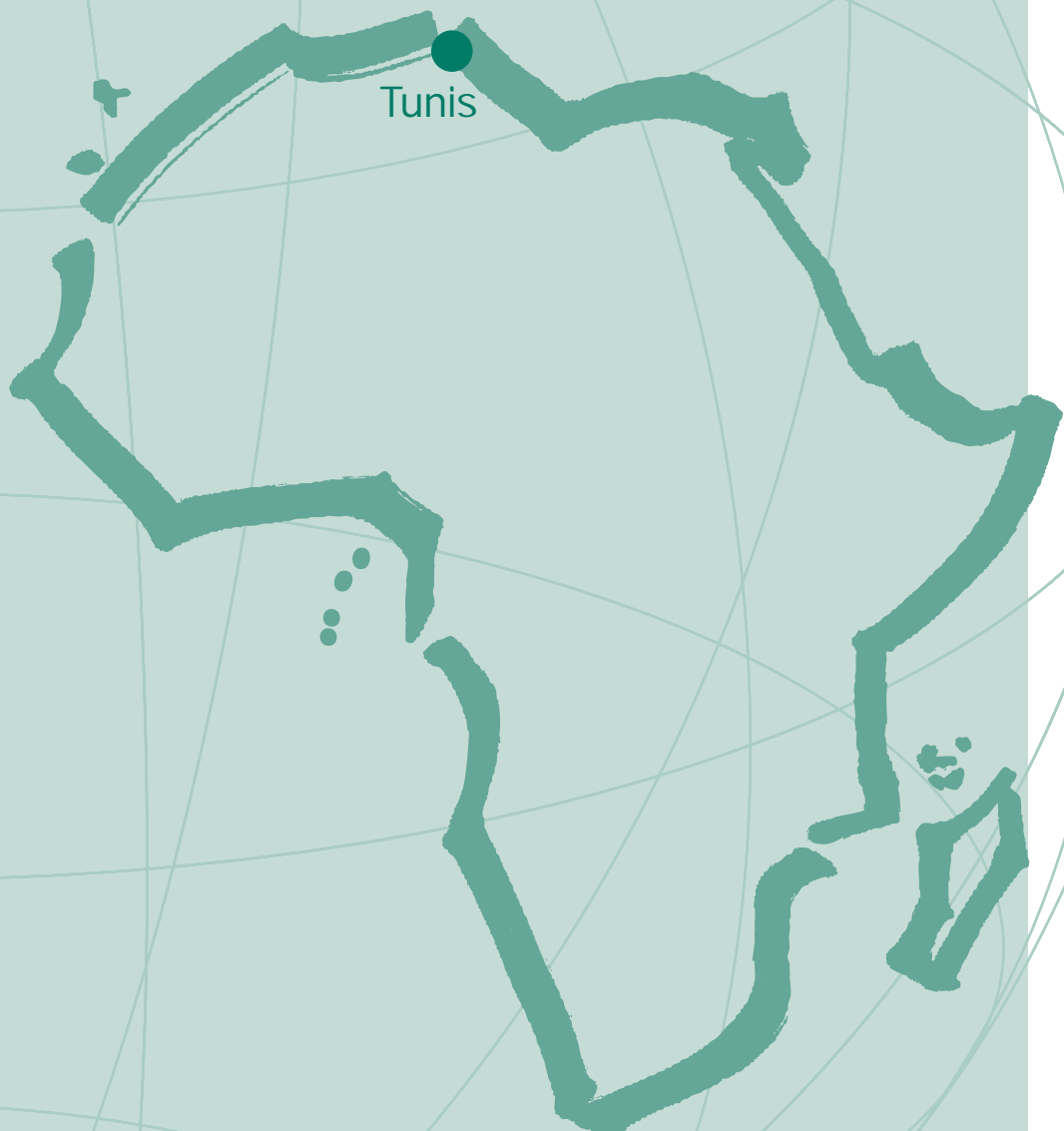


Tunisia

Tunisia



key figures	
• Land area, thousands of km ²	164
• Population, thousands (2001)	9 562
• GDP per capita, \$ (2001)	2 099
• Life expectancy (2000-2005)	...
• Illiteracy rate (2001)	27.9

Tunisia

THE STRUCTURAL ADJUSTMENT PROGRAMME and macroeconomic reforms launched in Tunisia in 1987 have been to good effect, producing steady growth (an annual average of 4.6 per cent between 1992 and 2001), healthy economic activity and social progress. Macroeconomic policy successes are chiefly attributable to consistency between measures adopted and to the gradualism that accompanied their implementation. These reforms stabilised the economy and improved the external position, boosting exports by an average 6.6 per cent a year at constant prices between 1987 and 2001, while annual inflation fell from 8.1 per cent to 1.9 per cent over the same period.

The government is trying to modernise and expand the private sector through full-scale privatisation and measures aimed at improving the business climate,

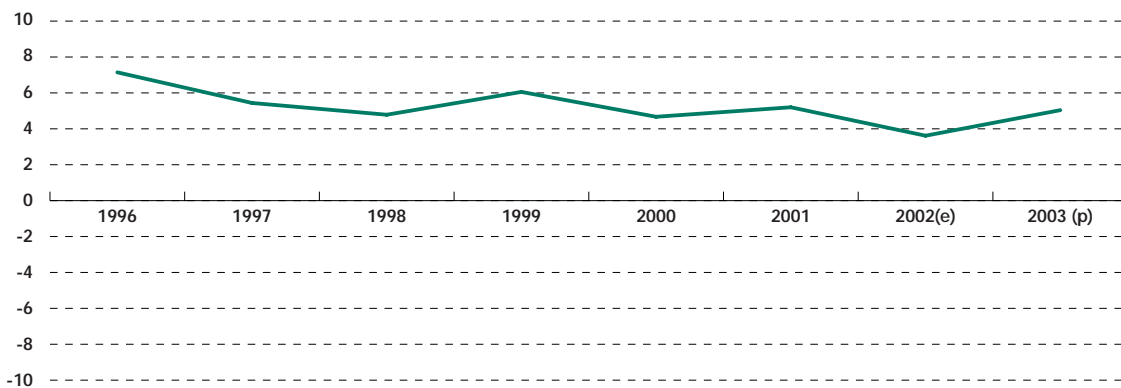
such as simplifying procedures, infrastructure and financial arrangements.

Production is highly diversified and Tunisia is well integrated both commercially and financially into the global economy. The implementation of an association agreement with the European Union providing for free trade by 2010 constitutes one of the country's main challenges for the coming years. It effectively requires Tunisia to become more competitive if it is to survive the challenges of open markets and globalisation.

Two major problems confront the country: a drought which has entered its fourth year, and unemployment that affects 15 per cent of the working population.

Policy success in Tunisia depends on gradualism and coherence in the choice of measures to adopt

Figure 1 - Real GDP Growth



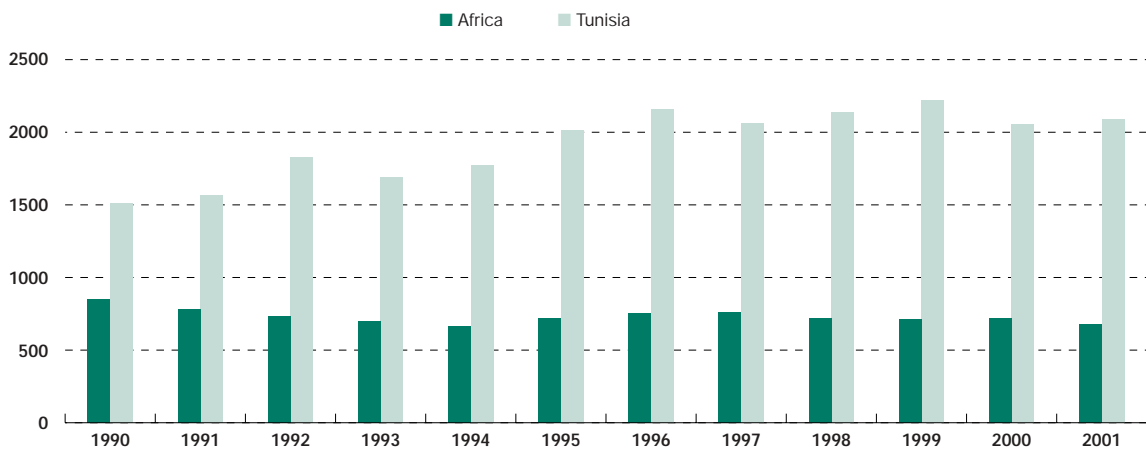
Source: Authors' estimates and predictions based on IMF data.

Recent Economic Developments

The 1987 structural readjustment programme has revived growth and brought economic and financial stability to the country. In the decade between 1990 and 2000, GDP growth averaged more than 4.5 per cent per annum. Despite continuing drought and poor

agricultural production, volume GDP also increased by 5.2 per cent in 2001. However, this is expected to fall to just 3.6 per cent in 2002 owing to the effects of the world economic slowdown and the decline in tourism in the wake of the 11 September attacks. This is expected to recover in 2003 and reach nearly 5 per cent.

Figure 2 - GDP Per Capita in Tunisia and Africa (\$ current)



Source: Authors' estimates based on IMF data.

Agriculture contributed 12 per cent to GDP in 2001, in addition to representing 9 per cent of exports and employing about 22 per cent of the working population. Though the GDP figure varies from year to year depending on the weather, it has never fallen below 11 per cent and in good years has topped 16 per cent. An agricultural agreement with the European Union (EU) in January 2001 presented new opportunities for Tunisian exports and boosted the country's position in the European market, especially for products such as olive oil, double concentrate tomato paste and table grapes.

The country has comparative advantage in farm products such as olive oil, citrus fruit, cereals and dates and strong agricultural performances have led to self-sufficiency in most items, including since 1999, milk. The food trade balance was 87.7 per cent between 1990 and 2000, compared with 50 per cent over the previous decade.

Unfortunately, a fourth consecutive year of drought in 2002 was expected to cut agricultural output once again without prices to farmers being raised. In order to keep prices under control, the government has switched from providing subsidies to managing supply by raising imports.

Fishing is one the principle activities in the broadly-defined agricultural sector and is the second

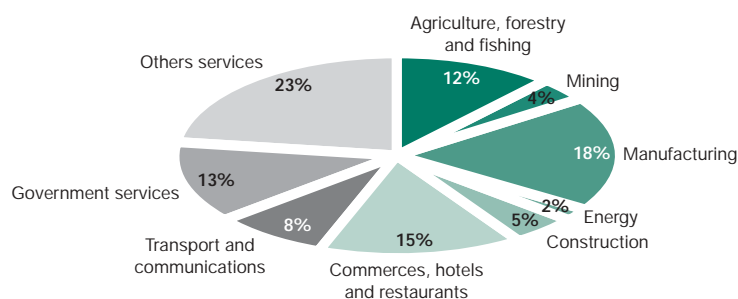
major source of food-export revenue after olive oil, contributing 8 per cent of the agricultural value added.

In June 2002, fishing was down 2.3 per cent year-on-year, largely due to a 30 per cent drop in tuna production and 8 per cent decline in bluefish catches. Despite this reduction, seafood output in the first six months of the year was much higher than in the same period of 2001.

When the reforms began in 1987, oil provided about a third of all exports. Despite minor new discoveries however, reserves are steadily diminishing and the economy can rely neither on oil nor on natural resources as a whole. Between 1993 and 2001, crude oil's share of exports fell from 12.7 per cent to 7.3 per cent. About 50 oil companies are operating in the country with 40 or so exploration permits covering 55 per cent of the national mineral wealth. Oil reserves have fallen over the past two decades from 58 million tonnes of oil equivalent (TOE) in 1980 to 38 million TOE in 2001, an average annual drop of about a million TOE. This is mostly due to the natural depletion of the two main oilfields at El Borma and Ashtart.

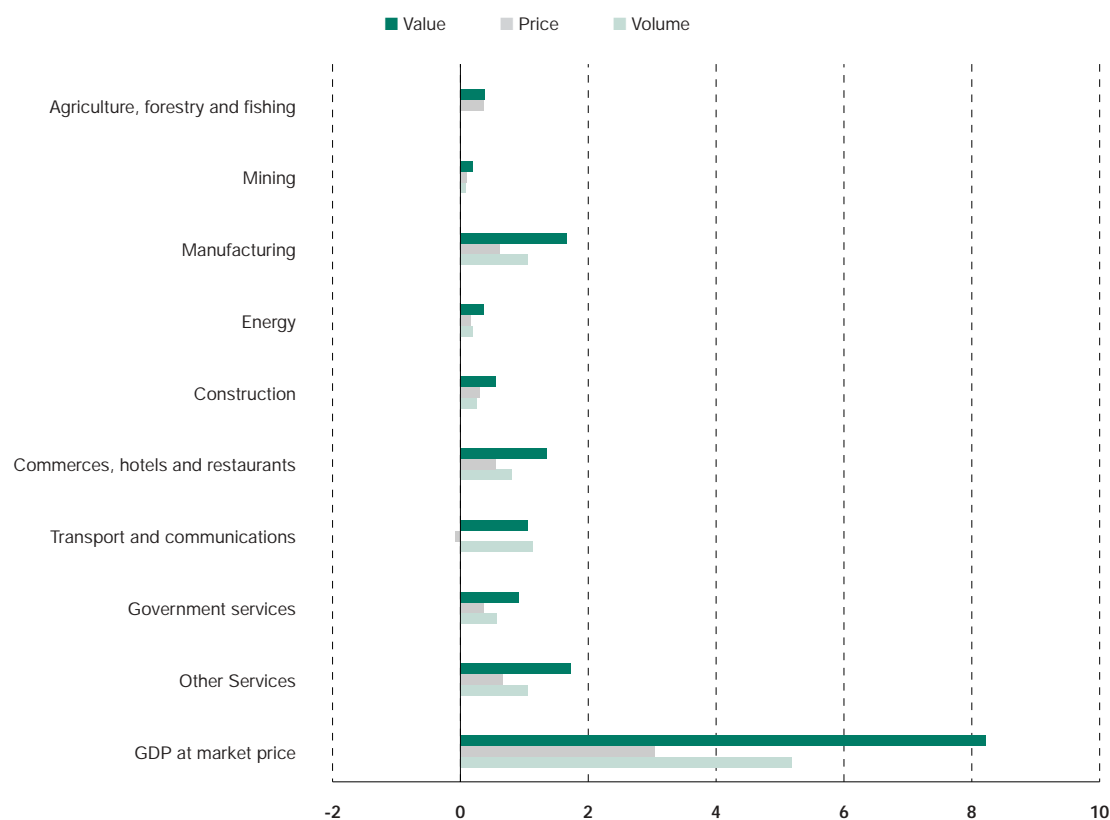
Depending on the year, the country is more or less self-sufficient in oil. Local consumption has risen from 1 952 900 TOE in 1980 to 3 712 700 TOE in 2001.

Figure 3 - GDP by Sector in 2001



Source: Authors' estimates based on domestic authorities' data.

Figure 4 - Sectoral Contribution to GDP Growth in 2001



Source: Authors' estimates based on domestic authorities' data.

Domestic consumption of natural gas has grown with development of the Miska gas field, from 92 600 TOE in 1980 to 577 300 in 2001. Electricity consumption has also risen from 178 000 TOE in 1980 to 707 700 TOE in 2001. Nearly 3 billion has been earmarked for projects to connect electrical grids in the region. Thus by 2006, Tunisia will be linked to

both Algeria and Libya, and Algeria will be connected to Italy.

The country has an industrial infrastructure of more than 10 000 firms and comparative advantage in the textile, clothing and leather sector (48.5 per cent of exports in 2001) and in mechanical and electrical industries

(18.6 per cent of exports in 2001). Manufacturing is thriving, contributing 18 per cent of GDP in 2001, having grown by an impressive 9.6 per cent.

However, the industrial sector, particularly manufacturing, has been affected by weak external demand, notably from EU countries. The industrial production index fell 0.3 per cent in the first months of 2002 compared with a rise of 9.6 per cent in 2001. Manufacturing production, especially of export goods, shrank by 1.1 per cent in 2002, against growth of 12 per cent the previous year. While industry in Tunisia is gifted in adapting to the market, it suffers from being chiefly composed of contractors that are largely dependant on the European market.

In the service sector, tourism accounted for 6.2 per cent of GDP in 2001 and usually generates around 16 per cent of the country's foreign exchange revenue. It was badly hit by the 11 September attacks and only 876 359 tourists visited between January and March 2002, compared with 950 117 during the same period the previous year. Tourists from Europe fell 22 per cent, from 595 202 (2001) to 461 184 (2002). However, visitors from the Middle East were up 2.4 per cent.

Telecommunications, transport, new technology and insurance are quite important in the service sector. Air passenger numbers however, in parallel to the drop in tourism, fell by 22 per cent in June 2002 compared to June 2001.

Table 1 - Demand Composition (percentage of GDP)

	1995	1999	2000	2001	2002(e)	2003(p)
Gross capital formation	24.7	26.3	27.4	27.8	28.2	29.2
Public	4.4	4.4	4.5	4.6	4.6	4.6
Private	20.3	21.9	22.9	23.2	23.7	24.6
Consumption	79.2	75.9	76.2	76.1	77.5	76.9
Public	16.3	15.5	15.6	15.8	15.6	15.2
Private	62.9	60.4	60.6	60.3	61.9	61.7
External sector	-3.9	-2.3	-3.6	-3.8	-5.7	-6.1
Exports	44.9	42.5	44.5	46.3	45.7	46.8
Imports	-48.8	-44.8	-48.1	-50.1	-51.4	-52.9

Source: Authors' estimates and predictions based on IMF data.

Prospective investments registered in the first half of 2002 by the Industrial Promotion Agency (API), the Agricultural Investment Agency (APIA) and the National Tourist Authority (ONTT) were down by 1 367 million dinars. Total investment should still rise to 28.2 per cent of GDP in 2002 and to 29.2 per cent in 2003. Government investment is steady at 4.6 per cent, but private investment has been rising since 1998. Consumption and investment demand is still high however and the investment rate (27.8 per cent of GDP in 2001) is consistently higher than the rate of savings (23.9 per cent in 2001), which means the economy has to call on savings held abroad.

Private investment was previously vertical, with the government designating key sectors to which it allotted subsidies, grants and low interest rates. These

days, investment promotion in all sectors is horizontal, with a bias towards new technology and new entrepreneurs through tax breaks and other financial advantages.

Macroeconomic Policy

Fiscal and Monetary Policy

Government finances have strengthened in recent years and in 2001, in an effort to slow growth in domestic demand, budget policy was kept tight. While the 2002 budget emphasised current over capital expenditure, medium-term plans (under the 10th national plan) call for spending on "social infrastructure" development.

Table 2 - Public Finances (percentage of GDP)

	1995	1999	2000	2001	2002(e)	2003(p)
Total revenue and grants^a	30.3	29.5	30.7	29.7	30.0	30.1
Taxes	25.0	21.1	21.3	21.6	21.9	22.0
Grants	0.3	0.3	0.1	0.3	0.2	0.2
Total expenditure and net lending^a	34.4	31.7	32.7	32.2	32.3	31.8
Current expenditure	27.2	24.9	24.5	24.1	24.1	23.6
<i>Excluding interest</i>	23.2	21.5	21.2	21.0	21.0	20.7
Wages and salaries	10.4	11.9	11.8	11.9	11.7	11.3
Interest payments	4.0	3.4	3.3	3.1	3.2	2.9
Capital expenditure	6.5	6.9	7.5	7.6	7.7	7.7
Primary balance	-0.1	1.1	1.3	0.5	0.8	1.2
Overall balance	-4.1	-2.3	-2.0	-2.5	-2.3	-1.7

a. Only major items are reported.

Source: Authors' estimates and predictions based on IMF data.

Tax revenues were high in 2001 thanks to a vigorous economy on one hand, and tax reforms and new procedures enabling better collection and greater transparency on the other. The reforms should also boost revenue in 2002 and 2003, when it is expected to be about 22 per cent of GDP. Furthermore, proceeds from privatisation and the termination of Regional Compensation Fund (CRC) subsidies have also helped reduce government costs.

As a result, the budget deficit that stood at 2.5 per cent of GDP in 2001 should fall to 2.3 per cent in 2002 and to 1.7 per cent in 2003. IMF calculations, excluding grants and money raised by privatisation differ slightly, putting the deficit at about 3.5 per cent in 2001 and 2.7 per cent in 2002.

At 11.9 per cent of GDP in 2001, the wage bill (including contributions to social security funds) is a substantial part of the budget. Hiring cutbacks and the reassignment of certain civil servants to new posts were the first symbolic steps towards more far-reaching reforms and privatisation. The government currently prefers to finance the deficit by issuing treasury bonds rather than borrowing from the banks.

Monetary policy was also restrictive in 2001 and the tightening of bank liquidity was extended to the first quarter of 2002, further increasing in the second quarter. Prudential regulations and monetary controls were strengthened. Structural fragility and a large number of

non-performing loans (estimated at 5 billion dinars, or 20 per cent of GDP) weaken Tunisian banks. Though half of these bad debts are secured, they accounted for 21.6 per cent of all credits in 2001. The government has encouraged the creation of debt-collection firms (since February 1998) and more recently, a 24 July 2001 law instituted financial instruments enabling bad debts to be converted into bonds.

Tunisia began to liberalise its economy both externally and internally in 1987. Interest rates were gradually freed up until they were completely deregulated in 1996. Credit controls were abolished and money supply now functions on the open market and through indirect means (rediscounting was abolished in favour of refinancing on the money market). Despite the government's planned reform programme, the banking structure is still dominated by the state, which controls two-thirds of the sector.

Strong domestic demand caused credit demand to rise sharply in 2001, especially in the first half of the year. In the second half, the central bank's failure to meet the liquidity demands of the commercial banks pushed up interbank interest rates and slowed growth of the main monetary aggregates. This is also expected to restrict refinancing activity in 2002.

The chief goal of Tunisia's monetary policy is to sustain the currency's value by keeping inflation on par with that in partner and competitor countries. The

short-term goal is to link growth of the money supply to growth of economic activity. Inflation has been steadily falling since 1996 and was at a low 1.9 per cent in 2001, partly due to the dismantling of tariffs and a small rise in controlled prices. Since 1997, the government has controlled 19.5 per cent of retail prices, mostly of household items. Inflation should rise to 3 per cent however in 2002 and 2003 due to pressure on food prices.

Dinar accounts held in commercial banks by non-residents and firms can be converted into other currencies. The government is slowly liberalising the capital account, justifying its gradual approach by pointing to the financial crises that many developing countries have suffered and by citing the necessity of first having sufficient foreign currency reserves and a competitive productive capacity.

The exchange system is flexible and adjustable. The central bank has not made a nominal devaluation since 1990 and the sliding exchange rate keeps the real exchange rate steady and inflation under control. This flexible policy has boosted exports and reduced the current account deficit. The central bank wants to establish a wholly floating exchange rate once larger currency reserves are accumulated. However, this seems an ambitious goal and the dinar should continue to adjust itself in relation to a basket of currencies.

External Position

Despite the strong export performance, the current account deficit was more than 4 per cent of GDP in 2001 and the trade balance was also high (11.9 per cent

of GDP). The deficit is expected to deteriorate further in 2002 and 2003 to 13.5 per cent of GDP, mostly due to increased imports of capital goods, energy and raw materials. Tunisia remains very open to the outside world and imports and exports were 96 per cent of GDP in 2001.

The services balance surplus fell sharply in 2001 because of the estimated 19.1 per cent drop in tourist revenue. This should produce a current account deficit of 4.2 per cent of GDP.

The growing deficit may increase the external debt, which is already high at 60 per cent of GDP. Efforts to reduce the deficit and restore balance include the sale of the second GSM mobile phone licence. Import monopolies are also gradually being dismantled.

The flow of foreign direct investment (FDI) has been quite good in recent years but it slowed sharply in 2001, falling from an exceptional 1 138 million dinars in 2000 to 358 million in 2001 (still up from 195 million dinars in 1990). The first payment by Orascom related to its purchase of the first GSM mobile phone licence should push FDI up to 600 million dinars in 2002. The sale of two cement plants in 2000 *Cimenterie de Gabès* and the *Cimenterie Artificielle de Tunisie* brought in 362 million dinars of FDI, representing about 10 per cent of all productive investments.

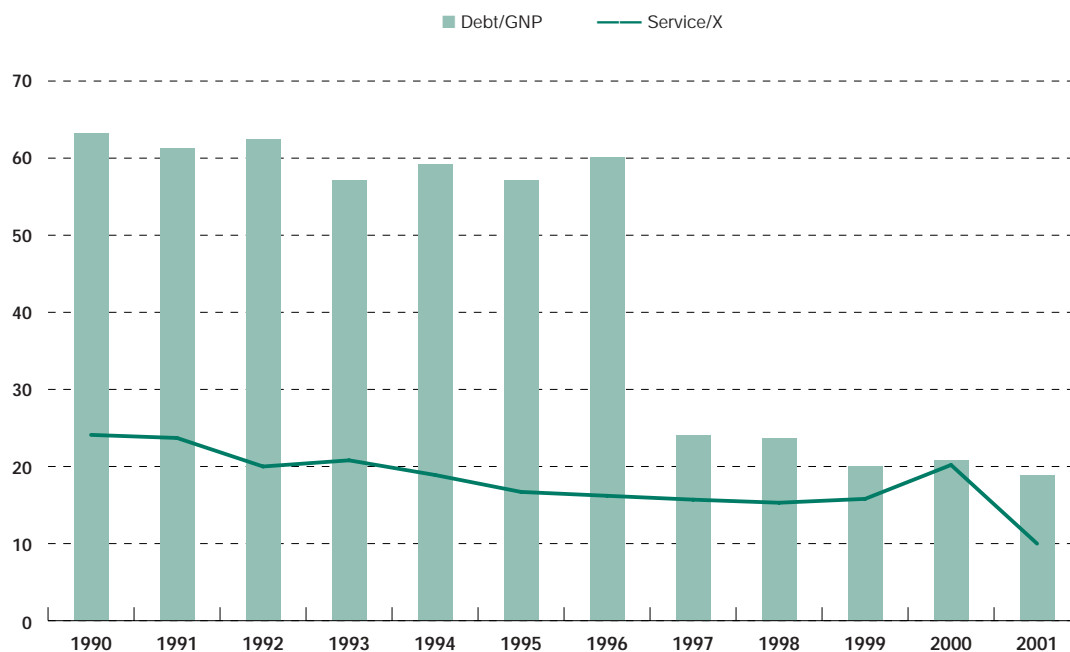
At the end of 2000, 2 139 partly foreign-owned firms were operating in Tunisia employing more than 192 000 people. Portfolio investment was very small and there was a net outflow in 2000. Before taking

Table 3 - Current Account (percentage of GDP)

	1995	1999	2000	2001	2002(e)	2003(p)
Trade balance	-11.0	-10.3	-11.6	-11.9	-13.0	-13.5
Exports of goods	30.3	28.2	30.0	32.9	33.0	33.8
Imports of goods	-41.4	-38.6	-41.6	-44.8	-46.0	-47.3
Services balance	7.7	8.1	8.0	7.4		
Factor income		-0.2	-0.9	-0.2		
Current transfers	-1.0	0.3	0.3	0.4		
Current account balance	-4.3	-2.2	-4.2	-4.3		

Source: Authors' estimates and predictions based on IMF data.

Figure 5 - Stock of Total External Debt (percentage of GNP) and Debt Service (percentage of exports of goods and services)



Source: World Bank.

317

majority control of a Tunisian firm, non-resident investors must seek regulatory permission and the economic suitability of the move must be determined.

Debt indicators have been largely under control in recent years, with debt at around 60 per cent of GDP and debt service at about 20 per cent of exports of goods and services.

Structural Issues

The main changes currently under way in the structure of foreign trade arise from the 1996 association agreement with the EU. European countries buy 80 per cent of Tunisia's exports, supply 71 per cent of its imports and the region is both the main source and chief destination of capital flows.

The association agreement covers services, mobility rights, competition regulation and tariff reduction, with complete free trade envisaged by 2010. Import tariffs on goods from other countries in the region are

also included in the agreement, so that trade flows will not be distorted. Tunisia has signed bilateral trade agreements with Morocco, Jordan, Egypt, Libya, Iraq and Syria.

To prepare local firms for an open market with the EU, trade barriers are to be lowered in four phases, each applying to a different category of products. Capital goods not produced in Tunisia will be the first affected with tariffs on these to be abolished at once. Raw materials and semi-manufactured goods will follow, and then locally-produced capital goods. Ordinary consumer goods will be last. The target date for free imports of the most sensitive products is 2007. In order to prepare firms for the changes and to make them more competitive, the national office for modernisation assists about 250 firms a year. By the end of July 2002, 1 234 applications had been approved and 976 others were in the pipeline for modernisation funding.

The timetable and content of the privatisation programme drawn up with the World Bank have been broadly respected. It is part of a more general policy

of encouraging private enterprise, consolidating government finances and boosting the financial market.

When the programme started in 1987, the sectors earmarked for privatisation were chosen strategically but gradually all sectors of the economy were drawn in, even the most competitive. The first privatisations were mainly in the sectors of tourism, construction and regional freight handling. Things accelerated in 1995 with privatisation of profitable firms such as the large cement plants. Privatisation of public services was mainly done through franchising or partial sale of operations.

By the end of August 2002, a total of 162 enterprises had been sold for a total of 2 215 million dinars (\$1 610 million). Sales most often take place competitively through invitations to tender with set terms and conditions, or through the securities market. With healthy firms possessing growth potential, sale of a controlling share is combined with a public share offering to ensure a wide spread of shareholders and the issue of new shares through being quoted on the stock exchange.

At the end of August 2002, privatisation funds were 75 per cent comprised of foreign capital. Foreign investment was mainly directed at the construction and services industries but sectors as diverse as highway construction, electricity production, water desalination and liquid and solid waste management were also targeted. Equally, the tourism industry attracted a few investors.

Buyers are selected on the basis of their long-term plans for the company (investment proposals, number of jobs to be created and retained, technology transfer and export possibilities) rather than on a calculation of maximum profitability. The government gives tax and other financial incentives not just to buyers and investors, but also to present and former employees wanting to participate in share purchases. Banks are allowed to give medium-term loans directly to these parties and venture-capital firms are also encouraged to take part. Sale of a second GSM operating licence and privatisation of the *Union Internationale des Banques*

(UIB) and the *Banque du Sud*, as well as restructuring of the insurance sector, were scheduled before the end of 2002 and should take place soon.

The government's economic development plan not only includes major policy guidelines and a list of important measures, but also a social model. The ninth plan, which ended in 2001, aimed at a "wholesale modernisation of industrial infrastructure," mostly by adopting new technology, promoting quality and training workers. However, the main goal was to improve business conditions and competitiveness. To this end, much progress has been made at the legal and regulatory level, but also in human resources, infrastructure and streamlining administrative procedures.

Within the private sector small firms receive the least government assistance as most policy measures do not apply to them and they are accorded little financial assistance. Small companies also experience great difficulty in obtaining bank loans and the restrictive conditions attached to government modernisation aid (such as using new technology) often precludes their receiving technical help or advice. The 10th development plan of 2002 to 2006 aims to "meet the jobs challenge, embrace the knowledge economy and strengthen competitiveness."

Tunisia has made good progress with infrastructure. A fast road between Tunis and Bizerte has been opened, an eighth airport (at Enfida) is due to start operating in 2004 and other projects are on the way. The government is focusing on improving the road and rail networks and setting up new industrial zones. The programme to modernise and boost competitive strength includes infrastructure projects that are increasingly funded by the private sector. The aim of the majority of these is to reduce commercial transportation costs. Facing strong competition from Southeast Asia, Tunisian firms are counting on their proximity to Europe and cheaper transport to win market share.

About 4 000 square kilometres of farmland are irrigated but freshwater supply is limited and problems of over-grazing, use of arable land and over exploitation

of water for irrigation have arisen. Since September 2002, environment and water resource management has been the remit of the agriculture ministry. Both water and energy are strategic constraints Tunisia must face in coming years.

The ongoing financial-system reforms were first set out in the January 1987 structural adjustment programme. While the government's gradual approach to implementing these has reduced the risk of financial instability, the financial system remains slow, cutting into bank profitability.

After the banks were opened up in 1987, many of the secondary development and commercial banks repositioned themselves as general institutions. Recently however, strong specialisation has worked more in favour of the commercial banks. At the end of 2000, they held 63.6 per cent of all financial assets, in contrast with the development banks, which held less than 4 per cent.

The sector is made up of a relatively large number of players, including 14 deposit (or commercial) banks, six development (or investment), eight offshore and two merchant banks. In addition, about 20 finance companies exist. The comparatively small number of savers and investors in the country naturally limits each institution's business and this is used as an argument in favour of rationalisation.

The two main commercial banks are state-owned (the *Banque Nationale Agricole* and the *Société Tunisienne de Banque*) and hold 40 per cent of all deposits. Founded in late 1997 and specialising in microcredit, the *Banque Tunisienne de Solidarité* is the most recent arrival in the sector.

Though the insurance sector was also reformed by laws in 1992, 1994 and 1997 to encourage households to make medium and long-term savings, non-bank financial institutions do not play a big part in the country's financial system.

Since it was privatised in 1994 and then opened to foreign investors the following year, the Tunis financial

market has performed quite well. The number of firms quoted has grown from 14 in 1994 to 45 in 2002. Traded shares represented less than 1 per cent of GDP before 1989 but rose to an average 10 per cent between 1990 and 2000. That said, the Tunis stock exchange is still dominated by the banking sector and its role in mobilising savings and funding productive activity is very small. Ninety per cent of issues on the primary market are government stocks and debentures of large firms.

Many point to the predominance of small family-run firms in Tunisia to explain its relatively weak market activity and the general lack of interest in financial products.

Political and social context

Tunisia's republican constitution dates from 1959. Elections for the presidency and the parliament are held every five years by universal suffrage. The constitution stipulates that the president be a Muslim between the ages of 40 and 70. Though it also limits the number of times the president can be re-elected to two, this provision was recently extended by President Zine el-Abidine Ben Ali, who has been in power since November 1987 and was re-elected for a fourth term in October 1999 with more than 99 per cent of the vote. Thirty-four of the 182 seats in Parliament (assigned by proportional representation) are set aside for the opposition.

The country is divided into 23 governorates. The internal political situation is stable with strong social and economic progress having been made. Human rights organisations however, frequently criticise the government's lack of respect for basic rights, especially freedom of association and expression.

Considerable progress has been made in poverty reduction. Only 4.2 per cent of the population lived below the poverty line in 2000, down from 6.2 per cent in 1990 and from 22 per cent in 1975. Unemployment remains a major concern for the government and with 15 per cent of the active population out of work, it poses

a serious challenge. Though 71.9 per cent of workers are men, increasing numbers of women are entering the job market. They and young school-leavers exert heavy pressure. In 1999, 20.3 per cent of the unemployed had been looking for a job for more than a year and 19.1 per cent for more than two. Young people were most affected, with a jobless rate of 35.8 per cent among 18 to 20-year-olds and 31.3 per cent among those aged between 20 and 24.

In addition, the government's extensive economic restructuring programme has resulted in layoffs as firms have sought to become more competitive. Neither unemployment benefits nor redundancy compensation exist though some state firms have restructuring funds (FREP) that provide limited benefits. Thus, early retirement was offered to the eldest employees in state firms, while some compensation or social assistance such as continued health-care benefits and family allowances were given to others for a period of six months to a year.

The government's poverty reduction programme centres on absorbing the poor into the productive sector through employment and skills enhancement. Targeting education and professional training, the programme aims to reduce the school dropout rate and increase enrolment. A national adult education programme was launched three years ago and now involves 170 000 people. Of these, 28.1 per cent are aged between 15 and 29. Although obviously open to all, this programme aims at increasing literacy among young people. In constant terms, the budget for professional training has tripled in recent years.

A second axe of the poverty reduction plan targets special-needs groups that cannot be incorporated into the production sector, such as the old and the handicapped. The national programme to assist needy families, PNAFN, offers free health care.

The solidarity fund (or "26-26" fund, after its post office savings account number) was created on 8 December 1992 to target those pockets of poverty and problem areas where basic living conditions were lacking, especially in inland areas. The fund has achieved its

initial goals in school supplies, primary health-care centres, rural roads, housing, electrification and access to drinking water and in 2001 it received 486 000 donations in addition to government funds. The fund's success spurred the creation of a second "21-21" jobs fund designed to help the long-term unemployed.

The country's social policy is costly, with health care and social affairs absorbing a fifth of government spending. However, some health and social indicators are the highest in Africa, with 93.2 per cent of the population having access to drinking water and 95.6 per cent to electricity. The proportion of housing that is rudimentary is also falling sharply and was only 1.2 per cent in 2001.

Infant mortality fell from 37.3 per thousand live births in 1990 to 25.8 in 2000. The HIV/AIDS infection rate was only 0.04 per cent in the 15 to 49 age group in 1999 and just 24 cases of tuberculosis were recorded in 1998.

National medical coverage rose from 77 per cent in 1996 to 83.4 per cent in 2001, with special attention given to disadvantaged social groups. Life expectancy increased from 70.3 to 72.2 years between 1990 and 2000.

Education took 19.9 per cent of the budget in 2001, or 4.7 per cent of GDP. In 2001/02, 99 per cent of 6 year olds were in school though some subsequently drop out as they get older since in the same year, only 91.3 per cent of children between the ages of 6 and 12 were attending school. Despite great efforts, 24.7 per cent of the population over the age of 10 (and 39.4 per cent of women) were still illiterate in 2001.