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CLASSIFICATION

PROJECT EVALUATION SUMMARY (PES) — PART I

Report Symbol U-447

1. PROJECT TITLE	2. PROJECT NUMBER	3. MISSION/AID/W OFFICE
Small Farmer Supervised Credit	664-0302	TUNISIA

4. EVALUATION NUMBER (Enter the number maintained by the reporting unit e.g., Country or AID/W Administrative Code, Fiscal Year, Serial No. beginning with No. 1 each FY) 80-1

☐ REGULAR EVALUATION ☒ SPECIAL EVALUATION

5. KEY PROJECT IMPLEMENTATION DATES	6. ESTIMATED PROJECT FUNDING	7. PERIOD COVERED BY EVALUATION
A. First PRO-AG or Equivalent FY 78 B. Final Obligation Expected FY 81 C. Final Input Delivery FY 83	A. Total $ 42,237,000 B. U.S. $ 18,237,000	From (month/yr.) March 1978 To (month/yr.) May 1980 Date of Evaluation Review

8. ACTION DECISIONS APPROVED BY MISSION OR AID/W OFFICE DIRECTOR

A. List decisions and/or unresolved issues; cite those items needing further study. (NOTE: Mission decisions which anticipate AID/W or regional office action should specify type of document, e.g., airgram, SPAR, PIO, which will present detailed request.)	B. NAME OF OFFICER RESPONSIBLE FOR ACTION	C. DATE ACTION TO BE COMPLETED
1. Intensified recruitment effort for U.S. advisors as required by agreement.	Mr. B. Jadwin	11/1/80
2. Authorization for a FY 1981 allotment of $11,300,000 of loan funds to finance obligation of the project's second tranche, within the total $18,207,000 March 17, 1978 approval Administrator Gilligan for this project.	Mr. J. Williams Mr. B. Jadwin	8/15/80
3. Authorization for A.I.D. loan financing of host country procurement of additional vehicles within the framework of agreed transportation program	Mr. J. Williams	7/20/80
4. Extension of PACD to September 30, 1983	Mr. J. Williams Mr. B. Jadwin	9/30/80
5. Extend loan funding of technical assistance through September 30, 1983	Mr. J. Williams Mr. B. Jadwin Mr. J. Fligingerr	11/31/80
6. Modification of farmer loan terms, so that custom work financing is in cash if desired	Mr. Trabelsi Mr. R. Gregg	6/30/80
7. Increased use of Arabic and simplification of procedures in drafting, format, and handling of farm loan documents	Mr. Trabelsi	9/31/80
8. Make SGAs more participatory in nature, or reduce their role	Mr. Trabelsi	12/31/80

9. INVENTORY OF DOCUMENTS TO BE REVISED PER ABOVE DECISIONS

- ☐ Project Paper
- ☒ Financial Plan
- ☒ Logical Framework
- ☒ Project Agreement
- ☒ Implementation Plan e.g., CPI Network
- ☒ PIO/T
- ☐ PIO/C
- ☐ PIO/P
- ☐ Other (Specify)
- ☐ Other (Specify)

10. ALTERNATIVE DECISIONS ON FUTURE OF PROJECT

- A. ☐ Continue Project Without Change
- B. ☒ Change Project Design and/or
  - ☒ Change Implementation Plan
- C. ☐ Discontinue Project

11. PROJECT OFFICER AND HOST COUNTRY OR OTHER RANKING PARTICIPANTS AS APPROPRIATE (Names and Titles)

Mr. A. Chebil, Chief Engineer, D.P.S.A.E.
Mr. F. Avran, Consultant, Ohio State University
Mr. J. Gharbi, Chief Engineer, D.A.P.M.E.
Mr. K. Baghdadi, Chief Engineer, D.P.V.
Mr. G. Donald, Consultant, National Planning Association
Mr Ernest F Gibson, Project Officer USAID

12. Mission/AID/W Office Director Approval

Signature: William F. Gelabert

Typed Name: William F. Gelabert, Director

Date: May 30, 1980

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PROJECT EVALUATION SUMMARY (PES) - PART I

8. Action Decisions Approved by Mission or AID/W Office Director

	Name of Officer Responsible for Action	Date Action To be Completed
9. Intensify recruitment of credit agents, and raise number to 36	Mr. Trabelsi	12/31/80
10. Strengthen project management staff to permit decentralization and closer, better, supervision	Mr. Trabelsi	12/31/80
11. Improve BNT performance monitoring project financial flows.	Mr. Trabelsi) Mr. Fliginger)	6/30/81

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PES: Small Farmer Supervised Agricultural Credit: TUNISIA (664-0302)

PART II

13. Summary

Small Farmer Supervised Credit Project 664-0302 was authorized on March 17, 1978. While the entire project was approved in principle, the NEAC decided to authorize only $6 million, for the first two years of the project, of the $18 million AID contribution. Authorization of the balance is dependent upon project performance as determined by periodic evaluations.

The project was designed to provide supervised lines of credit for agricultural inputs to small and medium farmers in five of Tunisia's Northern Governorats. After an implementation period of approximately 18 months the project has approved over $3.5 million equivalent of farm loans through over 3,000 loans. In addition, it has helped create a Ministry of Agriculture agency focusing on small and medium farms, the Office of Small and Medium Scale Farmers (DAPME). This manages the provision of credit and technical assistance to the growers. In turn, DAPME with the collaboration of U.S. technicians, has been able to field and train (in service) 24 credit extension agents to assist the farmers. As a result of these efforts the project has been instrumental in introducing new farm technologies, and has had a positive impact on the productivity, production, and income of the participating farmers.

While progress has been made, the project is not without its difficulties. The transfer of the project from the overburdened Direction of Vegetative Production (DPV) to DAPME and the related need to recruit and train staff, a shortage of vehicles and the fact that the project is attempting to reach farmers who have had no experience with formal credit inhibited progress in the early stages. These difficulties have now been surmounted, but lethergy by the National Bank of Tunisia (BNT) in processing loans, repaying suppliers for materials, and providing data adequate to monitor loan progress; the failure of the Local Organizations for Farm Credit (SCMA) as a vehicle to guarantee small farmer loan repayment contributing to significantly high delinquency rates, the social distance between semi-literate native Arab speaking farmers and a program with a decided French bureaucratic orientation, and an interest rate (6 percent) which is insufficient to meet expenses of the project are lingering difficulties. In spite of these drawbacks the combined evaluation team's judgement is that sufficient progress has been made to warrant authorization of the final $11.7 million tranche. The evaluation also suggests that U.S. participation (LOP) be extended by two years to allow for the orderly development of a credit delivery system and recuperation of time lost in the earliest stages of implementation.

14. Evaluation Methodology

The purpose of the evaluations was to measure progress of the project and recommend adjustments in project design to improve implementation. The evaluations were carried out in two stages. First the National Center for Agricultural Studies (CNEA) conducted a series of surveys geared to gather statistical information (e.g. number and average size of loans made, number and amounts of delinquency, production and income increases) to monitor progress of the project. CNEA also gathered data on constraints to project implementation. The methodology employed was survey questionairies designed to generate emperical data through random sampling of project participants. Second, a joint Tunisian/American evaluation team (with two outside experts - Percy Avram of Ohio State University and Gordon Donald of the National Planning Association)carried out the usual mid project (in this case 18 months) evaluation to assess progress and provide recommendations for future implementation. The methodology used by the team was a combination of literature review and extended interviews with project personnel and participants.

15. External Factors

There was no major change in Tunisian government macro-economic policy during project implementation to date. In particular Tunisian monetary policy continues to maintain a low ceiling on all formal interest rates in the Tunisian economy.

16. Inputs

USAID inputs include two long term technicians, administrative support, and a revolving fund for seasonal and mid-term credit. Aside from a one year delay in filling the second (credit supervisor) advisor position - a matter which contributed to the early slow going of the project - there have been no difficulties with USAID inputs

GOT inputs include administrative and technical personnel, logistical support (offices, vehicles, and maintenance), a medium term loan fund for purchase of livestock and construction of livestock enclosures ($7,580,000) and administration and management of loan funds through the life of the project. Satisfactory progress is being made in the recruitment of field personnel. At the outset DAPME assigned 19 extension agents to the project. During the first year 5 agents were added bringing the total to 24 to service 3000 participants. This is a ratio of 1 agent to 125 farmers, a figure which is in advance of the 1 to 144 ratio envisioned in the project paper. All of the agents have received the benefit of in-service training provided by CNEA and U.S. technicians. A shortage of vehicles for agent transportation also presented a difficulty. However, a recent decision to commit $200,000 from the 10 percent administration fee of the loans, plus an additional $300,000 of loans

for the purchase (including spare parts and training) of 54 vehicles will multiply agent/farmer contact.

17. Outputs

The combined evaluations indicate that the project is making accelerating progress toward output targets. Over 3,000 loans totaling $3.5 million have been granted (over 2,000 loans for some $2.9 million in the second year reflecting the gathering momentum of the project) and 95% of the applications have been supported by a farm production plan developed co-operatively by the farmer and credit agent. The inputs and services combined with improved farming practices is contributing to direct economic benefits for the farmers as evidenced by: improved productivity as yields have increased, production has bettered as land left fallow has decreased from 27 percent in 1978/79 to 17 percent in 1979/80, and incomes have increased -- especially among participants in humid and semi-humid climatic zones. There is little doubt that inputs of seeds, fertilizers, and cultivation work totalling approximately 20,000 MT; 75,000 MY and 2,700,000 hours respectively will be achieved but not by the fourth year of the project; a two-year extension will be necessary to reach these targets.

Important additional outputs include the institutionalization of supervised credit as evidenced by the creation of an organization (DAPME) to implement the project, in-service training of field personnel especially in the areas of credit management and development of farm plans, and the production of a supervised credit manual.

18. Purpose

The project purpose is "to provide, through a supervised credit program, access to improved agricultural production inputs and technical information necessary to increase the level of production technology employed by a significantly larger number of small and medium sized farmers than at present".

The above discussion clearly indicates that progress is being made toward achievement of this purpose by the end of the project. The set of EOPS conditions are being met, i.e. participants are receiving assistance in the development of farm plans, they are receiving credit, they are applying recommended technology including herbicides which had heretofore been difficult to achieve, and production levels have increased.

19. Goal

The goal of the project is "to increase basic food agricultural production and to improve the income level of small and medium size farm units". Again, the above discussion clearly indicates that production and income levels of participating farmers has increased.

20. Beneficiaries

The direct beneficiaries of this project are the approximately 3,000 small and medium size farm families who are receiving the supervised credit. During the first crop year of the project, 67 percent of the loans were made to growers with 20 hectares or less; 31 percent to the 0-10 hectare category, and 36 percent to the 10-20 hectare category. During the second year of the project, the percentage of farmers with 10 hectares or less rose from 31 percent to 34 percent. Another notable achievement of the project is that land title eligibility criteria for small farmer loans has been relaxed. This in turn makes credit available to small farmers who are renting land or are involved in some other form of precarious tenancy.

21. Unexplained Side-Effects

Not pertinent at this time.

22. Lessons Learned

Lessons learned from the evaluation, which will be applied to making design adjustments for the balance of the project, center on institutional constraints to project implementation. The first matter is cultural sensivity, i.e. the lack of appreciation for the social distance between the semi-literate native Arab speaking small farmer and a program with a market French bureaucratic bias. The necessity of multiple written forms, farm plan credit applications, and approval committees are foreign to the traditional production systems and behavior patterns of small farmers. Undoubtedly they act as a constraint to increased participation. A reduction in the number of forms, the use of Arabic on written documents, bi-lingual field agents and sensivity training of agents especially with regard to small farmer risk management behavior and the decision-making process (locus of authority) within the household are strategies that are or will be employed to overcome the problem.

The second deals with a closer examination of BNT concerning the processing of loan application and repayment of suppliers for materials provided to lenders. While BNT's participation is crucial to the success of the project, the evaluations revealed that the Bank has offered little more than routine accounting and distribution services. The evaluation team's recommendation to establish a department in the Bank to deal exclusively with small farmer credit will serve to eliminate these problems. Discussions with the Bank to this end are underway. Reporting services is another area where the Bank's performance has been found wanting. Monthly computer printouts lack a number of critical data, e.g. the aging of delinquent accounts, amount for which loans were authorized compared to the funds actually utilized by the farmer, number of farmers and loans in

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force. Steps are being taken by APMANE to have these and similar types of data included in the reporting to better monitor the progress of the loans.

23. Special Remarks

Significant program management implications center around capitalization of the project; an issue with three related components -- loan delinquency, performance of SCMA, and the interest rate for loans. CNEA reports a repayment rate of 42 percent as of 12/31/79. Subsequent project data places reimbursements at 61 percent. While there is a continuing trend toward improved repayment the level of delinquency is nonetheless significant. In part this high rate is attributable to the poor growing season in first year of the project. An equally important cause is the ineffectiveness of SCMA as a loan guarantee organization. SCMA is an artificial construct of the BNT designed to guarantee payment of loans by bringing group pressure to bear on individual borrowers. It has not taken hold precisely because it is an artificial institution to which the farmers have no allegiance. Consequently it has not generated the peer group pressure as anticipated. In line with an evaluation recommendation the Mission/GOT are considering use of an alternative institution - one indigenous to the local level as a vehicle to enhance loan repayment by individual borrowers.

All Tunisian institutional interest rates are subject to government regulation. At the time the project was authorized special concern was expressed that the lending rates charged to farmers were too low to cover the lender's costs. Thus the project would be decapitalized. Decapitalization of the revolving loan fund will not occur because both for this project and its sister agricultural credit project, funded by the IBRD, the government has agreed to maintain the level of the loan capital.

An upward shift in the entire controlled structure of Tunisia's institutional interest rates is major macro-economic action. This project, primarily aimed at small farmers cannot bring it about, however desireable. Critical emphasis in any case should be on the interest paid to savers, and the way savings are mobilized to preferred uses such as farm investments; not on the rates charged farmer entrepreneurs. Most interest discussion of the subject has however focussed on the latter aspect, because that is the focus of the project. The interest rate charged is tied to the BNT agricultural rate, and that will now be periodically examined, by agreement. That is probably as far as this project can carry the larger macro-economic question.