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Auditor General

REPORT OF AUDIT

OF

USAID/TUNISIA'S

SMALL FARMER SUPERVISED CREDIT PROJECT

664 0302

The GOT and USAID have identified substantive implementation problems which they are positively addressing. Prospects are good for successfully achieving the project purpose and goal.

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Area Auditor General East Africa
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SMALL FARMER SUPERVISED CREDIT PROJECT

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EXECUTIVE SUMMARY

The Small Farmer Supervised Credit Project (SFSC) was signed on March 24, 1978, and obligated $6.0 million and $0.9 million of loan and grant funds, respectively. Its ultimate objective is consistent with the overall sector goal of increasing basic agricultural production and improving the income level of small and medium sized farm owners. The project purpose is to provide (through a supervised credit program) access to improved agriculture 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 project covers parts of five of Tunisia's eighteen provinces and is expected to reach 11,665 farmers (0-50 hectares) who do not have access to adequate sources of institutional credit. Current commitments under the project total $42.2 million, of which $18.2 million and $24.0 million are to be provided by the U.S. and GOT, respectively. The AID contribution includes $17.3 million which, along with $10.6 million of GOT funds, will be used to establish revolving credit funds for (a) the seasonal procurement of crop production inputs (short term loans), (b) procurement of improved livestock and small farm equipment (medium term loans), and (c) livestock shelter loans (medium term loans).

The purpose of our audit was to review the economy, efficiency and effectiveness of the SFSC project financial inputs and activities from the inception of the project on March 24, 1978 through June 30, 1980. Our audit followed the publication in May 1980 of a comprehensive and effective evaluation report. Therefore, we performed a limited review of the problem areas discussed in that report and concentrated on the U.S. and GOT financial inputs, including a review of AID's related procedures and policies.

The project is at least a year behind schedule but is overcoming its initial birthing pains and shows good prospects for a successful conclusion. Some additional delay is expected to occur because of an unplanned requirement for supplying vehicles to extension agents. Current plans call for the vehicles to be procured and delivered by mid-1981, but meanwhile, agent effectiveness and related farmer contacts (planning, monitoring, and collection) will be diminished due to the limited number of vehicles available for use by extension agents.

The first two years of the project life were characterized by organization, staffing, coordination, and logistic problems. With each of these conditions, we observed that definite progress had been made in solving the problems. Although the project infrastructure is principally in place, a successful and timely conclusion will require constant and energetic attention to adequately establishing and effectively coordinating the

project's organizational and staffing inputs. Until sufficient personnel are recruited, trained, and equipped; seeds, fertilizer, animals, and equipment are available when needed; and loan services and analysis are adequately performed; project success will be delayed or precluded and related costs will increase. However, a very encouraging aspect of this project is the high degree of support, acceptance, and participation exhibited by the GOT. They are in strong support of the project goals, have established and implemented permanent organizational arrangements, and within the perimeters of their government's system, have been providing the necessary financial and manpower resources.

With 28 agents on board during the 1979/1980 crop year, about 1,900 farmers participated in the credit program. Current plans call for having 71 agents on board by the end of 1980. Accordingly, prospects are good for placing an increased number of loans during the 1980/1981 crop year, and making substantial progress toward achieving the target of 11,665 small and medium farmers participating in the loan program. Moreover, preliminary observations indicated that the small and medium farmers' access to supervised credit had begun to increase farm production and to improve the farmers' income and social well being.

Our review of the AID and GOT financial inputs showed that necessary funding was provided as needed and the eligibility of related expenditures was confirmed. AID loan funds totaling $2.1 million were used to establish the short and medium term project loan accounts. AID grant funds in the amount of $0.3 million were expended to employ U.S. technicians, provide training, and pay for evaluation services. Correspondingly, the GOT deposited the equivalent of $3.8 million to the medium term project loan account and contributed administrative support estimated at $0.6 million. However, due to a lack of GOT financial reporting, we were unable to determine the exact value of administrative services and goods provided by the GOT.

As noted in the project evaluation report, the accounting for the project loan accounts held by the BNT (GOT controlled bank) was unclear, incomplete or absent. Consequently, it will be necessary for the GOT to obtain more complete financial accounting from the BNT before the project financial status can be determined satisfactorily. In other areas, we observed a need for a revised implementation plan, continuation of evaluation procedures, more complete progress reporting system, improved banking arrangements, and additional emphasis on U.S. technicians' language proficiency.

The report findings were discussed in draft with USAID/Tunisia management officials and, where applicable, their views have been incorporated in this final report.

BACKGROUND AND SCOPE

Small farmers in Tunisia are outside the mainstream of agricultural development. This is due, in part to (a) the lack of access to credit sources necessary to finance essential production inputs; and (b) inadequate or unavailable technical guidance. The Small Farmer Supervised Credit Project (No. 664-0302) is among Tunisia's first steps in a longer term effort to fill this gap. It's purpose is to provide the needed support and assistance to some 11,665 small and medium scale farmers in five of the country's northern provinces.

The project plans provided for an AID contribution of $18.2 million, of which $17.3 million would be used to establish revolving loan funds and $0.9 million for consultant, training, and support costs. Contingent upon project performance, these funds would be provided in three steps; i.e., $6.9 million in FY 1978, $6.0 million in FY 1980, and $5.3 million in FY 1981. As of June 30, 1980, AID had obligated only $6.0 million of loan funds and $0.9 million grant funds. Due to delayed project implementation, the $6.0 million for step two is expected to be obligated in FY 1981.

The project financial plan for the revolving funds called for AID to finance 100% of short term production funds, and 58% of medium term livestock procurement and farm equipment funds. The GOT contribution was to support 100% of medium term livestock shelter funds, and 42% of medium term livestock procurement and farm equipment funds.

The status of both contributions as of June 30, 1980 was as follows:

	($000's)		
AID Contribution	Planned	Obligated	Expended
Short term production fund	13,200 a/	4,884	1,700
Medium term livestock/equipment fund	4,100 a/	1,116	390
U.S. resident technicians	500 b/	554	171
U.S. consultants	44 b/	44	-
Administrative support	211 b/	147	41
Technical support-evaluation	52 b/	52	51
Training and project support	100 b/	100	33
Unllocated	-	40	-
Subtotal	18,207	6,937	2,386

GOT Contribution

Medium term livestock/equipment fund	3,010)	3,769[c]	3,769
Medium term livestock shelter fund	7,581)		
Maintenance of capital	8,223	-	-
Administration cost	2,108	616	589
Contingency	3,078	-	-
Subtotal	24,000	4,385	4,358
Grand Total	42,207	11,322	6,744

The purpose and scope of our audit was to ascertain and evaluate the SFSC project financial inputs and related activities from the inception of the project on March 24, 1978 to June 30, 1980. The review was performed in response to USAID/Tunisia's request for an audit to complement a planned technical evaluation of the project. As a result of the USAID's thorough technical evaluation completed in May 1980, and substantively verified during the course of our audit, we were able to generally limit our review to the project's financial implementation. The related audit effort was performed on a selective basis and included such tests as were considered necessary in the circumstances. We examined various Mission and GOT files and records, held discussions with appropriate Mission, GOT, and other participating agency officials, and interviewed farmers and extension agents during site visits to each of the five involved provinces.

AUDIT FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

Project Evaluation

The information obtained during our review of project activities supported the conclusions and recommendations reached in the project's first evaluation report issued in May 1980.

This was a joint evaluation performed by two U.S. consultants and three GOT/MOA employees. Direction and supporting assistance was provided by USAID and Direction de l'Assistance aux Petits et Moyens Exploitants (DAPME), a division of the GOT Ministry of Agriculture responsible for supervising the project.

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a/ Loan funds
b/ Grant funds
c/ Unallocated GOT deposit applicable to both livestock equipment and livestock shelter funds.

Initially, the Centre Nationale d'etudes Agricoles (CNEA), a GOT/MOA research institution, agreed to perform semi-annual surveys and periodic evaluations -- of which the first survey was completed in January 1980. This effort was followed by the joint U.S./GOT evaluation of May 1980.

The May 1980 evaluation report concluded that "the project got off to a slow start but is making good and steady progress." "Initial organizational tasks, including the inter-agency transfer of APMANE (from the Direction de Production Vegetale to the Direction de l'Assistance aux Petits et Moyen Exploitants (DAPME) in summer 1979, the recruitment and training of personnel, the establishment of regional offices and acquisition of equipment and materials, were all satisfactorily accomplished. This crop year almost 2,000 farmers in the target group were reached with technical services and credit. APMANE (the project) is now in place, and ready to intensify and expand its services." "The project is being well received in GOT circles and parastatal agencies involved in supplying inputs to the project are showing positive support." The report concluded by noting that the objective of increased food production, higher level of income, and improved social condition for small and medium farmers in Tunisia is an important development target. "This project is one avenue for attaining this objective and is worthy of a continued high level of support."

The report's major findings and recommendations addressed the following areas:

- Improvement in loan collection, reduction in delinquency.
- Extension of time for project implementation.
- Deduction from loans for farmers' savings accounts to build project capital as an alternative to raising interest rates.
- Funds to complete recruitment and equipping of project personnel should be provided.
- More complete and timely reports by the Banque Nationale de Tunisie (BNT).
- Continued periodic evaluation by the Centre Nationale d'Etudes Agricoles (CNEA).
- Strengthen in-country training of extension agents.
- Improvement in planning and coordination among agencies involved in project.
- USAID replacement of departing senior project advisor; need for provision to avoid anticipated shortfall in grant funds.
- Deliberate well prepared expansion of the small farmer credit system to other areas of Tunisia.

For a comprehensive and more detailed discussion, refer to an extract from the "Evaluation Report of Small Farmer Supervised Credit Project No. 664-0302, dated May 1980", presented as Exhibit A of this report. Additional information is available in the CNEA survey report of January 1980 which covered the first year of project operations.

Our observations confirmed the validity of the report's conclusions and we concurred with the recommended corrective actions. Our only major reservation was that the report did not clearly establish a baseline of requirements for obligating AID's additional $11.3 million contributions necessary to complete the project.

The project agreement states "the decision to provide funds for each successive phase (second phase $6.0 million and third phase $5.3 million) will depend upon satisfactory progress toward meeting project objectives as determined by periodic evaluations, the availability of funds to AID, and to the mutual agreement of the parties to proceed with the project."

This is a complex project, supported by several parastatal bodies, that still requires substantive coordination and firm establishment of supporting infrastructure. Because there is so much yet to do (e.g., recruiting and training extension agents, establishing adequate loan accounting, improving loan collection, vehicle support, and coordination with seed, fertilizer, animal and equipment suppliers), this could easily be the kind of project that would go on forever unless appropriate standards of performance are clearly and firmly established early in its life.

Early here, means before the next $6.0 million tranche is released. Moreover, the release will be based upon a highly judgemental determination as to whether the project is achieving "satisfactory progress toward meeting project objectives."

At the moment "satisfactory progress" has not been defined. Therefore, to ensure an orderly and effective project implementation and completion, the USAID needs to define "satisfactory progress" and to set the standards by which it will be determined. With that in hand, project management and control will be enhanced and subsequent funding will be adequately justified.

To do this, it will require a determination as to whether the project progress, at the time of the next tranche, is satisfactory in view of the planned interim and end of project objectives stated in the project paper.

Recommendation No. 1

USAID/Tunisia, prior to the obligation of subsequent tranches, establish standards which will define whether or not the project has achieved satisfactory progress towards meeting project objectives.

USAID officials generally concurred with our conclusion and noted that "Mutually agreed upon, measurable targets are now being developed with the GOT which will be incorporated into the revised implementation plan in order to help define the project's 'satisfactory progress' and to ensure an orderly and effective project implementation and completion."

Project Implementation Plan

The existing (original) project implementation plan needs to show in more detail the nature and timing of inputs and outputs. Also, the timing of the existing plan is out of phase due to project delays.

In accordance with AID procedures the Project Paper included a time-phased implementation plan based on the anticipated availability of resources and the performance of a variety of inputs. Despite changed project conditions and the expected extension of project life, the implementation plan had not been revised since its preparation in March 1978.

As it turned out, the project encountered various initial implementation problems and is at least one year behind schedule. Some of the more significant early problems were inadequate GOT financial support, changed GOT organizational responsibilities, late or deferred U.S. and GOT staffing, and the slow establishment of effective working relationships with the various GOT agencies contributing to the project. These problems could have been possibly eliminated or minimized with a more knowledgeable project design and/or in-depth implementation plan.

The original plan showed 15 implementation steps to be accomplished during the first six months; but for the next four years of project life, it listed only 21 additional steps. The first 15 steps were generally brief statements of objectives rather than the significant steps needed to be taken to achieve those objectives. The following 21 steps also did not sufficiently address the project's major implementation actions. For example, appropriate implementation steps could have covered the preparatory actions needed to be taken prior to each planting season. Further, the implementation plan could have included quantifiable targets such as number of extension agents on board, farmers contacted, farm plans prepared, loans to be made, etc.

A more comprehensive implementation plan would have helped to surface latent operating problems, coordinate the implementation of inputs, and to provide for more realistic scheduling. Consequently, we believe that a revised plan should be prepared in more detail, and in view of the project's delayed implementation and changed project design, as soon as possible. Furthermore, the preparation of a current workplan will help to define and determine the "satisfactory progress" needed to justify further funding.

Recommendation No. 2

USAID/Tunisia revise its existing implementation plan to expand the plan's content and to reflect the changed project conditions and timing.

Upon reviewing this finding, USAID officials stated:

> "We agree with the recommendation and are currently revising the implementation plan with the GOT so that there will be a mutually agreed upon, measurable set of targets in order to better define and evaluate 'satisfactory' project progress.
>
> "We propose to have a detailed, up to date implementation plan draft with target dates prepared by mid-September 1980. The plan will contain such measurable standards of quantifiable data as: target numbers of medium and short term farm production plans prepared per year, extension agent recruitment and training dates, farm-credit agent ratios, input quantities per region and per crop culture, etc. When ready this new implementation plan will provide a more tangible means of measuring the project's 'satisfactory progress'".

GOT Administrative Support

Current project progress reporting procedures do not reflect the status of all required GOT financial inputs.

The existing progress reports effectively cover the technical aspects of the project activities and account for the GOT inputs to the various loan funds. However, information concerning the extent of GOT administrative support is needed to ensure and evaluate the complete GOT contribution to the project.

Although a detailed presentation is not necessary, project reports should, at least, show major classifications of expenses; e.g., salaries, equipment, other, and relate to the GOT books of account. Because this information was not readily available at the time of our audit, it was necessary to prepare estimates of the expenses incurred to date. For the longer term, however, the GOT inputs need to be periodically (not longer than annually) collected and analysed for acceptability. Since similar information for other GOT project inputs is not contained in a single report, consideration could be given to requiring future evaluation reports to provide broad scale, summary type financial analysis of GOT inputs. Such an effort would provide management with supporting evidence and documentation regarding the adequacy of GOT inputs.

Recommendation No. 3

USAID/Tunisia obtain a summary accounting of the GOT administrative support input to date and give consideration to establishing a procedure whereby future evaluation efforts would include a fiscal and/or narrative measurement of the GOT administrative support input.

In response to this finding, USAID officials disagreed with our conclusion. It is their view that they monitor the required GOT contributions and are satisfied overall that the GOT is meeting its obligations. In discussing this problem, they pointed out various problems involved in obtaining the needed financial information from the GOT system of accounts. Concededly, a financial report of the GOT administrative support inputs is not an absolute requirement. However, some type of formal measurement and record, such as a qualitative evaluation, should be made to ensure that the promised levels of support are being provided on a timely basis. Consequently, we revised the recommendation to permit an analysis other than financial.

BNT Non-Interest Bearing Account

Greater financial efficiency could be achieved if the GOT and U.S. contributions to the special project loan account were earning interest.

Under an agreement signed September 20, 1978 between the Banque Nationale de Tunisie (BNT) and the MOF, it was agreed that AID loan proceeds and the GOT contribution would be deposited in a special non-interest bearing account. Since the BNT is a GOT controlled bank, it has been the MOF's practice to not require the GOT deposits to be interest bearing. However, we believe that the planned equivalent of $27.9 million revolving fund account should earn as much interest as possible for the benefit of the project's expanding loan requirements.

Because of the seasonal nature of the project loans; i.e., mostly reimbursable at the end of each harvest season, it is anticipated that the balance of the revolving fund account will increase and be idle after the annual loan collection periods. It is expected that this situation will result in substantial sums being temporarily unused and not earning interest. For example, if one-half of the U.S. funds alone were idle for three months each year, the lost interest income at an estimated 3% would amount to $65,000 each year. If the BNT is not able to provide interest, consideration should be given to making temporary deposits of excess funds in other Tunisian banks. This additional income could be used to reduce costs or to expand the loan fund availabilities. In either case, the

project efficiency would be improved if the unused U.S./GOT deposits were earning interest. The USAID agreed that it would be advantageous to the project if the special account was interest bearing, and that forthcoming negotiations with the BNT will give consideration to this factor. Further, it is the USAID's view that depending upon the flow of the negotiations and what the BNT is able and willing to offer the project in terms of services, the GOT Ministry of Finance may decide to accept expanded loan management services in lieu of interest income.

Recommendation No. 4

USAID/Tunisia request the GOT/MOF to change the project's non-interest bearing account into an interest bearing account, or transfer temporarily excess funds to interest bearing accounts in other Tunisia banks. If this is not feasible, the resulting leverage should be used to obtain expanded services from the BNT.

BNT Loan Processing and Accounting Fees

Two and one-half years after the start of the project, the GOT had yet to determine the level of fees to be allowed the BNT for processing the special account transactions.

The September 20, 1978 BNT/MOF agreement provided for BNT's commission to be determined later, but the matter still remains unresolved. Reportedly, other operating needs had greater priority and consequently this problem had not yet been addressed.

Informal estimates of the expected fee level indicate that it would be about 3% of the interest collected. When the entire $27.9 million is loaned out, the 3% fee could amount to $50,000 a year. This rate was arrived at with the understanding that the special account would be non-interest bearing. Good management practice would be to complete as soon as possible the BNT/MOF account agreement by establishing a firm rate for expenses. The agreed to fee should reflect whether the account is interest or non-interest bearing, the estimated loan accounting and processing expenses, and include a reasonable amount for profit. Once the bank fee is determined, project management can provide for expected expenses and allow for the comparable reduced availability of funds for lending to sub-borrowers.

Regarding this situation, the USAID stated that it plans to begin discussions with the GOT of BNT's financial management role prior to the next disbursement of U.S. funds. During these discussions, the subject of the bank's fee rate will be raised for negotiation and determination.

Recommendation No. 5

USAID/Tunisia request the MOF to agree with the BNT on a firm fee rate for the operation of the project special bank account and related loan processing duties.

Language Proficiency

The level of language proficiency established in the project's procurement documentation was not commensurate with the needs of the project and resulted in the inability of the subsequently hired technicians to effectively perform their full scope of work.

The PIO/T and related PASA set the French language requirement at the FSI level of S2-R2, whereas S3-R3 levels were needed to adequately perform the technicians' scope of work. Most GOT personnel are qualified in Arabic, the official language of Tunisia, or French as a second language; but there are only a few individuals able to adequately communicate in English. Despite this obvious need for French language capability, the requirements were relaxed: (a) due to the difficulty of recruiting qualified U.S. technicians who speak French; and (b) the belief that the Mission had a very effective French language training program which would be attended by the prospective advisors.

In this case, one of the two team members arrived with a S1 rating and the other had a S2 rating. These low language qualifications prevented or inhibited the technicians from effectively performing their advisory and coordinating functions with GOT officials. To some degree, their French language skills were improved by taking language instruction at post. With one technician, the additional instruction was effective while the other technician never overcame the language handicap.

At best, assuming language instruction at post is effective, the project implementation is delayed and the technician costs are increased. At worst, the technicians are unable to do their jobs. In this instance, one of the technicians was severely handicapped in the performance of the advisory and training functions required under the scope of work.

In our opinion, a technician's effective performance is contingent upon his ability to communicate with appropriate cooperating country personnel. In Tunisia, a technician needs a substantive French language capability to transfer his ideas and technology. Accordingly, we believe that when future personnel recruiting takes place, such as it is now, more emphasis should be given to the language capability needed to satisfy the position requirements.

The Mission generally concurred with our observation and is making strong efforts to obtain a qualified French speaking technician for the currently vacant PASA position. Despite this agreement in principle, USAID officials believe that a FSI S2-R2 language qualification supplemented by further training at post is the most practical way of ensuring professionally qualified recruitment. We, however, remain convinced that a FSI S3-R3 French language qualification is necessary for an advisor on this project to effectively perform his duties. Accepting less than a FSI S3-R3 language qualification should be entertained only as a last resort.

Recommendation No. 6

USAID/Tunisia (a) amend the project documentation (for two USDA technicians) to reflect the need for a FSI S3-R3 level of French language capability, and (b) promptly advise AID/W of the changed language qualification applicable to the current recruitment efforts.

Conclusions and Recommendations From Evaluation Report of Small Farmer Supervised Credit Project No. 664-0302, dated May 1980

Conclusion

The project got off to a slow start but is making good and steady progress. Its importance as an instrument for reaching the small and medium farmers in Tunisia (60% of the total farmers) should not be overlooked. Its contribution to the rural economy in terms of increased food production, higher levels of income in the target group of farmers, and the general uplifting of the social conditions in rural areas are values all humanity is striving for. This project is one avenue for attaining this objective, and is worthy of a continued high level of support.

B. RECOMMENDATIONS

1. Improvement in Loan Collection, Reduction in Delinquency

Loan repayments have lagged behind due dates in too large amounts, and these must be speeded up with more effective collection efforts by project and bank personnel, and use of the Office of Cereals. Some improvement may be foreseen, but greater attention is needed.

2. Extension of Time for Project Implementation

The project was off to a slow start the first year and still faces difficulties in expanding personnel and loans, although commendable momentum has now been achieved. Pressure to push out loans onto farmers faster could only result in poor farm plans and bad loans. A schedule of six years for project completion, as compared to the present four years, would be more realistic and result in better quality credit.

3. Deduction from Loans for Farmers' Savings Accounts to build Project Capital as an alternative to raising interest rates.

The evaluation team is not recommending an increase in interest rates for the APMANE project at this time, but as an alternative a procedure for the mobilization of rural savings as capital for the project should be considered. The APMANE project has no savings component and the BNT does not aggressively promote savings in the rural areas.

Compulsory deductions from farmer's loans to create savings deposits and augment project lending funds would accomplish both capitalization and savings objectives, and would achieve this result more effectively at this time than would an increased interest rate.

4. Funds to complete Recruitment and equipping of Project Personnel should be provided.

The numbers and mobility of extension agents are a key determinant of project growth potential. Recruitment of a full complement of agents, provision of vehicles for them with chauffeurs (as necessary), and completion of the projected staffing pattern as recommended by the GOT/USAID credit commission in April 1980 should begin as soon as possible.

5. More Complete and Timely Reports by the Bangue Nationale de Tunisie (BNT)

The BNT handles the project's money and generates the data essential for both project management and external monitoring. The BNT's monthly reports lack a number of items necessary for routine management controls, and also omits major indicators of the flow and disposition of project funds. This is a matter of highest importance, and requires immediate attention. Should the BNT require technical assistance in programming its computer, such assistance should be given serious consideration.

6. Continued Periodic Evaluation by the Centre Nationale d'Etudes Agricoles (CNEA)

The CNEA has produced a commendable analysis and fact collection on the project's first year. This work has been valuable for project management and monitoring, and its continuation and possible expansion (through increased use of project reporting system and diminuation of CNEA services except for periodic audits) in the future years is most desirable.

7. Strengthen In-Country Training of Extension Agents

While the extension agents appear adequate in technical knowledge, they need increased skills in financial counselling, farm management, and communication methods to obtain more productive relationships with farmers, especially the largely illiterate small farmers. Training in these skills is at the heart of supervised credit, and requires increased action.

8. Improve Planning and Coordination among Agencies involved in Project

Operations of this project involve a large number of organizations and committees with interlocking functions. Efficiency requires a coresponding degree of forward planning, ensuring of timely communications with concerned parties, and troubleshooting. A commendable start has been made at the top project level but must be continued, and much more is needed at regional and local levels.

9. USAID Replacement of Departing Senior Project Advisor; Need for Provision to Avoid Anticipated Shortfall in Grant Funds

The Senior Project Advisor will be retiring on or about July 31, and his prompt replacement by an experienced economic advisor, preferably conversant with the French language, is of importance to the project. The anticipated shortfall in ARDN grant funds (see Tunis 4013 of May 13) results from under underestimates of need in several categories, adding to some $200,000. These purposes merit support; so also does vehicle purchase, which should not be sacrificed to avoid this shortfall. With the recommended extension of time for project implementation, additional corresponding funding for technical assistance and support should also be considered.

10. Deliberate well Prepared Expansion of the Small Farmer Credit System to Other Areas of Tunisia

As the project-initiated credit system gains strength in the areas where it now operates, decisions on the strategy of its expansion to new areas will arise. It would be preferable to give more priority to saturation of existing operating areas, and to careful advance preparation of moves into adjacent areas with personnel and infrastructure in hand, rather than to emphasize geographical spread and a fast pace of progress. The results will be more enduring and productive.

Small Farmer Supervised Credit Project

List of Recommendations

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USAID/Tunisia, prior to the obligation of subsequent tranches, establish standards which will define whether or not the project has achieved satisfactory progress towards meeting project objectives.	
Recommendation No. 2	6
USAID/Tunisia revise its existing implementation plan to expand the plan's content and to reflect the changed project conditions and timing.	
Recommendation No. 3	7
USAID/Tunisia obtain a summary accounting of the GOT administrative support input to date and give consideration to establishing a procedure whereby future evaluation efforts would include a fiscal and/or narrative measurement of the GOT administrative support input.	
Recommendation No. 4	8
USAID/Tunisia request the GOT/MOF to change the project's non-interest bearing account into an interest bearing account, or transfer temporarily excess funds to interest bearing accounts in other Tunisia banks. If this is not feasible, the resulting leverage should be used to obtain expanded services from the BNT.	

Recommendation No. 5 9

USAID/Tunisia request the MOF to agree with the BNT on a firm fee rate for the operation of the project special bank account and related loan processing duties.

Recommendation No. 6 10

USAID/Tunisia (a) amend the project documentation (for two USDA technicians) to reflect the need for a FSI S3-R3 level of French language capability, and (b) promptly advise AID/W of the changed language qualification applicable to the current recruitment efforts.

Small Farmer Supervised Credit Project

List of Report Recipients

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