

The Signing of an ODA Loan Agreement for Société Tunisie Autoroutes --Supporting Tunisia to Strengthen Industrial Competitiveness through Highway Development--

1. Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) signed today a loan agreement to provide a loan totaling up to 12,501 million yen for Société Tunisie Autoroutes to finance the El Jem - Sfax Motorway Construction Project, at its Head Office in Tokyo.
2. The loan will finance civil works, services and consulting services for the construction of a portion (stretching some 50km from El Jem to Sfax) of the planned extension of the existing motorway (some 140km), currently running from the capital Tunis down to M'Saken, to further southward to Sfax, the second largest city in Tunisia.
3. The Ninth Five-Year Development Plan (1997-2001) in Tunisia designated "infrastructure development to strengthen industrial competitive edge" as one of its core policies. With an eye on boosting industrial competitiveness through more efficient and speedy distribution of goods, the focus was placed on the transportation sector, in particular, the development of highways as the key infrastructure. The Tunisian government is expected to incorporate a similar policy, as the centerpiece of the Tenth Five-Year Development Plan (2002-2006), which is currently under preparation. The existing national route that links capital Tunis and Sfax, a city with bustling business activities, and includes the segment covered by this project, is one of the country's most important trunk roads carrying heavy traffic of large trucks and other commercial vehicles. However, this route is a general-purpose road having one lane in either direction. As greater economic activity is anticipated in the future, there is need to construct a new highway to improve safety and increase the efficiency of distribution.
4. This loan will contribute to reduction in travel time as well as in the number of traffic accidents through improved safety. In addition, the loan will also help bolster economic activity by linking the capital Tunis, the center of administrative and financial functions, with Sfax, the second largest city and the center of commerce and industry.

(See Appendix for details.)

The Signing of an ODA Loan Agreement for Société Tunisie Autoroutes —Supporting Tunisia to Strengthen Industrial Competitiveness through Motorway Development—

Japan Bank for International Cooperation (JBIC; Governor: Kyosuke Shinozawa) decided to provide a loan totaling up to 12,501 million yen for Société Tunisie Autoroutes to finance the El Jem - Sfax Motorway Construction Project, and signed today a loan agreement.

The signing took place at its head office in Tokyo between Governor Shinozawa and President Mohamed Zouari of Société Tunisie Autoroutes.

1. Loan Amount and Conditions

Project Name	Amount (Mil. Yen)	Interest Rate (% per annum)		Repayment Period/ Grace Period (Year)		Tying Status	
		Project	Consulting Service	Project	Consulting Service	Project	Consulting Service
El Jem - Sfax Motorway Construction Project	12,501	2.20	0.75	25/7	40/10	General Untied	Bilateral tied

2. Political and Social Conditions of the Republic of Tunisia

(1) Political conditions

A Muslim country located in northern Africa, the Republic of Tunisia achieved independence from France in 1956 and became a republic. The incumbent Ben Ali administration, which assumed power in November 1987, has been striving to advance democratization by moving to a market-driven economy and introducing the multiparty system. In the presidential election of October 1999, President Ben Ali won the majority of votes for the third term, indicating stable domestic political conditions. In foreign relations, Tunisia is playing a key role as coordinator among the Arab countries, partly because it has served as host for the headquarters of the Arab League and PLO. Tunisia also has close ties with Europe, as manifested by the signing of the Free Trade Agreement with the European Union in 1995.

(2) Economic conditions

Tunisia set out to implement the economic structural adjustment program in 1987 under the support of the World Bank and IMF and completed it by the end of 1993. The country has since continued its efforts to promote a market-driven economic system through the Eighth Five-Year Development Plan (1992-1996) and the Ninth Five-Year Development Plan (1997-2001). GDP growth in 2001 is projected to remain at a low rate of 4.0% due to a draught that adversely affected the agriculture sector, which makes up around 15% of GDP and a negative effect of the sluggish EU economy (in contrast to an average annual GDP growth of 5.6% over the period of 1996-2000).

In 2001, fiscal balance (including gifts and revenues from privatization) is expected to improve from a deficit of \$325 million in 2000 to \$210 million in surplus due to an increase in revenues from growing privatization. While exports growth is robust, imports are expanding more rapidly, leading to a trend of widening trade deficits. External debt has continued to hover above 50% relative to GDP since 1997, while the debt service ratio is projected to reach 17.7% in 2001.

3. Description of the Project

El Jem Sfax Motorway Construction Project

(1) Background and necessity of the Project

Tunisia primarily relies on roads for land transport, as they carry 90% of passenger travel and 80% of freight traffic volume. Thus road development has a significant impact on country's economic activity. In the Ninth Five-Year Development Plan, 80% of the budgetary allocation for the transport sector is earmarked for roads. In particular, the priority is given to highway development, with the construction centered on the capital Tunis and the 3 axes of northern, southern and western regions.

The existing national route that links capital Tunis and the second largest city Sfax is one of the country's most important main roads carrying heavy traffic of large trucks and other commercial vehicles. However, this route is a general-purpose road having only one lane in either direction. As growing economic activity is anticipated in the future, there is need to construct a new highway to improve safety and increase the efficiency of freight transport. The project covers the El Jem-Sfax portion stretching around 50km. The European Investment Bank (EIB) will finance the segment north of this project, linking M'Saken and El Jem, with both projects scheduled to complete their construction work around the same time.

(2) Purposes and description of the Project

This project consists of constructing a highway with two lanes on either direction between El Jem and Sfax that stretches around 50 kilometers to increase efficiency in production and transportation as well as reduction in travel time, thereby strengthening the competitiveness of the Tunisian industry. The project executor is Société Tunisie Autoroutes (STA) (Address: Imm. "Le petit Palais" Zone B les Berges du lac 2045 Tunis, Republic of Tunisia; TEL: 216-71-960-606; FAX: 216-71-960-602).