

الجمعية المهنية التونسية للبنوك
والمؤسسات المالية

APTBEF

TUNISIA'S PROFESSIONAL ASSOCIATION OF BANKS
AND FINANCIAL INSTITUTIONS

Annual report **2007**

VOLUME I

2008

PARTICIPANT MEMBERS LENDING INSTITUTIONS

BANKS

- AMEN BANK (AB)
- ARAB BANKING CORPORATION (ABC)
- ARAB TUNISIAN BANK (ATB)
- ATTIJARI BANK OF TUNISIA (ATTIJARI BANK)⁽¹⁾
- BANK FOR FINANCING SMALL/MEDIUM BUSINESSES (BFPME)
- BANK OF HOUSING (BH)
- BANK OF TUNISIA (BT)
- TUNISIA AND EMIRATES BANK (BTE)
- FRANCO-TUNISIAN BANK (BFT)
- ARAB INTERNATIONAL BANK OF TUNISIA (BIAT)
- NATIONAL AGRICULTURAL BANK (BNA)
- TUNISIAN SOLIDARITY BANK (BTS)
- TUNISO-KUWAITI BANK (BTK)⁽²⁾
- TUNISO-LIBYAN BANK (BTL)
- CITIBANK
- TUNISIAN BANKING COMPANY (STB)
- STUSID BANK
- TUNISIAN QATARI BANK (TQB)
- BANKING UNION FOR TRADE AND INDUSTRY (UBCI)
- INTERNATIONAL BANKING UNION (UIB).

⁽¹⁾ : from 11 December 2006, BANK OF THE SOUTH is called ATTIJARI BANK OF TUNISIA.

⁽²⁾ : from 22 December 2006, TUNISO-KUWAITI DEVELOPMENT BANK is called TUNISO-KUWAITI BANK.

FINANCIAL INSTITUTIONS

LEASING COMPANIES

- AMEN LEASE*
- ARAB INTERNATIONAL LEASE
- ARAB TUNISIAN LEASE
- LEASING INTERNATIONAL COMPANY
- EL WIFACK LEASING
- GENERAL LEASING
- HANNIBAL LEASE
- MODERN LEASING
- TUNISIA LEASING
- UBCI LEASING.

FACTORING COMPANIES

- TUNISIA FACTORING
- UNIFACTOR.

OTHER MEMBERS

- BANK ETTAMOUIL TOUNSI SAOUDI (BEST BANK)
- TUNISIA MERCHANT BANK (BAT)
- NORTH AFRICA INTERNATIONAL BANK (NAIB)
- TUNISIAN UNION OF BANKS (UTB).

ASSOCIATE MEMBERS

- ARAB INTERNATIONAL COLLECTION COMPANY
- INTERNATIONAL CLAIM COLLECTION
- EL ISTIFA COMPANY
- FINANCIAL CLAIM COLLECTION COMPANY
- GENERAL CLAIM COLLECTION COMPANY
- RAPID COLLECTION COMPANY
- TUNISIAN CLAIM COLLECTION COMPANY
- SOUTHERN COLLECTION.

(*) : A company in liquidation

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BANK SECTION:

Vice Chairman: **Mr. Abou Hafs Amor NAJAI**, President Director General of the Bank of Housing.

Treasurer: **Mr. Moncef DAKHLI**, President Director General of the National Agricultural Bank.

Members: **Mr. Laroussi BAYOUDH**, President Director General of the Tunisian Banking Company.
Mr. Chakib NOUIRA, President Director General of the Arab International Bank of Tunisia till 23 May 2007.
Mr. Slaheddine LADJIMI, Director General of the Arab International Bank of Tunisia starting 24 May 2007.
Mr. Faouzi BELKAHIA, President Director General of Bank of Tunisia.
Mr. Mohamed HAITAMI, Director General of Attijari Bank of Tunisia till 7 June 2007.
Mr. Hassan BERTAL, Director General of Attijari Bank of Tunisia starting 8 June 2007.
Mr. Abdelwaheb NACHI, Director General of Stusid Bank till 26 August 2007.
Mr. Brahim SAADA, Director General of Stusid Bank starting 27 August 2007.

FINANCIAL INSTITUTIONS SECTION:

Vice Chairman: **Mr. Fethi MESTIRI**, Director General of Tunisia Leasing.

Members: **Mr. Mouldi OUELHAZI**, Director General of General Leasing.
Mr. Mohamed Hechmi DJILANI, President Director General of Hannibal Lease.
Mr. Kamel BEN NJIMA, President Director General of the Union Factoring.

General Delegate: **Mr. Amor SAAFI**.

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TUNISIA'S ECONOMIC SITUATION

TUNISIA'S ECONOMIC SITUATION

A - International environment :

Economic activity worldwide remained vigorous in 2007 despite turbulences on main financial markets.

World GDP growth rate reached 4.9% vs 5% in 2006.

Activity expansion was made possible by good performance in Asia emerging economies, in particular, China and India as was the case in 2006.

In the United States, real estate sector situation continued to deteriorate in 2007, notably, over the second half of the year, affecting other developed economies such as the euro-zone and Japan.

Up to now, financial crisis affected slightly emerging and developing countries but economists think it will have a serious effect on these countries economies starting from 2008.

World growth, according to IMF, should slow down in 2008 to be at about 3.7%, half point less than that was first estimated.

Inflation was on the upward trend worldwide, in particular, in the emerging and developing countries due to vigorous demand and the importance of energy products and foodstuffs in their consumption.

As for crude oil, prices rocketed in 2007 to new peaks on commodity markets.

TRENDS IN THE MAIN ECONOMIC AND FINANCIAL INDICATORS IN THE WORLD

DESCRIPTION	GDP growth (volume & %)			Inflation (variation in consumer prices %) ⁽¹⁾			Budget balance (% of GDP)			Unemployment (% of working population)		
	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
COUNTRIES	2005	2006	2007	2005	2006	2007	2005	2006	2007	2005	2006	2007
Developed Countries ⁽²⁾	2.6	3.0	2.7	2.3	2.4	2.2	-2.5	-1.6	-1.2	6.1	5.7	5.4
of which : - United States	3.1	2.9	2.2	3.4	3.2	2.9	3.6	-2.6	-2.5	5.1	4.6	4.6
- Japan	1.9	2.4	2.1	-0.3	0.3	0	-5.0	-3.8	-3.4	4.4	4.1	3.9
European Union	2.1	3.3	3.1	2.3	2.3	2.4	-2.4	-1.4	-0.9	8.8	8.1	7.1
of which : Euro Zone	1.6	2.8	2.6	2.2	2.2	2.1	-2.6	-1.4	-0.6	8.6	8.2	7.4
Emerging and Developing Countries of which:	7.1	7.8	7.9	5.7	5.4	6.4	0.2	0.3	0.3	-	-	-
- Tunisia	4.0	5.5	6.3	2.0	4.5	3.1	3.2	-2.9 ⁽³⁾	-3.0 ⁽³⁾	14.2	14.3	14.1
- Morocco	2.4	8.0	2.2	1.0	3.3	2.0	-	-	-	-	-	-
- South Africa	5.0	5.4	5.1	3.4	4.7	7.1	-	-	-	-	-	-
- Chile	5.7	4.0	5.0	3.1	3.4	4.4	-	-	-	-	-	-

Source : World economic outlook of the IMF, the European Central Bank, Central Bank of Tunisia 2007 Annual Report, Ministry of Development and International Cooperation and the National Institute of Statistics concerning Tunisia.

(1) Base 100 in 2000

(2) Most of developed countries

(3) Excluding privatization and grant

(-) : Not available

■ Economic growth

Economic growth in **the United States** slowed substantially over 2007 and GDP in real terms grew 2.2%, 0.7 percentage point less compared to 2006.

Economic activity slowdown was largely due to subprime crisis and financial markets fall.

Real estate investment went on the downward trend, showing 17.2% fall in 2007 following 4.6% drop in 2006.

On the other hand, stock adjustment affected growth heavily and the contribution of which was -0.3% compared to +0.1% in 2006.

Household expenditures, which normally represent the main drive of the American economy, were down towards the end of the year. Consumer confidence was hard hit during the fourth quarter of the year because of high energy prices, low real estate prices and tougher loan conditions practised by banks.

However, consumer expenditures over the whole year were up 2.9%, a rate quite close to 3.1% registered a year earlier.

Contrary to the previous year, net export of goods and services contributed by + 0.5% to GDP growth vs -0.1% in 2006.

In Japan, the economy grew at a slower pace of 2.1% in 2007, down from 2.4% the previous year.

Improved net exports which benefited from yen depreciation and improvement of export oriented markets were the main drive of the Japanese economy.

However, domestic demand was on the downward trend, in particular, household consumption which fell from 2% in 2006 to 1.4% in 2007 despite relatively stable employment conditions.

Private investment growth, whether in housing or not, slowed down too. Investment in housing was down considerably over the second half of the year, reaching a 7.3% annual withdrawal in 2007 with implementation in June of new, stricter regulations for securing a building permit; however growth in non-housing investment dropped 2.2% vs 7.4% in 2006 due to enterprise weaker confidence, notably, the small and medium sized enterprises operating in services.

Improvement in the **euro-zone** economy over 2006 and which continued during the first quarter of 2007, slowed down somewhat during the quarters that followed thus bringing GDP annual growth rate to 2.6% vs 2.8% a year earlier. European economists were very pleased with this performance since growth in the euro-zone remained clearly higher than that in the United States (2.2%), something which has not happened since 2001.

Starting the second quarter of 2007, the old continent showed some weaknesses due to enterprises low investment expenditure.

Though growth picked up over the third quarter thanks to improvement in entrepreneurial investment, stock building and consumer expenditure, it slowed down again during the fourth quarter and worsened because of the American economy slowdown, thus decreasing by half from one quarter to another.

Other factors influenced the economic slowdown in the euro-zone, in particular, higher prices for energy and foodstuffs, a strong euro and tougher loan conditions.

Over the whole year, the euro-zone economy ran out of steam because of weak private consumption due mainly to an increase in VAT in Germany and a fall in housing investment that grew at a pace of 1.9% in 2007 vs 6% in 2006.

But good results, in Netherlands, Austria and Portugal managed to offset low economic performance in Germany and in France.

In the United Kingdom, the economy improved, showing a real GDP growth rate of 3.1% vs 2.9% in 2006.

Household consumption expenditure highly increased, boosted by wealth positive effects related to high prices in housing.

Enterprise investment that benefited from high rates of profitability in 2006, remained stable in 2007 due to increase in interest rates.

In China, growth was more than 10% for the fifth year: 11.4% in 2007 vs 11.1% in 2006.

Once more, this growth was due to domestic demand in particular, gross fixed capital formation and net export.

Household consumption went up 10.8% vs 10.9% in 2006 due to higher revenues. Investment increased 15% with 45% contribution to GDP.

Export growth remained high thanks to a policy based on diversifying export markets.

In India, growth was vigorous despite slowdown in consumption over the second half of the year: 9.2% vs 9.7% a year earlier.

In Latin America and Caribs, economic expansion continued for the fourth year in a row: 5.6% vs 5.5% in 2006.

Growth was maintained thanks to favourable external environment as well as better macro-economic policy.

Up to now, the region seems to stand to world financial crisis except Mexico, the neighbour country to the United States, where growth slowed 1.5 percentage point from one year to the next, amounting to 3.3% in 2007. However according to IMF last estimates, growth in the region should drop to about 4.4% in 2008.

Brazil, the main economy of the region, enjoyed faster growth: 5.4% vs 3.8% in 2006 attributable, mainly, to sustained fall in real interest rate and vigorous employment.

In Argentina, economic activity remained sustained: 8.7% growth rate of real GDP vs 8.5% in 2006; but it slowed down considerably in the Caribs (5.7% vs 7.8%).

Subsaharian Africa enjoyed economic expansion with 6.8% growth rate in 2007 vs 6.4% in 2006.

Economy improved due to good performance of oil-producing countries, the real economic growth of which increased 8% vs 6.3% a year earlier. The highest growth was in Angola (21.1% vs 18.6%) due to better production of crude oil and diamonds.

In South Africa, the region first economy, growth slackened somewhat, down from 5.4% to 5.1% because of restrictive monetary policy, the target of which is to keep down increase in prices of crude oil and foodstuffs that changed household expenditure.

Other factors helped boost growth in subsaharian Africa: vigorous domestic investment and productivity, notably, in non oil-exporting countries.

For **the Maghreb countries**, economic growth slowed down slightly in 2007 (4.2% vs 4.4%) due to sharp drop in growth in **Morocco**, down from 8% in 2006 to 2.2% in 2007. The region was marked by drought, as was the case in 2005, in particular, in Morocco.

On the other hand, **Algeria** economic growth was on the rise again (4.6% vs 2%) due to income from export of hydrocarbons. Higher oil prices improved public incomes that were partly invested in infrastructure.

In Tunisia, economic growth improved in 2007 with real GDP growth rate of 6.3% vs 5.5% a year before.

In the Middle East, economic growth remained vigorous, at the same pace as that of 2006: 5.8%.

Even though oil production stagnated, soaring oil prices boosted public expenditure and strengthened credit to private sector in oil-exporting region.

Oil producing countries posted, despite slight drop compared to last year, vigorous growth of 5.6% vs 5.8% a year earlier. However current deficit remain high in spite of some improvement, down from 24% to 22.8% of GDP.

Good performance in exporting countries led on its way countries of Southeast Asia due to financial and trade drive effects. Economic growth in that zone amounted to 6.3% in 2007 vs 5.9% in 2006.

Moreover, domestic reforms started in non-oil exporting countries seem to bear fruit.

Economic growth in Egypt peaked to 7.1% vs 6.8% a year earlier.

■ **World trade** grew at a slower pace in 2007.

Growth in volume of world trade was 6.8% down from 9.2% in 2006. Substantial slackening in the main developed economies was partially offset by trade expansion in the emerging and developing ones.

Domestic demand shrinking in the industrial countries was favourable to trade expansion because they reduced their demand for imports.

Import volume in countries with high income grew 4.2% vs 7.4% a year earlier.

In the United States, growth in imports fell 4 percentage points, from 5.9% to 1.9%. The euro-zone experienced the same thing since growth in imports fell to 5.1% vs 7.8% in 2006. The weakest result was in Germany (4.8% vs 11.2%).

In the United Kingdom, import volume was down 3.2% vs a 10% increase in 2006.

However, lower imports in the developed countries and in particular, in the United States was counterbalanced by consolidation of import demand from emerging countries. Growth in these countries imports remained sustained in 2007, amounting to 12.8% vs 14.4 % in 2006.

Developed countries export grew 5.8% in volume, down compared to last year volume that was up 8.2%. Their share in world export amounted to 66.4%.

In the United States the volume in export of goods and services rose 8% vs 8.4% in 2006 due to developing countries demand and the dollar depreciation.

Growth in export in the euro-zone slowed, down from 7.8% to 6% from one year to the next, particularly, in Germany (7.8% vs 12.5%).

In Japan, export increased 8.8% in 2007 vs 9.7% in 2006.

In emerging and developing countries exports were up 8.9% vs 10.9% a year earlier.

Chinese exports remained vigorous in 2007, up 21.3% vs 23.9% a year before.

Terms of trade consolidated in most developed countries, up from -0.2% to 0.2% in the United States, from -1.4% to -0.7% in the euro-zone and from -6.8% to -4.4% in Japan. In the new industrial economies of Asia, terms of trade improved 1.6 percentage point, up from -1.9% to -0.3% in 2006.

■ **Prices for crude oil** have been soaring for the fourth year in a row and the increase became steeper in 2007, amounting to about \$100 per barrel of Brent towards the end of the year and thus peaked to \$96.02. In terms of annual average, the price for a barrel amounted to \$71 vs \$65 in 2006.

■ Prices for **non energy raw materials** rose substantially over 2007

Prices of raw materials exclusive energy rocketed over the first half of the year under the effect of soaring prices for industrial raw materials and agricultural products; but during the second half of the year, these high prices were due to the ongoing increase in prices of agricultural products, in particular, foodstuffs because of vigorous Chinese demand. Prices of industrial raw materials were reviewed down.

On average, prices for raw materials exclusive energy went up 19% in 2007.

■ **World imbalances** continued in 2007. In the United States, the current deficit remained quite high over 2007 though it had been corrected compared to 2006, down from 6.2% to 5.3% of GDP under the effect of vigorous growth in net exports.

But, the american current deficit was counterbalanced by surplus that marked oil exporting countries. This surplus generated profit equivalent to 12.7% of GDP. China and Japan account for current transactions was also characterised by high surplus: 11.1% and 4.9% of GDP respectively or \$360.7 billion and \$212.8 billion.

■ **In public finances**, budget situation improved in most developed countries in 2007, posting a deficit of 1.2% of GDP vs 1.6% in 2006.

In the United States, budget deficit shrank from 2.6% to 2.5%.

In the euro-zone, public finances clearing had positive effect since deficit decreased by half, down from 1.4% to 0.6% from one year to the next, due mainly to squeezing of primary expenditure.

Budget situation in Japan improved too with a 3.4% deficit in 2007 vs 3.8% a year earlier.

In China, the balance of financing public administration doubled, up from 1% to 2% of GDP, thus reflecting a more restrictive budgetary policy. The target was to moderate vigorous growth in chinese exports.

■ Crisis on main financial markets influenced **monetary policy** in most developed countries.

The U.S Federal Reserve, keeping in mind the extent of slowing economic activity in the country chose to favour growth to inflation.

Over the first half of 2007, the Federal Reserve kept its key rate of federal funds unchanged at 5.25%.

But with the worsening of financial turbulences starting August 2007, the FED decided to put an end to the monetary status quo, lowering its key rate for a total of 100 base points coming to 4.25%. It reduced also the gap between the rate of federal funds and the rate of discount by lowering it from 100 base points to 50 base points.

On the other hand, to face increased fears tied to credit risk that led to shortage of liquidity, the FED set up lines of credit to allow the European Central Bank "ECB" and "Switzerland National Bank" to provide liquidity in american dollars. It also varied the range of accepted guaranties as well as the types of institutions which can have access to its financing.

Risk threatening price stability in the euro-zone led the European Central Bank to increase its key rate twice over the first half of 2007, bringing it to 4% in June 2007.

But with turbulences starting on financial markets, the ECB preferred to preserve growth maintaining status quo on its key rate over the rest of the year in consideration of growth prospects worsening.

The Bank of England increased its key rate three times to 5.75%, then it started easing its monetary policy towards the end of the year, cutting down its rate by 50 base points to 5.25% because of the consequences of subprime crisis.

The Bank of Japan raised its key interest rate by 25 base points in February 2007 to 0.5% and maintained this rate unchanged for the rest of the year.

It should keep status quo and accommodate monetary policy based on anti-deflation measures.

■ As for **trend in prices**, inflationary pressure remained on the whole down over the three quarters of 2007, but it picked up in September in most developed countries.

In terms of annual average, inflation was 2.2% vs 2.4% in 2006 in developed economies.

In the United States, inflation, measured by consumer price index, rose to 2.9% vs 3.2% a year earlier.

Underlying inflation dropped too, from 2.5% to 2.3% from one year to the next.

But pressure rose towards the end of the year bringing inflation up to 4.3% in November because of increasing energy prices.

In the euro-zone inflation was 2.1% in 2007 vs 2.2% a year earlier.

Like in the United States, trend in prices was considerably affected by trend in prices for energy.

Inflationary pressure remained on the whole down over the first half of 2007, then rose starting September. The rate of inflation was 3.1% in December 2007 vs just 1.9% in the same month of 2006.

Though Japan put an end to a six-year policy of zero interest rate, it went on living a deflationary situation in 2007.

Over the whole year, annual rise of consumer price amounted to 0% in 2007 vs 0.3% in 2006.

In China, soaring prices for energy and foodstuffs as well as piling up of foreign exchange reserve raised inflation up to 4.8% vs 1.5% in 2006.

■ **International foreign exchange markets** were affected by financial unrest.

Increasing concern about american growth prospects and narrowing the gap of interest rate between the United States and the euro zone contributed undoubtedly to the american dollar devaluation.

Worsening of the situation on the american real estate market in August 2007 led to higher depreciation of the greenback over the rest of the year.

The euro was also affected by financial unrest, posting a slight depreciation then, it appreciated a lot against the american currency between end of August and end of November. On 27 November 2007, the euro traded at \$ 1.49.

However the european single currency depreciated again slightly against the american dollar trading on 31 December 2007 at \$ 1.47, 11.8% more than its level at the beginning of the year.

Thus, the greenback closed the year at a 10% drop against the euro. The dollar was also on the downward trend compared to other foreign currencies, except the Japanese yen and the pound sterling.

In fact, the euro strengthened against the british currency in 2007, at 0.73 GBP end December, thus its highest level since the euro was launched in 1999. Weakening of the pound sterling was mainly tied to market operators anticipation that the Bank of England would reduce its key rates.

The exchange rate of the Japanese yen fluctuated heavily over 2007 influenced by international investors attitude to carry-trade transactions and which consist in financing placements in foreign currencies with high interest rates by borrowing in foreign currencies with low interest rates such as the Japanese Yen. On 31 December 2007, the euro traded at 164.93 JPY, up 5.1% compared to the beginning of the year.

Source : *World economic outlook of the IMF (April 2008), World Bank, the European Central Bank and Bank of Belgium.*

■ **World financial markets** were heavily affected by the financial crisis on the American market "subprime". It began in August 2007 and has become the biggest financial shock since 1929 crisis.

This crisis caused a shortage of liquidity on interbank markets and changed banks core funds, which led to risk reevaluation.

The financial sector was the hardest hit sector by this crisis. According to the IMF, the banking sector losses are estimated between \$ 440 billion and \$ 510 billion, which led to the collapse of market value of American and European bank equities.

Investors increasing concern about the extent of financial and economic consequences of market turbulences increased considerably the volatility of share prices.

However, despite this volatility, the main indicators of security prices were on the upward trend over the whole of the year.

Dow Jones Euro Stoxx index that measures security prices in the euro-zone gained 5% compared to 2006, Standard & Poor's 500 index rose 3.5% but Nikkei 225 index fell about 11%.

B - Trends in Tunisia's economy :

Tunisia's economic activity improved over 2007 posting a growth rate of real GDP by 6.3% vs 5.5% in 2006, despite difficult international conditions.

Overall, trend in the main macro-economic indicators was positive due to substantial increase in industrial production and faster growth in export.

Inflation was overall contained in spite of soaring world prices for energy and foodstuffs as well as the continuing appreciation of the euro.

■ **Agricultural activity** went off in normal conditions over 2007-2008 season.

■ **Industrial activity** strengthened over 2007. Industrial production index grew faster, up to 9.7% vs 2.8% a year earlier.

Industrial activity improved due to good performance of manufacturing industries, up 8.6% vs 4.3% in 2006 and, in particular, mechanical and electrical industries, (29.5% vs 19.4%). Textiles, clothing and leather recovered and production rose 5.6% compared to a 1.4% drop in 2006.

Growth in agrofood industries production slowed down compared to the previous year, down from 4.9% to 1.9%.

The energy sector recovered substantially 16.1% compared to a 1.2% fall a year earlier due to net improvement in national production of hydrocarbons (crude oil and natural gas).

Mining production kept on the downward trend in 2007 but at a lesser degree than the drop in 2006 (-1% vs -10.3%).

■ Results in **tourism** were overall satisfactory in 2007 despite some deceleration compared to 2006. Trend in the sector main parameters was such that non-resident entries progressed 3.2% vs 2.7% in 2006 amounting to 6,762 foreign tourists vs 6,550 a year earlier, overall bednights totalled 34,546, up 1.3% compared to last year where the number of bednights progressed 1.5%.

Relative average occupancy rate remained almost stable (51.6% vs 51.5% in 2006).

Tourist receipts in foreign currency rose 8.9% in 2007 compared to 8.2% in 2006, thus exceeding 3,000 MTD.

■ **Gross Fixed Capital Formation (GFCF)** amounted to 10,926 MTD vs 9,680 MTD in 2006, up 12.9%. An amount of 3,724 MTD was invested in the industrial sector. Manufacturing industries benefited from 1,174 MTD vs 1,080 MTD in 2006, up 8.2%. Investment increased significantly in mechanical and electrical industries, textile, clothing and leather, up 26.7% and 24.2% respectively compared to 12.5% and -6.25% a year earlier.

A sum of 2,294 MTD went to the energy sector, up 44.8% compared to the previous year.

Transport and communication sector benefited from 2,264 MTD, thus 214 MTD more than a year before.

Investment rate (in % of GDP) was 24.4% vs 23.5% in 2006.

■ **External payments** were marked by a surplus in 2007 despite the worsening of current deficit.

The general balance of payments posted a surplus of 883 MTD in 2007, down from 2,773 MTD in 2006.

The balance of financial and capital transactions posted a 2,088 MTD surplus vs 3,647 MTD in 2006. This fall is attributable mainly to a 2,419 MTD balance squeeze of the balance of foreign investments, down from 4,399 MTD to 1,980 MTD.

It should be noted the surplus in the balance of capital and financial transactions was up due to receipts from the sale of 35% of capital in Tunisie Télécom for an amount of \$ 2,250 million and if these receipts were excluded, the surplus of the balance would be 1,427 MTD instead of 4,399 MTD in 2006.

Current deficit continued to worsen in 2007, up from 824 MTD to 1,159 MTD from one year to the next, thus the equivalent of 2% and 2.6% of GDP respectively.

This gap widening is attributable to a large extent to the worsening in the deficit of the balance of trade which rose from 4,445.4 MTD in 2006 to 5,029.1 MTD in 2007 despite of improvement of export at a faster pace than import: 24.8% and 22.2% respectively vs 12.8% and 15.7% in 2006. However, the rate of coverage was up 1.6 percentage point to 79.4% vs 77.8% a year earlier.

Larger trade deficit is tightly linked to worsening of foodstuffs balance by 426.8 MTD, but it posted a 277.1 MTD surplus in 2006.

On the other hand, energy balance recovered, posting a 136.2 MTD profit, thing that has not happened since 1992 thanks to substantial high national production of crude oil.

■ The outstanding balance of **external debt** was slightly up compared to 2006, rising from 19,683 MTD to 19,728 MTD in 2007.

Trend in the main parameters of debt show a lower rate of indebtedness (44% vs 47.2%). Debt service also fell to 3,296 MTD vs 3,881 MTD a year earlier, bringing the ratio of debt service to 11.5% of current receipts vs 16.4% a year before.

■ **Net assets in foreign currency**, totalled 9,582 MTD at the end of 2007 despite the absence of substantial proceeds from privatisation as in 2006, where assets amounted to 8,705 MTD and covered 157 days of import, but net assets in foreign currency in 2007 covered just 141 days of import.

Indeed net assets in foreign currency increased just 877 MTD vs 2,833 MTD a year earlier.

They were marked by higher level over the first months of 2007 due to encashment of the SAMURAI VII debenture loan in the amount of 30 billion yen, but in September and October the level lowered because of repayment of the first portion of YANKEE debenture loan in the amount of \$ 250 million and early repayment of some loans from the African Development Bank in an amount of 346 MTD.

Net assets in foreign currency accrued towards the end of the year due to the mobilisation of substantial external resources in the amount of 203 MTD and the encashment of 38.8 million euro from grants from the European Union. However current deficit worsening in December reduced the effect of this increase.

■ In **public finances**, the outstanding balance of budget deficit exclusive of privatisation and external grants came to 1,335.1 MTD in 2007 vs 1,178.8 MTD in 2006.

In percentage of GDP, the deficit came up to 3% after lowering in 2006, down from 3.2% to 2.9%.

■ **On monetary level**, the M3 aggregate posted faster growth than the year before: 12.5% vs 11.4%.

In terms of monthly averages this increase came to 11.2% for 2007 compared to 12.4% in 2006 for nominal economic growth rates of 8.9% and 9.4% respectively, raising the economy liquidity rate from 61.6% to 62.9%. As for counterparts of the financial system, net claims on abroad rose by 931 MTD in 2007 vs a 2,763 MTD increase a year earlier under the moderating effect of net assets in foreign currency.

Net claims on the State rose 509 MTD compared to 999 MTD in 2006 considering the increase in the outstanding balance of Treasury bonds in the portfolio of banks (+239 MTD) and the decrease in the balance of the Treasury's current account (-121 MTD).

Financing of the economy improved substantially 9.7% or 2,525 MTD compared to 6.6% or 1,618 MTD a year earlier.

This faster pace was caused by the higher level of loans to the economy 2,424 MTD in 2007 vs 1,492 MTD in 2006. The outstanding balance of treasury bills posted recovery, + 27 MTD in December 2007 compared to -44 MTD over of the same month of 2006.

The outstanding balance of securities portfolio grew by 6.8% in 2007 vs 9.2% in 2006.

To adjust the level of liquidity, the Central Bank of Tunisia intervened raising the rate of reserve requirements from 3.5% to 5% at the end of November (cf. circular to banks n° 2007-26 of 30 November 2007) and within the framework of its monetary policy operations, the Issuing Institution mopped up a total amount of 168 MTD over the last quarter of 2007 vs 96 MTD over the same period in 2006.

■ **The rate of inflation** decreased in terms of annual averages to 3.1% in 2007 vs 4.5% in 2006 despite persistent soaring world prices for commodities and the depreciation of the dinar against the euro.

Inflation was contained due to slower increase in prices for energy products (5.9% vs 14.9% in 2006) and foodstuffs (2.8% vs 5.4%).

Foodstuffs and energy exclusive, the general consumer price index would follow the same trend in 2007: 3.1% vs 2.8% in 2006.

Contribution of these two factors of products to overall increase of overall index came down from 62% in 2006 to 43% in 2007.

TRENDS IN TUNISIA'S MAIN ECONOMIC INDICATORS

(In MTD unless otherwise indicated)

Description	2004	2005	2006	2007	Variation %	
					2006/2005	2007/2006
GDP in constant 1990 prices	20,559	21,373	22,541	23,963	5.5	6.3
GDP exclusive of agriculture & fishing	17,895	18,895	19,976	21,313	5.7	6.7
GNP per capita (in dinars)	3,576	3,718	4,120	4,377	10.8	6.2
Total national consumption	27,583	29,536	32,197	34,742	9.0	7.9
Gross national savings	7,938	7,756	9,521	10,068	22.8	5.7
National savings rate (in % of GNAI) ¹	22.3	20.8	22.8	22.5	2.0	-0.3
Gross fixed capital formation (GFCF)	8,016	8,395	9,680	10,926	15.3	12.9
Investment rate (in % of GDP) ¹	22.8	22.3	23.5	24.4	1.2	0.9
Consumer price index (base 100 in 2000)	111.5	113.8	118.9	122.6	4.5	3.1
Jobs created (in thousand jobs) ²	74.4	76.5	76.6	80.0	0.1	4.4
Balance of trade deficit (FOB/CIF)	3,905	3,498	4,445	5,029	27.1	13.1
Rate of coverage (Exports/Imports in %) ¹	75.5	79.8	77.8	79.4	-2	1.6
Tourism earnings	2,290	2,611	2,825	3,077	8.2	8.9
Current deficit (in % of GDP)	2.0	1.0	2.0	2.6	1	0.6
Balance of the general balance of payments ³	1,213	1,216	2,773	883	1,557	-1,890
External debt service ratio (in % of current receipts) ¹	14.3	12.8	16.4	11.5	3.6	-4.9
Rate of external indebtedness (in % of GNAI) ¹	54.6	54.6	47.2	44	-7.4	-3.2
Budget deficit (in % of GDP) ^{1,4}	2.8	3.2	2.9	3.0	-0.3	0.1
Total State indebtedness/GDP (in %) ¹	59.4	58.3	53.9	50.9	-4.4	-3.0
M3 Money supply of the financial system	21,466	23,821	26,546	29,853	11.4	12.5
Liquidity rate of the economy (M3/GDP) in % ¹	58.5	59.9	61.6	62.9	1.7	1.3
Net claims on abroad ³	3,127	4,113	6,876	7,807	2,763	931
of which: net assets in foreign currency ³	4,733	5,872	8,705	9,582	2,833	877
in day of import ⁴	107	122	157	141	35	-16
Net claims on the State ³	3,825	4,166	5,165	5,674	999	509
Financing of the economy	23,083	24,538	26,156	28,681	6.6	9.7

Source : Central Bank of Tunisia 2007 Annual Report, Central Bank of Tunisia, Ministry of Development and International Cooperation, Ministry of Finance and National Institute of Statistics (INS).

(1) Variations in percentage points

(3) Variations in MTD

(2) In non-agricultural activity

(4) Variations expressed in days.

■ Foreign Exchange Market

The activity on foreign exchange market improved over 2007. Overall volume of cash transactions came to 35,566 MTD compared to 33,098 MTD in 2006 and 27,595 MTD in 2005 due to increase in transactions in foreign currency against the dinar as well as those of foreign currency against foreign currency.

The dinar exchange rate continued to depreciate against the euro but it increased in value against the american dollar and the japanese yen.

Trends in the dinar against the main foreign currencies:

Using end of period interbank market average rates, the dinar depreciated by 4.9% against the euro and 3.5% against the moroccan dirham in 2007 vs 6.1% and 3.3% respectively in 2006.

However, the dinar appreciated by 6.3% against the U.S dollar, by 4.7% against the pound sterling and by 0.2% against the japanese yen. Worth of note that in 2006 the tunisian dinar appreciated by 4.9% and by 6.8% respectively against the american dollar and the japanese yen, but it depreciated heavily (9%) against the pound sterling.

In terms of annual averages, the dinar depreciated in 2007 by 4.6% against the euro vs 3.5% in 2006, by 4.1% against the pound sterling vs 3.6% in 2006 and by 2.9% against the moroccan dirhams like a year earlier. But the dinar appreciated by 3.9% compared to the greenback and by 5.3% compared to the japanese currency. In 2006 the dinar lost 2.4% of its value against the american dollar.

TRENDS IN AVERAGE RATES OF MAIN FOREIGN CURRENCIES AGAINST THE DINAR ⁽¹⁾

Description	2003	2004	2005	2006	2007	Variation % ⁽²⁾	
						2006/2005	2007/2006
1 US dollar	1.2877	1.2456	1.2981	1.3294	1.2799	-2.4	+3.9
1 euro	1.4573	1.5486	1.6126	1.6709	1.7519	-3.5	-4.6
1 pound sterling	2.0943	2.2730	2.3492	2.4372	2.5418	-3.6	-4.1
1,000 Japanese yens	11.0600	11.4812	11.7453	11.3776	10.8007	+3.2	+5.3
10 moroccan dirhams	1.3391	1.4021	1.4601	1.5036	1.5485	-2.9	-2.9

Source : Central Bank of Tunisia 2007 Annual Report.

⁽¹⁾ These are rates on the interbank market. ⁽²⁾ (-) Means a depreciation of the dinar, (+) an appreciation.

Trends in foreign exchange market transactions:

Spot transactions:

Overall volume of spot transactions was up by 7.5% in 2007 vs 20% in 2006, coming to 35,566 MTD.

The share of interbank market came to 91% of volume of transactions in foreign currency/dinar in 2007 vs 89% in 2006, with 81.6% for banks and 18.4% for offshore banks.

Intervention by the Central Bank involved 1,110 MTD in 2007 vs 1,205 MTD in 2006.

The share of transactions in foreign currency against the dinar amounted to 34% of overall volume of spot foreign exchange transactions, governed by euro/dinar transactions (59.5%).

Exchange transactions from one foreign currency to another involved 23,328 MTD vs 21,855 MTD in 2006, about 96% of which were made with foreign correspondents.

Forward transactions :

The overall amount of foreign exchange forward transactions came to 3,941 MTD vs 2,418 MTD a year earlier, up 1,523 MTD.

Transactions carried out between banks and businesses amounted to 3,139 MTD, 87% of which to cover import and 13% to cover export.

Forward sales transactions carried out by authorised intermediaries grew by 1,108 MTD compared to the previous year, totalling 2,717 MTD. On the other hand, forward purchases fell by 266 MTD, down from 688 MTD in 2006 to 422 MTD in 2007. The share of transactions in euro was 39% for forward sales and 53% for forward purchases vs 38% and 57% a year earlier.

However, the share of transaction in US dollar was 56% and 46% respectively for forward sales and forward purchases vs 58% and 43% in 2006.

TRENDS IN FOREIGN EXCHANGE MARKET INDICATORS

End of period Description	2005	2006	2007	Variation %	
				2006/2005	2007/2006
SPOT TRANSACTIONS	27,595	33,098	35,566	+20	+7.5
A - TRANSACTIONS FROM FOREIGN CURRENCY TO DINARS	10,000	11,243	12,238	+12.4	+8.8
* Interbank Market	9,234	10,038	11,128	+8.7	+10.9
of which :- Resident banks	7,439	7,838	9,075	+5.4	+15.8
- Offshore banks	1,795	2,200	2,053	+22.6	-6.7
* Central Bank of Tunisia	766	1,205	1,110	+57.3	-7.9
B - TRANSACTIONS FROM ONE FOREIGN CURRENCY TO ANOTHER	17,595	21,855	23,328	+24.2	+6.7
of which : Transactions between Tunisian Authorised Intermediaries	1,308	1,010	886	-22.8	-12.3
FORWARD TRANSACTIONS	1,674.3	2,417.6	3,940.7	+44.4	+63
of which : Transactions between Tunisian Authorised Intermediaries and Businesses	1,654.6	2,296.7	3,138.9	+38.8	+36.7
TOTAL	29,269.3	35,515.6	39,506.7	+21.3	+11.2

Source : Central Bank of Tunisia 2007 Annual Report.

Foreign exchange swap transactions:

In 2007, the volume of foreign currency/dinar exchange swap transactions was marked by substantial increase, coming to 1,696 MTD vs 1,043 MTD in 2006 and 323 MTD in 2005. The share of foreign exchange swap transactions carried out with foreign correspondents came to 92%.

TRENDS IN FOREIGN EXCHANGE SWAP TRANSACTIONS

(In MTD)

Description	2005	2006	2007	Variation in MTD	
				2006/2005	2007/2006
Interbank Market	1.1	82.9	132.3	+81.8	+49.4
Transactions with foreign correspondents	311.7	957.9	1,560.5	+646.2	+602.6
Transactions between Tunisian Authorised Intermediaries and businesses	9.7	2.0	3.0	-7.7	+1.0
TOTAL	323	1,043	1,696	+720	+653

Source : Central Bank of Tunisia 2007 Annual Report.

■ **Stock market** activity was marked by more timid performance than in 2006. BVMT price index and TUNINDEX closed the year 2007 with respective gains of 21.12% and 12.14% vs 39.97% and 44.33% in 2006.

2

MONETARY, FINANCIAL
AND FOREIGN
EXCHANGE CONDITIONS
AND THE SECTOR
CONTRIBUTION
TO DEVELOPMENT
IN 2007

MONETARY, FINANCIAL AND FOREIGN EXCHANGE CONDITIONS AND THE SECTOR CONTRIBUTION TO DEVELOPMENT IN 2007

A- MAIN ECONOMIC, MONETARY AND FINANCIAL REGULATING MEASURES

2007 was marked by new structural reforms to enable the tunisian economy meet the new requirements of international competition. These reforms concerned mainly:

- Measures concerning the financial sector,
- Consolidation of capital market activity,
- Investment promotion,
- Easing foreign exchange and external trade regulation, and
- Other measures.

I° MEASURES CONCERNING THE FINANCIAL SYSTEM:

■ Modification of reserve requirement rate:

Excess of liquidity that characterised the money market, in particular, starting the second half of August 2007, led the Central Bank of Tunisia to raise reserve requirement rate from 3.5% to 5%, applying to sight deposits, other sums due to clients and certificates of deposit with an initial duration of less than three months (Cf. Central Bank of Tunisia circular to banks n° 2007-26 of 30 November 2007).

■ Modification of norms for granting loans to private parties:

Conditions of financing for housing changed as follows:

- Raising share of financing investment loan from 60% to 80% given the higher cost of real estate prices,
- Fixing the maximum duration for loan repayment to 25 years,
- Eliminating the ceiling of 30,000 dinars previously set for loans for construction of housing that are not available under savings plans at banks,
- Imposing on banks to have enough resources for the volume of loans, notably in terms of maturity,
- Obliging banks to set a fixed interest rate to loans with a duration of more than 15 years.

However, banks are free to set any conditions they choose for housing loans and those granted in the framework of a home savings plan, while being careful to maintain balance between resources and uses of the product being promoted (Cf. Central Bank of Tunisia circular to banks n° 2007-25 of 19 November 2007).

New fiscal measures concerning the financial system:

■ **Higher rate for deductible provisions from taxable basis (Cf. articles 45 and 46 of 2008 finance law):**

To improve the financial sector performance, it was decided to increase the rate for deductible provisions of taxable basis from 30% to 50% for:

- Provisions for non-performing loans that face court cases,
- Provisions for depreciation of the value of stock for sale,
- Provisions for depreciation of the value of shares listed on the stock market,
- Provisions for depreciation of social shares held by Venture Capital Investment Companies (SICARs), and
- Provisions to cover the risk of technical commitments falling due relating to insurance and reinsurance companies.

■ **Extension of deductibility of provisions on non-performing loans to non-resident banking institutions (Cf. article 47 of 2008 finance law):**

In compliance with regulation into force, non-resident banking institutions are authorised to deduct provisions made up for non-performing loans, just like resident banking institutions.

■ **Extension of the field of application of deductibility of provisions to those made up for endorsement to clients for resident and non-resident financial institutions.**

■ **Elimination of deduction of financial amortization for leasing companies (Cf. article 44 of 2008 finance law).**

■ **Clarification of rules for charging value added tax (VAT) on leasing operations (Cf. articles 49 to 51 of 2008 finance law):**

Leasing companies must calculate VAT on the basis of amounts due with respect to leasing contracts. They have the right to deduct VAT that has entailed acquisition of equipment, material and buildings to be used in the framework of leasing contracts.

■ **Fiscal incentives to continue export promotion:**

Within the policy that aims at a better integration of export oriented companies in the national economy and with view to offering more opportunities for operations in Tunisia, several measures were undertaken:

Banking and financial institutions dealing mainly with non-residents continue to benefit from taxes and dues exemption till 1st January 2012 instead of 1st January 2009 (Cf. Law n° 2006-80 of 18 December 2006).

The 2.5% advance on turnover required on sales by fully-exporting businesses on the local market and paid as tax due on income or on profit was eliminated (Cf. article 52 of 2008 finance law).

2°/ CONSOLIDATION OF ACTIVITY ON THE CAPITAL MARKET

■ Specific rules governing start-up funds and capital risk mutual investment funds:

Under the terms of laws n° 2005-58 of 18 July 2005 and law n° 2005-105 of 19 December 2005, governing rules of the Financial Market Council (CMF) were reviewed to redefine start-up funds and capital risk mutual investment funds as mutual funds investing in securities (OPCVM). Both entities must deposit at CMF a file containing a bonding-scheme, a project of internal rules of the fund, the agreements made with the various parties and management guidelines of the funds. Managers must submit an annual report on fund activity at the closing of each accounting year in compliance with the legislation into force (Cf. directive of the Ministry of Finance of 15 January 2007 published in the Official Journal of the Tunisian Republic n° 7 of 23 January 2007).

■ Rationalization of the deduction of losses from sale of stocks or shares of mutual funds investing in securities (Cf. article 53 of 2008 finance law):

It has been decided to allow deduction of losses on sale of stocks or shares in mutual funds investing in securities only up to depreciation of the liquidity value resulting from distribution of profits or income.

■ Coverage against foreign exchange risk:

To reinforce liberalisation of transactions on foreign exchange market and with view to providing authorised intermediaries with adequate tools to improve management of foreign exchange risk, it was decided to enable authorised intermediaries to quote foreign currency/dinar foreign exchange options to the benefit of their resident clients.

It should be noted that the price of the foreign exchange option and the premium are fixed by common agreement between the authorised intermediary and its client (Cf. circular of the Central Bank of Tunisia to authorised intermediaries n° 2007-27 of 18 December 2007).

■ Creation of an alternative market:

In addition to the main market and the bond market, a new alternative market was created. This market addresses small and medium sized companies that benefited from the upgrading programme to be listed on the stock market by obtaining low cost borrowings in order to have new resources and consolidate their core funds.

■ Modification of conditions for introducing securities on the stock market:

Posting companies securities on the main market is limited to companies with a minimum capital of three million dinars. It should be kept in mind that these companies should have a manual of organization procedures, management and disclosure of financial information, an internal audit structure and a management control structure.

However, posting of securities on the alternative market is authorised to companies being set up through public call on savings after clearance of the prospectus by the Capital Market Council (CMF). Such securities accepted on this market must have a minimum of 100 stockholders or five institutional stockholders. Worth of note that the company wishing to be listed on this market should have a capital held for more than one year, to the amount of 20%, by two institutional investors (Cf. by law of the Ministry of Finance of 24 September 2007, published in the Official Journal of the Tunisian Republic n° 79 of 2 October 2007).

■ Modification of stockbroker statutes:

In the framework of strengthening transparency of the financial information and with a view to introducing more rigorous measures for stockbrokerage, officials at limited liability working in this area must henceforth be university graduates and have five years of experience in this field (instead of three previously).

The exercise of maintaining a market will now be subject to prior approval by the Capital Market Council instead of that of the Tunis Stock Market as it used to be in the past.

When a stockbroker ceases activity, the Capital Market Council has now the authority to take any measures required to safeguard client interests, above and beyond the usual oversight in cases of liquidation. Stockbrokers are also obliged to obtain the prior approval of the Capital Market Council for creation of a subsidiary, merger with other stockbrokerage firms or acquisition of capital in a stockbrokerage firm by one individual or several people.

In the same way as banks, financial institutions have been authorised the exercise of activities for financial canvassing, management of stock portfolios on behalf of third parties, holding of stock accounts and collection/transmission of stock market orders. In this respect, worth of note that lending institutions are subject to the same responsibilities as those incumbent upon stockbrokers.

■ Setting of modalities for withholding on income from stock capital relating to negotiable loan securities:

Interest paid on short term Treasury bonds, bonds equivalent to Treasury bonds and zero coupon Treasury bonds as well as interest paid on bonds issued by companies using public call for savings and integrating in the operations of the Tunisian inter-professional stock clearing and deposit company (STICODEVAM) is now subject to withholding on individual income and corporate tax (Cf. Decree n° 2007-1870 of 17 July 2007 published in the Official Journal of the Tunisian Republic n° 60 of 27 July 2007).

3°/ INVESTMENT PROMOTION

New measures in favour of investment promotion have been adopted and were mainly on:

■ Measures relating to financing agriculture and fishing:

For the 2006-2007-cereal campaign, the scale for additional seasonal crop loans for supplementary fertilization and anti-fungus treatment was kept at its level. Repayment is due on 31 August 2007 (Cf. Central Bank of Tunisia note to banks n°2007-07 of 30 March 2007).

The category "B" investment premium for investment by medium-scale investors in agriculture and fishing previously set at 20% of the amount of investment for all categories of activity, now has a ceiling of 150,000 dinars, limited to acquisition of modern units for producing deep sea fishing products.

Investment in cold storage for agricultural and fishing products is now eligible for incentives available for regional development on condition that they are integrated into agricultural projects and located in a regional development zone (Cf. Decree n°2007-14 of 3 January 2007 published in the Official Journal of the Tunisian Republic n° 3 of 19 January 2007).

To reduce the burden of indebtedness of the agricultural sector, the State decided partial reduction of debt as follows:

- Farmers are eligible for total deduction of late interest and 50% of contractual interest unpaid for seasonal large-scale crop loans (Cf. Central Bank of Tunisia note banks n° 28 of 19 November 2007).
- The State will abandon the overall amount of late interest and 50% of conventional interest on agricultural loans secured up until 31 October 2007, up to a maximum of 25 million dinars.
- Lending institutions can deduct from the corporate tax base for a three-year period (2007, 2008 and 2009), starting from the year proceeds were abandoned, 50% of conventional interest abandoned and relating to loans for large-scale crops secured up until 31 October 2007.
- Banks can also strike from their accounts late interest and 50% of conventional interest on agricultural loans that have been abandoned for 2007, 2008 and 2009.

The scale for cereal crop loans has been revised upward for the 2007-2008 cereal campaign to take into account the increase in costs, notably the cost of inputs and cereal prices on the international market (Cf. Central Bank of Tunisia note to banks n° 2007-22 of 9 October 2007).

■ Measures in favour of handicrafts:

In the framework of promotion of handicrafts and with view to encouraging innovation, overseeing and helping carpet makers and those working in weaving, it has been decided to set up a "technical centre to create, innovate and oversee carpets and weaving" (Cf. Law n° 2006-60 of 14 August 2006 published in the Official Journal of the Tunisian Republic n°66 of 18 August 2006 and by law of the Ministry of Trade and Handicrafts of 14 February 2007 published in the Official Journal of the Tunisian Republic n° 15 of 20 February 2007).

■ Measures in favour of industry:

Pursuing the promotion of agrofood industry, it has been decided to extend participation of the fund to develop industrial competitiveness granted in the form of annual subsidy to finance industrial groups working in canned food (Cf. Decree n° 2007-313 of 19 February 2007 published in the Official Journal n° 16 of 23 February 2007).

■ Measures in favour of small businesses:

To help new promoters integrate the professional life and encourage them to start their own projects, several measures were taken in their favour.

Advantages in the form of reimbursable allocation and investment premium given to small projects started up by university graduates were extended to those created by expansion of economic enterprises.

In the same way, profession activities in small and micro businesses were extended to take into account “group of activities linked to maintenance” as well as “group of activities linked to various services” (Cf. Decree n° 2007-1100 of 7 May 2007 published in the Official Journal of the Tunisian Republic n°38 of 11 May 2007).

New promoters with no real guaranty in the amount of 40% of the concerned project cost can benefit, with respect to decree n° 2007-2035 of 14 August 2007 published in the Official Journal of the Tunisian Republic n° 66 of 17 August 2007, from a reimbursable allocation of 100% of core funds. Indeed, this allocation is free of interest and is payable over a maximum period of 11 years.

■ More flexibility in procedures for withdrawing incentives in the framework of boosting investment (Cf. articles 32 and 33 of 2008 finance law):

To continue boosting investment, repayment of tax breaks and premiums will be deducted by one tenth per year of actual use in case beneficiaries do not respect the terms prevailing legislation or execution of the investment project does not take place within a year of the date of the declaration of intention to invest.

■ More flexibility in conditions for benefiting from tax breaks related to reinvestment of profit in initial capital subscription or to investment of company capital (Cf. article 35 of 2008 finance law):

Corporates operating in activities mentioned in the first article of investment incentives code can extend the time-frame for incorporating the reserve recorded in the “special investment reserve account” in corporate capital to, at latest, the end of the year in which the reserve is constituted instead of the time-frame for deposit of the definitive declaration for the year in which the deduction took place.

■ **Establishment of a preferential tax system in favour of premiums granted to companies meant to finance intangible investments (Cf. article 36 of 2008 finance law):**

To promote intangible investments, it has been decided to reintegrate premiums granted to companies that are meant to finance this category of investment in the net results of each year for a period of 10 years from the year of their encashment rather than in the results of the year of their encashment.

4°/ FURTHER FLEXIBILITY IN FOREIGN EXCHANGE AND FOREIGN TRADE REGULATIONS

To carry on the progressive setting up of full convertibility of the tunisian dinar and liberalization of external finance, the authorities adopted new measures related to current transfer as well as capital transactions.

a- Conditions and procedures of transfer for current transactions:

Several initiatives to introduce flexibility continue to be made to improve non-resident and resident economic operators' initiative. These decisions are as follows:

■ **Conditions to transfer allowances for vocational training abroad:**

To benefit from new technologies of developed countries and encourage vocational training abroad, it has been decided to enable residents allowed by the Ministry in charge of vocational training to carry on a training abroad and benefit from an allowance in the form of setting up fees for an amount of 2,000 dinars for each period of training, stay fees to the amount of 1,500 dinars monthly as well as registration fees in compliance with training agreement (Cf. Central Bank of Tunisia Circular to authorised intermediaries n° 2007-09 of 12 April 2007).

■ **Conditions of opening and operating "tourist allowance" account:**

Any private individual, in case he/she has amounts unused from his allowance when traveling abroad, can open a "tourist allowance in convertible dinars" account (Cf. Central Bank of Tunisia circular to authorised intermediaries n° 2007-15 of 26 April 2007).

■ **Granting an international payment card for tourist allowance:**

Besides payment by cheque or cash, tunisian tourists can use an international payment card for tourist allowance to pay for their expenses abroad (Cf. Central Bank of Tunisia circular to authorised intermediaries n° 2007-04 of 9 February 2007).

■ **Agreement with the Libyan Central Bank for transfer of tourist allowance:**

In compliance with the agreement signed by both the Central Bank of Tunisia and the Libyan Central Bank, residents are now authorised to transfer their tourist allowance in tunisian dinars or in libyan dinars (Cf. Decree n°2007-394 of 26 February 2007 published in the Official Journal of the Tunisian Republic n° 18 of 2 March 2007 and Central Bank of Tunisia circular to authorised intermediaries n° 2007-06 of 15 March 2007).

b- Ongoing liberalization of capital transactions:

To facilitate the setting up of resident companies abroad and therefore carry on the step-by-step liberalization of export oriented activities, a set of measures has been taken for residents and non-residents.

Resident export oriented companies with minimum turnover of 50,000 dinars can transfer freely from 50,000 dinars to 500,000 dinars for the financing of investments in hubs or representation offices and from 100,000 dinars to 1 million dinars for investments in the form of branches, subsidiaries or participation in companies abroad.

In the same way, resident non-export-oriented companies can transfer amounts ranged between 30,000 dinars and 150,000 for financing hubs or representation offices and between 60,000 dinars and 300,000 dinars for financing branches, subsidiaries or participations (Cf. foreign exchange notice of the Ministry of Finance published in the Official Journal of the Tunisian Republic n° 18 of 2 March 2007 and Central Bank of Tunisia circular to authorised intermediaries n° 2007-08 of 10 April 2007).

■ Residents' participation in capital of non-resident companies in Tunisia:

In application of foreign exchange notice of the Ministry of Finance published in the Official Journal of the Tunisian Republic n° 18 of 2 March 2007, resident private individuals or corporate entities set up in Tunisia can participate in the capital of non-resident companies set up in Tunisia, either at the time the company is set up or when it issues capital increases through acquisition of stocks or shares. This participation can be free of charge or with charge (Cf. transfer procedures have been fixed by the Central Bank of Tunisia circular to banks n° 2007-23 of 10 October 2007).

■ Modalities and conditions for granting short-term loans in dinars to non-resident companies set up in Tunisia:

Non-resident companies set up in Tunisia can benefit from short-term loans in dinars meant for financing acquisition, on the local market, of products or goods necessary for working and for coverage of any operating expenditure.

Worth of note that conditions for granting such a loan are fixed by the Central Bank of Tunisia circular to authorised intermediaries n° 87-47 of 23 December 1987 (Cf. Central Bank of Tunisia circular to authorised intermediaries n° 2007-16 of 10 May 2007).

■ Modification of modalities and uses of non-transferable foreign currencies:

The use by authorised intermediaries of resources piled up from non-transferable foreign currencies, for less than one-year periods, without prior authorisation of the Central Bank of Tunisia was extended to financing export and import transactions of resident companies or those which are not set up in Tunisia, operating in service sector as well as to financing local origin product transactions carried out by non-resident internal trade companies set up in Tunisia.

It should be noted that resources above-mentioned can be used in the following cases:

- Placement on money market in foreign currency as well as to correspondents of authorised intermediaries of foreign currencies belonging to their non-resident customers or placement with the Central Bank of Tunisia as profit-earning deposits,

- Purchase or sale of foreign currencies of banking acceptance issued on the money market by the Central Bank of Tunisia who will fix the currency, the amount and the due rate,
- Financing import-export transactions of resident and non resident companies set up in Tunisia working in industry,
- Granting operating loans to non-resident companies,
- Placement with the Central Bank of Tunisia under the form of profit-earning deposits (Cf. the Central Bank of Tunisia circular to authorised intermediaries n° 2007-14 of 25 April 2007).

■ **Modification of re-export conditions by non-residents of imported foreign currencies:**

To make foreign exchange regulation more flexible, it has been decided to authorise non-resident travellers to re-export freely the remaining of imported foreign currency in banknotes that were not used, in the amount of the exchange value of 5,000 dinars vs just 3,000 dinars previously.

However in case the re-exported sums exceed the aforesaid amount, the operation remains dependant on the presentation of foreign currency import declaration, set up when entering the tunisian territory duly filled in by non-resident travellers and stamped by customs (Cf. foreign exchange notice of the Ministry of Finance published in the Official Journal of the Tunisian Republic n° 18 of 2 March 2007 and the Central Bank of Tunisia circular to authorised intermediaries n° 2007-13 of 25 April 2007).

■ **Management of resident corporate entities bank accounts:**

To facilitate investors' business management in Tunisia, it has been decided to do away with the required authorisation in foreign exchange for management of resident companies bank accounts when the rate of non-residents' participation in the capital of these companies is more than 50% (Cf. The Central Bank of Tunisia circular to authorized intermediaries n° 2007-02 of 5 February 2007).

■ **More flexibility to encourage foreign investment in portfolio:**

To boost investment of direct foreign capital and of portfolio, it has been decided to raise to 20% vs 10% previously the maximum rate of subscription and acquisition of bonds equivalent to Treasury bonds by non-resident foreigners and as well as the rate related to bonds issued by resident companies listed on the capital market or with a rating (Cf. the Central Bank of Tunisia circular to authorised intermediaries n° 2007-10 and n° 2007-11 of 17 April 2007).

5°/ OTHER MEASURES

■ **Setting the digital economy:**

Within the framework of development strategy of a knowledge-based economy, the regulating framework managing the digital economy has been set up. This new framework which defines the principles and the rules of «public-private» partnership, will enable the public sector to have necessary systems and software at required quality and cost on the one hand, and will enable the private sector to consolidate its exports by strengthening demand for services carried out on the other hand.

The State and the local communities see to promoting this sector by contributing in:

- Setting up the necessary infrastructure,
- Offering training opportunities,
- Promoting scientific research, and
- Managing companies working in digital economy.

The public private sector partnership in support of a digital economy is established by signing agreements, the rules, the application procedures and the risk-sharing modalities of which are fixed by the orientation law n° 2007-13 of 19 February 2007 published in the Official Journal of the Tunisian Republic n° 16 of 23 February 2007.

■ **Modalities and conditions for granting financing from the fund to promote housing for wage earners (FOPROLOS):**

Provided for in the provisions of decree n° 2007-12 of 3 January 2007 published in the Official Journal of the Tunisian Republic n° 3 of 9 January 2007, wage earners, whose monthly wages (including allowances) are between 3 and 4.5 times the guaranteed inter-professional minimum wage (SMIG), can benefit from this category of loans to acquire new housing. It should be noted that:

- The maximum amount of a loan is 210 times the SMIG, not to exceed 85% of the cost of housing as authorised by the Ministry in charge of housing;
- Granted for a period of 20-years with one year of franchise, this loan is subject to an interest rate of 6.75% a year;
- The area of housing varies between 80m² and 100m².

■ **Measures in favour of Tunisians abroad:**

In application of decree n° 2007-5 of 3 January 2007 published in the Official Journal of the Tunisian Republic n° 2 of 5 January 2007, the tax system applied upon definitive return of tunisians resident abroad has been modified as follows:

- Elimination of the tax break for SUVs, and this in the case of definitive return and,
- Decrease of tax rate for private cars, from 50% to 30%.

B- SECTOR CONTRIBUTION TO DEVELOPMENT

I°/TRENDS IN MONEY AGGREGATES AND THEIR COUNTERPARTS:

2007 was marked by less substantial increase of net claims on the State, 509 MTD vs 999 MTD in 2006 combined with consolidation of financing of the economy as well as of net claims on abroad. This trend had positive effect on the M3 aggregate that rose to 12.5% vs 11.4% in 2006.

FINANCIAL SYSTEM RESOURCES ⁽¹⁾ AND THEIR COUNTERPARTS

Description	MTD			Variation (%)	
	2005	2006	2007	2006/2005	2007/2006
M4 AGGREGATE	24,101	26,782	30,116	11.1	12.4
Money Supply broad sense (M3)	23,821	26,546	29,853	11.4	12.5
Money Supply strict sense (M2)	22,130	24,834	28,197	12.2	13.5
Money M1	8,742	9,871	11,083	12.9	12.3
Fiduciary money	3,478	3,873	4,099	11.4	5.8
Bank money	5,264	5,998	6,984	13.9	16.4
Quasi-Money M1	13,388	14,963	17,114	11.8	14.4
M3 – M2	1,691	1,712	1,656	1.2	-3.3
M4 – M3	280	236	263	-15.7	11.4
OTHER RESOURCES	8,716	11,415	12,046	31.0	5.5
TOTAL RESOURCES = TOTAL COUNTERPARTS	32,817	38,197	42,162	16.4	10.4
NET FOREIGN ASSETS*	4,113	6,876	7,807	2,763.0	931.0
DOMESTIC LOANS	28,704	31,321	34,355	9.1	9.7
Net Claims on the State *	4,166	5,165	5,674	999.0	509.0
Financing of the economy	24,538	26,156	28,681	6.6	9.7
Loans to the economy	23,168	24,660	27,084	6.4	9.8
Securities portfolio	1,370	1,496	1,597	9.2	6.8

Source : Central Bank of Tunisia 2007 Annual Report.

⁽¹⁾ The financial system includes The Central Bank of Tunisia, all purposes banks, Postal Cheque Centre (CCP), leasing companies and Postal Savings Centre (CEP).

* Variations are expressed in MTD

a- Financial system resources :

In terms of monthly averages, the M3 aggregate grew to 11.2% for 2007, compared to 12.4% in 2006 for nominal economic growth rates of 8.9% and 9.4% respectively.

From one year to the next, the aggregate M2 rose to 13.5% in 2007, compared to 12.2% a year earlier. This higher growth rate was attributable to faster growth of quasi-money, 14.4% vs 11.8% in 2006.

The M1 aggregate, posting 11,083 MTD, progressed just 12.3% in 2007 compared to a 12.9% rise a year earlier. This development was the result of the combined effects of faster growth in bank money, 16.4% vs 13.9% in 2006 and slower growth in fiduciary money: 5.8% in 2007 vs 11.4% a year earlier.

The "M3-M2" aggregate was on the downward trend and came to 3.3% vs a 1.2% increase in 2006. This decrease resulted from, on the one hand the drop in the outstanding balance of debenture loans (-17.4% vs -6.6%) and on the other hand a regress in the outstanding balance of home savings 5.1% vs 6.5% in 2006.

b- Counterparts of the financial system resources:

Net claims on abroad amounted to 7,807 MTD in 2007 compared to 6,876 MTD in 2006, up 931 MTD vs 2,763 MTD a year earlier.

Net assets in foreign currency amounted to 9,582 MTD at the end of 2007, the equivalent of 141 days of imports, compared to 8,705 MTD and 157 days of imports in 2006.

Net claims on the State totalled 5,674 MTD in 2007 compared to 5,165 MTD in 2006, up just 509 MTD vs 999 MTD a year earlier. This lower growth reflects the decrease in the Treasury's current account (-121 MTD) and the increase in the outstanding balance of Treasury bonds in the portfolio of banks (+239 MTD).

Totalling 28,681 MTD in 2007 compared to 26,156 MTD in 2006, financing of the economy was up 9.7% vs 6.6% a year earlier. This growth is attributable to:

- The higher level of loans from ordinary resources, 10.8% or 2,448 MTD vs 6.7% or 1,428 MTD in 2006,
- The moderate increase in securities portfolio: 6.8% vs 9.2% a year earlier,
- The increase in treasury bills +27 MTD compared to the previous year's level marked by a fall -44 MTD.

FINANCING OF THE ECONOMY

Description	MTD			Variation (%)	
	2005	2006	2007	2006/2005	2007/2006
Loans to the economy	23,168	24,660	27,084	6.4	9.8
Loans from ordinary resources	21,226	22,654	25,102	6.7	10.8
Loans from special resources	1,662	1,770	1,719	6.5	-2.9
Treasury bills*	280	236	263	-44	27
Securities portfolio	1,370	1,496	1,597	9.2	6.8
TOTAL	24,538	26,156	28,681	6.6	9.7

Source : Central Bank of Tunisia 2007 Annual Report.

*Variations are expressed in MTD.

2° CONTRIBUTION OF THE BANKING SECTOR FOR FINANCING DEVELOPMENT:

The banking sector is characterised by an overall aspect, which enables it to grant various types of financing such as loans for investment and management and participation in capital to the benefit of all sectors of the economy.

Thus, to improve intervention in financing, banks must give more support to financing of the economy to achieve an average growth rate of 6.1% over the XIth plan period (2007-2012).

Through distribution of credit uses the new sectoral breakdown because of coming into force of new credit registry starting January 2007, the banking sector will continue to back up the different economic sectors.

■ BREAKDOWN OF FINANCING BY SECTOR AND BY TERM

Totalling 29.2 billion dinars in 2007, the outstanding balance of loans granted by the financial system to the economy as recorded by the credit registry and the individual loan registry grew to 11.6% vs 8.1% in 2006. This faster growth affected more the outstanding balance of operating loans and to a lesser degree investment loans.

Exceeding 15 billion dinars in 2007, the outstanding balance of short term loans went up 10.6% vs just 3% in 2006. This development was due mainly to faster growth in the outstanding balance of loans to industry, 10.3% vs just 2% a year earlier.

The outstanding balance of loans to investment rose just 12.6% in 2007 compared to 12.3% in 2006. This slight increase was the result of faster growth of medium and long term loans to various sectors of activity except services, which experienced slower growth.

BREAKDOWN OF THE OUTSTANDING BALANCE OF LOANS TO THE ECONOMY BY SECTOR AND BY TERM

(In MTD unless otherwise indicated)

Description			Variation in %		Share of total in %	
	2006	2007	2006/05	2007/06	2006	2007
Loans to professionals	20,824	22,845	6.4	9.7	79.6	78.3
I- Agriculture & Fishing	1,334	1,404	6.8	5.2	5.1	4.8
Short Term	871	889	6.3	2.1	3.3	3.0
Medium & Long Term	463	515	7.5	11.2	1.8	1.8
II- Industry	7,852	8,659	2.0	10.3	30.0	29.7
Short term	5,095	5,639	1.2	10.7	19.5	19.4
Medium & Long Term	2,757	3,020	3.7	9.5	10.5	10.3
III- Services	11,638	12,782	9.7	9.8	44.5	43.8
Short term	5,800	6,451	4.4	11.2	22.2	22.1
Medium & Long Term	5,838	6,331	14.4	8.4	22.3	21.7
Loans to individuals	5,328	6,333	18.6	18.9	20.4	21.7
Consumer loans	2,454	2,776	27.5	13.1	9.4	9.5
Short term	2,263	2,543	28.9	12.4	8.7	8.7
Medium & Long Term	191	233	13.7	22.0	0.7	0.8
Housing loans	2,874	3,557	11.9	23.8	11.0	12.2
Medium & Long Term	2,874	3,557	11.9	23.8	11.0	12.2
TOTAL	26,152	29,178	8.1	11.6	100.0	100.0
Short term	14,029	15,522	3.0	10.6	53.6	53.2
Medium & Long Term	12,123	13,656	12.3	12.6	46.4	46.8

Source : Central Bank of Tunisia 2007 Annual Report.

Breakdown by category of beneficiary, the share of loans to professionals was down from 79.6% in 2006 to 78.3% in 2007. This drop was due mainly to lower shares in certain sectors, down from 5.1% to 4.8% for agriculture and fishing, from 30% to 29.7% for industry and from 44.5% to 43.8% for services.

However, the share of individual loans improved by 1.3 percentage point to come to 21.7% at end 2007 vs 20.4% a year earlier. The higher share of individual loans was attributable to the increase in the share of housing and consumer loans, up from 11% and 9.4% respectively in 2006 to 12.2% and 9.5%.

a- Financing for agriculture and fishing:

The outstanding balance of loans going directly and indirectly to agriculture and fishing went up by 13.3% to come at end 2007 to 2,389 MTD compared to 2,109 MTD a year earlier. Such faster growth benefited the outstanding balance of indirect loans, which rose by 9.9 percentage points.

Increasing from 1,458 MTD in 2006 to 1,604 MTD in 2007, the outstanding balance of operating loans rose by 10% vs 6.3% a year earlier. This faster pace involved more the outstanding balance of indirect loans to structures that store and market agricultural products than that of direct loans granted to farmers.

OUTSTANDING BALANCE OF LOANS TO THE AGRICULTURE AND FISHING SECTOR

(In MTD)

Description	Short term loans			Medium & Long term loans				Total				
	2006	2007	Variation (%)		2006	2007	Variation (%)		2006	2007	Variation (%)	
			2006/05	2007/06			2006/05	2007/06			2006/05	2007/06
Direct loans	871	889	-1.5	2.1	463	515	3.2	11.2	1,334	1,404	1.2	5.2
Indirect loans	587	715	14.4	21.8	188	270	27	43.6	775	985	17.2	27.1
* Agricultural products												
commercialisation structures	587	715	14.4	21.8	127	202	41.1	59.1	714	917	18.4	28.4
of which: National Oil Board	149	77	33	-48	28	99	-6.7	253.6	177	176	24.6	-0.6
Cereals Board	309	500	45.8	61.8	-	-	-	-	309	500	45.8	61.8
Central Wheat Cooperative	17	24	-37	41.2	7	7	75	0	24	31	-22.6	29.2
Large Scale Cropping	27	30	-63	11.1	65	68	140.7	4.6	92	98	-8	6.5
* Agricultural equipment												
commercialisation companies	-	-	-	-	61	68	5.2	11.5	61	68	5.2	11.5
TOTAL	1,458	1,604	6.3	10	651	785	7.5	20.6	2,109	2,389	6.8	13.3

Source : Central Bank of Tunisia 2007 Annual Report.

The outstanding balance of investment loans granted to the agricultural and fishing sector amounted to 785 MTD, up 20.6% vs just 7.5% a year earlier. This faster pace involved the outstanding balance of direct loans as well as the outstanding balance of indirect loans.

b- Financing for industry :

Coming to 8,659 MTD at the end of 2007 vs 7,852 MTD at the end of 2006, the outstanding balance of loans to the industrial sector rose by 10.3% vs just 2% a year earlier. This was due to the greater increase in the outstanding balance of short term as well as medium and long term loans, 10.7% and 9.5% respectively vs just 1.2% and 3.7% in 2006.

BREAKDOWN BY BRANCH OF THE OUTSTANDING BALANCE OF LOANS TO THE INDUSTRIAL SECTOR

(In MTD)

Description	Short term loans			Medium & Long term loans			Total		
	2006	2007	Variation (%)	2006	2007	Variation (%)	2006	2007	Variation (%)
	2007/06			2007/06			2007/06		
Energy products extracting	47	10	-78.7	27	22	-18.5	74	32	-56.8
Other than energy products extracting	90	87	-3.3	76	71	-6.6	166	158	-4.8
Agriculture and foodstuff industries	1,178	1,295	9.9	558	648	16.1	1,736	1,943	11.9
Textile and clothing industries	489	514	5.1	191	158	-17.3	680	672	-1.2
Leather and footwear industries	86	84	-2.3	22	36	63.6	108	120	11.1
Wood and worked products	131	137	4.6	38	41	7.9	169	178	5.3
Paper and cardboard, edition and printing	181	203	12.2	146	166	13.7	327	369	12.8
Coking, refinery, nuclear industries	38	37	-2.6	3	2	-33.3	41	39	-4.9
Chemical industries	312	359	15.1	165	172	4.2	477	531	11.3
Rubber and plastic industries	243	287	18.1	156	164	5.1	399	451	13.0
Other mineral or metal product manufacturing	382	437	14.4	466	467	0.2	848	904	6.6
Metallurgy and metal work	559	719	28.6	201	211	5.0	760	930	22.4
Machines and equipment manufacturing	74	89	20.3	32	35	9.4	106	124	17.0
Electrical and electronic equipment manufacturing	201	200	-0.5	87	91	4.6	288	291	1.0
Transport material manufacturing	147	138	-6.1	79	71	-10.1	226	209	-7.5
Other manufacturing industries	151	149	-1.3	58	56	-3.4	209	205	-1.9
Electricity, gas and water production and distribution	34	48	41.2	70	175	150	104	223	114.4
Construction	752	846	12.5	382	434	13.6	1,134	1,280	12.9
TOTAL	5,095	5,639	10.7	2,757	3,020	9.5	7,852	8,659	10.3

Source : Central Bank of Tunisia 2007 Annual Report.

c- Financing for services :

At a total of 12.8 billion dinars in 2007 vs 11.6 billion dinars in 2006, the outstanding balance of loans to services went up by 9.8% vs 9.7% a year earlier. This development was attributable to the outstanding balance of operating loans that grew from 5,800 MTD to 6,451 MTD in 2007, an increase of 11.2% vs just 4.4% a year earlier.

The outstanding balance of investment loans to the tertiary sector rose by 8.4% vs 14.4%. This lower level of growth was due to the slowdown in the outstanding balance of loans to some branches of activity combined with the fall in the outstanding balance of loans to hotels, restaurants and public administration.

BREAKDOWN BY BRANCH OF THE OUTSTANDING BALANCE OF LOANS TO THE SERVICES SECTOR

(In MTD)

Description	Short term loans			Medium & Long term loans			Total		
	2006	2007	Variation (%)	2006	2007	Variation (%)	2006	2007	Variation (%)
	2007/06			2007/06			2007/06		
Trade, car repair and household items	2,875	3,163	10.0	937	1,098	17.2	3,812	4,261	11.8
Hotels and restaurants	838	931	11.1	2,385	2,224	-6.8	3,223	3,155	-2.1
Transport and communications	314	357	13.7	732	808	10.4	1,046	1,165	11.4
Financial activities	210	270	28.6	226	326	44.2	436	596	36.7
Real estate, renting and service to businesses	995	1,143	14.9	937	1,046	11.6	1,932	2,189	13.3
Public administration	39	26	-33.3	78	66	-15.4	117	92	-21.4
Education	10	15	50.0	21	28	33.3	31	43	38.7
Health and social services	75	72	-4.0	191	207	8.4	266	279	4.9
Collective, social and personal services	149	172	15.4	206	271	31.6	355	443	24.8
Household services	2	2	0.0	2	3	50.0	4	5	25.0
Miscellaneous	293	300	2.4	123	254	106.5	416	554	33.2
TOTAL	5,800	6,451	11.2	5,838	6,331	8.4	11,638	12,782	9.8

Source : Central Bank of Tunisia 2007 Annual Report.

FINANCING BY TYPE OF BUSINESSES

Totalling 948 MTD in 2007, the outstanding balance of loans to public enterprises went up by 24.2% vs 13.5% a year earlier the most substantial amount of which involved the services sector, 572 MTD.

The outstanding balance of loans to private companies improved by 9.1% vs 6.1% in 2006, going up to 20.1 billion dinars compared to 21.9 billion dinars, 12.2 billion dinars of which went to the services sector.

The share of public companies in the outstanding balance of loans granted improved slightly to come to 3.2% in 2007 vs 2.9% a year earlier.

However, the share of private companies decreased to come to 75.1% in 2007 vs 76.7% in 2006.

The outstanding balance of loans to individuals rose 18.9% vs 18.6%. This growth was attributable to a significant increase in housing loans that went up by 23.8% vs 11.9% a year earlier.

BREAKDOWN OF THE OUTSTANDING BALANCE OF LOANS TO COMPANIES (PUBLIC AND PRIVATE) AND TO INDIVIDUALS

(In MTD unless otherwise indicated)

Description	2006			2007			Variation in %	
	Short term	M&L term	Total	Short term	M&L term	Total	2006/05	2007/06
Loans to professionals	11,766	9,058	20,824	12,979	9,866	22,845	6.4	9.7
Agriculture & fishing	871	463	1,334	889	515	1,404	6.8	5.2
Public companies	3	2	5	7	1	8	35.4	60.0
Private companies	868	461	1,329	882	514	1,396	-0.3	5.0
Industry	5,095	2,757	7,852	5,639	3,020	8,659	2.0	10.3
Public companies	136	98	234	201	167	368	13.2	57.3
Private companies	4,959	2,659	7,618	5,438	2,853	8,291	1.6	8.8
Services	5,800	5,838	11,638	6,451	6,331	12,782	9.7	9.8
Public companies	351	173	524	259	313	572	-12.5	9.2
Private companies	5,449	5,665	11,114	6,192	6,018	12,210	10.4	9.9
Loans to individuals	2,263	3,065	5,328	2,543	3,790	6,333	18.6	18.9
Consumer loans	2,263	191	2,454	2,543	233	2,776	27.5	13.1
Housing loans	-	2,874	2,874	-	3,557	3,557	11.9	23.8
TOTAL	14,029	12,123	26,152	15,522	13,656	29,178	8.1	11.6
Public companies	490	273	763	467	481	948	13.5	24.2
Private companies	11,276	8,785	20,061	12,512	9,385	21,897	6.1	9.1
Individuals	2,263	3,065	5,328	2,543	3,790	6,333	18.6	18.9

Source : Central Bank of Tunisia 2007 Annual Report.

■ ADAPTATION TO THE CHARACTERISTICS OF THE ECONOMY

a- Intervention of the Tunisian Solidarity Bank (BTS) :

BTS intervention involved all sectors of activity. Thus the bank financed 10,282 projects over 2007, which enabled the creation of 18,712 jobs with an amount of 81,7 MTD.

The bank intervention over 1999-2007 period was as follows:

MICRO-ENTERPRISES

(In MTD unless otherwise indicated)

Description	1999	2000	2001	2002	2003	2004	2005	2006	2007
Number	14,792	14,552	12,324	10,186	7,398	7,586	7,667	6,152	10,282
Amounts	53.4	49.2	41.8	51.6	40.9	39.3	43.0	39.9	81.7
Jobs	21,137	19,251	17,492	15,705	12,218	12,211	11,927	10,208	18,712

Source : Tunisian Solidarity Bank.

MICRO-CREDIT

(In MTD unless otherwise indicated)

Description	1999	2000	2001	2002	2003	2004	2005	2006	2007
Number	489	6,913	13,268	24,500	32,239	38,559	46,313	58,458	63,961
Amounts	0.4	5.1	8.9	18.3	25.0	29.8	38.6	49.8	56.6

Source : Tunisian Solidarity Bank.

The number of micro-credit came to 63,961 for an amount of 56,6 MTD compared to 58,458 for an amount of 49,8 MTD a year earlier.

Over the last three years BTS provided the following financing:

(In MTD unless otherwise indicated)

Description	2005		2006		2007	
	Number	Amounts	Number	Amounts	Number	Amounts
Micro-enterprises	7,667	43	6,152	39.9	10,282	81.7
Micro-credit	46,313	38.6	58,458	49.8	63,961	56.6
Family computers	8,582	8.3	8,122	7.4	6,117	6.6
TOTAL	62,562	89.9	72,732	97.1	80,360	144.9

Source : Tunisian Solidarity Bank.

b- Intervention of Bank for Financing Small / Medium Businesses (BFPME) :

Since its creation till the end of 2007, the BFPME approved the financing for more than 440 projects for an amount of loans that came to 97 MTD. Breakdown as follows: 87,2 MTD for industry, 8,4 MTD for services and 1,8 MTD for agriculture and fishing.

c- Intervention to individuals :

At a total of 6,333 MTD in 2007 compared to 5,328 MTD a year earlier, overall private individuals' indebtedness to banks went up by 1,005 MTD or 18.9% vs 835 MTD or 18.6% in 2006.

BREAKDOWN BY FINANCING CATEGORY OF THE OUTSTANDING BALANCE OF LOANS TO INDIVIDUALS

(In MTD unless otherwise indicated)

Description	2006	2007	Variation in %	
			2006/2005	2007/2006
Short term loans	2,263	2,543	28.9	12.4
Current expenditure	1,970	2,137	25.9	8.5
Other expenditure	293	406	53.4	38.6
Medium and long term loans	3,065	3,790	12.0	23.7
Housing	2,874	3,557	11.9	23.8
Vehicles	170	198	13.3	16.5
Solar water heating	-	8	-	-
Family computer	20	26	-	30.0
University loans	1	1	-	-
TOTAL	5,328	6,333	18.6	18.9

Source : Central Bank of Tunisia 2007 Annual Report.

This upward trend was due to faster growth in the outstanding balance of medium and long term loans, an increase of 23.7% vs just 12% in 2006.

However, the outstanding balance of short term loans rose by just 12.4% vs 28.9% a year earlier.

3

2007

ACTIVITY REPORT
SUBMITTED TO
APTBEF GOVERNING
COUNCIL

2007 ACTIVITY REPORT SUBMITTED TO APTBEF GOVERNING COUNCIL

Promulgation of law 2006-26 of 15 May 2006 and of law 2006-19 of 2 May 2006 amending respectively law 58-90 of 19 May 1958 and law 2001-65, Tunisia's Professional Association of Banks and Financial Institutions (APTBEF) experienced more activity and played a more important role as a consultative and representative body of the profession.

Thus, over 2007, several projects were carried on and consolidated of which notably:

- The project of typical agreement to examine the bank mediator's job,
- Management and improvement of bank services quality,
- Organisation of the first National exhibition of Bank Services and Monetics,
- Vocational training,
- Private investment promotion,
- Elaboration of a special issue on the contribution section situation of the banking sector over the 20-year period of change,
- Coordination of the banking sector participation in Tunis Economic Forum,
- Contribution in setting up Basle II principles in banks,
- Contribution in the organisation of national, regional and international events,
- The signed agreement with MasterCard to CIBT card migration from magnetic to pulse card.

A- COMMUNITY ACTIVITIES :

The Association participated actively in the different meetings and events related to bank profession. These were mainly on:

I°/ THE REGULATING ENVIRONMENT :

- Participation in the works of the committee in charge of elaborating and writing the "Common Notes" related to the application of provisions of 2007 finance law and of different regulating texts,
- Participation in the meetings related to examining draft of circular to banks fixing conditions and modalities of keeping special registry related to dishonoured cheques,
- Participation in the meetings related to examining draft of decree related to fixing conditions and modalities of application of amnesty law for foreign exchange and fiscal offences,
- Organisation of work meetings on implementing presidential instructions in favour of taxi, common transport and rural transport drivers,
- Review of cooperation agreement draft between Inter-Arab Company of International Guarantee (CIAGI) and APTBEF related to export prefinancing and the financing of companies wishing to set up on unusual markets.

2°/ INTERBANK COOPERATION :

- Organisation, of the legal committee meetings, in charge of examining the difficulties encountered when applying article 78 of 2007 finance law, related to administrative objection and declaring funds to the benefit of Finance Receipts and the National Fund of Social Security. These meetings led to the creation of the single window by the Ministry of Finance to deposit declarations on the sector's demand,
- Holding meetings of the committee in charge of examining application of regulating provisions governing calculation basis of guarantee commission and foreign exchange equalization commission on bank overdrafts,
- Participation in the interbank meeting related to examining difficulties encountered by Tunisian workers abroad when transferring their pension,
- Participation in the meetings of the committee in charge of the First National Exhibition of Bank Services and Monetics,
- Conducting a study on leasing in Tunisia and the new accounting and fiscal processing contained in the draft of 2007 finance law and their application to the sector; as well as the medium term prospects of this financial activity.

3°/ FACILITATING TRADE :

3-1°/ Tunisian Net Trade (TTN) follow-up system :

2007 was marked by stabilising TTN system when operating bank softwares. Difficulties linked to technical malfunction were done away with and the exchange of EDI messages between the different partners has become smoother. Expected improvements of the system concern :

- Integration of Transport bundle which will improve the system general performance by reducing time of administrative formalities to bring ships alongside, loading them and unloading them,
- Enhancing the system by new softwares of subordinate trade such as ship consignees and companies for handling goods,
- Progressive generalisation of automatic charging to all foreign trade certificates whether domiciled or not which will improve payment conditions of foreign suppliers and consequently the terms and conditions of tunisian foreign trade insurance,
- Generalisation of electronic signature for flows between partners to securitize the system and allow its openness on Internet.

The TTN system is considered for many respects as a success. In the framework of the Maghreb countries economic integration and to facilitate inter maghreb exchanges and promote foreign trade, the IMF and the World Bank recommended a similar system to the different countries of the region and there was a demand for the tunisian experience. In July 2007 the profession presented to libyan public and private banks and operators the experience and opinions of tunisian banks on the system use.

3-2°/ Participation in the works of the Committee for facilitating procedures (COFPRO):

The profession is an active member who participates regularly to the works of the committee for facilitating procedures of foreign trade (COFPRO). In 2007, procedures simplification concerned mainly customs administration:

■ By making SINDA system migrate progressively to TTN system. Migration rate at the end of 2007 was 80%. This migration impact is positive for banks since TTN system applies automatically certificates automatic charging. This triggers payment of foreign suppliers and enhances the image of tunisian banks reactivity with their foreign correspondents as well as the image of Tunisia's solvency with official organisations,

■ By establishing selectivity in customs controls: Three clearing corridors were created for this purpose, the green one for authorised companies and the control of which is made in the company premises (more than 20% of registered persons), the orange corridor (random control on spot), and the red one (systematic control, 11% of registered persons).

To simplify bank formalities in international trade, banks must make more effort in:

- Implementing electronic documentary remittance,
- Implementing electronic documentary openings in conformity with eUCP prescriptions issued by the Chamber of International Trade,
- Subscription of banks to documentary intermediation platforms worth of confidence, like BOLERO to be able to accept and remit electronic documents (marine bill of lading, transport certificate, invoice, certificate etc...) and process them in full security.

This development is vital to improve the economy competitiveness and to attract more foreign direct investments, which give capital importance to general use of technologies of information and communication (TIC) by banks and administrations and mainly acknowledgement of electronic documents by the different economic agents.

4°/ COMPUTER SECURITY :

To promote E-Banking and consolidate security measures, a workshop was organised in September 2007 to make banks more aware of the use of electronic certification and resort to strong authentication of customers. Participants were informed about the main rules to be respected for an appropriate mastering of risk linked to E-Banking and this in accordance with provisions related to operational risk management and supervision of trans-border banking activities, stipulated by Basle Committee.

5°/ COLLABORATION CIAGI-COTUNACE-APTBEF :

To finance and improve Export, banks are faced with several risks of different kinds, which they cannot evaluate because of lack of credible information or absence of representation in those areas. Among these risks, we can give for example:

- The client's country political risk (big political instability, revolution, rebellion, coup, civil war, for example in some Central and Equatorial African countries),

- The economic risk (reduction or sudden banning of foreign exchange and international transfers because of deterioration of terms of trade),
- Sovereignty risk (sudden loss of sovereignty like in Irak or former-Yugoslavia, international embargo imposed by the United Nations or the big powerful nations),
- Geopolitical risk (risk of a regional conflict like in Palestine, Sudan, Irak or Iran and which can spread to all countries of the region).

To contribute in finding solutions to encountered problems, bank profession (APTBEF) and the Tunisian Company for Foreign Trade Insurance (COTUNACE) in collaboration with Inter Arab Investment Guarantee Corporation (CIAGI)⁽¹⁾ organised jointly in June 2007, a seminar to the benefit of tunisian banks and main exporting operators on the offered tools and opportunities by CIAGI, in particular in the field of :

- Confirmation of letter of credit, open notably by islamic, african or arab banks. Indeed, because of its characteristics, CIAGI is used to this kind of markets and can stand guarantor to tunisian banks which hesitate to give their confirmation.

- Guarantee of financing, whether specific to installations or to operating cycles on these markets: CIAGI can also bring in its guarantee to tunisian banks which finance export-oriented companies. Tunisian banks with no external branches and with no presence on these unknown markets would be unable to estimate rightly risks taken by their clients and would be unwilling to accompany them to break into these markets.

6°/ FACILITATION OF INTERNATIONAL TRADE AND OF LOGISTICS : PARTICIPATION IN THE ELABORATION OF SOME PROCEDURES :

The Ministry of Trade with the Profession contributed in elaborating the manual of marine import procedures and in validating formalities related to domiciliation of import certificates and procedures of charging and payment of certificates. The manual is used mainly as base document to improve the existing procedures and identify logistic weaknesses in import and come up with related solutions.

7°/ MEANS OF PAYMENT :

In addition to “2007 Bank and Monetics” exhibition, the Profession organised two seminars. The first was on the promotion of bank card use whereas the second dealt with improving the quality of bank and financial services.

These events were an opportunity to assess the present situation, discuss encountered problems and solutions suggested by experts as well as future prospects and promotion of monetics. This helped improve monetics system indicators. In the same way announcements were made about new technologies such as the adoption of a private network of bank cards and the purchase of Access Control Server (ACS) to process local transactions in accordance with the 3D secure international standard.

⁽¹⁾ CIAGI is a pan-arab body founded in 1975. Its head office is in Kuwait and all arab countries are members and have an equity in its capital (except the Comoro Islands). It aims at promoting trade and mutual investments between arab countries and the rest of the world. Its capital as of 31 August 2006 is about 304 million USD.

Moreover, several activities were launched with view to promoting monetics and achieve targets set up by 2006-2009 interbank agreement.

These activities were mainly :

- launching the Tourist Allowance Card,
- Determining fees related to interbank withdrawal commissions and inter foreign exchange commissions,
- Signing APTBEF-MASTERCARD agreement for migration of magnetic CIBT cards to CIB-MCD pulse card;
- Migrating TPE to EMV standard;
- Preparing with Tunisie Télécom a chart draft on service quality;
- Reactivating APTBEF watch group in collaboration with the Central Bank of Tunisia, SMT and banks;
- Setting up sectorial commission to examine and consolidate Tunis-Air performance;
- Making a programme of advertisement and communication;
- Reactivating monetics commissions "Affiliation" and procedures;
- Elaborating monthly statistics on trends in Monetics indicators;
- Preparing conditions to launch electronic declaration payment by bank card;
- Auditing service quality of a bank cash dispensers;
- Elaborating a data base of a bank cash dispensers feeding a web site on line.

In December 2007, the Profession with the Central Bank of Tunisia reviewed NT 112-15 norm related to bank and postal transfer to adapt it to criteria of fight against money laundering and terrorism financing. For this purpose, identification columns of the principal will accompany payment messages and recordings in electronic files, this will enable different financial intermediaries to make the necessary checking and control of conformity to international standards into force. The norm is on the way to be validated with view to adopting it by the National Institute of standardization and Industrial Property (INNORPI) as a national standard.

B- OTHER ACTIVITIES :

Besides its community activities, the Association was interested in economic activities related either directly or indirectly to the sector. Thus, it took part in:

- The forum on “the quality of financial information: achievements and challenges” organised by the Ministry of Finance,
- The conference on “statistics indicators to assess information society” organised by the Ministry of Technologies and communication and the National Statistics Council in collaboration with the African Economic Commission,
- The seminar on “Analysis and Diagnostics of the environment in Tunisia” organised by the National Institute of Statistics.

I°/ SUPPORT TO THE ECONOMY :

■ Export promotion :

The Association was associated to various events organised with view to promoting export oriented companies and consolidating their competitiveness.

Thus, the Association participated in:

- A seminar on guarantee export financing before shipping organised on 5 April 2007 at the Exporter's House (Maison de l'Exportateur),
- The third meeting of FAMEX CLUB on the Algerian financial and banking system, on 12 April 2007,
- The meeting related to follow up of seasonal product export programmes, held at the head office of the General Department of Foreign Trade on 17 April 2007,
- The one-day event on “the relation of international trade companies with producers” organised by the National Union Chamber of International Trade Companies in collaboration with CEPEX on 17 April 2007,
- The meeting on “promoting of tunisian exports in the services sector both on the Mauritanian and the Libyan market”, held on 18 July 2007 at the Exporter's House,
- The three-day event about information on trade with Gulf, Machrek, eastern and central european and Asian countries organised at the Exporter's House on 6,7 and 8 August 2007.

■ Granting “student loans”:

To help students and encourage them to continue their studies, commercial banks support more and more this category of customers by granting them student loans.

TRENDS IN "STUDENT LOANS"

(In thousand dinars)

Years	2005		2006		2007*		Variations in %			
	Number	Amount	Number	Amount	Number	Amount	2006		2007	
							Number	Amount	Number	Amount
Amounts of granted loans	1 125	527.1	886	493.9	1 355	677.4	-21.2	-6.3	52.9	37.2

* Provisional data.

■ Financing for Family Computer :

In application of presidential decisions, profitable bank loans were granted by banks and put at household disposal to purchase a family computer.

TREND IN LOANS TO PURCHASE A "FAMILY COMPUTER"

(In thousand dinars)

Years	2005		2006		2007*		Variations in %			
	Number	Amount	Number	Amount	Number	Amount	2006		2007	
							Number	Amount	Number	Amount
Amounts of granted loans	10,408	10,608	14,685	16,849	13,014	15,970	41.1	58.5	-11.4	-5.2

* Provisional data.

Thus, banks financed over **2007** the purchase of **13,014** units for an amount of about **16 million dinars**.

■ A system to conserve energy :

Worried about the environment and the upward trend in cost of raw materials, notably, energy products, the Association took part in the meeting related to setting up mechanisms for financing energy saving for constructions.

Financing of the mechanism was estimated at 1,130 million euros, about 2 million dinars, financed by the Italian Ministry of Environment. The National Agency to Conserve Energy (ANME) was trusted with managing this financing. This financing will permit to achieve about 16,000 m² over the project period spread over three years 2007-2008-2009, that is launching the mechanism in 2007, achievement of 6,000 m² in 2008 and of 10,000 m² in 2009.

2°/ SPECIALISED COMMITTEES :

The Association represented the banking sector and took part in the works of different specialised committees, notably:

- Works of two committees "Overall sectorial economic statistics" and "Notion of quality in information" set up within the National Council of Statistics",

- Meetings of restricted committee related to the functioning of the upgrading programme for industry, held in the head office of Bureau of Upgrading of Industry,
- Periodic meetings of President Director General of banks related to the sector concerns organised by the Central Bank of Tunisia under the patronage of the President of the Republic,
- Meeting of the restricted committee related to setting up mechanisms for financing energy saving in constructions,
- Meeting of experts in charge of making a “study of opportunity on the different methods of managing trade registry”, held at the head office of the Programme of Industrial Modernisation (PMI) at the Agency of Industry Promotion (API).

C- INTERNATIONAL RELATIONS :

To promote the image of Tunis financial centre at the international level, the APTBEF participated in the different events organised by international and regional bodies and worked more at strengthening relations with abroad.

1°/ INTER-MAGHREB PARTNERSHIP :

- Participation in the experts meetings held aside the conference on the private sector role in economic development and integration in the Maghreb,
- Participation in the workshop organised by Young Members Group of the Arab Institute of Company Managers with the collaboration of Center for International Private Enterprise (CIPE), on promotion of associations governance in Tunisia.

2°/ INTERNATIONAL COOPERATION :

International cooperation was consolidated through, notably, the APTBEF participation in:

- Preparatory works related to examining the Report on the Respect of RRNC Norms and Codes, organised by the World Bank (BM),
- Investors' forum of Africa Finance Corporation (AFC) organised by the Embassy of Nigeria,
- Seminar on “Arbitration in Africa: Facts and Prospects”, organised by Tunis Centre of Conciliation and Arbitration (CCAT) in partnership with the International Trade Centre (CCI), the United Nations Conference for Trade and Development (CNUCED) and the United Nations Commission for International Commercial law (CNUDCI),
- International forum on technologies of information and communication “ICT 4All Forum-Tunis+2”, organised by the Ministry of Technologies of communication under the patronage of his excellency the President of the Republic and in partnership with the United Nations Conference for Trade and Development, World Alliance for TIC to the service of Development, the African Development Bank and the Tunisian Union for Industry, Trade and Handicrafts.

4

2007 VOCATIONAL
TRAINING

ACTIVITY OF VOCATIONAL TRAINING

A- TRAINING THAT CONFERS A DIPLOMA

a- Medium-Term Cycle :

I- Trends in 2004-2007 registrations :

The following table summarizes trends in registrations in the medium-term cycle of the Banking Training Professional Centre (CPF) over 2004-2007 period:

Session	Number of Registered		TOTAL
	Common Curriculum	Specialization	
2004-2005	244	57	301
2005-2006	280	80	360
2006-2007	125	55	180

The total number of registered in the medium-term cycle of CPF dropped sharply over 2006/2007 since it involved only classes of the 2nd and 3rd year because of implementing the reform started with this respect and which delayed the starting of a new-entering class. 1st year classes grouped on average between 120 and 140 students.

Moreover, breakdown of registered by specialization over the same period is as follows:

Session	Specialization			TOTAL
	Customer relations	Credit	Bank insurance	
2004-2005	35	22	-	57
2005-2006	36	22	22	80
2006-2007	41	14	-	55
Total	112	58	22	192

The previous table shows that specialization "in charge of customers" remains the main concern of tunisian banks for the period under review because of the priority given to such position in sales points of the tunisian banking system network, notably in terms of quality of services.

2- Results of the first four entering classes :

In the course of study of training that confers a diploma of the medium-term cycle at CPF, four entering classes finished their training, the first in December 2005, the second in March 2006, the third in December 2006 and the fourth in January 2008. Figures of diplomas earned of specialized vocational training breakdown by specialization and by entering class are in the following table:

	Promoted 4 th entering class	Promoted 3 rd entering class	Promoted 2 nd entering class	Promoted 1 st entering class
	In %	In %	In %	In %
Front Office Specialization Customer Relations	84%	75%	68%	83%
Middle Office Specialization Financing/ Commitments/ Collection	65%	70%	60%	63%
Front Office Specialization Bank insurance	83%	60%	-	-
TOTAL	79%	69%	65%	75%

Pass rate during the examination of the Major Oral Exam for granting the Diploma of Specialized Vocational Training with respect to the fourth entering class, last entering class was 79% compared to 75%, 65% and 69% respectively for the 1st, the 2nd and the 3rd entering classes. This improvement in pass rate was made possible thanks, notably, to:

- Consolidating systems for preparing and managing the concerned candidates,
- Setting up of system of harmonised marking, generalised to all modules taught in the mentioned cycle,
- Reviewing procedures of assessing practical trainings organised at the end of the year of specialization. Thus a system of presenting a training report in front of a jury was introduced.

3- The competitive exam leading to admission to the Medium-Term Cycle at CPF B :

For 2006-2007 period, 32 candidates from the banking sector and who do not have the Baccalaureate Certificate took the written examination of the competitive exam leading to the first year of Common Curriculum of Medium-Term Cycle at CPF B. Out of the 16 candidates eligible for oral exam, only 12 candidates passed, thus a pass rate of 37.5%. Pass rate at the end of written examination for this entering class was 50%, slightly down compared to 2006 and in net improvement compared to 2005 (cf. following table). This result was all the more significant since the concerned candidates followed, within the framework of this training and for the first time, remote training. 25% of the session were attended by the students and 75% were carried out through remote learning via remote Training (FAD) platform, available at the Banking Training Professional Centre.

Session	Candidates	Eligible	Diplomas earned	Pass rate
2005	61	29	24	39.34%
2006	45	29	22	48.88%
2007	32	16	12	37.50%

b- Upper Cycle : Banking Technical Institute (ITB) :

The number of the tunisian banking sector candidates registered at the Banking Technical Institute was as follows over the last three years.

	2004/2005	2005/2006	2006/2007
1 st year ITB	160	152	81
2 nd year ITB	212	161	175
Total Number	372	313	256

For 2006/2007, the total number of registered candidates in ITB programme organized in the framework of partnership with CFPB of France fell in absolute terms by 57 and 116 candidates compared to the years 2005/2006 and 2004/2005 respectively. This drop was more significant in the number of candidates of the first year, because of coming into force of the new regime meant only to diplomas earned of the Middle-Term Cycle of CPF and those who had the Baccalaureate + 2 years of high studies, starting September 2006.

End year results recorded over 2004-2007 period with respect to the 1st and the 2nd year are detailed in the following table :

First year ITB

Year	Registered	Those who took the exam	Promoted	Pass-Rate
2004-2005	160	160	114	71.25%
2005-2006	152	110	98	89.09%
2006-2007	81	81	28	34.57%

Second year ITB

Year	Registered	Eligible	Diplomas earned	Pass-Rate
2004-2005	212	194	97	50.00%
2005-2006	161	150	72	48.00%
2006-2007	175	165	109	66.06%

The 66.06% pass-rate reached with respect to the 2nd year for 2006-2007, last year of the old regime was on the upward trend compared to results achieved, for the same thing, over 2004-2005 and 2005-2006, that is 50.00% and 48.00% respectively.

Pass rate of 34.7% for the 1st year ITB for 2006-2007 fell sharply compared to the two previous periods (89% and 71%). This could be due, mainly, to coming into force of the reform, not yet understood by candidates with new background; candidates of ITB old regime were for the two third of them university graduates (Baccalaureate + 4 years at university) and more. Consolidation of programmes for preparing and managing these new recruited was thought about with common agreement with ITB officials in France.

c- Upper Cycle :Vocational MBA :

2007 was marked by the starting of a training programme in the form of vocational MBA organised in partnership with Tunis High Institute of Management to the benefit of 45 bank employees who graduated from university (Baccalaureate + four-year high studies or the equivalent).

This vocational MBA will allow to meet the sector's needs in competence capable of a better assessment of risk and a better knowledge of coverage tools and techniques. Thus banks can comply with requirements of new prudential rules and gain in competitiveness.

Vocational MBA in Risk Management is a two-year course of study taught in the form of days of study based on lectures, case studies and simulation. The overall time devoted is 619 hours. The pedagogical content is made of high level training modules in accordance with international standards dealing with subjects on market products and derivatives, rate products, the value at Risk models, credit management, risk governance, asset-liability management, risk management etc....

Executives from the Tunisian Banking Sector, professors from the Tunisian University as well as foreign experts (Canada and France) worked in twos (Professional + University teacher) to present the different modules of this training programme and to conceive the relating pedagogical documents.

B- ONGOING TRAINING

Different activities were carried out over 2007 by local and foreign trainers highly experienced and qualified in different fields. Training that experienced a diversification at the level of subjects dealt with, targeted operational aspects. 2007 programme was enhanced by a series of up-to-date subjects chosen and presented in seminars. The main axes were:

a) Seminars organised within the support programme in favour of improving quality in bank services:

- Sensitization events on "Governance of Quality in bank services" were carried out in June and July 2007 by APTBEF, in collaboration with the Central Bank of Tunisia, enhanced by the presence of the Governor of the Central Bank of Tunisia.

Spread over seven week-ends, the sessions benefited to 800 branch managers, their assistants and those in charge of customers relations. Two sessions were organised in Tunis and one session in Kairouan, Gafsa, Sfax, Béja and Mahdia. These sessions were an opportunity to make the concept of quality known and to identify the challenges as far as improving bank services is concerned.
- Seminars for specialization training organised during June and July 2007 to the benefit of 200 executives from credit institutions. These sessions, presented by Tunisian and foreign experts concerned five topics which are : internal control in credit institutions, bank mediation, conformity control, development of the regulating framework governing Tunisia's financial relations with abroad and quality process in bank services.
- In addition to the 1st exhibition of bank services and monetics "2007 Bank and Monetics" organised from 1 to 4 November 2007, the Association organised a seminar on "quality of bank services" and another one on "Promotion of the bank card use as a means of payment". Both seminars were enhanced by the Governor of the Central Bank of Tunisia and grouped, besides the guests and Presidents Directors Generals of credit institutions, executives from banks and financial institutions, the Central Bank of Tunisia, the Ministry of Finance, bank mediators and University teachers. More than 400 participants attended these events.

b) Other Activities :

- Events carried out within the framework of collaboration between the Agency of Financial Technology Transfer, Luxembourg and Tunisia's Professional Association of Banks and Financial Institutions:
 - Seminars for Tunisian bankers organised in Tunis on "Risk management" and "Quality in a branch";
 - Multinational seminars organised in Luxembourg on risk management, fortune management and human resources management in which bank executives participated.

- Training sessions on setting up Basle II requirements within credit institutions were organised to the benefit of executives and their collaborators to show the advantages of this new device; to ensure the assimilation of new methods of risk measurement on the one hand, and to prepare them to adhere to the setting up of new requirements of Basle II on the other hand.

- **Activities on ad-hoc basis organised on demand of an institution to meet specific needs: fight against money laundering, training of account managers, training of cashiers on "Cash-desk and detection of counterfeiting".**

- Training and internal exam organisation to the benefit of some credit institutions.

- Seminars to prepare students for the Major oral exam for collation of the Diploma of the Medium-Term Cycle to ITB Diploma were carried out for CPFB students.

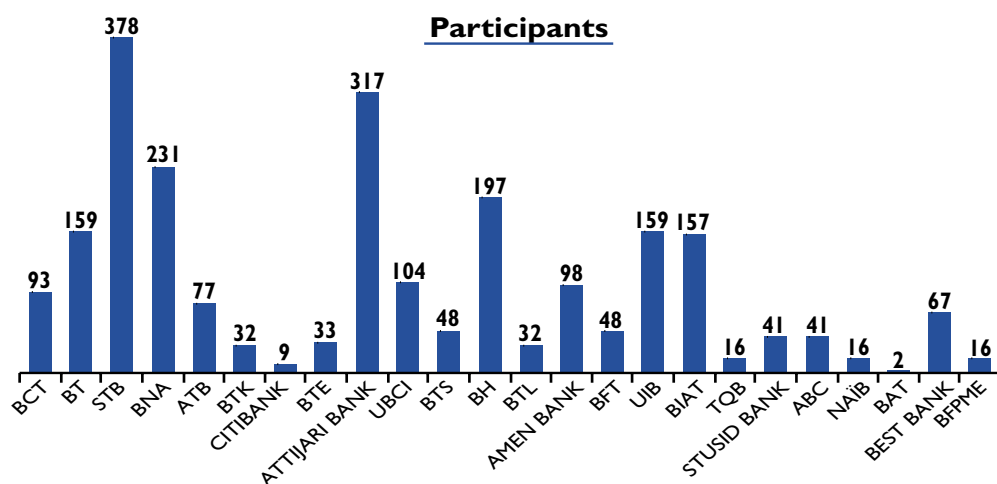
Table of enclosed appendix I shows breakdown by topic the number of participants in activities carried out over 2007. This number that totalled 2636 employees of the banking sector, was on an on-going increase over the last years since it amounted to 1362 participants in 2006 and 1069 participants in 2005. Appendix II shows breakdown, by institution member, the number of participants in 2007 activities.

BREAKDOWN OF NUMBER OF PARTICIPANTS BY TYPE OF ACTIVITY

TRAINING SUBJECT	NUMBER OF PARTICIPANTS
PREPARATION FOR THE COMPETITIVE EXAM LEADING TO ADMISSION TO COMMON CURRICULUM	54
PREPARATION FOR ITB MAJOR ORAL EXAM	160
A DAY PREPARATION FOR MAJOR ORAL OF THE FOURTH ENTERING CLASS OF CPF B MEDIUM-TERM CYCLE	68
THE FINANCE LAW	33
ANTICIPATE RISKS IN ENTERPRISE	20
MANAGEMENT CONTROL AND QUALITY IN A BRANCH	19
BANK CARDS	30
THE SYSTEM OF BIG AMOUNTS PAYMENT IN TUNISIA (SGMT)	35
INTRA TRAINING ON FIGHT AGAINST MONEY LAUNDERING (TUNISIA LEASING)	13
COMPLIANCE FUNCTION AND CONFORMITY CONTROL WITHIN BANKS	41
ALTERNATIVE TRAINING IN BANK INSURANCE "front office"	21
PUBLIC COMPETITIVE EXAM FOR CASHIER RECRUITMENT (BNA)	7
AUDIT OF BRANCHES	37
ILLNESS GROUP INSURANCE	22
CASH DESK POSITION AND COUNTERFEITING DETECTION	36
DEBATE CONFERENCE ON "THE LEADERSHIP FACING CHALLENGES TO CHANGE UNWILLINGNESS WITHIN THE ENTERPRISE"	28
DEBATE CONFERENCE ON "QUALITY MANAGEMENT"	68
INTRA TRAINING ON THE FIGHT AGAINST MONEY LAUNDERING (BNA)	18
SETTING UP OF BASLE II REQUIREMENTS WITHIN A CREDIT INSTITUTION	30
IMPLEMENTING THE NEW CIRCULAR 2006-19 OF THE CENTRAL BANK OF TUNISIA RELATING TO INTERNAL CONTROL IN CREDIT INSTITUTIONS	44
BANK MEDIATION	34
COMPLIANCE FUNCTION AND CONFORMITY CONTROL WITHIN BANKS PRACTICE CASE	26
DEVELOPMENT OF THE REGULATING FRAMEWORK GOVERNING TUNISIA'S FINANCIAL RELATIONS WITH ABROAD	26
QUALITY PROCESS IN BANK SERVICES	19
THE NEW REGULATION FOR CHEQUES	139
CONFERENCE ON UCP 600	17
GOVERNANCE OF BANK SERVICES QUALITY	591
CASH-DESK POSITION AND COUNTERFEITING DETECTION (STB)	40
WORKSHOP ON E-BANKING	61
INTRA TRAINING ON FIGHT AGAINST MONEY LAUNDERING (BH)	17
RISK MANAGEMENT	29
QUALITY OF BANK SERVICES	119
PROMOTION OF THE BANK CARD USE AS A MEANS OF PAYMENT	79
NEW MEASURES FOR FOREIGN EXCHANGE LIBERALISATION	621
INTRA TRAINING ON FIGHT AGAINST MONEY LAUNDERING (STB)	20
CONFERENCE ON LEADERSHIP	14
TOTAL	2636

BREAKDOWN OF NUMBER OF PARTICIPANTS BY BANK (2007)

INSTITUTION	NUMBER OF PARTICIPANTS
BCT	93
BT	159
STB	378
BNA	231
ATB	77
BTK	32
CITI BANK	9
BTE	33
ATTIJARI BANK	317
UBCI	104
BTS	48
BH	197
BTL	32
AMEN BANK	98
BFT	48
UIB	159
BIAT	157
TQB	16
STUSID BANK	41
ABC	41
NAÏB	16
BAT	2
BEST BANK	67
BFPME	16



C- REMOTE TRAINING

Aware of the progress made in the use of new Technologies of Information and Communication in the field of training, Tunisia's Professional Association of Banks and Financial Institutions made big efforts to devise and put together the favourable technical conditions for the setting up of its own platform for remote training. It began with preparing pedagogical contents to guarantee the launching of this new type of training. Functioning in effective way since September 2006, remote training is a new possibility offered by the Association to CPFIB learners to follow, through a specific pedagogy, the same training programmes as those given in classrooms.

To guarantee the success of this new system of complementary training and not total substitution of training in a classroom, CPFIB saw to:

- Maintaining the principal of sessions taught in a classroom,
- Progressive passage from training in classroom to remote training,
- Organising a certain number of sessions on the basis of the third, sometimes the fourth, on average, of the overall number of sessions given in classrooms,
- Tutors' training,
- Initiating learners to the use of the platform functionalities.

Practice experience through the system of remote training started in 2006, to the benefit of credit institution employees, with a range of rich and diversified pedagogical contents. Courses related to varied subjects such as counterfeiting detection, bank techniques, accounting, languages, commercial law...were developed and made available, through the platform, to the employees of the different institutions concerned. Sessions of remote teaching (virtual classes, forums, mail, discussions) accompanied this type of teaching thanks to teachers who followed a training for remote management.

This type of remote training was put at the disposal of programmes taught in 2007 to ensure:

- Two training sessions meant for 116 cashiers of the sector concerning the course "Cash-Desk Position and Counterfeiting Detection",
- Programmes of Curriculum for preparation to the selective exam to have access to CPFIB Medium Term cycle for about 50 learners on subjects contained in the above mentioned selective exam, that is bank techniques, accounting, financial mathematics, law, economics, languages (Arabic and French),
- Dissemination to candidates registered in Professional MBA on "Risk Management" course documents as well as all other information relating to training progress.

D- REFORMS OF CYCLES THAT CONFER A DIPLOMA

Certain reforms were implemented in 2007 concerning curriculums that confer a diploma taught at the Banking Training Professional Centre of APTBEF for Medium- Term and Upper Cycles.

a) Medium-Term Cycle

Reforms that have been introduced since 2000 in training curriculum that confers a diploma of the Medium-Term Cycle at the Banking Training Professional Centre targeted development of learners' professional aptitudes to improve competence based on "specialization" concept.

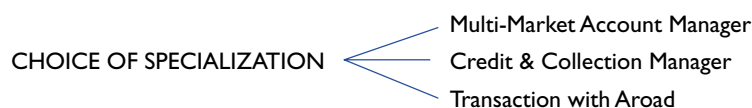
In the light of assessment of the first three entering classes that finished this cycle, an ad-hoc commission of professionals from the sector was asked in 2007 to think about how to adjust training curriculums of this cycle in order to elaborate professional programmes more oriented towards specialization, containing pragmatic and operational aspects and integrating progressive component in e-learning. The proposed project led to a curriculum based on:

- Reducing the training period from six to four semesters of studies,
- Readjusting allocated time to training, by reducing the period for programmes of common curriculum and extending training period for specialized modules (Multi Markets Account Manager, Credit and Collection Manager and Transactions with Abroad Manager),
- Taking into consideration new regulating and environmental requirements (service quality, liberalisation of financial services, the good governance, etc...) and the priority given to practical training, by using techniques adapted for that purpose and elaborated by CPFEB Pedagogical Committee, draft reform was validated by guardianship authorities and APTBEF members to be launched starting the first semester 2008.

Synthetic document of the aforesaid reform is enclosed in appendix III

APPENDIX III

New architecture of training curriculum taught in Medium-Term cycle CPFEB



SEMESTER 1 : COMMON CURRICULUM - 100 Sessions

Selection Test

SEMESTER 2
100 Sessions

SEMESTER 3
100 Sessions

SEMESTER 4
100 Sessions

Written exam - Practice training - Oral exam

DIPLOMA OF SPECIALIZED BANK TRAINING

CONDITIONS TO HAVE ACCESS

GOING THROUGH A PREPARATORY CYCLE IS REQUIRED

- **For competitive exam based on examination**

To have accomplished at least the sixth form of secondary studies (3rd secondary form with the new regime).

- **For competitive exam on file**

To be graduate of secondary studies with the baccalaureate diploma or an equivalent diploma.

PROGRAMME OF COMMON CURRICULUM

MODULE	Number of sessions
Economics	10
Banking Environment	15
Law	10
Bank Enterprise	10
Enterprise Accounting	10
Financial Mathematics	10
Quality	7
Computer Science and Office Automation	13
Communication	15
TOTAL	100

Architecture of Three Semesters of Studies Specialization: Multi Market Account Manager

SEMESTER 2 (100 sessions)

Instruments of deposit collection (10)

Means of payment (10)

Capital Market Products (20)

Introduction to management control (10)

Foreign trade and Foreign Exchange and International Economic Relations (10)

Oral communication (20)

Elements of Bank Marketing (20)

SEMESTER 3 (100 sessions)

Presentation of 3 markets:

Statistics and development potential (10)

Bank offer (8)

Bank insurance (6)

Tax system for Private Individuals, Professionals and Corporates (6)
Elements of Heritage management (4)
Financial analysis (8)
Guarantees (8)
Analysis of credit risk to private individuals and to professionals (20)
Analysis of credit risk to corporates (20)
Collection (10)

SEMESTER 4 (100 sessions)

Marketing of sales point (24)
Selling (24)
The fundamentals of relation with customers (10)
Service quality (6)
Claims management (6)
Management of client portfolio (30)

**Architecture of Three Semesters of Studies
Specialization: Credit and Collection Manager**

SEMESTER 2 (100 sessions)

GENERAL INTRODUCTION

Corporate life (10)
Foreign trade (10)
Management of Bank-client relation (5)
Bank law and guarantees (30)

CREDIT RISK ANALYSIS

Introduction (5)

CREDIT TO CORPORATES

Financial analysis (20)
Needs and typology (20)

SEMESTER 3 (100 sessions)

Study of a file for operating credit (30)
Study of a file for investment credit (30)
Day to day credit risk management (5)
Overview on financial rating system (1)
CREDIT TO INDIVIDUALS AND TO PROFESSIONALS
Typology (4)
Study of a file for credit to individuals (10)
Study of a file for credit to professionals (17)
Overview on scoring systems (3)

SEMESTER 4 (100 sessions)*PRUDENTIAL REGULATION AND COMMITMENTS FOLLOW-UP*

Prudential regulation (10)

Setting up and follow up of commitments (10)

COLLECTION

Collector's mission and role of collection companies (2)

Documents of bank debt (8)

Organisational aspects (3)

Notion of debt in collection (15)

Dealing with debt in collection (10)

Characteristics of amicable collection (5)

Means of amicable collection (10)

Solutions and follow up (6)

Recapitulatory practical Cases : Amicable collection (5)

Light procedures of ultimate solutions (6)

File transfer to legal collection (7)

Architecture of Three Semesters of Studies

Specialization: Transactions with Abroad Manager

SEMESTER 2 (100 sessions)

Bank Environment (10)

General framework of transactions with Abroad (30)

Foreign-exchange regulation in Tunisia (40)

Marketing (20)

SEMESTER 3 (100 sessions)

Modes of payment and settlement techniques of Import- export transactions and international guarantees (65)

Current financing of imports and Exports (20)

Initiation to accounting in foreign currency (15)

SEMESTER 4 (100 sessions)

Specialized and professional English (15)

Initiation to market transactions (35)

Manual exchange (5)

Prudential rules and international standards for risk analysis and supervision (25)

Remote bank in international transactions (10)

International law (10)

b) Upper cycle

Reform of curriculum of Bank Training for upper cycle implemented starting 2006/2007 period was decided, notably, with view to:

- Continuing partnership with ITB to the benefit of those who have Diploma baccalaureate +2 years of university studies and diploma of Medium-Term cycle of the Training Centre at APTBEF;
- Designing training curriculum for executives who are university graduates (baccalaureate +4 years of studies at University) and more under the form of specialized Professional MBAs in partnership with Tunisian University and foreign universities. Fields to be covered by these highly specialized trainings concern mainly Risk study and supervision, Heritage management, specializations of Financial Markets and Financial Engineering.

For this purpose, a pedagogical Committee was created: works undertaken by this committee was created; works undertaken by this committee led to start a specialized MBA in Risk Management in partnership with the High Institute of Management of Tunis (ISG). Two groups of 46 participants began courses starting April 2007 for the first entering class. Other candidates were approached for a second entering class, the starting of which is expected for March 2008.

E- CPF B PEDAGOGICAL COMMITTEES

a) The Pedagogical Committee of Medium-Term Cycle at CPF B held over 2007 a series of meetings devoted mainly to the reform set up for this cycle and which is expected to be implemented in the first semester 2008. On the other hand, the Committee underwent some change of its members in 2007. It was reinforced by Expertise of the sector in direct relations with Specializations, target of the profession future orientations, notably, in terms of risk analysis, collection, transactions with abroad and consolidation of Bank/client relation.

b) The Pedagogical Committee of Upper Cycle related to Professional MBAs is made of members representing the sector, the Central Bank of Tunisia, APTBEF and the High Institute of Management (ISG), partner in implementing the sector, the Central Bank of Tunisia, APTBEF and the High implementing MBA in " Risk Management". Not less than eight meetings were held to prepare and validate curriculum architecture and programme contents to be taught, teachers to recruit for this purpose and studies settlement, etc... . This task was accomplished with the help and under the responsibility, on the pedagogical level, of a pedagogical coordinator recruited by CPF B to meet this purpose needs.