

**AFRICAN DEVELOPMENT BANK GROUP**



**TUNISIA**

**PORTFOLIO REVIEW REPORT**

**COUNTRY REGIONAL DEPARTMENT - NORTH 1 (ORNA)**

**OCTOBER 2008**

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## **ACRONYMS AND ABBREVIATIONS**

ADB	African Development Bank
BNA	National Agricultural Bank
CPG	Gafsa Phosphates Company
CSM	Public Procurement Authority
CSP	Country Strategy Paper
MDCI	Ministry of Development and International Cooperation
PDAI	Integrated Agricultural Development Project
SDR	Special Drawing Rights
SESP	Secondary Education Support Project
STB	Société Tunisienne de Banque (Tunisian Commercial Bank)
TND	Tunisian Dinar
UA	Unit of Account

## **ANNEXES**

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## **CURRENCY EQUIVALENTS**

(July 2008)

Currency Unit: Tunisian Dinar

UA 1	=	SDR 1
UA 1	=	TND 1.90869
UA 1	=	US\$1.63362
UA 1	=	Euro 1.03630

## **FISCAL YEAR**

**1 January – 31 December**

## I. Introduction

1.1 This report summarizes the main results of the performance assessment of the Bank's portfolio in Tunisia, following a portfolio review mission from 23 April to 28 May 2008. It is intended to inform the Board of Directors on the performance of the Bank's Portfolio in Tunisia since the last review conducted in December 2005<sup>1</sup>, as well as make recommendations to improve the portfolio quality so as to achieve the expected outcomes of the various projects.

1.2 The review covers only active projects, and does not therefore include cancelled and completed operations. It was conducted on the basis of the findings of the above-mentioned mission, as well as of relevant information contained in the supervision reports, the Auditor General's November-December 2007 audit report, the Bank's information system (SAP), and from Task Managers in charge of the ongoing projects.

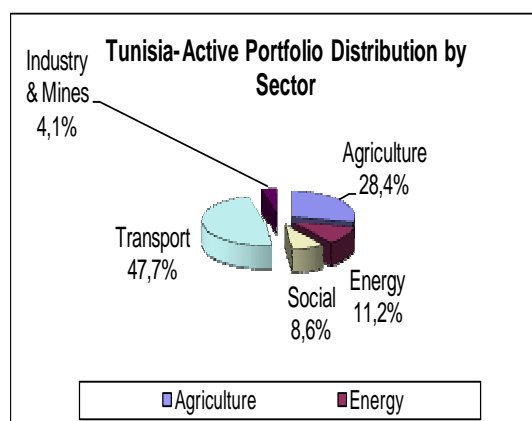
1.3 The report is divided into five parts. In addition to this introduction, it comprises four other sections, as follows: (i) general overview of the active portfolio; (ii) assessment of portfolio management capacity and donor aid coordination; (iii) potential problems and lessons to be learnt for portfolio management and the second phase of the Country Strategy Paper (CSP); and (iv) conclusion and recommendations.

## II. Overview of Ongoing Portfolio

### A. Key Characteristics of the Ongoing Project Portfolio

2.1 Since the commencement of its operations in Tunisia in 1968, the Bank Group has approved 93 operations of which two were cancelled<sup>2</sup>, for total net commitments of UA 3,130.78 million. Out of the 91 operational projects, 35 are lines of credit, 6 structural and sector adjustment programmes, and 50 development projects. In all, 80 operations, including three lines of credit extended to the private sector, have been fully completed, while 11 are ongoing. All the ongoing operations are in the public sector, and absorb total net commitments of UA 574.81 million, with cumulative disbursements standing at UA 412.33 million, as at 30 October 2008, which represents a disbursement rate of 71.7%.

2.2 To date, the Bank's support has been concentrated in the transport sector (3 projects), which accounts for close to 47.7% of net commitments (as against 39.8% in 2005). It is followed by the agricultural sector, which, with five projects, has received 28.4% of net commitments while the energy sector, with just one project, has absorbed 11.2%. The balance was used to finance a social support project, which has mobilized 8.6% of the commitments, and an industrial project, which has taken up 4.1% the resources committed. In sum, the ongoing portfolio is dominated by socio-economic infrastructure (education, transport, energy and rural infrastructure), thus reflecting the sector orientations of Tunisia's 9th and 10th development plans, as well as the enhanced selectivity requirements recommended by the Bank in its CSPs. In comparison to 2005 review exercise, the portfolio no longer includes the multi-sector and the financial sector.



<sup>1</sup> Report ADB/BD/WP/2005/146 of 28/12/2005.

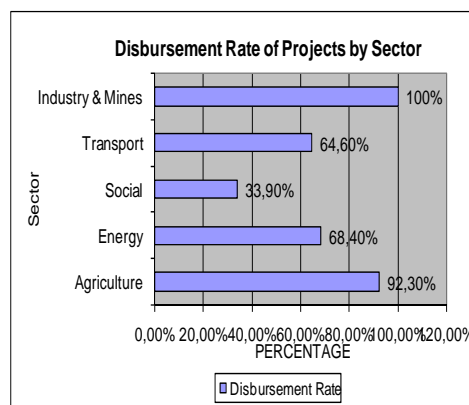
<sup>2</sup> The fifth line of credit (LoC) to BNDT and the first LoC to STB were cancelled in December 1995 and August 2008 respectively.

**Table 1**  
**Ongoing Bank Operations as at 30 October 2008 (amounts in UA million)**

Sectors	Number of Operations	Net Amount	Distribution by Sector %	Cumulative Disbursements	% Disbursed
Agriculture/Rural Sector	5	163.15	28.4	150.62	92.3
Transport	3	274.27	47.7	177.27	64.6
Energy	1	64.09	11.2	43.83	68.4
Industry & Mines	1	23.85	4.1	23.85	100.0
Education	1	49.43	8.6	6.76	33.9
<b>TOTAL</b>	<b>11</b>	<b>574.79</b>	<b>100</b>	<b>412.33</b>	<b>71.7</b>

## B. General Assessment of Portfolio Performance

2.3 With an overall rating of 2.7 points on a scale of 3, compared to 2.5 in 2005, the portfolio performance is deemed satisfactory, and has improved as a result of the increased Bank monitoring of its operations, as well as more familiarity of project managers with the documentation. Monitoring will be further strengthened with the pilot system that the Bank intends to implement to allow managers direct access to the financial situation of projects, through its Website. This will enable national officers to know in real time the status of project resource commitments, and boost the performance of the active portfolio.



2.4 The disbursement ratio<sup>3</sup> stood at 10.5% as at 30 June 2008. The average disbursement rate for the portfolio was 71.7% as at 30 October 2008, compared to 49.3% during the last review in April 2005. Five projects have had their net commitments fully disbursed; these are: the Kasserine Integrated Agricultural Development Project, the Gafsa Integrated Agricultural Development Project, the Classified Road Network Development Project III, the Fourth Agricultural Line of Credit to the National Agricultural Bank (BNA) and the Environmental Capacity Building Project in the Phosphates sub-sector. The disbursement rate has improved, thanks to intensification of dialogue with the Government, facilitated by the Bank's relocation to Tunisia since March 2003.

2.5 The average age of ongoing projects is 3.8 years, thus reflecting the relatively young age of the portfolio and the absence of old projects. Compared to the age in 2005 (3.6 years), the average age of the projects have remained virtually at the same level. Nonetheless, implementation of the four agricultural sector projects has continued for 7 years, due mainly to the new timeframes required for the implementation of the additional activities financed from savings made on costs. These activities were selected after the mid-term review of the Kasserine, Gabes and Gafsa Integrated Development Projects. With regard to the fourth project, BNA Line of Credit (LoC) IV, the reason for its implementation period exceeding the average age of the portfolio stems from the need for this financial institution to extend its

<sup>3</sup> The disbursement ratio is defined as the ratio of disbursement flows for the year under review to the total amount of net commitments at the beginning of the year of the portfolio under review. The disbursement ratio stood at 20.6% and 25.7% in 2005 and 2007, respectively.

The disbursement rate is defined as the ratio of amounts disbursed to the cumulative amount of net commitments of the portfolio under review

operations to the education and health sectors following the substantial gains on the loan volume generated by the depreciation of the Dinar to the Euro. For all these reasons, the deadline for final disbursement for the abovementioned projects has been extended.

2.6 *Loan Cancellations:* The cumulative amount of cancellations represented 6.5% of total initial commitments, due mainly to the Classified Road Network Development III Project (10%) and the Environmental Capacity Building Project in the phosphates sub-sector (31%). The cancellations, which were requested by the Tunisian authorities, are justified by the concern of both the Government and ADB to streamline the portfolio following the launching of all contracts for the road project and the marked improvement in the financial situation of the phosphates sub-sector following the 2007 and 2008 upturn in the world prices of this commodity.

2.7 On the whole, there are no major problems with the implementation of projects. However, for the needed improvement of the portfolio's performance, certain specific measures must be taken to speed up the procurement process. With regard to the *Secondary Education Support Project II*, the Government requested the Bank's approval for the ex-post review of contracts worth UA 200,000 or less, for the rehabilitation of schools. For the *Railway Infrastructure Modernization Project II*, the Bank asked the Tunisian authorities to reduce the time for communicating its no objection for major public contracts in order to accelerate their implementation. Although it is being satisfactorily implemented, the *Classified Road Network Development IV project is over a year behind schedule due to the lengthy delay by the Bank* in approving the request for the retroactive application of the cancellation of the commitment fee, submitted by the Government, following approval of the loan by the Board.

2.8 *Problem and Potential Problem Projects:* The portfolio has two potential problem projects, namely the Classified Road Network Development Project IV and the Railway Modernization Project II. The reasons for the classification of these operations under that category of projects include: i) the delay in the signing and effectiveness of the loan agreement for the Classified Road Network Development Project IV, for the reasons stated in paragraph 2.7; and ii) failure to start implementation of the institutional support component of the Railway Modernization Project II following the delay in conducting the planned study (ii). The assessment of these two projects gave them an overall rating of 2.1 and 2.3 over 3, respectively (cf. Table 2-B), representing the lowest ratings of the 11 ongoing projects, but which still does not warrant their classification as projects-at-risk.

### **C. Comparative Assessment of Portfolio Performance**

2.9 On the whole, the performance of Tunisia's portfolio has been consistent and very satisfactory, compared to that of the Bank Group in 2006 (Cf. Table 2. A). Thus, the time from approval to the implementation of Bank projects in Tunisia was 6.5 months in 2008, compared to 7.5 months, in 2005. Disbursements have also improved, compared to the ADB window as well as World Bank projects. In addition, the proportion of projects-at-risk is zero in Tunisia, as against 8% for ADB projects, 42% for all Bank Group projects and 18% for the World Bank portfolio. Table 2 A below presents the current status of the portfolio's key performance indicators compared to their levels, during the last review in 2005, and to the World Bank's portfolio.

Performance Indicators	Evolution (Tunisia)		Comparison		External Comparison World Bank	
	2005	2008	ADB (2006)	WB		
<b>Implementation &amp; Impact</b>	From Approval to Effectiveness (months)	7.50	6.50	N/A	N/A	N/A
	Disbursement Ratio (%)*	20.6	10.5	21.0	26.00	26.0
	Overall Disbursement Rate	80.24	81.60	83.9	N/A	N/A
	Average Project Size (in UA million)	46.30	52.30	59.54	34.12	34.12
	Commitments-at-Risk (% of Commitments)	1.60	0.00	8.00	18.00	18.0
	Problem Projects (% of Ongoing Projects)	0.00	0.00	19.00	21.00	21.0
	Average Project Age (Years)	3.60	3.80	4.30	3.20	3.2
<b>Harmonization and Alignment</b>	Use of National Systems (%)	0.00	0.00	N/A	N/A	N/A
	Number of Co-Financed Projects	0.00	0.00	N/A	N/A	N/A
	Number of Parallel Project Implementation Units	0.00	0.00	N/A	N/A	N/A

Sources: African Development Bank – Annual Portfolio Performance Review 2006 (February 2008)  
Data prepared by ADB during the Portfolio Review Mission 2008

2.10 Assessment of all the ongoing projects rates the portfolio 2.7, which is an indication of its satisfactory performance. The development effectiveness is also rated 2.8 as against 2.7 during the 2005 portfolio review, thus contributing to improvement of the country's economic performance. However, increased efforts by the Bank to support the Government in the assessment and detailed analysis of its economy through studies, targeted technical assistance and institutional support will contribute to strengthening and improving this performance.

**Table 2 B**  
Key Data of Ongoing Operations as at 30 October 2008

Projects	Financial Data			Duration		Rating					
	Net Commitments (UA million)	Disbursements	Disbursed (%)	No. of Extensions	Age (Yrs)	Compliance with Cond.	Goods & Serv	Fin. Perf.	Activities & Works	Impact on Dev.	Overall Assessment
<b>Agriculture</b>	<b>163.15</b>	<b>150.62</b>	92.3		<b>6</b>	<b>3.0</b>	<b>2.7</b>	<b>2.9</b>	<b>2.4</b>	<b>2.9</b>	<b>2.8</b>
PDAI Kairouan	15.27	3.78	24.7	0	7	3.0	2.5	2.8	2.5	3.0	2.8
PDAI Kasserine	11.02	11.02	100	1	7	3.0	2.5	2.8	2.5	3.0	2.8
PDAI Gabes	11.53	10.49	91	1	7	3.0	3.0	3.0	2.5	2.8	2.9
PDAI Gafsa	11.95	11.95	100	1	7	3.0	3.0	3.0	2.3	2.8	2.8
BNA	113.38	113.38	100	1	7	3.0	2.5	3.0	2.3	2.8	2.7
<b>Industry</b>	<b>23.85</b>	<b>23.85</b>	100		<b>3</b>	<b>3.0</b>	<b>2.0</b>	<b>2.6</b>	<b>3.0</b>	<b>3.0</b>	<b>2.7</b>
Environ. Capacity Building	23.85	23.85	100	0	3	3	2.0	2.6	3.0	3.0	2.7
<b>Transport</b>	<b>274.27</b>	<b>177.27</b>	64.6		<b>4</b>	<b>2.2</b>	<b>2.5</b>	<b>2.4</b>	<b>1.9</b>	<b>2.7</b>	<b>2.3</b>
Road Network III	74.57	74.57	100	0	6	3	3.0	2.7	1.8	2.8	2.6
Road Network IV	138.09	73.23	53.0	0	3	1.0	3.0	2.7	2.0	3.0	2.3
Railway II	61.61	29.47	47.8	1	4	2.7	1.5	2.0	2.0	2.3	2.1
<b>Energy</b>	<b>64.09</b>	<b>43.83</b>	68.4		<b>4</b>	<b>2.3</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>
Elect. Distr. Network	64.09	43.83	68.4	0	4	3	3.0	3.0	3.0	3.0	2.9
<b>Social</b>	<b>49.43</b>	<b>16.76</b>	33.9		<b>2</b>	<b>3</b>	<b>2.5</b>	<b>2.8</b>	<b>2.5</b>	<b>3.0</b>	<b>2.8</b>
SESP II	49.43	16.76	33.9	0	2	3	2.5	2.8	2.5	3.0	2.8
<b>TOTAL/Average</b>	<b>574.79</b>	<b>412.33</b>	<b>71.7</b>		<b>3.8</b>	<b>2.7</b>	<b>2.6</b>	<b>2.7</b>	<b>2.4</b>	<b>2.8</b>	<b>2.7</b>

2.11 *Performance in terms of Outcomes:* In the agricultural sector, the Kasserine, Gafsa and Gabès agricultural projects have contributed to water and soil conservation (34 742 ha of land reclaimed in the Kasserine and Gafsa project areas) and to improved access to rural areas from the construction of rural roads and irrigation schemes. Assistance was provided to the population to carry out micro-projects, training (about 900 farmers in the Gabès and Gafsa project areas), rural community organization (creation of 104 Development Committees under the Gafsa and Gabes projects) and the promotion of research and development (Gabès project). The BNA line of credit contributed to the creation of over 100 SMEs and SMIs and the financing of more than 3,400 operations. The line of credit also provided assistance to the BNA in its portfolio diversification policy. To this end, the Bank gave its approval in 2004 for private promoters investing in the education and health sectors to obtain financing for their projects from the line of credit. In terms of infrastructure, four ongoing projects in the transport sector form part of continued efforts made under previous plans to equip Tunisia with a quality road and rail network to sustain economic growth and enable Tunisia to integrate into the global economy with a competitive productive base. In the social sector, the Secondary Education Support Project financed the construction of 70 schools (20 high schools and 50 preparatory schools), thus contributing to the implementation of the Government's education policy, which guarantees free and compulsory access to basic education for children between the ages 6 to 16 years.

2.12 *At the macro-economic level,* the Bank-financed projects are consistent with the investment programmes launched by the Government in the successive development plans, which have allowed the Tunisian economy to stay on a path of sustained growth (over de 5%). However, the relatively high growth rate of the economy has not had enough impact on reducing unemployment, which was estimated at 17% in 2007 (14.1% in 2007 for young graduates). Numerous challenges therefore remain to be addressed under the implementation of the 11th Development Plan 2007-2011.

### III. Assessment of Portfolio Management Capacity and Aid Coordination

3.1 **Government's Performance:** The Department of Regional Cooperation of the Ministry of Economic Development and International Cooperation (MDCI), in close collaboration with sector Ministries, is responsible for monitoring the management of the entire portfolio and coordination with Bank missions. Project implementation performance is based on the availability in Tunisia of competent professionals, sound institutional capacity and clear and efficient administrative procedures. However, the inexperienced teams recently appointed to head some executing agencies do not have sufficient knowledge of the Bank's rules of procedure for procurement and disbursement. Besides, the Government's approval procedures for bidding documents for major public contracts delay in the implementation of some projects. In terms of the financial management of operations, Tunisia has a satisfactory financial control environment, but there is need to improve the handling of working documents and the planning of audit missions in order to ensure that reports are submitted within the time prescribed<sup>4</sup> by the Bank.

3.2 **Bank's Performance:** The multiplicity of activities for some projects combined with the heavy work load of Task Managers is the leading cause of delays by the Bank in the disbursement of loans and the issuing of no-objection opinions to executing agencies. Similarly, the rigidity of the instruments and cumbersome procedures generate high transaction costs for the client and adversely affect the Bank's competitiveness. To address this problem, there is need for some flexibility in the application of the procurement rules,

<sup>4</sup> Final Internal Audit Report No. FR/2007/34 on the audit of the management of Bank-financed projects in Tunisia, May 2008.

such as the ex-post reviews requested by the country (systematization of ex-post reviews for goods and works contracts not exceeding UA 200,000) and the introduction of instruments such as support to investment programmes and sector reforms geared towards harmonizing the procedures with those of co-financing donors.

**3.3 Aid Coordination:** The Five-Year Economic and Social Development Plan in Tunisia is the reference framework for interventions by the Government and its development partners, including the ADB. Under the responsibility of the Ministry of Development and International Cooperation (MDCI), coordination and synergy mechanisms are put in place during the official launch of each five-year development plan to channel and coordinate external aid to the country. Outside such periods, coordination is carried out on a case-by-case basis and by sector. On the other hand, at the macro-economic level, a formal and effective system of coordination has been in place for several years between the World Bank, the African Development Bank and the European Union. In order to broaden the scope of coordination to include all partners and promote the synergy between their interventions in Tunisia, thematic coordination groups were established in 2005 at the initiative of the European Union. The thematic areas selected for these groups cover the following: (i) Governance, Democracy, Justice and Civil Society; (ii) Infrastructure, Environment and Natural Resources; (iii) Economic Reforms and Governance; (iv) Private Sector, Trade and Economic Integration; and (v) Social Sectors, Migration and Culture. In order to turn these groups into dynamic and efficient coordination platforms, plans are underway to soon involve the Tunisian Government, civil society and other countries, such as China and the Arab countries.

**3.4 Co-Financed Projects:** During the period under review, there was no project co-financed by the Bank and other partners. However, the Water Sector Investment Programme (PISEAU), scheduled to be submitted to the Board in December 2008, will be co-financed by the World Bank and French Development Agency (AFD). The Integration Support Programme, undergoing appraisal, will also be co-financed by the European Union, the World Bank and the ADB.

#### **IV. Potential Problems and Lessons for Portfolio Management and the Second Period of Implementation of CSP 2007-2011**

**4.1** An important lesson to be learnt from the ongoing portfolio is that Bank procedures do not make for efficient implementation of projects due to their complexity and rigidity in application. *Improving service delivery* requires greater flexibility of procedures and their harmonization with those of other development partners. The reforms implemented successfully at the institutional level call for alignment of procedures with the national system, particularly in the area of project financial management, procurement procedures and the environmental protection system. Clearly, the Government's increasing emphasis on economic reforms to promote the country's integration into the global economy, and on sector investment programmes in sensitive sectors such as water, gives strategic importance to flexibility of procedures in the competition among partners.

**4.2** Pending the successful conclusion of the harmonization and alignment process, greater diligence is required in the processing of documents, and project monitoring should be intensified and dialogue strengthened through project status and audit reports, which the authorities must submit to the Bank within prescribed times. In line with the preceding objectives, the Tunisia country team needs to be reinforced so as to enhance the quality of dialogue and strengthen the Bank's interventions in the country.

4.3 The cancellation of the commitment fee in 2005 and the interest rate waiver/rebate decided in May 2008 as part of the strategy to strengthen Bank Group support to Middle Income Countries, played a key role in the conclusion of loans to the Transport IV and V projects. It is reasonable to assert that *price competitiveness* is another challenge that the Bank needs to address to boost its future commitment in Tunisia.

4.4 Special attention should also be given to *support measures*, in the form of economic and sector studies as well as technical assistance targeted at specific needs. This will enable the Bank to build a pipeline of bankable projects, as well as enhance its visibility through the recognition of its advisory capacity in certain aspects of policy design and monitoring.

4.5 As an emerging country, Tunisia offers significant opportunities for the development of the *private sector*, which has become a priority of the Government's development strategy. Even though its direct support to private operators has been limited, the Bank has played an important role in the development of the private sector, which receives financial support through the lines of credit extended to banks with Government guarantee. Indeed, since 1976, 35 lines of credit<sup>5</sup> have been granted for net commitments amounting to UA 1.16 billion, or 33.5% of all Bank commitments in Tunisia. The main beneficiary sectors are tourism (70% of financing granted), industry and agriculture. The spill-over effects on investment and wealth creation are appreciable<sup>6</sup>: For each Unit of Account on-lent to the private sector, the investment made is UA 8, while the value added generated is UA 2. The emergence of a modern private sector and private foreign investment inflows open up new prospects for the development of partnership for the implementation of large-scale projects. To that end, efforts are required to give better publicity to the financing opportunities and products that the Bank could offer to this sector.

4.6 The lessons presented above will be taken into account in the CSP mid-term review scheduled for 2009. This review will help to align the Bank's assistance with the development strategy, as it will be streamlined under the new mechanism of the rolling plan to be implemented next year. With regard to the monitoring/evaluation of the portfolio, the Bank and the Government have agreed to hold quarterly meetings between the Ministry of Development and International Cooperation, the ADB and the Technical Departments in charge of projects. Implementation of the action plan outlined in the present review, as well as the recommendations aimed at remedying inadequacies in project implementation, including the recommendations from the audits, will be followed up during these meetings.

## V. Conclusion, Lessons and Recommendations

### Conclusion

5.1 The performance of the portfolio is deemed satisfactory with an overall rating of 2.7. From the analysis of the implementation status of the 11 ongoing projects, the average age is 3.8 years, thus reflecting the young age of the portfolio. Since 2003, the general trend toward improved efficiency of the portfolio has been steady, as a result of the capacity building of the Tunisian Administration, continued stability of the macro-economic framework, and the intensification of dialogue with the Tunisian authorities fostered by the Bank's relocation. These gains could help to further improve project implementation and increase the Bank's commitments in the country. To that end, the Tunisian Government and the Bank should implement the following recommendations:

<sup>5</sup> Out of 35 lines of credit granted, three were cancelled

<sup>6</sup> Cf. Impact of lines credit within Tunisian financial institutions, ADB/BD/IF/2007/60, 19 March 2007.

### Lessons

5.2 As regards lessons learnt from this portfolio, it is necessary to adopt innovative instruments and rules geared towards reducing the transaction costs of operations in order to make the Bank's interventions in Tunisia more competitive. To that end, steps should be taken to carry out the following measures and actions, in particular: (i) institute sector budget support programmes; (ii) make the procurement rules more flexible; and (iii) strengthen the Bank's assistance in the form of advisory support, mainly through the financing of economic and sector studies and the provision of targeted technical assistance.

### Recommendations

5.3 The main recommendations are as follows:

#### **5.4 For the Government:**

- (i) Reduce the long delays by the Administration in communicating its no objection on bidding documents for major contracts. (§ 3.1);
- (ii) Ensure rigorous compliance with the deadline of six months after the closing of the financial year, for the submission of project audit reports to the Bank (§ 3.1);
- (iii) Strengthen the monitoring-evaluation of ongoing projects by stepping up the supervision of projects by supervisory Ministries, and conducting biannual reviews under the coordination of MDCI (§ 4.6).

#### **5.5 For the Bank:**

- (i) Reduce delays in disbursements and transmission of its no-objection opinion on procurement and bidding documents (§ 3.2);
- (ii) Give priority to the co-financing of support to investment programmes and sector reforms (§ 3.2);
- (iii) Systematically authorize ex-post review of small contracts not exceeding UA 200 000 so as to speed up project implementation (§ 2.7 and § 3.2);
- (iv) Organize workshops on monitoring-evaluation and project audits to familiarize executing agencies with Bank procedures (§ 3.1);
- (v) Lay emphasis on support measures involving the conduct of economic and sector studies and support in the form of targeted expertise that meets the specific needs of Tunisia; (§ 4.4).
- (vi) Organize information and marketing drives directed at the Tunisian private sector in order to publicize the financing opportunities and financial products offered by the Bank. (§ 4.5)

- (vii) Harmonies the conduct of the CSP mid-term review with the Government's process of instituting rolling plans in order to align the Bank's interventions with the development strategy fine-tuned by the Government as part of its new planning approach (§ 4.6) ;
- (viii) Pursue close dialogue with the Tunisian authorities in order to enhance project implementation efficiency (§ 4.2 and 4.6).

5.4 The Board is requested to take note of the conclusions of the general review of the portfolio in Tunisia and adopt the above-mentioned recommendations.

**Key Data on Ongoing Operations  
(Financial Data in UA)**

Projects	Gross Loans	Cancellations	Commitments	Amounts Disbursed	Disbursements %	Age (years)	Compliance with Conditions	Procurement of Goods & Services	Financial Performance	Activities & Works	Dev. Effectiveness	Overall Rating
Kairouan Integrated Agric. Development Project	15.27	0.00	15.27	3.78	24.7	2 years	3.0	2.5	2.8	2.5	3.0	2.8
Kasserine Integrated Agric. Development Project	11.02	0.00	11.02	11.02	100.0	7	3.0	2.5	2.8	2.5	3.0	2.8
Gabes Integrated Agric. Development Project	11.53	0.00	11.53	10.49	91.0	7	3.0	3.0	3.0	2.5	2.8	2.9
Gafsa Integrated Agric. Development Project	11.95	0.00	11.95	11.95	100.0	7	3.0	3.0	3.0	2.5	2.7	2.8
BNA Line of Credit IV	113.40	0.02	113.38	113.38	100.0	7	3.0	2.5	3.0	2.3	2.8	2.8
<b>AGRICULTURE TOTAL</b>	<b>163.17</b>	<b>0.02</b>	<b>163.15</b>	<b>150.62</b>	<b>92.3</b>	<b>6</b>	<b>3.0</b>	<b>2.7</b>	<b>2.9</b>	<b>2.4</b>	<b>2.9</b>	<b>2.8</b>
Environmental Capacity Building	34.59	10.74	23.85	23.85	100.0	3	3.0	2.0	2.6	3.0	3.0	2.7
<b>INDUSTRY TOTAL</b>	<b>34.59</b>	<b>10.74</b>	<b>23.85</b>	<b>23.85</b>	<b>100.0</b>	<b>3</b>	<b>3.0</b>	<b>2.0</b>	<b>2.6</b>	<b>3.0</b>	<b>3.0</b>	<b>2.7</b>
Classified Road Network Development III	103.41	28.84	74.57	74.57	100.0	6	3.0	3.0	2.7	1.8	2.8	2.6
Classified Road Network Development IV	138.09	0.00	138.09	73.23	53.0	3	1.0	3.0	2.7	2.0	3.0	2.3
Railway Modernization II	61.61	0.00	61.61	29.47	47.8	4	2.7	1.5	2.0	2.0	2.3	2.1
<b>TRANSPORT TOTAL</b>	<b>303.11</b>	<b>28.84</b>	<b>274.27</b>	<b>177.27</b>	<b>64.6</b>	<b>4</b>	<b>2.2</b>	<b>2.5</b>	<b>2.4</b>	<b>1.9</b>	<b>2.7</b>	<b>2.3</b>
Electricity Distribution Network	64.09	0.00	64.09	43.83	68.4	4	2.3	3.0	3.0	3.0	2.9	2.9
<b>ENERGY TOTAL</b>	<b>64.09</b>	<b>0.00</b>	<b>64.09</b>	<b>43.83</b>	<b>68.4</b>	<b>4</b>	<b>2.3</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>	<b>2.9</b>
Secondary Education Support Project (SESP II)	49.43	0.00	49.43	9.84	33.9	2	3.0	2.5	2.8	2.5	3.0	2.8
<b>SOCIAL TOTAL</b>	<b>49.43</b>	<b>0.00</b>	<b>49.43</b>	<b>16.76</b>	<b>33.9</b>	<b>2</b>	<b>3.0</b>	<b>2.5</b>	<b>2.8</b>	<b>2.5</b>	<b>3.0</b>	<b>2.8</b>
<b>OVERALL TOTAL (11 Projects)</b>	<b>614.39</b>	<b>39.6</b>	<b>574.79</b>	<b>412.33</b>	<b>71.7</b>	<b>3.8</b>	<b>2.7</b>	<b>2.6</b>	<b>2.7</b>	<b>2.4</b>	<b>2.8</b>	<b>2.7</b>

## Tunisia: Portfolio Review 2008: Action Plan for Generic Issues

ISSUES	ACTIONS REQUIRED	RESPONSIBILITY	DEADLINE	OUTCOMES MONITORING INDICATORS
1. The preparation and submission to the Bank of annual project audit reports by Tunisia often exceed the prescribed contractual deadlines	Ensure better scheduling of audits Improve the training of project implementation teams	Executing agencies	Ongoing	No later than six months after the close of each financial year
2. Excessive delays by competent authorities in communicating to executing agencies their no objection on bidding documents and contracts.	Draw up and adopt a specific schedule for the processing and validation of the specifications of bidding documents for the procurement of goods and works.	Project Line Ministries and CSM	Ongoing	Rate of physical and financial implementation of projects improves
3. The Bank is often late in communicating its no objection on documents submitted by executing agencies	Harmonize works and goods procurement procedures through ex-post review	ADB and relevant departments	Ongoing	Backlog of documents significantly reduced
4. Failure to capitalize on lessons learnt from project implementation hampers improvement of project quality-at-entry	Step up post-evaluation missions Put in place monitoring and impact assessment units Conduct baseline studies, and Organize training workshops on logical frameworks and impact assessment	ADB and executing agencies	Ongoing	Number of baseline studies and workshops organized

**Tunisia: Portfolio Review 2008: Action Plan for Implementation of Recommendations**  
(June 2008)

PROJECT/ISSUES	ACTIONS	RESPONSIBILITY	DEADLINE	OUTCOMES MONITORING INDICATORS
<b><i>I. KAIROUAN INTEGRATED AGRICULTURAL DEVELOPMENT PROJECT</i></b>				
1. Poor planning of irrigation scheme creation and rehabilitation phases reduces efficacy of project implementation	Synchronies the various creation, fitting out, electrification and water saving equipment installation works.	Kairouan PDAI Executing Agency	Each time an irrigation scheme is developed	Date of works start up and date of watering
2. Delays in plot irrigation affect production increase for beneficiaries	Support to Ain Mastour and Ain Sassi PPI farmers by the CRDA for the speedy preparation of their documents for purchasing of labour-saving equipment for the plot	Kairouan PDAI Executing Agency	30 June 2008	Number of farmers who have received their equipment on the plot
3. Works for the creation, fitting out, electrification and installation of water saving equipment of the Public Irrigation Schemes (PPIs) are not synchronized, leading to delays in the development of the PPIs	Put irrigation and agricultural production advisors at the disposal of the PPI farmers, and conduct studies for the synchronization of works.	Kairouan PDAI Executing Agency et CRDA	1 year before the planned electrification date	Number of wells electrified within prescribed times
4. Delays in the implementation of local planning and advisory support activities.	Recruit technical assistance in charge of: a) participatory planning; b) agricultural advisory support; c) training of Community Interest Groupings (GIC) and Agricultural Development Grouping (GDA) in the project area; and d) inventory of water points	CRDA and Kairouan PDAI Executing Agency	30 September 2008	Date of signing of contracts
5. The deadline for the submission of audit reports is still not complied with, thus delaying further the putting in place of the necessary corrective measures	Transmit to the Bank, no later than 30 June 2008, the audit report for the 2007 financial year.	Project Executing Agency /line Ministries and MDCI	30/10/2008	Acknowledgement of receipt of the audit report, by ADB

PROJECT/ISSUES	ACTIONS	RESPONSIBILITY	DEADLINE	OUTCOMES MONITORING INDICATORS
6. Effective implementation of the Project is hampered by the delayed recruitment of several experts	Speed up the process for the recruitment of outstanding staff, including the head of the Monitoring/Evaluation Unit, the Deputy Director of Participatory Planning and the head of the Rural Development Unit.	CRDA and Kairouan PDAI Executing Agency	31 December 2008	Presence of the relevant experts on the Project
<b>II. ELECTRICITY AND GAS DISTRIBUTION NETWORK REHABILITATION PROJECT</b>				
STEG did not comply with the 2006 condition: have a minimum debt service coverage rate of 1.25 and a self-financing ratio of at least 20% as from 2004	Take appropriate corrective measures to bring these ratios to the minimum levels required for the loan agreement	STEG OINF.3	December 2008	These indicators must be calculated on the basis of the 31 December 2007 statement
2. Project implementation is behind schedule due to lengthy procurement delays observed	Speed up the pending bidding and procurement processes for works, and request from the Bank the ex-post review of the procurement documents in order to reduce delays.	STEG OINF.3	December 2008	Submission of the request and time taken by the Bank to communicate its response
	Apply for an extension of the final disbursement deadline and formulate proposals for the use (particularly, for additional equipment) of the expected balance of about 8.54 million Euros, upon the scheduled completion of project activities in 2009.	Executing Agency OINF.3	31 December 2008 and 30 March 2009	
3. Submission of the 2007 audit report is over 3 months late	Submit to ADB, no later than 30 October 2008, the audit report of project accounts for FY 2007.	STEG	30/10/2008	Acknowledgement of receipt of the audit report by ADB

PROJECT/ISSUES	ACTIONS	RESPONSIBILITY	DEADLINE	OUTCOMES MONITORING INDICATORS
<b>SECONDARY EDUCATION SUPPORT PROJECT (SESP) II</b>				
Certain supplementary and/or finishing works required for the rehabilitation of several schools have not been carried out by the Government due to insufficient allocation of budget resources	Draw up a comprehensive list of schools where supplementary and/or finishing works are required; release the additional resources needed to carry out these works, which are critical to the sustainability of the infrastructure put in place;	Buildings and Public Works Department (DBE) and Financial Affairs Department of the Ministry of Education and Training		Supplementary works have been executed at all the schools affected by the problem
Submission of the 2007 audit report is more than 3 months late	Submit to ADB, not later than 31 October 2008, the audit report of the project	Project Executing Agency	31 October 2008	Acknowledgement of receipt of the audit report, by ADB

## Tunisia Portfolio: Project Audits

PROJECT AUDITS	2005	2006	2007
1. Kairouan Integrated Agricultural Development Project	X	X	X
2. Kasserine Integrated Agricultural Development Project	X	X	X
3. Gabes Integrated Agricultural Development Project	X	X	X
4. Gafsa Integrated Agricultural Development Project	X	X	X
5. BNA Line of Credit IV	X	X	Pending
6. Environmental Capacity Building	X	X	Pending
7. Classified Road Network Development III	X	X	X
8. Classified Road Network Development IV		X	X
9. Railway Modernization II	X	X	X
10. Rehabilitation of Power Supply Network	X	X	Pending
11. Secondary Education Support Project (SESP) II		X	X