

## Simulation of WATER markets in Tunisia

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Water pricing has been a key concern in Tunisia for the last two decades. It is recognized that the average price of water remains very low as compared to the marginal value of water as well to the cost of mobilization of water. Alternatives to better allocation of water resources have been sought mainly with the increasing scarcity of this resource and the expanding irrigated lands. Failure to estimate a water price that reflects its real value would lead to sub-optimal allocation of water and in general to policy failure problems (Ahmad, 1998). Water markets have been a promising institutional arrangement for better allocation of water as demonstrated by diverse experiences of many countries.

This paper attempts to examine the effects of the implementation of a market for water in Tunisia. Our hypothesis is that market allocation of water resources would improve the value of water (water price) and its distribution among farmers. Users will adjust their demand for water and then change production patterns, which lead to improved farm revenues (total farmers revenues). The paper compares the baseline (current) allocation to allocations based on alternative market structures extremes namely pure competition and monopoly.

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