Republic of Tunisia

FY2017 Ex-Post Evaluation of Japanese ODA Loan

"Private Investment Credit Project"

External Evaluator: Kenichi Inazawa, Octavia Japan Co., Ltd.

0. Summary

This project sought to develop a production base through the promotion of start-up enterprises creation and expansion of existing enterprises by providing low interest rate and medium- to long-term loans to small- and medium-sized enterprises (SMEs) in Tunisia[1] in order to contribute to the enhancement of the country's industrial competitiveness and creation of new employment opportunities. The Government of Tunisia's *11th five-year plan* (2007－2011) and *five-year development plan* (2016－2020) indicate the need to strengthen management bases through job creation and the provision of financing opportunities to SMEs. Relevance of this project is high because there is a need for a lending program for SMEs because SMEs face difficulty with borrowing funds from private-sector financial institutions (commercial banks, etc.) due to insufficient collateral and because consistency with Japan's ODA policy is confirmed. As for efficiency, subsidiary loans were not implemented via eight commercial banks accredited by the Ministry of Industry, Energy and SME (Ministere de l'Industrie, de l'Energie et des Petites et Moyennes Entreprises, hereinafter "MIEPME") mainly due to the fact that SMEs' creditworthiness criteria by accredited commercial banks became stricter due to the deterioration of economic conditions, and SMEs were less likely to receive the loan. But the sub-loans were implemented only via the Tunisia's SMEs lending bank (Banque de Financement des Petites et Moyennes Entreprises, hereinafter "BFPME"). Thus, the project cost was within the initial plan.The project period significantly exceeded the initial plan because of delays in the borrowing procedures and screening of SMEs receiving loans from BFPME due to the time consuming process within the Tunisian government in transferring loan funds from account of subsidiary loans for SMEs via eight accredited commercial banks to BFPME account, and because of the effects of the Jasmine Revolution (democratization movement[2]). Therefore, the efficiency is fair. As for quantitative effects of effectiveness, the loan repayment rate (subsidiary loans) is about half of the target. However, it was confirmed through interviews with SMEs and BFPME that contributions were made to the enhancement of

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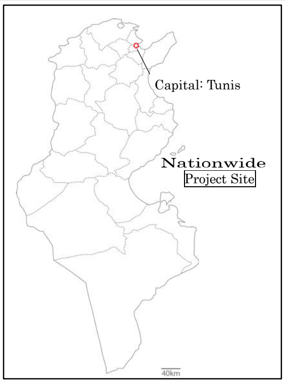
[1] Tunisia has a population of approximately 11.15 million (source: Statistics Tunisia; 2015 data). The country's productive sectors are agriculture, mining, trade, and tourism.

[2] High unemployment and the soaring cost of living led to people marching in demonstrations and unrest. Anti-government demonstrations expanded to every corner of the country and President of Tunisia at the time, Zine El Abidine Ben Ali, was ousted and fled to Saudi Arabia.

the country's industrial competitiveness and creation of new employment opportunities. Therefore, the effectiveness and impact of this project are fair. Taking into account that BFPME, responsible for the operation and maintenance of this project, regularly conducts monitoring of enterprises and the collection of receivables through its head office and regional branches, has human resources with expertise, and has not seen a large spike in the ratio of non-performing loans, there are no particular concerns in terms of the institutional, technical and financial aspects. Thus, sustainability of the effects realized through this project is high.

In light of the above, the project is evaluated to be satisfactory.

1. Project Description



Project Location

Print/offset, Packaging Manufacturing Enterprise
(SME financed by this project)

1.1 Background

The Government of Tunisia sought to develop the manufacturing industry, with a focus on textiles, agribusiness, and electrical components, and the services industry, with a focus on tourism, transport, and IT services, etc., and aimed to develop SMEs, which form a local industry for each of these fields, in order to diversify its industrial structure. In contrast, the scale of individual enterprises was insignificant and capital amounts excessively small, while the ratio of university graduates of the workforce tended to be low, resulting in SMEs that were weak in terms of technology, financial standing, and management skills. Given that it tended to rely on imports of capital goods, raw materials and components, etc., Tunisia lacked sufficient international competitiveness as well. Using loans to SMEs for creating start-up enterprises and expanding the size of existing SMEs was an urgent task, but Tunisia's financial sector faced non-performing loan issues since the 1980s and it was unable to fully accommodate the rampant demand for capital exhibited by SMEs. The Government of Tunisia needed to accommodate demand from domestic SMEs for medium- to long-term capital in order to enhance industrial competitiveness and create employment opportunities, while SMEs needed to increase the size of their operations and improve financial standing.

1.2 Project Outline

The objective of this project is to develop a production base through the promotion of start-up enterprises creation and expansion of existing enterprises by providing low interest rate and medium- to long-term loans to small- and medium-sized enterprises (SMEs) in Tunisia thereby contributing to enhance the country's industrial competitiveness and creation of new employment opportunities.

Loan Approved Amount/ Disbursed Amount	6,277 million yen / 3,993 million yen
Exchange of Notes Date/ Loan Agreement Signing Date	March 2007 / March 2007
Terms and Conditions	Interest Rate: 0.9% Repayment Period: 15 years (Grace Period: 5 years) Conditions for Procurement: General Untied
Borrower / Executing Agency	The Government of the Republic of Tunisia / Ministere de l'Industrie, de l'Energie et des Petites et Moyennes Entreprises (MIEPME)[3] and Banque de Financement des Petites et Moyennes Entreprises (BFPME)
Project Completion	January 2016
Main Contractors (Over 1 billion yen)	—
Main Consultants (Over 100 million yen)	—
Related Studies (Feasibility Studies, etc.)	Special Assistance for Project Formation (SAPROF) (January 2006) Special Assistance for Project Implementation (SAPI) (March 2008)
Related Projects	【Technical Cooperation】 "The Study on the Master Plan for Quality/Productivity Improvement in the Republic of Tunisia" (2006-2008, Technical cooperation on development plan survey type) "Project on Quality/Productivity Improvement (Q/PI)"(2009-2013) 【Other International Organizations, Donors' Cooperation】 "The Economic Competitiveness Adjustment Loan for Tunisia" (Since 1999, World Bank) "Competitiveness Support Programme" (Since 1999, African

[3] The name of the organization was changed in September 2017. At the time of the project's appraisal, the name was Ministry of Industry, Energy and SMEs (MIEPME).

	Development Bank) "Support for SME Innovation, Standardization/Quality Improvement, Intellectual Property Rights" (The period is unknown, the European Union) "Support for New Establishment of SMEs and Modernization of Business Expansion & Facilities (Since 1998, the European Investment Bank)" "Support for Improving the Financial Structure of PMN Registered Companies (Two-Step Loan (TSL)) (1996, Agence Française de Développement)" "Supporting for Improving the Financial Structure of PMN Registered Companies" (Two-Step Loan (TSL)) (2000, KfW Bankengruppe), "Capacity Building for PMN Bureau" (Deutshe Gesellеschaft fuur Internationale Zusammenarbeit) "Provision of Tied Loan" (The period in unknown, Government of Italy and Spain)

2. Outline of the Evaluation Study

2.1 External Evaluator

Kenichi Inazawa, Octavia Japan Co., Ltd.

2.2 Duration of Evaluation Study

This ex-post evaluation study was conducted with the following schedule.

Duration of the Study: September 2017 - December 2018

Duration of the Field Study: January 18 - February 2, 2018 and April 14-20, 2018

2.3 Constraints during the Evaluation Study

With regard to this evaluation, the external evaluator conducted interview surveys (qualitative interview surveys) on SMEs that received loans only in the capital Tunis, for the sake of security reasons. Then, the analysis and judgment was conducted.

3. Results of the Evaluation (Overall Rating: B[4])

3.1 Relevance (Rating: ③[5])

3.1.1 Consistency with the Development Plan of Tunisia

At the time of the project's appraisal, the Government of Tunisia formulated its *10th five-year plan* (2002－2006). The plan stated the acceleration of industrial promotion, increase of investment, creation of employment, improvement of international competitiveness, and

[4] A: Highly satisfactory, B: Satisfactory, C: Partially satisfactory, D: Unsatisfactory
[5] ③: High, ②: Fair, ①: Low

enhancement of private-sector productivity and efficiency, among others, as main targets. In addition, through the *11th five-year plan* (2007 − 2011), the government positioned enhancement of SMEs competitiveness as an important field.

At the time of the ex-post evaluation, the Government of Tunisia has formulated the *five-year development plan* (2016−2020), with one of the objectives building a diversified economic structure grounded in the high potential of exports and job creation. This same plan also aims to create 400,000 jobs and lower the unemployment rate from 15%[6] to 12% by the year 2020. In addition, the plan advocates the reinforcement of management base and rectification of the imbalance of financing opportunities through banking information system reforms and opportunities for the provision of financing to SMEs as important goals for the finance and banking sector.

In view of the above, through at the time of project appraisal and at the time of ex-post evaluation, Tunisia places importance on creating jobs and strengthening management base by providing funds for SMEs. Therefore, it is recognized that this project has consistency with policies and measures of the government both at the time of project appraisal and at the time of ex-post evaluation.

3.1.2 Consistency with the Development Needs of Tunisia

At the time of the project's appraisal, Tunisia's financial sector, in particular commercial banks in the country, lacked know-how for determining credit exposure and knowledge of each industry sector. As a result, the rampant needs for capital exhibited by SMEs were largely unmet. In other words, despite the need to develop industry, Tunisia's medium- to long-term finance markets were not fully developed, causing a bottleneck that inhibited the country's economic growth. Also, most Tunisian entrepreneurs faced difficulty in obtaining loans from commercial banks because of insufficient collateral, which stood in the way of start-ups developing into promising enterprises. Tunisia had high demand for enhancing the finances and production base of SMEs that can be the receiving end of youth employment through medium- to long-term loans. As a result, the country was faced with the need to develop SMEs that will become the backbone of its economy. In such circumstances, Tunisia was making progress with the development of a loan assistance framework, including establishing BFPME in 2005[7], which

[6] 2014 data (Source: document of the "*five-year development plan*")
[7] Prior to the start of this project, BFPME was mainly supporting for co-finance with commercial banks for start-up enterprises. From the establishment to August 2006, BFPME was implementing 145 medium- and long-term loans or more. (Source: JICA document). Meanwhile, besides support for the start-up enterprises, BFPME was exploring

cites business creation support for SMEs as its management philosophy.

At the time of the ex-post evaluation, the Government of Tunisia has been implementing an *assistance program for SMEs* focused on provision of technical support, capacity building, and an increase in provision of loans. Beginning in 2016, loans totaling 100 million TND[8] were granted to around 300 SMEs in the country, under a three-year plan. Loans granted to SMEs in Tunisia have been implemented by MIEPME with the involvement of BFPME. According to both organizations, SMEs' collateral was insufficient, similar to at the time of the project's appraisal, and it was difficult to obtain loans from private-sector financial intuitions (commercial banks, etc.). The background to the implementation of this program is the above mentioned situation which has become bottleneck for reinforcing enterprises' growth and strengthening financial strength and fostering industry[9] Also, at the time of the ex-post evaluation, there is a possibility for the future expansion of the program given the continuing strong needs for loans.

Reference Information: Table 1 is reference data that presents changes in the number of enterprises in Tunisia from 2006, prior to the start of the project, to 2010, after the start of the project. Many enterprises in Tunisia have a small workforce and are small in scale. There are large numbers of micro and new businesses established. The table indicates this trend has not changed since before the start of this project. In other words, there will continue to be strong appetite in Tunisia for starting businesses and as a result, strong needs for loan financing to secure stable cash flow is predicted.

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opportunities to support for the business expansion.

8 Tunisian Dinar

9 European Investment Bank (2015) Neighbourhood SME financing: Tunisia. European Investment Bank. http://www.eib.org/attachments/efs/economic_report_neighbourhood_sme_financing_tunisia_en.pdf, accessed on March 16, 2018)
This report examines financing for SMEs in Tunisia and was jointly compiled by the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD), and the World Bank. According to this report, more than 60% of SMEs depend on their own funds for capital to fund their business activities, and only 10% of SMEs borrow money using loans. SMEs have difficulty taking out loans even if they want to. Specifically, SMEs lack sufficient collateral and they are facing with high borrowing rates. On the contrary, SMEs are facing with the pressing need of business development and expansion by increasing borrowings continuously from financial institutions.

(Reference) Table 1: Changes in the Number of Enterprises

(Unit: number)

Size of workforce	2006	2010	2011	2012	2013
0	434,848	516,794	523,071	546,464	574,650
1-2	39,782	46,294	45,139	44,402	44,081
3-5	13,673	15,824	15,661	16,485	17,171
6-9	5,497	6,646	6,344	6,609	6,806
10-19	4,365	5,113	5,064	5,136	5,029
20-49	3,022	3,481	3,467	3,558	3,475
50-99	1,409	1,642	1,627	1,615	1,573
100-199	938	977	1,040	1,029	960
200 or more[10]	750	826	809	804	779
Total	504,284	597,597	602,222	626,102	654,524

Source: Tunisia's Foreign Investment Promotion Agency (FIPA)

In view of the above, consistency with the development needs is recognized both at the time of appraisal and at the time of ex-post evaluation for this project aiming to strengthen corporate growth / financial strength and support industry development.

3.1.3 Consistency with Japan's ODA Policy

The Government of Japan formulated the *Country Assistance Program for the Republic of Tunisia* in October 2002. The program cited 1) assistance for enhancing the level of industry, 2) assistance for development and management of water resources, and 3) assistance for environmental initiatives, as important areas and tasks to be addressed with priority, taking into account the main development challenges faced by Tunisia. In addition, JICA formulated the *Medium-Term Strategy for Overseas Economic Cooperation Operations* in April 2005, which considers "a foundation for sustainable growth" as an important area. Furthermore, in fiscal 2006, JICA prepared the *Country Assistance Strategy for the Republic of Tunisia*, which advocated the importance of assistance for "strengthening of the economy and acceleration of speed of growth."

This project contributes to the formation of social foundation in Tunisia and the development of SMEs, which occupy a major part of the local industry. The project has a strong consistency with the important fields and issues of Japan's country assistance program, and JICA's policy. Consequently, it is said that this project was considered to have consistency with Japan's ODA policy.

[10] From this table, it turns out that there are only about 0.1% of enterprises with more than 200 employees.

Base on the above, the implementation of the project has been highly relevant to the Tunisia's development plan and development needs, as well as Japan's ODA policy. Therefore, its relevance is high.

3.2 Efficiency (Rating: ②)

3.2.1 Project Outputs

Table 2 shows the output plan of this project and actual results at the time of ex-post evaluation.

Table 2: Output Plan of This Project and Actual Results at the Time of Ex-post Evaluation

Plan (Project appraisal: 2007)	Actual Results (At the time of ex-post evaluation: 2017-2018)
①Mid- and long-term Two-Step Loan (TSL) to SMEs (subsidiary loans for supporting mainly start-up enterprises via BFPME and subsidiary loans for supporting business expansion of SMEs registered with Upgrading Program[11] (Program de Mise à Niveau; hereinafter "PMN") via accredited 8 commercial banks serving as participating financial institutions; hereinafter "PFI") (a) Lending covenants of accredited commercial banks (i) Legal status and form about end users ・Commercially registered enterprises in Tunisia (Foreign capital not exceeding 50% of the total capital of the enterprise) (ii) Size of end users ・PMN registered enterprises ・Net fixed assets ranging between 80,000 TND and 4 million TND before financing. ・Capital ratio after new investment by this project is 30% or more. ・Business history is 2 years or more. ・Number of employees is less than 300 people. ・Sound financial condition (no history of long-term default on debt in the past) (iii) Eligible sector ・Manufacturing and service industry (iv) Eligible business	①Mid- and long-term Two-Step Loan (TSL) to SMEs (a) Subsidiary loans for SMEs via eight accredited commercial banks were not implemented. (b) Subsidiary loans for start-up enterprises and business extension via BFPME were implemented. 【Lending covenants (Actual)】 (i) Legal status and form about end users ・Commercially registered enterprises in Tunisia (Foreign capital not exceeding 50% of the total capital of the enterprise) (ii) Size of end users ・The amount of new investment with the subsidiary loan provided under this project is from 100,000 TND to 10 million TND (start-up enterprises and business expansion) ・Capital ratio is 30% or more. ・Number of employees is less than 300 people. ・Sound financial condition（No history of long-term default in the past, and there is little possibility, etc.） (iii) Eligible sector Mainly primary industry such as agriculture and agriculture related sector, manufacturing industry, service industry (Except real estate and tourism sector) (iv) Eligible business

[11] It is a policy of the Tunisian government aiming to strengthen the competitiveness of SMEs in the manufacturing industry and responding to free trade areas in the European and Mediterranean regions. It was being implemented since 1995.

・Material investment: equipment purchase / installation, equipment design device, computer-aided design equipment (CAD), computer-aided manufacturing equipment (CAM), laboratory equipment / control equipment, transportation equipment, handling equipment, etc. ・Non-material investment: technical support, software introduction, certification system / quality system, vocational training, etc ・Working capital: raw material inventory, parts, other essentials, etc Note) Administrative expenses, taxes, tariffs, acquisition of land or land use rights, and compensation are not covered by loans. (v) Maximum loan amount (at the beginning) ・Maximum amount per Subsidiary Loan is 1 million TND (in case of providing subsidiary loans to working capital, it is within 20% of the subproject cost.) (vi) Approval authorization of subsidiary loan ・The creditworthiness assessment of target SMEs is conducted by the accredited commercial banks. The central bank only confirms the formal requirements. (vii) Currency ・TND or JPY (viii) Interest rate ・In case of subleasing in TND: Approximately 7.9% (interest rate on ODA Loan 0.9% + foreign exchange risk cover fee 4% of Ministry of Finance+ PFI's spread up to 3% + cost of consulting services) ・In case of subleasing in JPY: Approximately 3.9% (interest rate on ODA Loan 0.9% +PFI's spread up to 3% + cost of consulting services) ・Consulting service's expenses of this project will be borne by the end user. ・If fluctuations in foreign exchange rates or market interest rates are large after the start of loans, it is possible to change the interest rate after consultation between JICA and the Tunisian government. (ix) Repayment period and grace period ・7 to 12 years (including a grace period of up to 3 years) (x) Proportion of Fund/Loan Burden ・In this project, the end user will bear 30% or more of the subproject cost, and the remaining amount will be covered by	・Capital investment: Construction, expansion and modernization cost related to new / existing equipment / facilities ・Research and development investment: Expenses related to R & D and innovation (including vocational training leading to improvement and strengthening of product competitiveness) ・Working capital: raw materials, final product inventory, spare parts etc. Note) Administrative expenses, taxes, tariffs, acquisition of land or land use rights, and compensation are not covered by loans. (v) Maximum loan amount ・In case of working capital, it is within 20% of subproject cost. (vi) Approval authorization of Subsidiary Loan ・The creditworthiness assessment of target SMEs is conducted by BFPME. The central bank only confirms the formal requirements. (vii) Currency TND (viii) Interest rate ・In case of subleasing in TND: 7.125% (average) (details: interest rate on ODA Loan 0.9% + foreign exchange risk cover fee 3.225% of Ministry of Finance+ cost of BFPME's commission 3%) 【Loan Results】 ・Number of loans: Start-up enterprises→ 241 (79%), business expansion of existing enterprises→ 64 (21%), Total: 305 ・Total loan amount: Approximately 65.77 million TND ・Average loan period: 7 to 10 years (including a grace period of up to 2 years) ・(Reference information) Sector classification of loan borrowers (detailed) and percentage of loan: Sewing 24%, agriculture related business 20%, agriculture 12%, service industry 10%, chemical and petroleum products manufacturing 10%, construction/machinery/ceramic/glass manufacturing industry 7%, diversified business manufacturing 5%, machinery manufacturing industry 4%, leather goods/shoe manufacturing industry 3%, wood processing

financing from the accredited commercial bank (ODA loan will finance 100% of the accredited commercial bank loan). Collateral will be drawn up at the discretion of the accredited commercial bank, and the Tunisian Guarantee Company (SOTUGAR) will guarantee the collateral as necessary. (xi) Credit risk ・End user's credit risk is borne by the accredited commercial bank. (xii) Environmental and social clearance ・Subprojects are limited to those with minimal or no undesirable effects on the environment. (b) Lending covenants of BFPME (i) Legal status and form about end users Commercially registered enterprises in Tunisia (Foreign capital not exceeding 50% of the total capital of the enterprise) (ii) Size of end users (at the beginning) ・Business expansion: The amount of new investment with the subsidiary loan provided under this project and fixed asset before new investment is from 80,000 TND to 4 million TND. ・Start-up enterprises: The amount of new investment with the subsidiary loan provided under this project ranges between 80,000 TND and 4 million TND. ・Capital ratio is 30% or more. ・Number of employees is less than 300 people. ・Sound financial condition (no history of long-term default on debt in the past) (iii) Eligible sector ・Manufacturing and service industry (Except real estate and tourism sector) (iv) Eligible business ・Capital investment: Construction, expansion and modernization costs related to new / existing equipment / facilities and related consultant fee ・Research and development investment: Expenses related to R & D and innovation (including vocational training leading to improvement and strengthening of product competitiveness) ・Working capital: raw materials and final product inventory, spare parts etc. Note) Administrative expenses, taxes, tariffs,	industry 2%, information industry 1%, electric and electrical industry 1%, energy industry 1% ・(Reference information) Area of loan borrower: 22% in the Tunis Metropolitan Area, 18% in the Northeast, 17% in the Middle East, 12% in the Midwest, 11% in the Northwest, 11% in the South East, 10%, in the South West, 10%

acquisition of land or land use rights, and compensation are not covered by loans. (v) Maximum loan amount (at the beginning) ・Maximum amount per Subsidiary Loan is 1 million TND (in case of providing subsidiary loans to working capital, it is within 10% of the subproject cost.) (vi) Approval authorization of Subsidiary Loan ・The creditworthiness assessment of target SMEs is conducted by BFPME. The central bank only confirms the formal requirements. (vii) Currency ・TND or JPY (viii) Interest rate ・In case of subleasing in TND: Approximately 7.9% (interest rate on ODA Loan 0.9% + foreign exchange risk cover fee 4% of Ministry of Finance+ BFPME's spread up to 3% + cost of consulting services) (ix) Repayment period and grace period ・2 to 10 years (including a grace period of up to 2 years)	
② Consulting Services (It is planned to employ consultant who supports for project implementation and supervision to the executing agency and the steering committee established for this project, supports for holding of the steering committee meeting, supports for project progress report / external audit to the executing agency and JICA, and conducts monitoring and advice on management for end user.)	②Consulting Services The consulting services were not carried out[12].

Source: JICA documents (at the time of project appraisal), answers on questionnaire and JICA documents (at the time of ex-post evaluation)

▼The following is the analysis and review on the plan and actual results (Table 2) related to the output of this project:

①Mid- and long-term Two-Step Loan (TSL) to SMEs

In this project, (b) "subsidiary loans for start-up enterprises and business expansion via BFPME," were implemented, but (a) "subsidiary loans for SMEs via the eight accredited commercial banks" were not implemented. According to interviews with BFPME, the Ministry of Industry (formerly, MIEPME), the Ministry of Development, Investment and International

[12] In relation to the fact that subsidiary loan for SMEs via eight accredited commercial banks was not implemented, the Steering Committee, which was supposed to be established for this project as a TOR of consulting services at the time of project appraisal, was not organized and held.

Cooperation, and JICA officials, the background and reason for this is outlined below.

First, market interest rates fluctuated violently in Tunisia between 2008 and 2009, which caused major fluctuations in profit and loss for the period for private-sector financial institutions, obtained by subtracting funding costs from fund management income. Funding costs in most cases exceeded fund management income, placing pressure on the profits and capital adequacy of private-sector financial institutions, and as a result, liquidity and solvency declined. Following the Jasmine Revolution (democratization movement) from 2010 to 2011, Tunisia's economy weakened and SMEs faced operating difficulties. Given this situation, the accredited commercial banks (eight banks) selected for this project in actuality tightened credit screening standards for SME borrowers in order to avoid difficulty collecting loan receivables after the start of the project. As one example, banks made a policy that required collateral when eligible SMEs took out loans, but instead of setting collateral through a guarantee company, there were many cases where banks required physical assets, such as land, homes, depreciable assets, or vehicles, etc. In other words, accredited commercial banks carried out creditworthiness screenings of SMEs under this project in a much stricter manner, making borrowing conditions more difficult for SMEs.

On the other hand, JICA officials commented, "As a yen loan project to Tunisia, this project was the first financial intermediary loan. Although we had confirmed the high demand for capital among SMEs, there were no precedents in terms of other loan programs in Tunisia before this, so we incorporated risk mitigation measures by preparing options for the lending route via the central bank. For this reason, two lending routes were considered and established." In actuality, only (b) subsidiary loans of BFPME were implemented. Although the project was reduced in size, the project itself continued and exhibited a certain degree of effects (as explained in 3.3 Effectiveness and Impact).

Since there was little progress with <u>(a) "subsidiary loans for SMEs via the eight accredited commercial banks</u>", in April 2013 the Government of Tunisia and JICA agreed to simplify the lending route and to assist start-up enterprises and business expansion for SMEs through BFPME only. Lending covenants, too, were modified somewhat. As one example, the interest rate was lowered (initial plan: basically 7.9% to actual of 7.125% on average), loan eligibility, too, was expanded from less than 10% of subsidiary project cost in the case of operating capital to less than 20%, while the cap on new investment was lifted from 1 million TND to 10 million

TND[13]. In other words, these changes helped to develop an environment easier for eligible SMEs to obtain loans, and the number of loans and value of loans under BFPME's subsidiary loans satisfied the initial plan.

②Consulting Services

Under the initial plan, MIEPME was supposed to be responsible for selection and hiring of consulting services, and these services were supposed to cover supervision assistance and monitoring for the project as a whole. However, as discussed above, this part of the plan was not implemented because (a) "subsidiary loans for SMEs via the eight accredited commercial banks" were not implemented[14].

3.2.2 Project Inputs

3.2.2.1 Project Cost

The plan at the time of the project's appraisal called for a total project cost of 6,591 million yen (of this, 6,277 million yen was to be covered by yen loans). In contrast, the actual total project cost was 3,993 million (of this, 3,993 million yen was covered by yen loans), indicating the cost was within the plan (64% versus the plan)[15].

The reason for this is because, as explained in 3.2.1 Outputs, subsidiary loans for SMEs through the eight accredited commercial banks and consulting services were not implemented.

3.2.2.2 Project Period

At the time of the project's appraisal, the project period was planned for the four years and ten months (58 months) from March 2007 to December 2011. In actuality, the project period

[13] With regards to collateral for loans, in the case of BFPME's subsidiary loans, BFPME can have a total of 60% of the loan guaranteed by the Tunisian Guarantee Company (SOTUGAR) by paying a fee of 2.6% of the loan amount to SOTUGAR (In other words, 2.6% in fees will be paid and transferred from BFPME to SOTUGAR directly. If a SME has a loan with another bank, BFPME shares the guarantee with the other bank). SMEs are notified of the 2.6% fee at the time of calculating the subsidiary project cost, but this will be converted to part of the loan repayment at a later date. Using this mechanism, SMEs do not have to provide physical assets as collateral.

[14] Although BFPME continued to request the assistance of consulting services, the request was not accepted by MIEPME. BFPME advanced its lending program independently. It is believed that this decision was made because BFPME is primarily a financial institution dedicated to financing support for SMEs and BFPME would not face particularly large obstacles since it had experience with monitoring as well as advising and instructing management before the start of this project.

[15] To supplement, the actual total project cost of 3,993 million yen does not include general administrative expenses. Because BFPME does not know the general administrative expenses, the amount of general administrative expenses (314 million yen) subtracted from the total project cost at the time of the project's appraisal (6,591 million yen), or 6,277 million yen, is compared with the actual total project cost of 3,993 million yen. As a result, it is approximately 64% versus the plan. At the time of the project appraisal, it was assumed that 3,077 million yen would be allocated to subsidiary loans for SMEs via eight accredited commercial banks, and 3,076 million yen would be allocated to subsidiary loans supporting for start-up enterprises and expansion of business via BFPME.

was (107 months) from March 2007 to January 2016, greatly exceeding the plan (184% versus the plan). Table 3 shows the initial plan and actual periods of each of the project's components. The major causes of this delay are cited as: the time consuming process (more than two years) within the Tunisian government in transferring loan funds from account of subsidiary loans for SMEs via the eight accredited commercial banks to BFPME account,, which affected the borrowing procedures and screening of SMEs receiving the subsidiary loans from BFPME, and because of procedural delays within the Tunisian government due to the Jasmine Revolution (democratization movement) that occurred from 2010 to 2011.

Table 3: Initial Plan and Actual Results of the Project Period

	Initial Plan	Actual Results
(The Whole Project)	March 2007 － December 2011 (58 months)	March 2007 － January 2016 (107 months)
Each Project Component		
1) Selection of Consultants	March 2007－December 2007	Not selected
2) Two-Step Loan (TSL) for SMEs	January 2008－December 2011	April 2009－January 2016 (Only subsidiary loan of BFPME)
3) Consulting Services	January 2008－December 2011	Not implemented

Source: Documents provided by JICA, answers on questionnaire

3.2.3 Results of Calculations for Internal Rates of Return (Reference only)

This project provided development finance for SMEs in Tunisia through intermediary financial institutions, and subsidiary projects could not be identified beforehand; and as a result, at the time of the project's appraisal the Economic Internal Rate of Return (EIRR) and Financial Internal Rate of Return (FIRR) could not be calculated. Therefore, both of these indicators were not re-calculated at the time of the ex-post evaluation.

In light of the above, although the project cost was within the plan, the project period exceeded the plan. Therefore, efficiency of the project is fair.

3.3 Effectiveness and Impacts[16] (Rating: ②)

3.3.1 Effectiveness

3.3.1.1 Quantitative Effects (Operation and Effect Indicators)

1) Operation and Effect Indicators

As discussed above, under this project only BFPME's subsidiary loans were implemented, while subsidiary loans for SMEs through the eight accredited commercial banks were not. Table 4 presents the targets and actual results of the project's quantitative effects.

Table 4: Operation and Effect Indicators (target and actual results)

Indicator	Target (2013)	Actual results after the completion
	(Two years after the completion)	(One year after the completion: as of end of 2016)
1) Subsidiary Loan Repayment Rate of This Project (%)	More than 90%	45% *Note 1
2) Rate of Increase in Sales (SMEs) (% of increase)	Will be set at the time of project commencement (Reference: positive)*Note 2	75% (Average value of SMEs that received loans)
3) Rate of Increase in Operating Income (SMEs) (% of increase)	Will be set at the time of project commencement (Reference: positive)*Note 2	-1% (Average value of SMEs that received loans)
4) Number of Jobs (SMEs)	Will be set at the time of project commencement (Reference: 5,219)*Note 2	7,666 (Total value of SMEs that received loans)

Source: Documents provided by JICA, answers on questionnaire

Note 1: The repayment rate of subsidiary loans alone was around 45% at the end of 2017. For all others, only results at the end of 2016 were confirmed (most recent data).

Note 2: No target was set at the time of the project's appraisal. However, it was revealed through interviews that MIEPME and BFPME set their own individual targets/benchmarks around the start of the project. However, detailed information could not be obtained as to what basis was used for these targets/benchmarks. Therefore, they will be handled as reference numbers.

At the start of the project, four quantitative effect indicators were set as per Table 4. However, only the target value of 1) Subsidiary loan repayment rate was established. Target value of 2) Rate of increase in sales, 3) Rate of increase in operating income, and 4) Number of jobs were to be set at the start of the project, but in actuality they were not established. On the other hand, it was confirmed through interviews that BFPME independently set targets/benchmarks of 2), 3) and 4) around the start of the project.

The 1) Subsidiary loan repayment rate is stuck around half of the target (45%). BFPME has commented, "The repayment rate of BFPME's other loan programs outside of this project

[16] Sub-rating for Effectiveness is to be put with consideration of Impacts.

remains around 45% during three to four years after loan completion. A similar trend is seen with other loan programs outside of this project, and for some time after the loan is implemented the repayment rate remains low. If sales increase and subsequently operating income increases, it has a positive effect on the repayment rate." In reality, many SMEs that receive loans see sales gradually increase after loan implementation, but they tend to have little room for repayments shortly after the loan is implemented. Even in qualitative interviews with SMEs in 3.3.2.1 Intended Impact, it was confirmed that while sales increase after loan implementation, operating income does not. As Table 4 indicates, of all the enterprises that received loans, the 2) Rate of increase in sales was 75%, but the 3) Rate of increase in operating income was negative 1%, which tells of this reality. In addition, (1) many SMEs tend to invest in new facilities and employment, maintain and reinforce their management base, and expand the size of their business further, even when profits are generated from the business, and (2) the Jasmine Revolution (democratization movement) that occurred in Tunisia from 2010 to 2011 negatively affected the economy, which is still recovering. As a result, it is believed that these two factors impact the repayment rate.

As for 4) Number of jobs (SMEs), the figure exceeds the individually set target of 5,219 jobs. As discussed above, SMEs tend to invest funds in employment of human resources, and this result can be seen as reflecting this trend. It is presumed that there is high possibility that employment was generated even more than initially expected.

3.3.1.2 Qualitative Effects

・Strengthening the Development of Production Base for SMEs

In this survey, it was confirmed through interviews[17] with SMEs that received loans (via BFPME) under the project, that this project basically contributes to providing opportunities for loan financing to SMEs and to strengthening of the country's production base. The following presents examples of interview results.

[17] Key informant interviews were conducted targeting representatives, executives or managers of enterprises in the Tunis capital region (total of eight individuals of eight enterprises) that received loans (via BFPME) under this project. Obtaining a list of SMEs in the capital region (69 enterprises in total) from BFPME, the target SMEs were selected based on the following points: (1) balance between four start-up enterprises and four expanding SMEs; (2) no sector bias; (3) no bias in terms of loan amount and capital of the companies (confirmed that there was no bias in terms of loan amount); and (4) located in an area without public safety concerns.

[Enterprise A: designs and manufactures men's shirts] (Sewing / Start-up Enterprise: Photo 1)

The reason we received a loan (via BFPME) under this project is because we did not have to provide physical collateral (physical collateral was necessary to obtain a loan from a commercial bank). After receiving the loan from BFPME, our sales increased 10 to 15% annually. Operating income is increasing at about the same rate, but any gains are offset in order to invest in facilities and employment. In particular, it costs money for machine purchases and raw materials, which makes it difficult to repay the loan. Initially, we started with four employees, but now we employ 23, and this number is gradually increasing.

[Enterprise B: manufactures plastics] (Manufacturing / Business Expansion: Photo 2)

Since receiving the loan (via BFPME) under this project, our production volume has more than doubled and sales have nearly tripled. At the same time, new investments will be made in purchasing manufacturing machines. We also want to increase our workforce, so there is little room financially. Most of our daytime employees are women, because they are more dexterous and are good at finely detailed work. Men mostly work night shifts. This ensures a division of duties. The average age of employees is 28 to 30 years old. All staff are satisfied with their workplace and jobs. This year we hope to expand our customers to include companies in neighboring Algeria and France.

[Enterprise C: manufactures construction materials] (Manufacturing / Start-up Enterprise: Photo 3)

Our company was founded in 2013 and began full-fledged manufacturing in July 2015. We received a loan (via BFPME) under this project in 2014. BFPME's loan screening process is not that severe. I believe it offers better interest rates than other banks. Soon after repayments began, we faced a cash flow issue and tended to be delinquent on repayments. We consulted with our account manager at BFPME and were able to change the loan's repayment term. Currently, we are repaying the loan twice a year (in March and September) on time. BFPME communicated with us regularly even during the loan repayment deferral period. For example, when we exhibited products at an industrial fair in a regional city, they came to see our booth. Our sales have nearly doubled over the past two years. However, operating income remains unchanged. We are investing in machine tools, etc., so we have yet to generate profits.

In light of the above comments, it appears that SMEs that utilized loans (via BFPME) under this project are increasing sales and employment. Although operating income has yet to increase or time is needed until it will increase, it can be presumed that in general this project is underpinning the expansion of business size and reinforcement of production base development through loans to SMEs in Tunisia.

Consequently, in terms of BFPME’s subsidiary loans, it is judged that, within the determined loan covenants and environment surrounding SMEs, targets have been fairly achieved taking into account the results presented in Table 4 and the qualitative results discussed in the above.

Photo 1: Designs and Manufactures Men’s Shirts (Start-up enterprise)

Photo 2: Manufactures Plastics (Business expansion)

Photo 3: Manufactures Construction Materials (Start-up enterprise)

3.3.2 Impacts

3.3.2.1 Intended Impacts

・Contribution to Strengthen Tunisia's Industrial Competitiveness and Creation of New Job Opportunities

As figures 1 to 5 indicate, economic statistics were obtained and used to analyze Tunisia’s socio-economic trends after the start of this project. Depending on the year, changes can be seen in real GDP trends (Figure 1), foreign direct investment trends (Figure 2), and export value trends (Figure 3). It is presumed that these changes were affected by the Global Financial Crisis from 2008 to 2009, the Jasmine Revolution (democratization movement) from 2010 to 2011, and political and social unrest since 2015, and it is believed that the management state of SMEs has been impacted, too. In contrast, when examined over a five to 10 year span, trends in the inflation rate (Figure 4) and unemployment rate (Figure 5) have been improving since 2012. There have been no signs of economic recovery after the revolution, but it is presumed that the cost of living and employment are gradually returning to more stable trends. This concludes the description of Tunisia's macroeconomic situation.

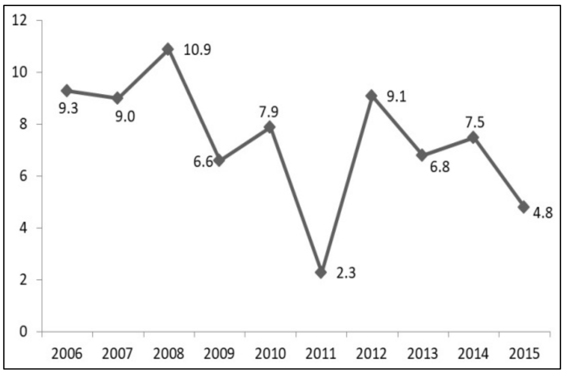
In this survey, interviews[18] with BFPME's senior managers were conducted, which yielded the following comments and opinions: "With regard to Table 4 Rate of increase in sales (75%), this project outperformed other loan programs run by BFPME, but there was not a huge difference. In either case, political, economic and social unrest in 2010 to 2011 and thereafter have made the situation particularly difficult in terms of the economy, but enterprises are putting up a good fight. The fact that SMEs have been able to increase sales should be praised purely onto itself," "As for Table 4 Rate of increase in operating income (-1%), there are few instances where operating income increases immediately after the loan, regardless of a start-up enterprise or expansion of an existing SMEs. In some respects, this is unavoidable for SMEs with a weak financial base. This also depends on the economy. The loan repayment rate will increase once operating income increases in several years following continued gains in sales," "In the sense of developing young entrepreneurs, this project's loans for start-up enterprises was meaningful. This is because even if they start up a business, they would be tripped up in terms of securing the necessary funds," "As for the number of jobs, a relatively large number of SMEs have been increasing their workforce. During company visits, we have seen firsthand that the number of young people employed at these companies is particularly on the rise. Stable employment generates stable social order and incomes," and "It is nice to see sectors exporting products to other countries, such as the sewn garments business, increasing sales after utilizing loans from BFPME. However, we cannot really say for sure at the present time whether this project helped to reinforce Tunisia's international competitiveness. I feel this will happen in the future."

[18] Key informant interviews for all four staff (three males and one female) working at the departments in charge of this project were conducted at the BFPME headquarters.

Additionally, as a side story to the project, BFPME mentions that 43% of the SMEs eligible for this project began exporting goods and 50% began a business related to technological innovation such as IT. This indicates the belief that at the time of the ex-post evaluation enterprises are still battling hard despite difficult economic conditions that persist.

Based on the above, this project has directly or indirectly underpinned sales of SMEs eligible for BFPME's subsidiary loans, increased employment, and reduced youth unemployment, while also creating a foundation for SME's management base and industrial competitiveness as well as stable employment.

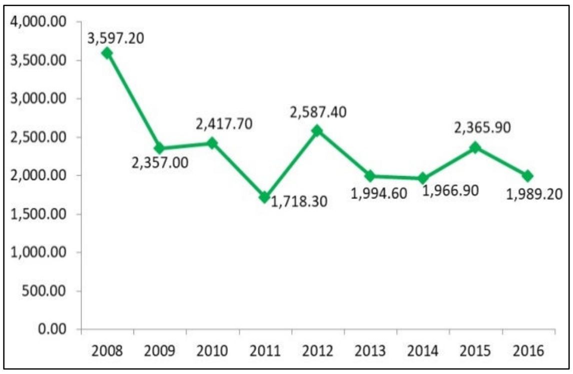
【Unit: %】



Source: National Institute of Statistics

Figure 1: Real GDP trends

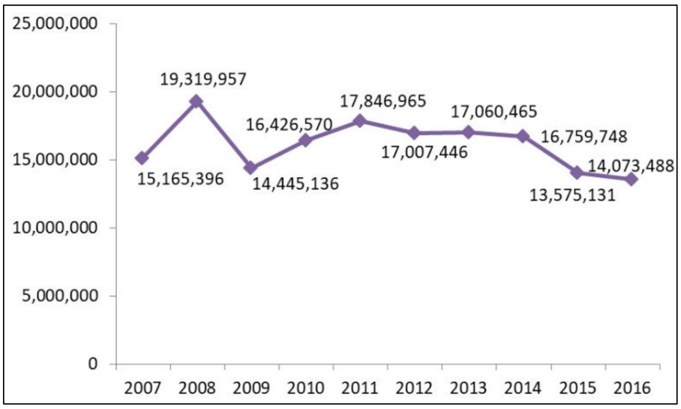
【Unit: million TND】



Source: National Institute of Statistics

Figure 2: Foreign Direct Investment Trends

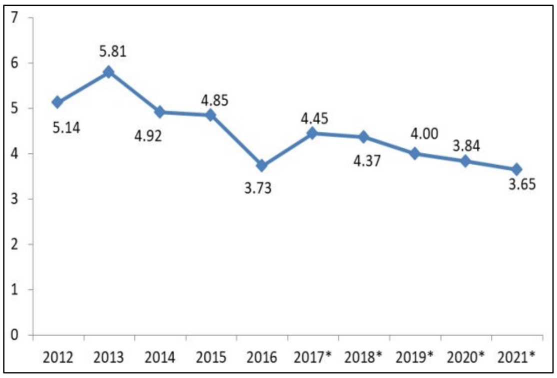
【Unit: USD 1,000】



Source: World Bank

Figure 3: Export Value Trends

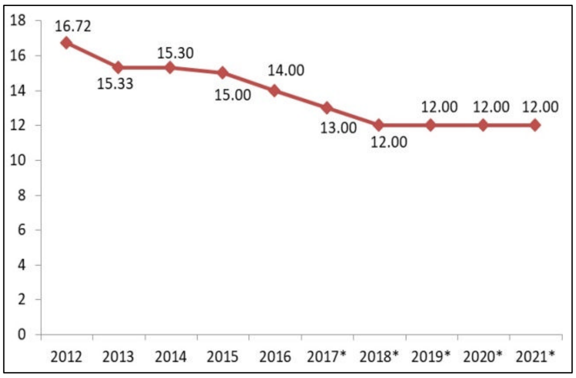
【Unit: %】



Source: International Monetary Fund (IMF)
Note: *year shows forecast

Figure 4: Trends in the Inflation Rate
(5 years trend before ex-post evaluation and forecast for the next 5 years)

【Unit: %】



Source: International Monetary Fund (IMF)
Note: *year shows forecast

Figure 5: Trends in the Unemployment Rate
(5 years trend before ex-post evaluation and forecast for the next 5 years)

3.3.2.2 Other Positive and Negative Impacts

1）Impacts on the Natural Environment

This project targeted the businesses of SMEs with a low impact on the environment; and therefore, it cannot be judged that direct impacts on the natural environmental occurred. Interviews with BFPME revealed that subsidiary projects were selected so that there were only minimal unwanted impacts on the environment or none at all, and officials stated that there were no particular cases of environmental impacts arising from this project. In addition, to date no complaints have been made in this regard. At the SMEs and surrounding sites visited at the time of this survey, it was confirmed that there were no negative impacts on the natural environment. Based on the above, it is judged that there were no negative impacts on the natural environment from this project.

2）Resettlement and Land Acquisition

According to BFPME, similar to 1) above about impacts on the natural environment, no negative impacts have occurred with regard to resettlement and land acquisition. At the SMEs and surrounding sites visited at the time of this survey, it was also confirmed that there were no negative impacts related to resettlement and land acquisition. The size of the enterprises applicable to this project is relatively small, which it is thought that there were no cases where large tracts of land and resettlement of the residents were acquired.

As for effectiveness, of the quantitative effect indicators (operations and effect indicators), the 1) Subsidiary loan repayment rate (actual results) is approximately half of the target. In terms of 2) Rate of increase in sales (SMEs), 3) Rate of increase in operating income (SMEs), and 4) Number of jobs (SMEs), at the time of the project's appraisal the targets were said to be "set at the start of the project," but in actuality, these targets were not set. Therefore, the extent of achievement of targets cannot be judged. On the other hand, it was confirmed through interviews that the provision of loan opportunities helped to expand business size and reinforce the production base of SMEs, and in the process promote employment of young workers. As for impact, through interviews with these SMEs and BFPME, it was confirmed that this project contributed to a certain extent to the reinforcement of industrial competitiveness and creation of new employment opportunities. Taking into account the above, the implementation of this project exhibited a certain effect, making the effectiveness and impact of this project fair.

3.4 Sustainability (Rating: ③)

3.4.1 Institutional Aspect of Operation and Maintenance

This project involved only subsidiary loans provided by BFPME; therefore, evaluation and analysis will be carried out on BFPME. BFPME is a government-affiliated financial institution established in 2005 in order to support financially the new establishment and development of SMEs in Tunisia.

At the time of the ex-post evaluation BFPME's workforce numbered 120, of which four exclusive employees (at the headquarters) were assigned to the loan operations (loan receivables collection and monitoring, etc.) for this project. BFPME's basic operations entail lending to SMEs, loan receivables collection, and monitoring, etc. In addition, BFPME has 21 regional branch offices in Tunisia, and employees of each branch office are responsible for the same operations as the headquarters, and when necessary, they carry out loan receivables collection and monitoring, etc., as part of the loan operations for this project. According to BFPME, the current operational structure has sufficient numbers of employees and branch offices, and with regard to the whole 120 employees in the future, it could increase the headcount further in case other loan programs outside of this project are expanded.

From the above, it is considered that there is no major problem regarding the institutional aspect of operation and maintenance.

3.4.2 Technical Aspect of Operation and Maintenance

Nearly 90% of BFPME's entire workforce is made up of permanent employees. According to BFPME, the ratio of permanent employees is high compared to other commercial banks in Tunisia and many of its employees have specialized skills when it comes to SMEs finance, lending as well as loan receivables management and collection. The remaining 10% of its employees are hired through outsourcing agreements and engage in day-to-day operations.

BFPME conducts training for employees on a regular basis. As recent examples, this training included computers, management skills, and language (English). BFPME also carried out on-the-job training for newly hired employees in a timely manner.

The qualifications held by BFPME's employees include university degrees (from four-year undergraduate or graduate school programs) related to general knowledge of the finance sector, financial analysis, economics, and public finance. In the case of mid-career hires, most employees are hired with strong professional experience and results in the finance sector.

BFPME carries out normal operations in accordance with the Credit Implementation Procedure: 2009-DOSSI, a set of guidelines covering banking processes, management and checks, etc., used as standard operating procedures in Tunisia.

From the above, it is considered that there is no major problem regarding the technical aspect of operation and maintenance.

3.4.3 Financial Aspect of Operation and Maintenance

Unlike a private-sector commercial bank, BFPME is a government-affiliated financial institution specializing in financing for SMEs in Tunisia. Table 5 shows the overall lending situation of BFPME. Although detailed data was not provided by BFPME, interviews indicated that the number of loans, number of customers eligible for loans (number of SMEs), and loan balances are increasing annually. However, the percentage of loans underwritten through this project do not account for a large portion of BFPME's total outstanding loan balance (=approx. 65.77 million TND / 294,980 million TND). Table 6 shows the ratio of non-performing loans to BFPME's loans. According to BFPME, a ratio of 30% or below based on the number of loans and loan value is the level permitted for government-affiliated loan programs for SMEs. It was confirmed that the ratio of BFPME's non-performing loans was kept at 30% or below from its establishment in 2005 to the time of the ex-post evaluation (most recent). A senior management of BFPME's treasury division has mentioned "The scale of lending operations is increasing annually, but the ratio of non-performing loans remains unchanged. In particular, the ratio of non-performing loans for newly established SMEs has not increased all that much. There is no major change throughout the year because, even if the ratio rises, repayments are taken into consideration." In light of this comment, it is judged that there are no particularly large problems with BFPME's financial standing. Additionally, in terms of the repayment rate of BFPME's subsidiary loans under this project (45% at the time of the ex-post evaluation), as stated above the ratio of loans under this project to BFPME's total loans outstanding is small, and thus it is judged that there are no major concerns regarding how this rate will affect BFPME's financial standing. In other words, this rate will not be a factor inhibiting the effect of this project.

Table 5: Overall Lending Situation of BFPME Including This Project

Total Number of Loans * Note	Total Number of Customers Eligible for Loans (number of SMEs) * Note	Total Loan Balance and Cumulative (Lending volume)
1,587	1,195	294,980 million TND

Source: BFPME
Note: Actual results at the end of 2017. The amount of loans indicates cumulative.

Table 6: Ratio of Non-performing Loans to BFPME (as of the end of 2017)

Based on Number of Loans	Based on Loans Values
29－30％	22－23%

Source: BFPME

From the above, it is considered that there is no major problem regarding the financial aspect of operation and maintenance.

3.4.4 Status of Operation and Maintenance[19]

Going forward, BFPME is planning to make further efforts toward increasing the repayment rate. As part of its institutional structure, BFPME does not have individual accounts; instead SMEs that wish to receive loans from BFPME open and use an account with a private-sector commercial bank and then receive the proceeds of the BFPME loan in this account. Therefore, BFPME has difficulty in obtaining detailed information and understanding the management and financial standing based on the flow of funds and the operating profit/loss, etc. related to the SMEs' business activities. There are agreements between private-sector commercial banks and BFPME to provide and share information on the borrower's cash flow, but in actuality such agreements are not really functioning at the time of the ex-post evaluation. Given this situation,

[19] To supplement, this project has not established any other counterpart funds or revolving funds (re-lending special accounts), which is a rotating fund utilizing it.

BFPME is examining the establishment of an independent financial organization (an organization under the control of BFPME) in the near future in order for SMEs receiving loans from BFPME to receive loans through this financial organization. In other words, BFPME is planning to become directly involved in the loan business to ascertain cash flows as well as provide advice to and monitor borrowers. As a result, the loan repayment rate is expected to increase.

From the above, there are no major problems in the institutional, technical, financial aspects and status of the operation and maintenance system. Therefore sustainability of the project effects is high.

4. Conclusion, Lessons Learned and Recommendations

4.1 Conclusion

This project sought to develop a production base through the promotion of start-up enterprises creation and expansion of existing enterprises by providing low interest rate and medium- to long-term loans to small- and medium-sized enterprises (SMEs) in Tunisia in order to contribute to the enhancement of the country's industrial competitiveness and creation of new employment opportunities. The Government of Tunisia's *11th five-year plan* (2007－2011) and *five-year development plan* (2016－2020) indicate the need to strengthen management bases through job creation and the provision of financing opportunities to SMEs. Relevance of this project is high because there is a need for a lending program for SMEs because SMEs face difficulty with borrowing funds from private-sector financial institutions (commercial banks, etc.) due to insufficient collateral and because consistency with Japan's ODA policy is confirmed. As for efficiency, subsidiary loans were not implemented via eight commercial banks accredited by MIEPME mainly due to the fact that SMEs' creditworthiness criteria by accredited commercial banks became stricter due to the deterioration of economic conditions, and SMEs were less likely to receive the loan. But the sub-loans were implemented only via BFPME. Thus, the project cost was within the initial plan. The project period significantly exceeded the initial plan because of delays in the borrowing procedures and screening of SMEs receiving loans from BFPME due to the time consuming process within the Tunisian government in transferring loan funds from account of subsidiary loans for SMEs via eight accredited commercial banks to BFPME account, and because of the effects of the Jasmine Revolution (democratization movement). Therefore, the efficiency is fair. As for quantitative effects of effectiveness, the loan repayment rate (subsidiary loans) is about half of the target. However, it was confirmed through interviews with SMEs and BFPME that contributions were made to the enhancement of the country's industrial competitiveness and creation of new employment opportunities. Therefore, the effectiveness and impact of this project are fair. Taking into account that BFPME, responsible for the operation and maintenance of this project, regularly conducts monitoring of enterprises and the collection of receivables through its head office and regional branches, has human resources with expertise, and has not seen a large spike in the ratio of non-performing loans, there are no particular concerns in terms of the institutional, technical and financial aspects. Thus, sustainability of the effects realized through this project is high.

In light of the above, the project is evaluated to be satisfactory.

4.2 Recommendations

4.2.1 Recommendations to the Executing Agency

BFPME is commended for examining initiatives at the time of the ex-post evaluation, including establishing an independent financial organization (organization under the control of BFPME) to maintain its influence in the lending business and increase the loan repayment rate. It is desirable that BFPME continue to work on increasing the loan repayment rate, including for subsidiary loans under this project.

4.3 Lessons Learned

<u>Need for project risk management (give flexibility to lending route) for realization of project effect</u>

As a yen loan project to Tunisia, this project was the first financial intermediary loan. Although it was confirmed before the start of this project that there were strong needs for loans among SMEs, there was no precedent of a loan program in Tunisia, and consideration was given to having more than one lending route option as a way to mitigate risk. As a result, two lending routes were formed: subsidiary loans for SMEs via the eight accredited commercial banks and subsidiary loans of BFPME. Eventually, only the latter was adopted and the size of the project was reduced. The continuity of the project itself is secured and the effects of the project are secured to a certain extent. Taking this into consideration, it is meaningful that from the beginning project risk management for exhibiting project effects was considered and actually functioned during the project. When establishing similar projects in the future, particularly in countries where development finance programs have not been implemented before, giving flexibility to the lending format (in other words, having multiple lending routes) while taking into account the loan needs of SMEs in the country is believed to be worth considering.

Comparison of the Original and Actual Scope of the Project

Item	Plan	Actual
1. Project Outputs	1) Mid- and long-term Two-Step Loan (TSL) to SMEs (①subsidiary loans mainly for supporting start-up enterprises via BFPME and ②subsidiary loans for supporting business expansion of SMEs via accredited 8 commercial banks) 2) Consulting Services (It is planned to employ consultant who supports for project implementation and supervision to the executing agency and the steering committee established for this project, supports for holding of the steering committee meeting, supports for project progress report / external audit to the executing agency and JICA, and conducts monitoring and advice on management for end user.) ※ Details are shown in Table 2	1) Mid- and long-term Two-Step Loan (TSL) to SMEs (① implemented, ② not implemented) 2) Consulting Services The consulting services were not carried out. ※ Details are shown in Table 2
2. Project Period	March 2007 – December 2011 (58 months)	March 2007 – January 2016 (107 months)
3. Project Cost		
Amount Paid in Foreign Currency	6,153 million yen	3,993 million yen
Amount Paid in Local Currency	438 million yen	0
Total	6,591 million yen	3,993 million yen
ODA Loan Portion	6,277 million yen	3,993 million yen
Exchange Rate	1 TND=87.9 yen 1USD=117 yen （As of January, 2007）	1TND=60.88 yen 1USD=97.52 yen （Average between 2008 and 2016, based on rates issued by the IMF’s International Financial Statistics Data)
4. Final Disbursement	January 2016	