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IFAD

Enabling poor rural people
to overcome poverty

President's memorandum

Proposal for a loan and grant to the Republic of Tunisia for the

Agropastoral Development and Local Initiatives Promotion Programme for the South-East (PRODESUD)

Note to Executive Board representatives

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For: **Approval**

Contents

Abbreviations and acronyms

DT	Tunisian Dinar
GDA	Groupement de développement agricole
OFID	OPEC Fund for International Development
PDP	Plan de développement participatif
PIB	Produit intérieur brut
PRODESUD	Agropastoral Development and Local Initiatives Promotion Programme for the South-East
UF	Unité fourragère
UGP	Unité de gestion du Programme
UST	Unité socio-territoriale

Republic of Tunisia

Agropastoral Development and Local Initiatives Promotion Programme for the South-East

Financing summary

Initiating institution:	IFAD
Borrower:	Republic of Tunisia
Executing agency:	Ministry of Agriculture and Environment
Total programme cost:	US$7.88 million
IFAD supplementary loan amount:	SDR 2.55 million (equivalent to approximately US$3.96 million)
IFAD supplementary grant amount:	SDR 0.35 million (equivalent to approximately US$0.54 million)
Terms of IFAD loan:	18 years, including a grace period of three years, with a rate of interest equal to the reference rate of interest per annum set by IFAD semi-annually
Contribution of borrower:	US$3.0 million
Contribution of beneficiaries:	US$0.38 million
Institution in charge of final design:	IFAD
Cooperating institution:	Directly supervised by IFAD

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to the Republic of Tunisia for the Agropastoral Development and Local Initiatives Promotion Programme for the South-East, as contained in paragraph 26.

President's memorandum

Proposal for a loan and grant to the Republic of Tunisia for the Agropastoral Development and Local Initiatives Promotion Programme for the South-East

I. Background

1. This memorandum calls for the approval of supplementary financing in a total amount of SDR 2.9 million (equivalent to approximately US$4.5 million at the exchange rate prevailing on 30 November 2011) in the form of a loan for SDR 2.55 million (equivalent to US$3.96 million) and a grant for SDR 0.35 million (equivalent to US$0.54 million) for the Agropastoral Development and Local Initiatives Promotion Programme for the South-East (PRODESUD), approved initially by the Executive Board in September 2002.

2. As indicated in paragraph 34 of the President's report (EB 2002/76/R.19/Rev.1), the programme was previously funded with a loan from IFAD for SDR 14.1 million (equivalent to US$18.7 million) on ordinary terms. With a total budget of US$44.3 million, the programme mobilized cofinancing from several sources, specifically the OPEC Fund for International Development (US$7.0 million), the Government (US$16.9 million) and the beneficiaries (US$1.7 million).

3. The loan agreement between IFAD and the Republic of Tunisia became effective in April 2003 and the loan reached maturity at end-December 2010. The Government of Tunisia decided, however, to maintain the special account of the programme at the Central Bank of Tunisia. Complementary activities are now being implemented using government budget funds, pending the granting of supplementary financing requested by the Government in an official application addressed to IFAD. The programme management unit created to manage and coordinate programme activities is still operational.

Programme objectives

4. The main programme objective was to initiate a sustainable community-driven process of development. To this end, plans called for creating instruments to: (i) promote participatory and sustainable management of pastures and water resources; (ii) increase productivity and promote high-performing livestock husbandry practices; (iii) promote local economic initiatives; and (iv) multiply and diversify income sources. This was expected to produce economic, environmental and socio-institutional outputs and improve living conditions for some 66,000 people (10,000 households).

Programme implementation

5. The programme design calls for a new approach based on the participation of agropastoral communities, the involvement of social partners and the integration of livestock into other agropastoral activities.

6. The achievement rate for major activities planned was frequently in excess of 100 per cent, except for the rotation of collective rangeland, where it was just 60 per cent. In terms of impact, the entire population in the programme area is benefiting from the pastoral improvements and basic infrastructure. These results include additional animal feed production of 5.7 million forage units, a reduction in

livestock feed costs on the order of 39 per cent, an improvement in fertility rates for small ruminants of 10 per cent to 12 per cent, a reduction in transport costs for livestock breeders of 50 per cent as a result of upgraded tracks, a reduction in sheep watering costs of 40 per cent, an increase in total irrigation area on the order of 24 per cent, and a 30 per cent increase in olive tree yields.

7. Rural women have gained greater autonomy as a result of the income generated by new microprojects. In addition, educated rural women are participating in associations. Currently 25 of the training officers are young educated women whose services are available to agricultural development groups, paid for under the national 21/21 programme.[1]

8. At the end of October 2011, total disbursements of IFAD loan resources stood at SDR 13,687,470 (US$18,188,000), or 97.07 per cent of the total loan amount. The OFID loan (US$6,990,000) has been disbursed in full. The total government contribution is the equivalent of US$11,697,000.

Rationale for supplementary financing

9. The programme completion date and the loan closing date (IFAD loan 593-TN) are 30 June 2010 and 31 December 2010, respectively, and the disbursement rate is 97.1 per cent. The programme, which has been implemented in a very satisfactory manner, posted a disbursement rate of 88.7 per cent one year prior to the loan closing date. Several recommendations were made by IFAD and the United Nations Office for Project Services (UNOPS) during the mid-term review and supervision missions to extend the programme completion date by two years (2011-2012) by granting supplementary financing. These recommendations, which were not acted upon by the previous government, were intended, first, to consolidate the programme achievements, and second, to ensure the sustainability of the investments made. Following the social upheaval of the first half of 2011 and urgent demands from people living in the programme area, the new government requested supplementary financing from IFAD to pursue programme implementation for a period of two transitional years, pending approval of a second phase.

10. The events of 14 January 2011, which had their origins largely in deeply rural areas, could be interpreted as the consequence of a crisis in the rural world and models of regional development that generated inequities between the coastal areas and the relatively marginalized interior.

11. The consequent establishment of a democratic climate in the country has given rise to greater freedom of expression, leading to demand for employment and infrastructure to meet basic needs on the part of the country’s poorest regions. The transition government has prepared a list of the country’s 10 priority governorates[2] and has begun to increase their budgets for fiscal 2011 in order to meet urgent needs for improved living conditions. To that end, several donors operating in Tunisia have been approached to help meet these demands.

12. IFAD, as a donor active in rural areas, specifically the country’s priority governorates, was particularly sought out to strengthen the interventions in the projects it cofinances, by granting emergency supplementary financing and by funding new projects.

13. Against this backdrop, supplementary financing has been requested to carry out priority activities identified in participatory development plans prepared in consultation with the population since the programme’s outset. This financing will contribute to consolidating achievements to date without making any changes in the programme area, approach, target group, components or institutional arrangements as approved by the Executive Board in September 2002.

[1] National employment programme for young people with university degrees.
[2] Kef, Siliana, Jendouba, Kasserine, Sidi Bouzid, Kairouan, Gafsa, Tozeur, Kébili and Tataouine.

14. The supplementary financing is justified by the following reasons: on an institutional level, IFAD should position itself among those international financial institutions which are able to meet the demands of their clients in the region during this time of upheaval. Moreover, this is a unique opportunity for IFAD to achieve its primary objective, which is to mobilize and provide additional financial resources in favour of poor rural people in its developing Member States. In so doing, IFAD will contribute to ensuring equitable development and a fair distribution of wealth among rural and urban areas, particularly in a middle-income country where poverty remains largely a rural phenomenon. Finally, IFAD's positive response will provide an excellent opportunity to demonstrate the adaptability and flexibility that characterize its operations.

15. The proposed supplementary financing is also fully justified at the operational level. First, the additional IFAD resources will be deployed to cover the unmet needs of rural people living in priority areas with a high incidence of poverty, without having to modify the programme design. Second, the programme is being implemented under a participatory and gender-sensitive approach. Thus, providing additional resources will enable significant advantages to be generated quickly and profitably for the target group. Third, the Government is fully committed to carrying out the programme in accordance with the initial design parameters.

II. Proposed financing

Performance-based allocation system (PBAS)

16. 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

17. The country's total debt stood at 110 per cent of GDP in current terms in 2009. However, the Government of Tunisia has a satisfactory record of repayment for IFAD loans.

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

18. No exception to the IFAD General Conditions for Agricultural Development Financing or Operational Policies is foreseen.

Major components and activities

19. The programme activities fall under five components: (i) investment in basic infrastructure of general interest; (ii) integrated development of socio-territorial units; (iii) value chain promotion and improved agropastoral productivity; (iv) promotion of rural microenterprises and economic initiatives; and (v) capacity building of programme management. The major activities envisaged for supplementary financing are fully compatible with these components. They concern essentially maintenance and paving of access tracks, pastoral waterworks, support for conservation measures, potable water supply, electrification of waterpoints, tree planting and support for agricultural development groups.

Supervision arrangements

20. The supplementary financing for PRODESUD will be administered and supervised by IFAD.

Expenditure categories

21. The programme includes three expenditure categories: (i) civil engineering works; (ii) equipment, supplies and transportation equipment; and (iii) learning and training. These expenditure categories will be increased by US$2.5 million, US$1.5 million and US$0.5 million, respectively, to meet funding needs.

Financing plan

22. The financing plan for the supplementary financing is intended to cover supplementary needs in terms of basic infrastructure, agropastoral development and support for community development. The total is US$7.88 million. IFAD's contribution is US$4.5 million, of which US$0.54 million in the form of a grant, and the contribution of the Government is US$3.0 million. The beneficiaries will contribute US$0.38 million.

III. Legal instruments and authority

23. A financing agreement between the Republic of Tunisia and IFAD will constitute the legal instrument for extending the proposed supplementary financing to the borrower/recipient. The said financing agreement will be negotiated and concluded with the Republic of Tunisia following approval by the Executive Board.

24. The Republic of Tunisia is empowered under its laws to receive IFAD financing.

25. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Lending Principles and Criteria.

IV. Recommendation

26. I recommend that the Executive Board approve the proposed financing, in terms of the following resolution:

RESOLVED: that the Fund shall provide a loan to the Republic of Tunisia on ordinary terms in an amount equivalent to two million five hundred fifty thousand special drawing rights (SDR 2,550,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

RESOLVED FURTHER: that the Fund shall provide a grant to the Republic of Tunisia in an amount of three hundred fifty thousand special drawing rights (SDR 350,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President