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APPRAISAL REPORT  
OF THE  
AID PROGRAM IN TUNISIA

July 8, 1976

Operations Appraisal Staff  
Office of the Auditor General  
A. I. D.

TABLE OF CONTENTS

	<u>Page</u>
I. General	
A. Purpose and Scope	1
B. Summary of Major Findings and Recommendations	2
II. Findings and Observations	
A. Economic Performance and Development Prospects	10
1. Economic Performance and Outlook	10
2. Development Problems and Prospects	12
B. AID Development Assistance Policy	15
C. AID Analysis of Tunisian Development	20
D. Major Programs	23
1. Food and Nutrition	23
a. Programs	23
b. Land Tenure Problems	27
2. Rural Development	30
3. Food for Peace	36
a. Title I	36
b. Title II	38
4. Family Planning	41
E. Management and Staffing	45
1. Relations with the GDT	45
2. Relations with Other Donors	46
3. Staffing	47
4. USAID Internal Coordination	49

## PART I - GENERAL

### A. Purpose and Scope

Tunisia's recent economic progress is a matter of general knowledge which, of itself, has led to questioning of the need for economic assistance to Tunisia, in the Congress as well as within A.I.D. The contrast between Tunisia and her neighbors to the South in Black Africa reinforces this concern. The U.S. economic assistance program dates back to 1957 and has contributed over three-quarters of a billion dollars to Tunisian development. In light of this background, it appeared appropriate to look into the present status and future of the AID program in Tunisia.

AG/OAS undertook preparations in late February and March 1976 for a general appraisal of the program. Background information was developed through interviews with former U.S. ambassadors to Tunisia, officials of the State Department, AID, IBRD, IMF, et al., and through examination of documentation available in Washington.

The preliminary discussions and review of documents in Washington led to the conclusion that the issues most relevant to programming and the kinds of decisions which might be faced by AID in the near future concerned the appropriate duration of U.S. concessional assistance to Tunisia and the opportunities for implementing the "new directions" for foreign assistance in Tunisia.

Field visits were made to Tunisia during the period April 24 through May 14 by several members of the AG/OAS and included visits to Siliana

Province, the Sousse/Sfax area, Djerba, Medenine Province, etc. Interviews in Tunisia, in addition to U.S. Embassy and AID personnel, were held with appropriate Tunisian ministers and other officials, as well as representatives of the UNDP, France, and others.

B. Summary of Findings and Recommendations

1. Economic performance and development

Tunisia's recent economic performance has been impressive and the prospects for further growth are favorable. Indicators show a per capita GNP of over \$650 in 1975, a growth rate averaging 10 percent since 1971, a debt service ratio under 10 percent, a domestic savings rate of 22 percent, and current foreign exchange reserves of some two and one-half months of imports. Relative diversification in Tunisia's exports--including petroleum and phosphates, bolstered by tourism and workers' remittances--continuing high levels of international financial assistance, a relatively low debt burden, high savings rates, and increasing economic activity suggest that a reasonably high growth rate can be sustained.

Current Tunisian development planning for the period 1977-81, calling for more than a doubling of the rate of investments under the Fourth Plan (1971-76), may be excessively optimistic. It appears, nevertheless, that the favorable outlook for performance of the economy and the expected continuation of official international financial assistance at substantial levels will support the present pace of development.

2. Program duration

The issue of eventual phase-out of concessional assistance has been a recurring theme in policy documents since it was first proposed by the Department of State in 1972. The decision at that time to move to "a

tighter, more structured program dealing with some of Tunisia's core problems" resulted in a decline of total assistance (DL, DG, HIG, PL 480) from \$41 million in FY 72 to \$6 million in FY 74, rising slightly thereafter. The DAP Review of 1975 supported continuation of the program at modest levels, leaving the phase-out option for future consideration. In the Tunisian-American Joint Commission meeting of October 1975, the U.S. Delegation agreed to participate in a rural development program in Tunisia, for which \$5 million had been "reserved" in the draft Foreign Aid Bill as "a first step of American participation." This commitment to rural development could lead to a long-term U.S. involvement.

Recent guidance for the Annual Budget Submission raises the phase-out question again but fixes no time-frame and merely recognizes the need to begin thinking about the "likelihood" of and asks the Mission to address in its Submission the gradual phase-down of assistance. We believe that clearer and more explicit decisions need to be made regarding the modes of assistance and the duration of our program.

Tunisia has already met the criteria in PD 66 for consideration of intermediate loan terms. In light of Tunisia's impressive economic performance and the favorable outlook for continuing development, we believe it essential that AID review its policy now and establish a framework for eventual phase-out, so as to avoid further involvement in long-range programs which may extend beyond the time when concessional aid can be justified.

### 3. Tunisia and the "new directions" for aid

Tunisia still faces difficult development problems, particularly in the rural areas, and there is ample scope for an effective interim AID

contribution in defining strategies for dealing with some of the more intractable problems which affect the lives of the poorest majority of Tunisians. The receptive Tunisian policy environment and excellent planning capability offer promise of further achievements in implementing the "new directions" of the FAA during the time that the U.S. continues to cooperate in Tunisian development and as we move to alternative and less concessional modes of assistance.

#### 4. Sector analysis

We found the USAID analytical framework for program choices and project development not fully adequate, as had the DAP Review. Such key Tunisian problems as serious unemployment, the need for land registration and distribution, the importance of increasing cereals yields in lower-rainfall areas, the effects of price controls and subsidies on agricultural incentives, and the potential of agro-industry for employment creation and for rural development merit more penetrating analysis. We suggest that AID technical assistance and participation in sector analysis and strategy formulation could be of positive benefit to Tunisian development planning and would merit discussion with the GOT.

#### 5. Food and Nutrition

AID activity in the food and nutrition sector is at an all-time low. A promising approach to integrated agricultural development was cancelled owing to technical disagreement between AID and the GOT. Other activities are completed (Nutrition Institute) or reaching completion, so that only one currently really active project remains, namely in Livestock Production.

We found that the important role of agriculture in rural development

had been overshadowed by the USAID's preoccupation with improving social infrastructure in the area covered by the Rural Development project recently proposed. It seemed to us essential that any serious rural development effort in Tunisia would have to deal with some of the more fundamental structural problems of agriculture and that costly investments in economic and social infrastructure would need to be carefully examined in terms of the potential agricultural productivity of specific rural areas. Further consideration needs to be given to opportunities for wage income for rural families, which in many parts of Tunisia may be the most practical means of improving rural living standards in the near term. In this connection, we fully concur with the initiative of the Near East Bureau to examine opportunities for agro-industries. Also, the Agency's 211(d) grant to Oregon State University covering cereals cultivation in low-rainfall regions addresses an important problem of the more marginal Tunisian lands. More careful and comprehensive analysis of Tunisian agriculture could make a significant contribution to Tunisian development strategy. AID participation in formulation of a more focused agricultural strategy should be explored with the GOT.

The establishment of a Tunisian Interministerial Council for Nutrition Planning promises to give further effectiveness to the already large AID investment in the Nutrition Institute. The proposed AID assistance in nutrition planning is a final important step and could help the Tunisian nutrition program to become a model for other developing countries.

#### 6. Rural Development

The USAID has been working for about two years on the preparation of

an integrated rural development project. We found that the Mission's laudable efforts to develop a rural development approach to one of the more deprived regions of Tunisia had resulted in selection of a project area where the chances of achieving a significant increase in farm income were highly questionable, and thus the project appeared likely to be unsuccessful in improving rural living standards. We have shared those concerns with the Assistant Administrator for the Near East Bureau and have identified various alternative avenues of approach which merit consideration by the Bureau in light of the U.S. commitment to rural development in Tunisia made in the last Joint Commission meeting.

7. PL 480 Title I and II

At the time of our appraisal, a PL 480 Title I Sales Agreement was ready for signature. We found the "self-help" provisions of that agreement perfunctory and not susceptible to measurement of Tunisian compliance. Moreover, in light of the favorable Tunisian balance of payments situation and the bumper wheat crop expected this year, we could not find an adequate economic rationale for the Title I sale of 20,000 tons of wheat. We doubt that a subsequent Title I wheat sale programmed in the FY 77 Congressional Presentation can be justified and recommend that it be reconsidered.

The results of earlier Title II Food for Work programs--terracing, reforestation, stock ponds--were visible as we traveled about the country. The GOT has continued supporting such programs with assistance from the World Food Program. The Tunisian Nutrition Institute, a notable example of AID assistance, has developed a high-protein dietary supplement called "Saha" (health). The GOT plans to use the new product in place of Title II

wheat-soya blend (WSB) for the maternal-child health feeding program, which the GOT will take over completely in July 1976. The Title II school feeding programs are scheduled to phase down to some 150,000 recipients--a level which the Tunisian Government should be able to support with its own resources using the new "Saha" supplement. Other activities of the Voluntary Agencies which are well directed at rural problems of potable water supply and environmental sanitation, merit continued AID support at present levels.

#### 8. Family Planning

High-level political support of family planning, liberal legislation, and aggressive program direction make the Tunisian setting one of the more promising for achieving a decline in population growth rates. The natural increase rate of the population has fallen from 3.2 percent in 1966 to 2.9 percent in 1972 and 2.6 percent in 1974, according to Tunisian statistics. Tunisian management, under the present Director-General of the National Office of Family Planning, is now considered excellent. From AID assistance of \$2.3 million for FY 75-77, 55 percent is allocated to local budget costs. We find this a high level of budget support for a country with the financial resources of Tunisia and believe that it should be possible for the GOT to support those costs after the present project cut-off date of June 30, 1977.

The centrally-funded "1000 Households" pilot project to test direct distribution of contraceptives in a remote rural area has dynamic Tunisian leadership and high promise of success.

#### 9. Mission Management

The USAID has maintained remarkably good relations with the GOT, in the face of a large decline in aid levels, and has good contacts with other

donors. Major overlap and duplication have been avoided.

Given the current level and nature of project activities, the USAID staff was larger than needed to manage them and does not relate well in its composition to the program actually being carried. The necessary re-organization of the USAID will depend heavily on the decisions made on individual project proposals now pending and on the results of a review of our overall assistance policy in Tunisia. We do not, however, see an expansion in USAID staff as likely and would expect that a reduction in local staff would be feasible.

We gained the impression that Mission operations are too compartmentalized and that there is not as much interchange among Mission divisions regarding the substance and direction of the program as would be desirable. We believe that some means is needed to assure that valid contributions of the various parts of the Mission are considered and believe that USAID management should assure that there is the necessary degree of total Mission participation in program and project formulation and evaluation.

#### Recommendations

1. That the NE Bureau and PPC establish a schedule for program phase-out in Tunisia, including such intermediate assistance steps and assistance modes as may be appropriate.
2. That, in the interim, the NE Bureau approve no projects for Tunisia with a completion date after FY 79 and inform USAID that current program guidance will be placed in abeyance pending completion of the program review.
3. That PPC and the NE Bureau promptly review the capacity of Tunisia to service loans on intermediate terms in accordance with PD 66 and provide

a recommendation to the Administrator.

4. That the Rural Development Project (644-11-190-285) not be implemented as presented and that it be revised or relocated so as to give some assurance that rural incomes can be increased significantly as a result of project activity.

5. That the projected PL 480 Title I sale of wheat now programmed for FY 77 be reconsidered by the NE Bureau in light of Tunisian abilities to finance wheat imports on commercial terms.

6. That the present termination date of June 30, 1977, for the existing Family Planning project be maintained, except as necessary to assure the availability of funds to replicate the "1000 Households" distribution system in Tunisia, if that pilot program proves successful.

7. That the staffing pattern of USAID/T be reviewed by the NE Bureau to make it conform to the actual work load and the needs for professional expertise and analytical capacity deriving from the approved program.

## PART II - FINDINGS AND OBSERVATIONS

### A. Economic Performance and Development Prospects

#### 1. Economic performance and outlook

Tunisia's recent economic performance has been impressive. Annual increases of GNP in real terms averaged almost 10 percent since 1971 and GNP per capita exceeded \$650 in 1975. The debt burden has declined in the last five years from 43 percent to 33 percent of gross domestic product, and the debt service ratio on foreign borrowings has been brought down from 15 percent to about 9 percent. The domestic savings rate is currently about 22 percent and targeted to rise to 27 percent during the Fifth Development Plan (1977-81). Government revenues, aided by receipts from the petroleum and phosphate sectors and by the general level of economic activity, grew at current prices by 20 percent annually from 1971. The import price effects of the "energy crisis" were offset by higher prices for Tunisian petroleum and phosphate exports, and the general level of price inflation has been held to 5 percent in 1974 and 9 percent in 1975. The 1975 price rise is largely attributable to increases in controlled food prices. Private investment has been encouraged and has played an important role in fueling the economic expansion. While Tunisian growth has been marked by wide annual swings, due mainly to the effect of weather conditions on agricultural and related industry output, petroleum and phosphates have combined with tourism and workers' remittances to provide a diversified export cushion which compensates for fluctuations in agricultural exports.

The overall prospects for a continuation of economic growth appear favorable. While no spectacular new development is foreseen in the export

sector, export diversification promises relatively stable support to the balance of payments, particularly through increasing petroleum production. Embassy projections foresee an increase in petroleum production from 3.9 million tons in 1973 to some 8.7 million tons in 1977. Phosphate rock prices appear to have reached a fairly stable level, and the demand picture is reasonably optimistic. Tunisia has regained her previous level of earnings from tourism, and present improvements in tourist facilities, the decline of competition from the Middle East, and the still relatively low rate of price inflation in Tunisia promise to maintain if not improve tourism as a solid foreign exchange earner. The future of workers' remittances is less certain, and we can anticipate continuing pressure to reduce the number of foreign workers in Europe. The return of Tourism workers with improved skills can, however, help fill skill shortages at home, with some positive effect on productivity. These factors, taken together with Tunisia's relatively low debt burden and high domestic savings rate, indicate that GNP growth rates at or near previous levels can be sustained.

Tunisia has received high levels of official international assistance in financing development. Foreign donors and international institutions contributed in 1975, for example \$122 million in loan disbursements and about \$40 million in grant assistance to the financing of the Plan. New loan commitments in 1975 are reported by the UNDP Resident Representative as \$282.6 million. While the higher Tunisian investment targets now being discussed as a basis for the forthcoming Fifth Plan (1977-81) are optimistic (more than a doubling), continued support, at least at current levels,

from the international lending institutions and foreign donors seems likely.

The continuation of Tunisia's impressive economic performance and the favorable outlook for further growth and sustained international financing corroborate the statement made in the 1975 DAP that "U.S. concessional assistance no longer appears required to meet Tunisia's external resource requirements or finance its investment budget."

At a minimum, Tunisia's capacity to service loans on intermediate terms needs to be reviewed. We were informed that the case of Tunisia was not examined by PPC earlier this year during the annual review called for by PD-66, only because no loan proposals for Tunisia in FY 77 were shown in the Congressional Presentation. It seems fairly certain, however, that Tunisia would meet the criteria in PD 66 for application of intermediate terms, since the World Bank Atlas shows GNP per capita for Tunisia in 1974 as \$550 in average 1972-74 prices. While the Rural Development loan shown in the CP was expected to be authorized in the Interim Quarter, it seems likely that authorization will slip to FY 77, at which point it would be appropriate to consider applying the intermediate terms to that loan. In any case, it would be useful to conduct a special review at an early date, so as to be sure that the USAID has clear guidance on loan terms in the event of any discussions of further lending, especially in the context of the Joint Commission meetings.

## 2. Development Problems and Prospects

The impressive overall economic performance of the past five years masks such continuing development problems as the high rate of under-employment and unemployment, low standards of living in rural areas, a population growth

rate of 2.4 percent, the dilemma of land tenure arising from the need to increase production on large farms before the policy of land redistribution can be fulfilled, and the persisting shortage of qualified middle management throughout the economy.

The Fifth Development Plan (1977-81) is currently being prepared. It appears to be an ambitious effort to cope with some of Tunisia's fundamental development problems. The Ministries of Planning and Agriculture provided us an oral overview of the Plan's national aims and of the agricultural component. The Ministry of Planning described the key objectives as "employment creation" (60,000 jobs per year up from 50,000 in the previous Plan) "a general improvement of living standards in all of the country," and a GNP growth rate of 8 to 8.5 percent. The total five-year investment target now under discussion is \$10 billion or an average annual investment of \$840 million, as compared with the average of \$330 million in the Fourth Plan (1973-76). Seventy-five percent of this increased total investment is to be financed from domestic savings, as compared to an estimated ratio of 65 percent during the Fourth Plan. Under the Fifth Plan, the balance in foreign borrowing is to come in proportions of 55-60 percent from the private sector and 40-45 percent from the public sector. The public sector share of this foreign borrowing is further broken down in an estimate of roughly two-thirds from official capital flows and one-third from suppliers credits, etc.

This assumed level of public official capital flows would work out to an average \$150 million per year. It compares to roughly \$80 million of net capital flows in 1975 (official loan disbursements of \$120 million plus

technical assistance grant expenditures of nearly \$30 million less debt service on official loans of \$70 million).

Tunisia is hopeful that international donors will support the proposed doubling of overall national development investments over the next five years. It remains to be seen, however, whether the investment level of \$10 billion now being discussed will be considered realistic and whether the growth rate target of 8-8.5 percent will survive in the final Plan. Once the first draft of the Plan is circulated within the government (this summer), a more modest growth rate may be adopted, with a correspondingly lower investment target. The informal reactions of potential foreign donors during the course of those discussions will likely influence their outcome.

The agriculture sector also projects more than a doubling of the Fourth Plan investment goals--from \$530 million over four years to \$1800 million over five years. The priority agricultural goals of the Fifth Plan are self-sufficiency in food and the conservation and improvement of natural agricultural resources. A minimum growth target for agricultural production of 3 percent is considered essential, although the Ministry hopes that growth of as much as 5-6 percent may be feasible. Self-sufficiency in cereals and adequate domestic meat supplies are foreseen by 1980.

The agricultural policies of the Plan will focus on land tenure legislation to stem fragmentation, training of researchers and professionals; research emphasizing products suitable for small farms (less than 50 acres, which represent 80 percent of all farms); information systems to reach the producer level; and agricultural credit expansion.

Apart from the question of the realism of growth and financial targets cited above, there also remains some question about absorptive capacity

in terms of administrative capability and manpower resources. The capacity of the government at upper levels to conduct macroeconomic analysis, formulate policy—particularly in the monetary and debt-management areas—and to elaborate carefully coordinated plans is not shared at the lower levels of management. The shortage of "cadres" (professional middle management) is a general problem, as is a growing shortage of skilled workers, as industrial and building expansion takes place.

The net, however, of the foregoing comments is that overall development of the Tunisian economy seems fairly well assured. Barring extraordinary outside influences against which Tunisia appears relatively well cushioned, financing of a respectable growth rate is within reach of Tunisian resources availabilities.

B. AID Development Assistance Policy

For several years, U.S. development assistance policy towards Tunisia has been influenced by the issue of program phase-out. In 1972 the issue was hotly debated between AID and the Department of State, which recommended "an orderly and progressive phasing out of Tunisia's special dependence on the U.S. for assistance." The issue was finally resolved in favor of "a tighter, more highly structured U.S. assistance program in Tunisia directed towards the orderly resolution of some of Tunisia's core problems within specified time periods." AID's main argument in favor of the latter policy was that the Tunisian environment offered social and economic development opportunities to which AID could make specific contributions. Moreover, Tunisian economic performance did not raise serious questions at the time regarding Tunisia's eligibility for concessional assistance. Although the issue was resolved in favor of continuing development programs at lower levels, the

effect of the debate persisted and appeared to inhibit aggressive program development, as efforts were made to tighten and concentrate the program.

There have been no development loans made to Tunisia since the Agricultural Sector Loan, which was authorized in March 1972 PL 480 Title I sales were ended in 1972. As a result largely of these two factors, the total of grants, loans, PL 480 and housing guaranties to Tunisia declined from \$41 million in FY 72 to \$20 million in FY 73 and to \$6 million in FY 74. By October 1974, when the program was taken over by the Near East Bureau, it appeared that the Tunisian program was in a "holding pattern," whereby a minimum level of assistance was approved for Tunisia without yet necessitating the step of raising with the GOT the question of eventual program termination. While the GOT had been able to understand and, apparently, reluctantly accept the dramatic decline in overall aid levels, the prospect of a total elimination of US development aid caused them concern, in part because of the "signals" it might convey to other donors. The US policy was to place increasing reliance on other donors to meet Tunisia's resource needs. That policy was explicitly voiced to certain European countries and it has not appeared to have any unfavorable effects on their aid levels, which have been sustained.

In December 1974, the USAID completed a Development Assistance Program statement whose key recommendation again raised the phase-out issue: "the USG should now adopt an assistance strategy for the coming three to five years designed either to (1) Phase out ..(2) Continue . . . with no major change in aid levels . . . (3) Continue assistance, but . . . reduce our direct management . . . and gradually reduce the concessional nature of our aid." That recommendation was made in the context of the USAID's

finding that "U.S. financial assistance no longer appears required to meet Tunisia's external resource requirements or finance its investment budget."

Decisions from this point on appear to have been the result of a general appreciation of continuing U.S. political and strategic interests in the Middle East and a general recognition that Tunisia was an important "voice of moderation" in that area. The DAP Review did not constitute a very penetrating examination of either the DAP document or the issues, and it did not come to a clear conclusion. An information memorandum of May 13, 1975, from PPC to the Administrator takes note of the DAP, finds the analysis inadequate, but defers further work on the DAP since "few projects will be suggested in the next year or so, and perhaps not before the whole program is phased down and out." That memorandum was the result of the unwillingness of PPC to concur in the proposal of the NE Bureau to conclude that the review had approved the DAP and that, "while Tunisia can be considered to be moving toward 'graduate' status, it was agreed that we would not set a date for phase-out of the program." The resulting policy guidance to the field was not very clear and called for a high sensitivity to shifting attitudes in Washington and a sharp eye to the weathervane of overall U.S. concern with events in the Middle East.

The U.S. Secretary of State had made an official visit to Tunisia in November 1974 and agreed on the formation of a Joint Commission to discuss Tunisian-U.S. cooperation. During the inaugural meetings of the Joint Commission in May 1975, at Tunisian insistence, a subcommission on economic development was set up. While there was no U.S. intention of opening a new phase in U.S. assistance policy towards Tunisia, the Ministry of Planning

seized on the Joint Commission as an opportunity to present some large new requests for assistance.

The meeting in October 1975 of the Joint Commission appears to have had as much influence on assistance policy as any other recent factor. During that meeting, when confronted by Tunisian requests for development aid totaling \$60 million, the U.S. Delegation made a general commitment to support rural development (a \$5 million figure in the CP was mentioned as a "first step") and family planning (by increasing the amount programmed by 50-100 percent). The events of that meeting appeared to put the final touches on our aid policy towards Tunisia, although it was nowhere explicitly recognized. While there might previously have been some lingering doubt in the mind of the USAID as to whether the action taken on the DAP ratified in effect a three-year or a five-year period for U.S. assistance, the Joint Commission meeting seems to have laid such doubts to rest. The USAID Mission, at the time of our field visit, was operating on the assumption that it had AID/W guidance or at least tacit approval which would permit the development of projects with a duration of five years and which encouraged the USAID to submit new proposals for implementing the "new directions" in the FAA, given the favorable Tunisian policy environment.

Subsequent to our field visit, the USAID was given guidance in May 1976 for preparation of the Annual Budget Submission. That guidance raises the phase-out question again but fixes no time-frame and merely recognizes the need to begin thinking about the "likelihood" of the termination of concessional aid and asks the Mission to address the gradual phase-down of assistance.

Development assistance policy towards Tunisia has now come nearly full

circle--from a general concern with program phase-out, through a period of new project development, to a reiterated but rather vague examination of possible phase-out in an undertermined time frame. The policy has evolved with changing political circumstances, namely the Middle East crisis and the U.S. response to it. There is little question but that our assistance policy to Tunisia is now based mainly on a political and strategic justification, with some importance attributed to opportunities for implementing the "new directions." The argument has been made in the first part of this paper (as well as in the DAP itself) that the economic case for U.S. resource transfers in support of Tunisian development is no longer applicable. What is not so clear is how long political reasons will be sufficient to justify concessional development assistance, as the Tunisian economic situation continues to improve.

We believe it important that this problem be confronted quickly to prevent project development and the related dialogue with the GOT from committing the U.S. to a time-frame for assistance which hindsight would (and might be forced to) revise. Whether we communicate it to the Tunisian Government or not, we believe it important that AID, at least, have a time "horizon" for planning purposes and against which to assess proposed new activities.

There may be a series of intermediate steps before the ultimate "horizon" of program termination is reached. One such step, of course, would be the application of intermediate loan terms, discussed in Section A 1. above. The USAID, in the 1975 DAP devoted considerable discussion to alternate "modes for delivering U.S. assistance to Tunisia." Indeed, the USAID

recommended "a gradual transition over the next few years... to less concessional forms of assistance, such as loans to finance technical assistance." The USAID also examined the possibility of reducing Mission management over grant projects, the use of block grants, etc. These various alternatives can form the elements of a plan for gradually phasing out concessional assistance and for developing post-aid development linkages. We support the earlier recommendation of the USAID in the DAP and believe that more time should not be lost in facing this issue. Also, it is none too early to begin working within the Country Team to set the stage for a continuing development relationship with Tunisia after termination of concessional aid. The Joint Commission provides a good forum for examination of such relationships, both in the development and in the trade and investment subcommissions.

### C. AID Analysis of Tunisian Development

The AID/W review of the Tunisia DAP found it a "useful analysis of the Tunisian economy" but remarked that it failed to provide an adequate macro-analysis or adequate sector assessment in agriculture, education, and health. Because of the uncertain future of the program, however, the USAID was not encouraged to undertake further work on the DAP or on sector assessment other than that directly related to project preparation.

During our field visit, we found that there was in the USAID and the Embassy a more than adequate understanding of the macroeconomic aspects of Tunisian economic development and we concluded that the treatment accorded that subject in the DAP was more likely the result of a choice of length than an inability to deal with the question. While the sectoral assessments were brief, the program situation at the time the DAP was prepared apparently did not lend itself to a comprehensive and elaborate

sectoral analysis to be carried out in collaboration with the GOT.

Some important areas which deserved more comprehensive treatment were the employment problem and the effect of subsidies and price regulation on agricultural incentives. The question of agricultural subsidies and their effects on production incentives were not given sufficient attention in the course of project selection and development or in the negotiation of the PL 480 sales agreement. There was no mention of agricultural subsidy policies in the "self-help" provisions included in the PL 480 Title I agreement. Similarly, although unemployment was identified as one of Tunisia's key development problems and the DAP stated that "agriculture...cannot be expected to make a positive contribution to solution of the employment problem", the possible program implications do not seem to have been drawn. Tunisia may constitute a good example of an economy where an important means of addressing the problem of the rural poor is to create wage-employment even at the farm level, rather than pursuing a policy of heavy social and infrastructure investments to keep rural populations on marginal lands. We did not encounter this line of questioning in the USAID's process of project selection. The USAID seemed to have accepted the proposition that we must deal with marginal populations wherever they are and, in our view, overstressed it to the point that the Rural Development project proposed by the USAID concentrated on an area where the chances of raising agricultural incomes are small indeed. The recent initiative of AID/W to examine opportunities for agro-industries which can help the small farmer to increase his income may help to fill that analytical gap. This does not imply, by any means, that agro-industries in themselves will provide a unique or comprehensive answer to the problems of Tunisia's rural poor. The process,

however, of seeking ways to bring the small farmer into a closer relation with the marketing system and to introduce him to higher-value crops can surface some of the more difficult analytical questions which are now clouded by some general assumptions that the marginal farmers can be induced to remain on marginal lands if enough social services are provided. It can also sharpen the issues surrounding land distribution and land tenure, particularly the question of long-run trade-offs in efficiency between large state farms and smaller privately-managed holdings. We are not convinced that the assumption inherent in the Tunisian decision to maintain the state farms for their higher productivity is necessarily supported by the performance of those farms.

Another element of Tunisian agriculture which deserves more thorough exploration is the technological problem of increasing yields or land productivity in the lower-rainfall areas. We could find, for example, little research being done on increasing dryland cereals production or any analysis of the trade-offs between cultivation of various alternate low-rainfall crops, such as olives, grapes, fruit trees, etc.

In the general area of increasing the contribution of women to development, we suggest that more comprehensive analysis should be included in the project paper than was apparently being considered at the time of our visit. Project preparation centers now mainly on the institutional framework offered by the "Union of Tunisian Women" and its existing programs of giving handicraft skills training to a small group of disadvantaged Tunisian girls. Such broader questions as incorporating women into the industrial and service sectors of the economy through skills training

(e.g. in industrial assembly, trade, etc.) might merit consideration.

The foregoing comments are made in full recognition of the relatively small US financial contribution to Tunisian development and the concomitant difficulty of gaining the attention of Tunisian authorities for fundamental analyses. Since Tunisia appears to welcome US involvement in rural development because of the innovative and equity-inspired nature of the US approach, other proposals for a more penetrating analysis of Tunisian development strategy might receive a hearing. Whatever the duration decided for continued AID assistance, our participation should address some of the more fundamental strategy issues, particularly if our relatively modest effort is to have any "multiplier" effect on Tunisian or other-donor programs. We suggest that the question is at least worth exploring with the GOT.

D. Major Programs

1. Food and Nutrition

a. Programs

USAID activities in the field of food and nutrition are at an all-time low, with only a few projects in the implementation stage. The Agricultural Economic Research and Planning Project is being implemented at a reduced level and is being changed over from a resident contract team to TDY services with a scheduled termination after FY 1978. The Accelerated Livestock Production Project which began in FY 1971, is being terminated at the end of the interim quarter. An Integrated Agricultural Development Project was approved in November 1972, but never reached the implementation stage. Negotiations were conducted over a three year period from November 1972 to December 1975, but agreement was not reached on important technical aspects of the project, namely, the type of irrigation system to be used, and the

project was finally canceled in January 1976. The PROP appeared to describe a well-designed integrated agricultural development project which met the requirements of the AID legislation and seemed to offer a good chance of success. A new Livestock Feed Production and Utilization Project is proposed to begin in FY 1977 and run four years through FY 1980. The new livestock project represents an attempt by the USAID to relate more specifically to the "new directions" and to focus on the small farmer.

Two nutrition project activities have been terminated with the updating of the National Nutrition Survey and the completion of the Lysine Fortification study. The later study concluded that it would not be feasible or cost-effective to support a program of national fortification of wheat products in Tunisia. A proposed Nutrition Planning Project was approved for implementation in FY 1976 but has not yet commenced. Meanwhile the GOT has formed an Interministerial Council for Nutrition Planning -- an essential condition for the project--and the USAID now expects to commence the project in the near future.

The specific activities which the USAID is supporting are relevant and useful. The new Livestock Feed Production and Utilization project is carefully coordinated with the programs of other donors, aims at reaching the small Tunisian farmer, and is geared to assisting the GOT in achieving self-sufficiency in meat production by 1981. The Agricultural Economic Research and Planning project has made solid progress in accomplishing its objective of assisting the Ministry of Agriculture to create an effective planning and research unit capable of contributing higher quality analysis for agricultural sector planning. The project has already enabled the Ministry of Agriculture to contribute more effectively in preparing its portion of the

new Five Year Plan.

The USAID should follow through with the appropriate Tunisian officials to get the Nutrition Planning project underway. From our discussions with officials of the Ministry of Planning, the Ministry of Agriculture, and specifically Dr. Kallal of the Institute of Nutrition, we believe that the timing is right to assist the Tunisians in incorporating nutrition considerations into sectoral and national planning analyses.

With the cancellation of the Integrated Agricultural Development Project the USAID should concentrate its staff efforts on introducing some of the better features of that project into the new Rural Development activity. The Sbiba area for example appears to offer the possibility of developing an agriculturally viable project that would fully meet current AID legislation.

We found the analytical framework for program choices and project development not fully adequate. The agricultural research and planning project is certainly useful and will likely prove to be of great value to Tunisia in the long run. It has also developed a great deal of data which could be utilized to analyze key Tunisian problems more fully. Project selection and development appear to have been based mainly on finding a target of opportunity within the currently perceived AID criteria. While we find nothing "wrong" with the new livestock project, for example, it certainly is not directed towards a critical agricultural problem. As a matter of fact, the project documentation identifies 20 other livestock projects by 10 donors for over \$10 million. The project essentially aims at increasing meat production and will help to reach Tunisia's goal of becoming self-sufficient in meat by 1981, but it will have very little effect on Tunisia's projected large and continuing deficit in dairy products.

An "Accelerated Cereals Production Project", operated under the semi-government office of cereals and supported jointly by the Ford Foundation, CDMYT and the USAID pre-dated AID's "mandate" to assist the small farmer. That project had concentrated, rather, on increasing production and supported the larger farmers and state farms on the better soils and in the zones with higher rainfall. Yields of barley and bread wheat were nearly doubled on those better soils and in the higher rainfall areas during the period 1968 - 1974 and a slight increase in the yield of durum wheat was obtained during that period.

That the USAID terminated assistance to the large and modern farming sector is understandable and consonant with current AID policies, but what is not clear is whether or not the USAID considered the alternative of refocusing its assistance in cereal production to the small farms in the low-rainfall zones by applying dry farming techniques. We believe it important that the USAID take advantage of the Agency's 211(d) grant to Oregon State University, at least by supporting some research in cereals cultivation in the low-rainfall areas of Tunisia. Dry farming offers an alternative strategy to support rural development.

We are concerned that the analysis of the agricultural sector did not give adequate attention to the problem of rural unemployment and under employment and that more attention was not given to seeking alternative crops, as well as means of increasing wage income on farms and further considerations of agri-business to help alleviate the employment problem. Certain agri-business undertakings can have a substantial impact on the incomes and general well being of the rural poor. An agri-business could provide an outlet for small farmers to sell high value crops and it could simultaneously provide

increased employment in the processing and marketing of the product and, if deliberately chosen for the circumstances, could also provide on-farm wage employment. Tunisia's agricultural production pattern requires considerable seasonal employment, such as in the wine and olive oil industries, followed by long periods of under-employment. We believe that the timing is right for the USAID to give more consideration to agribusiness and find the AID/W initiative in this direction constructive. We believe that it is especially important to begin now to establish linkages in the private sector between U.S. private firms and institutions and those of Tunisia that will continue in the post-aid period.

b. Land Tenure Problems

The Government of Tunisia has been unable to meet its own objective of resolving the land tenure dilemma by changing the land tenure system to promote social equity while at the same time increasing production. Since independence, the need for land reform and land registration has been recognized as a vital condition for the efficient use of land and a number of legislative provisions have been adopted; however, following the abandonment of the cooperative experiment in 1969, little progress has been made towards achieving Tunisia's land reform objectives. Tunisia has the following land tenure categories for productive lands:

- |     |  |               |
|-----|--|---------------|
| (1) | State managed lands<br>(of which 200,000 ha. choice former<br>French lands)                                  | 800,000 ha.   |
| (2) | Privately owned land<br>(with 96% of the farmers owning<br>66% of the land in farms under 50 ha.<br>in size) | 4,500,000 ha. |
| (3) | Collectively owned land<br>(of which 1,000,000 ha. suitable for<br>tree crops and cereals)                   | 2,100,000 ha. |

The state-managed lands include some of the irrigated areas of the Medjerda Valley, cooperative farms, the former French-owned farms, government pilot farms, research stations and some 240,000 ha. which are to be sold or leased. It is unlikely that there will be any change in the status of the state farms because the GOT continues to feel that it must exercise a high degree of centralized control over these farms to achieve maximum production. The future of the remaining cooperative farms is not clear. The government has stated its ~~intention~~ intention of gradually transferring decision-making powers to the members who unfortunately remain little more than wage laborers. It seems probable that the cooperative farms will continue to be run like state farms in the foreseeable future. It is likely that some progress will be made in bringing needed land reform measures to public irrigated areas.

The privately owned lands which take in more than 320,000 farms and cover 4.5 million ha. offer the greatest potential for agricultural growth. These privately owned lands account for much of the land tenure problem because of the absence of secure and registered titles and the unrestricted fragmentation of holdings. Government action on registering clear and secure titles is too little and too slow. On the positive side it does seem likely that there will be some new legislation to slow down further fragmentation of holdings.

Of the 2.1 million ha. of collective land, 1.1 million are suitable for grazing only and are to be kept under collective ownership and management. The remaining 1 million ha. are suitable for tree crops or cereal production and under a 1971 law are to be allocated to individual ownership. The allocation process is complex and difficult to execute and consequently

progress has been slow and no plans for speeding up the process are in sight.

Even though we were told that the GOT intends to push for more legislation to improve the land tenure situation, we have serious doubts that much will be done beyond passing some legislation to prevent continued fragmentation of holdings. We found no evidence of any real plans to change the structure of the state farms, both the cooperatives and the former foreign-owned farms, or to speed up the registration and issuance<sup>of</sup> clear titles to private lands or the allocation to individuals of collective lands.

Rather than change the land tenure pattern, there appears to be a stronger policy of creating jobs for wage earners on both state run farms and even on private farms, in the latter case by making loans to private farmers on the condition that they hire specific numbers of farm laborers. We do not foresee rapid progress in improving the patterns of land tenure and distribution, since this represents one of the more complicated and difficult development challenges the GOT faces. It is clearly an important element in the formulation of a rural development strategy and an area which would be suitable if the USAID undertakes to explore with the GOT possible technical assistance in sector analysis, as recommended above (Section C.)

## 2. Rural Development

Since 1974, the USAID Mission has been working on the design of an integrated rural development project on the basis that the problems of Tunisian populations in backward rural areas, as well as Tunisia's policies for improving living standards in those areas, lent themselves particularly well to implementation of the new directions in the FAA. The "Integrated Agricultural Development" project proposed for the Medjerda River area in the north of Tunisia was one early element of such an approach. The area offered opportunities to raise incomes of the small farmers who comprise the majority of the farm population there. Because of technical disagreement between AID and the GOT over gravity vs. sprinkler irrigation, the project was ultimately canceled. The subsequent efforts of the USAID in rural development were broader than the integrated agricultural approach and sought to bring a combination of services--social, agricultural, employment-creating, health, and education--to<sup>a</sup> deprived area in an attempt to demonstrate how an integrated effort might raise living standards in a more balanced fashion, with greater equity, and perhaps more rapidly.

It was clear from writings on Tunisian development--Tunisian, U.S., and those of other donors--that rural underdevelopment and the related employment problem constitute some of the most important and difficult challenges which the Tunisian Government faces. The GOT has apparently been unable to deal successfully with those problems because of the conflicting priorities of increasing national production, improving the balance of payments, and attending to the needs of the rapidly expanding

coastal economy. Also, the GOT has not yet established a rural development strategy, except for the rather general policy of investing more funds in the deprived provinces--possibly because the problems are among the most intractable the GOT faces. Rural development, for these reasons, appears to be one of the most important areas for AID concentration as long as we continue to participate in assisting Tunisian development.

We, therefore, spent a considerable portion of our time in the field visiting some of the more backward rural areas and reviewing the proposal for an "Integrated Rural Development" project. We visited the project area finally chosen so as to become familiar with the variations in terrain and conditions.

The proposed project (Phase I and II) is a long-term activity scheduled for the two poorest delegations (counties) in one of the poorest provinces in Tunisia. The grant Project Paper in the approval process at the time this report was in preparation covers only the first phase (21 months). The purpose of Phase I in the USAID's original proposal is to "study and test selected factors in the situation in order to determine critical elements of an agreed strategy for a long range AID/GOT rural development program." A development grant of \$670,000 is requested for Phase I. The overall cost estimate in development grant funding for FY 1976-1981 was given as \$3,485,000 (FY 77 Submission to the Congress).

The area selected, which is totally dependent on agriculture, can be characterized as dry (approximately 12 inches of rainfall per year), with rain occurring almost exclusively in a seven-month period from

October through April. Erosion is severe and poor drainage results in severe damage to such secondary roads as exist. Much of the land (Ruhia plain) is heavily infested with salt to the extent that it is rapidly becoming nonarable, since groundwater resources are inadequate for leaching even if drainage existed.

The project envisions developing local institutional capabilities and methods of approach for sustained self-development which are replicable in other rural areas of the country. It also hopes to promote undefined small industrial activity and to extend selected social and governmental services (dispensaries, schools, etc.), thus improving the quality of life.

No doubt the social services envisioned could be helpful in improving the quality of life, but the success of the project must stand or fall on improving agriculture yields and thus increasing the income of the farmers in the area. In the language of the PP, "This area clearly will never be the country's breadbasket, but we believe that agricultural incomes can be raised by some 20 percent in a few years." Agricultural studies by the GOT and other donors, and opinions relative to the area (to include those of the Agriculture Division, USAID/T), plus our own inspection of it have convinced us that an increase approaching 20 percent is unlikely. Even such an increase would not bring a significant improvement in living standards. Moreover, the data included in the PP simply do not support a 20 percent increase in income. Because of the low yields presently prevalent in the area, one might expect to obtain increased yields through the use of fertilizer, but there is no evidence that there would be significant increases in income because of the high cost of fertilizer

and the unavailability of fertilizer - responsive varieties. There has not been enough research to support a more optimistic conclusion, and there is more evidence to support a pessimistic view.

The following excerpt from a July 1975 report on the project area by USAID agricultural officers Carl E. Ferguson and Buford H. Grigsby provides a good technical summary of the project's potential:

Based on our observations of the terrain, soils, natural vegetation and water resources it is our considered opinion that it would not be possible to establish a viable agricultural production project in these areas. . . . Although some improvement in barley and wheat production might be obtained by use of commercial fertilizers, the potential for important increases in production from these or introduced crops simply does not exist.

The prospects for winter vegetable production are poor. . . .

Expansion of tree crops is not promising. . . .

Because of the inhospitable nature of the terrain and soils, the best use of the area would be to convert it into a national forest and range preserve.

A Swedish report on a part of the project area around the town of Hababisa dated October 31, 1973, describes an unsuccessful effort in the 1960's to plant 2500 ha. of olive and almond trees. The trees were planted, but because of climatic and soil conditions and poor care, they are not doing well at all.

The conclusions of a study in 1968 by the Ralph M. Parsons Company of the Ruhia/Sbiba plain were: The soils in the northern part of the valley (the only part of the plain included in the project area) are fine textured and generally have low permeabilities. Important areas of saline soils exist as a result of poor drainage. Only a small amount

of groundwater is available for leaching and/or irrigation, making the area suitable primarily for dry-farming of winter forage and wheat. The area offers no potential for reclamation or irrigation. On the other hand, the area around Sbiba, which lies south of Siliana province and the project area, contains several thousand acres of gently sloping, well drained sandy loam to loam soils with abundant high quality groundwater. According to the Parsons report, few irrigated areas in Tunisia are as fortunate as Sbiba in terms of soil and water resources.

This information was available before the meeting of the Joint Commission, but was either overlooked or not given adequate consideration, either by the GOT or the USAID.

In addition to the \$670,000 grant, Phase I also contemplates a loan of \$5 million which is considered by the Tunisians as "a first step" in the rural development effort. At present, only a rural road project (which would facilitate access from Makthar to Hababsa on the MC 77 road and access from Ruhia to the MC 77) estimated to cost \$700,000 has been discussed with the GOT as a possible candidate for loan financing. USAID/T has requested and will receive a team from AID/W to develop a loan package addressing the remainder of the \$5 million to be approved during the Transitional Quarter. In our opinion, it will not be easy to develop such a package even if--as we believe desirable--the entire province of Siliana is considered eligible for loan-funded activities, rather than restricting eligibility solely to the two southern counties of the province. The chances to achieve any success at all would be greatly enhanced by considering the Sbiba portion of the plain which lies south of Ruhia and

outside Siliana province. For this area, which contains excellent soils and abundant irrigation water, a potentially successful project could be designed similar to the "Integrated Agricultural Development" project originally planned for the upper Medjerda River area. The area suggested has admittedly the administrative disadvantage of lying in another province. While we can appreciate the basis on which the present project was formulated for one province alone, we cannot escape the conclusion that administrative considerations were introduced as a priori conditions for project management and thus apparently excluded from analysis important technical and ecological considerations.

We found that AID/W analysis of the project during the recent PP review in May 1976 was not sufficiently penetrating to reach or successfully deal with the issues that we identified during our examination. We note that the NE Bureau is continuing to review the issues which surfaced.

Our judgment is that the project as presently planned will have marginal results at best. We believe that the two southern counties of Siliana province were a poor choice for a project heavily dependent on ensuring a large increase in agricultural income and recommend that areas with more agricultural potential be substituted. We fear that the relatively low chances of project success--as the project is now designed--make it a poor candidate for what might be one of the last significant AID efforts in Tunisia. We expressed these concerns to the NE Bureau upon our return from the field visit, so as to permit timely consideration of our views prior to taking further decisions. A decision on this issue

is especially important because the Tunisians presently seem to perceive this project as a long-term effort involving far more time and funds than AID may be willing and/or able to provide.

3. PL 480 Food for Peace

a. PL 480 Title I

From June 1961 through June 1976, the governments of Tunisia and the United States have signed 17 sales agreements under PL 480 Title I for a total value of \$172.8 million. The newest agreement, signed in June 1976, provides for the delivery of 20,000 tons of wheat.

The current PL 480 Title I Sales Agreement contains a long list of self-help provisions and identification of purposes for which sales proceeds accruing to Tunisia are to be used. We found those provisions to be largely perfunctory repetitions of existing policies or activities and so general in their language as to make evaluation of Tunisian compliance most difficult. For example:

5. Continue efforts to assure availability and timely delivery of inputs and services, particularly in the areas of extension, credit, marketing, and cooperative services. . . .

10. The proceeds . . . will be used for financing agricultural activities within the creation and consolidation of employment category of the Tunisian Government's Rural Development Program and for the Health Sector . . . emphasis will be placed on directly improving the lives of the poorest of the recipient country's people. . . .

We discussed with USAID officers the possible disincentives to agricultural production resulting from Tunisia's subsidies and pricing policies. The USAID had addressed this problem earlier in the DAP, but it was apparently not considered in the formulation of the self-help provisions of the current Sales Agreement. In the event another Sales Agreement is negotiated at some future date, the USAID should update its analysis so as to include appropriate self-help provisions to deal with potential price disincentives to agricultural production.

The AID Annual Budget Submission for FY 1977 submitted in July 1975 programmed no PL 480 Title I sales for either FY 1976 or FY 1977. Domestic production levels had permitted a reduction in the level of wheat imports, and the improved balance of payments had enabled Tunisia to meet the lower level of imports without concessional financing. Only a disastrous crop year, according to the USAID, "could necessitate temporary renewal of such assistance at some time in the future." Actually, Tunisia expects a bumper crop this year, including an expected record wheat crop of 1.15 million tons. While the current bumper crop still leaves a deficit of about 300,000 tons of breadwheat, its financing could be met from Tunisian resources at commercial terms. We thus find little economic rationale for PL 480 Title I sales to Tunisia at this time.

Although the Annual Budget Submission for FY 1977 did not program Title I sales in FY 1977, for the same reasons as mentioned above, the Congressional Presentation foresees another sale of 20,000 tons. We believe that the FY 1977 sale should be reconsidered in the light of Tunisia's balance of payments situation which, barring a serious crop

failure, should permit it to meet essential import needs without concessional financing.

b. PL 480 Title II

The PL 480 Title II program in Tunisia, with a total value through FY 1976 of \$218.28 million (at CCC prices), currently consists of school feeding programs for about 250,000 children through CARE/MEDICO and CRS, a small Maternal Child Health Program for 8000 recipients through CARE/MEDICO and CRS, and a government-to-government preschool feeding program through the National Committee for Social Solidarity (NCSS) for 180,000 children in the three- to six-year-old category.

The school feeding program was sharply reduced between FY 74 and FY 75 from 500,000 to 250,000 children. In 1975 the Tunisian Government proposed to the USAID a five year phase-over plan which calls for reducing the current level of 250,000 recipients to 150,000 by FY 1981 and beginning an annual 25 percent reduction of U.S. commodity inputs in FY 78, with a final commodity contribution scheduled for FY 81. The USAID has not, to date, worked out a detailed plan for the phase-over of the school lunch program, as proposed by the GOT in early 1975.

The USAID and the Voluntary Agencies CARE/MEDICO and CRS had hoped to develop and expand a maternal child health program aimed at pregnant and nursing mothers and infants in the zero to three-year-old category. This program did not meet its objectives of providing adequate nutrition as a preventive measure to pregnant and lactating mothers and to infants. The apparent policy, and at least the practice, of the Health Ministry was to use supplemental foods as a curative measure for serious cases of malnutrition. The Voluntary Agencies were unable to convince the Ministry

of the validity of their approach to improved nutrition, which is to give dietary supplements as a preventive measure rather than waiting for the onset of malnutrition, and they decided at their own initiative to reduce their programs. On February 14, 1976, the Chief of Cabinet of the Ministry of Health notified CRS and CARE/MEDICO by letter that effective June 30, 1976, they would no longer require any commodity support for the Maternal Child Health Centers. In the same letter, the Ministry of Health official indicated that they would have adequate quantities of their own high protein blend "Saha" to meet the needs of the people served by the MCH Centers. In a conference with Dr. Zouheir Kallal, Director of the Nutrition Institute, we learned more details about the composition and availability of Saha (Arabic for health). The product is a blend of hard wheat, lentils, chick peas, skim milk (10 percent), vitamins A, B and D, plus iron and calcium. The principal ingredients are readily available in Tunisia and the skim milk is being provided under the World Food Program. Dr. Kallal further informed us that the high protein product could be manufactured in Tunisia in adequate quantities to meet Tunisia's needs and to even export some to their neighbors.

CARE/MEDICO nevertheless proposes to continue a small Title II MCH program for some 6000 recipients at Kef in response to a request from a Dutch medical team that has supported the preventive nutrition-care policies.

The USAID should give priority to working out a detailed phase-over plan for the school feeding program as proposed by the Government of

Tunisia. While we appreciate the necessity of phasing down the Title II commodity assistance on a gradual basis, we believe that a plan of modest incremental steps would make it possible to complete the phase-down from the current 250,000 primary school recipients to an ultimate level of 150,000 without seriously straining Tunisia's budgetary resources. The FY 1978 guidance for preparation of the Annual Budget Submission contained in AIDTO CIRC A-201 dated April 6, 1976, provides sufficient guidance and flexibility for the USAID to work out a detailed long-term phase-over plan which would be fully coordinated with and acceptable to the USAID, the GOT, CRS and CARE/MEDICO.

The GOT decision to assume full responsibility for the MCH Centers effective June 30, 1976, should be welcomed as an important and positive step in the development process. The development and manufacture of the high protein product "Saha" appears to be a breakthrough worthy of favorable publicity on an international scale as an example for other countries. The USAID should learn more about the product, including specifics on proportions of the blend, its nutritive value, unit cost, availability (quantity now available and potential), whether it is an acceptable substitute for WSB and, finally, an evaluation should be made to determine whether or not AID should encourage its use.

With respect to continuing the CARE/MEDICO MCH program in Kef for 6000 recipients, we question the rationale of persisting in the face of the GOT request that we discontinue the distribution of WSB through the MCH Centers. Given the prominence of the Nutrition Institute, we recommended during our field visit that the USAID discuss with its Director, Dr. Kailal, the question of the preventive approach. The GOT has already decided to

establish an Interministerial Nutrition Planning Council, which would be an appropriate forum for consideration of this issue. We believe that an attempt should be made to reach an understanding or reconciliation of views with the GOT on a matter of such potential importance for nutrition policy. We would not, however, see such discussions as leading to resumption of Title II MCH programs in the face of Tunisian abilities to supply them with dietary supplements.

Assuming that the "Saha" product is as good as and as available as claimed by Dr. Kallal, we believe that the USAID should explore the possibility of phasing over the government-to-government preschool feeding program to the GOT as soon as possible by substituting Saha for the U.S. commodities.

#### 4. Family Planning

Tunisia was the first Arab nation to adopt a program of family planning. President Bourguiba has personally provided leadership to the program, with the Neo-Destourian Party and the National Women's Union following the President's guidance and giving high-level political support to the program. There are no religious or legal impediments to any form of birth control as evidenced by the following major laws and regulations:

a. The importation, advertisement and sale of all kinds of contraceptives have been legal in Tunisia since 1961.

b. The National Family Planning Program promotes both sterilization and abortion. (In April 1973, President Bourguiba issued a decree stating that voluntary sterilization does not violate Moslem law.)

c. The Minister of Health has directed all Public Health Administrators to reserve 10 percent of the beds in each maternity service for "social" (not medically urgent) abortions and tubal ligations. (These services are provided without charge.)

d. Family allowances for workers covered by the social security system are restricted to the first four children in each family.

e. Polygamy is illegal.

f. In 1964 the minimum marriage age was raised to 17 years for women and 20 years for men.

AID has supported family planning for approximately 11 years, during which time almost \$6.5 million in grant aid has been provided. Additionally, aid has been received from the IBRD, the Ford Foundation, the WHO, the Population Council, the International Planned Parenthood Federation, the Swedish International Development Agency, the Dutch International Development Agency, the German Family Planning Association, and the UNFPA, who have provided \$4 million in assistance for the period 1974-1978.

A degree of success has already been registered in the reduction of the natural rate of increase of the population from 3.2 percent in 1966 to 2.9 percent in 1972 and 2.6 percent in 1974. The population growth rate (as distinguished from the natural rate of increase) was also reduced by emigration until recently, and was undoubtedly also a factor earlier in the declining birth rate. Since emigration has been arrested by the economic downturn in Europe and the balance in 1974 turned to positive immigration, the population program must register further successes to stay even.

Under the Tunisian Family Planning program, services are provided through the Public Health system, generally through the Maternal and Child Health Centers. During our visit the system was working well. However, we were told that much of the present forward movement was due to the dynamic leadership of the Director-General now in office and the excellent top-level management team he has recruited. These men appear to be dedicated to their work and determined to continue the progress made so far in reducing population growth.

Some measure of the program's success in recent years is to be found in the overall growth of the number of new acceptors by 43 percent since 1971. The composition of that growth shows a recent stagnation of acceptance of IUD's but continuing increase in use of oral contraceptives (39%) and rather remarkable increases in the number of tubal ligations (334%) and legal abortions (400%). Nevertheless, Tunisian statistics show that only 12 percent of married women in the reproductive age (15-49) were "protected" by the Family Planning Program as of the end of 1975. This rate of coverage essentially reflects conditions in the coastal regions, and the percentage of coverage is considerably lower in central and southern provinces, except for Sfax. The need for reaching the rural population is clear, and it is to be hoped that the pilot project begun in Sfax province and mentioned below will provide useful experience.

We visited an innovative program being conducted in a portion of Sfax province, the "1000 Households Project." The purpose of this demonstration project is to serve as a model for bringing family planning services to the rural area of Tunisia. The system entails offering

family planning services to all eligible women in the selected area by trained female canvassers who visit each household and offer advice and contraceptives. Pills and condoms are immediately available through the canvasser and, should IUD's or sterilization be desired, the canvasser will arrange both an appointment at a clinic and transportation. A series of visits is planned in order to develop data on the number of acceptors and dropouts over time and thus to learn whether or not this system should be expanded and/or replicated.

We observed the project in the field and were particularly impressed with the capability, enthusiasm, and energy of the Project Director, Dr. Liliane Toumi, a Tunisian gynecologist who gives unstintingly of her time and energy to the project. Also impressive were the "canvassers," all female, and all from the project area--therefore able to gain entry and acceptance in households. So far, the number of acceptors has been high, but only time and subsequent visits to these women will tell whether or not the final results are sufficiently impressive to warrant expanding the system. The project does entail one controversial issue--that of giving out birth control pills without a prescription or examination. (Everywhere else in Tunisia a prescription/examination is a prerequisite to obtaining pills.) The project director says that she is not especially concerned about this because all acceptors have access to medical help in case it is needed, and Dr. Toumi herself visits the area frequently and insures availability of clinical consultation. Equally important, says Dr. Toumi, the women of the area are particularly healthy and lead the kind of life that entails proper physical exercise, which is important in preventing side effects from the pill.

The Bureau for Population and Humanitarian Assistance considers this project relatively costly--not with respect to the pilot effort now underway, but rather in view of its replication throughout the rural areas of Tunisia. We would hope that the pilot project succeeds, and that methods can be devised to use existing manpower and infrastructure so as to make its replication in Tunisia cost-effective.

Considering all elements of the program as they are now, we subscribe to the "Conditions of Approval" for the Population/Family Planning Project for Tunisia, No. 664-11-580-224, which approved the PROP "subject to the condition that the review of the program that is planned during the next six months will identify and develop a plan to implement the steps necessary to close this project out not later than June 30, 1977." Only if the "1000 Households" project discussed above should prove especially successful and result in specific plans for its replication would further U.S. financing of Tunisian population programs beyond FY 77 be justified.

E. Management and Staffing

1. Relations with the GOT

In a situation where the U.S. contribution to Tunisian development has declined so rapidly and to such a relatively small proportion of the total, we found relations with the government remarkably good. Senior Tunisian officials were responsive to USAID requests for interviews on our behalf. We found those officials open, candid, articulate about their own activities and plans, understanding of the various constraints under which AID operates, and not exceedingly demanding about future AID contributions. The USAID as a whole has cultivated and maintained its contacts

successfully, while at the same time, Tunisian counterparts evince a mature understanding of the change in AID's priorities. Very important in Tunisian eyes, we were told, is the need to maintain a U.S. participation in Tunisian development to encourage other donors and--conversely--to avoid a U.S. withdrawal which might stimulate other donors to review their levels of support. We are not convinced that this Tunisian concern is a valid one, since U.S. aid levels are public knowledge and they have already declined to noticeably low levels. Moreover, the U.S. policy of encouraging other donors to assume a greater share of the aid burden is well known, as is the policy of concentrating U.S. resources in the poorer countries.

We found little evidence that the USAID had attempted to engage the GOT in discussion of the policies and strategy underlying Tunisian development planning. Indeed, the USAID confirmed that this was the case, both because the U.S. does not any longer have the financial "cards" to sit near the head of the table and because the GOT has capable planners at the upper levels and is very much in charge of its own planning. We believe, however, that the USAID can play a more analytical role; the success of innovative projects will depend in large measure on Tunisian understanding of their risks and costs, as well as the development of a coherent and concerted government strategy for rural development.

## 2. Relations with Other Donors

Our meetings with UNDP in Tunis revealed close working contact with the USAID on agricultural and population activities. The UNDP was concerned about possible overlap, but the instances mentioned were known to the USAID, had been discussed, and did not seriously affect AID projects.

We had an opportunity to visit the French Technical Cooperation office, which had had little contact with USAID. In effect, the French program of "volunteers" consists for the most part of teachers (1800) with only a small contingent by comparison (200) of technicians--half of them being doctors of medicine. As of this year there are no more French primary teachers in the program. However, the 500 volunteers teaching at university level represent about half the professorial strength of the Tunisian system. The French program sponsors some 700 official university scholarships in France, where there is a total of some 8000 Tunisians studying. It appeared that there are no conflicts between our two programs and that the influence of the French educational system in Tunisia remains strong.

We also found that contacts and exchanges of information with the IBRD, both in the field and in Washington were effective.

### 3. Staffing

As of the time of our visit, the staffing pattern did not relate well to the program actually being executed and the staff was larger than needed to manage it. The Agriculture Division of two direct-hire and two PASA technicians is currently responsible for only one project (Accelerated Livestock Production), a major project planned earlier having been canceled for technical reasons. The Capital Development Office had no capital projects to supervise and had been given responsibility for Food for Peace activities. That office had played virtually no role in the planning of the Rural Development project, which is the key effort around which will be built a supporting loan, in fulfillment of the "commitment" made at the last Joint Commission meeting. The Program Office, with three American

officers and three professional locals, appeared to us perhaps larger than needed for the present program. The large number of locals (24, not counting 5 chauffeurs) appeared to reflect the customary reluctance to reduce local staff in step with program reductions.

The resolution of these staffing inconsistencies, indeed, the whole question of a reorganized USAID staffing pattern will depend on the decisions taken on program duration and strategy and the decisions on individual projects now in various stages of the approval process. A few guiding principles and observations appear valid to us:

a. Any integrated rural development effort needs to be handled as a multidisciplinary, Mission-wide team activity. The present ill-coordinated pattern resulted in a product which did not incorporate all the talents and views of the existing staff. Whether the Mission Director opts for a project manager or project committee approach, he must take a firm hand in insuring dialogue, coordination, and direction.

b. The foregoing remarks about rural development are valid in some respects for the rest of the program. We believe that whether or not the program itself is further concentrated in fewer fields of activity, its overall direction and management should be more focused to enhance the interrelationships and reinforcement effect of the projects in which AID is involved.

c. A capability in economic analysis should be retained in the Mission, since many of the policy issues addressed (or missed) by AID projects relate to economic trade-offs which influence strategy choices (agricultural subsidies/incentives, rural/urban employment, national product and balance of payments improvement/employment creation).

d. The proposed activities in the field of Nutrition and Women in Development will require management capacity more than subject matter expertise. Consideration might be given to grouping them, and possibly other activities, under a "multisector" officer or a general development officer.

e. We agree with the USAID view that the Family Planning Program also calls mainly for management ability and hence does not require that the Population Officer be necessarily a doctor of medicine.

#### 4. USAID Internal Coordination

We had the opportunity to talk at some length about their programs with the various divisions of the USAID. The most striking observation resulting from our contacts with USAID staff was the degree of compartmentalization which seemed to characterize the Mission's operations. With the exception of the Program Office, it appeared that there was relatively little interchange among Mission divisions regarding program activities and possible interrelationships. We had a feeling-- which can be little more than that--that a certain parochialism had led to rivalries and even, in some cases, dissension.

As a practical example, the Project Paper for the Rural Development Project did not appear to reflect a multidisciplinary Mission effort. We are aware that there were a number of Mission discussions of the project throughout the two or so years of its formulation. They are documented in the files and demonstrate that the Agriculture Division made a specific input at various stages of project development. Nevertheless, the final product did not fully reflect the earlier reservations of the Agriculture

Division. There was little apparent contribution from other technical offices of the Mission. The Project Paper was largely the product of the Office of Rural Development and the Program Office which, we were informed, attempted to reconcile to the extent possible the various Mission views.

We believe that project, and Mission planning in general, could benefit by more participation of the various Mission offices, including the Office of Material Resources (capital development), Education, and Population. In any event, some means for insuring that all useful contributions are taken into account is needed.