions: it played the role of economic and financial adviser to the Prime Minister. Hence it was consulted regarding the draft capital development budgets and regarding the laws or regulations concerning economic and social activity.

In 1958 the Subordinate Planning Board became successively the Planning Board and the office of the Under-Secretary of State for Planning. At the same time its functions were expanded: thus it became responsible for:

The preparation of the capital development budget and its management;

The preparation, administration and supervision of the technical assistance agreements with the United Nations and with individual countries;

The co-ordination of foreign trade policy;

General statistics.

Lastly, it retained its responsibility for overall economic policy. Thus the planning divisions were given new responsibilities in the sphere of economic co-ordination and management while the plan was being prepared.

The organization of the Planning Board was changed on that occasion, and 5 branches were created:

Planning branch;
Statistical branch;
Capital development budget branch;
Technical co-operation branch;
Economic co-ordination branch.

In connexion with the planning work, in January 1958 a National Planning Council (Conseil National du plan) was instituted, presided over by the Head of State and composed of the Ministers concerned as well as

of the representatives of the national and employers' organization trade unions, and representative of the banking organizations. The Council's task was "to determine general policy in the field of planning and of economic and social programmes. Among other things it is called upon:

"to set the targets;
"to work out the multi-year programmes and determine the annual "portions to be carried out.
"to decide on priorities and on methods of implementation;
"to propose suitable financial appropriations for the economic and "social sectors;
"to propose measures likely to guide and stimulate private initiative."

The list of the functions attributed to the National Planning Council gives the impression that this Council has decision-making powers and is a body set up for the study and elaboration of the plan. In fact the National Planning Council could not be the body responsible for working out the plan. It had in reality only advisory functions.

Its meetings were devoted to the examination of the basic goals assigned to the planning work and pending the elaboration of the plan, to the examination of the estimates for the capital development budget.

During 1958 the Tunisian planning work began. It consisted essentially of statistical work (level-of-living surveys, industrial surveys) and of work on national accounts.

After 1959, the Office of the Under-Secretary of State for Planning was again changed into a Planning Board, still attached to the Office of the President of the Republic. The functions of management and planning were retained, but it was essentially the functions of economic management and co-ordination which were developed, because of their urgency. However, in the planning sphere the work on national accounts was completed by 1959, and a 10-year projection of the Tunisian economy was established in

co-operation with a United Nations expert; thus Tunisia's planning targets could be assessed more precisely and put forward for the Government's approval.

In view of the advisory nature of the National Council and its composition, it was deemed necessary to set up a Higher planning Commission (Commission supérieure du plan), which acted as a functional body responsible for working out the basic decisions involved in planning. This Higher Planning Commission is presided over by the office of the Secretary of State for the Presidency and includes all the Ministers concerned. This commission, the rapporteur of which is the Planning Director, has met several times to define the goals assigned to the plan from the point of view of general policy and to indicate the lines to be followed.

In January 1961 the Planning Board was turned into a Secretaryship of State, while still retaining the same functions. The individualization (in the shape of autonomous ministerial departments) of the planning services previously attached to the Office of the Secretary of State for the Presidency led to the emergence of possible conflicts of function with the Secretaryship of State for Finance, as well as duplication in functions and services. Hence, in February 1961, the two Departments of Planning and Finance were combined in one Secretaryship of State for Planning and Finance. The whole of the services were reorganized in order to differentiate between the bodies dealing with management and supervision and those responsible for working out the Plan.

II. ORGANIZATION OF THE PLANNING BOARD

The Planning Board is at present attached to the Secretaryship of State for Planning and Finance, of which it forms the First Division. It is responsible for working out the economic development plan, supervising its implementation and if necessary adjusting it.

There are three other Divisions in this Department:

The Division of Economic Co-ordination, the Division of the Budget and the Division of Trade and External Finance.

The Division of Economic Co-ordination carries out the following functions:

Drafting of laws and regulations on economic and social matters;
approval of public and private investment;
control of credit, insurance and prices;
supervision of agencies, national corporations and mixed economy corporations.

Since the other division are standard ones, they pose no special problems.

The Planning Division itself comprises several sections:

(1) The General Section, responsible for methodology and synthesis, which has three branches:

The Statistical Branch;
The National Accounts and General Studies Branch;
The Documentation Branch;

(2) The Agricultural Section, also responsible for fishery.
(3) The Industrial Section, which also deals with handicrafts.
(4) The Infrastructure Section
(5) The Management Training and Employment Section
(6) The Finance and Trade Section
(7) The Regional Development Section

Thus the Planning Board in Tunisia has a dual organization: it includes sections responsible for sectoral surveys and sections effecting a synthesis with respect to employment and management training, financial and marketing, and lastly, localization.

The personnel of the Planning Board is rather limited in number in relation to its needs. It includes economists, statisticians, engineers, and administrative staff. In view of the inadequate numbers of the Planning Board's own staff, occasional assistance has been requested from the staff of other government departments and of banks during the elaboration of the Plan.

III. PARTICIPATION BY THE PEOPLE IN PLANNING WORK

The planning work in Tunisia was essentially and principally undertaken by the Planning Board. However, it was necessary to associate with that work all the technical branches of the administration as well as the national banks and the Central Bank of Tunisia.

Apart from this administrative co-operation on the part of the various state services, it was necessary to provide for the popularization of the plan, and for associating the various persons responsible for the economic sectors with the elaboration and implementation of the plan.

The popularization of the plan had begun, well before the completion of the "Plan" document, by the Presidnet of the Republic, who opened a Planning Week with several speeches on planning. The speeches by the Presid President of the Republic were delivered before the educated élite of the nation. Their purpose was to explain to the people the importance of planning and the advantages it represented for the under-developed countries.

The President's addresses were followed, during the Planning Week, by speeches made by members of the Government and members of the political bureau of the Neo-Destour throughout the Republic. In the course of these visits, the fundamental aims of the plan were explained to the population which was asked to take part in the preparation of the plan.

This participation by the people in the planning work, a prerequisite for its success, was carried out at various levels:

(a) At the central level first of all, sectoral commissions were established which met several times in order to make a "diagnosis" for each sector and then to appraise the perspectives outlined for each of the sectors.

There were about 40 of these commissions, which included representatives of the administration, of all the national trade union and employers' organizations, and of the chambers of commerce, and some industrialists

and farmers selected for their particular qualifications. Summary records of the work of those commissions appeared both in the Arabic and the French-language daily newspapers.

(b) At the regional level, advisory planning commissions were set up in each governorate. These commissions, numbering 13, informed the Government of the specific problems occuring in each individual region and gave their views on the planning work. Their work was also given publicity in the newspapers.

Lastly, it should be mentioned that the Neo-Destour and all the national organizations disseminated the plan within their primary units for wide discussion. This popular consultation ended by a solemn meeting of the party's National Council which was asked to give its views on the Plan.

It was only after these various popular consultations that the Plan was put to the vote in the National Assembly in the form of a law.

IV. ELABORATION OF THE GENERAL DEVELOPMENT TARGETS

The elaboration of the general development targets was the first stage of the planning work in Tunisia. It took place at two different levels of responsibility:

1. At the political and governmental level: the determination of the goals assigned to the plan was of a qualitative nature. Thus the goals approved can be summed up as follows:

(i) Economic decolonization;
(ii) improvement of the general level of living of the population with the achievement of a minimum income per capita of 50 dinars;
(iii) full employment of labour;
(iv) reform of the economic and social structures;
(v) self-sustained growth.

The elaboration of the targets, which are in fact "the fundamental aims" of all planning work, took place within the National Planning Council, in the form of a critical analysis of the country's economic position and

of its evolution during the last ten years. This economic analysis was prepared by the Planning Board with a view to having available as complete and precise an inventory as possible and determining what factors were a slowing down development.

The retrospective study submitted to the Government highlighted:

the after-effects of colonization;
the extent of the imbalances at the regional level, at the sectoral level, and at the intra-sectoral level;
the seriousness of under-employment.

The study was carried out by the various divisions and used the national accounts as an instrument of analysis. It also comprised a regrouping of the various economic and social data by region (governorate).

Thus the elaboration of development goals at the governmental level rested on an objective analysis, with figures, of the economic position. Despite this technical backing, the formulation of the targets was only a qualitative one. Even the determination of a minimum income of 50 dinars per capita, which would seem to be a quantitatively fixed target, still in reality remains a qualitative formulation inasmuch as the date of reaching of that target is not settled; this minimum income was to be attained as soon as possible, with no further details.

2. At the technical level: The elaboration of the targets assigned to the Plan was of a quantitative nature. Thus it was necessary to determine:

The annual rate of growth of the gross domestic product in order to:

attain the minimum income per capita, and
attain self-sustained growth.

The quantitative elaboration of these targets was made in two approaches:

A. A projection of the national income with, as objectives:

the achievement of the minimum income per capita in ten years, and
the modification of the structure of incomes, by section.

This projection of incomes entailed the need to work out the estimated population for the period 1962 - 1971. This forecast was based on the assumption of an annual reduction in the death rate, to take account of an improvement already noted, and steadily increasing, in health conditions, and also of a diminution in the fertility rate of three per thousand per annum to take account of the effect of the improvement in the level of living. These two assumptions led to the adoption of different annual rates of growth in the population: 1.9 per cent for the period 1962-1966, and 1.7 per cent for the period 1966-71.

It was also necessary to make several assumptions concerning the alteration of the income structure by section during the next decade; thus a first assumption was that the present structure would be purely and simply maintained with an increase only in the average rate of the first section. Other assumptions were made with differentiated increases in the average rate for each section.

The various projections resulted in different levels for the national income in 1971. The selection of the working hypothesis was made on the basis of a preliminary assessment of the possibility of modifying the income structure and the possibility or otherwise of achieving the aggregate national income during the ten-year Period. Hence a second approach was necessary in the form of a development model.

B. The Development Model:

The purpose of working out a development model was to determine the possibilities of increasing the gross domestic product during the next ten years, bearing in mind various restrictions:

Financial restrictions - possibility of increasing gross domestic savings;

possibility of external financing.

The model selected is an aggregate model in real terms constituted by the general economic picture, or more precisely by that part of it relating to operations affecting goods and services.

The model uses seven macro-economic aggregates: gross domestic product (P); final consumption (C); gross investment (Ib) with its two components (net investment (In) and amortization (A); domestic savings (E) and the external deficit in goods and services (D). These various aggregates are inter-related:

either by relations of definition:

$$P = C + E$$

$$\text{and } Ib = In + A$$

or by accountancy relations:

$$P + D + C + Ib$$

or by technical ratios:

$$(AP)^{t} = \frac{1}{P} IN\ t-1$$

$$A^{t}_{t-i} = A^{t-1} + aIn^{t-1}$$

The estimate of these various aggregates being known for a base year (1959) it was necessary, in order to solve the model which comprises five equations and seven variables, to fix the value of two of these variables; thus it was agreed that the external deficit should not exceed 50 per cent of the investment for the year and that the domestic savings should increase progressively but should not exceed 26 per cent of the GDP in 1971.

It should also be mentioned that the capital ratio approved for Tunisia was calculated at 1/4 and that the rate of amortization was assessed at 3 per cent.

The solution of the model in real terms made it possible to fix a rate of growth for the GDP of 6 per cent per year, which enabled us to ascertain the GDP for 1971. Comparison between the various projections of the structure of incomes and the figure for the gross domestic product in 1971 enabled us to set 1974 for the achievement of the minimum income per capita, the minimum income in 1971 being only 45 dinars per capita.

Thus the aggregate model in real terms made possible a quantitative formulation of the policy target of a minimum income of 50 dinars.

In order to arrive at a quantitative formulation of the goal of self-sustained growth, it was necessary:

(1) to obtain a definition in figures of the notion of self-sustained growth, this definition being only provisional and of limited validity;

(2) to supplement the model concerning goods and services with the transfer operations and those of mutual indebtedness.

The accounting definition of self-sustained growth selected is that domestic savings shall cover the needs for investment and reimbursement: that is a purely accounting definition and not an economic one.

Further, the introduction of operations of transfer and indebtedness made it necessary to work out various assumptions concerning taxation (direct and indirect taxes) and on foreign operations. Taking these assumptions into account, it was possible to fix the year 1973 for self-sustained growth.

Thus, at the technical level, the targets were worked out quantitatively at least with regard to some of them (minimum income, self-sustained growth). This elaboration required two different approaches in the form of a projection of incomes and of their structures and in the form of a development model constituted by the overall economic picture.

Nature of the Plan

The period selected for planning work in Tunisia was three years. This Period was chosen for several reasons. First, it was not intended to establish a detailed and rigid plan, but a "pre-plan" which could be a preparation for a real planning policy by ensuring better economic co-ordination in the immediate future. Since the elements of statistical, economic and technical information were frequently lacking, it was difficult to attempt to make an economic development plan quickly. Therefore the 3-year Period was chosen so as to enable better knowledge of all the

sectors to be obtained and to prepare for the working out of a second plan. The time required for those studies being of about two years, and the pr preparation of a plan requiring one year, the three-year period was hence justified. The second factor behind the choice of a fairly short period was the Algerian situation and its repercussions on the Tunisian economy and on the development of the Maghreb economy. The three-year period was intended to enable that situation to be clarified and for economic relations to be established among the Maghreb countries.

Although this three-year period was chosen, planning work in Tunisia comprised two different stages:

1. preparation of a 10-year perspective;
2. preparation of the 3-year Plan.

The preparation of a 10-year perspective as a preliminary stage of planning stemmed from the choice of qualitative goals; thus a reform of economic and social structures could not be seriously undertaken without a knowledge of the economic development over a fairly long period (ten years).

Hence it is necessary to imagine the position of the Tunisian economy in 1971 with the contributions of the component sectors in order to deduce what structures would appear suitable.

Thus the elaboration of this 10-year perspective made it possible to clarify the "lines of force" of economic development in Tunisia, to examine the various possible equilibria and to decide on the structural reforms to be promoted.

Once the 10-year perspective had been worked out, the 3-year pre-plan was prepared.

V. PLANNING OF PRODUCTION

The elaboration of production targets, which is one of the most important tasks in planning work, required different procedures according to whether it related to the preparation of the 10-year perspective or of the 3-year plan.

With regard to the 10-year perspective

The procedure consisted of:

making the assumption that, by the end of the period, practically all the final consumption would be guaranteed by national output, although this involved providing for the necessary investment to reach that level of output;

ensuring the satisfaction of the needs of intermediate consumption by national production;

maintaining and expanding exports in such a way as not to exceed the external deficit ceiling which had been settled.

Bearing these objectives in mind, the following steps were taken:

an independent projection of production was made by sector with determination of the necessary investment for that production and for the intermediate consumption;

a projection of final consumption was made.

These two projections having been made, it was necessary to ensure that they were consistent with each other by taking into account foreign trade.

With regard to the 3-year plan

A different procedure was followed, and the goal set could not be the same as for the 10-year period.

Owing to the short time covered by the period of the plan, it was not possible, despite large investments, to expect the new factories needed for the satisfaction of domestic consumption to start production. The determining factor in the level of output for the final year of the plan was therefore the volume of investment already achieved during the years prior to the plan and the available production capacity. The work done therefore consisted rather in a forecast than in actual programming.

Thus in Tunisia the planning work required two different approaches for elaborating the production targets.

1. Planning the production of consumer goods

The establishment of targets for the production of consumer goods required:

an estimate of final consumption;
an estimate of intermediate consumption.

A. The forecasts of final consumption

Final consumption for the year 1971 was determined in the context of the 10-year perspective and, for the year 1964, in the context of the 3-year plan.

This estimate required:

knowledge of current demand and the domestic or foreign origin of supplies of consumer goods;

a demographic projection;

a projection of incomes.

(a) Knowledge of current final consumption

The national accounting work carried out for the year 1957 made it possible to evaluate the final consumption of households and of the government by products.

Taking into account the survey made on the structure of incomes by sections, it was possible to group the consumers into four groups:

1. Rural population with an income below 90 dinars.
2. Urban population with an income below 90 dinars.
3. Rest of the population.
4. Administration.

The choice of groups of consumers was made in order to reflect comparable consumption habits within each group.

With the help of surveys on the level of living in rural areas and a survey of family budgets in urban areas, it was possible to determine the consumption of each of the groups for the year 1959.

This consumption was established for various goods grouped in 20 sectors.

(b) The demographic projection

The demographic projection, made on a national scale, was subsequently split up for each group of consumers (groups 1 to 3). Thus it was possible to ascertain the numbers of each group in 1971 and 1964. It should, however, be pointed out that, while the demographic projection for groups 1 and 2 used the same growth assumption as for the national projection, this was not the case for group 3, because that group includes all the foreigners, and here the development reflects migration factors rather than demographic factors.

(c) The projection of incomes

The reform of the income structure by section and the achievement of a minimum income per capita being fundamental objectives assigned to the plan, it was easy to establish for 1971 a calculation of the incomes of each group of consumers.

For the year 1964, the income structure set is only slightly different from the present structure owing to the impossibility of changing the structures rapidly.

Knowing the different groups of consumers and their incomes in 1959 as well as in 1971 and 1964, and also knowing the consumption of each of these groups in 1959, it was possible to establish a projection of the consumption of each group for 1964 and 1971.

This projection was made by taking into account:

the population effect: since the numbers in the groups are increasing, consumption was increased proportionately;

the income effect: taking into account the level of living and family budget surveys, it was possible to determine the elasticity of consumption of the various products grouped in 20 sectors.

However, this projection was not made in a purely mathematical fashion. It was adjusted pragmatically in order to take into account:

possible substitutions,

the modification of the desired consumption structure with a view to improving nutritional balance, reducing the consumption of luxury goods and achieving larger savings.

With regard to group 4 (administration) it should be noted that its consumption was not calculated by the same method. A direct estimate was made of the evolution of the State budget and its distribution between wage expenditure and purchases of goods and services.

Lastly, it should be mentioned that coefficients of elasticity of consumption of the commodities grouped in 20 sectors were used to determine the elasticity of consumption of all the commodities in the same sector; thus the elasticity of consumption of agricultural produce was assumed to be the same for all commodities (grain, meat, oil), which assumption, although it makes for simplification of work, is not a very realistic one. However, some pragmatic adjustments made it possible to correct the systematic nature of the method used.

B. The forecasts of intermediate consumption

Forecasts of intermediate consumption were made by using the table of inter-sectoral trade established for the year 1957. Knowing the output contemplated for the final years of the perspective and of the plan, it was possible to determine the intermediate consumption required for that output.

However, bearing in mind the radical change in economic patterns contemplated, the inter-sectoral table was not used systematically; thus some industries did not exist in 1957 and it was not possible to use the inter-sectoral table. Therefore it was necessary to resort to a study of the estimated operating accounts of the various enterprises contemplated; that was the case also for the agricultural sector where intermediate consumption was estimated directly for fertilizer, spare parts, fuel etc., this direct estimate being necessary because of the radical changes intended in agricultural techniques.

Similarly, for the industrial sector it was necessary to resort to direct determination of the consumption of the various projects approved; iron and steel, textiles, chemical industry. Where there was as yet no specific project study, use was made of the technical ratios of other countries: Algeria, France, United States of America.

The two methods of assessing intermediate consumption were combined in the following way: in the agreed production target for a sector, an estimate was made, first, of the increase due to specific new projects, the consumption of which was determined directly. The rest of the increase in production was regarded as likely to entail the same pattern of intermediate consumption as the production of 1957.

2. Planning of the output of social services

The output of services was the subject of a forecast with figures for 1971 and 1964, not based on a forecast of final consumption established from an income target and an elasticity of consumption, but based on a direct estimate. In fact the services used are of a dual nature:

some of them, such as renting, the hotel business and leisure activities are voluntary purchases and hence a function of the buyer's income. Others, and particularly social services such as national education and health, are free services and constitute compulsory purchases by households. Moreover, the value of these services is conventionally determined by the cost of functioning of the public service.

Hence it was necessary to breakdown the consumption of services in 1959 into optional and compulsory services, before proceeding to make the projection. For optional services the projection made used the same method as the projection of consumption as a whole. On the other hand, for the compulsory services, it was necessary to assess the cost of operation of the health services and of national education on the basis of the investment earmarked for these two sectors.

The output targets of the social services were established

(a) With regard to national education:

On the basis of the need to ensure universal primary schooling from 1966; on the basis of an estimate of the need for qualified staff.

(b) With regard to public health:

On the basis of the need to provide for a satisfactory health service equipment throughout the national territory; this equipment was estimated by number of beds per thousand inhabitants.

3. Planning the output of investment goods

The planning of the output of investment goods took into account the determination of gross investment during the 10-year period and the 3-year period and the analysis of investment expenditure.

Determination of gross investment

The gross investment contemplated for the 10-year perspective and for the 3-year period was determined in two different ways:

A. First of all, the aggregate development model used made it possible to fix the level of gross investment compatible with implementing the target of an increase in the gross domestic product of 6 per cent per annum: by using an average capital co-efficient of one-quarter it was possible to fix the necessary volume of investment. To determine annual depreciation, a rate of three per cent per annum was taken into account. The use of an average capital co-efficient, calculated by means of the 1950-1959 series of economic accounts was aimed only at determining an aggregate volume of investment for the purpose of studying the consistency of the system as a whole.

B. Once the total volume of investment was known, a direct evaluation was made of net investment by sector and by branch: thus the investment in agriculture was determined by agricultural enterprise (grain cultivation, tree cultivation, vegetables, fodder production, animal production, etc.) and by the type of action contemplated to attain the production targets, (mechanization, water and soil conservation work).

Similarly for industry, a direct evaluation was made of the investment needed to increase the output of each branch.

With regard to the training of management personnel, another direct estimate was made to determine the desirable investment; thus a unit cost per type of construction was taken as a basis (for primary and secondary education, technical education and vocational training).

Lastly, for the infrastructure, the cost of each project was set: thus the cost of the projects was used when the study of them had been completed (as was the case for most of the projects), or else a rough estimate of that cost when the technical study remained to be done.

It should be noted that the two approaches to the problem of investment, by following one or other of the methods mentioned, led to different results. Thus, in order to remain within the aggregate evaluation of investment, it was necessary to make certain reductions in the investments. Investment in the sectors of production, i.e. agriculture, fishery, industry and handicrafts, as well as investment relating to the training of personnel,

were not reduced. The adjustment was only made in the infrastructure sectors. It was made, with allowance for the urgency of the different problems and the effect of investment both on employment and on the balance of payments.

Analysis of investment expenditure

B. Once the list of investment had been settled by sector, an analysis of those investments was made in order to determine the proportion of expenditure to be used for capital goods (machinery and equipment) and the proportion to be used for expenditure on construction, public works, agricultural work etc.

This analysis was made project by project in so far as the exact breakdown of the investment was known, or else by type of investment.

Bearing this analysis in mind, it was possible to fix as the production target for the sector "construction - public works" all the expenditure required by the gross investment.

On the other hand, for the sector "machinery and metal industry" it was not so simple to work out a production target: in fact a large proportion of the capital goods cannot be produced locally for various reasons: the great variety of those goods, inadequacy of the market, etc.

Therefore the production target was determined on the one hand on the basis of the current output of that industry and on the other hand on the basis of certain projects contemplated in that industry: iron and steel, building materials, making hardware goods etc.

4. Organization of labour

One of the targets laid down for the 10-year perspective and for the pre-plan of three years relates to the full employment of labour. The priority given to employment is due to the acute unemployment situation in Tunisia (almost 150,000 to 200,000 unemployed).

Even before planning work began, the Government had started a vast programme to absorb unemployment. This programme took into consideration the amount of unemployed labour capacity and the urgency of a number of agricultural development projects; therefore it decided to start up a number of workshops for the purpose of using all the available labour and carrying out water and soil conservation work, reafforestation, sanitation, small-scale waterworks etc.

The study of the work to be carried out is done by the technical services and approved by the Ministry of Planning; it makes clear how important that work is and assesses it in terms of number of days' work. It was left to the local authorities (governors of the regions) to recruit the workers, to organize them and pay the wages. The technical supervision of the workers was ensured by the technical services of the central administrations. Lastly it should be mentioned that those workers were paid two-thirds in cash and one-third in kind (semolina from American aid).

These workshops made it possible to abolish unemployment entirely. However, the aim was not simply to use the unemployed; it was also intended to develop the country. That is why the work was carried out partly by hand and partly by machine with a view to increasing the value of the work and improving the efficiency of the workshops.

Bearing in mind the employment targets and the existence of these workshops, planning work naturally attributed particular importance to the problem of employment.

However, the problem was easy to solve owing to the large amount of work which remained to be done with regard to water and soil conservation, sanitation, reafforestation etc. The difficulty was to ensure the permanency of the jobs created once the development work was completed, which was intended to be outside the 10-year period. As the problem of the reconversion of the workers allocated to that development work would then arise, it was necessary for the plan to provide for the creation of new enterprises with a view to absorbing this labour.

Hence it was necessary to make the increase of the level of employment a sectoral target: this increase could be immedaite or in the more distant future; thus the targets assigned to the agricultural sector envisaged an increase in agricultural output, its diversification and the increase of employment in that sector. Similarly, industrialization was to aspire to the same goals. But it was possible during the 3-year pre-plan period to plan for investment with intensive use of capital for the purpose of setting up a basic industry, not in itself affording much employment but likely to give rise in a second phase to the establishment of a number of secondary industries which would permit an intensive utilization of labour.

Thus the planning work in Tunisia was not based on one single criterion for the selection of investment, namely intensive use either of labour or of capital, but it resulted in a combination of both criteria. The harmonization was brought about in a dynamic way, that is to say over time.

5. <u>The selection of investment</u>

The total volume of net investment for the 10-year and for the 3-year period was determined in accordance with a development model using a capital ratio of one-quarter. The apportionment of that investment among the different sectors and the different industries was not made by disaggregating total investment but by adding together the specific investment relating to each project or each action contemplated. The procedure was therefore not one of successive deductions, but one of induction.

Thus, production targets were fixed for the various commodities. Those targets were determined on the basis of Tunisia's natural potentialities, that is to say the availability of resources, on the basis of consumption needs determined under the conditions previously mentioned, and on the basis of market possibilities abroad. The means decided upon to achieve those production targets were: structural reforms and investments.

It goes without saying consistency was not achieved ipso facto. Various adjustments were necessary in order to balance the resources and uses and to remain within the limits considered possible in the context of the model. Those adjustments concerned both the level of output of some sectors and some commodities and the investment earmarked for that output. The adjustment was made with foreign trade taken into account.

The result of the method used, which has just been briefly analyzed, is that the choice of investment was made in two stages: the stage of the sectors of production and the stage of each sector of production.

A. Selection of investment at the stage of each sector of production

In order to determine the investment to be earmarked for each sector of production, it was first necessary to ascertain the potential increase in the production of that sector and to assess the cost of the action to be taken.

The first criterion was the financial profitability of the investment for the person carrying it out. In applying that criterion, we did not limit ourselves to the capital ratio of one-quarter according to the model, which only constituted an average ratio determined from the experience of the previous ten years. Thus some lower ratios were agreed upon for certain activities, including action in the agricultural sector. Indeed, because of the low yield of the investment it was necessary to provide for capital equipment subsidies for the purpose of encouraging these investments. Hence financial profitability only acted as a partial criterion and a negative one: in fact priority was given to action which would increase financial profitability, but action entailing lower profitability were not for that reason abandoned. A second element also made it possible to correct the application of this first criterion; thus the financial profitability of the investment was calculated not solely in relation to the investment in the present legal and economic structure, but also in relation to other action contemplated and particularly in relation to the contemplated structural reform. It is in the light of this transformation of structures that the investment was analyzed and accepted or rejected,

and this is most important, particularly with regard to agriculture. Thus, whereas the mechanization of grain crops can be of no interest either for the farmer or for the nation within the context of traditional cultivation of small areas, the setting up of production co-operatives with the introduction of crop rotation makes this mechanization more than desirable and profitable; it frequently makes it necessary.

Another criterion for the choice of investment within a sector of production consisted in the level of employment derived from that investment and in the quality of employment required. Bearing in mind the widespread under-employment in Tunisia and the target of full employment which had been agreed, it was natural to be concerned with that investment which would create the most jobs. However, the question of employment was taken into consideration at two different levels: on the one hand the employment necessitated by the investment activity itself and, on the other hand, the employment necessitated by the use of the investment once it had been realized. It was necessary to bear in mind the combination of both aspects of the employment problem created by investment in order to settle priorities. Similarly, preference was given to investment likely to create a demand for skilled employment, since those would give rise to a wage distribution at rates compatible with the income target desired.

Despite these attempts to analyze the effect of investment on employment, and perhaps because of the distinctions which were introduced into the analysis, the criterion of employment did not play a dominant role in the selection of investments by sector: thus, in industry, investment with intensive use of capital was not rejected as incompatible with this employment criterion. On the other hand, in agriculture the employment criterion played a more important rôle. Thus, among other reasons, it justified the crop diversification and the investment contemplated for that purpose. But there again the analysis was even more refined and it distinguished between the real volume of employment in agriculture and the theoretical volume needed for that same agricultural output. In this way the partial unemployment in agriculture was highlighted and the argument was based on the theoretical employment and not in relation to the declared employment.

A third criterion for the selection of investment was the effects of the investment, while it was being carried out and more particularly after it had been carried out, upon trade between the sector receiving the investment and the other sectors of the economy; thus it was the development effect of the investment that was taken as one of the criteria for the choice of investment.

During its implementation, investment is reflected in purchases of goods and services from other sectors of the economy. Some of these goods and services are produced locally, while others are imported. Investment therefore gives rise to a propensity to import.

This propensity to import does not depend solely on direct imports connected with the investment: the production of the local goods and services used in the investment itself requires imports.

By means of the table of inter-sectoral trade for the year 1957, it has been established that the end-products originating in the agricultural sector include 8.2 per cent of imports when they are destined for investment; this proportion rises to 94.8 per cent for the end-products of manufacturing industries and to 16.4 per cent for construction. The average proportion of included imports amounts to 30.8 per cent. For consumption, this average percentage is only 24.3 per cent, and for exports it is only 9.5 per cent. This gives an average proportion of 22.4 per cent for all the end uses.

Thus, according to whether the relevant purchases are made from one particular production sector or another, investment entails a greater or lesser volume of imports. But it is especially after the investment has been carried out that it is of interest to analyze its effect on the trade between the sector receiving the investment and the other sectors of the economy. This trade enables the sector receiving the investment to be supplied with raw materials and semi-finished products, and provides a market for the output of that sector. It is not simply the value added of a sector which is of interest, but also the level of each of the elements of that value added, i.e. the sector's level of output and the level of its purchases from other sectors. The level of purchases from other sectors is of all the more interest in that those purchases concern local products.

With regard to the disposal of the output resulting from investment, it was necessary to distinguish the various destinations of that output: consumption, investment or export. Priority was given to output used for investment and for intermediate consumption.

It is in the main the operation of this third criterion which made it possible to select the investment within each sector of production. Nevertheless, the two other criteria of profitability and employment were combined pragmatically with this one in order to arrive at the choice of investment.

However, we should point out that it was necessary to earmark some investment for certain areas although the operation of the different criteria would not have justified that locality. This is because of the need to ensure a regional balance and to promote economic development throughout the whole territory.

It should be noted that the criteria analyzed above only relate to the following production sectors: agriculture, fishery, industry, handicraft. All the infrastructure sectors were studied from another viewpoint: thus investment in transport had to be related to the need for marketing output and the development needs of the region.

In the field of public health and education, the criteria used consisted in an equitable distribution of capital equipment among all the regions with a view to correcting the present imbalances; thus the target school attendance rates for the governorates are aimed at reducing the present gap.

B. Selection of investment at the overall sector level

When the investment for each sector had been decided in conformity with the criteria indicated above, their total did not necessarily correspond to the total volume regarded as possible in the model. Hence there was a problem of adjustment to ensure that the estimates as a whole were consistent.

That adjustment was made by giving priority to investment directly related to production: thus no reduction was made in the investment for the agricultural and industrial sectors.

A second priority was given to the investment needed for the training of key personnel.

Consequently, reductions were only made in the investment contemplated for infrastructure.

However, the adjustment of investment was not made in isolation. A further adjustment was also necessary; it concerned resources and uses. That adjustment related chiefly to the agreed output figures, which had to be modified in order to take account of the possible uses. The reduction in production figures was reflected in certain cases in the elimination of investment contemplated for that production.

VI. THE METHODS OF CO-ORDINATION

Planning work in Tunisia proceeded in several stages: the first stage consisted of establishing an overall schedule of development using an aggregate model in real terms.

The second stage consisted of establishing, bearing in mind the targets set, detailed sectoral projections with a determination of the investment and of the necessary intermediate consumption at the level of intended production.

A third stage was used to see that the sectoral projections as a whole were consistent and to ensure that the basic targets agreed upon were achieved; it was during this third and last stage that the consistency of the sectoral projection work was verified.

Many different methods were used to verify that consistency. First, a balance of resources and uses was established for each commodity. Since production had been evaluated directly on the basis of the intended investment and the existing production capacity, since final consumption of households and of government had been determined on the basis of household incomes and a direct estimate of the state budget, since in intermediate consumption had been calculated for each production sector, and since, lastly, investments and their breakdown were known, it was possible, by bringing to bear foreign trade, to balance the resources and uses for each of those commodities.

However, it was clear from the balance that neither the value added obtained nor the size of the external deficit nor the volume of investment were in conformity with the estimates of the aggregate model. Hence it was necessary to verify the consistency of the sectoral projects from other angles.

A. <u>From the angle of foreign trade</u>: Since the size of the external deficit set by the development model was judged as being the limit of the deficit which the economy could tolerate, it was necessary to alter the resources-uses balance so as to adjust the external deficit to the

desired level: that adjustment was made by reducing or increasing the output of certain commodities. This alteration in the level of output entailed a change in the intermediate consumption needed for that output and sometimes in the investment earmarked for that output.

B. From the angle of value added: The balance of resources and uses showed a value added greater than that provided for by the model; the production of certain commodities had to be reduced, and also the corresponding intermediate consumption.

C. From the angle of investments: Reductions also had to be made in order to remain within the limits of the data of the aggregate model.

It should be pointed out that the adjustments made from the angle of foreign trade, of value added and of investment were not made successively, but simultaneously. The method used consisted in making successive adjustments and determining their effect on the four aspects of foreign trade, investment, intermediate consumption and value added: it was by successive approximations that the various balances considered desirable were obtained.

However that adjustment was only made at the level of the figures given by the development model for work relating to the 10-year perspective. With regard to the 3-year preliminary plan, the equilibrium was set at a higher level. This equilibrium was regarded as possible, though optimistic, owing to the financial resources expected from abroad which are greater than those given by the assumptions adopted in the elaboration of the 10-year perspective.

Thus the adjustment was made simultaneously over the whole of the equilibrium levels given by the model. It was made by a continuous movement back and forth. The framework used for that adjustment was the table of inter-sectoral trade. Because the development model did not include employment as a variable, it was not possible to verify at the same time whether full employment of labour would be achieved.

Subsequently an estimate of employment was made to determine the level of employment which would be achieved. Bearing in mind the existence of structural underemployment in agriculture and the technical method of assessing the employment needed for agricultural production which was adopted, it was considered that the level of employment was satisfactory.

Besides this balancing work which constituted the final stage in planning, mention should be made of the contacts which were necessary between the different divisions at the time when they were preparing the sectoral projections: thus the projection of final consumption established by the general section was circulated to all the other divisions so that they could bear it in mind in establishing production targets. Similarly bilateral contacts were established between different divisions: thus the Industrial Division was in contact with the Agricultural Division for the purpose of ascertaining the agricultural production forecasts and determining the needs with regard to its processing. Similarly the Personnel Division was in contact with the other divisions in order to find out what level of employment would be attained and what were the needs for personnel training in each sector.

These contacts between sectoral divisions and between horizontal divisions made it possible for the projection work to take into account the necessary complementarities and to co-ordinate the forecasts on a similar scale.

It is with these first attempts at consistency and integration in mind that the final phase was approached, that of verifying the various balances at the different levels.

VII. FINANCIAL PLANNING

Planning work in Tunisia was carried out in two stage: a first stage consisted in determining the balance of resources and uses in real terms for each of the sectors. The second stage made it possible to incorporate the financial operations in the planning work.

The consideration given to financial operations is apparent both in the 10-year perspective and in the 3-year plan. Already in the quantitative formulation of the targets assigned to the plan, it was necessary to introduce into the development model adopted, (which is a model in real terms) transfer operations and indebtedness. Thus it was possible to determine the date when the Tunisian economy will attain self-sustained growth. However, in this preliminary phase of planning work, financial operations could only be taken into consideration in a sketchy and limited way.

On the other hand, it was necessary to go into the details of those financial operations during the study of the problem of the financing of investments, i.e. when the 3-year plan was being prepared.

Let us recall that the operations concerning goods and services had enabled us to determine production, final consumption by households and the administration, gross capital formation, exports and imports. Domestic saving which is by definition the difference between gross domestic production and consumption, was also known. However, neither savings nor gross capital formation are known as yet by the executing agent.

Hence it was necessary first to break down the investment by agents: we took three categories of agents as a basis: the administration, enterprises and households. This breakdown was made according to the type of investment: thus the construction of schools, hospitals, roads, dams, etc. was considered as public investment.

Investments attributed to households, on the other hand, only concerned the construction of private dwellings. Lastly, the investments of enterprises were obtained by subtraction.

With regard to the breakdown of savings by agent, it was first necessary to pass from the domestic concept to the national concept. This was done by evaluating the transfer operations between Tunisia and foreign countries for the final year of the perspective and the final year of the plan.

The transfer operations were examined for

Income from work;

Return on capital: interest, dividends;

Government expenditure: expenses of embassies, technical assistance;

Expenditure on tourism.

These various expenditures were the subject of projections for the year 1971 and for the year 1964, taking into account the agreed targets: thus the external account was established for current operations.

Next it was necessary, in order to break down national savings, to study the development of the state budget and that of the local communities.

The budget of local communities was the subject of a simple projection, taking into account the evolution noted during previous years. On the other hand, the State budget was estimated directly for the final year of the plan. Thus government revenue was estimated in connexion with the fiscal reform contemplated by the plan, and the operating expenses were evaluated by administration and by nature of expenditure (salaries, purchase of goods). Since the operating expenses for some services, such as health and national education, were dependent on current investment and new investment, it was possible to estimate them fairly precisely.

Similarly, the evolution of the public debt was examined on the basis of government commitments.

Thus, on the basis of a direct evaluation of government expenditure and revenue, it was possible to ascertain public savings.

Private savings, obtained by subtraction, raised the problem of apportionment as between savings by enterprises and savings by households. This apportionment was made by establishing the operating accounts and appropriation accounts of these agents.

With the gross investment by agent known, as well as the savings of each agent, it was necessary to ensure a balance and uses with regard to capital operations.

A dual problem then arose:

(1) determination of the amount of external financing needed to ensure equilibrium at the aggregate level.

(2) determination of the equilibrium of each agent's capital account.

A. The determination of external financing of the plan required: An inventory of the financial agreements in operation and an estimate of the utilization of those agreements during the period of the plans. The inventory covered all the public and private projects and took into account the estimates for the completion of the work.

An inventory of the possibilities of external financing, which was made by dividing the investment agreed in the plan into investment entailing local expenditure and expenditure in foreign exchange. Only direct expenditure in foreign currency was regarded as likely to be financed from outside, either in the form of loans from international bodies such as the IBRD and the IDA, or in the form of bilateral loans, or else in the form of supply credits or in the form of technical assistance (from the United Nations or bilateral).

The total of direct expenditure in foreign exchange was estimated at 90 million dinars for the three years. As the agreed financing only covers 29 million dinars, the difference of 61 million dinars constitutes the external financing to be found.

Taking into account the total gross savings during the three years of the plan (160 million dinars) and the external financing forecasted (90 million dinars), the gross investment (330 million dinars) left a financing deficit of 80 million dinars. Additional sources of financing had to be found to make up that deficit.

The approved sources were doubled: first the financing by the domestic banking system, next an external assistance both greater and more flexible than that previously allowed for.

(a) Credit financing

The domestic credit granted by the banks constitutes, both on the scale of the recipient enterprise and that of the nation, the usual method of financing in so far as that credit is a medium-term or long-term credit. This credit is sustained either by deposits or by re-discounting by the issuing institution, and usually by both at the same time.

In order to determine the financing capacity of the banking system, it was necessary to establish the accounts of the banks.

The resources of the banking system were evaluated bearing in mind the development noted since 1958 and the increase in the gross domestic product contemplated for the period of the plan; thus for paper money, the increase in the gross domestic product and an increase in the velocity of circulation of money were taken into account. For representative money, i.e. for the deposits, account was taken of the development noted since independence (with corrections due to exogenous factors such as the control of transfers to France) and of the desired increase in the level of savings. In fact, as the savings had been calculated by subtraction, it was not certain that all the savings would be mobilized for financing purposes: it was therefore necessary to breakdown the savings into savings destined for self-financing and savings to be mobilized by the financial houses. This breakdown was made in accordance with the rules of self-financing demanded by the banking system for granting a credit. As for public savings, it was considered as ensuring the financing of government investment expenditures. The result of this breakdown was that a volume of savings of 17.4 million dinars would pass through the financial houses before being allocated to investment financing.

Bearing in mind these resources of the banking system, it was possible to establish the counterparts: assistance to the economy, government debts, exchange reserves.

The item "assistance to the economy" comprises all the credits granted by the banking system.

Bearing in mind the bank ratio system, the volume of medium-term and long-term credit was ascertained.

Further, the increase in bank deposits justified an increase in the volume of subscriptions to capital development bonds issued by the Government.

(b) Financing by Foreign Aid

Bearing in mind the volume of financing possible through the banking system, it was possible to determine the desirable level of external aid of the American type.

That level was considered in the light of the experience of previous years and of preliminary discussions with the United States Government for the financing of the plan.

Thus it is by a detailed analysis of the investments, with regard to the type of expenditure and the executing agent, and by an apportionment of domestic and foreign resources, that it was possible to determine the overall financing of the 3-year plan.

B. Equilibrium of the capital account of the different economic agents: While the overall equilibrium was achieved in the conditions explained above, the equilibrium between the expenditure and the capital resources of each agent was not thereby ensured: with the help of the machinery of the financial enterprises and with the establishment of the capital accounts of the government, of enterprises and of households, this balance was ensured.

VIII. ECONOMIC MEASURES TO PROMOTE THE IMPLEMENTATION OF THE PLAN

The 3-year plan for 1962-64 was approved by a law as a general framework for the economic development of Tunisia.

However, planning in Tunisia is not of an absolutely imperative nature. In various sectors it is merely indicative. Nevertheless the

Government has various means of promoting the implementation of the plan and for facilitating its execution.

First of all, it is of interest to recall that the fixing of optimistic targets is an incentive for the enterprises of the private sector to carry out their own investment programme. The certainty that economic development is possible at a high rate of growth and without imbalances will stimulate heads of enterprises not to be timid in their programmes. This is all the more true in that the elaboration of the plan was not the work of an isolated team of planners, but it was done in association with the national trade union and professional organizations and the heads of the most important undertakings in the different sectors of activity. Moreover, the very existence of the plan constitutes an element of security for the heads of enterprises, providing them with consistent forecasts on the factors of production as a whole and on markets. This element of security will strengthen the decisions of the heads of enterprises in carrying out their programme. Thus the existence of the plan, the way in which it was prepared and the level of its targets constitute psychological measures which are frequently important for the implementation of the programmes drawn up.

Besides these psychological measures, the State has other means of ensuring the execution of the plan. The fact that the plan is approved by a law and that it constitutes government policy in the field of economic development means that a series of economic measures will be carried out to ensure its implementation. Thus fiscal policy, budget policy, credit policy and price policy will be conceived essentially in such a way as to facilitate the execution of the plan. It is true that particular measures dictated by the development of the economic situation may be taken even though they are incompatible with the requirements of the plan, but besides the fact that those measures will remain provisional and temporary, they will not be so comprehensive as they would if the plan did not exist.

Besides this general economic action by the Government, which will fall within the framework of the plan while meeting the particular needs of economic developments, there are three other ways of promoting the execution of the plan:

1. Action on Investment

The action on investment, in order to make it compatible with the estimates of the plan, is a double one: with regard to public investment it is a direct action; on the other hand, with regard to private investment this action is indirect and is reflected either by control or by encouragement.

A. Public Investment: This constitutes in Tunisia a large proportion of total investment because of the extensive economic role played by the Government. Thus, out of a volume of net investments of 270 million dinars, provided for in the plan, the proportion of public investment amounts to 140 million dinars, or more than 50 per cent of the total. Moreover, it should be pointed out that some investment which will be carried out by national corporations or mixed-economy corporations is not included in the figure of 140 million dinars; that is the case for investment contemplated in the field of the production of electrical energy, iron and steel and other industrial activities.

Thus the size of public investment constitutes an insurance for the execution of the plan. It is, however, necessary, in order that this insurance should be a real one, that the budget policy, which is frequently annual, should be incorporated in a consistent way in the estimates of the plan, and that the credit required for the financing of public investment should be available. In order to ensure that the public investment part of the plan would be carried out, it was decided in Tunisia to have an investment budget approved for three years, i.e. for a period covering the duration of the plan. Thus the finance law for the years 1962 - 1964 set the public investment at 140 million dinars in accordance with the estimates of the plan.

B. Private Investment: With regard to private investment, government action is indirect. It takes two different forms, that of encouragement and that of control.

(a) Encouragement to private investment

The Government has several means for encouraging the private sector to carry out the investment contemplated in the plan.

We would first recall that public investment by the Government already constitutes an encouragement and an incentive to the private sector to attain the targets assigned to it. This incentive is derived from the confidence inspired by the fact that a large amount of investment is being carried out by the State, and the fact that that investment will affect the whole of the economy.

Besides this by no means negligible psychological resources, the State has provided various ways of ensuring that the plan is carried out and of encouraging private investment.

Thus credit facilities were contemplated by the plan in order to supplement the possibilities of the private sector itself and to enable it to finance its programmes. These facilities, differentiated according to the economic sectors and the recipient agents, range from a simple guarantee by the State to the granting of direct credits and favourable rates of interest: thus, in the industrial field, it was decided to maintain the letters of guarantee which enable enterprises to obtain credit facilities from the banking system. Similarly, a special renewable industrial fund has been set up to enable enterprises avail themselves of a capital equipment credit which is to last more than five years and bears low interest. Lastly, a long-term credit system has been established to finance industrial construction. In agricultural matters, credit facilities are also extensive and are diversified to take account of the profitability of the investment, its period of non-production and the self-financing capacity of the farmers. Thus, different systems have been established in order to ensure to the farmers adequate financial means to carry out their development programmes.

The granting of subsidies is a second way of encouraging investment. A favourable rate of interest is already similar to a subsidy. But besides this direct action on the rate of credit, subsidies are contemplated for investment carried out in the agricultural sector. Those subsidies vary according to the nature of the investment and the recipient agent: traditional farmer, farmer practising modern cultivation, co-operative, etc.

Further, some subsidies have been envisaged to facilitate the use of modern farming techniques and to extend the use of fertilizer and selected seeds.

Tax exemptions constitute a third means of encouraging private investment. The legislation of 1948 regarding tax exemption has been strengthened with a view to enabling the investment contemplated by the plan to be carried out. Thus, registration dues and patent dues are not payable by companies receiving a letter of establishment or a letter of acceptance for a period of five years, which may be extended to ten years.

The direct participation of the Government is a fourth means of ensuring the execution of the plan. Tax or credit facilities frequently do not enable the investment contemplated by the plan to be carried out, owing to the size of the project and the resources involved. This size and these resources are often beyond the means of the private sector. Thus, the Government has had to provide for the possibility of participating financially and technically in the implementation of these projects, and of thus playing the part of a catalyst for private enterprise. For this purpose a National Investment Corporation has been set up and authorized to study and carry out, in association with private companies, the industrial investment envisaged by the plan. The National Investment Corporation plays the part of leader and initiator in these projects. This State intervention makes it possible to give more security to private initiative.

(b) Control of investment

This second indirect action by the Government on private investment is no less important. Indeed, while it is desirable to ensure that the investment contemplated by the plan is carried out, it is no less useful to avoid having projects carried out which are not included in the plan. It has been noted that freedom of entry often leads to over-equipment of some branches of industry. That has been the case in the sector of canned goods for example. Hence it has been decided that all the projected investment, whatever the sector concerned must be submitted for prior consent. The consent, as regulated by legislation, covers both new investment and renewal on the strength of depreciation. Extensions, removals and modernization of enterprises are also subject to prior consent by the administration. A Commission composed of representatives of the State and of national, employers' and trade union organizations, meets twice a month to grant or refuse this consent. That is an important measure aimed at avoiding wastage of resources, duplication and over-equipment.

2. Action on Production

Besides action on investment, which should be reflected in more or less long-term production targets, the State has direct means of action on production with a view to guiding it towards the planning targets.

It has already been mentioned that subsidies were contemplated for encouraging the use of mineral or organic fertilizers and selected seeds with a view to intensifying agricultural output. Similarly, the policy of short-term credit will tend to facilitate an increase in production and particularly agricultural production. Price policy and market organization are also an effective means of guiding production. Lastly, foreign trade policy, through the protection it can give to national production or through the competition and lowered prices which it can entail, is an effective means of guiding production into the path traced out by the plan.

3. Action on consumption and on the formation of savings

The third type of Government action with a view to the implementation of the plan relates to consumption and the formation of savings. In Tunisia this aspect is all the more important in that a progressive transformation of the people's consumption habits is contemplated for the purpose of ensuring a better nutritional balance and freeing an ever greater volume of national savings.

The Government has various means of exercising this influence on consumption: but it is essentially through fiscal policy - by progressive and selective taxation - that it will be able to guide consumption towards certain commodities of prime necessity, the consumption of which is to be encouraged, and prohibiting the possible import of luxury goods.

IX. THE REGIONALIZATION OF THE PLAN

As the plan is a set of co-ordinated and integrated projects for the purpose of implementing specific targets, it is natural to find the projects contemplated recapitulated region by region.

Yet the regionalization of planning is not simple a question of recapitulation. On the contrary, its aim is to highlight the need to ensure, at the regional level, the solution of the various problems arising there and the co-ordination of the projects contemplated for the regions. Hence the regionalization of the plan constitutes a search for various balances on the regional scale, at the same time as a balance is sought on the national scale. It involves a more precise and detailed knowledge than planning on the national scale. But the regionalization of the plan is frequently not carried out because of the small size of the economy.

For Tunisia the size of the country would have justified the absence of a regionalized plan. But the problem of regional balance and development was considered so important that one of the basic objectives assigned to planning was to reduce the imbalances among the regions and promote the development of each region.

From this point of view, the preliminary planning work was of a regionalized nature: thus a monograph for each governorate (the most homogeneous administrative district) was prepared in order to determine the severity in each region of the problems found at the national level. This monograph also made it possible to reveal the existence of specific problems on the regional scale.

Apart from these preliminary efforts at the regional level, and despite the stress laid on the problems of regional development, it was not possible to regionalize planning. Attempts were indeed made, both for the preparation of the 10-year perspective and for the 3-year plan, but they are too sketchy and fragmentary to be a real regionalization of the plan. At the most we can speak of the localization of certain investments or of some production: thus agricultural investment was grouped together and localized for the north of Tunisia on the one hand and the centre and south on the other hand. Some investment relating to the irrigated perimeters were even localized more specifically. Similarly, investment relating to infrastructure, the training of personnel and certain industries were the subject of precise localization.

However, no synthesis was made by governorate, and the problem of regional development could not be solved by planning work. Only some basic principles were ascertained and accepted.

Thus:

the principle of regional development is included as an <u>objective</u> to be realized;

it implies,

the reduction of the imbalances between the regions and the harmonious development of the regions;

the principle of creating "poles" of development was accepted;

these foci of development should enable economic expansion to spread across a whole region: the 10-year perspective provides for a "pole" of development in the form of a heavy industry complex in the South; the region was defined;

not as an administrative district but as an operational space such as to enable the fundamental objectives of the plan as a whole to be attained: i.e. full employment of labour and the achievement of a minimum per capita income. This space has to be marked out in such a way that, while respecting the technical or social restraints, it makes for the co-ordination of development work and the inspiration of the whole. This operational space, called "Regional Development Unit" (Unité régionale de développement) must comprise integrated and not simple homogeneous activities.

Taking into account these basic ideas, specific studies were started during the year 1961-62 to mark out these regional development units throughout Tunisia. The work, entrusted to private survey organizations, comprises:

Justification of the splitting up of the governorates into RDU; inventory of each regional unit from the point of view of population and employment, of agricultural, industrial, handicraft and commercial production, and of the studies made or in progress; the development plan proposed for the regional development unit within the context of the planning work.

These studies are at present under way and are being guided by the Division of Regional Development of the Planning Board.

Lastly, it should be mentioned that the splitting up into regional development units is intended, in a first phase, to permit the co-ordination of projects at the unit level and to make sure that the people take part in the execution of the plan; it is intended, in a subsequent phase, to allow the people to be associated in the preparation of the planning work.

X. MAIN PROBLEMS

In the course of the planning work, a certain number of problems emerged and certain difficulties were met with.

First, it was somewhat difficult to assemble a team sufficiently numerous and qualified to undertake the planning work. It was necessary to have recourse to the secondment of senior administrative and technical personnel from various government departments. Even so, despite the importance given to the planning work by the political authorities, it was difficult to find enough technicians, particularly in the industrial field.

A second difficulty was to make a real team out of these civil servants with different training and coming from different departments. This difficulty is mainly due to the fact that most of the officials were not prepared for planning work. Hence it was necessary to weld the team together as well as initiating it into planning work.

A third difficulty was to obtain the co-operation of other government departments in the planning work. In view of the inadequate number of officials assigned to the Planning Board, it was necessary to rely on the technical and economic structure of other departments. But those departments, absorbed because of the nature of their functions in urgent day-to-day preoccupations, found it difficult to devote part of their time to co-operation with the planning departments.

The last difficulty, and not the least, is the inadequacy of statistical information and technical studies: thus neither the structure of incomes nor the structure of farming was known. The volume of employment and its distribution were only known superficially; important sectors such as that of handicrafts had not been the subject of any systematic study.

In view of these difficulties, it was decided to provide for a permanent staff at the Planning Board and to detach some staff from other departments for a limited time, after which that staff would rejoin their original departments. Lastly, a list of studies and statistical surveys was drawn up for the purpose of supplementing our knowledge of the various problems.

Besides these difficulties connected with the starting of planning work in Tunisia, a number of problems faced the team during the preparation of the plan.

Thus the problem of prices was a real difficulty in our work. Estimates were generally made at 1957 constant prices. Hence the problem of conversion into current prices arose, all the more so as a distinction was made between producers' prices and market prices. Moreover, as the price system was differentiated according to the destination of the commodity (intermediate consumption, final consumption, gross capital formation, exports), it was necessary to take these different prices into account in the prospective table of inter-sectoral trade. Lastly, as price policy is an important means of action for achieving the planning targets, it would seem desirable to take up the study of prices in a systematic fashion.

A second problem was met with during the planning work: this related to the regionalization of the plan, i.e. the achievement of a dynamic balance on the regional scale. An attempt at localization was indeed made for all the investment or the major part of it, but it was not possible to ensure that regional equilibrium was achieved. That is a field of research which should be studied in order to improve planning techniques.

There was a third problem. After preparing an aggregate development model which set prospectively the essential aggregates such as gross domestic product, final consumption, gross investment, etc., the planning team had to resort to a method of sectoral projections and then a synthesis of the projections within the framework of the total figures set by the model.

It was not, in fact, possible to breakdown the model and so draw up equilibrium schedules for each sector. It may be of interest to disaggregate the model and establish for each sector (exchange economy and subsistence economy or modern sector and traditional sector) a

prospective equilibrium before turning to the inductive method which would start with an inventory of possibilities and a more or less independent projection for each sector, and would subsequently make a synthesis within the framework of the accepted model.

These several difficulties met with and these several problems raised deserve to be reflected upon with a view to improving the planning work. The Tunisian team intends to tackle it in association with the Centre for Surveys and Economic and Social Research (Centre d'études et de recherches économiques et sociales). Thus a programme of fruitful co-operation may be established between the research and educational centres and the government departments.

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