

AFRICAN DEVELOPMENT BANK GROUP



TUNISIA

AGRICULTURAL SECTOR ADJUSTMENT PROGRAMME

Project Performance Evaluation Report (PPER)

**OPERATIONS EVALUATION DEPARTMENT
(OPEV)**

27 August 2001

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CURRENCY, ACRONYMS AND ABBREVIATIONS

Currency Equivalents

Currency Unit: Dinar

<u>At Appraisal</u> (September 1991)	<u>On Completion</u> (January 1995)	<u>At Post-Evaluation Mission</u> (April 2001)
UA 1 = TD1.2091	UA 1 = TD 1.44950	UA 1 = TD 1.8390
UA 1 = USD1.34632	UA 1 = USD 1.46738	UA 1 = USD 1.37095

Weights and Measures

1 km : kilometre = 1,000 metres

1 ha : hectare = 10,000 square metres

Budgetary Year

01 January – 31 December

ACRONYMS AND ABBREVIATIONS

APIP	: Agricultural policy implementation project
BNA	: Banque Nationale Agricole
CIA	: Collective Interest Association
CRDA	: Commissariat régional du développement agricole
CSP	: Country Strategy Paper
DGPDIA	: Direction générale de la planification du développement et de l'investissement agricoles
EFRSP	: Economic and Financial Reforms Strengthening Programme
FOSDA	: Fonds spécial pour le développement agricole (Special Agric. Dev. Fund)
FOSEP	: Fonds spécial pour l'élevage et les pâturages
GAMW	: Guaranteed Agricultural Minimum Wage
GDP	: Gross Domestic Product
GFP	: Global Factor Productivity
ISAP	: Industrial and Commercial Sector Adjustment Programme
MT/ASAP	: Medium-term Agricultural Sector Adjustment Programme
MTD	: Million Tunisian Dinars
ONH	: Office national de l'huile
SAP	: Structural Adjustment Programme
TD	: Tunisian Dinar
UA	: African Development Bank Unit of Account
USAID	: United States Agency for international development
WTO	: World Trade Organisation

PREFACE

1. The present project performance report focuses on the Agricultural Sector Adjustment Programme (ASAP) of Tunisia running from 1992 to 1993, for which the ADB granted loan No B/TN/PASA/91/45 in the amount of UA 90 million in September 1991.
2. This programme was the last phase of the MT/ASAP comprising three phases the first of which was completed in 1988 and the second in 1990. The purpose of the programme was to increase the contribution of agriculture to the overall economic growth, the balance of payments and State budget and to job creation. It had the following components: (i) implementation of a trade and price liberalisation policy and the reduction of subsidies; (ii) rationalisation of state participation with gradual transfer of production and marketing activities to the private and co-operative sector; (iii) enhancement of the efficiency of the public investment and expenditure policy (iv) improvement of the agricultural development support services; (v) rationalisation of the utilisation of natural resources; (vi) strengthening of the economic and financial analytical capacities as well as the monitoring of the sector's performance. The programme also focused on the restructuring of public enterprises and the modification of the rules of economic play by leaving more and more space to the private sector and market mechanisms. It was to be implemented over two years.
3. The ADB loan sought to sustain Tunisia's balance of payments by funding the payment of agricultural inputs imported over the period 1992-1993.
4. The Bank prepared the completion report of the ASAP in March 1995. The report indicates that the programme was satisfactorily implemented in spite of delays in the entry into force. The Tunisian government showed competence and rigour in its implementation. It also emerges that the impacts of the programme can only be noted in the medium-term owing to the time that the economic operators require to internalise the reforms. The report revealed the following shortcomings: slowness in the land registration and consolidation operations, little progress in the intensification of irrigated lands and combination of stockbreeding and long-cycle crops, the need for long periods before the private sector reacts to the reforms. The Bank organised the performance evaluation mission to examine these problems deeply and draw the appropriate lessons.
5. This report was prepared following a performance evaluation mission to Tunisia from 26 February to 18 March 2001. It makes references to the ASAP appraisal and completion reports and is based on (i) the data available at the Bank headquarters; (ii) the statistical data on agriculture, livestock, fisheries and the economic and financial trend collected during the mission; (iii) discussions and interviews with the competent services of the Tunisian government.

RATINGS

1. Relevance	Satisfactory
2. Achievement of goals and results	Satisfactory
3. Efficiency	Satisfactory
4. Impact on institutional development	Satisfactory
5. Sustainability	Satisfactory
6. Overall performance indicator	Satisfactory
7. Performance of the borrower	Satisfactory
8. Performance of the Bank	Satisfactory

BASIC PROGRAMME DATA**A. Preliminary Data**

1. Project number	:	B/TN/PASA/91/45
2 Borrower	:	Tunisian Government
3 Beneficiary	:	Tunisian Government
4 Executing Agency	:	Inter-ministerial Co-ordination Committee

B. Basic Loan Data

	<u>Estimate</u>	<u>Actual</u>
Loan amount (million UA)	: 90.00	90.00
Commitment charge	: 1% per annum on the undisbursed loan portion effective 60 days after the signing date of the agreement.	
Duration	: 20 years including a five-year grace period	
Grace period	: Five (5) Five (5)	
Repayment modalities	: In thirty (30) equal half-yearly and consecutive payments from the sixth year and effective from the signing date of the loan agreement	
Terms and conditions of release:	Three tranches: 40, 30, and UA 30 million, and	Three tranches: 40, 30 and UA 30 million, respectively
Appraisal	: September 1991	July 1991
Negotiations	: -	5-7/08/1991
Approval	: -	24/09/1991
Signature	: -	05/11/1991
Effectiveness	: -	19/08/1992

Basic ASAP Data

	<u>Estimate</u>	<u>Actual</u>	<u>Gap</u>
1. External financing requirements (in million UA)	1.977	1.977	-
2. Duration of ASAP	2 years	2 years	-
3. Disbursement date of the first tranche	Before 31/12/1991	2/10/ 1992	10 months
4. Disbursement date of the Second tranche	30/06/1993	8/12/1993	6 months
5. Loan closing date	30/06/1993	12/1993	6 months

6. Financing plan
(in million UA)

ADB	90.00	90.00	-
Others	nil	nil	

Performance indicators

1. Number of extensions of the last disbursement date	:	Nil
2. Programme implementation status	:	Completed
3. Implementation performance	:	Satisfactory
4. Bank's performance	:	Satisfactory
5. Performance of programme results	:	Satisfactory

Missions

Type of mission	Number of persons	Dates	Man/days
Appraisal	2 (Agric. Economist, Agronomist)	September 1991	30
Mid-term review	2 (Agric. Economist, Agronomist)		30
Supervision	0	-	-
Completion	2 (Agric. Economist, Macro-Economist)	8-18 November 1994	20
Post-evaluation	2 (Agric. Economist, Macro Economist)	26 February -18 March 2001	28 (21 days for the Economist and 7 days for the Agric.Economist)

Disbursements (in million UA)

	<u>Estimate</u>	<u>Actual</u>
Total disbursed	90.00	90.00
Amount cancelled	0	0
Undisbursed balance	0	0
Repayments	0	0
Annual disbursements		
1992	45.00	26.229
1993	45.00	63.771
Total	90.00	90.00

G. Other programmes financed by the Bank Group under structural/sectoral adjustment in Tunisia

Programme	Year of approval	Loan (in million UA)	Implementation status	Completion date	Status of the PPER
Industrial sector adjustment programme	1987	80.00	Completed	1991	1992
Structural adjustment Programme	1989	75,00	Completed	1993	Not available
Economic and financial reforms strengthening programme	1994	80.00	Completed	1998	Not available
Competitiveness support programme	1999	100,00	In progress	-	-

SUMMARY OF EVALUATION AND MATRIX OF RECOMMENDATIONS

1. Objectives

1.1 The present performance evaluation report focuses on the agricultural sector adjustment programme in Tunisia for the period 1992-1993, to which, in September 1991, the ADB granted loan No. B/TN/PASA/91/45 in the amount of UA 90.00 million.

1.2 The purpose of the programme was to increase the contribution of agriculture to the overall economic growth, the balance of payments and State budget and to the creation of jobs. Its components were as follows: (i) implementation of a trade and price liberalisation policy and the reduction of subsidies; (ii) rationalisation of State participation with a gradual transfer of production and marketing activities to the private and co-operative sector; (iii) enhancement of the efficiency of public investments and expenditure policy; (iv) improvement of agricultural development support services (v) rationalisation of the utilisation of natural resources; (vi) strengthening of the economic and financial analytical capacities and monitoring of the sector's performance. The programme contained 29 conditions (translated into 73 concrete measures) to be fulfilled. The bulk of these conditions concerned studies on the restructuring of public enterprises and the implementation of the recommendations resulting from these studies. The evaluation (ref. ADB/BD/WP/91/105) and completion reports give a breakdown of these measures.

1.3 The performance indicators of the programme were a condition for the entry into force and their implementation was a condition for the release of the second loan tranche.

2. Implementation Performance

All the programme measures have been implemented; the programme was implemented six months behind the schedule. The Inter-ministerial Co-ordination Committee, the executing agency, did not function correctly because it met only once during the two years of programme implementation. Overall, the procedures were respected; however, there were six disbursements instead of two as projected, the quarterly reports planned for the monitoring of the programme implementation were not produced and the Bank did not organise any supervision mission.

3. Institutional Performance

Performance of the Borrower

3.1 The borrower's performance was satisfactory. The Tunisian Government was constant in its commitment, but the Inter-ministerial Co-ordination Committee was not: it met only once during the two years of programme implementation. The quarterly reports were not produced and the Bank did not receive the audit report of the special account.

Performance of the Bank

3.2 The overall performance of the Bank is considered satisfactory. However, it should be noted that the Bank did not favour the involvement of the Co-ordinating Committee in the monitoring of the programme implementation. The evaluation was correctly done but it did not have performance indicators to support the technical, economic, social and institutional analyses. The Bank did not organise supervision missions although there were six disbursement tranches instead of the two initially scheduled.

4. Programme Impacts

4.1 One of the most important impacts of the programme was the change in the economic environment. The rules of economic play have been modified, leaving more and more scope to the private sector and the co-operatives. Private operators took an increasing part in the storage and collection of cereals, marketing of seeds and fertilisers and in the export of olive oil. Plant and fish productions generally increased owing to the fluctuations connected with the vagaries of rainfall, but the overall trend was upward. Livestock productions increased steadily. The favourable trend is explained by the investment, improved output and the expansion of irrigated lands, whose contribution to agricultural productions rose to 35 % in 1996. Agricultural investment was boosted by direct incentives, such as the investment premium and the targeted and subsidised agricultural credit.

4.2 Increase in agriculture and fisheries averaging 20.5%, -8.3% and 12.5% per annum in 1988-1991, 1992-1995 and 1996-1999 respectively, contributed significantly to the growth of the whole Tunisian economy, estimated at 5.2%, 2.6% and 5.9% over the same period. This agricultural growth facilitated the creation of rural jobs and helped reduce the poverty index from 6.7% in 1990 to 6.2% in 1995 for the entire country, from 7.3% to 7.1% for the city-dwellers, and from 5.7% to 4.9% for the rural populations. And yet the agricultural growth was unable to significantly improve the agricultural trade balance and the food coverage ratio. On the contrary, the share of agriculture in the overall trade deficit stood at about 18 %. The weight of agricultural subsidies in the GDP did not fall considerably and steadily; on the other hand, the increase in agricultural and animal productions and the regular supply of the domestic markets contributed to reducing inflation from 7.3% in 1988-1991 to 5.2% in 1992-1995, 3.1% in 1998 and to 2.7% in 1999.

4.3 The impact of the ASAP greatly benefited from the synergy of the macroeconomic and sectoral reform programmes, both previous (the first two phases of MT/ASAP, SAP and ISAP) subsequent (EFRSP) and the second line of credit to BNA), as well as the favourable trend of the terms of agricultural trade.

5. Sustainability

The favourable impacts of the programme are sustainable for the following reasons: continuous increase in yields in spite of variations owing to vagaries of rainfall, the private sector's gradual taking over of the financing of agriculture from the State, the stabilisation and diversification of agricultural production thanks to the continuous development of the irrigated land, the CIA's gradual taking charge of the profession, the Government's commitment to the implementation of sectoral reforms, etc. However, shortcomings were noted in the initial incentives for the intensification of irrigated lands, the fact that the non-economic factors responsible for the cold chain not being expanded were not taken into account, failure to develop aquaculture and the combination of livestock and long-cycle-crop, the impact of the vagaries of rainfall. The factors enumerated tend to weaken the results achieved.

6. Conclusions

6.1 The programme has modified the rules of economic play and freed the energies of private operators, who have undertaken new resource-creating activities. The increase in plant and animal productions has been sustained in spite of the vagaries of rainfall, thanks to investment and the increase in the contribution of irrigated lands to agricultural livestock production. Rural incomes have increased, the rural poverty ratio has fallen and inflation has diminished owing to the abundance of food production and the regular supply of the markets.

6.2 Nonetheless, the indirect and direct incentives did not succeed in bringing about changes in all the sectors, for example the expansion of cold storage, the development of aquaculture and the combination of livestock and long-cycle-crop. In addition, the agricultural trade deficit contributed to the overall deficit and the agricultural subsidies were partly responsible for the budget deficit.

7. Lessons, Recommendations and Follow-up Actions

7.1 The lessons drawn from the implementation of the ASAP, for the countries and the Bank, in addition to those already mentioned in the PCR, relate to: the fact that the level of incentives may not be enough to attract the private operator; the need to accompany liberalisation with direct incentives; the risk of weakening public finances through agricultural subsidies in the absence of an appropriate fiscal system; the slowdown of the reaction of private operators to reforms owing to technical, administrative and personal obstacles; the synergy created by articulating the various phases of the programme and reforms previously and subsequently implemented; and the fact that the improvement of the competitiveness of agricultural products demands specific readjustment efforts.

7.2 To consolidate the results achieved, it is recommended:

- To the Government,
to update the agricultural investment code and the investment incentive code in function of the economic trend, so as to avoid wasting investment opportunities;
to modulate incentives to take account of the particularities of the activities and

operators, with a view to increasing the utilisation rate of the limited natural resources; to favour partnership with the private sector in order to accelerate the relief of the State in the funding of agriculture; to strengthen the departments of studies and agricultural policy analyses in order to quicken efficiency enhancement; to pursue efforts to upgrade agriculture with a view to improving the competitiveness of agricultural products.

- To the Bank,
To beef up the monitoring-evaluation mechanisms and the supervision guidelines in order to monitor progress in the implementation of the programme; to apply the Bank's operational guidelines in order to guarantee the good quality of the programme.

7.3 At the level of the Government, the monitoring actions relate to the inventory and analysis of the impact of the non-economic factors, compliance with the commitments and provisions of the loan agreement, studies on the real attractive level of the investment premium, causes of the failure of this premium in certain sectors, obstacles to the response of the private sector, the articulation of direct and indirect incentives, tax contributions, intensification of efforts to promote private investment and improve competitiveness.

7.5 At the level of the Bank, the monitoring actions focus on the accuracy of the programme implementation schedule, the definition of performance indicators, the introduction of a monitoring-evaluation system.

I THE PROGRAMME

1.1 Economic Context

1.1.1 Tunisia is a small country of 164.000 km² with a population of 8,222,000 inhabitants in 1991. In the North and on the coast, it has a good rainfall (400 to 1000 mm) favourable to agriculture (cereals, citrus fruits, wine, market gardening crops) and livestock; in the Centre, an average rainfall (200 to 400 mm) conducive to cereals, olive wood and natural grazing grounds; in the South, a low rainfall (less than 200 mm) in relation with an arid and semi-arid climate that handicaps agriculture.

1.1.2 From the macroeconomic standpoint, the economic situation of the 1970s was favourable as a result of the increase in revenues from oil and tourism and a per capita real income growth rate of 4.3 %. The Government's reaction to these favourable external trends contributed to the worsening of the macroeconomic environment by limiting competition, generating imbalances, inefficiencies and inflationary pressures that induced the over-evaluation of the real exchange rate. In the early 1980s, the fall in production and oil prices coupled with the unstable climate came along on top of the deteriorated macroeconomic environment and worsened the economic and financial crisis. The stabilisation efforts made by the Government under 7th Plan (1982-1986), could not check the crisis, which proved more serious than forecast. In effect, the economic rate of growth dropped to 2.5 % over the period 1982-1986, coupled with a deterioration of the balance of payments and the State budget and the increase in the external debt burden. This weak performance justified the Structural Adjustment Programme (SAP), the Industrial Sector Adjustment Programme (ISAP) and the Agricultural Sector Adjustment Programme (MT/ASAP) implemented by the Government over the period 1987-1996.

1.1.3 The ISAP supported the liberalisation of industrial prices and trade; its principal result was the promulgation of a new investment code, which improved the investment approval procedures and the investment incentive procedures. The SAP supported the external trade liberalisation reforms, the liberalisation of producer prices and that of the distribution margins, the tax reform, the efficiency of financial channels and the improvement of exchange risk coverage. This programme made it possible to revive economic growth over the period 1988-1992 and to enhance the efficiency of the economy despite the unfavourable conditions (drought in 1988 and 1989, flooding and the Gulf wars in 1990). The implementation of the first two phases of the MT/ASAP had the following effects: increase in productions and farmer revenues following a net increase in the producer prices of cereals, and improvement of the food balance. The progress made by the Tunisian economy in the wake of the implementation of the various programmes was remarkable, but not enough to reactivate the economic growth in general and that of agriculture in particular, which is the principal component.

1.1.4 As a matter of fact, the weak performances of agriculture stemmed both from inappropriate agricultural policies and the major structural constraints. Agriculture and fisheries in Tunisia were handicapped by the scarcity of natural resources (land, water, soil), aridity and climatic vagaries, distortions and malfunctioning created by the omnipresence and omnipotence of public enterprises. The combined effects of these constraints gave rise to shortcomings in the performance of agriculture. On the one hand,

food security in cereals and animal products was not achieved and, on the other, foreign exchange earnings depended on three products (olive oil, fish products and dates) representing 77 % of the total value of exports.

1.1.5 One of the structural characteristics of Tunisian agriculture is that 53 % of the farms are less than 5 ha and occupy 9 % of the farmlands; on the other hand, farms of over 100 ha represent only 1 % of the farms and cover one quarter of the agricultural lands. These factors are objective obstacles to the improvement of agricultural productivity and to the development of agriculture.

1.1.6 The strategy of the Tunisian Government was to guarantee food security and regular supply of the markets with food commodities, and to better utilise the existing production potential in a context of scarce, available natural resources. The ASAP was formulated to assist the Government in the implementation of this strategy. The programme was implemented under the direct supervision of the Direction générale de la planification du développement et des investissements agricoles (DGPDIA) (General Directorate of Development Planning and Agricultural Investments), which runs the technical secretariat of the Inter-ministerial Co-ordination Committee chaired by the Ministry of Planning and comprised of the representatives of the Ministries of Finance, Agriculture, National Economy, State Domain and Foreign Affairs.

1.1.7 At programme appraisal, 16 % of the Bank's operations in Tunisia supported agriculture and 18.6 % supported economic reforms. ASAP was an extension of Bank operations to improve the mobilisation of hydraulic resources, achieve food security and reduce poverty.

1.2 Programme Formulation

1.2.1 The programme constituted the last component of a programme structured around three phases. Its objectives and components were identical to those of the first two phases financed by the World Bank, KFW and USAID. The Bank's contribution therefore falls within the framework of the first two phases of the MT/ASAP. The preparation-appraisal mission made use of the documents that served for the implementation of these phases. The technical capacity of the Tunisian administration, recognised by the development partners, and its experience in the implementation of the first two phases of MT/ASAP, facilitated the contribution of the Tunisian government to the definition and design of the programme, which was its initiative.

1.2.2 In effect, the programme tackled the structural constraints of the country linked to its efforts to cushion the impacts of the vagaries of rainfall through a rational utilisation of public infrastructure investments and natural resources. The Government laid emphasis on the intensification of irrigated lands without, however, making adequate distinction between regions and crops benefiting from irrigation through dams and boreholes and those using surface wells. As the majority of the small farms and the bulk of agriculture (i.e. tree-farming) used surface wells, they were more vulnerable to climatic vagaries than dams and boreholes. Thus, in the event of drought, it was difficult to determine which of the irrigated schemes were most negatively affected. The programme also addressed the institutional rigidities introduced by the state management of agriculture through liberalisation, transfer of the activities of public enterprises to the

co-operatives and the private sector; but it did not indicate the activities in which will be redeployed the civil servants whose posts would possibly be abolished in the public enterprises; neither did it indicate how the social problems caused would be solved.

1.2.3 Liberalisation, reduction of subsidies and administrative pricing should change relative and actual prices in the agricultural sector and have impacts on the rest of the economy. Consequently, the programme had provided for an inter-ministerial co-ordination committee to prevent and settle possible conflicts between the sectoral effects and macroeconomic effects of the programme.

1.3 Objectives at Appraisal

1.3.1 The general objective of the programme was to complete the reforms already implemented by laying emphasis on the contribution of agriculture to the overall growth of the economy, to the stabilisation of the balance of payments and the state budget and to job creation.

1.3.2 The programme had six components: (i) implementation of a trade and price liberalisation policy and the reduction of subsidies; (ii) rationalisation of State participation with a gradual transfer of production and marketing activities to the private and co-operative sector; (iii) improvement of the efficiency of the public investment and expenditure policy; (iv) improvement of agricultural development support services; (v) rationalisation of the utilisation of natural resources; (vi) strengthening of the economic and financial analytical capacities and monitoring of the sector's performance.

1.3.3 The specific objective of the programme consisted in: stimulating the growth of plant and animal productions, improving the agricultural trade balance, reducing public expenditures on the various subsidies by practising price verity and increasing the employment and income of the people living in the rural areas. The implementation of the programme should lead to the following situation: an environment favourable to agricultural investment, guarantee of food security and regular supply of foodstuffs, stabilised agricultural production, rational utilisation of natural resources and improved rural incomes.

1.3.4 These objectives were to be achieved with the following means: indirect economic incentives through a legal and statutory framework codifying liberty of production and trade, modifying the rules of economic play and sharing the respective responsibilities of the State and the private sector, direct economic incentives through prices, investment premiums and a targeted agricultural credit programme.

1.3.5 At appraisal, the risks run in the implementation of the programme were: the unpredictable nature of the reaction of private operators to the reform measures, the fiscal consequences of reducing subsidies along with the increase in producer price, the vagaries of rainfall, the reaction of external markets to Tunisian products, the efficient functioning of the mechanisms of co-ordinating the macroeconomic and sectoral components put in place under the programme. However, the channels through which these mechanisms should function were not clarified.

1.3.6 The third phase of the programme financed by the Bank benefited from the synergy of the first two phases and the impacts of the structural adjustment and industrial adjustment programmes previously implemented. These various programmes prepared the ground for the ASAP through promulgation of the agricultural investment code and the investment incentive code. The implementation of the second line of credit in favour of BNA implemented in 1993-1998 and the economic and financial reforms strengthening programme (EFRSP) implemented over the period 1994-1997, contributed to strengthening the positive impacts achieved by the programme.

1.4 Financing

1.4.1 The loan amount was UA 90 million, i.e. 108.73 MTD, and represented 4.55 % of the country's financing requirements. It was also used to pay the foreign exchange cost of the imports of agricultural inputs; UA 3 million was earmarked for financing the studies. The African Development Bank, in keeping with the financing plan initially envisaged at appraisal, exclusively financed the third phase of the MT/ASAP.

II EVALUATION

2.1 Evaluation Methodology and Approach

2.1.1 The collection of data for evaluation consisted firstly in consulting the basic documentation (appraisal, completion and portfolio review reports, CSP) at the Bank headquarters. On the field, in Tunisia, statistical data was collected from the documentation service of the Direction générale de la planification du développement et des investissements agricoles (DGPDIA), from the Internet site of the Institut national de statistique and from the reports of the Banque Centrale de Tunisie, for the macroeconomic statistics. Finally, this data was supplemented and moderated by interviews with the heads of service of the DGPDIA and those of the General Directorate of investment financing and agricultural credit incentives.

2.1.2 The objectives and results achieved were evaluated using the «before»-«after» reform approach. The periods 1988-1991 and 1992-1995 represent the two temporal horizons. The recent period, 1996-1999, was also taken into account in assessing the sustainability of the programme impacts. Considering that the programme was an extension of the first two phases of the MT/ASAP, the evaluation took into account the results of the previous phases as well as the impacts of the industrial sector adjustment programme implemented in 1987-1988, the macroeconomic reforms of the SAP implemented in 1989-1991, the second BNA line of credit granted in 1993-1998 and the economic and financial reforms strengthening programme (EFRSP) implemented over the period 1994-1997. It tried, to the extent possible, to isolate the specific contribution of the ASAP.

2.2 Performance Indicators

2.2.1 The evaluation report did not specify the performance indicators. On the other hand, the loan agreement defined the criteria for assessing the programme impact – a condition precedent to disbursement of the first loan tranche while their application was a condition for the release of the second tranche. However, the fact of leaving the

Government to appreciate the appropriateness of supervision missions favoured the demobilisation of the inter-ministerial co-ordinating committee set up to manage the programme, but which met only once during the two years of programme implementation.

III IMPLEMENTATION PERFORMANCE

3.1 Loan Effectiveness, Start-up and Implementation

3.1.1 The 42 measures comprising the ten conditions precedent to entry into force of the programme focused primarily on the restructuring of public enterprises. Their fulfilment was slow because the loan entered into force nine months after its signature owing to the difficulties in restructuring the OHN intended to yield place to the private sector. Concerning one of the most important institutions of the country regarded as such because it generates the bulk of foreign exchange and is the source of the State budget, the change of the rules of economic play could only create tensions between the former public managers and the new private sectors.

3.1.2 The 31 measures forming the 19 conditions for the release of the second tranche were clear-cut, relevant and realistic, as most of them resulted directly from the recommendations of the public enterprises restructuring studies. The slippage of six months on the schedule for implementing the programme measures is explained by the complexity of the structural and institutional changes to be made.

3.1.3 The programme schedule over-estimated the role of economic incentives and wrongly assessed the role of the non-economic factors, which explains why important components of the programme, such as the expansion of the cold chain, the development of aquaculture and the livestock- long-cycle-crop combination, were not implemented.

3.1.4 All the measures were implemented in spite of the poor supervision of the inter-ministerial co-ordinating committee, which met only once during the two years of programme implementation. The implementation of the programme was made possible by the experience of the DGPDIA in the management of agricultural reforms and by the strengthening of the economic and financial analytical capacities of the Ministry of Agriculture thanks to the accompanying studies of the APIP project.

3.2 Compliance with Costs, Disbursement Procedures and Sources of Finance

The loan was not disbursed in two tranches of UA 45 million as initially scheduled, but rather in six successive disbursements the last of which was made before the completion date of the programme, whereas the loan agreement had provided for only two disbursements. Neither the Bank nor the country could furnish the document explaining this gap. The first disbursement was made 10 months behind schedule because the restructuring of the ONH required more time than planned. The total loan amount was disbursed and there was no overrun. The procedures for the procurement of goods and services were also respected.

3.3 Programme Management, Reports, Monitoring and Evaluation

3.3.1 There were no quarterly reports to monitor the programme implementation; on the other hand, an implementation report preceded the mid-term review; the Bank did not receive the audit report of the special account.

3.3.2 As the definition of the programme performance indicators was one of the conditions precedent to entry into force and, their actual application, a condition for the release of the second tranche, there is assurance that these indicators were effectively used to monitor the programme implementation.

3.3.3 The fact that the Government was left to assess the appropriateness of supervision missions no doubt explains why there were none; however, the incorporation of the definition of the performance indicators into the conditionalities justified a more thorough supervision.

IV PERFORMANCE EVALUATION AND RATINGS

4.1 Relevance of the Targets and Objectives and Initial Quality

4.1.1 Prior to the reforms, the principal problems of Tunisian agriculture, as described in the Bank's CSP 1991-1995 and the 8th Economic and Social Development Plan of Tunisia, were: a rainfall system and lands that do not favour rainfed agriculture, soil salinity, agricultural investment risks linked to climatic vagaries, the old age and illiteracy of the farmers that limit the scope for modernisation, the fragmentation of the holdings, which hampers efforts to improve productivity, the deterioration of the agricultural marketing balance induced by the population growth and urbanisation, which have increased the imports of food products.

4.1.2 The Government's priorities were therefore to eliminate the rigidities of the agricultural production system dominated by public enterprises, create an environment favourable to agricultural investment, develop an efficient production facility enabling the improvement of food security and increase of agricultural exports, and to ensure social promotion in the rural area. To that end, it has implemented agrarian and land reforms aimed at facilitating a better cultivation of available lands. It has also stimulated the participation of commercial banks in the funding of agriculture in order to remove the strain on public finances by undertaking an agricultural credit reform.

4.1.3 There was a close match between the programme implemented by the Government and these priorities. Increasing plant and animal productions at a rate higher than the population growth and in line with the improvement of real per capita income tallied with the Government's strategy of improving food security on the one hand, and increasing agricultural exports, notably those of olive oil and fishery products, on the other hand; this trend was to contribute to the re-stabilisation of the balance of payments. Promote price verity, reduce subsidies and redefine the role of the State and public enterprises by focusing their operations on regulation, control and arbitrage should facilitate the reduction of the distortions and malfunction introduced by the State management of the agricultural production system whose flexibility should be increased at the same time. In addition to reducing the rigidities of the production facility, the

transfer of the activities of public enterprises to the private sector and the co-operatives would be an efficient way of cutting down the operating public expenditures and mitigating the financial constraints of the State.

4.1.4 The improvement of the rural development support services, especially the application of the new credit policy more favourable to the smallholders, has strengthened the relevance of the programme to the national agricultural policy whose purpose is to stimulate the private financing of agriculture and the intensification of irrigated lands. By laying emphasis on the intensification of efforts at land consolidation, the ASAP was relevant to the Government's strategy to enhance the productivity and competitiveness of the Tunisian agriculture.

4.1.5 The programme objectives are in consonance with the Bank's strategy aimed, among others, at promoting the private sector and reducing poverty. In effect, the programme envisaged the gradual transfer to the private sector and the co-operatives of the production and marketing activities exercised by the public enterprises. Furthermore, agricultural credit was henceforth granted according to the categories of farms and the credit amount. Special funds financed by the State budget were reserved for smallholders whose access to the credit was only possible through the classic banks. By targeting actions intended to stimulate a better utilisation rate of natural resources, the programme was therefore an adequate response to the concerns of the Bank, which are to remove the severest constraints, notably the scarcity of water resources.

4.1.6 The opening of Tunisia to the outside world through the signing of a free trade agreement with the European Union and the WTO agreement compel it to make special efforts to meet the challenges of competitiveness, namely: quality control, compliance with the increasingly rigorous sanitary, pest and fungus control standards, regular supply of the markets. The satisfaction of these new demands necessitates efforts, high-level techniques and strategies; the ASAP helped prepare the Tunisian agriculture for this qualitative leap.

4.2 Achievement of Objectives and Results (Efficiency)

4.2.1 The change of the statutory legal framework initiated by the programme, modified the rules of economic play by creating space for the private sector and the co-operatives and by facilitating the free play of the market mechanisms. In addition, the role of the State has been redefined to bring it back to its tasks of regulation, control and arbitrage. The new environment thus created has injected energies into the private operators, who used them in the new productive activities for themselves; but formerly, these activities were exclusively exercised by the public enterprises. Thus, it became possible to mobilise the resources that were untapped and unproductive before the reforms for the storage and collection of cereals, import of milk, beef, fertiliser and seeds and for the export of olive oil.

4.2.2 The programme did not limit itself to creating space for the private sector. The liberalisation was accompanied by an investment premium instituted by the investment incentive code and financed by a 15 % levy on imported powdered milk and beef. This device was combined with the abolition of subsidies on agricultural inputs (fertiliser and seeds), the institution of steadily increasing producer floor prices and a new agricultural

credit system more favourable to the smallholders than in the past. This incentive system proved to be consistent and attractive for the economic operators who, on the whole, got something out of it.

4.2.3 Powdered milk, beef, secondary cereals (maize and soja cakes), fertilisers and seeds have been fully liberalised. However, the scope of liberalisation was limited by the notion of strategic products adopted by the Government and by virtue of which wheat import has remained fully controlled by the Cereal Office and consumer subsidies on wheat, oil and milk have subsisted. With regard to prices, the Government tried to find a partial solution by periodically revising the prices of foodstuffs subjected to control. The notion of strategic products had negative budgetary impacts as described in paragraphs 4.2.29 and 4.2.30.

4.2.4 The private operators reacted well to the reforms because, following the establishment of a storage capacity of about 300,000 tonnes in silos, they marketed 57 % of the cereals and exported 60 % of the volume of olive oil in 1999, whereas in 1994 they marketed only 3.6 % of the total volume of cereals and exported only 1 % of the volume of olive oil. However, this reaction of the private operators was slow and somewhat late. In effect, with regard to cereals, it took the private sector nine years to give a significant response to the formal liberalisation measure taken; the export of olive oil had to wait for five years. These delays stemmed from two categories of factors: first, the difficulties of mastering the techniques of a new trade (marketing of cereals or export of olive oil) and the operating rules of a new market. The second type of difficulties stemmed partly from the problems of interpretation created by the superposition of WTO regulations on the previous tariff system, and partly from the complexity of the administrative procedures for applying the laws and regulations. The favourable reaction of the private sector was also facilitated by the implementation of the second line of credit to BNA in 1993-1998 and of the EFRSP in 1994-1997.

4.2.5 The favourable reaction of the private operators, illustrated mainly by the increase in the number of approvals of olive oil exporters from 39 to 89 between 1994 and 1999, constituted a significant progress in liberalisation. Nonetheless, this should not mask the difficulties connected with technical skills and the professionalism of the candidates. Liberalisation has remained uncompleted moreso as the difficulties in meeting the export market demands (competition, need to comply with the increasingly rigorous standards, availability of adequate quantities and regularity of supply) are only overcome by a minority that can possibly constitute an oligopoly. In the olive oil sub-sector, only 11 % of those with approval to export are real professionals; the others rather appear like speculators on the lookout for occasional opportunities. This trend implies that one should not expect rapid and spectacular results from the implementation of the State disengagement and privatisation programmes.

4.2.6 The incentive system, which succeeded in stimulating the reaction of the private sector, was unable to develop aquaculture, expand the cold chain and fish consumption in the rural area and promote livestock/long-cycle crop combination. These partial failures attest to how inadequate the economic incentives are to stimulate the reactions of private operators. Nevertheless, their limits can only be appreciated after identification of the non-economic obstacles that slow down the involvement of the private sector, notably the consumption habits, traditions and cultural practices of the big owners of cereal lands.

4.2.7 The programme did not have quantified plant production objectives, especially the investment and growth rates for agriculture, livestock, fisheries and their contribution to the overall economic growth and macroeconomic balances. The evaluation tried to explain the trends of these different indicators by distinguishing between the «before» period, 1988-1991, and the «after» period, 1992-1995. In view of the long delays required for structural and institutional changes, the 1996-1999 period was also considered in evaluating the sustainability of the effects of the reforms. To this end, the impact of the EFRSP and the BNA second line of credit implemented 1994-1997 and 1993-1998, respectively, was taken into account.

4.2.8 During the 1987-1996 decade, the average annual production of the agricultural sector increased by 35 % and the average annual growth rose to 5.3 % compared to the 1977-1986 decade. The increase was significant for potato (+55 %), tomatoes (+41 %), cereals (+38 %) and olive oil (+30%), in spite of the stagnation of about 4.2 million hectares of cultivated area for agriculture as a whole, including in particular 1.5 million ha for cereals and 2.1 million ha for tree growing. This was made possible mainly by the expansion of the irrigated areas from 250,000 ha to 330,000 ha between 1992 and 1999 (i.e. an average annual growth rate of 4.5%), agricultural investment and improved yields.

4.2.9 Plant production fluctuated as climatic vagaries dictated, but the trend was upward. Indeed, before phase III of the ASAP, in 1988-1991, cereal production increased at the rate of 101.7% on average per annum; after the programme, in 1992-1995, it dropped by 27.94%. The trends over the same periods were different for hard wheat (109.1% to -22.5%) and soft wheat (94.7% to -26.7%). The same trends were observed for olive oil whose production increased by 40.5% on average per annum, in 1988-1991, before dropping by 20.2% in 1992-1995. These weak performances could have been solely explained by the 1994 and 1995 drought if there had not been a drought also in 1988 and 1989. In reality, between the two periods, total investment decreased affecting particularly tree farming, which depends mainly on irrigation by surface wells and the agricultural equipment used even by small farms. The situation was somewhat different for the market garden crops. In effect, over the same period, potato and tomato production increased albeit at a lower rate (2.7%): 7.31% and 2.56% for potato, 12% and 3.83% for tomato. This trend shows that the negative impact of the 1994 and 1995 drought was cushioned by the increase from 66.8% in 1990 to 76.7% in 1994-1995 of the share of irrigated land in the area allocated to market garden crops. The expansion of the area of irrigated lands contributed not only to stabilise agricultural production but also to facilitate its diversification in relation to tree growing in general and to olive in particular. The performances of this period are also owing to the additional incentives given by the EFRSP through the investment incentive and by the supervised BNA credit intended for the intermediate farms.

4.2.10 During the period 1996-1999, cereal production increased by 91.5% on average per annum: 64.9% for hard wheat and 108.8% for soft wheat; the growth rate of olive oil production was 110.6 %. The trend of the total agricultural investment made the difference, as over this period, it increased by 9.6 % on average per annum with a growth rate of 34.5 % for tree farming and 9.3 % for agricultural equipment. Potato and tomato production increased by 8.3 % and 16.2 % respectively. This trend is explained less by

an increase in the irrigated areas than by improved yields. As already mentioned, the impacts of the ASAP have been reinforced by those of the EFRSP and the second BNA line of credit.

4.2.11 The reforms improved the performance of livestock significantly and contributed to the stabilisation of the sector which, prior to the ASAP, depended, like plant production, on climatic vagaries. The number of thoroughbred heifers increased from 2 % in 1988-1991 to 6.7% in 1992-1995 and the production of **live cattle** increased from 0.27% to 4.8% over the same period. Egg production dropped first by 0.35% before increasing to 0.88%; on the other hand, milk production increased sharply from 4.3% to 7.9%. The improvement of the situation of livestock continued during the period 1996-1999 at higher rates (**live cattle**: 5.9%, eggs and milk: 9.6% and 8.7%), thereby sanctioning the particular efficiency of the investment premium and the producer support prices offered by the investment incentive code.

4.2.12 The fish situation deteriorated because the 0.8 % fall in fish production, which started in 1988-1991 continued in 1992-1995 (-1%). This weak performance was owing to the difficulties the government had in orienting the producers of the over-exploited regions of the Gulf of Gabes towards the under-exploited regions of the North in spite of the economic incentives given (investment premiums, subsidies on Diesel oil and port services). It was only after 1996 that these measures began to have impacts. In effect, during the period 1996-1999, the production of fish products increased by 2.7% on average per annum and fish exports reached a record level of 126 M TD in 1998. At the same time, the Government instituted a 7 % premium to encourage the expansion of the cold chain in the new governorates and to popularise fish consumption in the rural areas. Unfortunately, the results were somewhat disappointing. The low demand for fish owing to the food habits of the rural areas was the principal cause of this failure. Added to this was the irregular supply due to the lack of return on a cold chain solely limited to fish. Since 12 March 2001, the Government has been studying new measures to support the cold chain expansion programme.

4.2.13 Under the programme, an aquaculture master plan was drawn up and 50 favourable sites were identified throughout the country. In spite of the Government's incentives through the benefits of the investment code and the investment incentive code, private investors are still scarce in this activity.

4.2.14 The principal beneficiaries of the programme are: (i) the private sector and the co-operatives which took an increasingly active part in the storage and collection of cereals, export of olive oil, seeds and fertiliser trade; (ii) the smallholders who had easier access to agricultural credit and were able to benefit from the investment premiums. Public enterprises transferred all or part of their activities, namely: the cereal office, the national oil office, the livestock and pastures office and the national fisheries office.

Economic Incentives

4.2.15 The evolution of plant and animal productions during the period under review was linked to the economic incentives given by the Government. The drop off already mentioned in the growth of cereal productions between 1988-1991 and 1992-1995 was due less to the structure of the economic incentives and climatic vagaries than to the

slowdown of agricultural investment. The producer price dropped between the two periods for cereals with the exception of barley whose price increased from 2.3% to 11.1%. The price of olive plummeted from 15.6 % to 4.3 % during the period, following an overproduction. In view of the fall in nominal producer price between the two periods, there was simultaneously a fall in the price of all the chemical and organic fertilisers, thanks to the subsidies of the General Clearing House - subsidies removed only in 1999. The price fall also affected ploughing (from 10.5% to 0%), cereal harvest (from 22.2% to 0%) and the agricultural wage (from 7.3% to 5.3%). On the other hand, the price of selected cereal seeds increased slightly, as did that of irrigation water. With a few exceptions, the fall in the price of inputs was generally sharper than that of the producer price, which was a source of positive incentives for the small farmers.

4.2.16 During the period 1996-1999, the producer price for cereals and market garden products showed a low increase. Conversely, the upward trend continued for the price of livestock (cattle, poultry, eggs and milk) and fish products (5.2%). The same went for the price of improved seeds, chemical and organic fertiliser and other inputs such as the agricultural wage and irrigation water. The rise in the price of agricultural inputs is the logical consequence of market liberalisation and the reduction of subsidies. On the other hand, the downward trend of the producer price is rather owing to the increase in plant and animal productions. This is linked to the policy of direct and indirect agricultural investment incentives.

4.2.17 The investment incentive code, promulgated in December 1993, awarded investment premiums of 25%, 20% and 7% to agricultural equipment in categories A, B and C respectively. Categories A, B and C represented the following tranches of investment: less than TD 40,000 for agriculture and less than TD 60,000 for fisheries, TD 40,000 –150,000 for agriculture and TD 60,000-300,000 for fisheries, over TD 150,000 for agriculture and over TD 300,000 for fisheries. These premiums which had a real impact on actual productions were instituted by the first two phases of the MT/ASAP. This shows the inter-dependence or synergy between the various phases of the same reform programme.

4.2.18 The investment premium of 30% fixed in 1993 by the incentive code for investments in irrigation equipment that economises irrigation water proved inadequate to attract private investors and promote the intensification of irrigated lands. It was increased in 1995 to 40%, 50% and 60% for enterprises in categories C, B and A, respectively. These changes led to a marked intensification of the irrigated lands, following an increase in the areas equipped with drip irrigation facilities from 70,000 ha in 1995 to over 200,000 ha in 2000, i.e. a multiplication by 2.8. The reaction of the private sector was translated by an improvement of the land intensification rate, which rose from 83% in 1992 to 87% in 1997 and soared to 92 % in 1998. The Tunisian administration pointed out that the productivity of the irrigated schemes increased in large proportions of up to 100%. As mentioned earlier, the intensification of irrigated lands helped stabilise and diversify agricultural production.

4.2.19 The investment premium was strengthened a few years ago through implementation of the new credit policy consisting in channelling large, financially viable farms (category C enterprises) towards the free credit market, subsidising the credit in favour of intermediate farms (category B enterprises) that could be serviced through the

assistance of a supervised credit unit established by the BNA, subsidizing non-viable farms (category A enterprises) through the special agricultural development fund (FOSDA) and the special livestock and fisheries fund (FOSEP) financed by the State budget. In reality, the interventions of the State budget were articulated in a way to improve the status of farms in order to make them eligible for the credit supervised by the BNA.

4.2.20 This facility helped improve the access to credit of the intermediate farms whose share of the seasonal credit increased from 4.7 % in 1993-1994 to 7.4% in 1998-99 and the number of beneficiaries jumped from 14.3% to 25.6% over the same period. For the category A farms, taken charge of by the State budget, the trends were from 7.4% to 5.3% and from 43.2% to 32%, respectively. The Tunisian government indicated that in spite of the efforts made to facilitate agricultural credit, the debt ratio remained high in 1999 and land ownership title remained a major brake on access to credit, especially for the categories B and C farms.

Agricultural investment

4.2.21 In all, the volume of agricultural investment that received benefits increased at the rate of 16% on average per annum over the period 1992-1995. The targeting of credit combined with the benefits of the investment incentive code, contributed to the stimulation of private investment in favour of agriculture, whose growth rate dropped from 46.7% in 1988-91 to 45.7% in 1992-1995. Between the two periods, the growth of the total volume of agricultural investment slowed down from 14% in 1988-1991 to 9.2% in 1992-1995, implying that public investment declined between the two periods. This shift greatly affected tree farming and agricultural equipment, the forest, water and soil conservation the invested amount of which varied from 30% to -14%, from 48% to 0.55%, from 56.4% to 15%, respectively. This is no doubt the principal explanation for the slowdown of agricultural production between the two periods. On the other hand, integrated development, hydraulics and livestock benefited from an investment varying from -7.15 % to 60.3 %, from 4.4% to 19.1% and from 8.8% to 13.7%, respectively.

4.2.22 But as mentioned earlier, agricultural investment resumed during the 1996-1999 period at the rate of 9.6% per annum on average, with particular emphasis on integrated development (+50.8%), tree production (+34.5%), livestock (+12.7%), agricultural equipment (+9.3%) and fishing (7.5%). Over this period, private agricultural investment increased by 18 % per annum on average and its share in the total agricultural investment rose by 51 % in 1999. The increased agricultural investment explains the increase in plant and animal production in recent times despite a 7.8% reduction in the farmed areas and a stagnation of the irrigated areas (+1.4%).

Contribution to overall economic growth

4.2.23 The growth of agriculture and fisheries was positive in 1988-1991 (+20.5% on average per annum), dropped to 8.3% on average per annum in 1992-1995, and rose to an average rate of 12.5% per annum in 1996-1999; agriculture registered a growth of 13% and fisheries 3.9%. These trends greatly affected the whole economy whose growth rate plummeted from 5.2% in 1988-1991 to 2.6% in 1992-1995, and then rose to 5.9% in 1996-1999. In effect, agriculture and fisheries were the driving force behind the whole economy, as they were the principal earners of the foreign exchange that paid the imports

of machines and equipment (notably agricultural equipment), on the one hand, and cereal imports for the human food, on the other hand.

Contribution to balance of payments equilibrium

4.2.24 Between 1988-1991 and 1992-1995, the deterioration of plant and fish productions was detrimental to the agricultural trade balance. As a matter of fact, the fall in the exports of fish products quickened from -2.9% in 1988-1991 to -6.2% in 1992-1995. In addition, the growth of olive oil and date exports slowed down from 13% to 11.7% and from 34.1% to 23.7%, respectively. The increase in cereal imports accelerated (from -37.7% to 436%, from -7.3% to 17.4% and from -64.3% to 664.9% for hard wheat, soft wheat and barley, respectively) while the fall in the imports of livestock products accelerated (from -6% to -25.5%, from -20.7% to -16.7% for beef, milk and its by-products, respectively).

4.2.25 Over the period 1996-1999, the exports of olive oil, fish products and dates increased by 38.3%, 8.9% and 1.97% respectively while the imports of meat and soft wheat rose by 15% and 0.4%, respectively compared to a fall of 12.5% for milk and 6.4% for soft wheat.

4.2.26 The terms of trade of agricultural products improved constantly during the period, rising from 2.9% in 1988-1991 to 5.2% in 1992-1995 and to 14.2% in 1996-1999. The value of exports increased at the rates of 27.7%, 4.1% and 26% per annum on average in 1988-1991, 1992-1995 and 1996-1999, respectively. The value of imports increased at the rates of 11.4% and 27.4% and decreased by 19.7%, respectively on average per annum, over the same period. The agricultural trade balance was in structural deficit just as the overall trade balance; the contribution of agriculture to the global trade balance rose to 18.4%, 13.9% and 17.8%, respectively. A concerted action should be taken on the competitiveness of exports and that of local agricultural products with a view to reducing the trade balance; this is all the more indispensable as in the new context of globalisation, Tunisia recommends an integral opening on the world market.

4.2.27 The food coverage ratio improved from 83.2% in 1988-1991 to 85.4% in 1992-1995; but this improvement was not sustained in 1996-1999, for it dropped to 77.9%. Thus, despite the resumption of economic growth during 1996-1999, the dynamics of export supply and import demand did not make it possible to significantly improve the coverage of agricultural and food imports by the corresponding exports.

4.2.28 The fall in the deficit of current account balance from 7.8% of GDP in 1992-1995 to 4.1% of GDP in 1996-1999 induced an improvement of the overall balance of payments from 0.83% of GDP in 1992-1995 to 2.2% of GDP in 1996-1999.

Contribution to the State budget balance

4.2.29 The programme did not durably contribute to the balance of the State budget. In effect, the decrease from 2.9% in 1988-1991 to 1.8% in 1992-1995, of the share in the GDP of the consumer subsidies of the Caisse générale de compensation (General Clearing House) was followed by a 2.1 % rise in 1996, owing to an increase in the prices of subsidised consumer goods lower than the rise of production costs; they are the

budgetary consequences of the notion of strategic products. In general, the budget deficit worsened in time, falling from 4.5 % in 1988-1991 to 4.2% in 1992-1995 and rising to 4.7% in 1996-1999. In this context of deteriorating public finance, the maintenance of agricultural subsidies calls for measures aimed at guaranteeing the balance of the compensation system.

4.2.30 The existing tax system could not mobilise adequate resources to offset the public financing of agricultural subsidies resulting from the Government's maintenance of the notion of strategic products. In effect, the share of tax revenues in the GDP stagnated between 1992-1996 (20.7%) and 1996-1999 (20.5%) whereas the share of public expenditures in the GDP increased from 47.4% to 55.4% between the two periods, which explains the increase in the budget deficit already mentioned. In addition, the debt service burden increased because the share of exports used to pay the debt service regularly increased from 24.8% in 1988-1991 to 25.8% in 1992-1995 and to 31.4% in 1996-1999. On the other hand, the budget deficit did not increase inflation; in reality, inflation fell regularly from 7.3% in 1988-1991 to 5.2% in 1992-1995, 3.1% in 1998 and to 2.7% in 1999, following especially the growth of agricultural production and the regular supply of the markets.

Contribution to job creation

4.2.31 With regard to employment, there was a substitution of *family aids for salaried workers*. Indeed, after having dropped by 1.3% in 1988-1991, the number of *family aids* increased by 19.6% in 1992-1995 with a trend favourable to women, whose number increased at a fast rate from 0.55% to 28.5% compared to a variation of -3.6% to 9.8% for men. The number of salaried employees dropped from 6.5% in 1988-1991 to -5.6% in 1992-1995. Salaried employment deteriorated doubtless owing to the decrease of the GAMW from 7.3% to 5.5%, but also probably because of the fall in plant productions due to the drought that occurred during the period. Conversely in 1996-1999, salaried jobs increased by 28% on average per annum (with an increase of 15% for the regular staff and 32% for the temporary staff) whereas employment for *family aids* decreased by 2 % on average per annum, following a 10 % reduction of women's work.

Poverty reduction

4.2.32 During the period 1985-1995, the real income of the rural inhabitants increased by an average 3.3 % per annum as against an increase of 3.1 % for the city dwellers. Per capita expenditure increased by 3.6 % on average per annum. Moreover, the total population living below the poverty line stagnated at 554 thousand and 559 thousand whereas the rural population living below the poverty line decreased from 190 thousand to 170 thousand in 1995. The poverty ratio dropped from 6.7 % to 6.2%, from 7.3% to 7.1%, from 5.7% to 4.9% from 1990 to 1995, respectively, for the whole country, both urban and rural. The maintenance of subsidies on staple commodities, notably cereals, helped sustain the purchasing power of the rural populations.

4.2.33 Phase III of the ASAP, as well as the first two phases of the MT/ASAP and the other previous programmes, contributed to the reduction of rural poverty, which is more marked than that of the whole country. More precisely, the favourable situation of the rural world results from the Government's interventions to stimulate agricultural

investment and improve rural income through the General Clearing House. In this regard, the fall of the share of the subsidies of the General Clearing House in the GDP in 1992-1995 compared to 1988-1991 worsened the social situation of the population, especially the rural population. Smallholders also suffered from the decrease in the credits subsidised by the State budget and from the reduction of their access to this credit between 1993-1994 and 1998-1999.

Environmental impact

4.2.34 Although there were no environmental impact assessment measures, the review of the programme actions suggests that overall there were beneficial effects on the preservation of the environment; indeed, the drip irrigation equipment rapidly spread on the irrigated schemes and more efficient control of the utilisation of the irrigation water helped reduce the negative impacts on the environment. The programme impact on the utilisation of fertilisers was ambiguous. In effect, the consumption of super 45 dropped from 6.9% to -4,5% between 1988-1991 and 1992-1995, while that of ammonium nitrate increased from 3% to 7.2% over the same period. Moreover, the areas chemically weeded increased from 17% to 23.6%, before dropping to 17.3% in 1996-1999; this entails a reduction in the consumption of chemical products. Fertilisers were utilised according to rigorous management procedures.

4.2.35 The progress made in the land consolidation operation with a view to rationalising this scarce resource was not significant. On the other hand, the tariff of the irrigation water at market price, increased by 15 % annually since 1991 (from 10 to 20 mm per cubic metre to 130 mm in 2000), enabled water savings amounting to 20 % in 2000. The maintenance of investment at the high level of 15 % for forest development and water and land conservation (even if this rate has diminished in relation to 1988-1991) contributed to a more rational utilisation of land and water. However, the absence of objective indicators made it impossible to quantify the programme impacts on the environment.

Private sector development

4.2.36 The changes in the legal and statutory framework mentioned above, and the disengagement of public enterprises created a new environment whose attraction for the private sector and the co-operatives was strengthened by the investment premiums of the investment incentive code and the BNA credit subsidies. This consistent and attractive incentive system promoted private investment in agriculture and livestock. Consequently, the private sector and the co-operatives accounted for over 50 % of the storage and collection of cereals. The private sector imported the bulk of livestock feeds, milk, beef, fertilisers and seeds. In 1999, the private sector and the co-operatives exported 60 % of the olive oil.

4.2.37 The Government did not content itself with liberalisation and disengagement; it took an active part in promoting private investment by instituting the investment premium, which it modulated according to the size of the farm and the investment amount. It also judiciously regionalised the application of the granting of the benefits envisaged in the investment incentive code. Therefore, by stimulating private investment and agricultural production, the government at the same time widened the tax base. This

trend should more than offset the public financing of the benefits granted, which represent as many public subsidies as should be financed to avoid public debt and inflation. But as underlined in paragraph 4.2.30, the State disengagement and the participation of the private sector were unable to significantly reduce public expenditures, neither did they increase public revenues, notably tax revenues. These disappointing trends weaken the financial base of the notion of strategic products kept alive by the government.

4.2.38 The progress made by the private sector was slowed down by a number of handicaps, namely: lack of experience in the new olive oil storage and export business, inadequate material, technical and human resources, little interest in export activity, lack of aggressiveness in the search for new foreign markets and lack of incentives to invest, for example, in the expansion of the cold chain and aquaculture. It is to strengthen these incentives and further stimulate the private sector that the Bank implemented the economic and financial reforms strengthening programme and the competitiveness support programme in 1994 and 1999, respectively.

4.3 Efficiency

4.3.1 Analysis has shown that the performances of agriculture and fisheries have significantly improved since 1996, thereby justifying the time, financial, material and human resources invested in the design and implementation of the programme. In effect, the producer price and production factors show a general downward trend in a markedly liberalised agriculture. The producer price of subsidised products was regularly revised to take account of the production costs. This regular price revision policy was a progress in relation to the administratively maintained fixed rate. However, producer price adjustments have been less proportional to the increase in the production costs of the strategic products, which has increased the expenditure of the general clearing house and the State budget in respect of subsidies; the financial cost of the notion of strategic product has become heavier and heavier to pay.

4.3.2 The gradual substitution of private management for state management of the economy in general, and of agriculture and fisheries in particular, as well as taking over of the financing of agriculture from the State, brought costs down. In effect, the worsening of the global factor productivity (GFP) prior to the reforms reduced the overall economic growth by 33 % in 1982-1986. Conversely, improvement of the GFP accounted for 34 % of the economic growth during the period 1987-1997, following the improved utilisation of the scarce resources along with the economic and institutional reforms. The tariff of the irrigation water at real cost and the 20 % water savings in 1999 well illustrate the contribution of agriculture to this growth. In addition, the improvement of productivity on the irrigated lands increased the contribution of irrigated lands to 30 % in 1995 and 35% in 1996 (of which 6% for irrigated cereals and 10% for stockbreeding on the irrigated schemes) and to agricultural and livestock production.

4.3.3 The social costs generated by the inadequately compensated rise in the production costs of sensitive and subsidised items were borne by the State budget. If the population did not bear the direct costs, they suffered indirectly as a result of the reduction of other expenditures in favour of agriculture, particularly public agricultural investments,

between 1988-1991 and 1992-1995. Salaried rural employment diminished in favour of the intensive utilisation of family aids, especially women's work.

4.4 Impact on Institutional Development

4.4.1 One of the principal programme outputs was the new environment created by the legal and statutory change redefining the rules of economic play in general, and the responsibilities between the State, the private sector and the co-operatives in particular. This new environment enabled a better utilisation of natural resources through the saving of irrigated water and the progress made in the intensification irrigated lands after 1995. The refocusing of State interventions on regulation, control and arbitrage helped economise the budgetary resources, following the disappearance of the subsidies granted to public enterprises in deficit. This led to the reduction of the share of the budget deficit in the GDP from 4.5% in 1988-1991 to 4.2% in 1992-1995; but this reduction did not continue in 1996-1999 because the budget deficit rose to 4.7%. The soaring to 51% of the share of private investment in the total agricultural investment has not yet been able to widen the tax base enough for the tax revenues to increase substantially without killing the tax.

4.4.2 The translation of the overall agricultural development objectives into regional programmes in the CRDA and the decentralised application of the investment premium stipulated in the investment incentive code, through the regional commissions that grant investment benefits, promoted the participation of interested persons in the management of agriculture. This regionalisation no doubt helped reduce the transaction costs; otherwise, the farmers would have to travel to the capital to follow up their files. In this regard, the collective interest associations (CIA), an emanation of the farmers, have played a decisive role in the professionalisation of agriculture. Indeed, the CIAs organised themselves to take charge of the organisation of their supply of inputs and the marketing of their production. They have gradually provided the rational and increasingly modern management of the irrigation water; they have also organised equipment maintenance, technical training and cost recovery from their members. The CIAs have also taken an active part in the popularisation of new production and agricultural management techniques among their members.

4.4.3 The analysis and agricultural development management capacities were enhanced following the implementation of the APIP support studies programme. The implementation of studies laying emphasis on understanding the interactions of the macroeconomic constraints with the operating of the agricultural sector, has equipped the staff of the Ministry of Agriculture with the best practices in the analysis of agricultural policies. This enhancement of capacities has compensated for the low involvement of the inter-ministerial co-ordination committee in the implementation of the programme.

4.5 Sustainability

4.5.1 The programme impacts are sustainable, as yield and productivity have continually increased in spite of the marked annual instability owing to the vagaries of rainfall. This indicates that the farmers have gradually mastered the production

techniques and that they are more and more apt to draw more goods and services from the limited stock of available natural resources. The programme impacts are also sustainable due to the gradual stabilisation and diversification of agricultural production, following the expansion of the area of irrigated land (from 7% in 1992-1995 to 7.7% in 1996-1999) and the improvement of the intensification rate of irrigated land from 85.7% in 1992-1995 to 88.3% in 1996-1999.

4.5.2 The Government's undertaking to make the necessary changes was real even if it appeared cautious in the practical implementation of the programme measures. The best proof of its determination is the slow but sustained increase in the share of private operators and co-operatives in the production; storage and collection, import and export activities. The Government went farther by facilitating the entry of the private operator in the exercise of the profession of agricultural extension and training, which were traditionally and exclusively reserved for the State.

4.5.3 The agricultural profession gradually became self-reliant through the CIAs and, at the regional and local level, through the regional investment benefits-granting commissions. The significant increase in the life span of the rural world, and the significant reduction in rural poverty ratio constitute a solid guarantee of the greater support and accountability of the farmers and their professional associations.

4.5.4 Phase III of the programme took advantage of the impacts of the structural adjustment programmes and of the previous industrial, commercial financial reforms, notably the coherent whole made up of the agricultural investment code, the investments incentive code and the reform of the agricultural credit modulated according to the categories of farms and the investment amount. In effect, the State disengagement measure and the gradual transfer of the activities of public enterprises to the private sector and the co-operatives would not have produced the favourable effects observed without the synergy of the previous (the first two phases of the MT/ASAP, SAP, ISAP) and subsequent (the second line of credit to BNA, the EFRSP) reforms. These programmes facilitated the implementation of the ASAP.

4.5.5 The rationalisation of the utilisation of irrigation water (tariff at real water price, water savings) and the periodic revision of agricultural prices to take account of the trend of production costs, formed a solid base for the continuation of a sounder and sounder financial management of agriculture. In addition, the replacement of the State by private investment and the consequent increase in plant and animal productions augur well for the maintenance of the positive impacts of the programme.

4.5.6 The institutional and management capacity of the Tunisian administration and the experience accumulated in the past give the assurance that the Tunisian Government will continue to manage the achievements of the programme efficiently. The non production of quarterly reports and the low frequency of the inter-ministerial co-ordination committee meetings are owing more to the absence of Bank supervision missions than to the technical incapacity of the Tunisian administration.

4.5.7 The measures taken under the programme are likely to have significant impacts on the environment in a country where natural resources constraints are severe. Indeed, the reforms aimed at improving the intensification of irrigated lands, the rational

utilisation of irrigation water, efforts at soil and water conservation, as well as land consolidation, are so many factors that contributed to the preservation of the natural resources.

4.5.8 The programme actions did not shelter plant and animal productions from climatic vagaries and from the swings and roundabouts on the international market. Nonetheless, these actions strengthened the stabilising function of the irrigated lands by improving the utilisation and intensification rates of crops in the irrigated schemes. The implementation of these actions helped cushion the negative impact of these exogenous shocks.

4.6 Overall Performance Rating

The performance rating tables are given as annex. The overall programme performance was satisfactory (rated 2.78). In spite of the shortcomings in the objectives relating to the expansion of the cold chain in the rural areas, to the development of aquaculture and livestock/long-cycle-crop combination, the relevance of the programme was satisfactory (rated 2.91). The irrigation water savings were encouraging, the land consolidation was slow but steady, the loss of investment opportunities owing to the inadequate investment premium for the irrigation equipment, was largely offset by the changes that took place later on. The persistent excessive indebtedness of the farmers and credit recovery did not mask the progress made, thanks to the credit subsidy. Consequently, the objectives and the results were satisfactorily achieved (rated 2.61). Efficiency (rated 3) and impact on institutional support (rated 2.57) were satisfactory. In spite of the risks and fluctuations due to vagaries of rainfall, the efforts made by the Government guarantee the sustainability of the programme impacts (rated 2.83).

4.7 Performance of the Borrower

The borrower's performance was satisfactory (rated 2.3). The preparation was correctly done (rated 2.75) but the implementation was slightly less satisfactory (rated 2.6) owing to the inadequate functioning of the inter-ministerial co-ordination committee. The monitoring and the reports were not correctly executed (rated 1).

4.8 Performance of the Bank

The overall performance of the Bank was satisfactory (rated 2.3). Certain concerns should, however, be noted. The Bank did not take part in the identification or preparation of the programme because at the time, it did not have the expertise to carry out structural adjustment programmes; the appraisal was done on the basis of the implementation of the first two phases of the programme. The problems and constraints were correctly analysed; however, the programme does not have performance indicators (rated 2.6), which explains the shortcomings of the inter-ministerial co-ordination committee.

4.9 Factors affecting Implementation, Performance and Results

The factors that greatly affected the programme are: favourable agricultural terms of trade (favourable trend of the world price of olive oil compared to that of hard wheat),

rainfall that was unfavourable in 1992-1995 but relatively favourable in 1996-1999. The synergy of previous and later programmes strengthened the impacts of the ASAP. Lapses in the management of both the borrower and the Bank gave rise to the delays in implementing the programme.

5. CONCLUSIONS, LESSONS AND RECOMMENDATIONS

5.1 Conclusions

5.1.1 The reforms implemented were relevant and useful; they were appropriate to the problems and constraints of Tunisia and helped the Tunisian Government in implementing its agricultural development strategy.

5.1.2 The programme made it possible to change the rules of the economic play and to create an environment henceforth favourable to private investment in agriculture. Overall, the programme objectives were achieved; however, the incentive measures implemented were not enough to give impetus to change and the reaction of the private operators in all areas of the agricultural sector like, for example, the expansion of the cold chain to the rural areas, the development of aquaculture and livestock/long-cycle-crop combination.

5.1.3 Plant productions, notably cereals, olive and vegetable crops and their yields fluctuated with the vagaries in rainfall, but the general trend was upward thanks to agricultural investment, which played a decisive role both in the presence and absence of a favourable rainfall. Livestock productions, especially beef and milk, increased continually and benefited particularly from the reforms carried out by the programme. It was only from 1996 that fish productions were actually stimulated.

5.1.4 Agricultural and livestock growth was the driving force behind the whole economy. However, in spite of the generally favourable agricultural terms of trade, the increase in the agricultural export value was not enough to offset the weight of agricultural imports, with the result that agriculture continued to feed the overall trade deficit; in addition, the improved food coverage observed was not sustained. The same went for the balance of public finance; the fall of the share in the GDP of the expenditures of the General Clearing House was not pursued. The budget deficit widened continually; on the other hand, the growth of agricultural and livestock productions contributed towards increasing the number of jobs, even if this improvement was not very significant.

5.2 Lessons

In addition to the lessons drawn from the PCR, the implementation of the programme teaches the following lessons:

- i) The level of economic incentives should be enough to attract the private economic operator; however, non-economic obstacles may prevent it from playing its role;

- ii) Liberalisation and State disengagement alone are not enough to promote private sector development; direct, accompanying or incentive measures like, for example, the investment premium and the subsidised and targeted agricultural credit, are indispensable;
- iii) In the absence of an appropriate tax system to finance them, the agricultural subsidies attached to the notion of strategic products, even though they contributed to poverty reduction, are not financially sustainable;
- iv) Even with attractive incentives, technical, administrative and staff problems related to the private operators, can inhibit their reaction to reforms;
- v) The articulation of the reform sequences into several phases of a programme creates a synergy that facilitates its implementation;
- vi) The growth of the agriculture and livestock sector did not automatically induce good export performance; specific and permanent efforts should be made to raise the level of competitiveness of the agricultural sector.

5.3 Recommendations

To consolidate the results achieved, in addition to the recommendations of the PCR and the generic recommendations relating to compliance with the undertakings made in the loan agreement (prepare quarterly reports, respect the disbursement procedures), it is recommended

- To the Government, to:

- i) Update the agricultural investment code and the investment incentive code to take account of the trend of the economic situation and, in particular, to maximise the reaction of the private sector and thereby avoid losing investment opportunities;
- ii) Adjust the incentives to take account of the particularities of the activities and operators, in order to increase the utilisation rate of the limited natural resources;
- iii) Pursue private sector promotion in order to speed up the relief of State from the financing of agriculture;
- iv) Pursue efforts to upgrade agriculture with a view to improving the competitiveness of agricultural products in the context of opening Tunisia fully to the world market.

-To the Bank, to:

- i) Strengthen the monitoring-evaluation mechanisms and the supervision guidelines, in order to monitor progress in the programme implementation;
- ii) Have the loan agreement provisions respected, notably the submission of quarterly reports;
- iii) Apply the operational guidelines.

5.4 Follow-up Actions

A. For the Government

- i) Inventory and analysis of the impact of the non-economic factors;
- ii) Compliance with the loan agreement commitments and provisions;
- iii) Studies on the really attractive level of the investment premium, causes of the failure of this premium in certain sectors, constraints on the reaction of the private sector to reforms;
- iv) Articulation of the direct and indirect incentives;
- v) Tax contributions to agricultural subsidies;
- vi) Intensification of efforts to promote private investment and improve competitiveness.

B. For the Bank

- i) Definition of a deadline for each of the reform measures;
- ii) Definition of performance indicators for programme preparation and appraisal;
- iii) Introduction of a monitoring-evaluation system.

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Performance Evaluation Ratings

Performances of the programme results

No	INDICATOR	RATING (1 to 4)	REMARKS
1	Relevance and initial quality	2.91	
i)	Consistency with the country's overall development strategy.	2	The programme is consistent with the Government's strategy to ensure food security and improve the utilisation rate of the scarce natural resources. However, the programme actions were not suited to aquaculture, expansion of the cold chain and livestock/long-cycle crop combination.
ii)	Consistency with Bank strategy	3	The programme is consistent with the Bank's strategy to concentrate its assistance in sectors where the constraints are heaviest.
iii)	Macroeconomic policy	3	The programme benefited from the synergy with the ISAP, SAP, EFRSP and the second line of credit to BNA.
iv)	Sectoral policy	3	The programme favoured the participation of the private sector and the co-operatives in the storage, collection, import and export of agricultural products. It stimulated private investment and increased plant and animal productions.
v)	Reform of public policies	3	The programme succeeded in gradually transferring the activities of public enterprises to the private sector and the co-operatives.
vi)	Poverty reduction	3	The increase in plant and animal productions had a favourable impact on poverty, whereas the programme did not have explicit poverty reduction actions or measures.
vii)	Social and gender equality	3	The programme increased the number of family aid jobs occupied mostly by women.
viii)	Environmental concerns	3	The expansion of the utilisation of drip irrigation equipment, improvement in the utilisation rate of irrigated lands, tariff at the actual cost of irrigation water, soil and water conservation and land consolidation contributed to preserving the environment.
ix)	Human resources development	3	The continuation of the APIP programme enhanced the agricultural policy analysis capacities.
x)	Institutional development	3	The change of the legal and statutory framework modified the macroeconomic environment and the rules of economic play.
xi)	Private sector development	3	The transfer of the activities of public agricultural enterprises created space for the private sector and the co-operatives. A direct incentive - the investment premium - was instituted to this end.
xii)	Regional economic integration	N/A	
xiii)	Initial quality	3	The programme was achievable in view of the technical capacities of the administration and its experience in economic and institutional reforms.

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2	Achievement of objectives and results	2.67	
	i) Goals -Incentives in favour of the private sector	4	The government achieved its objectives by accompanying liberalisation with the grant of investment premium and agricultural credit subsidy.
ii)	Physical objectives	3	Plant and animal productions increased and the contribution of the irrigated lands to agricultural production was stimulated.
iii)	Financial objectives	3	Savings of irrigation water increased to 20% but could have gone up to 30%.
iv)	Institutional development objectives		
	-Legal system	3	-Laws and decrees liberalising the economy; and provisions of the agricultural investment code, but it could be better and the reforms continued.
	-Private sector support	3	-The share of the private sector in economic activities increased; in particular, the private sector gradually took over the financing of agriculture from the State, but it could be better.
	-Sector aptitude	2	-There was significant progress, but the cold chain needs to be expanded and aquaculture to be developed.
	-Agricultural policy analysis	3	-The administration of agriculture was able to implement the programme in spite of the shortcomings of the Inter-ministerial Co-ordination Committee.
v)	Social objectives	2	The programme had no explicit poverty reduction objectives, but did contribute to it through reduction of the poverty ratio of the rural inhabitants.
vi)	Environmental objectives	2	The efforts were significant; however, much still remains to be done in all the sectors, particularly in land consolidation.
vii)	Private sector development objectives		
	-Legal framework for the private sector	2	-The change of the legal and statutory framework, which modified the rules of economic play was necessary but not enough to promote the private sector; it was in addition necessary to support it through the investment premium and the subsidised and well-targeted credit.
	-Restructuring of public enterprises	3	-ONH, OC, OEP ONP were restructured
	-Development of the financial sector	2	-Access to agricultural credit has improved but the debt and recovery problems subsist.
3	Efficiency	3	
i)	Economic rate of return	N.A	
ii)	Financial rate of return	N.A	
iii)	Cost effectiveness indicators	3	The share of the private sector in agricultural investments increased; the poverty rate decreased, irrigation water savings were 20%. The global factor productivity contributed to improving the economic growth by 34% in 1987-1997.

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4	Institutional development impact	2.57	
i)	National aptitude -Poverty reduction -Legal system -Support to the private sector -Natural and environmental resources -Capacity of the sector	3 3 3 2 3	-Significant progress has been made, notably in the rural sector. -Significant progress has been made especially in liberalisation laws and decrees and in the agricultural investment code. -The investments incentive code and the targeted agricultural credit. -Much remains to be done in the area of land consolidation. -The management capacities of the agriculture and livestock sector have been enhanced.
ii)	The executing agency -Policy analysis - Skills upgrading	2 2	-The outputs of the past show that the Government has the appropriate analytical capacities; however, there were some gaps in the competitiveness of agricultural products; the new globalisation challenges will demand new skills that should be acquired -idem
5	Sustainability	2.67	
i)	Technical viability	N.A	
ii)	Borrower's continued commitment	3	The Government's commitment has been constant but has revealed some weaknesses in the Inter-ministerial Co-ordination Committee.
iii)	Socio-political support (participation of the beneficiaries, protection of the vulnerable groups, political stability)	3	The beneficiaries participate more and more in the management of the sector through the Collective Interest Associations (CIA). The many social programmes contribute to protecting the vulnerable populations; however, the agricultural sector is unable to create adequate salaried jobs to maintain the youths in the countryside. The country enjoys political stability.
iv)	Economic viability	3	The synergy between the different phases of ASAP and the previous and later reform programmes made it possible to achieve acceptable performances in spite of the negative effects of the vagaries of rainfall.
vi)	Institutional arrangements	2	The DGPDIAC accomplished its programme monitoring task, but the Inter-ministerial Co-ordination Committee was not really involved in the implementation of the programme and the quarterly reports were not produced.
vii)	Environmental viability	3	The programme outputs contributed to environmental preservation.
viii)	Insensitivity to exogenous factors	2	The performances of the economy are still sensitive to the vagaries of weather, fluctuations in the prices of exported products, and to the competition of other countries on the world markets.
6	Overall performance indicator	2.76	Satisfactory

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Performance of the Borrower

INDICATORS	RATING (1 to 4)	REMARKS
1. Preparation quality	2.75	
-Ownership, participation of the beneficiaries	2	-The co-ordination committee was not involved, which explains the delays; there were also some delays in the transfer of activities to the private. The private sector co-operated at times with some delays.
-Government's commitment	3	-The government's commitment was constant, but there were lapses in the functioning of the inter-ministerial co-ordination committee.
-Macroeconomic and sectoral policies	3	-The sectoral policies were well blended with the macroeconomic measures.
-Institutional arrangements	3	-The institutional arrangements made were appropriate with the exception of the inter-ministerial co-ordination committee, which was inefficient.
2. Implementation quality	2.3	
-Management performance	2	-It was correct except for the non-functioning of the inter-ministerial co-ordination committee.
-Utilisation of technical assistance	3	-It was efficiently utilised for agricultural policy analyses (APIP project).
-Respect of the costs and the schedule	2	Costs were kept under control, but there were slippages on implementation schedule.
3. Respect of the loan conditions	3	On the whole, the loan conditions were correctly fulfilled within a reasonable deadline.
4. Follow-up, evaluation and reports	1	The inter-ministerial co-ordination committee did not function well and quarterly reports were not produced.
Borrower's overall performance	2.3	Satisfactory; however, there were worrying lapses in the monitoring and production of reports.

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Performance of the Bank

INDICATORS	RATIN G (1 to 4)	REMARKS
1. At identification	N.A	The Bank did not participate in the identification
2. At preparation	N.A	The Bank did not participate in the preparation
3. At appraisal	2.75	
-Quality of the technical, economic, financial, institutional, social and environmental analyses.	2	-These analyses did not have performance indicators.
-Relevance of the conditions	3	-The purpose of these conditions was to «gradually remove the constraints identified”.
-Appropriate character of the lending instrument	3	-The utilisation of a sectoral SAP is appropriate for the structural and institutional changes to be made.
-Financing level	3	Adequately substantial to effect the sectoral reforms.
-Co-ordination with other donors	N.A	
4. At supervision	1.5	
-Staffing quality	2	-The staff used for the monitoring was appropriate, but there was no supervision mission.
-Solution of problems	1	- No involvement of the co-ordination committee, no submission of quarterly reports, no supervision mission.
Overall Bank performance	2.12	Satisfactory. However, the absence of supervision quite compromised the normal implementation of the programme.

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Retrospective matrix of the logical framework

Hierarchy of objectives	Objectively verifiable indicators			Means of verification	Risks/Assumptions	
	Indicators	Outputs				
		At appraisal 1988-1991	On completion 1992-1995	At post-evaluation 1996-1999		
1. Overall objective Contribute to increasing the welfare of the population	- Per capita income -Per capita consumption -Rate of urban poverty -Rate of rural poverty	1,344.1 D 1,072.2 D 7.3% (1990) 5.7% (1990)	1,667.5 D 1,144.3 D 7.1% (1995) 4.9% (1995)	2,241.5 D 1,248.2 D - -	INS, DGPDIA statistics	
2 •Programme objective Contribute to: -Economic growth -Balance of payments stability -Balance of the State budget - Creation of jobs	-Agricultural growth rate - Overall growth rate -Agricultural deficit/total deficit -Balance of payments/GDP -CGC/GDP subsidies -Budget deficit/GDP -Agricultural salaried workers -Family aids	20.5% 5.2% 18.4% - 2.9% 4.5% 6.5% -1.3%	-8.3% 2.6% 13.9% 0.83% 1.78 4.2% -5.7% 19.6%	12.5% 5.9% 17.8% 2.2% 2.1% (1996) 4.7% 28% -2%	Agricultural statistics, Economic budgets, INS	-Favourable weather conditions -Inadequate reaction of the private sector to reforms -Deterioration of the international economic situation
3. Outputs						
3.1 Easing of trade restrictions, price decontrol and reduction of subsidies	Law of 27/12/1993, decree no94-427 of 14/2/1994; decree no94-1166 of 23 May 1994.	-	-	-	Gazette	-Difficulties of interpretation and administrative application. -Non application of the laws and decrees
3.2 Transfer of activities to the private sector and the co-operatives	-Share of the private in the collection of cereals -Share of the private in the export of olive oil	0% 0%	3.6% 1%	57% (1999) 60% (1999)	DGPDIA	-Resistance of the social partners - Slow implementation of the Government's share
3.3 Enhancement of the efficiency of public expenditures and investments	-Utilisation rate of the irrigated lands -Intensification rate of the irrigated lands -Irrigation water savings rate -Contribution of the PGF to economic growth	- - - -33% (1982-1986)	79% 85.7% - -	80% 88.3% 20% (1999) 34% (1987-1997)	Agricultural statistics, Economic budgets, DGPDIA	-Inadequate economic incentives -Unfavourable weather conditions
3.4 Improvement of agricultural development support services	- Growth of supervised BNA credit - Growth of the beneficiaries of the supervised BNA credit - FOSEA and FOSEP credit	- - -	4.7% (1993-94) 14.3% 7.4%	7.4% (1998-99) 25.6% 5.3%	Economic budgets, DGPDIA	Excessive indebtedness and difficulties of recovery
3.5 Rationalisation of natural resources	Family lands consolidation	-	-	-	DGPDIA	Resistance of families

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Hierarchy of objectives	Objectively verifiable indicators			Means of verification	Assumptions/Risks	
	Indicators	Outputs				
		At appraisal	On completion			At post evaluation
3.6 Strengthening of the economic and financial analytical capacities	Officials of the Ministry who have benefited from training	-	-	Several	DGPDIA	Poor management of skills
4. Activities						
4.1 Reforms of the legal and institutional framework	Laws, decrees and political stability	Financing plan (in million UA) 90.00 90.00			-Loan agreement -Tunisia's budget	-Constant Government commitment -Interruption of the programme -ADB's withdrawal
4.2 Price incentives	- Cereal producer prices - Cattle price - Milk price -Olive producer prices -Price of cereal seeds -Price of potash sulphate -Working day price					
4.3 Promotion of private agricultural investment	-Agricultural investment growth rate -Share of the private in the total investment					
4.4 Stimulation of plant and animal productions	-Cereal production -Olive production -Potato production -Tomato production -Meat production -Milk production -Fish products					

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Factors affecting implementation and results

Factors	Substantial	Partial	Negligible	N.A	Remarks
1. Not subject to Government control					
1.1 World market price and international context	+				Agricultural terms of trade (olive oil/cereals) were favourable
1.2 Natural events	-				The 1994 and 1995 drought played a negative role in the performances of the programme
1.3 Performance of the Bank	-				Lack of Bank supervision
1.4 Performance of the consultants	+				The APIP project helped in analysing the agricultural policy.
1.5 Civil war				N.A	
1.6 Others				N.A	
2. Subject to Government control					
2.1 Macroeconomic policies	+				Implementation of the SAP and the EFRSP
2.2 Sectoral policies	+				Implementation of the ISAP and the second line of credit to BNA
2.3 Government's commitment	+				It was constant except for the inter-ministerial co-ordination committee.
2.4 Staff with authority	+				The Ministry of Agriculture has the necessary administrative authority.
2.5 Counterpart funds				N.A	
2.6 Administrative capacity	+				The Ministry of Agriculture is well equipped with competent staff.
2.7 Others				N.A	
3. Subject to the control of the executing agency					
3.1 Management	+				The inter-ministerial co-ordination committee did not function well
3.2 Staff	+				The skills of the DGPDIA staff are good
3.3 Use of technical assistance	+				It was decisive in analysing the interactions between the agricultural policies and the macroeconomic impacts
3.4 Monitoring and evaluation	-				The inter-ministerial co-ordination committee did not function well and there was no Bank supervision mission.
3.5 Participation of the beneficiary	+				The co-ordination committee did not function well but the private sector collaborated well.
3.6 Others				N.A	

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4.Factors affecting implementation					
4.1 Changes in the programme size				N.A	
4.2 Non-evaluation of the physical inputs				N.A	
4.3 Adequate physical conditions and pricing				N.A	
4.4 Exchange rate fluctuations and changes in the financial and institutional conditions.	+				The financial and institutional conditions were favourable thanks to the reforms of the SAP, ISAP, EFRSP and the second line of credit to BNA.
4.5 Unrealistic implementation schedule	-				The implementation schedule was unrealistic because there was a slippage of 6 months on the implementation.
4.6 Quality of management, including financial management.	-				The inter-ministerial co-ordination committee did not function well and there was no Bank supervision.
4.7 Delay in selecting the staff, consultants and in receiving the counterpart fund.				N.A	
4.8 Inefficient disbursement and goods and services procurement procedures.			-		There was no problem at this level
4.9 Others				N.A	

Republic of Tunisia
Agricultural sector adjustment programme (ASAP)
Matrix of recommendations and follow-up actions

Observations	Recommendations	Follow-up Actions	Responsibility
Programme formulation			
1) Inaccuracy of the reforms implementation schedule	-Beef up the monitoring-evaluation mechanisms	-Draw an accurate schedule for implementing the measures	OCOD/OPEV
Evaluation			
2) The programme does not have restrictive performance indicators	-Beef up the monitoring-evaluation mechanisms	-Define accurate and restrictive performance indicators.	OCOD/OPEV
3) There was no supervision mission	-Strengthen the supervision guidelines	-Fix in advance the supervision mission schedule	OCOD/OPEV
Implementation			
4) The implementation schedule underestimated the role of the non-economic factors.	-Strengthen the Study and Agricultural Policy Analysis Services	-Make an inventory and an analysis of the impact of the non-economic obstacles on the implementation of the programme.	Government
5) The inter-ministerial co-ordination committee did not function	-Strengthen the monitoring-evaluation mechanisms	-Redefine the role of the inter-ministerial co-ordination committee.	OCDN
6) Quarterly reports were not produced	-Apply the Bank's operational guidelines -Idem	- Respect the terms of the loan agreement.	Government FLAD
7) There were six disbursements instead of the two planned.		-Idem	
Performance Evaluation			
8) The investment premium for physical irrigation was adjusted to stimulate the intensification of irrigated lands.	-Revise the agricultural investment code and the investment incentive code periodically. -Adjust the incentives to take account of the particularities of the activities and the operators.	-Conduct a study to determine the really attractive level of the investment premium. -Conduct a study to determine the causes of this failure.	Government Government
9) The investment premium did not stimulate the expansion of the cold chain in the rural areas or develop aquaculture.	-Strengthen partnership links with the private sector.	-Associate and articulate the direct and indirect incentives.	Government and OCDN
10) Liberalisation was not accompanied by a system of direct incentives to private agricultural investment.	- Widen the tax base	-Find fiscal counterparts to agricultural subsidies.	Government and OCDN
11) Agricultural subsidies are weighing more and more heavily on the State budget.	- Stimulate private investment in favour of agriculture	-Intensify the promotion of private investment.	Government and OCDN
12) Agricultural investment is a deciding factor of agricultural growth.			

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Observations	Recommendations	Follow-up Actions	Responsibility
13) The technical, administrative and personnel factors limit the reactions of the private operators to the reforms.	- Continue with the strengthening of the study and agricultural policy analysis services.	-Conduct studies to determine the constraints on private sector reaction.	Government
14) Agriculture is unable to improve its contribution to the balance of payments stability	- Pursue efforts to upgrade agriculture.	-Identify the growth-led sectors on which efforts should be concentrated in order to improve the competitiveness of agricultural products.	Government and BCT

