

AFRICAN DEVELOPMENT BANK



PROJECT TO DEVELOP AND PROMOTE AGRICULTURAL SUBSECTORS IN ZAGHOUAN GOVERNORATE - (PDPFA-GZ) P-TN-A00-009

COUNTRY: TUNISIA

APPRAISAL REPORT

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TUNISIA

PROJECT TO DEVELOP AND PROMOTE AGRICULTURAL SUBSECTORS IN ZAGHOUAN GOVERNORATE (PDPFA-GZ)

RDGN/AHFR/AHAI DEPARTMENTS

June 2019

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CURRENCY EQUIVALENTS

(April 2019)

UA 1	=	TND 4.25
UA 1	=	EUR 1.22
EUR 1	=	TND 3.42

FISCAL YEAR

1 January – 31 December

WEIGHTS AND MEASURES

Metric System

ACRONYMS AND ABBREVIATIONS

ADFD	:	Abu Dhabi Fund for Development
ADP	:	Agricultural Development Programme
AFD	:	French Development Agency
AfDB	:	African Development Bank
ANETI	:	National Agency for Employment and Self-Employment
ANPE	:	National Environmental Protection Agency
APD	:	Final Design
APS	:	Preliminary Design
AVFA	:	Agricultural Extension and Training Agency
BCT	:	Central Bank of Tunisia
BD	:	Bidding Document
BOQ	:	Bill of Quantities
CCAP	:	Cahier des Clauses Administratives Particulières (Special Conditions of Contract)
CGF	:	General Finance Control
CNC	:	National Coordination Committee
CRD	:	Regional Coordination Committee
CRAP	:	Comprehensive Resettlement Action Plan
CRDA	:	Regional Office for Agricultural Development
CTBA	:	Organic Agriculture Centre
DMP	:	Public Procurement Document
EC	:	European Commission
ERR	:	Economic Rate of Return
ESMP	:	Environmental and Social Management Plan
EA	:	Executing Agency
EU	:	European Union
AFESD	:	Arab Fund for Economic and Social Development
FAO	:	Food and Agriculture Organisation of the United Nations
GDA	:	Agricultural Development Group
GDP	:	Gross Domestic Product
GIZ	:	Gesellschaft für International Zusammenarbeit (German Development Agency)
HDPE	:	High-Density Polyethylene
IBRD	:	International Bank for Reconstruction and Development
IFAD	:	International Fund for Agricultural Development
IGA	:	Income-Generating Activity
INRAT	:	National Institute of Agronomic Research

NDC	: Nationally Determined Contribution
INS	: National Institute of Statistics
IRR	: Internal Rate of Return
IsDB	: Islamic Development Bank
JICA	: Japanese International Cooperation Agency
KDF	: Kuwait Development Fund
KFW	: German Development Bank
MARHP	: Ministry of Agriculture, Water Resources and Fisheries
MDICI	: Ministry of Development, Investment and International Cooperation
MIC	: Middle-Income Country
MIC-TAF	: Middle-Income Countries Technical Assistance Fund
MSME	: Micro- Small- and Medium-sized Enterprise
NGO	: Non-Governmental Organisation
NPV	: Net Present Value
ODA	: Official Development Aid
OEP	: Livestock and Pasture Authority
OF	: Organic Farming
ONAGRI	: National Agriculture Observatory
ONH	: National Olive Oil Board
OS	: Operational Safeguards
PA	: Project Area
PAP	: Project-Affected Persons
PDAI	: Integrated Agricultural Development Project
PDP	: Participatory Development Plan
PDPFA	: Project to Develop and Promote Agricultural Sub-sectors
PIP	: Public Irrigation Scheme
PMU	: Project Management Unit
PPP	: Public-Private Partnership
RAP	: Resettlement Action Plan
FRAP	: Framework Resettlement Action Plan
SDP	: Strategic Development Plan
SFD	: Saudi Fund for Development
SMSA	: Sociétés Mutuelles des Services Agricoles (Agricultural Cooperatives)
TND	: Tunisian Dinars
ToR	: Term of Reference
UA	: Unit of Account
UNDP	: United Nations Development Programme
UPS	: Unit Price Schedule
UTAP	: Tunisian Union of Agriculture and Fisheries
VA	: Value Added
WB	: World Bank
WPAB	: Work Programme and Annual Budget
WSC	: Water and Soil Conservation

PROJECT INFORMATION SHEET

Client Information Sheet

BORROWER : Republic of Tunisia
EXECUTING AGENCY : Zaghouan Regional Office for Agricultural Development (CRDA/Zaghouan)

Financing Plan

Source of Financing	Amount (EUR million)	Amount (UA million)	Instrument
AfDB	25.21	20.67	AfDB Loan
Government	17.24	(FOSDA EUR 3.71 million, Nat. Prog. EUR 4.09 million, Taxes EUR 6.07 million, Land cost EUR 3.36 million)	
Beneficiaries	2.42		
TOTAL COST	EUR 44.84 million		

Key AfDB Financing Information

Loan currency	Euro (EUR)
Type of loan	Fully flexible loan
Maturity	20 years
Grace period	6,5 years
Tenor	12.57
Reimbursement	Payments according to the amortization table at the end of the grace period
Type of Interest	Base rate + financing cost margin + loan margin + maturity premium. This interest rate shall be above or equal to zero.
Floating base rate	Floating (6-month EURIBOR reviewed on 1 February and 1 August or any other acceptable rate), with a free base rate fixing option.
Financing cost margin	Bank's financing cost margin to 6-month EURIBOR, reviewed on 1 February and 1 August.
Lending margin	0.80% (80 basis points)
Maturity premium	0%
Commitment charge	0.25% (25 basis points) per annum on the undisbursed amount, effective 60 days following the loan signature date and due on interest payment dates
Front-end fee	0.25% (25 basis points) of the loan amount
Base rate conversion option*	Besides the free-fixing option, the Borrower may revert to the floating rate or set the rate on all or part of the disbursed amount of its loan. Transaction fees apply
Rate cap or collar option**	The Borrower may cap or collar the base rate for all or part of the disbursed amount of its loan. Transaction fee: apply.

Loan currency conversion option	The Borrower may change the currency of all or part of its loan, whether disbursed or not, into another loan currency of the Bank. Transaction fees apply
ERR (baseline scenario)	18.8%
IRR (baseline scenario)	15.6%
NPV (baseline scenario)	TND 47.9 million

* The related conversion options and transaction costs are governed by the Bank's Directives on conversion available on the website <https://www.afdb.org/en/documents/document/guidelines-for-conversion-of-loan-terms-july-2014-87643/>

** A weighted average maturity calculator is available on the website <https://www.afdb.org/en/projects-and-operations/financial-products/african-development-bank/loans/>

Timeframe – Main Milestones (expected)

Preparation	April 2014 – Nov. 2018
Concept Note Approval	February 2019
Project Appraisal	March – April 2019
Project Approval	July 2019
Effectiveness	November 2019
Completion	December 2025
Last Disbursement	March 2026

Project Executive Summary

Overview: the Project to Develop and Promote Agricultural Sub-sectors (PDPFA) will be implemented in the Zaghuan Governorate, which covers a surface area of 282 000 hectares and has a population of 186 210 (INS, 2018). This region has an average poverty rate of 20% (15.2% nationwide), an illiteracy rate of 26.4% (18.8% nationwide) and a rural poverty rate of 34.2%. The unemployment rate is 16.9% compared with 14.8% nationwide. Women are more vulnerable as they lack access to resources and formal employment.

After the 2011 revolution, Tunisia adopted a Strategic Development Plan (PSD 2016-2020) to revive and enhance the attractiveness of its economy and incorporate it into global value chains in order to address the challenge of achieving sustainable and inclusive development. This vision is reflected in the country's resolve to increase investments (25% of GDP by 2020) in specific niches with competitive advantages and where there is a growing international market that offers more opportunities for the generation of value-added. In this regard, agricultural subsectors have been identified according to agro-ecological zones and their potential to increase high value-added agricultural exports. The Project to Develop and Promote Agricultural Sub-sectors in Zaghuan Governorate (PDPFA-GZ) falls within this framework. It seeks to promote agricultural subsectors whose development requires significant public and private investments to enhance production and productivity, and increase opportunities in terms of product development (processing, packaging, certification, etc.). Besides improving their competitiveness, the subsectors selected will have an overall impact on economic recovery and the reduction of unemployment, poverty and inequalities.

PDPFA-GZ was prepared under a UA 412 000 Middle-Income Countries Technical Assistance Fund (MIC-TAF) grant awarded by the Bank in 2014. The grant resources were used to design the related technical studies and evaluate the Integrated Agricultural Development Project (PDAI) in Tunisia. It complements the first phase of the Integrated Agricultural Development Programme in Zaghuan Governorate financed by the International Fund for Agricultural Development (IFAD) to the tune of USD 16.05 million. PDPFA-GZ, whose total estimated cost is EUR 43.86 million, of which EUR 25.21 million provided the African Development Bank (AfDB), aims to develop priority agricultural subsectors (olive oil, tomato, dairy and other local organic products) selected in conjunction with regional authorities based on their economic, social and environmental impact. The project comprising three components will be implemented over five years. The components are: (i) Rural Infrastructure Support; (ii) Sustainable Agricultural Development and Promotion of Agricultural Value Chains; and (iii) Project Coordination and Management. It will benefit more than 90 650 people (12 500 directly), 50.2% of them women, in the project impact area (PIA).

Needs Assessment: the financing needs of the agricultural sector in Tunisia for the 2016-2020 period are estimated at about TND 9 000 million or UA 2 000 million (Strategic Development Plan 2016-2020). This investment will contribute to achieving the objectives of the Strategic Development Plan (SDP) in terms of reducing unemployment and social/regional inequalities. Agricultural investments during the first three years of the Plan amounted to TND 4 400 million (TND 1 870 million in public investments), representing a financing gap of more than TND 2 500 million. AfDB resources of about TND 86.24 million will help to reduce the financing gap in Zaghuan Governorate.

Value-added for the African Development Bank: the agricultural sector plays a vital role in the national economy and the Bank contributes to its development within the framework of the Country Strategy. The Bank's active portfolio comprises seven operations (UA 69.804 million), representing 6% of the portfolio whose performance is deemed satisfactory with a score of 3.5

on 4 (2017/2018 Country Portfolio Performance Review). The Bank has also acquired considerable experience in financing integrated agricultural development projects (IADPs) in similar areas such as Gafsa and Kairouan. The evaluation of IADPs conducted within the framework of the Middle-Income Countries Technical Assistance Fund (MIC-TAF) grant confirmed that the Bank has a strong comparative advantage by participating in financing the Project to Develop and Promote Agricultural Sub-sectors in Zaghuan Governorate (PDPFA-GZ). It has developed skills and technical expertise in the design and formulation of agricultural projects, particularly the development of irrigation schemes and catchment ponds, the proper targeting of vulnerable areas and environmental and social protection. It has also acquired experience in Tunisia and other countries by promoting subsectors and value chains, youth and women's entrepreneurship, and building national capacity for more effective official development aid (ODA) in terms of alignment and ownership.

Knowledge Management: a baseline situation based on field surveys (including value chains) was established during project preparation. The project will provide the agricultural map of Tunisia with geo-referenced data on the sites of the schemes and infrastructure developed. It will also support training and strengthen the knowledge of various local actors, particularly farmers in irrigation schemes and women involved in agri-food product marketing. The project will disseminate best practice, particularly in organic agricultural product certification and the development of local expertise. The same will apply to the socio-economic and environmental impacts of the organic production system (OPS) to be promoted by the project by ensuring that producers (upstream and downstream of subsectors) introduce and adopt good agricultural practices.

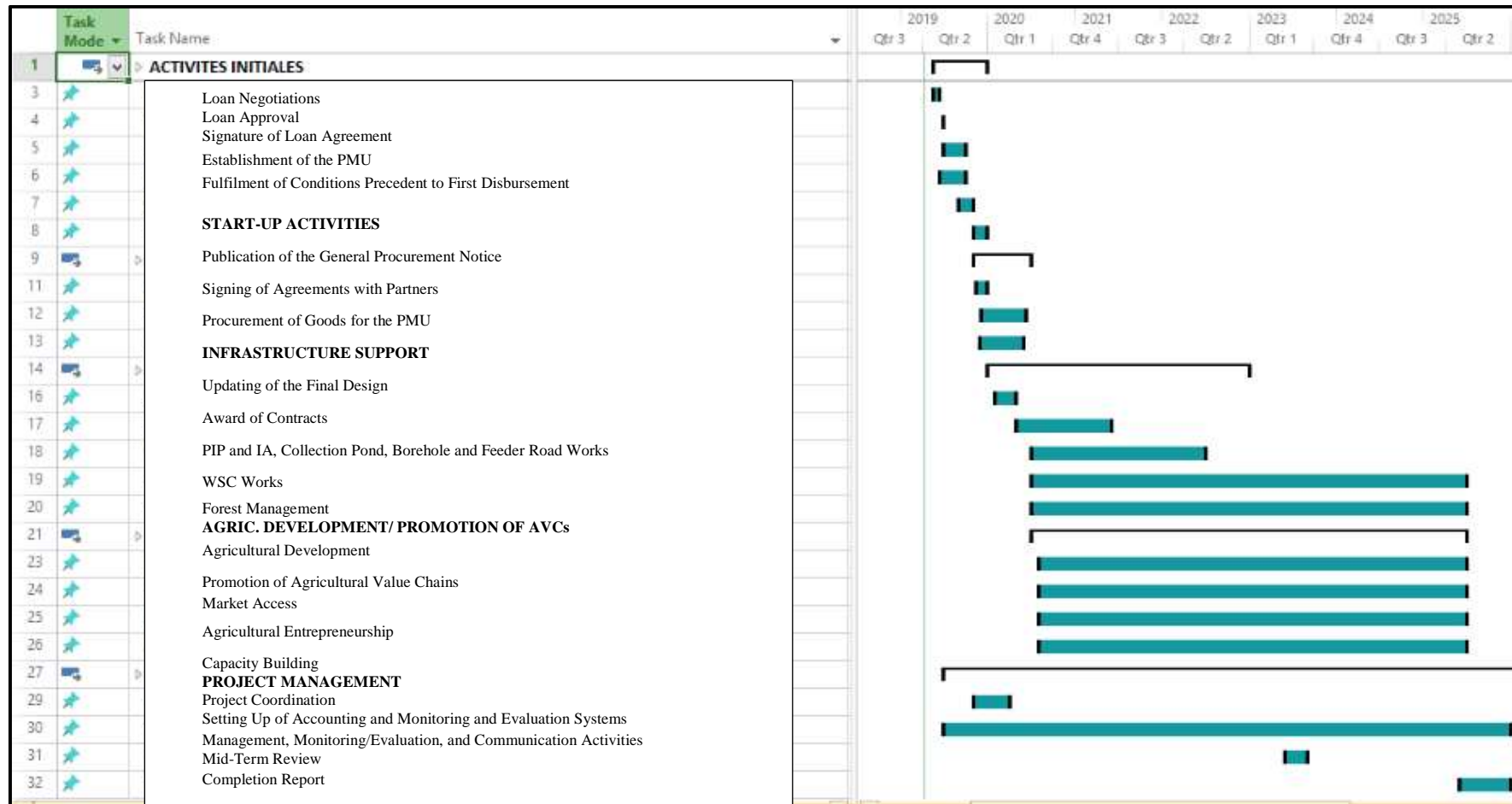
RESULTS-BASED LOGICAL FRAMEWORK

COUNTRY AND PROJECT NAME: Tunisia: Project to Develop and Promote Agricultural Sub-sectors in Zaghouan Governorate (PDPFA-GZ)						
PROJECT GOAL: Contribute to reducing poverty, unemployment and inequalities in Zaghouan region. The project’s specific objective is to create more value added through the promotion of priority agricultural sub-sectors: olive oil, tomato, dairy and other organic products from the region.						
RESULTS CHAIN	PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES	
	Indicator (Including ISC)	Baseline Situation	Target			
IMPACT	Long Term		2018	Beyond 2025	ANETI reports	
	- Reduced incidence of poverty and regional disparities - Improved women’s employability/economic empowerment	Percentage of poor people in the PIA	20%	18% (2023), 15%		
		Number of jobs for women created in the PIA	2 800	10 300		INS and ONAGRI statistics
		Average unemployment rate in the PIA	16.9%	13% / 11.5% (2025)		INS and ONAGRI statistics
OUTCOMES	Medium Term		2018	2023 - 2025		Risk 1: • Land issues that are not clarified can lead to difficulties in operating in the sites to be developed and compromise the attainment of objectives. Mitigation measures: • This risk will be mitigated by improving local land governance through the re-parcelling of land, land regularisation and the issuing of land titles, including for women and youths.
	1. Increased agricultural production	Volume of production of organic products marketed annually (T)	15270	9 000 - 18 300	• Agricultural statistics • Periodic project monitoring reports • Midterm review report and project completion report	
		Volume of olive production/olive oil produced annually (T)	51 365/8 510	25000-4500 / 56 100/9 400		
		Volume of production of tomato marketed annually (T)	57 650	35000 - 76 150		
		Volume of milk produced annually (T)	10 316	800 - 1800		
	2. Improved income	Income/year per olive farm (5 ha) managed by men/women (TND)	8 148/8 148	15 500/15 500		
		Income/year per dairy farm (5 v) managed by men/women (TND)		8 090 / 8 090		
	3. Sustainable jobs created	Income/year per hectare of tomato for men/women (TND)	2 479	5 696/5 696		
		Number of stable jobs generated for men/women and youths		7 500/7 500		
	Short Term		2018	2023 - 2025		
I. RURAL INFRASTRUCTURE SUPPORT						
1.1 Development of irrigation schemes and boreholes/wells	Area of former irrigation schemes rehabilitated (ha)	0	1000- 1158	CRDA report	Risk 2: • Climatic hazards that can exacerbate ecosystem degradation (erosion, CC, etc.) and render the population more vulnerable. Mitigation measure: • This risk will be mitigated by carrying out drip irrigation, protecting vulnerable areas, opening up production areas, and mainstreaming climate information into the design of structures	
	Area of new public schemes developed for irrigation (ha)	0	300-350	• CRDA report • Contracts signed with companies • Reports of control firms • Project progress reports		
1.2 Water and soil conservation (WSC)	Area protected with dry stone berms and cords (ha)	0	6000-9430			
	Water collection structures (catchment ponds and water filling structures) developed (number)	0	5-80 / 8-120			
	Length of wadis cleaned and reprofiled (km)	0	35-47			
1.3 Forest management	Area of land cleaned (ha)	0	10000-13000			
	Length of firewall and forest tracks created and maintained	0	250-345			
1.4 Feeder roads	Feeder roads developed (km)	0	50- 60			
II. SUSTAINABLE AGRICULTURAL DEVELOPMENT AND PROMOTION OF AGRICULTURAL VALUE CHAINS						
	Agricultural intensification rate (%)	74	> 100	CRDA reports		Risk 3:
	Area cultivated with olive, citrus fruit and peach trees (ha)		3600/150/150-5900/200/200			

KEY	2.1 Sustainable development and agricultural technological innovations	Percentage of women with access to public irrigation schemes (PIPs) developed (%)	10-15	40-45	Agreements signed	<ul style="list-style-type: none">• Lack of transparency in the selection of micro-project beneficiaries• Poor monitoring of technological innovations by communities• Procurement delays, weak capacity of technical services and companies Mitigation measures: <ul style="list-style-type: none">• Defining criteria for selecting beneficiaries in a transparent manner• Participatory, inclusive and committed partnership approach, and involvement of local actors• Financing of a programme to build the capacity of actors Risks 4: <ul style="list-style-type: none">• Limited access to financial resources by agricultural entrepreneurs Mitigation measures: <ul style="list-style-type: none">• This risk will be mitigated by setting up a partial guarantee fund and establishing partnerships with microfinance institutions (MFIs) for rural financing.		
		Number of farmers trained in resilient technologies: M/W	ND	950/950 - 1275 / 1275	Project progress reports			
	2.2 Promotion of agricultural value chains	Olive subsector: number of batches of upgrading equipment intended for SMSA, GDA and women's groups (batches)		2 sets of collection tools/ 1 organic oil mill, 2 multipurpose centres in 2023	APIA and FOSDA reports			
		Tomato subsector: number of drying and packaging materials (batch)		1 transfer and vacuum packaging in 2023	PMU report			
		Local organic products: number of upgrading equipment (batch)		1 composting, 1 honey and wax in 2023	Procurement Plan (PP)			
		Milk subsector: number of milk collection and cooling equipment (batch)		1 green forage chopper, extruder, 2 equipped centres in 2023	Early Warning System (EWS)			
		Number of GDAs/SMSAs strengthened	0/0	8/4 - 10/5	Audit report			
		Number of groups formed comprising M/W members	0	4 (1 000 M/1 000 W) in 2025	Progress reports			
		Women and Youth Support Fund (TND '000): W/Youth	0	1 000 women/1 000 youths (500 W/500 M)	Mission aide-memoire			
		Number of young entrepreneurs trained in incubation centres: M/W	0/0	100 /100				
		MFI resources mobilised for rural financing (TND '000): M/W	0	1 500/1 500				
		2.3 Building the capacity of stakeholders	Members of irrigation scheme and infrastructure management committees trained: M/W	0	100/100			
	Person days of training in strategy, processing, marketing and post-harvest losses: M/W (150/2 days/3 years: 1 500 people)		0/0	500 men/1 000 women				
	Persons-day training of specialised technicians, agricultural extension officers: M/W (50/3 days/3 years: 450 people)		0/0	200/250				
	III. PROJECT COORDINATION AND MANAGEMENT	Number of technicians trained in monitoring/evaluation and various workshops: M/W	0c	65/35				
		Number of steering committee meetings held	0	10				
		Number of supervision missions fielded by the Supervisory Authority / Bank	0/0	20/10				
		Number of mid-term review/completion reports produced	0/0	1/1				
		Number of impact assessments produced	0/0	1	• Report			
	COMPONENTS						INPUTS	
	Component 1: Rural Infrastructure Support			: EUR 30.33 million (67%)	Total Project Cost: EUR 44.84 million			
	Component 2: Sustainable Agricultural Development and Promotion of Agricultural Value Chains			: EUR 11.41 million (26%)	AfDB Loan : EUR 25.21 million (56.2%)			
	Component 3: Project Coordination and Management			: EUR 3.10 million (7%)	Beneficiaries : EUR 02.39 million (5.3%)			
	TOTAL			: EUR 44.84 million (100 %)	Tunisian Gvt. : EUR 17.24 million (38.4%)			

(**) M/W: Men / Women

Project Implementation Schedule



TUNISIA
PROJECT TO DEVELOP AND PROMOTE AGRICULTURAL SUBSECTORS IN
ZAGHOUAN GOVERNORATE

APPRAISAL REPORT

Management hereby submits the following appraisal report and recommendation concerning a proposal to grant a EUR 25.21 million AfDB loan to the Republic of Tunisia to finance the Project to Develop and Promote Agricultural Sub-sectors in Zaghouna Governorate (PDPFA-GZ).

I. Strategic Thrust and Rationale

1.1. Project Linkages with Country Strategy and Objectives

1.1.1 The project is consistent with Tunisia's Strategic Development Plan (PSD) 2016-2020, which hinges on five pillars: (i) public administrative reform and fight against corruption for improved governance; (ii) human development and social inclusion; (iii) higher value-added activities; (iv) reduction of regional disparities; and (v) development of a green economy. The PSD seeks to achieve a 5% growth rate to reduce the unemployment rate to 12.2% in 2020. In this regard, the strategy envisages an increase in the investment rate to 25% of GDP, driven by a significant growth in public investment and a build-up of public-private partnerships (PPPs). The overall objectives of the PSD in the agricultural sector are to promote competitive and sustainable farming by creating value added, ensuring the judicious and sustainable exploitation of natural resources, and securing decent income for farmers.

1.1.2 The project will also contribute to the implementation of the Zaghouna Governorate Planning and Development Master Plan 2030. Besides making substantial investments in the development of irrigation and water-saving infrastructure, it will help to promote and enhance the competitiveness of priority agricultural subsectors (olive oil, tomato, milk and other local organic products). The project will promote the conservation and development of natural resources by ensuring their sustainability and minimising the effects of climate change; improving land tenure entities, combating the fragmentation of landholdings and developing farmlands; develop a regional green economy and promote gender-based human development and social inclusion by strengthening women's empowerment. The project will help Tunisia to honour its low-carbon sustainable development commitments (nationally determined contribution target of reducing carbon intensity by 41% by 2030 compared with 2010) by launching a large-scale tree planting operation, water and soil conservation (WSC) works, and to achieve the sustainable development goals (SDGs), particularly poverty reduction, the elimination of inequalities, the promotion of gender equality, the empowerment of women, and the creation of decent jobs.

1.2. Rationale for Bank Involvement

1.2.1 The agricultural sector plays a major role in Tunisia's economy. Over the last decade, the Tunisian olive oil sub-sector has been one of the country's leading foreign exchange earners, generating TND 2 billion, i.e. 10% of all exports in 2017-2018 (ONH, 2018). Consequently, the country is the second olive oil producer after Spain and the world's leading exporter of olive oil, with about 200 000 tonnes of olive oil in 2017. Similarly, it ranks among the world's ten largest tomato processing countries and is Africa's leading exporter of organic products. Agriculture accounts for 10% of GDP, 16.9% of employment and about 10% of export earnings. Despite the progress made, the overall performance of the agricultural sector remains inadequate in view of its potential. Agricultural productivity remains low and the high inter-annual variability of production greatly impedes steady supply. Agricultural products are not sufficiently competitive and developed. Consequently, investment in the agricultural sector has dropped. The outcome has been a decline in farmers' income, which does not exceed 50% of the national average income. As a result, the sector is increasingly less attractive to youths (43% of farmers are aged above 60).

1.2.2 The Bank's intervention targets disadvantaged areas in Zaghouan Governorate, a region with a high agricultural potential and one eligible for various government investment incentives. In this region, the project will contribute to developing irrigation and water-saving infrastructure, promoting transition to organic agriculture and expanding agricultural entrepreneurship in order to boost the value chains of promising agricultural subsectors. Therefore, the Bank's intervention will help to render the regional and national economy more attractive, thus contributing towards achieving inclusive growth, reducing unemployment, poverty and inequalities. It will also build the resilience of agro-ecological systems and improve the region's agri-food positioning in local and global value chains.

1.2.3 The subsectors targeted by the Bank's intervention (see detailed analysis in Annex C3) were selected given their strategic importance in terms of food security, their potential to generate more value added and the constraints identified. In Tunisia, olive growing is the main agricultural activity and plays a key socio-economic role in terms of the area under cultivation (1.8 million hectares) and the number of farmers (309 000 farmers) employed in the different olive oil subsector chains (mechanisation, pruning, harvesting, transportation, crushing, storage, marketing, etc.). It is a source of direct or indirect income for more than one million people and generates 34 million days of work per annum, which is equivalent to more than 20% of employability in the agricultural sector. However, olive oil production fluctuates significantly from year to year due to the alternate bearing of olive trees and very irregular climatic conditions. In addition, 90% of olive oil exports consist of bulk oil, 70% of which is extra-virgin olive oil. This provides the country with a significant head room in the packaging value chain to create more value added and ensure product traceability. In the tomato subsector, the dried product constitutes a growth niche in terms of employment and exports, and can generate foreign exchange earnings for the country. Exports could be better leveraged by shifting from the current stage of supplier of semi-finished bulk products to another stage as supplier of finished products delivered directly to the final consumer. In the dairy sub-sector, there is a deficit in the feed balance with limited quantity and quality of feed resources and a partial and inadequate use of agricultural and agro-industrial by-products upstream. There is a shortage of collection centres and chillers, as well as inadequate promotion of traditional dairy products downstream. Organic farming is now the engine of regional development in view of its linkages with agri-food industries, environmental tourism, handicrafts and renewable energy. However, the cumbersome process of converting and certifying organic products continues to impede its full development.

1.2.4 The project plugs into the Bank's Ten-year Strategy (2013-2022) by aligning with the High 5s. It is consistent with the Bank's Strategy to Address Fragility and Build Resilience in Africa (2014-2019) since it strengthens the role of communities in building resilience and raising awareness among all stakeholders on inequality and fragility issues. It is in keeping with the main thrusts of the Bank's Climate Change Action Plan and Gender Strategy for 2014-2018 (extended to 2019), by promoting women's right to land and resources (in irrigation schemes) and economic empowerment through income-generating activities, management and entrepreneurship capacity building. At the national level, the project is consistent with Tunisia's Country Strategy Paper (CSP) 2017-2021, particularly Pillar 2 "*Improve the quality of life for the people of the priority regions*". In this respect, the project will ensure the qualitative and quantitative transformation of regional agriculture by developing irrigation schemes (PIP); supporting targeted agricultural subsectors and certifying organic products to promote their export; supporting agricultural entrepreneurship (MSME), especially for women and youths; developing a regional green economy; and building local capacity and governance in land tenure and water resource management. By addressing the critical feeder road link under Pillar 1 "*Industrialisation and local value chains development*", the project will ease the movement of people and goods in this region, which is a transitional space between the country's coast and hinterland.

1.3. Aid Coordination

1.3.1 In Tunisia, official development aid reached USD 5.5 billion during the 2011-2017 period, representing an increase of 128% compared with the pre-revolution period (2004-2010) (WB, 2019;

oecd.org/dac/stats/idsonline). The Ministry of Development, Investment and International Cooperation (MDICI) is responsible for coordination. The African Development Bank is contributing to this process through the country dialogue spearheaded by its North Africa Regional Development and Business Delivery Office (RDGN). Therefore, the Bank harmonises its operations with the World Bank and the European Union within the framework of budget support based on the same matrix of measures and identical disbursement conditions. It has also concluded mutual trust and confidence agreements, particularly with the European Investment Bank, to use the procurement procedures of a single donor during co-financing. Lastly, it participates in the Agricultural Sector Working Group set up by Tunisia's technical and financial partners. At State level, the Ministry of Agriculture, Water Resources and Fisheries (MARHP) is responsible for the technical coordination of agricultural projects. Similarly, the Ministry of Development, Investment and International Cooperation (MDICI) coordinates and monitors the activities of development partners. The table below presents the main amounts by source of financing committed in the agricultural sector in Tunisia.

Table 1.1: Main Amounts Committed in the Agricultural Sector

Sector or Subsector	Size		
	GDP	Exports	Labour
Agriculture	10% (2017)	10%	16.9% labour force
Stakeholders – Public Expenditure (ongoing programmes or projects)			
Government	Donors	Amounts (EUR million)	Period
– MARHP budget: TND 4.4 billion from 2016 to 2018 – In 2017, the agricultural sector represented 17.6% of the State budget	AFD	190.00	2017-2024
	ADB	162.06	2016-2021
	IsDB	137.97	2014-2021
	WB	93.10	2017-2022
	EU	10.00	2014-2019
	Abu Dhabi Fund	20.82	2005-2018
	AFESD	235.79	2015-2020
	KFW	329.4	2013-2024
	IFAD	58.32	2014-2021
	SDF	17.77	2009-2018
	JICA	492.33	2008-2021
	KDF	64.71	2015-2022
Total		1 812.27	
Aid Coordination Level			
Existence of thematic working groups			Yes
Existence of a comprehensive sector programme			No

II. Project Description

2.1 Project Components

2.1.1 The overall objective of PDPFA-GZ is to contribute to reducing poverty, unemployment and inequalities (gender, socio-economic and rural/urban) in Zaghouan Governorate. The project's specific objective is to create more value added by promoting priority¹ agricultural sub-sectors such as "olive oil", "tomato", "dairy" and "other local organic products", which are niches with a high potential in terms of employment, revenue generation and foreign exchange earnings for the country. In this regard, the project will carry out major irrigation, water resource mobilisation (boreholes, shallow wells and catchment ponds), and natural resource protection works (water, soil and forests) in order to improve production and productivity as part of efforts to accelerate transition to organic farming. An "agricultural value chains (AVCs)" approach will be used as guideline for the project to address the challenges of linking various chains in the targeted agricultural subsectors,

¹ Priority subsectors were defined in a concerted manner based on environmental (soil conservation, water use and biodiversity), social (local job creation and improvement of the status of rural women) and economic criteria (level of value added, stability of income and adaptability to growth markets).

creating value added and building resilience of the people's agro-ecological and socio-economic systems. The "aggregation²" model will be adopted to remove constraints on MSME financing, promote agricultural entrepreneurship especially for women and youths, and open access to markets at remunerative prices, while complying with new requirements regarding hygiene, food safety, the environment, and social equity.

2.1.2 The project will be implemented over five years and will comprise three components: (A) Rural Infrastructure Support; (B) Sustainable Agricultural Development and Promotion of Agricultural Value Chains; and (C) Project Coordination and Management. The project activities are summarised in the table below.

Table 2.1: Project Components

No.	COMPONENTS	ESTIMATED COST	COMPONENT DESCRIPTION
A	Rural Infrastructure Support	EUR 30.33 million	<p>A1. Development of irrigation schemes: (i) rehabilitation and equipping of 1 158 hectares of former public irrigation schemes (PIPs) with 4 000 ml of asbestos cement pipes replaced by others made of high-density polyethylene (HDPE); (ii) development of 350 hectares of new irrigation schemes (IAs). A2 Sinking of boreholes and drilling of shallow wells: (i) sinking of 12 boreholes (150 metres – 200 metres); (ii) drilling of 50 new shallow wells equipped with clean (solar) energy sources; (iii) study to update groundwater exploitation balances; (iv) strengthening of the piezometric measuring network for monitoring and controlling groundwater levels. A3 Soil and water conservation (SWC): (i) preparation and reinforcement of 9 430 hectares of mechanical and manual terraces, and 570 hectares of dry stone bunds, correction of 600 hectares of gullies, construction of 25 protection pier units in wadis; (ii) construction of 8 collection ponds and 120 fill structures; (iii) cleaning and reprofiling of 47 kilometres of wadis and drainage of 600 hectares of plains.</p> <p>A4 Forest management and biodiversity conservation: (i) forestry and livestock development on 200 hectares of land, drainage of 13 000 hectares of land; (ii) construction and maintenance of 345 kilometres of forest tracks and firewalls; (iii) development of the Djebel Zaghouan National Park and its Eco museum.</p> <p>A5 Feeder roads: (i) development of 60 kilometres of feeder roads.</p>
B	Sustainable Agricultural Development and Promotion of Agricultural Value Chains	EUR 11.41 million	<p>B1. Sustainable agricultural development: (i) development of plot irrigation: procurement of water-saving equipment (drip irrigation) per 1000 hectares of public irrigation schemes; (ii) development of arboriculture: planting of 5 900 hectares of olive and almond trees, procurement of seedlings and towed tanks; (iii) procurement of seeds for fodder crop rotation and Médicago and Sulla seeds for 1000 hectares; (iv) procurement of equipment for the CRDA soil laboratory; (v) dissemination of technological packages, resilient and organic techniques, relevant quality standards, training of agricultural extension workers in the maintenance of structures.</p> <p>B2 Promotion of gender-based agricultural value chains: <u>olive oil subsector:</u> (i) procurement of equipment for SMSAs, GDAs and women's groups (olive harvesting tools, olive tree branch shredders and sprayers; (ii) procurement of an organic olive oil extraction unit; and (iii) support for the construction of two multipurpose centres to house organic olive oil agro-industrial units. <u>Tomato subsector:</u> (i)</p>

² Aggregation is an innovative organisational model comprising a group of producers (aggregates) linked to an aggregator (usually an agri-food business) and maintaining market relationships with other suppliers. The businesses participating in an aggregation focus on the same market, use the same inputs, share the same territory and infrastructure, and belong to the same social community with the same values, traditions and production culture.

No.	COMPONENTS	ESTIMATED COST	COMPONENT DESCRIPTION
			<p>support for the establishment of a complete tomato drying unit comprising 1 washer, 1 sorter, 1 slitter, fruit and vegetable dryers, and 1 vacuum packaging machine. <u>Local organic products</u>: (i) support to SMSAs for switching to organic farming and product certification; (ii) procurement of composting equipment (shredders, diverters and compost spreaders); (iii) procurement of equipment for women (honey extractors, organic wax, distillers, grain and spice crushers, and essential oil extractors and dryers). <u>Dairy subsector</u>: (i) construction of 2 milk conservation units; (ii) procurement of a batch of equipment for the production and conservation of organic fodder, and manure spreading; (iii) acquisition of 2 batches of milk collection and cooling equipment; (iv) development of best practice and hygienic standards; (iv) training in ranch management and fodder production.</p> <p>B3. Market access: (i) promotion of auto-aggregation around SMSAs and GDAs, and aggregation around private agricultural businesses; (ii) promotion of agricultural product competitiveness: quality, compliance with standards, traceability, certification, and logo; (iii) study on a market access strategy for local and organic products.</p> <p>B4. Agricultural entrepreneurship, women and youth employability: <u>specific support for women</u>: (i) incubation and installation of 200 women agripreneurs; (ii) construction of 200 rain water cisterns; (iii) supply of inputs for market gardening or arboriculture; (iv) procurement of handicraft equipment and brier rose plants; (vii) training in the extraction and distillation of aromatic and medicinal plants; (viii) setting up of product sales points; and (ix) training in marketing and commercialisation. Support for innovative women's MSME initiatives; and (x) provision of incubation and advisory services. <u>Support to 50 groups of young agricultural entrepreneurs (50% of them girls)</u>: (i) support for the preparation of business plans; (ii) training in incubation centres (Zaghuan Business Centre, Mograne School Nursery, etc.); (iii) allocation and development of registered parcels of land in new irrigation schemes; (iv) intermediation with local financing entities.</p> <p>B5. Building stakeholder capacity: (i) equipping the technical services involved in project implementation (Zaghuan CRDA, Mograne School, etc.); (ii) training in results-based management, value chain approach, gender, climate change and resilience, market access mechanisms, product standards and quality, etc.; (iii) consolidation of participatory development plans (PDPs); (iv) organisational and management support for GDAs, SMSAs and women's organisations, and establishment of regional networks and unions; (v) development of partnerships (contractualization) with financial institutions, private businesses, employer and trade union organisations (UTAP), inter-trade groups, training, research, and advisory support institutions.</p>
C	Project Coordination and Management	EUR 3.10 million	<p>C1. Project Management Unit: planning, coordination of project activities, administrative, accounting and financial management, procurement of goods, works and services, establishment of a communication plan, project implementation monitoring and evaluation, and gender-based impact analysis.</p>
	TOTAL	EUR 44.84 million	

2.2 Technical Solutions Adopted and Alternatives Explored

2.2.1 The technical solutions adopted are based on lessons from the Bank and IFAD's experience, particularly in financing integrated agricultural projects (IAPs) in Tunisia. The region's technical services, local businesses and communities have acquired experience in the development of irrigation, water and soil conservation facilities that are easy to design. The subsectors to be supported were selected in consultation with the regional authorities and communities based on their potential to create more value added and ensure the sustainability of investments as well as agro-ecological considerations. Thus, the promotion of a watermelon sub-sector, which was initially envisaged, was abandoned because of its negative impact on water resources. Similarly, in the tomato subsector already established in the region, the project will ensure water saving on the parcels of land under cultivation in order to economise water, while intensifying production in a bid to improve the downstream production sub-sector, particularly tomato drying, packaging and export. Resilience measures are based on vulnerability analysis and strategies to reduce factors of fragility. Lastly, the "aggregator" approach has yielded positive results in other public-private partnership (PPP) operations, opening up access to financing and guaranteeing higher producer prices.

Table 2.2: Alternatives Explored and Reasons for their Rejection

<i>Alternative</i>	<i>Brief Description</i>	<i>Reasons for Rejection</i>
Extension of the areas devoted to tomato cultivation and promotion of a watermelon subsector	The option considered was to increase the areas devoted to tomato cultivation and to promote a watermelon subsector.	The project will not promote a watermelon subsector in the region because of the high water consumption of these two plants. Concerning the tomato subsector already established and for which the regional authorities are requesting support, project activities will focus on measures to save water and improve the downstream sub-sector, particularly the drying, packaging and export of tomatoes.

2.3 Project Type

2.3.1. PDPFA-GZ is an investment project in a key sector of the Tunisian economy. Its approach guarantees the achievement of outcomes and the efficient use of the resources allocated.

2.4 Project Cost and Financing Arrangements

2.4.1 Project cost: the total project cost, taxes included, is estimated at TND 153.38 million (EUR 44.84 million). The cost was estimated based on the prices prevailing in April 2019. This cost includes the cost of land that will be occupied by the project for the construction of facilities planned. Provisions equivalent to 5% and 7% of the base cost have been made respectively for physical contingencies and price escalation, based on local and global inflation trends. Tables 2.3, 2.4 and 2.5 below present a summary of the estimated project cost by component, expenditure category and year, while details are presented in Technical Annex B2 of the project appraisal report.

Furthermore, the cost sharing (borne 56.2% by AfDB, 5.3% by the beneficiaries and 38.5% by the State) is in line with the financing parameters for Tunisia as approved by the Board in 2017, according to which the Bank could finance 60% of the cost of social projects (education, health, employment, gender, etc.), with limited and/or gradual economic benefits. The social nature of PDPFA is reflected in: (1) the importance of activities dedicated to women, especially the development of women's entrepreneurship; and (2) the emphasis on the development of employment and self-employment in the project area by targeting youths and smallholders. Moreover, the gradual profitability of the project resides in the very nature of tree cultivation (mostly olive trees), which requires nearly ten years to reach maturity.

Table 2.3: Summary of Estimated Project Cost by Component

COMPONENTS	(TND Million)			(EUR Million)			%	%
	Loc. Cur.	For. Exc.	Total	Loc. Cur.	For. Exc.	Total	For. Exc.	B.C.
A. SUPPORT TO RURAL INFRASTRUCTURE	37,33	55,30	92,62	10,91	16,17	27,08	60%	68%
Irrigation development	6.01	11.81	17.82	1.76	3.45	5.21	66%	13%
Drilling of boreholes and sinking of shallow wells	3.58	6.34	9.92	1.05	1.85	2.90	64%	7%
Water and soil conservation (WSC)	12.44	19.50	31.94	3.64	5.70	9.34	61%	23%
Forest management and biodiversity	3.62	3.82	7.44	1.06	1.12	2.18	51%	5%
Construction of feeder roads	11.67	13.83	25.50	3.41	4.04	7.46	54%	19%
B. SUSTAINABLE AGRICULTURAL AND VALUE CHAIN DEVELOPMENT	11,41	23.43	34.84	3.34	6.85	10.19	67%	25%
Sustainable agricultural development	4.95	11.95	16.90	1.45	3.49	4.94	71%	12%
Promotion of agricultural value chains	3.63	7.18	10.81	1.06	2.10	3.16	66%	8%
Women and youth agricultural entrepreneurship and employment	1.97	3.23	5.20	0.58	0.94	1.52	62%	4%
Capacity building	0.86	1.06	1.92	0.25	0.31	0.56	55%	1%
C. PROJECT COORDINATION AND MANAGEMENT	3,26	6.03	9.29	0.95	1.76	2.72	65%	7%
TOTAL BASE COST	51,99	84.75	136.75	15.20	24.78	39.98	62%	
Physical contingencies (5%)	2.60	4.25	6.85	0.76	1.24	2.00	62%	5%
Financial contingencies (7%)	3.64	5.93	9.57	1.03	1.70	2.79	61%	7%
Front-end fee	0.00	0.22	0.22	0.00	0.06	0.06	100%	0%
TOTAL PROJECT COST	58,23	95.15	153.38	16.99	27.78	44.84	62%	

Table 2.4: Summary of Estimated Project Cost by Expenditure Category

EXPENDITURE CATEGORIES	(TND Million)			(EUR Million)			%	%
	Loc. Cur.	For. Exc.	Total	Loc. Cur.	For. Exc.	Total	For. Exc.	B.C.
I. Investment Cost								
A. WORKS	26.30	69.76	96.07	7.69	20.40	28.08	73%	69%
B. GOODS	3.37	13.67	17.05	0.99	4.00	4.98	80%	12%
C. SERVICES	2.21	3.93	6.13	0.65	1.15	1.79	64%	4%
D. MISCELLANEOUS	13.30	4.19	17.50	3.89	1.23	5.11	24%	13%
TOTAL BASE COST	45.18	91.56	136.75	13.21	26.77	39.98		
Physical contingencies (5%)	2.26	4.58	6.85	0.66	1.34	2.00		
Financial contingencies Financiers (7%)	3.16	6.41	9.57	0.89	1.84	2.79		
Front-end fee	0.00	0.22	0.22	0.00	0.06	0.06		
TOTAL PROJECT COST	50.60	102.76	153.38	14.77	30.02	44.84		

Table 2.5: Expenditure Schedule by Component (EUR thousand)

COMPONENTS	COST BY PROJECT YEAR (EUR Million)					Total
	2020	2021	2022	2023	2024	
A. SUPPORT TO RURAL INFRASTRUCTURE	7.73	8.75	8.97	3.51	1.37	30.33
Irrigation development	0.64	1.94	2.15	1.12	0.00	5,85
Drilling of boreholes and sinking of shallow wells	0.41	1.40	1.14	0.32	0.00	3,27
Water and soil conservation (WSC)	2.41	2.51	2.77	1.61	1.15	10,46
Forest management and biodiversity	0.64	0.54	0.55	0.45	0.22	2,40
Construction of feeder roads	3.64	2.36	2.36	0.00	0.00	8,35
B. SUSTAINABLE AGRICULTURAL AND VALUE CHAIN DEVELOPMENT	2.40	3.08	2.92	1.80	1.22	11.41
Sustainable agricultural development	1.35	1.21	1.13	1.08	0.84	5,61
Promotion of agricultural value chains	0.52	1.38	1.30	0.22	0.01	3,43
Women and youth agricultural entrepreneurship and employment	0.40	0.37	0.37	0.37	0.24	1,74
Capacity building	0.13	0.12	0.12	0.12	0.12	0,63
C. PROJECT MANAGEMENT	0.91	0.92	0.51	0.38	0.37	3.10
TOTAL PROJECT COST (EUR Million)	11.03	12.75	12.40	5.69	2.96	44.84

2.4.2 **Financing arrangements:** the project will be financed by the AfDB to the tune of TND 86.22 million (EUR 25.21 million) and counterpart contributions by the Government and beneficiaries amounting to about TND 58.95 million (EUR 17.24 million). Contribution by the beneficiaries will mainly involve the direct financing of activities to be implemented. Table 2.6 below presents the project cost breakdown by source of financing.

Table 2.6: Project Financing Plan

SOURCES OF FINANCING	(TND Million)			(EUR Million)			%
	Loc. Cur.	For. Exc.	Total	Loc. Cur.	For. Exc.	Total	
AfDB	22.10	64.12	86.22	6.46	18.75	25.21	56.22%
Tunisian Government							
National Programme	4.15	9.84	13.99	1.21	2.88	4.09	9.12%
FOSDA's Contribution	2.76	9.93	12.68	0.81	2.90	3.71	8.27%
Taxes	20.67	0.00	20.75	6.04	0.00	6.07	13.53%
Cost of land	11.53	0.00	11.53	3.37	0.00	3.36	7.49%
Beneficiaries	2.10	6.08	8.18	0.61	1.78	2.40	5.36%
Total	63.31	89.97	153.38	18.51	26.33	44.84	

2.5 Project Target Area and Beneficiaries

2.5.1 The project impact area (PIA) covers Zaghouan Governorate, particularly the vulnerable areas of the 6 delegations (Zaghouan, Zriba, Saouef, Nadhour, El Fahs and Bir Mchargua), which make up 44 out of the 47 administrative sectors of the Governorate. Despite its enormous agricultural potential (272 000 hectares of arable land), the region's agro-ecological systems are highly vulnerable to climate change: water resources are decreasing and soil erosion is severe, affecting nearly 52 000 hectares of arable land and taking various forms ranging from topsoil stripping to gullying of varying intensity. In addition, extreme weather events such as floods and droughts are increasing, resulting in an average poverty rate of 20% and an unemployment rate of 16.9% compared with the national rate of 14.8%. Women are more affected by illiteracy (37% of rural women) and generally by precariousness since only 19% of them own resources. The Governorate is among the regions eligible for various investment incentives intended to reduce the factors of environmental and social fragility as well as intra-regional inequalities. Despite the fragility of its specific mountain ecosystems, this Governorate has a multitude of major agro-environmental functions and a considerable ecotourism, cultural and local product production potential.

2.5.2 PDPFA-GZ will benefit more than 90 650 people (12 500 directly), 50.2% of them women. The people will be supported to improve production and productivity through successful land consolidation and conversion to organic farming. Special attention will be paid to women (particularly women heads of households) and youths who constitute the bulk of vulnerable groups. They will benefit from about 40% to 45% of newly developed PIPs and 75% of actions related to product processing and marketing, particularly organic products. Direct beneficiaries will be selected in close collaboration with the CRDA, SMSAs, GDAs and UTAP through a participatory, inclusive and collaborative approach. Financing in the form of subsidies to agricultural cooperatives (SMSAs) will be based on eligibility criteria set out in the project procedures manual and validated by the National Coordination Committee (CNC).

2.6 Participatory Approach for Project Identification, Design and Implementation

2.6.1 The Bank adopted a *participatory, inclusive and collaborative approach* throughout the project preparation process, which helped to involve all stakeholders in the identification of major issues and appropriate solutions. The stakeholders are representatives of the population, the

decentralised technical services of the CRDA, other public institutions, producer organisations and civil society, including gender-focused organisations, the private sector and TFPs. This approach also made helped to achieve a broad consensus on the “*agricultural value chains (AVCs)*” approach to address the challenge of incorporating the different links of the subsectors selected. Furthermore, the “aggregation” model has been adopted to remove constraints on local financing, promote agricultural entrepreneurship and open access to remunerative markets amid increasingly strict quality, environmental, social, hygiene and food safety requirements. Against this backdrop, farmers underscored the need for them to switch to organic farming and for land consolidation with the issuance of titles for their plots. One of the challenges to be addressed is the improvement of access to land and financing by rural women and youths. This will promote their settlement as agripreneurs targeting growth markets. During project implementation, this participatory approach will be maintained to enable stakeholders to own project activities and ensure the sustainability of investments. For the various development and WSC works, the participatory development plans (PDPs) that are being prepared will underpin all project interventions in each territorial unit.

2.7 Bank Group Experience and Lessons Reflected in Project Design

2.7.1 In April 2019, the Bank’s portfolio in Tunisia comprised 43 operations, of which 19 loans and 24 grants totalling UA 1 057 million (EUR 1 148 million). The agricultural sector has seven (7) operations (UA 69.804 million or EUR 82.251 million), representing 6.8% of the portfolio, implemented in similar regions such as Gafsa and Gabès. The performance of the national public portfolio is deemed satisfactory with a score of 3.4 (3.5 for agriculture) on 4 (CPFR 2017/2018). However, specific weaknesses were noted in procurement, late submission of audit reports and difficulties in evaluating the impact of projects. In addition, the Bank has had a rich experience in financing integrated agricultural development projects (IADPs). The evaluation of this experience conducted in 2018 (January 2019 Summary Report) within the framework of the MIC-TAF grant highlighted the following points: (i) the need to better organise agricultural sub-sectors, particularly the downstream subsector; (ii) the need to build the institutional capacity of CRDAs and clarify partnerships; (iii) the need to define an exit strategy; and (iv) the need to strengthen ADPs and establish a baseline situation. In addition, there is lack of innovative mechanisms for financing agricultural entrepreneurship, particularly for rural women.

2.7.2 PDAPF-GZ design took into account lessons from the Bank’s experiences and those of its key partners such as IFAD, IBRD, SFD and FAO. A Project Management Unit (PMU) set up within the Zaghuan CRDA will oversee the implementation of project activities. PMU staff will be selected from the CRDA and will be trained “in situ” by Bank experts on allotments to reduce the number of contracts and cut transaction and financial management costs, in order to accelerate the preparation of financial statements. The CRDA and the PMU will be provided with equipment, logistics and other teaching aids for technical training, agricultural advisory schemes and extension services. Similarly, clear agreements will be concluded with its key partners (AVFA, OEP, CTAB, INRAT, Mograne School, the Chott Mariem Horticulture and Organic Agriculture Research Centre - CRHAB). The project will promote agricultural subsectors that constitute important niches. It will finance training, stakeholder organisation, and product processing, packaging and marketing activities, thus helping to incorporate various subsector links, generate value added and create the desired jobs. The MIC grant mobilised by the Bank was tapped to conduct engineering studies (APS and APD), particularly those on irrigation schemes, collection ponds and rural roads, establish the project’s baseline situation and guarantee project quality at entry assessment. Support for the development of SMEs and income-generating activities as well as pursuit of the “aggregator” approach will help to fund training and incubation programmes in support of financial resource mobilisation for the development of agricultural entrepreneurship.

2.8 Key Performance Indicators

2.8.1 The key performance indicators monitored based on the baseline situation are presented in the results-based logical framework. In terms of facilities, monitoring will concern the number and areas of PIPs developed or rehabilitated (and property owned by men and women, to track the gender gap), boreholes and collection ponds developed, acreage planted with fruit trees, fodder species, water and soil conservation works. The main production and marketing indicators relate to additional production (tonnes), yields (t/ha), the number of farmers by type of gender-disaggregated development works, increase in income, including those of men and women in order to monitor gender gaps, the number and quality of jobs for youths and women created through entrepreneurial initiatives, the number of producers, processors and traders trained and organised, as well as the number of producers who have adopted best agricultural and production practice that comply with environmental, hygienic and food safety rules and standards. The project will also monitor the level of women's participation in decision-making bodies and access to land after development, the amount of rural financing mobilised and the rate of increase in gender-disaggregated gross margins.

III. Project Feasibility

3.1 Economic and Financial Performance

3.1.1 Project financial and economic outcomes were determined based on an analysis of expected project costs and benefits over a 20-year investment lifespan using the reference pricing method, comparing the project and no project situations from the financial standpoint (impact on farmers and the various project direct beneficiaries) and from the community standpoint by considering socio-economic benefits generated by the project. The expected project benefits will stem from improved productivity of existing farm areas and additional production of crops, livestock, fodder and income-generating activities. At full development, the project will enable the production of 18 000 tonnes of olives, 4 000 tonnes of peaches, 6 000 tonnes of citrus fruits, 26 600 tonnes of tomatoes, 1 000 tonnes of market garden products, 1 800 000 litres of milk, 21 000 bales of fodder, and the establishment of 200 micro and small projects. Profitability analysis was conducted based on investment costs plus physical contingencies, and covered irrigation facilities, boreholes, plantations, water and soil conservation (WSC) measures, value chains promotion, a 5-year project implementation period and a 20-year service life. It took into account periodic replacement and regular maintenance of equipment. Calculation assumptions took into account recent agricultural product prices, yields and production costs. Financial profitability analysis was carried out for all types of farms and for each agricultural subsector and income-generating activity. Economic profitability was calculated using the elements of financial profitability after deducting financial transfers and assessing costs and benefits in relation to their economic value. Based on these assumptions, the financial and economic rates of return presented in detail as annex are summarised in Table 3.1 below.

Table 3.1: Key Economic and Financial Data

<i>NPV (baseline scenario)</i>	<i>TND 30.6 million</i>
<i>IRR (baseline scenario)</i>	<i>15.6 %</i>
<i>Economic NPV (baseline scenario)</i>	<i>TND 47.9 million</i>
<i>ERR (baseline scenario)</i>	<i>18.8 %</i>

3.1.2 **Financial performance:** the financial rate of return is higher than project financing costs, which justifies the implementation of operations in various subsectors selected with variable margins according to the type of farm. Additional project income broken down by type of farm and activity will mainly come from improved yield of existing olive plantations, new plantations and other crops, livestock production and income-generating activities. Additional income in a peak

year are estimated by subsector and in TND million as follows: olive (22.9); peach (1.037); citrus fruit (1.170); tomato (1.29); dairy (0.486); market gardening (2.36); fodder (0.85); and income-generating activities (1.00).

3.1.3 **Economic performance:** based on a 12% opportunity cost of capital, the economic rate of return and the net present value stand at 18.8% and TND 47.9 million, respectively. These values would be higher if it were possible to quantify benefits such as improved standard and quality of life of the beneficiary population, impact on women and their integration into the development process, job creation, reduction of rural exodus, reduction of greenhouse gas emissions through new plantations, development of organic farming and building of the capacity of the units and bodies involved at various stages of project implementation and operation.

3.1.4 **Sensitivity analysis:** an analysis of project sensitivity to potential risks of variation in yields, production costs and farm prices was carried out. Simulations based on a 10% increase in investment costs reduced the ERR to 17.2% and the NPV to TND 39.5 million. A 10% decrease in income reduced the ERR to 16.3% and the NPV to TND 29.4 million. A combination of the two events reduced the ERR to 14.2% and the NPV to TND 16.3 million. The outcomes of the financial and economic analysis show that the PDPFA-GZ is financially justified, and is viable socio-economically and environmentally.

3.2 Environmental and Social Impact

3.2.1. **Environment:** based on the Bank's Integrated Safeguards System (ISS), the PDPFA-GZ is classified under Environmental Category 2 because the negative environmental and social impacts were deemed moderate to low. Therefore, in accordance with national and Bank procedures, the Regional Office for Agricultural Development (CRDA) prepared and submitted an Environmental and Social Impact Notice (ESIN). The Environmental and Social Management Plan (ESMP) prepared in 2014 was also updated and submitted. The summary of the ESMP has been posted on the Bank's website.

3.2.2. The main project positive environmental and social impacts identified include: (i) land consolidation in several irrigation schemes, which will allow for better agricultural development; (ii) promotion of income-generating activities (IGAs), which will diversify income sources and support small farms, especially those run by women and youths. This will also raise the income of rural dwellers, increase job supply and reduce rural exodus; (iii) facilitation of access to micro-project financing through the assistance that the project will provide to beneficiaries (studying their projects, monitoring project implementation and training in the activities to be promoted); (iv) development of organic farming, which reduces the use of fertilisers compared with conventional farming techniques. Chemical pollution that affects the quality of groundwater will be mitigated through the implementation of organic farming projects; (v) study on silvicultural and pastoral development, which will aim to improve the profitability of the livestock sub-sector, while ensuring better management of resources and preventing their degradation; (vi) enhancement of the role of the Zaghuan National Park in the dissemination and entrenchment of the environmental culture among the population and improvement of the living environment; and (vii) improvement of the service quality of the soil laboratory, which will contribute to preventing soil degradation to allow for optimal use of the soil.

3.2.3. The negative impacts on biophysical environments are of various forms, including: (i) natural and anthropogenic degradation of irrigation schemes and their infrastructure; (ii) upsurge in the loss of water distributed in the canals; (iii) reduced fertility of farmland and agricultural production; (iv) sharp drop in groundwater level leading to reduced availability of irrigation water; (v) land degradation and erosion with silting, gullying and glacis formation, and appearance of crust

soils; (vi) gully slopes, shoreline erosion and silting of temporary streams and wadis; and (vii) relative pressure of livestock on crops, in the absence of open spaces and pasture areas.

3.2.4. The ESMP submitted includes: (i) a waste management plan; (ii) a risk management programme; (iii) an environmental surveillance and monitoring programme; and (iv) an institution-building plan.

3.2.5. The main mitigation measures recommended for implementation by works contractors under the responsibility of CRDA are: (i) protection of soil and groundwater resources; (ii) preservation of soil stability, prevention of uncontrolled rainwater run-offs and protection of drainage networks; (iii) protection and restoration of existing infrastructure; (iv) protection of dwellings and other personal property; (v) protection of the archaeological heritage; (vi) solid waste management; (vii) prevention and reduction of atmospheric emissions of gaseous pollutants and dusts; (viii) prevention and reduction of sound levels and vibrations; and (ix) reduction of vegetation destruction areas and restoration of the landscape after works. The estimated overall cost of the ESMP (excluding the resettlement action plan) is USD 355 000. It will be fully funded by the project.

3.2.6. The project will also protect and sustain water resources by: (i) mobilizing surface water through catchment ponds and the cleaning of river beds; (ii) ensuring the integrated recharge and management of groundwater; (iii) improving the water cycle through soil stabilization; and (iv) providing support for water saving through the development of drip irrigation and the improvement of on-farm management. In addition, it should be noted that the Bank, through the ongoing Water 2050 Project, is involved in the improvement of water governance in Tunisia. This project will help to prepare a national strategy by 2020, the thrusts of which will be taken into account during the implementation of PDPFA-GZ activities.

3.2.7. The environmental and social surveillance and monitoring programme will focus respectively on: (i) the monitoring of construction site activities during the construction phase by the Consulting Engineer; (ii) environmental monitoring, which will notably concern ambient air quality, groundwater and receiving environment water quality, as well as noise and vibration. Monitoring will cover the construction and operation phases.

3.2.8. The recommendations and measures ensuing from the environmental and social assessment should be set out and inserted: (i) for contractors, in the bidding documents (BDs) through environmental clauses, obligations, responsibilities and penalties, in the Climate Change Action Plan (CCAP) as well as in the price schedule (PS) and the bill of quantities (BoQ); (ii) for the Consulting Engineer, who shall ensure the presence of two environmental and social/gender development experts.

3.2.9. **Climate change**: the project is classified under Environmental Category 2 following the assessment of the Climate Safeguards System (CSS), in accordance with the Adaptation Review and Evaluation Procedures (AREP). In Zaghouan region, climate parameters are highly variable in time and space. Rainfall is moderate and very irregular (245 to 625 mm/year). Owing to torrential rains, exacerbated by extensive overgrazing, deforestation and poor conduct of agricultural works, water erosion is one of the major factors of soil degradation that has reached worrying levels. Climate change results in increased average annual temperature and a decrease in average rainfall, which affect water resources, ecosystems, agriculture, infrastructure and the occurrence of extreme weather events such as floods, snow and hailstorm. Thanks to its activities, PDPFA-GZ is a project for climate change adaptation and risk mitigation. It will enhance the climate change resilience of vulnerable groups, especially women and youths, as well as production systems. The project will significantly reduce water erosion, improve land production capacity and preserve biodiversity. It will confine farmers to the irrigation schemes developed, thus reducing their relocation from

farming areas in the south to the north of the Governorate. The PMU and CRDA will work to incorporate climate information into participatory development plans (PDPs) and encourage farmers to take into account climate information in the agricultural calendar.

3.2.10. **Gender issues**: the project is classified under Category II of the Gender Marker (existence of gender effects and need for an action plan and budget to ensure gender action). In Zaghouan Governorate, women are massively involved in agricultural activities. They represent 46% to 51% of the family farm labour force, 25% of the permanent paid labour force and 51% of the casual paid labour force. They play a particularly important role in livestock production-related activities, especially milk production which employs 43% of working women. However, there are gender inequalities regarding decent and sustainable jobs, access to land and credit, and differences in wages. Women are also poorly represented in professional organisations and rarely access decision-making bodies. The project will implement special measures for women (and other vulnerable groups) to ensure that they benefit from the positive impacts of the project in terms of developing their economic activities, creating jobs, reducing the workload and economic empowerment. Thus, the project will promote rural activities for which women have proven expertise (olive oil, market gardening, aromatic and medicinal plants, organic and local products, etc.) and from which they can earn decent income.

3.2.11. Specifically, the project will ensure that women have access to 40% - 45% of plots with land titles in the new public irrigation schemes (PIPs), against 10% -15% currently. The training and coaching programme for agricultural entrepreneurship, viable business incubation and support for settlement in the new PIPs will concern at least 200 women entrepreneurs who will benefit from funding worth about TND 1.5 million set up. It will target women-owned micro-, small- and medium-size enterprises (MSMEs) with high growth potential organised within mutual agricultural service companies (SMSAs) and agricultural development groups (GDAs). In addition, there will be intermediation with local financing entities to enable the greatest number of women (at least 60%) and vulnerable people to benefit from credit facilities to develop a business. Furthermore, the project will support the marketing and commercialisation of women's products through the development of product sales points. In addition to this specific support, the project will closely monitor the inclusive and equitable participation of women and youths in implementing all activities, sharing the benefits and enhancing their economic empowerment and decision-making power. This will give women better social visibility and strengthen their socio-economic status.

3.2.12. **Social issues**: one of the objectives of PDPFA-GZ is to reduce inequalities within Zaghouan Governorate and raise the region to align with the level of national economic and social development indicators. As a result, it will promote social cohesion in the Governorate. The strengthening of associations (GDAs) and cooperatives (SMSAs) promotes consultation and the development of a solidarity-based economy. There will be a remarkable impact on food and nutrition security. The expected outcomes in terms of employment are significant. The project will strengthen the employability of women and young people through vocational training. The combination of irrigation facility development works, technical training, access to means of production for the poorest, financing of IGAs and entrepreneurship, WSC works, promotion of local organic subsectors and products will generate additional income for the population (estimated to be at least 50% of current income). This will encourage the consumption of social services such as education and health, and thus enhance the value of social capital.

3.2.13. **Youth employment and promotion of agricultural entrepreneurship**: access to credit is one of the major constraints facing rural MSMEs in the region. Investment in agriculture is a risky activity that requires risk sharing by all stakeholders in the value chain. The project will promote agricultural entrepreneurship among young people (men and women) and initiators of innovative projects by providing more flexible financing adapted to the constraints of each operator

involved in the value chain through the establishment of a strategic partnership with financial institutions. In this connection, 300 young people (girls and boys) will be trained in agricultural entrepreneurship and set up in all the links of the value chain, namely: production in the developed PIPs, processing, trade and services. This initiative ultimately seeks to reach nearly 1500 people through its multiplier effect. In terms of support and to optimise project sustainability and the conquest of new markets, the project will build the capacity of promoters and enhance aspects related to the improvement of development and sales techniques, marketing conditions, required quality standards, facilitation of the “organic” certification process, visibility and access to profitable markets. Incubation centres (Mograne School Nursery, the Zaghouan Business Centre, etc.) will also be solicited for training in entrepreneurship and development of business plans to foster easy access to available financial resources. Lastly, the project will support the constitution of potential aggregators (SMSAs, private companies, etc.).

3.2.14. **Involuntary resettlement:** considering that the engineering studies carried out with Bank financial support did not take into account the aspects related to the freeing of the rights-of-way for the execution of works planned and the possible risks of expropriation, the Bank requires the review of the said studies to take these aspects and risk mitigation into account (selecting the appropriate variant and clearly defining the indemnification/compensation measures envisaged in such a case). Meanwhile, the CRDA has with Bank assistance submitted a Comprehensive Resettlement Action Plan (CRAP) outlining the general principles that will guide all expropriation operations under PDPFA-GZ. It defines the procedures to be followed for prior recognition of expropriation and indemnification/compensation rights. It specifies the indemnification/compensation mechanism and the redress mechanism, and identifies the institutional arrangement and capacity building for the implementation of expropriation and complaint processing procedures. CRAP is a contractual document by which the Tunisian Government, in collaboration with the local authorities and in accordance with SO2 requirements and procedures, formally undertakes to respect the indemnification/compensation rights of any potential project affected person or entity. The cost of implementing CRAP (RAP implementation, indemnification/compensation, operation, capacity building, implementation monitoring, etc.) will be fully funded by the Borrower.

3.2.15. CRAP will be set out as a resettlement action plan (RAP) latest prior to project launching, for implementation by the CRDA. The submission of the final RAP will be the subject of a specific disbursement condition precedent to financing the specified works.

IV. Project Implementation

4.1. Implementation Arrangements

4.1.1. **Implementation arrangements:** the Zaghouan Regional Office for Agricultural Development (CRDA) will manage and coordinate the project. It will set up a Project Management Unit (PMU) comprising a Project Coordinator, an Administrative and Financial Officer assisted by an Accountant, a Procurement Specialist, a Monitoring and Evaluation Officer and a team of consultant facilitators. The PMU will be responsible for coordination and planning, monitoring and evaluation, preparation of annual programmes and budgets, financial management, procurement and preparation of project progress and audit reports. It will rely on the various technical directorates and sub-departments of the CRDA for technical supervision, extension services, works control/monitoring, and regular evaluation of ESMP implementation. It will also rely on dedicated facilitators to be deployed routinely at the local level closest to beneficiaries (GDAs, farmers, women and youths). In addition to equipment and logistics, the PMU will benefit from technical support, training and capacity building in environmental and social management and monitoring as provided for in the ESMP.

4.1.2. Based on agreements to be concluded for some activities, the PMU will use specialised institutions and NGOs, notably the Chott-Mariem Organic Agriculture Centre (CTAB) for organic agricultural support, the Chott-Mariem Horticulture and Organic Agriculture Research Centre (CRRHAB) for the development of rosehip cultivation, the Office of Livestock and Pasture (OEP) for the development of the dairy sub-sector, genetic improvement, creation of an insemination circuit, training and supervision of stock breeders, the National Institute of Agronomic Research, Tunis (INRAT) for the development of fodder crops and improvement of nutritive value, and the Mograne School and AVFA for the supervision of farmers, CRDA technicians and business incubation.

4.1.3. The project will be coordinated at the national level by the National Projects Coordination Committee (CNC) chaired by the Minister of Agriculture, Water and Fishery Resources or his/her representative and comprising representatives of the general directorates of the Ministry of Agriculture, representatives of the Ministry of Development, Investment and International Cooperation, the Ministry of Finance and the Ministry of Equipment and Housing, and the Ministry of Local Affairs and Environment, among others. Project activities will be coordinated at the regional level by the Regional Development Board (CRD) chaired by the Governor and comprising elected representatives of the region as well as regional government representatives.

4.1.4. **Procurement arrangements:** all procurement of Bank-financed works, goods and consultancy services will be in accordance with the Procurement Framework for Bank Group-Funded Operations (“AfDB Procurement Policy”), October 2015 edition, and with the provisions set forth in the Financing Agreement. Pursuant to this policy and considering the various assessments conducted, the following groups of transactions have been identified for implementation using the various systems below:

- (a) *Bank Procurement Methods and Procedures (BPMPs)*: all selections of consultants will be in accordance with the Bank’s procurement system (AfDB System) using Bank bidding documents (BDs). The use of the Bank system for such procurement is attributable to the weaknesses identified in the national system, including the inappropriate mechanism for opening consultants’ bids, the absence of a minimum technical qualification score in some methods, etc.
- (b) *Tunisia’s Procurement System (TPS)*: the procurement of works and goods will be done in accordance with Tunisia’s procurement system (National System) embodied by Decree No. 2014-1039 of 13 March 2014 regulating public procurement (“DMP”), via bidding documents (BDs) commonly used in Tunisia.

4.1.5. Details on this procurement and related control mechanisms are presented in Annex B.5

4.1.6. **Procurement risk and capacity assessment:** the country, sector and project procurement risks were assessed and the outcomes used to guide the selection of the procurement system (Borrower or Bank) to be used for specific activities or group of similar activities under the project. The assessment of the Executing Agency’s procurement capacity was carried out. Appropriate risk mitigation measures have been included in the action plan presented in paragraph B5.9 of Annex B5.

4.1.7. **Advance contracting:** considering the Borrower's tight schedule, and to address the issue of accelerating project implementation pursuant to PD 02/2015, studies prior to the procurement of works planned for the first year of the project may, at Government’s request, be implemented through advance contracting, in accordance with the provisions of Article 11.2 of the AfDB Procurement Policy. The procedures and methods to be used for these advance actions will be the same as those chosen for the project. In this regard, a request stating the reasons (indicating the

procurement concerned), together with a procurement plan, will be submitted to the Bank. In turn, the Bank will analyse the reasons mentioned and take a decision.

4.1.8. Specific conditions arising from the use of the National Procurement System - Additional Waiver on Eligibility:

- (i) *Eligibility-related waiver*: the Bank's resources for financing the project will come from the AfDB window. As a result, the eligibility rules specific to the window are *a priori* applicable. Following the assessment of procurement risks and capacity, it was decided that the National Procurement System will be used for part of this project. Given that the eligibility rules for public procurement under Tunisian law are not the same as those of the AfDB window, it is necessary to avoid any practical incompatibility. To this end, and for the component implemented using the national public procurement system, PDPFA-GZ will benefit from a partial waiver (only contracts of a specified size are concerned) granted by the Bank's Board of Directors ("the Board") in March 2017 (see Document AfDB/BD/WP/2016/184/ Rev.(2) for the non-application of the rule of origin of the AfDB window (as provided for in Article 17.1.d: "Operational Principles" of the Agreement Establishing the African Development Bank (so-called Rule of Origin) for all goods contracts of up to UA 1 million, all consultancy contracts up to UA 300 000 and all works contracts below or equal to UA 6 million financed by AfDB window resources and concluded in accordance with a national procurement system. Given that no contract exceeding the above thresholds is provided for under PDPFA-GZ, no additional waiver will be required. Thus, the eligibility rules applicable to all contracts concluded under this project according to the Tunisian public procurement system will be the national eligibility rules, in addition to the provisions of paragraphs 5.2 to 5.10 of the AfDB Eligibility Policy. Consequently and for information purposes, even if the national system is used, Bank loan resources would not be used to finance a contract awarded to a bidder under AfDB Group sanctions. In the event where, these provisions notwithstanding, a contract is concluded with a bidder under Bank Group sanction, the contract will not be financed by AfDB loan resources. The list of companies under sanction can be consulted at <http://www.afdb.org/debarred>.
- (ii) *Other specific conditions proposed*: to be able to perform its fiduciary obligations in connection with the use of the National System, the Bank has agreed with the Borrower on a series of measures the reasons, objectives and details of which are presented in paragraph B.5.7.2 of Annex B5.

4.1.9. Financial management: the Zaghouan CRDA will ensure project financial management through the Project Management Unit (PMU) to be created within it. Financial execution will be based on the budgetary system, the public expenditure execution and control system in force at the CRDA governed by the Code of Public Accounts, and the circulars on public fund management. In this regard, the PMU will benefit from the technical support of the subdivisions of the Administrative and Financial Division, the collaboration of the subdivisions of CRDA's Technical Divisions, the Pay Accountant (*Comptable Payeur*) under the authority of the Regional Treasurer, and the Regional Controller of Public Expenditure under the supervision of the Head of Government. The project's financial management staff will comprise a Project Manager and an Administrative and Financial Officer assisted by an Accountant, all appointed from among CRDA staff. The PMU will be responsible for preparing annual work programmes and budgets (AWPBs), implementing the AWPB and preparing interim financial reports and annual financial statements. To better incorporate the PMU into the CRDA management system, the duties of its members should be clearly defined.

4.1.10. Disbursements: the loan will be disbursed in accordance with Bank rules and procedures. The special account method and the direct payment method defined in the disbursement manual will be used to withdraw loan funds. The use of the special account method will be subject to the opening of a special account in the name of the project at the Central Bank of Tunisia (BCT). This account will only receive loan resources. During negotiations, a draft disbursement letter will be presented and agreed upon by the Bank and the Borrower. It will be sent to the Borrower's representative upon loan approval by the Bank's Board of Directors. In accordance with the provisions of the disbursement manual, and subject to prior Bank approval, it is possible, during project implementation, to change the disbursement methods adopted.

4.1.11. Auditing: the General Finance Control (CGF) will conduct the external audit based on the terms of reference approved by the Bank. The Borrower will transmit the audit report to the Bank within six (6) months following the end of the financial year audited. The PMU will be responsible for implementing audit recommendations aimed at improving sound project financial execution. An annual procurement audit will be conducted for contracts awarded in accordance with the national system.

4.2. Monitoring

4.2.1. Monitoring mechanisms: the project monitoring and evaluation mechanism will be designed taking into consideration the specific project objectives and the expected outcomes of the Strategic Development Plan (SDP) for the agricultural sector, and aligned with the public projects monitoring system ("INJEZ") currently used by the Ministry of Agriculture, Water Resources and Fishery (MARHP). A participatory monitoring and citizen control mechanism provided by the SMSA and GDA will also be set up in line with the principle of accountability now recommended within the context of results-based management.

4.2.2. Internal monitoring and evaluation will be carried out by the PMU and will cover project physical (overall and component implementation rate) and financial (commitment rate and disbursement rate) monitoring, gender mainstreaming in activities and inputs, and their adequacy with projections. The project monitoring/evaluation officer will collect and compile information on the physical and financial outcomes. This information will be used to prepare the project progress reports. The key reports that will be prepared during the project implementation phase are indicated in Table 4.1 below.

Table 4.1: Key Reports

Subject	Responsibility	Date
Project physical and financial progress report with procurement tables	CRDA	Each semester: 30 th of the month following the end of the semester
Financial audit reports for each fiscal year (1 January to 31 December).	MDICI	Latest 30 th June of the next fiscal year
Annual and budget programme	CRDA	30 November of the preceding year
Mid-term review	MARHP	June of the Project Year 3
Completion report	MARHP and AfDB	Project completion.

4.2.3. External monitoring and evaluation seeks to measure the effectiveness and efficiency of project outputs, and their contribution to achieving development outcomes (i.e. project outputs and impacts). It will be carried out by the National Coordination Committee (CNC) and the Regional Development Board (CRD), in addition to the two annual supervision missions fielded by the Bank. The mid-term review will be conducted in Year 3. At project closure, the Bank and the Government will produce a completion report within the prescribed deadline. The main project implementation phases are summarised below.

Table 4.2: Project Implementation Schedule

No.	ACTIVITY	RESPONSIBILITY	TIMEFRAME
1	Appraisal	BANK	Mid-April 2019
2	Negotiations	GVT/BANK	May-June 2019
3	Project Presentation to the Bank Board of Directors	BANK	July 2019
4	Signing of Loan Agreement	GVT/BANK	Mid-September 2019
5	Fulfilment of Conditions	GVT	Mid-November 2019
6	Authorisation of 1 st Disbursement	BANK	December 2019
7	Project Launching	GVT/BANK	January 2020
8	Project Implementation	GVT/PMU/ Service Providers	January 2020 - December 2025
9	Midterm Review	GVT/BANK	June 2023
10	Completion of Activities	GVT/BANK	December 2025
11	Completion Report	GVT/BANK	December 2025
12	Auditing	GVT	Annually

4.3. Governance

4.3.1. Tunisia is making significant progress in governance. With a score of 63.5 against an African average of 49.9, the country occupies the 9th position out of 54 countries in the Mo Ibrahim Index of African Governance (IIAG-2018). Similarly, with Bank assistance, the country embarked on the implementation of a public procurement reform action plan that resulted in the adoption in 2014 of a new decree on the regulation of more transparent public procurement. The country fiduciary risk assessment (CFRA) carried out showed that the internal public finance management control system is appropriate. Generally, economic governance has improved and competition enhanced. Under the PDPFA-GZ specifically, land tenure governance will be promoted through land consolidation support and the issuance of land titles to farmers (both men and women) in the new public irrigation schemes. Transparency measures will also be applied in the selection of beneficiaries with the full participation of farmers' representatives. Likewise, a participatory monitoring and citizen control mechanism will be set up in line with the principle of accountability recommended within the context of results-based management.

4.4. Sustainability

4.4.1. The project has adopted the participatory approach, which enables greater ownership of development activities by project beneficiaries who will contribute significantly (about 30%) to infrastructure financing and management (PIPs, boreholes, catchment ponds, product development units, etc.). Sustainability also relies on water and soil conservation (WSC) and water-saving measures, including groundwater recharge, sealing of the entire water transport and drip irrigation system to save water and control flow rates recorded. The PMU will conclude collaboration agreements with specialised institutions for organic agricultural support, rosehip research and development, development of the dairy sub-sector and genetic improvement, fodder crop development and supervision of farmers and CRDA technicians. To enable these entities to play their role fully, they will be supported through specific training in agricultural advisory schemes, farmers' organisation, management, monitoring and evaluation. The use of the "value chain" approach with the mainstreaming of product processing, storage and marketing aspects will help to incorporate all subsector links and further connect production to markets. Thus, setting up small economically, financially and ecologically viable product processing units will guarantee the sustainability of project achievements. Furthermore, the project will ensure crosscutting integration and mainstreaming of environmental and social aspects, hygiene and food safety, in line with the Bank's environmental and social safeguards, and the standards and requirements of profitable markets. The sustainability of project operations will also be guaranteed through the effective involvement of the local private sector, financial institutions and enterprises in the "aggregation"

model to ensure the sustainable establishment of young agricultural entrepreneurs and their access to financing and markets.

4.5. Risk Management

Table 4.3: Risks and Mitigation Measures

Risks	Level	Mitigation Measure
Unclear land and public property issues can create difficulties in improving the PIPs to be developed and compromise project objectives	Moderate	Improving local land governance through land consolidation, settlement of land tenure issues and the issuance of land titles, following an inclusive process, will mitigate this risk.
Climatic hazards that can worsen the degradation of ecosystems and property, increase natural disasters and render the population more vulnerable	Moderate	Drip irrigation, protection of vulnerable areas, opening up of roads and incorporation of climate information into the design of facilities will mitigate this risk.
Lack of transparency in the selection of beneficiaries, weak monitoring of technological innovations by the communities and weak capacity of technical services and companies	Low	The definition of beneficiary selection criteria with the active participation of farmers' representatives, the adoption of a participatory, inclusive and collaborative approach, and the building of the capacity of all stakeholders will mitigate this risk
Limited access of farmers to financial resources that can annihilate project efforts to create sustainable jobs and generate decent income	Moderate	Training in agricultural entrepreneurship and forging of partnerships with MFIs for rural financing will mitigate this risk.

4.6. Knowledge Building

4.6.1. The project will finance a study to update groundwater balances. It will support the strengthening of the piezometric measuring network for groundwater level monitoring and control. The findings of these studies and measurements will feed a database at the CRDA to enable appropriate programming of future agricultural development operations, especially irrigation. The project will also build CRDA's capacity to make an optimal use of all the knowledge acquired mainly from experts, and finance stakeholder exchange sessions for better sharing of information collected. The PMU and CRDA will work to incorporate climate information into participatory development plans (PDPs) and encourage farmers to include climate information in the agricultural calendar. Such information will also be shared with the weather monitoring networks to identify risks of natural disasters and contribute to the rational and predictive management of such risks. In addition, gender-based monitoring and evaluation will contribute to the development of knowledge in this sector and help to advance gender considerations in other bank operations in the agricultural sector. Lastly, the project will establish an integrated system for managing and sharing knowledge on project activities through regular dissemination on MARHP's website, in order to build on and manage the knowledge and experience acquired.

V. LEGAL FRAMEWORK

5.1 Legal Instrument

5.1.1 The project will be financed through an ADB loan granted to the Republic of Tunisia.

5.2 Conditions for Bank Intervention

5.2.1 The granting of the ADB loan shall be subject to fulfilment of the following conditions:

Conditions Precedent to Loan Effectiveness

Effectiveness of the Loan Agreement shall be subject to the Borrower's fulfilment, to the Bank's satisfaction, of the conditions set forth in Section 12.01 of the General Conditions Applicable to Bank Loan and Guarantee Agreements.

Condition Precedent to First Disbursement of Loan Resources

In addition to effectiveness of the Loan Agreement, the first disbursement of loan resources shall be subject to the Borrower's fulfilment, to the Bank's satisfaction, of the following conditions:

- (i) Provide evidence of establishing the Project Management Unit (PMU) and appointing its key members, namely the project coordinator, the administrative and financial officer, an accountant, a procurement specialist, and a monitoring and evaluation officer, whose qualifications and professional experience would have been approved beforehand by the Bank (paragraph 4.1.1).

Special Conditions Precedent to Disbursement for Works Involving Resettlement

In addition to effectiveness of the Loan Agreement and fulfilment of the condition precedent to loan disbursement, the disbursement of loan resources to finance works contracts involving resettlement shall be subject to the Borrower's fulfilment of the following conditions, to the Bank's satisfaction:

- (i) Submit a Resettlement Action Plan (RAP) and a Land Acquisition Plan prepared in accordance with the Bank's safeguards policies, updated as necessary and detailing: (a) each project works area; and (b) the deadline for compensating and/or resettling all project-affected persons (PAPs) in each area;
- (ii) Provide satisfactory evidence that all PAPs on the area or areas concerned by works have been resettled or compensated in line with the Bank's safeguards policies, the RAP, the Land Acquisition Plan and/or the works and compensation schedule, before the start of works in areas concerned and, in any event, prior to the displacement of PAPs and/or the takeover of their land and/or related property. Where such resettlement or compensation is not possible:
- (iii) Provide satisfactory evidence indicating that the resources allocated for the compensation and/or resettlement of PAPs have been transferred to a public treasury account set aside for that compensation and/or resettlement. When the Borrower can prove, to the Bank's satisfaction, that the compensation and/or resettlement of PAPs as set forth under paragraph (ii) above could not be effected in full or in part, for reasons beyond the Borrower's will, as follows:
 - (a) The identification of PAPs by the Borrower is not feasible or possible;
 - (b) There is ongoing dispute involving PAPs and/or affecting the compensation and/or resettlement exercise; or
 - (c) Any other reason independent of the Borrower's will, as discussed with and acceptable to the Bank.

Environmental and Social Safeguards Undertaking

The Borrower undertakes to do as follows, to the Bank's satisfaction:

- (i) Implement the project and have it implemented by its contractors, in accordance with: the Environmental and Social Management Plan (ESMP), the RAP and/or the works and

compensation schedule, the Environmental and Social Impact Notice (ESIN), the Bank's safeguards policies and applicable national legislation in form and substance, to the Bank's satisfaction;

- (ii) Refrain from all action that would prevent or hamper the implementation of the ESMP and RAP, including all modification, suspension, renunciation and/or cancellation in full or in part of any related provision, without the Bank's prior agreement;
- (iii) Not commence works on project areas until: (a) all PAPs in the project area are compensated and/or resettled in line with the RAP and/or the works and compensation schedule, subject to the application of clauses related to the impossibility of proceeding with the resettlement or the compensation; and
- (iv) Prepare and submit reports each semester to the Bank on: (a) the implementation of the ESMP and the RAP (environmental and social monitoring), notably comprising information on issues identified and corrective measures taken, and (b) compensation of persons based on models agreed by the Bank and the Borrower.

5.3 Compliance with Bank Policies

5.3.1 The project is consistent with applicable Bank's policies, especially its environmental and social management policies, guidelines and procedures.

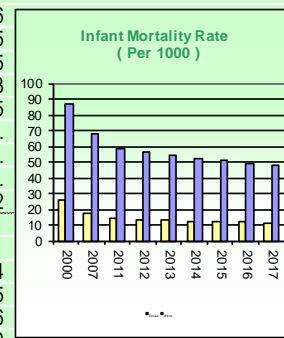
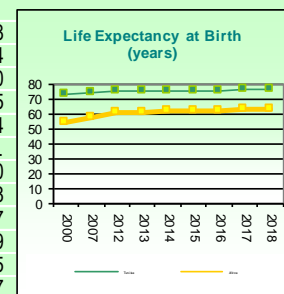
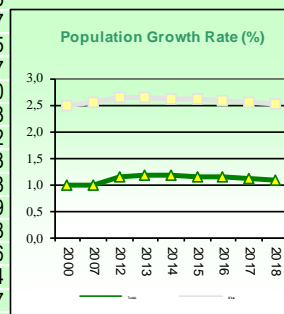
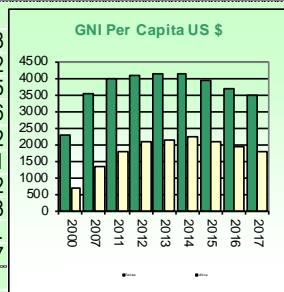
VI. RECOMMENDATION

6.1 Management recommends that the Board of Directors approve the proposal to grant an ADB loan not exceeding EUR 25.21 million to the Republic of Tunisia for the purpose and under the conditions set forth in this report.

Annex 1: Comparative Socio-economic Indicators

Tunisia COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Tunisia	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km²)	2018	164	30 067	92 017	40 008
Total Population (millions)	2018	11,7	1 286,2	6 432,7	1 197,2
Urban Population (% of Total)	2018	68,9	42,5	50,4	81,5
Population Density (per Km²)	2018	74,7	43,8	71,9	31,6
GNI per Capita (US \$)	2017	3 490	1 767	4 456	40 142
Labor Force Participation *- Total (%)	2018	47,6	65,9	62,1	60,1
Labor Force Participation ** - Female (%)	2018	25,1	55,5	47,6	52,2
Sex Ratio (per 100 female)	2018	97,7	99,8	102,3	99,3
Human Develop. Index (Rank among 189 countries)	2017	95
Popul. Living Below \$ 1.90 a Day (% of Population)	2007-2017	2,0	...	11,9	0,7
Demographic Indicators					
Population Growth Rate - Total (%)	2018	1,1	2,5	1,2	0,5
Population Growth Rate - Urban (%)	2018	1,5	3,6	2,3	0,7
Population < 15 years (%)	2018	24,0	40,6	27,5	16,5
Population 15-24 years (%)	2018	14,2	19,2	16,3	11,7
Population >= 65 years (%)	2018	8,3	3,5	7,2	18,0
Dependency Ratio (%)	2018	46,7	79,2	53,2	52,8
Female Population 15-49 years (% of total population)	2018	26,3	24,1	25,4	22,2
Life Expectancy at Birth - Total (years)	2018	76,2	63,1	67,1	81,3
Life Expectancy at Birth - Female (years)	2018	78,2	64,9	69,2	83,8
Crude Birth Rate (per 1,000)	2018	17,4	33,4	26,4	10,9
Crude Death Rate (per 1,000)	2018	6,3	8,3	7,7	8,8
Infant Mortality Rate (per 1,000)	2017	11,2	47,7	32,0	4,6
Child Mortality Rate (per 1,000)	2017	13,0	68,6	42,8	5,4
Total Fertility Rate (per woman)	2018	2,1	4,4	3,5	1,7
Maternal Mortality Rate (per 100,000)	2015	62,0	444,1	237,0	10,0
Women Using Contraception (%)	2018	66,3	38,3	61,8	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-2016	128,9	33,6	117,8	300,8
Nurses and midwives (per 100,000 people)	2010-2016	264,2	123,3	232,6	868,4
Births attended by Trained Health Personnel (%)	2010-2017	73,6	61,7	78,3	99,0
Access to Safe Water (% of Population)	2015	97,7	71,6	89,4	99,5
Access to Sanitation (% of Population)	2015	91,6	39,4	61,5	99,4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2017	0,1	3,4	1,1	...
Incidence of Tuberculosis (per 100,000)	2016	38,0	221,7	163,0	12,0
Child Immunization Against Tuberculosis (%)	2017	91,0	82,1	84,9	95,8
Child Immunization Against Measles (%)	2017	98,0	74,4	84,0	93,7
Underweight Children (% of children under 5 years)	2010-2016	2,3	17,5	15,0	0,9
Prevalence of stunting	2010-2016	10,1	34,0	24,6	2,5
Prevalence of undernourishment (% of pop.)	2016	4,9	18,5	12,4	2,7
Public Expenditure on Health (as % of GDP)	2014	4,0	2,6	3,0	7,7
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2017	114,7	99,5	102,8	102,6
Primary School - Female	2010-2017	113,2	97,4	102,0	102,5
Secondary School - Total	2010-2017	92,9	51,9	59,5	108,5
Secondary School - Female	2010-2017	97,9	49,5	57,9	108,3
Primary School Female Teaching Staff (% of Total)	2010-2017	62,2	48,7	53,0	81,5
Adult literacy Rate - Total (%)	2010-2017	79,0	65,5	73,1	...
Adult literacy Rate - Male (%)	2010-2017	86,1	77,0	79,1	...
Adult literacy Rate - Female (%)	2010-2017	72,2	62,6	67,2	...
Percentage of GDP Spent on Education	2010-2015	6,6	4,9	4,1	5,2
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	18,7	8,0	11,3	10,4
Agricultural Land (as % of land area)	2016	64,8	38,2	37,8	36,5
Forest (As % of Land Area)	2016	6,8	22,0	32,6	27,6
Per Capita CO2 Emissions (metric tons)	2014	2,6	1,1	3,5	11,0



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update : February 2019

UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

Annex 2: Table of AfDB Portfolio in Tunisia (in EUR)

Sector	Project Name	Status	Window	Approval Date	Disbursement Deadline	Amount Disbursed	Amount Approved	Disburs. Rate (%)	Status
Industrial / Digital	Structural Transformation and Support to Growth Niches	Ongo.	MIC GRANT	14-Aug.-15	31Aug.-19	56 387	957 972	7.1	NPPP
	Project to Support the Design of an Innovative Industrial Policy	Ongo.	MIC GRANT	14-Aug.-15	31Aug.-19	51 361	949 656	6.5	
	I. Support for the Implementation of the “Digital Tunisia 2020” National Strategic Plan	Ongo.	AfDB	8-17	31Dec.-22	178 900	560 000	0.3	NPPP
	<i>Sub-total Industry and Digital</i>					308 198	73 467 628	0.4	
Transport	National Transport Master Plan Study	Ongo.	MIC GRANT	14 July-14	30-June-19	579 178	960 000	72.4	NPPP
	Enfidha Airport Project (P-TN-DA0-001)	Ongo.		14 Jan.- 09.	31 March 10	67 934 219	67 934 219	100	
	Road Project VI	Ongo.		15 Sept.-10	31-Aug.-19	000 000	000 000	97.9	
	Construction of Gabès-Ras Jedir Motorway Link	Ongo.		21-June-11	30 Oct.-19	95 138 151	340 000	69.3	
	Road Infrastructure Modernisation Project			28 July-15	31Dec.-20	850 000	144 000	44.3	
	Road Infrastructure Modernisation Project	Ongo.	AfDB	28 July-15	31Dec.-20	150 000	120 000	45.9	NPPP
	Road Infrastructure Modernisation Project	Ongo.	AfDB	28 July-15	31Dec.-20	19 085	1 440 000	1.6	NPPP
	North-East Road Connectivity Support Project	Ongo.	AfDB	22 Nov.-17	31Dec.-23	0	000,000	0.0	NPPP
	<i>Sub-total Transport</i>					479 790 286	633 794 219	75.7	
Agriculture	Study: Risk Management and Establishment of Agricultural Insurance Policy	Ongo.	AfDB	Aug. 16	31-Dec-19	133 759	390 000	41.2	NPPP
	North Gafsa Integrated Agricultural Development Project (PDAl)	Ongo.	AfDB	13-Feb.-13	30-June-21	13 071 734	22 115 000	59.1	NPPP
	North Gabès Integrated Agricultural Development Project (PDAl) II	Ongo.	ADF	26 Nov.-14	30-June-20	7 745 276	20 652 000	37.5	NPPP
	Preparation of Zaghouan IADP and IADP Evaluation	Ongo.	MIC GRANT	27 Oct.-14	31-Dec-19	191 042	468 000	79.6	NPPP
	Project to Improve Irrigation Schemes through the Development of Agricultural Value Chains	Ongo.	AfDB	25 Oct.-17	30-June-23	24 890 000	10 429 000	0.2	NPPP
	Project to Improve Irrigation Schemes through the Development of Agricultural Value Chains	Ongo.	AfDB	25 Oct.-17	30-June-23	68 452	28 197 000	0.2	NPPP
	<i>Sub-total Agriculture</i>	Ongo.				21 251 000	82 085 120	26	
Energy	STEG Natural Gas Transmission and Distribution Network Development Project	Ongo.	AfDB	1 April-15	31-Dec.-21	5 639 736	49 390 000	60	NPPP
	<i>Sub-total Energy</i>	Ongo.				5 639 736	49 390 000	11.4	
Social	Technical Skills Development Support Programme-	Ongo.	AfDB	4-17	31-Dec.-22	0	60 000 000	0.0%	
	PADRI II	Ongo.	AfDB	3-17	31-Dec.-18	000 000	000 000	100.0	
	Health Sector Investment Promotion Support Project	Ongo.	MIC GRANT	3-June-15	29-June-20	103 260	355 648	34.8	
	<i>Sub-total Social</i>					122 123 912	182 355 648	67	
Multisector	Project to Support the Operationalization of the Public Procurement Reform Action Plan	Ongo.	MIC GRANT	27 Dec.-13	31-Dec.-19	219 454	636 120	41.4%	
	Operationalising PPPs in Tunisia (PPP Advisory)	Ongo.	MIC GRANT	14 Jun-13	31-Dec.-19	483 373	946 800	61.3%	
	Emergency Assistance Nabeul	Ongo.		13 Dec.-18	14 Sept.-21		700 000		
	<i>Subtotal Multisector</i>					843 392	1 582 920	53.3	
Financial	SME APEX Facility Tunisia	Ongo.	NSO	13 July-11	20 Dec.-18	35 213 216	(50 000 000)	70.4%	
	BFPME: Boosting Private Sector Development	Ongo.	FAPA	5 Aug.-13	31-Dec.-19	40 365	950 000	5.0%	
	Line of Credit for the Financing of the Banque de l'Habitat (Housing Bank) (BH)	Ongo.	NSN	Oct. 19-16	27-Aug.-20	60 000 000	60 000 000	100.0%	
	Africa SME- LOC Hannibal Lease Programme	Ongo.	NSN	1 March-17		4 000 000	8 000 000	50.0%	
	<i>Sub-total Financial Sector</i>	Ongo.				93 965 544	111 307 920	84.4	
Water	Rural Drinking Water Supply Programme	Ongo.	AfDB	6 Sept.-16	31-Dec.-21	25 443	123 700 000	20.6	NPPP
	Rural Drinking Water Supply Programme	Ongo.	AfDB	6 Sept.-16	31-Dec.-21	100 000	1 000 000	10.0	
	Preparation of the Tunisia Water Vision and Strategy 2050	Ongo.	AWF GRANT	June 16	31 Dec.-20	44 918	1 345 000	3.3	
	Treated Waste Water Quality Improvement Project	Ongo.	AfDB	11 Jan.-12	30 Dec.19	22 546 138	450 000	69.5	NPPP
	Small Cities (less than 10 000 inhabitants) Sanitation Programme – Phase I	Ongo.	AfDB	10 Oct-18	31-Dec.-23	0	75 000	0.0	NPPP
	Small Cities (less than 10 000 inhabitants) Sanitation Programme – Phase I	Ongo.	AfDB	10 - Oct-18	31-Dec.-23	0	800 000	0.0	NPPP
	<i>Total Water Sector</i>					48 134 933	199 700 000	24.1	
	TOTAL					772 106 114	1 149 730 347	67.16	

Annex 3: Map of Project Area

