

No. 19878

**UNITED STATES OF AMERICA
and
TUNISIA**

Project Loan and Grant Agreement for small farmer supervised credit (with annexes). Signed at Tunis on 24 March 1978

Authentic texts: English and French.

Registered by the United States of America on 10 June 1981.

**ÉTATS-UNIS D'AMÉRIQUE
et
TUNISIE**

Accord de prêt et de subvention pour un projet de crédit agricole supervisé au profit des petits exploitants agricoles (avec annexes). Signé à Tunis le 24 mars 1978

Textes authentiques : anglais et français.

Enregistré par les États-Unis d'Amérique le 10 juin 1981.

**PROJECT LOAN AND GRANT AGREEMENT¹ BETWEEN THE
REPUBLIC OF TUNISIA AND THE UNITED STATES OF
AMERICA FOR SMALL FARMER SUPERVISED CREDIT**

Dated: March 24, 1978

A.I.D. Loan Number 664-T-054
Project Number 664-0302

TABLE OF CONTENTS

COMBINED LOAN AND GRANT AGREEMENT

<p>Article 1. The Agreement</p> <p>Article 2. The Project</p> <p style="padding-left: 20px;">Section 2.1. Definition of Project</p> <p style="padding-left: 20px;">2.2. Incremental Nature of the Grant</p> <p>Article 3. Financing</p> <p style="padding-left: 20px;">Section 3.1. The Grant; The Loan</p> <p style="padding-left: 20px;">3.2. Cooperating Country Resources for the Project</p> <p style="padding-left: 20px;">3.3. Project Assistance Completion Date</p> <p>Article 4. Loan Terms</p> <p style="padding-left: 20px;">Section 4.1. Interest</p> <p style="padding-left: 20px;">4.2. Repayment</p> <p style="padding-left: 20px;">4.3. Application, Currency, and Place of Payment</p> <p style="padding-left: 20px;">4.4. Prepayment</p> <p style="padding-left: 20px;">4.5. Renegotiation of Terms</p> <p style="padding-left: 20px;">4.6. Termination on Full Payment</p> <p>Article 5. Conditions Precedent to Disbursement</p> <p style="padding-left: 20px;">Section 5.1. First Disbursement</p> <p style="padding-left: 20px;">5.2. Additional Disbursement</p> <p style="padding-left: 20px;">5.3. Notification</p>	<p style="padding-left: 20px;">5.4. Terminal Dates for Conditions Precedent</p> <p>Article 6. Special Covenants</p> <p style="padding-left: 20px;">Section 6.1. Project Evaluation</p> <p style="padding-left: 20px;">6.2. Counterparts</p> <p>Article 7. Procurement Source</p> <p style="padding-left: 20px;">Section 7.1. Foreign Exchange Costs</p> <p style="padding-left: 20px;">7.2. Local Currency Costs</p> <p>Article 8. Disbursements</p> <p style="padding-left: 20px;">Section 8.1. Disbursement for Foreign Exchange Costs</p> <p style="padding-left: 20px;">8.2. Disbursement for Local Currency Costs</p> <p style="padding-left: 20px;">8.3. Other Forms of Disbursement</p> <p style="padding-left: 20px;">8.4. Rate of Exchange</p> <p style="padding-left: 20px;">8.5. Rate of Disbursement</p> <p>Article 9. Miscellaneous</p> <p style="padding-left: 20px;">Section 9.1. Communications</p> <p style="padding-left: 20px;">9.2. Representatives</p> <p style="padding-left: 20px;">9.3. Standard Provisions Annex</p> <p style="padding-left: 20px;">9.4. Language of Agreement</p> <p style="text-align: center;"><i>Annex I</i></p> <p>The Project</p>
---	--

LOAN AND GRANT AGREEMENT dated March 24, 1978 between the REPUBLIC OF TUNISIA (Cooperating Country) and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT ("A.I.D.").

Article 1. THE AGREEMENT

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Cooperating Country of the Project described below, and the financing thereof by the Parties.

¹ Came into force on 24 March 1978 by signature.

Article 2. THE PROJECT

Section 2.1. DEFINITION OF PROJECT. The Project, which is further described in Annex 1, will consist of a supervised credit program to provide access to agriculture production inputs and technical information necessary to increase the level of production technology employed by a significantly larger number of small and medium-size farmers than at present. Annex 1, attached, contains the detailed project description cited in this Section and identifies those elements of the Project for which Grant financing will be employed, and those for which loan financing will be employed. Within the limits of the above definition of the Project, elements of the description contained in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 9.2 without formal amendment of this Agreement.

Section 2.2. INCREMENTAL NATURE OF PROJECT. (a) A.I.D.'s Grant and Loan contribution over the life of the Project is estimated to be approximately U.S. dollars 18,207,000 which will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed with the project.

(b) Within the overall Project Assistance Completion Date stated in this Agreement; A.I.D., based upon consultation with the Cooperating Country, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3. FINANCING

Section 3.1. THE GRANT; THE LOAN. To assist the Cooperating Country to meet the cost of carrying out the Project, A.I.D. pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Cooperating Country under the terms of this agreement, an initial increment not to exceed five hundred and fourteen thousand United States ("U.S.") dollars \$514,000 ("Grant") and to lend the Cooperating Country under the terms of this Agreement, an initial increment not to exceed six million U.S. dollars (\$6,000,000) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal". The Loan and the Grant together are referred to as the "Assistance". The Assistance may be used to finance foreign exchange costs, as defined in Section 7.1, and local currency costs, as defined in Section 7.2 of goods and services required for the Project.

Section 3.2. COOPERATING COUNTRY RESOURCES FOR THE PROJECT. (a) The Cooperating Country agrees to provide or cause to be provided for the Project all funds, in addition to the Assistance, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by the Cooperating Country over the life of the Project are estimated to be approximately the equivalent of U.S. \$24,000,000 including costs borne on an "in kind" basis, but not less than 25% of the total cost of the Project. The initial increment will amount to the equivalent of 3,300,000.

Section 3.3. PROJECT ASSISTANCE COMPLETION DATE. (a) The "Project Assistance Completion Date" (PACD), which is December 31, 1982 or such other date as the Parties may agree to in writing, is the date by which the Parties

estimate that all services financed under the Assistance will have been performed and all goods financed under the Assistance will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Assistance for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 8.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D. by giving notice in writing to the cooperating country, may at any time or times reduce the amount of the Assistance by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4. LOAN TERMS

Section 4.1. INTEREST. The Cooperating Country will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement of the Loan hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of principal and on any due and unpaid interest. Interest on the outstanding balance will accrue from the date (as defined in Section 8.5) of each respective disbursement, and will be computed on the basis of a 365 day year. Interest will be payable semi-annually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement of the Loan hereunder, on a date to be specified by A.I.D.

Section 4.2. REPAYMENT. The Cooperating Country will repay the Principal to A.I.D. within twenty (20) years from the date of the first disbursement of the Loan in twenty-one (21) approximately equal semi-annual installments of Principal and interest. The first installment of Principal will be payable nine and one half (9 ½) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Cooperating Country with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

Section 4.3. APPLICATION, CURRENCY, AND PLACE OF PAYMENT. All payments of interest and Principal hereunder will be made in U.S. Dollars and will be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

Section 4.4. PREPAYMENT. Upon payment of all interest and any refunds then due, the Cooperating Country may prepay, without penalty, all or part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

Section 4.5. RENEGOTIATION OF TERMS. (a) The Cooperating Country and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of the Cooperating Country which will enable it to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 9.1 and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 9.1, the name and address of the person who will represent the requested Party in such negotiations.

(d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under sub-section (c). The negotiations will take place at a location mutually agreed upon by the representatives of the Parties, provided that, in the absence of mutual agreement, the negotiations will take place at the office of the Cooperating Country's Ministry of Foreign Affairs in Tunisia.

Section 4.6. TERMINATION ON FULL PAYMENT. Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the Cooperating Country and A.I.D. relating to the Loan provisions of this Agreement will cease. However, with respect to any remaining obligations arising out of the expenditure of Grant Funds, this Agreement will remain in full force and effect.

Article 5. CONDITIONS PRECEDENT TO DISBURSEMENT

Section 5.1. FIRST DISBURSEMENT. Prior to the first disbursement of the Assistance, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Cooperating Country shall, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Cooperating Country and that it constitutes a valid and legally binding obligation of the Cooperating Country in accordance with all of its terms;
- (b) A statement of the name of the person holding or acting in the office of the Cooperating Country specified in Section 9.2 and his specimen signature;
- (c) A request from the Cooperating Country for A.I.D. to procure directly the services of two technicians and short-term consultants for the Project to advise and assist the Cooperating Country in planning, organization, implementation and evaluation of the Project;
- (d) The designation of counterparts for the U.S. technicians;
- (e) A contract with the Centre National des Etudes Agricoles (CNEA) to monitor, collect data on and evaluate project performance.

Section 5.2. ADDITIONAL DISBURSEMENT. Prior to disbursement of the Assistance or to issuance by A.I.D. of documentation pursuant to which

disbursement will be made, for any purpose other than to finance the services referred to in Section 5.1 the Cooperating Country will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) Evidence of the establishment of a coordinating committee constituted of high level representatives from each of the participating agencies of the Cooperating Country.
- (b) An agreement or agreements detailing the role and responsibilities of each of the participating agencies which has been reviewed and approved by each of those agencies.
- (c) Evidence that the cooperating country has provided sufficient local currency in its 1978 budget to finance the first year costs of staffing, construction of livestock shelters, procurement of vehicles, maintenance capital for revolving fund, and other cooperating country project costs.
- (d) Detailed procedures developed and documented for the operation of the Project including promotional activities, applicant selections and eligibility guidelines, credit analyses and farm planning, loan processing borrower supervision techniques, loan collection, system for reporting and data collections, systems for monitoring and analyzing of field activities and pesticide utilization.
- (e) An approved organization plan evidencing the establishment of regional credit staff in each Commissariat Régional du Développement Agricole (CRDA) unit in each of the five governorats.
- (f) A phased staffing pattern indicating present and future personnel requirements for the Project with provision that such assignments will be made on a timely basis relative to the Project needs.
- (g) Evidence that Principal Regional Agents and an adequate number of Field Agents to begin to implement the first phase of the Project have been assigned to each of the five governorats.
- (h) A completed evaluation plan.
- (i) A procurement plan and delivery schedule for the vehicles to be provided by the Cooperating Country.

Section 5.3. NOTIFICATION. When A.I.D. has determined that the conditions precedent specified in Section 5.1 and 5.2 have been met, it will promptly notify the Cooperating Country.

Section 5.4. TERMINAL DATES FOR CONDITIONS PRECEDENT. (a) If all of the conditions specified in Section 5.1 have not been met within 60 days from the date as A.I.D. may agree to in writing, and if all of the conditions specified in Section 5.2 have not been met within 120 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D. at its option, may terminate this Agreement by written notice to the Cooperating Country.

(b) In the event of such termination, the Cooperating Country will repay immediately the Principal then outstanding and any accrued interest; on receipt of such payments in full, this Agreement and all its obligations of the Parties hereunder will terminate, except with respect to any obligations arising out of the expenditure of Grant funds.

Article 6. SPECIAL COVENANTS

Section 6.1. PROJECT EVALUATION. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at periodic points thereafter: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) recommendations as to how such problems or constraints should be addressed; and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

Section 6.2. HOST COUNTRY SUPPORT. The Cooperating Country agrees to assist USAID/Tunisia in obtaining office space, and other facilities as are needed in the project areas to support the work of the U.S. technical assistance team.

Article 7. PROCUREMENT SOURCE

Section 7.1. FOREIGN EXCHANGE COSTS. Grant funds disbursed pursuant to Section 8.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States (Code 000) of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods or services, except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1. (b) with respect to marine insurance.

Section 7.2. LOCAL CURRENCY COSTS. Disbursements pursuant to Section 8.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in the Republic of Tunisia.

Article 8. DISBURSEMENTS

Section 8.1. DISBURSEMENT FOR FOREIGN EXCHANGE COSTS. After satisfaction of the conditions precedent, the Cooperating Country may obtain disbursements of funds for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon: by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters; (a) requests for reimbursement for such goods or services, or (b) requests for A.I.D. to procure commodities or services in Cooperating Country's behalf for the Project.

Section 8.2. DISBURSEMENT FOR LOCAL CURRENCY COSTS. (a) After satisfaction of conditions precedent, the Cooperating Country may obtain disbursement of funds for Local Currency Costs required for the Project in accordance with the terms of this Agreement as set forth in Annex 1, Financial Plan, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements hereunder may be obtained by purchase by A.I.D. with U.S. Dollars.

(c) The order of disbursements of loan proceeds will be as follows. An initial disbursement to finance the establishment of the revolving credit funds will be made hereunder in an amount based on jointly projected first quarter utilization of

the revolving funds. Subsequent disbursements will be made quarterly in amounts based on the previous quarter utilization and a joint projection of utilization during the subsequent quarter.

Section 8.3. OTHER FORMS OF DISBURSEMENT. Disbursements of the Loan or Grant may also be made through such other means as the Parties may agree to in writing.

Section 8.4. RATE OF EXCHANGE. Funds, provided under the Loan or Grant by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. under Section 8.2 will be calculated at the highest commercial rate of exchange which, at the time disbursement is made, is not unlawful in Tunisia.

Section 8.5. DATE OF DISBURSEMENT. Disbursements of the Assistance by A.I.D. will be deemed to occur on the date on which A.I.D. makes a disbursement to the Cooperating Country or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order.

Article 9. MISCELLANEOUS

Section 9.1. COMMUNICATIONS. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following address:

To the Cooperating Country:

Ministère des Affaires Etrangères
Direction de la Coopération Internationale
Avenue Mohamed V
Tunis, Tunisia

To A.I.D.:

Agency for International Development
c/o American Embassy
144, Avenue de la Liberté
Tunis, Tunisia

Alternate Address for cables:

Director, USAID
AmEmbassy Tunis

All such communications will be in English or French. Other addresses may be substituted for the above upon the giving of notice.

Section 9.2. REPRESENTATIVES. For all purposes relevant to this Agreement, the Cooperating Country will be represented by the individual holding or acting in the Office of Minister of Foreign Affairs and A.I.D. will be represented by the individual holding or acting in the Office of Director, USAID to Tunisia, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the detailed description in Annex 1. The names of the representatives of the Cooperating Country, with specimen signatures, will be provided to A.I.D.,

which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

Section 9.3. STANDARD PROVISIONS ANNEX. A “Combined Loan and Grant Standard Provisions Annex” (Annex 2)¹ is attached to and forms part of this Agreement.

Section 9.4. LANGUAGE OF AGREEMENT. This Agreement, its annexes and Project Implementation Letters are prepared in both English and French. In the event of ambiguity or conflict between the two versions, the English language version will control.

IN WITNESS WHEREOF, the Republic of Tunisia and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

Republic of Tunisia:

[Signed]

By: RIDHA BACH BAOUAB
Director of International Cooperation
Ministry of Foreign Affairs

United States of America:

[Signed]

By: EDWARD W. MULCAHY
Ambassador

ANNEX 1

THE PROJECT

The Project will provide, through a supervised credit program, access to agriculture production inputs and technical information necessary to increase the level of production technology employed by a significantly larger number of small and medium scale farmers than at present. It will contribute to the overall sector goal of increasing basic agriculture production and improving the income levels of small and medium scale farm units.

The Project Funding is expected to be carried out over a four-year period beginning in FY 1978 and will consist of A.I.D. Grants totalling approximately \$907,000 and Loans totalling approximately \$17,300,000.

It is anticipated the U.S. Assistance will be provided in three phases. Funding for the First Phase (FY 78-79) will consist of \$6 million in loan and \$0.514 million in grant funds. Funding for the Second Phase (FY 80) \$6 million loan and \$0.225 million grant funds, and Third Phase (FY 81), \$5.3 million loan and \$0.168 million grant funds. The decision to provide funds for each successive Phase will depend upon satisfactory progress toward meeting project objectives as determined by the periodic evaluations, the availability of funds to A.I.D., and to the mutual agreement of the Parties to proceed with the Project.

¹ For the text of the annex, see p. 199 of this volume.

The Grants (\$907,000) will be used for technical services and administrative support, and the Loans will be used to establish a revolving short-term credit fund for crop production, animal feeds (\$13,200,000) and partial funding of a revolving fund for medium-term livestock purchase and small-farm equipment credit (\$4,100,000). The U.S. Assistance will be supplemented by an estimated \$24,000,000 contribution from the Government of Tunisia.

1. *U.S. Contribution*

a. *Grant*

- (1) U.S. resident technicians—96 PM
- (2) U.S. consultants—6 PM
- (3) Training—44 PM
- (4) Technical support for periodic project evaluation
- (5) Administrative support contribution (10% of total administrative costs)

b. *Loan*

- (1) Funding for short-term seasonal credit of crop and animal production inputs, i.e., selected seeds, fertilizers, pesticides and herbicides, animal or mechanized custom services, and animal feed concentrates.
- (2) Funding for medium-term credit for purchase of improved local bred heifers, barbarine ewes, and small-farm equipment.

2. *GOT Contribution*

The GOT contribution will consist of funding for medium-term credit for construction of livestock shelters; partial funding of the revolving fund for medium-term livestock purchase credit; administrative costs of personnel, equipment and its operation; contingency and inflation costs; and maintenance of capital for the loan-financed revolving funds. This contribution includes the provision of personnel (6 engineers, 83 field agents, 16 administrative/clerical staff, and 20 drivers), equipment and facilities (31 5 HP automobiles and 6 fully equipped offices), and maintenance and operational costs of cars, facilities, and equipment and supplies over a four-year period of life of project. The GOT will also provide through a Trust Account funds to be used for participant international travel, language instruction, medical examination, and other participant processing; and in-country transportation of full-time U.S. technicians.

3. *Detailed Description*

(1) The proposed project will establish a revolving seasonal credit fund for procurement of inputs on an 8 to 12 month basis for crop and animal production, and a medium-term credit fund for procurement of improved livestock and small farm equipment. All inputs, where possible, will be in kind. Credit for construction of livestock facilities will be provided by the GOT (Government of Tunisia) under existing, or expansion of existing medium term FOSDA (Special Funds for Agriculture Development) programs. As with all other elements of this project, assistance in securing FOSDA credit will be furnished by the CRDA. Custom services (either mechanical or animal traction, and from public or private sources) will be available under the revolving seasonal credit fund in the form of cash or coupons. Supervisory services and technical assistance at the farm level will be furnished by field agents (*agents vulgarisateurs*) of the CRDA.

(2) The project will be implemented through the DPA (Division of Agriculture Production), Ministry of Agriculture, and coordinated at the field or provincial level by existing and additional CRDA (Regional Office for Agriculture Development) technical and administrative staff. In kind inputs will be obtained from OC (Office of Cereals), OEP (Office of Livestock and Pastures), CCSPS (Central Cooperative for Seeds and Selected Plants), COSAG (Agriculture Services Cooperative of Grombalia), and the CMF du Cap

Bon (Vegetable and Fruit Cooperative of Cap Bon). Custom services will be obtained either from private or public sources at borrower's option, depending upon timely availability. Materials for construction of livestock facilities will be purchased from local supply sources.

The BNT will be responsible for overall management of the Credit Fund. However, actual field management of credit operations will be conducted by local credit committees. Each committee will consist of provincial representatives of the Ministries of Agriculture and Finance, BNT, UNAT (National Farmers Union of Tunisia), SCM (Mutual Guarantee Society), and other participating agencies, i.e., OC, OEP, COSAG and SONAM (National Society of Mechanized Farming). Participating farmers will be organized under existing or newly created SCM's to provide a guarantee for the repayment of loans (tentatively agreed to at an interest rate of at least 6%), or guarantees will be in the form of collateral security on harvests, which will be insured against fire or hailstone risks. Guarantees will be in the form of either of the above, or a combination of the two.

(3) The project will combine selected materials and services and close supervision and technical guidance for delivery to cooperating farmers of 50 hectares and below. For farms in the 40-50 ha. range, only those not otherwise eligible for credit from other sources will be allowed to participate in this program.

For the purposes of this project, small and medium-size farmers are defined as those farmers farming forty hectares or less—with provisions made to extend loans to farmers farming up to fifty hectares who are otherwise eligible and are not qualified to obtain credit from other sources.

Technical and supervisory agents will assist each participating farmer in the development of individually tailored farm production plans. These plans will propose a mix of food crops, forage crops, and animal and dairy production compatible with the size of farm and quality of the soils, usual climatic and rainfall conditions, characteristics of the intended crops, type and availability of cultivation services, and the capability of the farm operator. Initial interviews will determine and quantify the present level of on-farm investment, production, and labor availability from which future changes can be measured. The plans will then be submitted to the local credit committees for review and approval. Upon approval, a line of seasonal credit in kind for the cooperating farmer will be established through the BNT—with which production inputs as reflected in the agreed production plan can be purchased. These inputs will include certified seeds for cereals, legumes, and forages; fertilizers, herbicides and pesticides; animal or mechanized custom services (either public or private); and animal feed concentrates. Credit for construction of livestock shelters, a major GOT contribution, will be available through existing, or expansion of existing complementary GOT projects and programs. These inputs will be combined with supervisory technical assistance at the farm operation level so as to optimize the various activities and practices associated with cultivation of different crops and raising of livestock. The technical/supervisory personnel who will be responsible for assisting the farmer in developing the farm production plan, and the plan itself, are crucial to the concept and probable success of the supervised credit scheme.

The production plan, which would vary in terms of input mixture from farm to farm, would include technical improvements such as use of improved and/or treated seeds, fertilizer, herbicides and pesticides, proper land preparation, cultivation practices, production and utilization of animal feeds, improved farm management, etc. The farmer, with supervision and technical assistance provided through the area CRDA, would be responsible for the intended application of inputs. Recommendations for the livestock element would also have been included in the farm plan.

Implementation of the project should also significantly increase average meat and milk production. These increases would be obtained through the use of improved breeds, a feeding program utilizing quality forage produced on-farm and supplemented by feed concentrates purchased through the revolving seasonal credit fund, and improved

husbandry practices, i.e., proper care and maintenance, good sanitary conditions, adequate shelter, and balanced rations. This type of stock farming will produce a healthier animal—giving more milk and producing more beef—over a shorter time-span. Livestock would be sold earlier (9 to 10 months for cattle and 4 to 5 months for lambs) and at a heavier weight than marketed previously.

The farm plans will be based on a more rational and efficient land use and production strategy. The farm production plan, which would vary from farm to farm, would combine the use of improved inputs and proper management to increase total farm production. Land use will be divided between cereals, forage, and grain legumes. In most cases, land devoted to cereal production will remain the same or decrease. However, productivity increases will result in higher cereal output. The rise in productivity will be obtained from the use of certified seeds; proper seedbed preparation; use of herbicides and pesticides when alternative protection activities are deemed insufficient; fertilizer application; proper tillage; and employment of machine or animal-powered traction for planting, harvesting, spraying, and other application on a timely basis.

4. *Project Evaluation*

Semi-annual evaluations will be jointly conducted by A.I.D., the Government of Tunisia, and the Centre National des Etudes Agricoles (CNEA) to assess the progress of the project toward achieving overall objectives. The CNEA, under a contract with the Government, will collect, compile, and analyze data related to the number of farmers receiving credit by farm size with particular attention paid to the smallest categories (0-5, 5-10 ha); interest rates, loan terms and conditions; repayments, delinquencies, defaults, production increases, cost of inputs, market prices; and institutional effectiveness. The specific kinds of data to be collected by CNEA will be more fully explained in Implementation Letters.

Six months prior to the completion of the First Phase (FY 78-79) of the Project, the Government, A.I.D., and CNEA will jointly review the progress of the Project up until that time and address any problems or constraints identified. Based on the findings of this evaluation and review, A.I.D. will advise the Government of its intentions to provide funding for the Second Phase (FY 80) of the Project and the conditions under which those funds will be made available. If A.I.D. decides not to provide funds for the Second Phase, the Government will be advised as to the reasons for that decision. This procedure will also be utilized prior to providing funds for the Third Phase—assuming the Second Phase is undertaken.

PROPOSED FINANCIAL PLAN (Disbursements)
(U.S. \$000)

<i>Items</i>	<i>Total</i>	<i>FY 78</i>	<i>FY 79</i>	<i>FY 80</i>	<i>FY 81</i>
<i>U.S. contribution—43.1%</i>					
1. Revolving fund for short-term seasonal crop loans	13,200	2,442	2,442	4,884	3,432
2. Revolving fund for medium-term livestock and small-farm equipment loans	4,100	558	558	1,116	1,868
3. U.S. resident technicians (2), 4 years	500	150	140	105	105
4. U.S. consultants (6 PM)	44	20			24
5. Administrative support for 0-5 ha. farmers (10% of administrative costs)	211	101	33	71	6
6. Technical support for periodic project evaluation (CNEA)	52	10	10	24	8
7. Training and project support (44 PM).....	100	25	25	25	25
TOTAL U.S. CONTRIBUTION	18,207	3,306	3,208	6,225	5,468
<i>GOT contribution—56.9%</i>					
1. Fund for medium-term livestock shelter construction loans	7,581	1,137	1,137	2,274	3,033
2. Fund for medium-term livestock purchase loans	3,010	508	508	1,015	979
3. Administrative costs*:	2,108	449	386	544	729
(Personnel)	(1,721)	(307)	(342)	(458)	(614)
(Equipment and operations)	(387)	(142)	(44)	(86)	(114)
4. Contingency and inflation costs (10% of Project cost).....	3,078	529	518	1,004	1,027
5. Maintenance of capital for the revolving funds**	8,223	642	1,389	2,572	3,620
TOTAL GOT CONTRIBUTION	24,000	3,265	3,938	7,409	9,388
PROJECT TOTAL	42,207	6,571	7,146	13,634	14,856

* Includes trust account funds.

** Portion related to medium-term livestock loans will actually occur in later years but is shown here in same year as that in which loan was made in order to simplify tabular presentation while still accurately reflecting real GOT contribution.