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**FINAL EVALUATION
OF THE TUNISIA
AGRICULTURAL POLICY IMPLEMENTATION PROJECT
(APIP)
(NO. 664-0343)**

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LIST OF ACRONYMS

APIP	Agricultural Policy Implementation Project.
ASAL	Agricultural structural Adjustment Loan.
ASAP	Agricultural Structural Adjustment Program.
CF	Compensation Fund(Caisse Générale de Compensation).
CGP	Commissariat Général de Pêche.
DG	Director General.
DGPDIA	General Directorate for Development Planning and Agricultural Investments.
DPCE	Directorate of Prices and Economic Controls (MOE).
EEC	European Economic Community.
GDP	Gross Domestic Product.
GIAF	Interprofessional Group for Citrus and other Fruits
GID	Interprofessional Group for Dates.
GOT	Government of Tunisia.
INAT	National Institute of Agriculture.
MD	Million Dinars.
MOA	Ministry of Agriculture.
MOE	Ministry of Economy.
MOP	Ministry of Planning.
OC	Cereals Office.
ONH	National Office for Edible Oils.
ONV	Office National de la Vigne(National Office for Vines and Wine).
OV	Office du Vin(Office for Wine)
PAT	Policy Analysis Tools.
TOR	Terms of Reference.
USAID	United States Agency for International Development.
UW	University of Wisconsin.
TD	Tunisian Dinar (about 1.2 US dollars)

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EXECUTIVE SUMMARY

I- PROJECT BACKGROUND

The Agricultural Policy Implementation Project (APIP) designed and financed by the USAID/Tunisia (Special Mission for Economic and Technical Cooperation) in collaboration with the General Directorate for Development Planning and Agricultural Investments (DGPDI) of the Ministry of Agriculture (MOA) intended to achieve two main goals :

(a)- Help the Government of Tunisia (GOT) in the implementation of economic policies advocated by the Agricultural Structural Adjustment Program (ASAP) : this objective of primary importance was to be achieved by undertaking studies to analyze the probable impact of the new policies and to provide the government with the necessary information for decision making.

Therefore, the project has undertaken more than thirty studies covering several aspects of agricultural policy. These studies led in most cases to **action plans** which recommended what to do, when to do it and how to do it.

(b)- Reinforce the capacity of DGPDI to undertake the necessary analyses to respond to the needs of decision makers : this objective was considered secondary by comparison to the first one. The means to achieve this were : direct participation of administrative cadres in the studies undertaken by the project, training programs specially designed for certain cadres, training abroad and supply of equipments (computers, photocopying machines, cars etc..) to facilitate the work of cadres.

This project was approved in March 1987 initially for a period of four years and a total financing of \$5.2 million dollar. On November 1987, a contract was awarded to Abt Associates, Cambridge Massachusetts and Washington D.C for a period of forty months with a financing of \$3.2 million dollar. Abt Associates subcontracted with the University of Wisconsin, Madison, Wisconsin; the Institute of Higher Management, Tunis and Ithaca International Limited, Ithaca, New York.

II- Main results of the evaluation

The main conclusion of this evaluation is that the project has largely achieved its objectives. The studies undertaken by the project helped the Tunisian decision makers in the implementation of new economic policies advocated by ASAP. The project has also improved the capacity of analysis within the DGPDI. In addition, the project has created a positive attitude toward economic liberalization and more confidence in analytical techniques.

1. Contribution of the project in the implementation of economic reforms in the agricultural sector :

- Reduction of subsidies : the studies undertaken by the project have largely contributed to overcome the problem of subsidies of basic food products and agricultural inputs. The scenarios presented in the studies helped the government take action in various areas. Prices of subsidized products have been systematically increased every year. For certain products, prices have been liberalized (imported sugar, pasta, couscous, flour, yeast, soya, Super 16 et Amonitre). For other products, a process of targeting subsidies to low income groups through quality differentiation has been started (for example milk and bread). This targeting by quality should cover other products in the near future. The policy of direct transfer of income to low income groups has been reinforced. Finally, measures have been taken to improve the management of the Compensation Fund and to introduce more efficiency in the system of subsidies.

All the above measures contributed to reduce the burden of subsidies to an acceptable level (around 2% of GDP), and to improve the efficiency of the system through better targeting of subsidies and cost reduction. The measures adopted were generally conform to the recommendations of the studies. According to DPCE officials, APIP studies have been used as a "reference" in the process of decision making. In addition, they were useful in negotiations with the World Bank and with business institutions concerned by subsidies.

- Institutional reforms and development of private sector activities : several studies undertaken by the project recommended institutional changes particularly concerning the "Office des Céréales" (OC) and the "Office National de l'Huile" (ONH) and a more important role for the private sector. The objective was to reduce costs and to improve efficiency in production and distribution. In this area the impact of the project was mixed. From a legal point of view achievements were quite important. The OC and ONH lost some of their monopoly powers :

- Concerning cereals, a certain number of measures have been taken : collection and storage of cereals have been opened to the private sector. Similarly, private sector participation in the marketing of barley, soya and fertilizers was accepted. The importation of cereals has been partially liberalized. Products such as corn are free for imports. The policy of liberalization of imports has been restrained by the fact that most of the imported products are subsidized.

- Similar measures have been taken concerning olive oil and vegetable oil. The private sector is allowed now to

participate in the exportation of olive oil in all market with the exception of the European Economic Community market under certain conditions defined by ONH. Private sector participation in the collection of olive oil is expected to be authorized in the near future and importation of vegetable oil has been liberalized.

On a practical level, achievements are so far limited. The private sector participation in exports and imports is still not significant. This can be partially explained by the fact that these activities are new for private operators, but the main reason is the high cost of financing which is beyond the reach of small entrepreneurs. The participation of the private sector in the collection activity is also limited. The activity of storage of cereals is an exception. The O has granted a certain number of advantages to encourage private sector participation and private operators have responded positively.

The impact of the project is not limited to these short run achievements. The attitude of operators and decision makers at various levels seems to have changed as a result of the project in favor of the liberalization process. Today, there seems to be a general agreement concerning the necessity of liberalization. More reforms are to be expected in the future. Meanwhile, there still remains a need for more operational studies to prepare the transition towards a regulation based on market mechanisms.

2 Contribution of the project to increasing the export potential in the agricultural sector :

Studies undertaken by the project covered the major agricultural export commodities. These studies helped identify the major problems of the export sector concerning production, transformation, conditioning and marketing. Recommendations and action plans have been presented in these studies. Generally, the studies pointed out the necessity of investing in new equipment and in training in order to improve production quantitatively as well as qualitatively. In addition, the studies suggested new investments to promote Tunisian products abroad in order to gain new markets. **The problem is that the studies have not presented cost-benefit analyses to justify the new investments recommended have not considered the problem of financing of these investments.**

On the practical level, the impact of the project is so far negligible. This is not surprising to the extent that APIII was designed specifically to deal with structural adjustment problems and not with technical problems of production and marketing. Nevertheless, the studies undertaken by the project, led to greater awareness on the part of business operators in the export sector about the necessity to take measures to conform to the new requirements of the European

Market for 1993. In addition, APIP studies are a useful starting point for the new Agribusiness project.

3. Impact of the project on the environment :

- Attitudes towards the liberalization of the economy :
The studies undertaken by the project, the seminars and workshops it organized as well as the interaction of consultants with cadres in the administration and private operators led to a more favorable climate for the Agricultural Structural Adjustment Program. Conviction about the necessity of change seems to have become deeply rooted. Decision makers in institutions such as the OC and ONH who had rejected the idea of privatization are now open to discussion. This new attitude in favor of economic liberalization was certainly one of the most important contributions of the project.

- Improvement of the capacity of analysis and the working conditions within DGPDI A : the training programs undertaken by the project led to mixed results. Participants in these programs have acquired the capacity to do simple analysis, projections and graphics using certain softwares but not the capacity to undertake sophisticated research. The evaluation team has identified certain deficiencies in the project's training programs. There was no adequate identification of the needs of DGPDI A in terms of training. The choice of participants to these programs was made essentially on the basis of their availability. Problems of qualifications and motivation were not discussed sufficiently. Finally, the rate of absenteeism among the participants was high apparently because of lack of time. This problem has never been solved.

The project has also improved working conditions by providing equipment (in particular computers). Equipment have been provided essentially to DGPDI A and DPCE. This has improved productivity within the above institutions and created a positive attitude towards the project.

4. Deficiencies in the organisation and management of the project :

The project management procedures were not well defined. There was at various levels problems of role distribution, of coordination, of prompt decision making and of dissemination of information. This situation had undoubtedly a negative impact on the project's achievement. More efficiency could have been gained by adopting more formal procedures which do not have to be rigid but may well be flexible.

III- POST APIP AGENDA

APIP has largely helped decision makers in the implementation of reforms advocated by the Agricultural Structural Adjustment Program. Nevertheless, many problems remain unsolved and deserve the attention of the government and donor agencies :

- Training programs undertaken by APIP within DGPDIA should be continued in order to consolidate what has been already achieved.

- In the cereals and olive oil sub-sectors, more studies should be undertaken to prepare for the transition of OC and ONH to become stabilizing agencies operating in the framework of a free market system.

- Concerning olive oil, new studies are needed to find a strategy to penetrate new international markets. The possibility of subsidizing the exportation of Tunisian olive oil is seriously considered. It deserves perhaps an investigation.

- For most export commodities, training on modern techniques of production and transformation is necessary. Many exporters within the private sector expressed the desire to develop new products for exports in collaboration with foreign partners possessing the technical capacity and the market. The new Agribusiness project could help in this area.

I- BACKGROUND OF THE PROJECT, AND NATURE OF THE EVALUATION

In 1986/87, USAID/TUNISIA designed in collaboration with the Ministry of Agriculture (MOA) and the World Bank staff the Agricultural Policy Implementation Project (APIP) which is the object of this evaluation. The project was formally approved in March 1987 for a period of four years with a total funding of \$5.2m. In November 1987, a forty month contract with funding of \$3.2m was awarded to Abt Associates of Cambridge, Massachusetts and Washington, D.C. Abt Associates subcontracted with the University of Wisconsin, Madison, Wisconsin; Institut Supérieur de Gestion, Tunis; and Ithaca International Limited, Ithaca, New York.

APIP was designed mainly to support the Tunisian Government in its policy reform goals as stated in the Agricultural Structural Adjustment Program (ASAP). The adoption of this program came as a result of the severe economic crisis that the country faced since the beginning of the 1980's which led to unsustainable budget and balance of payment deficits.

In the agricultural sector, the crisis meant generally a relative decline in production and investments. Major exports such as olive oil, dates, seafood, wine and fruits and vegetables showed signs of stagnation and in some cases even decline. Government administration and controls of production and distribution did not encourage investments, production and aggressive marketing of Tunisian products abroad. In addition, the restrictive policies that the government was led to pursue as a result of budget deficits and the decrease of capital inflows reduced public investment dramatically which threatened to decrease the growth rate and to increase the already high unemployment rate.

In response to this situation, the GOT with the support of the World Bank adopted the Agricultural Structural Adjustment Program (ASAP). The major goals of this program are :

- Liberalization of prices in the agricultural sector and reduction and/or elimination of subsidies.

- Privatization of production, distribution, imports and exports activities within the agricultural sector that are directly undertaken by the government.

- Undertaking institutional reforms designed to cut costs and to make the government administration more responsive to the needs of a market oriented economy.

ASAP defined clearly what should be done but did not give any indication about how to do it. The government of Tunisia was left with many unanswered questions :

- What economic policies should be implemented to reach the goals of the adjustment program?.

- Who is responsible for implementing these policies and when they should be implemented?.

- What is the economic and social impact of these policies both in the short and long run?.

- What actions should be taken by the GOT in order to minimize the negative short run impact of the new policies both on producers and consumers?.

- Which activities should be immediately privatized and which ones should wait for institutional reforms?.

- Which institutional reforms are conducive to higher efficiency and how should they be implemented?.

APIP was designed essentially to provide a response to these questions. By **selecting, analyzing and formulating actionable policy initiatives**, the project should support the GOT in the implementation of policies advocated in ASAP. This was the major goal of the project.

In addition, APIP had a secondary goal which was to **build up the technical capabilities of the government administration** particularly at the General Directorate for Agricultural Planning, Development and Investment (DGPDI) in the MOA so that it could continue to conduct economic policy analysis in the agricultural sector after the project was terminated. This second goal was supposed to be reached through participation of government administrators in the various studies undertaken under the project, formal and informal training. Commodity procurements (acquisition of computers, photocopying machines etc..) planned under the project were supposed to help the administration play this major role.

This second objective was meant to be secondary compared to the first because of the limited amount of resources devoted to it from the start and because of the priority given to policy implementation required by ASAP.

The main objective of this report is to assess to what extent the project succeeded in achieving the above mentioned goals, particularly the first one. The methodology and scope of the evaluation are presented in annex A.

II- KEY SUMMARY FINDINGS BASED ON RESPONDENT INTERVIEWS

A number of key people in government administration, professional organizations, public and private business that were directly or indirectly involved with APIP were interviewed by the evaluation team to help assess the contribution of the project to policy reforms and capacity building within government administration. The purpose of this section of the report is to present a summary of their opinions and attitudes regarding the project's accomplishments and its positive and negative aspects. No attempt will be made here to reach conclusions or to make any analysis.

The divergence of opinions among the people interviewed should be of no surprise. People in different professional positions and with different motivations are likely to assess the performance of the project from different perspectives.

1. ASSESSMENT OF THE PROJECT'S IMPACT ON POLICY REFORMS :

1.1 Global impact :

The evaluation team did not find much divergence among the people contacted on the global performance of the project. All people interviewed agreed that the project reached its objective because it succeeded in supporting policies and reforms set by ASAP. In addition, the project brought about more open discussion on liberalization, changed attitudes toward privatization and intensified awareness of free-market issues.

APIP studies -which were generally of good quality- covered a wide range of aspects of the agricultural sector. They provided the needed information to undertake major reforms concerning production, distribution, and marketing. Various opinions about the implementation of the reforms recommended by the studies were expressed :

- A minority of people felt that the project was too attached to the World Bank which created a bias in the studies undertaken. Although the analysis of impact made in these studies was useful to decision makers, the recommendations were generally a reproduction of the Agricultural Structural Adjustment Loan (ASAL) conditions.

- Another minority opinion that was expressed concerns the way the project impact should be assessed. Some of the people interviewed think that the project's impact should be judged solely on the basis of the quality of the studies and not on the degree of implementation of the recommendations. They argue that implementation is the GOT's business. According to these people the project has reached its objective by

producing a set of good quality studies with accepted action plans.

- Aside from these minority opinions, most people interviewed thought that the project impact on policy reforms was very important. The GOT has already implemented many recommendations of the studies particularly the ones related to pricing policies. Plans are underway to undertake more reforms in the future. These reforms are expected to deal with the difficult issues of privatization of major institutions such as ONH and OC and of liberalizing trade for subsidized commodities such as grain oil and cereals.

1.2 Specific policy impact :

(a)- Studies related to the Compensation Fund (CF) :

Interviews with government administrators at the DPCE (this institution was the "chef de file" for studies of the CF) indicate that APIP studies provided the needed information to proceed with reforms of the subsidy system. The various scenarios presented concerning price increases, elimination of subsidies on specific products, targeting of subsidies to low income people were closely followed in designing policy reform measures.

(b)- Studies related to cereals :

The APIP supported Cereals studies seem to be the "pièce de résistance" of all the parties involved directly or indirectly with the cereal sector. So many tasks were effectively carried out that the studies were considered by the DGDPIA to be the most successful in terms of in-field impact. Recommendations led to critical reforms in the sector regarding cereals assembly, storage and marketing. For instance :

-The decree 90-1083 of June 28, 1990, created and organized the profession of approved cereals collectors.

-The decree 90-1225 of August 1, 1990, extended the advantages of the Agricultural Investment Code to benefit the Cereals Collection activity.

-Liberalization of imports of corn imports since July 1st, 1992.

(c)- Studies related to export products :

The project undertook a series of commodity export studies. The main purpose of these studies was to develop export strategies for major products namely : wine, citrus, dates, olive oil, cut flowers and seafood products. In general, people interviewed in the export sector expressed the opinion that the export studies had little impact for two reasons :

- The private sector operators were not consulted and not involved in discussions.

- Implementation of the recommendations made in the studies requires in general large investments to acquire new equipment in order to improve quality. The studies have not provided cost-benefit analysis to show that such investments would pay off.

Some of the opinions expressed are related to specific products :

- **Dates** : At the Ministry of Agriculture, the evaluation team was told that the study on date exports was excellent because it was a comprehensive study which covered technical, economic as well as marketing aspects. This opinion was not totally shared by key decision makers at the "Groupement Interprofessionnel des Dattes" (GID) which considers that the study ignored some important aspects such as conditioning techniques to improve quality and potential new markets for Tunisian dates (the study dealt essentially with the traditional European Markets). with date production expected to reach 100 thousand metric tons in 1993, it is imperative to plan promotional actions to encourage local consumption as well as exports. This is a task that could be undertaken by the Agri-business program.

- **Olive oil** : people interviewed in the olive oil sector generally agreed that the quality of the studies undertaken by the project concerning the olive oil sub-sector was excellent. However, attitudes towards the implementation of the recommendations made in these studies are divergent.

The general attitude at the "Office National de l'Huile" (ONH), is that even though privatization and liberalization of the sector may take place in the long run, ONH should maintain its dominant role in the olive oil sub-sector.

For private operators, the institutional change that allowed them to participate in exports of olive oil was not effective because of the exacting conditions imposed by ONH and the difficulty of finding financing and new markets.

The major result brought about by the APIP studies was the opportunity they gave to all parties concerned to speak openly about liberalization; before APIP, it was difficult to talk with ONH people on these matters.

- **Seafood products** :

According to the people interviewed at the CGP, the APIP study on seafood products was not very useful because it did not suggest anything new. Most of the problems identified in the study may be found in the VIIth and VIIIth development plan.

The study did not provide effective and practical solutions to these problems. In addition, some recommendations were too ambitious and did not take into consideration GOT investment capacity. These recommendations may be useful for a country with a very large-scale seafood industry which is not the case for Tunisia.

Most people from the private sector contacted by the evaluation team indicated that they did not receive a copy of the study and therefore were not aware of the recommendations made. They expressed the idea that conditions facing the seafood sector were getting worse. There is so far no efficient program to protect sea resources. Financing problems are hard to overcome (the banking system is very slow in responding to private needs and interest rates are high). Economic regulations and laws regarding exports keep changing and it is almost impossible to make long term plans. Finally, existing facilities and equipments do not conform to the norms required for the European Market in 1993.

We were told both by public and private operators that what was needed to help promote exports was action rather than studies. Suggestions included : a) Teaching basic fishing techniques, sanitation measures and ice usage; b) developing joint-ventures with foreign partners possessing the required technical and market expertise; c) helping promote new products on foreign markets (the octopus in Germany for example); d) sending technicians for training programs that will reinforce their knowledge and help them master new technology, e) reinforce existing associations (such as the Association of Graduates of the Fishing School).

2. ASSESSMENT OF THE SPECIFIC TRAINING ON POLICY ANALYSIS TOOLS (PAT)

PAT has been developed with DGPDI staff members to address specific issues of ASAP formulated in terms of questions with measurable components. Twelve people participated in this activity. More than half of these people have dropped out. Time constraints and lack of interest were cited as reasons for absenteeism. In general those who stayed until the end thought that the experience was largely positive.

Various criticisms were expressed concerning this activity :

- The majority of the participants interviewed felt that there was a lack of planning, supervision and monitoring.
- Wisconsin consultants who usually came for short visits did not allocate enough time for this activity.
- Considerable time was wasted in contracting procedures with INAT consultants which delayed the whole program.

- There was no follow-up of this activity (the studies ended like previous ones on modeling, on DGPDIA bookshelves).

Contrary to the opinion expressed by participants that the non-availability of Wisconsin consultants on a full-time basis was an obstacle to the progress of the modeling activity, INAT consultants were positive in saying that Wisconsin subcontractors did fulfill their responsibilities and there was no problem in communicating with them. APIP Electronic Mail System helped establish an easy flow of information to and from Wisconsin, and expatriate consultants were able to monitor the activities at a distance. Memos, notes, and results were reported quickly to Wisconsin for review, and vice-versa.

3. CAPACITY BUILDING :

Most people interviewed thought that the project should have allocated more resources to training. Specific training for DGPDIA staff members was badly needed and the former General Director expressed the desire to have the project devote more resources to it. USAID responded positively by increasing resources for this activity. Nevertheless, the general feeling was that the project did not do enough training.

Opinions about the results of the training activity were very divergent. With few exceptions, the people interviewed thought that individual needs were not identified and that selection of participants was not based on objective criteria (this is particularly true for study tours).

Participation of DGPDIA staff in the various studies was not always effective. In some cases their only task was to collect data and provide information for international experts. There was no motivation for them to make an effort and in general the consultants themselves have not encouraged them to do so.

Despite all the problems, the general feeling is that training produced positive results at the DGPDIA. Most participants in the training program have at least acquired the skills to carry out simple tasks : trend analysis, forecasts and graphics using statistical packages. The acquisition of computers was particularly helpful. The only regret is that there is no follow up on this training activity.

III- ORGANIZATIONAL DESIGN PROBLEMS

The mid-term evaluation report clearly analysed personnel problems (resident representative, contracting officer..) regarding APIP and made recommendations to improve working procedures. The focus of this final report will be on the effectiveness of the actions that were undertaken afterwards and on the relationship between the institutional design of the project and its efficiency.

In fact, the requirements for an efficient management system were not fully satisfied for APIP. There were no well defined working procedures, the information flows and the coordination mechanisms were not always satisfactory and it was not clear who was supposed to set priorities.

Two phases may be identified in the life of APIP. Initially, the project proposed a high level 20 member coordinating committee to serve as its linkage with the GOT and as its decision-making body. This committee hardly ever met, and there was no substitute for it. Until the Steering Committee and the Executive Committee were formed APIP functioned without an executive decision-maker. This was the first phase. The second phase starts with the formation of these two committees and after the mid-term evaluation. Even then, lot of fuzziness persisted in its management system.

1. Key participants in management during the second phase :

If we consider the life cycle of an APIP study, we notice that two main structures participated in its making : a permanent structure and a specific structure for each study or program.

1.1 The permanent structure :

The permanent structure was not a single authority. It had many levels and did not operate according to formal rules. It was constituted of the project administrators, the Steering Committee, the Executive committee, and the ASAL/APIP Coordinator.

The project administrators are the USAID project officer, the main contractor's (Abt) resident representative and the MOA, represented particularly by the ASAL/APIP Coordinator and the DG/DGDPIDA. The lack of a formal procedure has led to coordination difficulties within this triangular structure. Nevertheless, inspite of these difficulties, coordination was accomplished, contrasting with the first phase which was characterized by a lack of decision-making due to staffing problems on both sides (departure of Abt resident advisor, replacement of DG/DGPIDA).

The Steering Committee, created when the project was half completed, and when it, was clear that the Coordinating

Committee proposed initially was not operational, was composed of two Secretaries of State - of Agriculture and of the Economy- and of the director general of the Ministry of Planning (who was in fact, often represented by the director of the agricultural department of the MOP). The Director of USAID was also invited. This authority was supposed to intervene to solve major problems and to make policy choices.

The Executive Committee included Directors General from the three ministries -Agriculture, Economy and Planning- , APIP's Resident Representative and the USAID Project Officer. The ASAL/APIP Coordinator was its permanent secretary who prepared the agenda and the minutes for The meetings. He was the permanent secretary for the steering committee also.

Obviously, the creation of these committees represented a real improvement in the project management, compared to the first phase. It is the Executive Committee that was the more effective (the Secretaries of State had been seldom available for meetings). However, it was clear that it had not functioned smoothly and perfectly either. In a way it had, along with the ASAL/APIP Coordinator, possessed and centralized a lot of authority, as it could indeed filter which item, which action plan and which measure to submit to the Government but it was not always decisive. It suffered from the lack of a well defined role and of a set of rules of order.

1.2 Specific structures :

For every study, a specific structure was created, and it was monitored by a chef de file. He usually belonged to the institution that was the most active in the targeted sector. For example, for the food subsidy study, the director of Pricing in the MOE was the chef de file. It is worth emphasizing that too much depended on the good will of the chef de file and of his institution, on his spirit of participation and his willingness to cooperate and to communicate with all the parts of the project environment.

Every study covered many institutions and agencies which did not represent just a sample to be observed but were real actors and potential policy targets whose vital interests were at stake. Among the institutions that had been involved there were public and private enterprises and specialized government agencies.

2. Management problems :

Over all, there was a tendency to rely on informal procedures and on the influence and/or leadership of particular persons. It was not defined who was to schedule tasks to prepare progress reports, to disseminate APIP outputs and to convey the required information in a timely and useful format to all

the concerned institutions and agencies. Consequently, there were at various levels problems of role distribution, of coordination, of prompt decision making and of dissemination of information. And whenever there was a change of government officials, the decision making was disturbed.

There were also problems of linkages between APIP and the GOT. Because of the information system weakness, when a study was accomplished, and an action plan elaborated, there was no guarantee and permanent mechanisms assuring that the recommended actions were considered and assessed by the GOT and eventually scheduled for implementation. It is not obvious that the committees had always been well informed about all recommendations and options that were identified by the studies. Hence, some proposals could have been rejected by default, simply because neither the Coordinator nor any other member of the executive Committee had the opportunity to feel the need to bring them up for discussion.

However, the above assessment can only be partial since there are many ways, formal and informal, for action plans to be implemented and for ideas to be conveyed. The seminars and annual meetings that were held turned out, for example, to be important opportunities not only to disseminate results but also to discuss new ideas and to set priorities. Nevertheless, the project would have gained more efficiency by adopting more formal decision-making procedures. For a big and complex project, rational decision-making does require formal procedures, which do not have to be rigid but may well be flexible(*)).

Despite all these critical remarks, it is clear from interviews that, gradually and steadily, good ideas produced by the project were making their way. Even the most skeptic and the most cautious have shown signs of changing attitudes. People expect major transformations to happen and become convinced that change in the role of the state and of its agencies is both necessary and beneficial. APIP has certainly contributed to this achievement.

(*) The issue of flexible vs. well defined and formal decision making procedures was addressed in the Mid-term Evaluation Report. This report stressed the value of flexibility ; indeed there is no point in advocating rigidity. Yet, there is something too vague about this debate ; flexibility should not mean disorder and lack of purpose. Neither does a formal procedure mean that an objective must be reached regardless of cost. A formal procedure means that some coordination and monitoring rules, which may be very flexible, ought to be adopted and agreed upon beforehand, such that no ambiguity as to the assignment of roles would be left.

IV- ASSESSING THE GENERAL CONTRIBUTION OF APIP TO MAJOR POLICY REFORMS IN THE AGRICULTURAL SECTOR :

Several studies undertaken by the project were devoted to pricing policies, distribution and marketing of basic food products and agricultural inputs. These studies made recommendations for policy reforms to allow a more important role for the private sector in distribution and marketing and to rely more on the market system in determining prices. This evaluation will focus on the project's contribution to the reduction of subsidies and institutional reforms and privatization in the cereals and oil subsectors.

1. Reduction of subsidies :

In the years preceding the adoption of ASAP subsidies on basic food products and agricultural inputs represented a major problem for the GOT. The budget of the Compensation Fund (CF) increased steadily which contributed to the already high government budget deficit. The situation was expected to become even worse in the future as a result of increases in prices and consumption. In addition, the subsidies which reduce prices for the users are a source of waste in consumption and production. In 1984, an unsuccessful attempt was made to eliminate these subsidies once and for all. After that, government policy was limited to occasional small price increases which did not provide a long term solution to the problem of subsidizing agricultural products.

Decision makers were unable to undertake major reforms because they lacked information on the acceptable level of subsidies, on what should be done about low income consumers and on the impact of subsidy removal or reduction on producers. This is where APIP made a remarkable contribution as discussed below.

1.1 Reduction of subsidies on basic food products :

The project has undertaken three studies on food subsidies with the participation of "Direction des Prix et du Contrôle Economique" (DPCE) of the Ministry of Economy (MOE) :

-Study of the Compensation Fund (CF) : this was a major two-phase study which analysed several issues and made recommendations designed to improve the efficiency of the system and to lower costs to the government budget. Analysis of the former system of subsidy with emphasis on efficiency, equity and cost aspects led to the conclusion that major changes had to be initiated. The study provided several solutions (action plans) that could be considered by decision makers to deal with the problem of subsidies :

(a)- Reduction of the cost of the system through systematic yearly price increases : the study presented a model to compute the required yearly price increase for

subsidized products to reach a certain objective within a specified period of time. The objective was defined in terms of the total amount of subsidies as a share of GDP. On the basis of this model different scenarios of price increases were presented. In addition, for each of these scenarios, recommended compensatory direct transfers to low income people were presented.

(b)- Limitation of the scope of intervention of the CF : the study recommended the exclusion of certain products from the compensation fund either because there was no need to continue the subsidy of these products or because (as is the case of subsidy for local production) other institutions and not the CF should be involved.

(c)- Reduction of subsidies through targeting by quality of products or by identification of a target population.

(d)- Limitation of the amount of subsidies by improving the management of the system of subsidy.

- **Public perceptions of subsidies** : On the basis of a field survey of more than one thousand households, the study examined public sensitivity to potential increases in bread prices and analysed awareness of subsidies and attitudes towards their elimination. The study pointed out the lack of awareness of the cost of subsidies to government budget and of the need to reform the system.

- **Targeting alternatives** : the study provided an analysis of international experience of targeting subsidies.

1.2 Reduction of subsidies on agricultural inputs :

Under ASAP, subsidies of agricultural inputs were supposed to be progressively reduced and finally eliminated by the end of 1991. At the same time, output prices (particularly prices of cereals) should be set in line with international prices. Since local production is generally protected, this amounts to a reduction of producer prices.

A major study was undertaken under APIP to analyze the impact of reduction of subsidies and adjustment of producer prices on farmers income, demand for inputs and production decisions. This study concluded that the reduction of subsidies according to the proposed schedule (ie elimination of all subsidies on inputs by the end of 1991) will produce a significant negative impact on use of inputs, on production and farmers' income. Two major recommendations were made : (1)- Subsidies should be reduced over a longer time span and no action should be taken whenever the harvest is below average. (2)- Compensatory measures in the form of low interest rates or privileged access to credit for low income farmers should be provided. In addition the study made a recommendation to the DGPDI

statistical department to collect data on individual farms in the future so that more detailed analyses of impact can be done.

1.3 Principal findings of this evaluation :

As a result of APiP, major reforms related to the CF have been undertaken by the GOT since 1988 (see Annex B table 1-3 for a summary of major policy reforms -undertaken or planned-related to products covered by the CF) :

- **Reduction of the overall burden of the CF to a sustainable level** : as a result of the reforms undertaken, the budget of the CF decreased from 4.2% of GDP in 1984 to 2.9% in 1990 and around 2% in 1992. ASAP requires a reduction of the budget of the CF to less than 2% of GDP in 1996. This objective is expected to be reached as early as the end of 1993.

- **Reduction of subsidies through price increases** : this is the major tool used so far to reduce the size of the CF. Following the recommendations made in the studies, the GOT increased systematically and on a yearly basis the prices of subsidized products. Rates of increase which have been high (10 to 13%) in the beginning were lowered during the last two years (3 to 8%) to protect the purchasing power of low income people. For the period 1989-92, savings to the government budget varied between 40 and 60 MD per year.

- **Limitation of the scope of intervention of the CF** : the policy of systematic price increases led to a reduction of the number of products covered by the CF. Prices of products such as imported sugar, fertilizers (super 16 and Amonitre), pasta, couscous, flour other than for bread, yeast and soybeans for animal feed are liberalized and therefore, these products are excluded from the CF. Other products expected to be excluded from subsidies in the short run include : fertilizers (super 45 and DAP), oil for making soap and potato seeds.

- **Targeting of subsidies** : the two methods used to reduce subsidies are self targeting of commodities through product differentiation (the lower quality product being targeted for low income people and heavily subsidized) and direct transfer of income to a target population. Self targeting concerned several products :

Milk : the supply has been diversified to allow a differentiation of the amount of subsidy. No less than six types of milk are now available in the market differentiated either by nature of product or by packaging.

Bread : the subsidy has been eliminated on "baguette" while the "gros pain" is still subsidized. Administrative obstacles were lifted to encourage bakers to produce different

kinds of unsubsidized bread (the decree of December 29th 1992 liberalized prices for all types of unsubsidized bread).

Edible Oil : product differentiation is expected in the near future. The objective is to supply different types of oil with differentiated subsidy level.

- **Reduction of subsidies by improving the management of the system :**

In order to reduce interest charges the CF paid most of its outstanding debt to businesses and institutions concerned by subsidies. A system of negotiated subsidy has been introduced which provides an incentive for cost reduction. The fund for transport cost equalization has been eliminated (except for semolina and bread flour), thus easing management problems for Office of Cereals (OC). The system of grain grading has been simplified and finally a cost structure for subsidized cereal products has been negotiated with businesses and institutions concerned.

2. Institutional reforms and development of private sector activities :

Most of the studies undertaken by the project made recommendations for institutional reforms and for allowing the private sector to play a more important role. The objective is to reduce costs, improve efficiency in production and distribution and to make government administration more responsive to the needs of a market oriented economy. This section of the report will examine the project's impact in two major markets namely, the grain market and the edible oil market.

2.1 The grain market :

More than a half dozen studies were devoted to the cereal market, covering storage, assembling, transportation, imports, subsidies and transformation. These studies are both exhaustive and generally of high quality. They helped clarify issues and identify options and solutions, all requiring deep institutional reforms and an increasing role for private operators. In various ways it has been shown that the existing system of grain marketing is too costly

The main issues and handicaps concerning the grain markets are:

- grain storage facilities are inadequate and insufficient to meet the needs, both in terms of quantity and quality.

- improper storage of grain which leads to too much loss.

- inaccurate grading and lack of qualified personnel in the field of sorting and storing grains.

- an administered pricing system for grains which creates no incentive, for private operators, to invest in collection and storage of grains and in human capital accumulation, i.e. in training the urgently needed grain specialist personnel. Grain prices are strictly under state control from the farm gate to the final consumer of cereal products prices are fixed by Government agencies at levels which are very different from market equilibrium prices hence necessitating huge subsidies and very complex regulations.

- regulatory rules that are completely out of date and inadequate. For example : the subsidy on transportation of grain within the country, and the structure and role of the Office of Cereals (OC), a huge and plethoric state monopoly.

In order to deal with this situation, detailed options and general action plans have been proposed by APIP studies. Here are some major actions that have been strongly advocated :

- Allow the private sector to participate in the collection of local cereals, and in marketing and storage and create the proper incentives and legal framework for this participation.

- As a first step towards fuller privatization, move to seasonal prices in order to dissuade farmers from delivering all their produce at the same time.

- Allow the private sector to participate in the importation of cereals.

- Simplify the subsidy system by paying subsidies only at the mill level.

- Reform the OC and assign to it new and more limited roles. In the shorter run, separate its regulatory role from its commercial operations.

This is in fact just a tentative list; the purpose is to compare recommended policy reforms with actual implementation. Following is a list of main implemented actions.

- Private operators are now allowed to participate in collection and storage of grain under OC supervision and with its agreement (decree # 90-1083 of June 1990). They can benefit from all privileges favoring agricultural investments specified in the agricultural investment code (decree # 90-1250 of August 1990).

So far the qualifying conditions for collection seem too exacting, so much so that only a couple of projects are under

way. According to the people interviewed in the cereal sub-sector, the major obstacle to a large scale privatization of the collection activity is the existence of subsidies. Nonetheless, the fact that private operators are legally allowed to participate in collection is generally considered an important reform conducive to future privatization.

The situation for storage is totally different. Private sector participation is not only accepted but even encouraged. To attract private investments in storage the Office of Cereals made a commitment to rent the silos for a period of ten to fifteen years. This policy has been adopted because the Office of Cereals has an ambitious program to double the storage capacity of the country within a period of five years. With private sector participation this goal is expected to be reached in less than three years.

- Marketing of barley, soya and fertilizers is left to the private sector.

- Regarding the import side, the major action is the possibility for private operators to import corn independently of Office of Cereals (starting July 1992).

Meanwhile, the Office of Cereals is still a monopoly, and no significant action has been taken to change its status and in particular to separate its commercial activities from its regulatory mission.

Globally, the overall picture looks basically the same and private participation has not yet increased substantially. Does this mean that APIP did not achieve its objectives, or is it temporary ? In fact the balance sheet is not so pessimistic. The deep causes of the gap should not be mostly attributed to APIP :

- It is maybe paradoxical to say that private operators constitute the toughest opponents against reforms that are to reinforce the private sector. There are potential losers or at least powerful groups that feel threatened by these reforms and who have been successful enough in blocking or slowing down the reform process. Farmers are the most important category, for they fear that privatization means that they will lose the guaranteed price insured by the present system; they fear to be cheated by private operators.

- The proposed institutional reforms have important political impacts and therefore require a great deal of consultation which is a time consuming process. In addition, the existence of subsidies on cereal products makes privatization more difficult. According to key decision makers in the cereal sector, privatization is possible only when the subsidies are eliminated. This explains the hesitations and

delays observed in the implementation of APIP's recommendations.

- After all, in fact a deep impact of APIP may be perceived : the political class and key official decision makers are more and more convinced that change is badly needed. Awareness is indeed increasing owing to the impact of APIP's high quality studies and the interaction between the analysts and the various Government staff.

- Moreover, some decisions for seasonal pricing and for more private participation in grain marketing are in the making. It is also admitted that there is no risk in allowing private firms, big and small, to collect wheat from farmers and to resell it later to a collection agency. The new private silos owners will gradually become more involved in independent grain transactions and will not have to deal eternally and exclusively with the OC.

- Options for the transformation of the OC are seriously debated. It is now widely admitted that it should divest itself of a large share of its current activities, keeping only whatever is necessary for guaranteeing a national security stock and price stability, given the very high level of fluctuation of domestic grain production and of international prices.

However it was suggested that the operational aspects of the transition to a fundamentally more market oriented system raises new questions and does need more analysis. The recent privatization of marketing of barley has been an opportunity to experiment and discover the type of issues that should be dealt with. For example, given the 1991/1992 good harvest and the storage constraint, and maybe because of specific regional needs and lobbying, it was envisaged to reduce OC sale price for barley, from 16 to 12 dinars per quintal (approximately). This price decrease would be very problematic and would strike a very hard blow to the new private agents ; it would hence really endanger the privatization process. So new rules regarding the interference of OC in the market have to be established and accepted by all partners. These rules should be simple and operational and at the same time efficient in this domain of decisions under high uncertainty.

What is the best policy and institutional framework for risk sharing, so that the Office of Cereals would not have to pile up stocks and so that farmers (and other operators) would be assured of an acceptable income ? This kind of question may be indeed recommended for studies that may be undertaken by the new Agribusiness Program.

2.2 The vegetable oil market :

Three major APIP studies have dealt with institutional reforms and privatization of oil ; they covered vegetable oil and olive oil. This section of the report will deal only with vegetable oil. The olive oil market will be examined in section IV.

The share of vegetable oil in domestic consumption of edible oil has been increasing despite the traditional preference for olive oil, partly because of the huge difference between the price of olive oil and of vegetable oil, a difference that is aggravated by a consumption subsidy of the vegetable oil (approximately 10% of total food subsidy). APIP studies permitted a better understanding of the system of import, processing and distribution of this imported food. Many conclusions that require institutional reforms have been underlined by the various consultants ; here is a sample of important recommendations :

- Revising contracting procedures for oil refining by instituting auctions and avoiding guaranteed quotas.
- Making processing firms responsible for distribution and instituting a quality control mechanism.
- Liberalizing imports of refined vegetable oil in the short run and of crude vegetable oil in the longer run.

However, very little has been achieved with this respect, even though awareness about the need of reform has increased sharply and there are really no arguments presented against the action plan presented in APIP studies. It seems unclear nevertheless who should have taken the leading step ; ONH, in particular, does not consider vegetable oil as its major concern. On the other hand, the private operators are satisfied with the present system because it serves their own interest (*). It is up to the GOT to take the first steps in the implementation of urgently needed institutional reforms. APIP studies have provided all the information needed to take action.

(*) For a detailed explanation see the Caisse Générale de Compensation Study or The Master Plan for the Marketing of Oils in Tunisia (both APIP studies). The basic argument is that these private operators have guaranteed quotas of imported raw oil and guaranteed profits, and that that they run no risk with respect to distribution.

V- SPECIFIC CONTRIBUTION OF APIP TO INCREASING THE EXPORT POTENTIAL OF SOME IMPORTANT AGRICULTURAL COMMODITIES

As it was designed, APIP did not directly provide the right framework for dealing with exportation issues. Providing information and analysis of impact is not enough when the objective is not only policy reforms but also concrete actions leading towards increasing exports.

Studies undertaken under the project which could lead to an increase in agricultural include olive oil, seafood products, dates, wine, citrus fruits and cut flowers. These studies which were generally of high quality have been criticized by the people in the export sector on various grounds (see annex C for more details) :

- On several occasions, the evaluation team was told that APIP studies provided little or no new information. For example, according to one official at the "Commissariat Général de Pêche (CGP), the action plan presented in the seafood study has already been proposed with slight variations in the VIIth and VIIIth Development Plan. As a matter of fact, all these studies were done according to their TOR. They were based on the available information and there was no expectation to create new information. The merit of the studies is to have gathered, interpreted and synthesized the available data.

- Some of the recommendations related to institutional reforms are made on ideological grounds rather than on a practical basis to solve specific problems (see the case of olive oil below) : this criticism is partly valid since not enough analysis was devoted to institutional reforms.

- In most cases, the analysis in export studies favored the North-American market to the detriment of traditional European market and potential markets such as the Middle East, the Western European and Japanese markets (case of the seafood study and the olive oil studies). This is one gap in the studies that could be filled by the Agribusiness Project.

- The major criticism is that the studies recommended measures without looking at the cost implications of these recommendations and the feasibility of their implementation.

Nevertheless, APIP studies provided a useful starting point for the new Agribusiness Project to design a program to help the agricultural export sector (see annex C).

VI- PROJECT CONTRIBUTION TO CAPACITY BUILDING, ATTITUDES AND IMPROVING WORKING CONDITIONS

The project's secondary goal of capacity building within the government administration was quite ambitious. The aim was to create cadres capable of conducting independent economic analyses and formulating actionable policy recommendations. Training and commodity procurement (particularly computers and software) were the two main tools used to achieve this goal.

The project allocated less than 6% of total resources for commodity procurement (computers, photocopying machines and other equipment) essentially for DGPDI and DPCE. These limited resources seem to have produced a far reaching impact as discussed below. Around 5% of total resources were allocated to formal and informal training. In addition, on-the-job training was ensured through the participation of government administrators in studies undertaken by the project. Part of the formal training was done with the help of local institutions. This type of training covered various areas such as computer skills, operational research methods and econometrics. The other part was done by sending participants (from government administration and the private sector) abroad to attend formal courses. These courses concerned management, economic development, statistical methods, privatization, grain marketing and storage techniques. A major part of the training activity was undertaken under the University of Wisconsin subcontract. It concerned the development of policy analysis tools (PAT).

The project's achievements in terms of capacity building were by far less than the above mentioned goal. This does not mean that the project has failed. It rather means that the objective itself was unrealistic given the limited amount of time and resources (no more than 11% of total costs) devoted to capacity building.

An assessment of the project's performance which takes into account the resources constraint, leads to the conclusion that the overall results of capacity building were quite good :

- The supply of a few computers created a need within the administration for more computers. This need was satisfied either through other projects or through government funds. Hence, the project initiative has paved the way to the acquisition of more computers and generalized the use of this tool. As a consequence, productivity has been increased and cadres are more motivated in their jobs.

- Training programs have increased to some extent the capacity of analysis within DGPDI. Most engineers who participated in these programs have acquired at least the skills to do simple analysis, forecasts and graphics using statistical packages. These skills were generally lacking

before the project(1). Nevertheless, the capacity to do sophisticated analysis and to formulate actionable policies is still generally lacking at the DGPDI A.

- A major result of the effort of building the capacity of the administration is that it generated a positive attitude towards the project and ensured the cooperation of cadres. Without this cooperation the whole project would have been a failure.

- Most of the training undertaken under the project was of the specific type that is relevant to what the cadres were supposed to be doing on the job. Although no major change in the job content of most of the participants has been observed, the general feeling of cadres at the DGPDI A is that training has had a positive impact both on personal self esteem and on job related activities. The acquisition of computer related skills is cited as an important accomplishment of the program. Other accomplishments include formal training in operational research, econometrics and statistics.

As far as the economic modeling activity is concerned, feelings are mixed. Most participants did not profit fully from this activity because of their time constraints. The involvement of local university consultants in the modeling activity was fully appreciated. It helped resolve in some instances communication problems with foreign consultants and created a permanent link between the administration and the university.

Some negative aspects in this activity are worth mentioning :

- Basically, participants were chosen on the basis of their availability and the desire they may manifest to participate. Three major issues were insufficiently dealt with. The first was the participants' qualifications for a specific program. This decision was left totally in the hands of the DGPDI A Director General.

- The second problem which appears to have been more important was the relationship between the content of the training program and the future job requirements of the participant. One precondition of success for a specific training program is that it is based on a match between its content and future job requirements of participants. This matching was lacking in this case probably because of the

1 In one case, benefits have trickled down to regions through training on the use of a statistical package (Systat) undertaken at the regional level by a former participant at the project's training program. Around 50 "Chefs d'Arrondissement" were trained which made communication with regions easier.

absence of a plan related to human resources development at the DGPDI A.

- The third issue concerns the real or perceived time constraint of the participants who were supposed to continue their daily work while attending the training programs. For this time constraint to be considered real both for the participants and for the DGPDI A as an institution two assumptions have to be made : (1)- the participants' work load was such that it did not leave much extra time for training during normal working hours. (2)- there was no way to redistribute the total work load among the DGPDI A staff in order to allow time for training. All parties admitted the existence of time constraints. The result is a high rate of absenteeism and a large number of dropouts from the training program.

Benefits from on-the-job training (through participation in studies) were also limited by time constraints both for the consultants and the participants. The terms of reference of the studies did not make provisions for on-the-job training and therefore the consultants did not feel motivated to spend time on transferring know-how to participants. In some cases the participants' role was limited to information gathering; in others they were real partners in the studies and benefited largely from them.

One avoidable deficiency of the training program is in the selection process of participants and in dealing with their time constraint. Before proceeding with training activities, the project should have identified the needs of DGPDI A and pre-plan the content of the training program and the selection process accordingly.

The identification of the future needs of DGPDI A in terms of human resources was beyond the scope of the project. However, it was the project's business to decide the type and the amount of training to provide(2).

Despite the deficiencies in organisation and planning, the capacity building component (both training and commodity procurement) of the project has achieved major results with minimum cost.

2 This decision should have been based on the perceived value of this training to the DGPDI A. The principle that the value of a product to the consumer can be determined by the price he is willing to pay for it can be used in this case. Part of the price that the participants and the DGPDI A have to pay for training is a commitment to devote the required time for it. This commitment should have been a precondition for the capacity building component of the project.

VII- WOMEN IN DEVELOPMENT

The APIP project was designed to strengthen the technical capacity of the Tunisian government bodies to collect, process, and analyze economic data and develop appropriate policies for managing the economy. To the extent that the GOT adopted these policies and liberalized its economy, the agricultural sector was expected to expand and ultimately result in increased income and employment opportunities within the sector. Because of the nature of the project, however, APIP was not expected to have differential impacts according to gender. It was theorized that women farmers and traders were as likely as men to benefit from the effect of these policy changes.

The project financed several studies, and within the context of this project and the framework of World Bank/IMF structural adjustment program, the GOT has adopted a number of policy recommendations which are likely to have far reaching consequences for the economy. Although there is some speculation as to how these overall policy changes will affect the various economic sectors, no definitive data exists as to this project's impact on women. Some of these studies, such as the "Subsidy Fund Study" provides useful information to the GOT on the public perceptions of the Government Compensation Fund and makes recommendations as to how to better sensitize the people when significant policy changes are contemplated. Although women's views were taken into consideration on an equal basis with men, the study did not disaggregate the data by gender. The "Seafood Study" and the "Cut Flowers Study", for example, analyze the respective sectors and make strategy recommendations to the GOT for increased profitability. As noted earlier, the adoption of these recommendations is likely to provide increased income opportunities for both men and women, however, more time will be needed to accurately assess the impact of the project on the respective economic sectors and on women in particular.

VIII- CONCLUSIONS AND RECOMMENDATIONS

APIP largely achieved its two main objectives, namely supporting the GOT in the implementation of policy reforms and building up the technical capabilities of the DGPDI. The project has produced more than thirty generally high quality studies each with a set of recommendations and an action plan. Many recommendations made by the studies have already been implemented and there are plans to implement others in the future. In addition, the project has improved the capacity of the DGPDI to analyse and monitor the impact of policies in the agricultural sector and created a positive attitude towards market oriented policies.

I. A BRIEF SUMMARY OF THE MAIN FINDINGS OF THIS EVALUATION :

APIP's contribution to policy reforms ;

Reduction of subsidies :

The project made a remarkable contribution in helping the GOT reduce the burden of the Compensation Fund. The reforms undertaken to date led to a reduction of the overall budget of the Compensation Fund from around 4% to 2% of GDP. The project's contribution to this performance was certainly important. The reforms proposed in the studies were either implemented as such or modified to meet certain political considerations.

Institutional reforms and privatization :

The project's chief contributions in institutional reforms and privatization concerned essentially the cereal and oil sub-sectors. The results were mixed. Legally, some important reforms have been undertaken to allow private operators to participate in collection, storage, distribution and marketing. However, the private sector's participation, in practice, is still limited :

In the cereal sub-sector, private operators are now allowed to participate in collection and storage of grain under OC supervision and with its agreement (decree # 90-1083 of June 1990). The marketing of barley, soya and fertilizers has also been opened to the private sector, together with the importation of corn without the interference of the OC, starting July, 1992.

In practice, the qualifying conditions for cereals collection are so exacting that only two private sector activities are underway. The situation for storage is totally different. Private sector participation is not only accepted but even encouraged. To attract private investments in storage the Office of Cereals made a commitment to rent the private sector-erected silos for a period of ten to fifteen years.

This policy has been adopted because the Office of Cereals has an ambitious program to double the storage capacity of the country within a period of five years. With private sector participation this goal is expected to be reached in less than three years.

In the vegetable oil sub-sector, very little has been achieved even though awareness about the need of reform has increased sharply. It seems that private operators are satisfied with the present system because it serves their own interest.

Although the results are so far limited, a deep impact of APIP may be perceived. The political class and key decision makers are more and more convinced that reforms are badly needed. Awareness is indeed increasing owing to the impact of APIP's high quality studies and the interaction which occurred between the analysts and the various Government staff.

Export commodities :

APIP's contribution in the export sector has been so far very limited. Most of the recommendations made in the studies have not been implemented. One positive impact of the project however is that it created an awareness about the need to take action to conform to the new EEC regulations. The studies undertaken by the project have also provided a useful starting point for the Agribusiness Project to design a program to help the agricultural export sector.

APIP's contribution to capacity building :

The overall results of capacity building given the resources constraint were quite good :

- The supply of just a few computers created a need for additional computers which was satisfied through other sources and the result was the generalization of the use of computers by DGPDI staff members. As a consequence, productivity has increased.

- Training programs have increased to some extent the capacity of analysis within the DGPDI. A by-product of this activity is the positive attitude towards the project that training has created. The training activity has suffered from three basic deficiencies. First, participants were chosen on the basis of their availability and not qualifications and motivation. Second, there was little relationship between the content of the training program and the specific job requirements of the participants. Third, the time constraint issue of the participants has not been dealt with, which led to a high rate of absenteeism in the courses.

Deficiencies in the organisation and management of the project :

In general the project management relied on informal procedures. The responsibility of preparing progress reports and of disseminating results of the studies to concerned institutions and agencies was not assigned to any party. In general, there were at various levels problems of role distribution, of coordination and of dissemination of information. The project could have gained more efficiency by adopting a more formal decision making procedure.

II- POST APIP AGENDA :

As a result of APIP, major reforms have been implemented in the agricultural sector. However, the process of liberalization is still underway and many problems are yet to be solved. The following activities are suggested for the new Agribusiness Project :

- Continuation of the training programs undertaken by APIP within DGPDI A should be considered. Special attention should be paid to the selection of participants, their availability for training and the design of the training programs to match the participants job requirements.

- There is a need for a study to prepare for the transition of OC and ONH to become stabilizing agencies operating in the framework of a free market system.

- More studies are required (and requested by ONH) in order to obtain more accurate knowledge of the international olive oil market. These studies should lead to an operational plan to penetrate new markets. Many important questions have to be answered : for example what are the prerequisites to attract an American brand distributor to chose a Tunisian instead of an Italian or Spanish oil exporter? What can the Tunisian side offer to compete with them, despite their subsidy advantage?. EC import restrictions and export subsidizing definitely constitute the hardest barrier for Tunisian exports world wide. Should Tunisia retaliate by subsidizing its oil export too?.

- In the seafood sector, there is a need to develop joint ventures with foreign partners possessing needed technical expertise and marketing channels. To solve the problem of decreasing production there is a need to attract joint venture partners for aquaculture development activities and undertake applied research regarding the problem of overfishing. A study to identify new markets given the possibility of the reduction of quotas in the EEC market is also highly recommended.

ANNEX A

METHODOLOGY AND SCOPE OF THE EVALUATION

1. Goals of the evaluation :

The purpose of this evaluation is to shed some light on the following issues :

- Efficiency issue : the evaluation of the project's performance should lead to the conclusion on whether or not such kind of project is an efficient way for USAID to spend money.

- The design of successful projects : The identification of factors of success and failure should - to the extent that the experience of AFIP can be generalized - help the designers and implementors of other projects such as the new Agri-business Program to do a better job.

- The post APIP issue : This evaluation should help identify potential sub-sectors or agricultural products/commodity groups where more help is needed. The Agri-business Project which is designed to reinforce and consolidate the work of APIP could profit from the experience of the latter.

2. Previous documents relevant to this evaluation :

This evaluation report is intended to complement two previous reports on APIP. In order to avoid duplication of effort many of the issues discussed in these reports will be omitted in the present one.

The first report is entitled : "MID-TERM EVALUATION OF THE TUNISIA AGRICULTURAL POLICY IMPLEMENTATION PROJECT" (USAID/Tunisia 1990). This report provided a first evaluation of major accomplishments of APIP and made recommendations concerning organizational aspects. Because of the timing of this evaluation, the report did not analyse in detail the impact of the project on policy reforms. This final evaluation is intended to fill this gap. In addition, now that the project has ended, this evaluation will address the question of the lessons learned that were partially discussed in the mid term evaluation.

The second report is entitled : "PROJECT ASSISTANCE COMPLETION REPORT" (USAID/Tunisia August 1992). This report documents thoroughly the activities (studies, seminars, training programs etc..) undertaken under APIP. For this reason, this final evaluation will not go into the details of the project's activities.

3. Assessing the project's impact on policy reforms :

(a)- Problems of measurement of the project impact :

This is not an easy and straight forward task. Ideally the project impact should be measured by comparing the actual situation in the sectors where the project has intervened with the situation that would have prevailed had the project not existed. Since the situation without APiP is not known, **the project's contribution can be assessed only indirectly.**

From the start of APiP until now, the GOT adopted various policy measures in the agricultural sector. Some of these measures are independent of the project and others resulted from studies and discussions fostered by the project. In the meantime, the performance of the agricultural sector has changed partly because of the new policies adopted and partly because of other factors. In addition, although the project has ended, its impact may continue through recommendations made in the studies in the future.

Under these circumstances, the procedure proposed here is as follows :

Step 1- Analyze actual and expected policy changes in each sector where the project has intervened : Sources of information include published decrees, official documents and interviews with decision makers in each sector both in government administration and businesses.

Step 2- Establish a relationship between the recommendations made in the studies and/or advocated in seminars and the content of step 1 above : The main source of information is APiP studies.

Step 3- The results of step 1 and 2 should give an idea about the contribution of the project to policy reforms in each sector. The next step is to assess the value of that contribution to the beneficiaries.

(b)- Delimitation of the major areas of policy reforms where the project is supposed to have had a contribution :

Throughout its life the project has undertaken more than 30 technical studies in collaboration with various public and private institutions and focusing on different aspects of the agricultural sector. This evaluation will concentrate on the following areas selected because of their importance in ASAP and/or the amount of resources in the project allocated to them :

(i)- Reduction of subsidies on basic food products and agricultural inputs :

Consumer products such as bread, flower, semolina, milk, sugar, oil etc.. and agricultural inputs such as fertilizers, seeds and irrigation water are subsidized through the Compensation Fund (CF) . Over the years, increases in consumption (due partly to the reduced prices of these commodities), international prices and local production costs made the burden of the CF unbearable. In the beginning of the 1980's, the subsidies granted by the CF reached 4% of GDP. Several studies have been undertaken by the project to find ways and means to help the GOT reduce the burden of subsidies.

(ii)- Institutional reforms :

This is an area where the project through technical studies is supposed to have had an important and lasting impact. The project has undertaken several studies related to institutional reforms in the agricultural sector. The objective is to redefine the role of some major public institutions such as the National Oils Office (ONH) and the Cereals Office (OC), to make government administration more responsive to the needs of the private sector, to increase efficiency, to reduce costs and to facilitate liberalization.

(iii)- Privatization :

One of the main goals of ASAP is to have the private sector play a more important role in production and distribution of agricultural products. For this reason this evaluation will assess privatization activities under APIP.

(iv)- Increasing the export potential of some agricultural commodities :

One of the main goals of ASAP is to increase the share of the agricultural sector in total exports. This evaluation addresses the question of the project's actual or potential impact on agricultural exports to define possible areas of intervention for the new Agri-business project.

4. Assessing the project contribution to capacity building within the government administration :

Most of the capacity building of the project concerned certain staff members within the DGPDI. This capacity building is the result of participation in studies and various formal and informal training activities. Under the Wisconsin subcontract, the project provided specific training on policy analysis tools (PAT). PAT has been developed with DGPDI staff members to address specific issues of ASAP, formulated in terms of questions with measurable components. This evaluation considers commodity procurement (especially computers) as part of capacity building because it provides a necessary tool for

the training activity, it influences the participant's attitudes and it has a lasting impact on productivity.

On the basis of interviews with the people concerned, the impact of the project is evaluated by comparing what these people are actually doing with what they used to do before the start of the project.

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ANNEX B

TABLE 1

 MAJOR POLICY REFORMS RELATED TO PRODUCTS
 COVERED BY THE COMPENSATION FUND

REFORMS UNDERTAKEN	DATE	SAVINGS (Estimates) (*)
1. CEREALS		
**Liberalization of collection (Promotion of competition in the sector)	1990	NA
**Adoption of a new price structure for flour and semolina	1990	1.2 MD
**Adoption of a specific price structure for imported cereals.	1990	NA
**Simplification of the grain grading system. (improvement of quality control, reduction of waste)	1991	NA
**Elimination of transport cost equalization fund on some products(cereals, couscous).	Aug. 91	1.3 MD
**Decentralization and introduction of more flexibility in giving permits for bakeries (a step towards the liberalization of the sector).	1990	NA
**Simplification of the subsidy system for bread.	NA	NA
**Adoption of a more efficient system to control the use of flour (through the use of a computer program)	starting Jul. 91	NA
**Diversification of the supply of bread. (encouragement of bakers to produce and sell unsubsidized bread).	NA	NA

Source : DPCE

(*)- DPCE estimated savings for a full year.

ANNEX B

TABLE 2

 MAJOR POLICY REFORMS RELATED TO PRODUCTS
 COVERED BY THE COMPENSATION FUND

REFORMS UNDERTAKEN	DATE	SAVINGS (Estimates): (*)
2. FERTILIZERS		
**Harmonization of taxes and custom duties.	1991	NA
**Elimination of the subsidy on Super 16	May 91	.7 MD
**Liberalization of commercial margins.	Dec 91	NA
**Liberalization of imports of fertilizers.	Jan. 92	NA
**Elimination of the subsidy on Amonitre.	May 92	5 MD
3. VEGETABLE OIL		
**Elimination of subsidy on imports.	May 92	.8 MD
4. ACID OIL(for soap)		
**Liberalization of imports	Jul. 92	NA
5. MILK		
**Limitation of the quantity eligible for subsidy	1990	NA
**Targeting of subsidies through supply diversif.	1991	NA
**Taxation of imports of powder milk	Jul. 92	NA
6. SUGAR		
**Diversification of supply (introduction of brown sugar).	1990	NA
**Elimination of subsidy on imported sugar	Aug. 91	NA

Source : DPCE

(*)- DPCE estimated savings for a full year.

ANNEX B

TABLE 3

 MAJOR POLICY REFORMS RELATED TO PRODUCTS
 COVERED BY THE COMPENSATION FUND

REFORMS PLANNED	DATE
1. CEREALS	
**Liberalization of imports.	1996
**New legislation for bread marketing	1993
2. FERTILIZERS	
**Elimination of subsidy on Super 45	May 93
**Total elimination of subsidies on fertilizers.	1995
3. VEGETABLE OIL	
**Liberalization of imports and diversification of supply	1993
4. ACID OIL(for soap)	NA
5. MILK	
**Elimination of subsidy on milk	1996
6. SUGAR	
**Direct subsidy to local production outside the CF	1993

Source : DPCE

ANNEX C

SPECIFIC CONTRIBUTION OF APIP TO INCREASING THE EXPORT POTENTIAL IN THE AGRICULTURAL SECTOR : THE CASE OF OLIVE OIL AND SEAFOOD PRODUCTS

1. Olive oil :

a. Major conclusions and recommendations of the studies :

Several studies were devoted to this major export product. The main conclusions of these studies are :

-Tunisian olive oil is at least potentially competitive on world markets.

- Costs of processing could be reduced if more efficient techniques are practiced and plants are more efficiently operated and managed, in particular in order to avoid olive fermentation.

-At the institutional and marketing level several recommendations were made :

** Restructuring ONH : this means separating its regulatory role from its commercial role and restricting its activities to those that cannot be efficiently achieved by the market. It is usually thought that (income) stabilization and quality control are good cases for a government agency intervention.

** Encourage oil packaging by private processors.

** Abolish ONH monopoly in exports.

** With respect to export to North American markets in particular, the studies indicated there should be no attempt to create a Tunisian proprietary label for distribution within these markets. The more realistic recommended alternative would be to serve as a supplier of packaged olive oil to American distributors who will operate under their own brand.

b. Principal findings of this evaluation :

- **Abolition of the legal monopoly of ONH in olive oil exports:** private operators are now allowed to export olive oil under the supervision and with the agreement of ONH. They can export to all markets except the traditional European market. So far nine firms have obtained permission to export. Since this is a new activity for the private sector, actual exports are still negligible. They are estimated for the 1992 at 3,000 metric tons which represents around 3% of total exports of olive oil.

One of the major problems facing private operators in the exportation of olive oil aside from the stringent conditions imposed by ONH is financing. Huge cash balances are needed by exporters and bank credits are difficult to obtain. Unless this problem is addressed there will be no future for private exporters.

- Intention to abolish the monopoly of ONH on collection of olive oil : according to the ONH President Director General, the private sector will be allowed in the near future to participate in the collection of olive oil.

Not many recommendations have been implemented yet regarding olive oil. The most important question remains whether export stagnation is due to the monopoly market structure and to the poor ONH management, in which case privatization will be enough to raise exports, or to other causes that should be better identified and studied.

The scope of APIP's studies was not wide enough. It was noticed that they did not pay any attention to interest groups, to the olive oil international market structure and to land tenure. Hence, no realistic export promotion strategy was developed. Some of these points are in fact not very specific to the case of olive oil and are connected with institutional reforms.

Interest groups : privatization and institutional reforms represent a threat not just to a small minority of inefficient agents (such as outmoded oil processors) but mainly to olive oil farm producers, who are altogether secured by the government guaranteed and now remunerative prices.

The market structure : this is really not at all specific to the case of oil ; consultants tend to always assume (perfect) competition and to apply an economic reasoning depending on this assumption and leading to the superiority of market coordination and incentives . In fact, even though many domestic markets are of a competitive nature, it is quite clear that the international olive oil market belongs to the imperfect competition category. It is more exactly an oligopolistic and incomplete market characterized by strong dissymmetrical information, a very distorting subsidy system and quantitative restrictions system imposed by the EEC countries. The two major studies devoted to oil do not of course ignore all these facts, but they clearly under-estimate their impact.

Land tenure constitutes a major constraint to the development of olive oil production (for example difficulty to obtain bank credit for farmers without a property title). In a context of structural reforms, land tenure should be addressed as a subject of study.

2. Seafood products :

a. Major conclusions and recommendations of the seafood products study :

The study identified three types of bottlenecks. On the production side, overfishing is a major problem leading to steadily decreasing catch. This situation has a negative impact on the processing activity. The study recommended better fishing techniques and development of aquaculture as a potential solution. Quality was the second major problem. Processors should change their operations to meet the 1993 EEC requirement for importation of seafood products. The third major problem was Marketing abroad. Aside from traditional markets, the study found a limited knowledge of market opportunities. So far, the seafood processors have been unsuccessful in opening up new markets. A major marketing effort should be done to keep the Tunisian share in the traditional seafood products markets and to penetrate new markets with specific high quality products.

The study also suggested the creation of a federation of exporters to represent and defend the interests of exporters and to focus promotion activities on targeted markets.

b. Major findings of this evaluation :

- Just as in the case of the other export studies, the recommendations made have not been implemented. The fact that the study did not provide a cost/benefit analysis of the proposed action plan may explain the hesitations observed.
- One positive result of the seafood study is that it has created a collective awareness about important problems facing the seafood sector such as the necessity of taking action to comply with the 1993 EEC standards and the importance of creating an association of exporters.