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END OF TOUR REPORT

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TITLE: Economist/Credit Advisor - Tunisia
PROJECT: Small Farmer Supervised Credit Project No. 664-0302
"Assistance aux Petits et Moyens Agriculteurs du
Nord-Est (APMANE)"

DATE ARRIVED AT POST: August 29, 1978

DATE OF DEPARTURE: August 3, 1980

SCOPE OF WORK: Serve as team leader of the USAID Technical Assistance Credit Team and assist the Tunisian Project Director in all phases of project planning, organization, execution and project evaluation.

I. SUMMARY

1. Even though Projet AFMANE had many constraints and delays the first two years of operation, it was able to process over 960 loans the first year and over 1800 loans the second year.

2. As a result of severe drought in the first year the delinquency rate was high - about 47%. However, this is a delinquency and not a default. It is anticipated that the unpaid portion will be considerably reduced in the Fall of 1980 because of more favorable weather and anticipated subsequent higher yields.

3. The Banque Nationale de Tunisie (BNT) has demonstrated poor cooperation with Projet AFMANE. Among other improvements, it should be required to provide the project with an accurate and complete monthly report concerning the status of individual borrowers' accounts, including disbursements and collection of principal and interest. The BNT should also provide the project with a monthly status report of the USAID/GOT capital loan account. It has been provided with a computer print-out model that, if used, would provide the necessary information to allow sufficient project monitoring.

4. The Project Director needs two experienced assistants immediately to take over routine project management duties so he will have more time to spend on monitoring project progress and planning ways to improve operational efficiency.

5. Established long term and annual farm plan forms should be required to be properly used in the preparation of every loan applicant's loan dossier. The established loan control system should be enforced; such actions will require more administrative personnel as agreed to by the Minister's Commission.

6. The system of project forms is not well organized. The Project Director should conduct a seminar with advisors, staff and regional coordinators to review all project forms and to eliminate those not needed and to revise those needed and prepare guidelines for their use.

7. The system of communication between field offices and the central office needs improving. Telephone communication should be reduced and more written communication be used. This will require more advanced planning and the full implementation of the loan control system.

II. INTRODUCTION

The Small Farmer Supervised Credit Project was evaluated during April/May of 1980 by a bi-national team of specialists. They submitted an evaluation report which was an excellent comprehensive review of project progress and problems over the first two years' operation of the project. The team's report also included several important and constructive recommendations which should receive favorable consideration.

This end of tour report is intended to not duplicate, to a major degree, information contained in the evaluation report. Instead this report focuses more on background and on management deficiencies which, if not corrected, will eventually seriously and adversely affect the success of the project.

Comments in this report which appear critical are intended to identify problem areas in a system and are not intended to criticize individuals. I have tried to be constructive in recommending solutions.

In my quest to contribute to the improvement of Projet APMANE, I have in turn learned much from the Tunisians with whom I have been associated. The acceptance and hospitality with which I have been received has been gratifying. It has been a pleasure and a rich experience to work in Tunisia.

III. BACKGROUND AND REVIEW

When the project agreement No. 664-0302 was signed on March 24, 1978, a project director and the USAID agricultural credit advisor had not been named. A project director was not appointed until June and the USAID economist/credit advisor did not arrive on post until late August.

All of the residual Conditions Precedent of the project agreement were not cleared until October 6, and the first USAID tranche of loan funds was not received until November 1978. Regardless of these bureaucratic delays, project personnel continued to prepare loan dossiers for applicants and farm work moved ahead, as planting season was at hand. When loan funds became available some farmers had given up and withdrew their loan applications. However, most applicants were able to get work done on promises to pay, when loan funds were released.

Such was the late, off-balance beginning of Projet APMANE. As a result of these early difficulties in implementation, the project management has been correspondingly late in developing a system of efficient operation visualized in the project agreement, especially in the areas of loan fund utilization, staff development and project management.

Notwithstanding the many implementation problems the project was able to process over 960 short term loans by December of 1978. This must be considered commendable considering the fact that the staff was inexperienced, the farmers did not have time to adjust to the program, and it was late for autumn wheat seeding.

The project continued to build up momentum and at the present time it has a case load of over 1800 short and medium term loans.

The first year's crop production was seriously impaired in several regions by drought. This resulted in a first year delinquency rate of about 47% as reported by the BNT December 31, 1979. It must be emphasized that this is a delinquency and not a loss or default. It is anticipated that the unpaid portion will be considerably reduced in the Fall of 1980. As of this date a much better than last year overall crop yield in cereals is evident. Also those involved in the collection process have one year of experience in this activity, which should result in a more orderly and improved reimbursement process for the second crop year.

Other serious problems involved insufficient staffing and transport. As the project got underway designated credit agents were mostly existing DPV extension agents who were given the additional duties of processing loans. This resulted in confusion as to priority of the agents' responsibilities -- to the DPV Extension Service or to the Credit Project. This was finally corrected when the credit project was transferred to another Direction (DAPME). To add to this problem, AID/Washington was unable to recruit an Agricultural/Credit Advisor to fill the second U.S. technician slot until January 15, 1980, about 22 months late. Consequently, important training of field credit agents was not possible during the early stages.

Early monitoring of field operations revealed that the Ministry of Agriculture, especially the DPV Extension Service was extremely deficient in numbers of vehicles for their agents. Early implementation efforts were seriously cramped because credit agents, in many cases, had the use of a vehicle only one day a week. This issue was given increased attention resulting in more vehicles being made available and more ordered to be available in 1981.

Projet ALMARE is dependent upon efficient coordination with several government or quasi-government agencies who provide materials and services to project borrowers. Many problems developed in this area during the first year; mostly as a result of poor communication, poor organization and an unclear understanding of project needs. Going into the second year of operation most of the coordination problems were reduced, except those problems associated with the BNT. The BNT management has assigned little priority to its responsibility as fiscal manager of project loan funds. BNT agency branch managers were not adequately informed of their responsibility to the Project. Consequently, disbursements of loan funds are often delayed, loan contract forms are not available when needed, documentation of loan utilization is inaccurate, and the central BNT office provides inadequate reports on status

of the project loan capital fund and individual borrower accounts. The Project Director and his staff lose considerable time contacting BNT officials to clear up problems related to the Bank's lack of cooperation.

The BNT periodically provides the project with a computer print-out of the status of individual borrowers' accounts. However, the format of the print-out is inadequate and provides no information on interest accumulation or repayments, among other deficiencies. A different computer format was designed by the USAID advisor which would provide sufficient information, if used. This was presented to the BNT with the suggestion that they adjust their computer print-out accordingly. They verbally agreed in April, 1980; however, they also implied no changes would be made before October, 1980.

There were other problems of implementation which have since been satisfactorily dealt with and which have provided the benefit of "experience" to the project management.

As a result of the late start-up of the project the draw-down of the USAID committed funds for the first 2 years has been less than projected in the project agreement financial plan. The evaluation team touched on this point in their report. It stated that the rate of draw-down would increase and will be utilized before the project reaches its target of assisting 11,665 participating farmers. It also recommended that the project should be extended for an additional 2 years to provide the project the opportunity to recoup the time lost the first 2 years, especially as it pertains to utilization of USAID committed funds. I wholeheartedly agree with the analysis and recommendation of the evaluation team. However, it is recommended that an extension of time for the project should include USAID technical assistance. Reasons can be found in the following paragraphs.

IV. LOOKING TO THE FUTURE

Most project operational problems can be avoided if timely and well thought out planning is part of the management process. The late start-up of the project made it impossible to incorporate sufficient planning into the management process during the early implementation period. However, the project can no longer use the same excuses for project disruptions as were used in the first two years of operation. The REAL test for the success of the project depends upon how it is managed from here on out. The project has developed an ever increasing workload requirement because of, among other reasons, increased numbers of loans, increased numbers of field employees and through the geographical expansion of the project areas. However, the system of project management has not improved respectively in order to adequately cope with increased workload. Unless the management process is improved it will be increasingly difficult for the project to comply with the requirements of the project agreement, especially in the areas of farm planning and loan control.

The critical areas where improvement is needed are as follows:

1. More time must be scheduled for planning.
2. The system of farm planning must be utilized more effectively.
3. Initiate and utilize the established system of loan control more effectively.
4. Develop a more efficient system of communication with field employees.

Unless serious consideration is given to improving the present system of management, the increasing administrative workload will create an undesirable situation where the project administration will be submerged in superfluous and duplicative paperwork which will considerably reduce the efficiency of the project operation. The definition of "management" as used in this report is the system and process by which Projet AFMANE is controlled from the level of policy makers to the regional coordinator or chef du bureau de liaison.

1. Time for Planning

Presently the project director operates the project by himself. He has no management assistants to relieve him of time consuming routine administrative functions. The central office staff consists of an accountant, an office assistant and a secretary. They are given little authority to make decisions of their own and perform individual tasks as assigned to them by the project director. When the project director is away from the office no one is available to make most of the routine decisions. This usually results in no actions taken until the director returns.

The Minister of Agriculture's Commission, established to review project constraints last April, approved, among other new personnel, two assistants for the project director. However, no action has been taken to locate and assign capable personnel to these positions. Such delays and restrictions on assigning key personnel is false economy.

Since the project director has no one to assume time consuming routine tasks he must do most of them himself. As a result, important planning sessions with advisors and others have frequently been cancelled or cut short. Under the above mentioned pattern of work the project director has found it impossible to take his full allotment of annual leave the last 2 years, and, indications are he will not be able to take much leave this year. If this situation continues it will affect his health as well as his attitude towards his work.

The above mentioned system of management is contrary to most accepted basic principles of modern management. For a project the size of AFMANE, more than \$40,000,000 budget, the project director must have experienced assistants who are capable of assuming the responsibility of operating specific sections of the overall project without the day-to-day participation of the project director. This will require that the project director

delegate adequate authority to his assistants to make and carry out decisions on their own, based upon established policies. When the project director is relieved of routine administrative activities he must and will have more time to spend on monitoring project progress and planning ways to improve operational efficiency. This is the area and time where project advisors can be of the most effective assistance.

2. Farm Planning

Two farm plan forms were designed the first year of the project. One form is a medium term plan used to gather baseline data about each borrower and to identify his long term objectives. The other form is an annual plan used to document, in an organized manner, the cropping and livestock program of each borrower, including an estimation of yields, production costs, improvements to be made and a financial/economic analysis of the year's business. If such plans are properly used it would eliminate, or considerably reduce the need to make sample surveys, which CNEA has been making for periodic project analyses. They would also provide year to year data concerning the progress made by each borrower in relation to his established objectives, as drawn up in his farm plans.

Even though these plans have been available to credit agents for over a year they still are not effectively and properly used. Training has been given to field personnel on how to use them. However, such plans are frequently only superficially filled out and not used in loan analyses as originally intended. There are several reasons for this, the most relevant being: (1) Insufficient numbers of personnel available to provide on-going training and encouragement in their use. (2) APMANE personnel are reluctant to change from the older, simpler but inadequate system of documenting information concerning loan applicants and borrowers.

The concept and importance of detailed farm planning and management is still not fully understood by APMANE personnel. Such understanding comes over a period of several years when it is possible to compare farm plans from one year to another and be able to identify progress and problems. In the meantime, on-going training sets the foundation for such understanding. Recently, since the arrival of the USAID Agricultural Credit Advisor, who has provided more field training, there has been more progress in the utilization of the new farm plans. For the next crop year field personnel have been informed that they are to fill out a medium term farm plan with every applicant. However, the target for the use of the annual plan has been set at only 50% of the loan applicants. This is unfortunate but, with the above mentioned lack of personnel there is no other reasonable alternative.

3. Streamlining Procedures

A complete system for loan control was introduced, along with the new farm plans, during the first year of operation of the project. Training was given to all field personnel in how to implement the system. This system included a set of forms which were designed to complement each other in providing, on a monthly basis, more relative and complete information to the project director concerning project progress. These forms include:

1. Farm visit report
2. Monthly calendar of work
3. Loan control card for a quick review of contacts with farmers
4. Monthly statistical report of project activities.

For the same reasons mentioned above concerning the use of the new farm plans, this loan control system has also received only token efforts towards implementation. However, other report forms have been spontaneously and hurriedly designed and introduced from time-to-time without regards to the possibility of whether they duplicate or complement the forms in the loan control system. Presently there is no organized list of all forms used in the project.

It is suggested that the project director organize a meeting with his central office staff, advisors and the regional liaison officers to intensively review all ARMANE forms with the view of revising or eliminating those that do not presently fit into the overall loan control reporting system. A list then should be made of all approved forms with guidelines on how and when they should be prepared and submitted. The credit manual should then be revised to include any changes or additions made concerning project forms.

4. Communication with the Field Employees

Much time is presently consumed by central office personnel communicating by telephone with field employees. Invariably, such telephone traffic involves and takes up the valuable time of the project director. Often such telephone conversations involve routine instructions or questions that could be handled in a more efficient and economical manner. The most effective way would be to use written communication more often, which would also provide answers to individual questions for all regional personnel at the same time. This would require that a more routine reporting system be established and field personnel be provided in advance with procedural guidelines for the performance of their duties. Many special reports that are hurriedly requested of field personnel could be prepared in the central office if comprehensive, statistical, narrative and periodic reports were prepared by field personnel and submitted on a regular basis. The loan control system previously mentioned, if fully adopted, would provide on a regular basis the information now obtainable

only by special reports requested and conveyed by telephone. More advanced planning would eliminate present practice of demanding many special reports on short notice and other reporting constraints and allow field personnel^{to} time their reports when other loan processing work demands are less. Again this is not possible without sufficient experienced central office staff.

Field personnel have not been provided with adequate feed-back from their reports. Summaries of field reports should be sent to each CRDA and made available for all field personnel to see. This will give them a better understanding of the functioning of the entire project and how they are performing in relation to other areas.

A credit procedure manual has recently been prepared which will provide all ARWNE personnel with detailed instruction about the project and their responsibilities. This manual, if followed, should reduce much of the present telephone traffic and will provide a standardized, more efficient system of project administration.