AFRICAN DEVELOPMENT BANK GROUP

TUNISIA

RAILWAY NETWORK IMPROVEMENT IN SFAX REGION

Project Performance Evaluation Report (PPER)

OPERATIONS EVALUATION DEPARTMENT
(OPEV)

13 March 1998

1. PROJECT BACKGROUND AND CONCEPTION

1.1 This abbreviated project performance audit report (PPAR) concerns the Railway Network Improvement Project in Sfax Region. The project, the total cost of which was estimated at UA 22.86 million, was identified and prepared by the SNCFT, and appraised by the Bank in February 1983. Its financing via a UA 11 million loan was approved in June 1984. The loan became effective sixteen months later, and the project was completed on 30 June 1993, eight years behind schedule.

1.2 OPEV evaluation of the project completion report (PCR) distributed in March 1996 (Ref. ADB/IF/96/75), gave the project a satisfactory rating and recommended the preparation of an abbreviated project performance audit, while awaiting the completion of the South Rail and Central Roads Network Rehabilitation Project, approved in 1991, before proceeding to review the impact of Bank operations in the Tunisian rail sub-sector. The report under consideration evaluates and adds to information contained in the PCR; it uses data from the said PCR, the appraisal report and various other project documents.

1.3 This is the first PPAR of the five projects in the rail sub-sector financed by the Bank in Tunisia. According to the review of the Bank's portfolio in Tunisia prepared in 1996, (i) implementation performance in the infrastructure sector is considered among the best; and (ii) various departments and parastatals have competent professionals and a solid project implementation capacity.

2. SECTORAL OBJECTIVES, CONCLUSIONS AND PERFORMANCE

Project Objectives

2.1 The project falls within the context of rail transport modernization and aims at improving transiting through Sfax (the country's third largest town), as well as SNCFT's productivity and quality of services in the region.

Achievements

2.2 To overcome the rail traffic constraints at the Sfax station caused by the confluence and configuration of two rail networks, seven (7) components (see PCR § 2.2.2) were initially planned, with a view to rehabilitating 56 km of railway from and to the Sfax station, and for the station itself, for: (i) the construction of a bypass skirting the town; (ii) development of two specialized beams; and (iii) the construction of a new building and station dock. Technical modifications (see PCR § 4.2.3) were made during the implementation phase in the light of the regional tourism development plan, the data of which had not been taken into account during the project appraisal.

3. IMPLEMENTATION AND OPERATIONAL PERFORMANCE

3.1 Implementation Performance

3.1.1 The project which was scheduled to cover two years, fell behind schedule for a full eight years. The project was immature and inadequately appraised. The conditions for effectiveness and the number and complexity of project activities for implementation were under-estimated, as a result of which unrealistic implementation timeframes were set. These delays, the causes of which are extensively analyzed in paragraph 4.3.4 of the PCR, coincided with a period of high growth in transport demand. Thus, they contributed to the stagnation and, thereafter, the sharp decline in the market share of rail transport which, unlike road transport, was unable to meet the demand. The increase in SNCFT activities fell far short of the appraisal prospects, and the economic and financial performance lower than projected (internal rate of return of 11.18%, instead of 13.4%).

3.1.2 The 10-month time lag in loan effectiveness was due to the delay in meeting the condition requiring the Borrower to undertake to make annual budget entries for the counterpart contribution. In view of the budgetary process in force in Tunisia at that time, it was technically impossible to satisfy that condition within a shorter period. However, apart from the fact that that constraint should have been taken into account and a solution found at the appraisal and loan negotiation phase, its interpretation was confusing. Indeed, since a commitment, not proof, of a budget entry was needed, the condition could have been fulfilled and the loan made effective much earlier. The misinterpretation finally resulted in a needless freezing of Bank resources.

3.1.3 It will be noted that of all the loan conditions, the two concerning the restoration of SNCTF's financial balance and crucial for the sustainability of project impact, were not fulfilled. Yet, these were the most pertinent, in tune with the Bank's General Conditions on Loan Agreements.

3.1.4 Although the goods and services procurement methods set out during the appraisal were respected, the bureaucracy surrounding Tunisian market regulations and the breakdown of contracts into tiny batches caused delays in the procurement and implementation process. Project progress reports, of acceptable quality, were regularly forwarded to the Bank, same as the project completion report. However, neither the annual nor final project accounts auditing were carried out.

3.1.5 Finally, the Bank contributed to financing UA 7.01 million (38%) of the project cost, compared with UA 11 million projected at appraisal. The Tunisian Government contributed UA 11.46 million (62%). The reduced Bank financing is attributable to: (i) the transfer of financing of the signalling component amouting to UA 3.5 million from the Bank to the Government; and (ii) the 43.1% depreciation of the Tunisian Dinar against the UA, as a result of which Government financing increased by UA 4.13 million. No significant disbursement problem was pointed out, apart from the extension of the disbursement period.

3.1.6 The final cost of the project, in Bank units of account, was 19.2% short of the cost estimated at appraisal, attributable to the modification of components and the devaluation of the Tunisian Dinar. The UA 3.99 million Bank loan balance was cancelled.

3.2 Operational, Economic and Financial Performance

3.2.1 Excluding mine transportation (phosphates) which it monopolizes, the competitiveness of the Tunisian railway, masked somewhat by the protection it enjoyed, declined steadily between 1980 and 1994. Today, the rail sector only covers 15% of inter-urban goods and passenger transport, and 5% of sub-urban passenger transport.

3.2.2 This loss of competitiveness worsened from 1992 with the development of the road network, the deregulation of goods transportation and the privatization of road transport. The causes include:

(a) the country's economic geography which, *a priori*, does not favour rail transport. Economic activities are concentrated in the North and East Central zones (Tunis-Sousse-Sfax axis); distances are short and concern relatively limited unit quantities;

(b) the SNCFT's inadequate commercial policy and poor services (delays, travellers lack basic comfort) contribute to stagnating its goods transportation (0.76% yearly since 1985), notwithstanding the fact that the sub-sector is expanding rapidly, 75% of which is controlled by road transport. On annual average, truck traffic has increased by 11% since 1987;

(c) the low general productivity level: at the technical level, this inadequacy is the result of the heterogenous locomotive fleet and infrastructure maintenance which generate relatively high production costs. Although staff productivity has improved steadily since 1980, the staff expenditure/traffic income ratio, currently at 60%, should further decline to between 30% and 40%, to attain a sustainable financial level.

Table 3.1 below shows the comparative productivity factors:

Table 3.1 - Railway Operating Efficiency

Indicators	Tunisia	Morocco	France
Traffic density (1000 traffic units/line km)	1.67	3.73	3.43
Locomotive availability (%)	65	81	93
Staff productivity in 1994 (traffic unit/worker/year)	405	505	566
Average distance (km)			
Passengers	37	NS	76
Goods	190	NS	365

Source: Transport Strategy Study, World Bank

3.2.3 Apart from the modifications mentioned in paragraph 4.2 of the PCR, the project's physical infrastructure were implemented according to the rule book, in conformity with the appraisal characteristics, and have operated satisfactorily since then.

3.2.4 Savings made following improvements to the rail network have generally been below the appraisal estimates, the actual trend of passenger and goods traffic having been below projections. Infrastructure set up adequately met project objectives and led to substantial savings amounting to nearly 2.5% of total operating expenditure. Expenditure relating to the elimination of unskilled labour and reduction of maintenance costs each accounted for about 25% of these savings. The internal rate of return of 11.18% is satisfactory, although it is lower than the appraisal estimate of 13.4%. The fall is attributable to the 8-year implementation overrun, and traffic growth far below appraisal projections.

3.2.5 The SNCFT's financial imbalance remained unchanged over the project implementation period. The Bank's recommendations and conditions with regard to tariffs were only implemented in 1992 when a programme-contract providing for an annual 7% increase in tariff (passenger and goods) was signed between the SNCFT and the State. The recovery measures began to bear fruit from 1994 when the liquidity situation improved (65.18% in 1994 compared with 36.98% in 1992). The financial autonomy also improved from 37.4% in 1993 to 73.5% in 1994. However, investment financing using equity resources remains low (53.18%), the same as capitalization (86.36%). The operating deficit continues. The second programme-contract between the State and the SNCFT (1997-2001) provides for the stabilization of staff expenses at 50% of the operating expenses.

4. PERFORMANCE OF THE BORROWER, THE EXECUTING AGENCIES AND THE BANK

4.1 No technical or financial irregularity was recorded against any of the suppliers or contractors during the implementation phase, and the quality of their services was considered satisfactory. Most of the implementation deadlines were respected except those in connection with: (i) rail and ballast installation works which took 57 instead of 18 months, delay caused by the award of the railway equipment supply contracts and maintenance of network operations during the works implementation phase; and (ii) the signalling and telecommunications system, the supply and installation of which was delayed for one year, and for which the contracting firm was penalized.

4.2 The performance of the SNCFT in its capacity as the loan beneficiary and project executing agency, was unsatisfactory for the following reasons: (i) inadequate project preparation, especially lack of coordination with the local authorities with a view to incorporating their development plans; (ii) inadequate project management at works start-up; and (iii) the non-fulfilment of conditions regarding the financial balance of the SNCFT.

4.3 The Bank performed unsatisfactorily. The project, unprepared and inadequately appraised, did not receive the attention it merited with: (i) a time lag of nearly 10 months before the loan became effective; (ii) the lack of training of the project management team, particularly with regard to monitoring the effective fulfilment of conditions; and (iii) lack of project supervision especially with regard to monitoring the fulfilment of conditions.

5. PROJECT SUSTAINABILITY

5.1 The technology used is tested and presents no risks with regard to the sustainability of project impact, apart from the usual need to carry out regular installation maintenance which, in this particular case, falls within the general rail network maintenance context for which a budget allocation has been provided. However, the sustainability of the project impact is directly linked to the SNCFT's financial situation. The related risk concerns its chronic deficit and the imbalance of its financial structure.

5.2 At the financial level, activities have continued so far, thanks mostly to the State's massive financial transfers to the sector. The sustainability risk will only be attenuated with the restoration of competitiveness to the sector. The determining factors to competitiveness are: (i) the network density which is and remains an immutable structural factor in view of the highly capital-intensive nature of such infrastructure, and the fact that Tunisia has fallen behind in that regard; and (ii) staff and technical productivity (availability of locomotives and the network), the only area where the SNCFT could bring to bear to restore its competitiveness.

5.3 In order to have a competitive sector, operating only in areas with a sure comparative advantage over other modes of transport, the management will be balanced in the long term, efforts initiated under the 1992-1996 programme-contract to restructure the rail sector should continue:

a) <u>at the policy level</u>: by redefining the economic role which the railway should play within the national transport system;

b) <u>at the institutional level</u>, by:

   (i) rescaling rail activity after internally determining and selecting the commercially profitable competitive windows and, with the State, deciding on the public services to offer;

   (ii) radically reducing the current over-expanded structure (39 officers with rank of Director, 20% of staff involved in general administration), promoting services which target customer satisfaction, enhancing commercial and financial performance;

   (iii) significantly reducing SNCFT staff through management rationalization, staff skill improvement; privatizing and sub-contracting some of SNCFT operations;

c) <u>at the technical level</u>: intensifying the rehabilitation of the network and introducing a rigourous rail network and rolling stock maintenance policy.

5.4 SNCFT's management autonomy should also be strengthened. State financial transfers should, as time goes on, be limited to compensating public service commitments determined by the authorities, and infrastructural investment. The private sector should be encouraged to participate more actively via the sub-contracting of support operations (maintenance, handling, catering), and the running of certain services (express parcel post, etc.).

6. PERFORMANCE AND RESULT RATING

Detailed ratings on various aspects of project performance are given in tables in Annex 4 of this report.

<u>Implementation Performance</u>

6.1 The implementation performance is not satisfactory. The project fell behind schedule in terms of implementation and fulfilment of loan conditions.

Bank's Performance

6.2 The Bank did not perform satisfactorily. Major lapses were noted in project design and appraisal. Subsequently, implementation supervision was inadequate.

Programme Performance

6.3 The project performed satisfactorily. Objectives were met and the SNCFT's financial structure and institutional capacity improved steadily during the project implementation phase, although not enough to sustain project impact. The sustainability of project impact is linked to the survival of the rail sector, and requires the restoration of rail competitiveness vis-à-vis other means of transport, with a view to ensuring long-term commercial and financial viability.

7. CONCLUSIONS AND LESSONS

7.1 Conclusions

The general project performance which averages 2.65 (all ratings combined), is satisfactory. The project which suffered major design and appraisal inadequacies, was implemented within the projected budgetary limits. However, the probability of sustaining project impact is subject, in the long term, to the continuation of the sectoral restructuring efforts and the restoration of its competitiveness compared with other means of transport.

7.2 Lessons

The audit agrees with the lessons drawn in the PCR, especially that:

(i) the technical competence of the executing agency contributed to the project's success and attenuated the impact of inadequate project design and appraisal;

(ii) the renewed tariff adjustments contribute effectively to sanitizing SNCFT's finances;

(iii) inadequate preparation, coordination and supervision adversely affected the implementation performance quality and sound resource management;

(iv) the dispersion of accounting and financial information impacted negatively on sound resource and information management.

7.3 Recommendations

7.3.1 The audit agrees with the recommendations of the PCR, as follows:

The Borrower should:

(i) thoroughly evaluate the impact of operating constraints on track laying works and on the implementation timeframe;

(ii) centralize accounting and financial data within the project management unit;

The Bank should:

(iii) strengthen regular project supervision and follow up the fulfilment of general and special loan conditions;

(iv) adequately prepare and appraise projects as soon as the engineering studies are completed.

7.3.2 In addition, in order to guarantee sustainability of the project impact, it is recommended that the Borrower:

(v) radically pursue the rail sector restructuring and rescaling exercise;

(vi) promote the commercial, accounting and financial services with a view to balancing its financial management, covering all its charges and replacing its investments; and

(vii) encourage private sector participation in the sub-sector, especially in maintenance and support activities.

7.4 Follow-up Action

The issues requiring follow-up action are extensively discussed in the following matrix of actions (Annex 1).

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Matrix of Recommendations and Follow-up Action

Comments and and Lessons	Recommendations	Follow-up Actions	Responsibility
Formulation 1. The Bank did not prepare the project.	1. Projects necessarily have to be appraised; the appraisal should be formalized with a report stating the project location and other pre-requisites to their appraisal.	1. Strengthen the application of operational guidelines on project preparation.	1: OPVP
2. The poor appraisal of the complexity of some works and the non-inclusion during project design of the infrastructural needs of the region's development programmes and projects resulted in an unrealistic implementation schedule, the modification of works (type, scope), costs and implementation schedule.	2. Project appraisal should be based on detailed design to better programme the human, material, financial and time resources of the implementation phases (detailed studies, procurement, works, tests, supervision). In the case of an infrastructural project, its relevance to regional development programmes and projects should be verified (market study, territorial scope, etc.).	2. Review guidelines on project appraisal, strengthen them by introducing modern tools and appraisal standards; strictly enforce the guidelines.	2: OCOD OPVP OPEV
3. Relevant sectoral and operational performance indicators permitting follow-up of project implementation and measurement of attainment of project objectives are absent.	3. The logical framework should be systematically used during project appraisal, with a view to improved definition of performance indicators.	3. Adapt and strengthen the application of the logical framework (MPDE) by defining the current indicators by economic activity sector.	3: OCOD OPVP OPEV

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Matrix of Recommendations and Follow-up Action (cont.)

Implementation 1. The executing agency (EA) did not fully understand the Bank's rules of procedure.	1. The training of EA officers on the Bank's rules of procedure is indispensable.	1. Systematize the training of EA experts, on the basis of approved loan portfolio.	1. CADI OPVP Borrower
2. The sub-division of contracts generated additional work and delays.	2. Borrowing countries' and the Bank's project management capacity should be strengthened, with a view to enhanced rational management of project activities.	2.1 Ensure proper appraisal of the human and material resources of Eas. 2.2 Ensure and subsequently provide necessary training to Bank and EA experts.	2.1 OPVP 2.2 CADI OPVP Borrower
3. The project was not adequately supervised.	3. The project supervision system should be reviewed to allow for better resource utilization.	3. Review the supervision system and strengthen its application.	3. OCOD OPVP
Respect of Loan Conditions 1. The audit of Bank project accounts and two conditions on restoration of the financial balance were not fulfilled.	1. The borrower should strictly respect loan conditions and compliance with these conditions should be verified in the course of supervision missions.	1. Audit project accounts and strengthen follow-up of fulfilment of loan conditions.	1. OPVP OCOD Borrower
Sustainability 1. The sustainability of project impact is called to question by the SNCFT's chronic deficit, and is linked to the survival of the rail sector.	1. The competitiveness of the rail sector vis-à-vis other transport systems should be restored with a view to ensuring its long-term commercial and financial viability and re-establishing the SNCFT's financial balance.	1.1 Define the transport master plan and the rail sectoral plan, associated with policy thrusts with a view to rescaling the plan. 1.2. Pursue the sectoral reform and reorganization of the SNCFT and its autonomy, encourage more active participation of the private sector.	1.1 Borrower 1.2 Borrower

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ABBREVIATED PERFORMANCE AUDIT REPORT

Retrospective Matrix

<table>
<tr><th>Narrative Description</th><th>Verifiable Indicators</th><th>Means of Verification</th><th>Assumptions and Risks</th></tr>
<tr><td>Sectoral Objectives
1. Modernize and develop the network, improve traffic and traffic security conditions.</td><td>At Appraisal / Ex-post
Level crossing accidents: (/yr.) — 67 / 15
Serious collision (/yr.) — 15 / 4 to 5

Post project train and customer time gain:
On manoeuvres: 45 mn per train
Elimination of retracking: 10 mn per train
Layout improvement: 4 mn on all trains
Track replacement: 8 mn for users</td><td>* National and sectoral statistics (Planning, Transport)</td><td></td></tr>
<tr><td>Project Objectives:
Enhance traffic flow on the Sfax region network and:

• Improve productivity
• Improve the quality of services
• Reduce maintenance costs.</td><td>Productivity
• Traffic units/employee — 1981: 286; 1994: 405
• Availability of locomotives — 1988: <60%; 1994: 65%
Economic Benefits in 1994 (in DT/annum)
Estimated 1985 / Estimated 1994 / Actual 1994
Manoeuvres: 83.513 / 167.026 / 626 162
Layout: 101.626 / 135.000 / 86.198
Retracking: 17.637 / 33.811 / 46.961
Maintenance: 300.710 / 529.500 / 467.560

Internal rate of return: (%)
• At appraisal: 13.40
• PCR: 11.18</td><td>*SNCFT's annual progress reports

* SNCFT statistics</td><td>* National and sectoral reforms put in place should be pursued.

* The rescaling of the rail sector, the reorganization and autonomy of the SNCFT, as well as the active participation of the private sector should be encouraged.</td></tr>
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ABBREVIATED PERFORMANCE AUDIT REPORT
Retrospective Matrix (cont.)

<table>
<tr>
<td>Achievements:
1. Relaying of 56 km of track
2. 7.5 km deviation
3. 2 goods and traveller beams
4. Station building
5. Signaling and communications</td>
<td>1. 56 km of track relaied.
2. 7.5 km of track deviation.
3. 17 km two beam development.
4. New station building constructed and station equipped.
5. Signaling and telecommunications systems installed.</td>
<td>* SNCFT quarterly progress reports

* ADB mission and completion reports.</td>
<td>* The project was eight years behind schedule.</td>
</tr>
<tr>
<td>Activities:
1. Procurement of goods and services.

2. Works: civil engineering construction

3. Installation

4. Follow-up and works supervision</td>
<td>1. Costs: (in UA million)
<table>
<tr><th></th><th>Est</th><th>Actual</th><th>Gap (%)</th></tr>
<tr><td>Land</td><td>1.19</td><td>2.38</td><td>+100</td></tr>
<tr><td>Earthworks</td><td>7.36</td><td>4.56</td><td>- 38</td></tr>
<tr><td>Buildings, quay</td><td>1.08</td><td>1.47</td><td>+ 36</td></tr>
<tr><td>Track and ballasts</td><td>10.44</td><td>5.43</td><td>- 48</td></tr>
<tr><td>Station development</td><td>1.45</td><td>2.58</td><td>+ 78</td></tr>
<tr><td>Signaling and telecom.</td><td>0.75</td><td>1.29</td><td>+ 72</td></tr>
<tr><td>Follow-up, superv.</td><td>0.59</td><td>0.75</td><td>+ 27</td></tr>
<tr><td>Total</td><td>22.86</td><td>18.40</td><td>- 19</td></tr>
</table>
2. Financing Plan: (in UA million)
<table>
<tr><th></th><th colspan="3"><-----Estimated-----></th><th colspan="3"><-------Actual--------></th><th></th></tr>
<tr><th></th><th>F.E.</th><th>L.C.</th><th>Total</th><th>F.E.</th><th>L.C.</th><th>Total</th><th>%</th></tr>
<tr><td>ADB</td><td>11.00</td><td>0</td><td>11.00</td><td>7.00</td><td>0</td><td>7.00</td><td>64</td></tr>
<tr><td>Gvt</td><td>0</td><td>11.86</td><td>11.86</td><td>1.29</td><td>10.17</td><td>11.46</td><td>97</td></tr>
<tr><td>Total</td><td>11.00</td><td>11.86</td><td>22.86</td><td>8.29</td><td>10.17</td><td>18.46</td><td>81</td></tr>
</table>
</td>
<td>* SNCFT quarterly progress report

*ADB Mission reports (follow-up, supervision, completion)

* Bank's disbursement records</td>
<td>* Improvement in SNCFT's financial situation.

* The borrower's and ADB's financing put in place.

* Suppliers of goods and services and contracting firms live up to expectation.</td>
</tr>
</table>

Annex 3

TUNISIA - IMPROVEMENT OF THE RAIL NETWORK IN SFAX REGION

ABBREVIATED PERFORMANCE AUDIT REPORT
Some Data Base

A - The Borrower

Country	:	Tunisia
Project	:	Improvement of the rail network in Sfax region
Loan number	:	CS/TN/TR/83/019
Borrower	:	Government of the Republic of Tunisia
Executing Agency	:	Société Nationale des chemins de fer tunisiens (National Railway Corporation, SNCFT)

B - ADB Loan

		Est.	Actual
Amount (UA million)	:	11.00	7.00
Approval date	:	NS	21/6/83
Dates of			
a/ signature	:	NS	07/10/83
b/ effectiveness	:	06/4/84	29/01/85
c/ first disbursement	:	31/12/84	30/6/85
d/ final disbursement	:	31/12/86	19/01/94

C - The Project

		Est.	Actual
Total cost (UA million)	:	22.86	18.46
Source of Financing			
ADB	:	11.00	7.00
Gvt	:	11.86	11.46
Implementation duration	:	25 months	101 months (8½ years)
PCR date and reference	:	ADB/BD/IF/96/75 of 11 March 1996.	

D - Performance Indicators

Cost overruns	:	. Project savings of UA 4.4 million (19,2%) and . Loan balance of UA 3.99 million (36.2%), cancelled.
Delay vis-à-vis the schedule	:	. 8 years above the estimated works completion date
Performance		
a/ General project performance	:	Satisfactory
b/ Implementation	:	Not satisfactory
c/ The Bank	:	Not satisfactory

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Implementation Performance

Indicators	Rating	Comments
1. Respect of implementation schedule	1	The project which was to have been implemented over 2 years was delayed for 8 years, of which 10 months for loan effectiveness.
2. Respect of costs	3	The 19.2% savings on the total project cost expressed in UA is subsequent to some project modifications and a 43% depreciation of the UA vis-à-vis the Tunisian Dinar.
3. Respect of loan conditions	1	The conditions precedent to effectiveness were met 16 months following signature of the loan agreement; 2 of the 3 "other conditions" concerning the firm's financial balance were not put in place.
4. Adequacy of follow-up/evaluation and quarterly progress reports.	2	After a difficult start-up, the management team organized adequate project follow-up and forwarded the quarterly progress reports regularly.
5. Satisfactory operations	2	The installations have operated satisfactorily under current traffic conditions.
General performance evaluation	**1.8**	**Unsatisfactory performance following delays recorded during the implementation phase and non-fulfilment of loan conditions regarding the sustainability of project impact.**

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Bank's Performance

Indicators	Rating	Comments
1. At identification	NA	The Bank did not identify the project
2. At project preparation	2	The Bank did not undertake a preparation mission; in its view, the studies forwarded by the borrower sufficed to go directly to the appraisal stage.
3. At appraisal	1	The appraisal policy is considered unsatisfactory. The track works and procurement of goods and services were not adequately appraised and resulted in an unrealistic schedule. The regional development plan had not been integrated, and that caused additional delays and modifications of some project components.
4. At supervision	2	The frequency (3 missions in 8 years) and the composition of the missions were inadequate.
General evaluation of Bank performance	**1.66**	**The Bank's general performance is unsatisfactory, given the major shortcomings in project appraisal and inadequate implementation follow-up.**

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Project Performance

N°	Indicators	Rating	Comments
1	**Relevance and attainment of objectives**	**2.57**	**The project objectives are relevant and were satisfactorily attained.**
i)	Macro-economic policy	3	Thanks to the adjustment policy implemented from 1983 and reforms carried out, Tunisia recorded remarkable economic performance. The macro-economic imbalances were redressed and sustainable growth made possible (annual average GDP growth of 4.9% between 1989 and 1994). The growth will provide the basis for internal and external merchandise trade, and underscores the need to modernize the transport sector in general, and rail transport in particular.
ii)	Sectoral policy	3	The project falls squarely within the context of the railway network modernization and the general strategy for maintaining the existing infrastructure, rehabilitating them and optimizing their use.
iii)	Physical achievement	3	The installations were built according to the rule book and have performed satisfactorily.
iv)	Financial performance	1	The firm's financial imbalance persists owing to failure to implement recommendations and fulfill Bank conditions aimed at restoring the balance.
v)	Poverty alleviation, social aspects and women in development	3	In addition to user comfort, the town of Sfax is no longer cut into two, thanks to the layout. The elimination of level crossing has improved the living standard of those around the area and reduced automobile accidents. There has been no specific impact on women.
vi)	Environment	3	No negative impact on the environment. On the contrary, the transfer of the rail line away from the town has contributed to reducing, perhaps even eliminating, the nuisance associated with train passage (loss of time, accidents, vibration, noise).
vii)	Private development	2	The project has had no direct impact on the private sector. Nonetheless, the improvement of traffic flow will have a positive bearing on economic activities, especially those of the very dynamic Tunisian private sector.
viii)	Others	NA	NA

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ABBREVIATED PERFORMANCE AUDIT REPORT

Project Performance (cont.)

2	**Institutional development**	**2.67**	**The trend of the institutional framework is satisfactory.**
i)	Institutional framework, including restructuring	2	The project had no institutional component. However, the SNCFT structure evolved over the project implementation phase to integrate traffic expansion and the operation of new works.
ii)	Financial and management information system, including the audit system.	3	The accounting and financial management is in accordance with the Tunisian accounting system. The general accounting is automated and the information system is satisfactory.
Iii)	Technology transfer	NA	NA
Iv)	Provision of qualified staff (including rotation), training and provision of counterpart staff.	3	Staff restructuring continues (reduction of 6% of staff in 1991). Training is used for staff conversion and skills improvement.
3	**Sustainability**	**2.38**	**Satisfactory, subject to continued with rehabilitation of the financial situation.**
i)	Borrower's continued commitment	2	The rationalization of the rail network remains a priority. Further reforms are necessary to render it more competitive.
ii)	Environmental policy	3	Remains favourable and is strengthened by the measures taken to boost the private sector and integrate the world market.
Iii)	Institutional framework	2	Has evolved favourably, but still requires radical reforms (organization, management) to make the market segments profitable.
Iv)	Technical viability and staff skills improvement	3	The SNCFT has solid experience. Its training capacity is considerable and adequately used.
v)	Financial viability (including cost recovery)	1	Precarious and necessitates serious efforts to rationalize its operations and management.
vi)	Economic viability	2	The achievements have had a direct impact on traffic; the saturation point is yet to be reached, implying a potential for additional savings.
vii)	Environmental viability	3	Not affected by the project. Rather, a positive impact has been observed.
viii)	Operating and maintenance mechanisms	3	Satisfactory and their adaptation after the sector is streamlined is possible.
4	**Rate of return**	**3**	**Stands at 11.8%, i.e. satisfactory**
5	**General performance evaluation**	**2.65**	**Satisfactory, but requires efforts to rationalize sectoral operations and restore competitiveness.**