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Enabling poor rural people
to overcome poverty

President's memorandum

Proposal for a supplementary loan to the Republic of Tunisia for the

Integrated Agricultural Development Project in the Governorate of Siliana – Phase II

Note to Executive Board representatives

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Abbreviations and acronyms

AFD	Agence française de développement
CRDA	Regional Commission for Agricultural Development
GEF	Global Environment Facility

Republic of Tunisia

Integrated Agricultural Development Project in the Governorate of Siliana – Phase II

Financing summary

Initiating institution:	IFAD
Borrower:	Republic of Tunisia
Executing agency:	Ministry of Agriculture and Environment
Total project cost:	US\$45.7 million
Amount of IFAD supplementary loan:	SDR 3.2 million (equivalent to approximately US\$5.0 million)
Amount of total IFAD loan:	SDR 14.1 million (equivalent to approximately US\$20.5 million)
Terms of IFAD loan:	18 years, including a grace period of three years, with an interest rate equal to the reference interest rate per annum as determined by the Fund semi-annually
Cofinanciers:	Global Environment Facility (GEF) grant: US\$5.0 million Agence française de développement (AFD) loan: US\$5.5 million
Contribution of borrower:	US\$12.2 million
Contribution of beneficiaries:	US\$2.5 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed supplementary financing to the Republic of Tunisia for the Integrated Agricultural Development Project in the Governorate of Siliana – Phase II, as contained in paragraph 18, and the amendments to the loan agreement presented in paragraph 17.

President's memorandum

Proposal for a supplementary loan to the Republic of Tunisia for the Integrated Agricultural Development Project in the Governorate of Siliana – Phase II

I. Background

1. This report calls for the approval of supplementary financing in an amount of US\$5.0 million, equivalent to approximately SDR 3.2 million, for the Integrated Agricultural Development Project in the Governorate of Siliana – Phase II (Siliana II), approved by the Executive Board on 13 December 2005.
2. As indicated in paragraph 29 of the President's report (EB 2005/86/R.29/Rev.1), the above-mentioned project is being funded by an IFAD loan in the amount of SDR 10.9 million (equivalent to approximately US\$15.5 million) on ordinary terms. With a total budget of US\$38.9 million, the project has mobilized several cofinanciers, i.e. the Global Environment Facility (GEF), with a grant of US\$5.0 million; the Government of Tunisia, with a contribution of US\$10.7 million, of which US\$5.5 million under a loan from the Agence française de développement (AFD) signed in September 2008; and the beneficiaries, with a contribution of US\$2.2 million.

Project objectives

3. The overall objective of the project is to achieve sustainable improvement in incomes and living conditions for rural people living in the Governorate of Siliana. Specific objectives are as follows: (i) engage communities in a local development process likely to promote their initiatives and investments in agriculture and soil and water conservation; (ii) diversify and increase employment and investment opportunities in rural areas for both women and youth and contribute to the development of sustainable economic linkages; (iii) develop the institutional capacities of the Regional Commission for Agricultural Development (CRDA) based on an integrated, participatory, equitable and gender-sensitive approach to local development; and (iv) ensure that regional stakeholders and national decision makers adopt the principles of sustainable land management.

Project achievements

4. The project achievements have been satisfactory overall. The performance rate is between 40 and 100 per cent, and both recently initiated and future activities are expected to be fully achieved by project closing. In addition, the current level of contract awards for IFAD-funded contracts is on the order of US\$6 million per annum, confirming project management's ability to utilize both the remaining financing now in place and the supplementary financing over time.
5. Total disbursements under the IFAD loan were SDR 5.2 million at the end of October 2011, for a disbursement rate of 48 per cent.

Rationale for supplementary financing

6. The events of 14 January 2011, which had their origins largely in remote rural areas, are attributable to the rural crisis and an inequitable regional development

model that has created a disparity between the coastal areas and the relatively marginalized interior.

7. The creation of a democratic climate in the country has allowed for greater freedom of expression, which has led the country's poorest regions to voice demands for employment and infrastructure to meet basic needs. The transition government has prepared a list of the country's 10 priority governorates¹ and has begun to increase their budgets for fiscal 2011 in order to improve living conditions for people in response to their aspirations.
8. IFAD, as an active donor in rural areas, and specifically in the priority governorates, has been particularly sought out in this regard, and has been asked to strengthen interventions within the projects it cofinances by providing supplementary financing on an emergency basis.
9. This supplementary financing is intended to extend the benefits of the project achievements to population segments hitherto excluded.

II. Proposed supplementary financing

IFAD's performance-based allocation system (PBAS)

10. The Republic of Tunisia's allocation under the PBAS is US\$21.3 million for the 2010-2012 cycle.

Country debt burden and absorptive capacity of the State

11. In 2009, the country's debt stood at approximately 110 per cent of GDP in current prices. However, the Tunisian Government's repayment record on IFAD loans is satisfactory.

Supervision arrangements

12. The supplementary financing allocated to Siliana II will be administered and supervised by IFAD.

Exceptions to IFAD General Conditions for Agricultural Development Financing and Operational Policies

13. No exceptions to the General Conditions for Agricultural Development Financing or Operational Policies are foreseen.

Major components

14. The total project cost, including the supplementary financing, is distributed among the components as follows: (i) integrated local development (85.2 per cent); (ii) employment support (5.3 per cent); (iii) institutional strengthening (6.4 per cent); and (iv) sustainable land management (3.1 per cent). The supplementary financing requested does not change the project objectives, duration, area or components, or the target groups as approved by the IFAD Executive Board in December 2005. Nor does it alter the project planning or implementation approach. It is intended to enable other communities living in the project area to benefit from measures to improve access and supply potable water, as well as rehabilitate income-generating irrigated perimeters, to improve living standards for smallholders.

Expenditure categories

15. In addition to the category of unallocated funds, which accounts for 4.2 per cent of the loan amount, the project includes seven expenditure categories. The initial allocations were distributed as follows, expressed as a percentage of the total loan amount: (i) civil engineering works, 61.4 per cent; (ii) equipment and materials, 1.7 per cent; (iii) fruit plants, 11.7 per cent; (iv) vehicles, 1.7 per cent; (v) studies and technical assistance, 5 per cent; (vi) training, 8.6 per cent; and (vii) agricultural advisory assistance, 5.6 per cent. Based on supplementary needs

¹ Kef, Siliana, Jendouba, Kasserine, Sidi Bouzid, Kairouan, Gafsa, Tozeur, Kébili and Tataouine.

and financing, expenditure categories (i) and (ii) have been increased by US\$4.4 million and US\$0.6 million, respectively.

Project financing plan

16. The project financing plan has been revised to cover the deficit and supplementary needs in terms of basic infrastructure. The total updated cost will be US\$45.7 million. IFAD will contribute US\$20.5 million and the Government US\$12.2 million. The contribution of beneficiaries will be US\$2.5 million, and the GEF and AFD contributions will remain unchanged.

Proposed amendments to the loan agreement

17. Upon approval by the Executive Board, the loan agreement will be amended to reflect the changes in IFAD financing, as outlined in paragraph 15 above.

III. Recommendation

18. I recommend that the Executive Board approve the amendments to the loan agreement indicated in paragraph 17, and the proposed supplementary financing, in terms of the following resolution:

RESOLVED: that the Fund shall provide a supplementary loan on ordinary terms in an amount equivalent to three million two hundred thousand special drawing rights (SDR 3,200,000) to the Republic of Tunisia, and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President