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allo Sviluppo

Ministero degli Affari Esteri
e della Cooperazione Internazionale

Direzione Generale per la Cooperazione allo Sviluppo - Ufficio III - Sezione Valutazione

2023 | Evaluation Report - Synthesis

Impact Evaluation “VIII Credit Line for Small and Medium Enterprises” Tunisia



AID 9597



This independent assessment was commissioned by Office III - Directorate General for Development Cooperation of the Ministry of Foreign Affairs and International Cooperation to the company IZI Spa through a public award procedure pursuant to art. 36 of the Public Contracts Code.

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The opinions expressed in this document represent the point of view of the evaluators and do not necessarily coincide with those of the client.

PROJECT IDENTIFICATION DATA	
Project Title	Credit lines in favor of small and medium enterprises in Tunisia
Project Ref.	AID No. 9597
Approval	Management Committee of the MAE, by advice no. 1 of 16 March 2011 and advice no. 10 of 26 March 2011
Entry into force	7 August 2012
Actual starting date	Interbank Circular of the Central Bank of Tunisia of 6 May 2013
Foreseen Duration	48 months
Actual Duration	Ongoing until completion of the budget. Last loan approved in November 30, 2022
Channel	Bilateral
Geographical Area	Tunisia, all national territory
Implementing Agencies	MAECI-DGCS AICS Artigiancassa/Cassa Depositi e Prestiti Central Bank of Tunisia Tunisian banking system
Sector Codes OCSE-DAC	24030 Formal financial sector (credit lines)
Budget	A. Credit Line € 73.000.000
	B. Promotion and technical assistance (local funds) € 100.000*
	TOTAL € 73.100.000
	* Amount B was subsequently refinanced up to a total amount of € 213,010

KEY EVALUATION DATA	
CIG Code	9245544046
Evaluation type	Final Impact Evaluation
Evaluation mission start and completion date	12 October 2022 - 16 May 2023
Contractor	IZI spa Via Cornelio Celso, 11 00161 Roma
Date of Report	31 March 2023

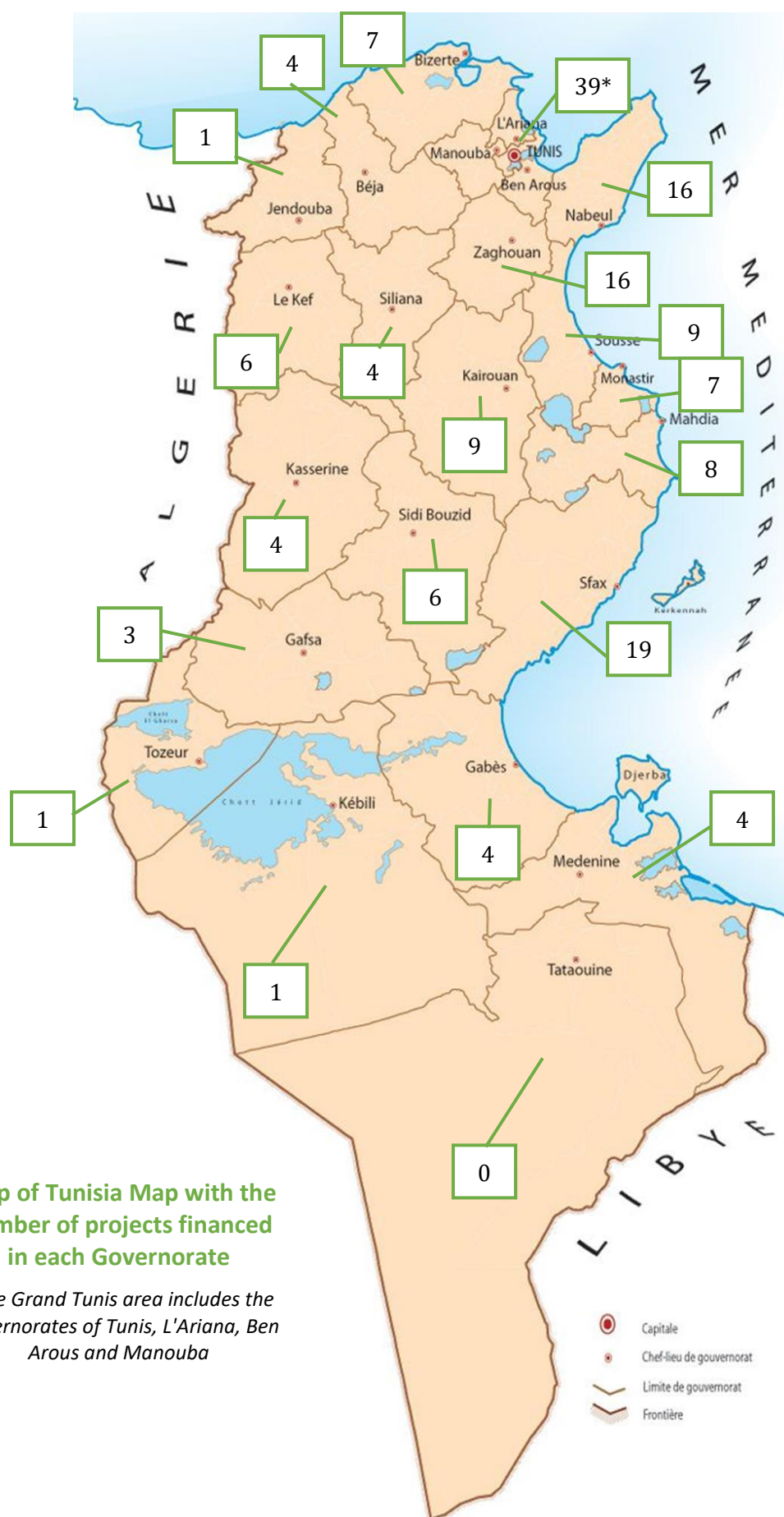
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ACRONYMS

AfCFTA	African Continental Free Trade Area
AFDB	African Development Bank
AICS	Italian Agency for Development Cooperation
APII	Agence de Promotion de l'Industrie et de l'Innovation
APNE	National Agency for the Protection of the Environment
ATB	Arab Tunisian Bank
BFPME	Banque de Financement de la Petite et Moyenne Entreprise
BH	Banque de l'Habitat
BIAT	Banque Internationale de Tunisie
BNA	Banque Nationale Agricole
BT	Banque de Tunisie
BTE	Banque de Tunisie et des Emirats
BTK	Banque Tuniso-Koweitienne
CBT	Central Bank of Tunisia
CDP	Cassa Depositi e Prestiti - Deposits and Loans Fund
CEPEX	Center for Export Promotion
CIG	Tender Identification Code
COMESA	Common Market for Eastern and Southern Africa
CONECT	Confédération des Entreprises Citoyennes de Tunisie
DCFTA	Deep and Comprehensive Free Trade Area
DGCS	Directorate General for Development Cooperation
DPR	Decree of the President of the Republic
EBRD	European Bank for Reconstruction and Development
ECOWAS	Economic Community of West African States
ESG	Environmental, Social and Governance
EU	European Union
FADES	Fonds Arabe pour le Développement Economique et Social
FDI	Foreign Direct Investment
FOPRODI	Fonds de Promotion et de Décentralisation Industrielles
GDP	Gross Domestic Product
IFC	International Finance Corporation
KFW	Kreditanstalt für Wiederaufbau
MAECI	Ministry of Foreign Affairs and International Cooperation
NIS	National Institute of Statistics
NPL	Non-Performing Loans
OECD	Organization for Economic Cooperation and Development
PDE	Export Development Program
QNB	Qatar National Bank
RUP	Sole person in charge of the Procedure
SDR	Special Drawing Rights
SME	Small and Medium Enterprises
SOE	State Owned Enterprises

SOTUGAR	Société Tunisienne de Garantie
STB	Société Tunisienne de Banque
STED	Skills for Trade and Economic Diversification
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TA	Technical Assistance
TND	Tunisian dinar
UBCI	Union Bancaire pour le Commerce et l'Industrie
UIB	Union Internationale de Banques
UTICA	Union Tunisienne de l'industrie, du commerce et de l'artisanat
WTO	World Trade Organization



Map of Tunisia Map with the number of projects financed in each Governorate

**The Grand Tunis area includes the Governorates of Tunis, L'Ariana, Ben Arous and Manouba*

1. CONTEXT

Despite the difficulties deriving from the escalation of global crises, Tunisia continues on its path of **consolidating the market economy**. Until 2020, the Tunisian authorities based their economic development plans on the "Tunisia 2020" vision¹. Tunisia has enjoyed high credibility among its international partners, who have continued to provide long-term development support. A variety of development and support projects are funded by the World Bank, the European Union, several EU member states, the United States and the Gulf States. Tunisia has been a member of the WTO since its foundation in 1995. Since 2008, Tunisia enjoys free trade in industrial goods with the European Union, its main trading partner, following an association agreement that entered into force in 1998.

In this context, Tunisia's economic policy has aimed to integrate the country into global value chains in order to get the most of positive synergies and potential benefits in terms of optimal allocation of production factors, attractiveness for FDI (Foreign Direct Investments) and export promotion, particularly in growing sectors, having a high export content and high skilled labor content. Despite its heavy dependence on the European market, the Tunisian government has pursued a **strategy of diversification**: in 2018, Tunisia joined the Common Market for Eastern and Southern Africa (COMESA) and started trading according to its rules in January 2020. A year earlier, Tunisia had obtained observer status with the ECOWAS group of West African countries.

The World Bank's 2020 Ease of Doing Business Report notes that starting a business in Tunisia has become faster, cheaper and less onerous²: in fact, paying taxes has been simplified, by integrating more services into the one-stop shop, and has been reduced, by implementing a risk-based tax control system.

On the other hand, the country has gone through **significant socio-political changes** in the last 15 years, which have actually slowed down its stabilization process and partly undermined the trust of the international community. In 2020, the global coronavirus pandemic required short-term emergency responses that delayed the government's goal of financial consolidation. Measures to support households and businesses during the pandemic had a considerable impact in 2020 on the fiscal deficit, which rose from 11.5% to 13.1% of GDP, while public debt jumped to 86.9% in 2020. Both the limitations of domestic economic activity, as a consequence of government measures to contain the COVID-19 infection, and the reduced demand for

¹ This vision was launched by the government in 2016 and continues the country's post-independence practice of delivering five-year development plans. The detailed plan, which defines the necessary inputs from international partners, is based on five pillars: institutional effectiveness, economic diversification, human development and social inclusion, regional development and green economic growth. However, the plan has encountered some obstacles in implementation. Members of the parliament's regional development committee complained in September 2020 that only half of the proposed projects had been implemented. In August 2020, the ministerial and regional committees started preparations for the next five-year plan (2021-2025). The authorities have promised that the drafting of the next plan will be participatory and include a wide range of stakeholders. Bertelsmann Foundation Tunisia Country Report 2022

² According to the World Bank's Doing Business Report, it took three procedures, nine days and 2.9% of GNI per capita in 2019, compared to 11 procedures, 13 days and 4.6% of GNI per capita in the 2017. However, the private sector is skewed towards small businesses, with single-member (self-employment) companies accounting for three-quarters of all firms, according to a 2018 African Development Bank report.

Tunisian exports have contributed to the current economic contraction³. The economic fallout from the COVID-19 pandemic has also hit Tunisia's vulnerable state-dominated banking sector, already grappling with a high proportion of non-performing loans (NPLs), poor asset quality and deteriorating solvency and profitability⁴.

In the external sector, overall exports fell by 15% in the first three quarters of 2020. However, imports fell even more sharply due to weak consumer demand, despite an increase in remittances. Meanwhile, foreign direct investment continued to decline, falling 25% in the first nine months of 2020⁵. The high share of services in the Tunisian economy contributed to the contraction, as the tourism and transport sectors were hit hard by the crisis caused by the pandemic. Similarly, manufacturing output fell 10% in the first three quarters of 2020 year-on-year, due to falling demand from Europe⁶. To support businesses, over TND 1 billion has been made available through an SME support fund, a partial guarantee scheme and a facility to restructure companies in difficulty.

The **Italian Cooperation** has been committed for many years, within the framework of initiatives for socio-economic development, to support the process of modernization and efficiency improvement of the Tunisian production system, with particular regard to Small and Medium Enterprises. This support has been expressed along the double track of financial and technical cooperation. On the financial side, before the intervention under evaluation, the Italian government made available, starting in 1988, 7 credit lines in favor of Tunisian SMEs, to facilitate the purchase of equipment and facilities. From a technical point of view, since the early 2000s Italy has contributed to the *mise à niveau* of the national production system, with both ad hoc bilateral programs and by participating in multilateral initiatives, with the aim of promoting the modernization and the creation of businesses, especially in innovative sectors and in those with better prospects for qualified employment.

³ The economy is estimated to have contracted between 8.2% and 9.2% of GDP, marking the deepest recession since the country's independence in 1956. The government has resorted largely to the domestic borrowing to finance increased spending in 2020, but also sought an emergency IMF loan of \$745 million to cover fiscal and balance of payments needs. Before the coronavirus pandemic, GDP per capita (PPP current prices) had reached \$11,201 in 2019, up from \$10,605 in 2017. Bertelsmann Stiftung Tunisia Country Report 2022.

⁴ At the end of 2019, NPLs accounted for 13.9% of all loans, according to IMF data, and the share of NPLs is largest in public banks. After declining from a high of 16.6% in 2015, NPLs are expected to soar to 15.4% in 2020 and 19% in 2021, according to a 2020 World Bank report.

⁵ <http://www.ins.tn/statistiques/45>

⁶ OECD Economic Surveys Tunisia March 2018.

2. THE SCOPE OF THE EVALUATION

2.1. The initiative in question

The initiative being evaluated concerns a component of Italian aid in Tunisia, implemented through the granting of credit lines to support the development of local SMEs and to contribute to the growth of the whole Tunisian economic system. In particular, the project consists in the implementation of the "**VIII Line of Credit in favor of Tunisian small and medium enterprises**", for a total value of 73 million euros, formulated with the Tunisian authorities between 2009 and 2011 and became operational in 2013: the first disbursements to beneficiaries date back to June 2013.

This type of intervention is part of a **consolidated practice of the international cooperation with Tunisia** and constitutes the eighth Italian intervention of this type. Previously, Italy had made available another seven credit lines for a total of approximately 252 million euros. With this instrument it was intended to continue to offer support to the Tunisian Government in its policy of promoting the private sector, through the mobilization of external resources of a concessionary type, to compensate for the limitations of the local banking system in offering medium-term resources to SMEs long term. In addition to the "traditional" method of granting credit to encourage investment, the VIII Line has envisaged a conjunctural measure, for a financial support (refinancing of working capital and debt rescheduling) to already operating companies affected by the effects of the economic crisis, after the years 2008-2010. This component was initially allocated 4 million euro out of a total of 73; during the execution, on the basis of the requests received, it was agreed to distribute this allocation differently, allocating 1 million euros only to financial operations and all the remaining fund (72 million) to investments.

The loan was made available to the Tunisian Government through the Central Bank of Tunisia (CBT), in the form of **credit with an 80% concessionality**. The Tunisian Central Bank has used these resources through the banking system in the form of **medium-long term loans** to existing or soon-to-be-established Tunisian SMEs. The credit for investments could be used for the acquisition of new production equipment and related services, licenses and industrial patents, of Italian origin, or through their Tunisian representatives. Furthermore, a maximum of 35% of the total loan could be used for the purchase of new equipment and services of Tunisian origin, without the intermediation of Italian companies. The Memorandum of Agreement also established the **favorable conditions** operating for each of the players in the Line.

Conditions	To the CBT	To the Tunisian Banks		To the SMEs		
		Credits in Euro	Credits in TND	Investments	Capital refinancing	Debt rescheduling
Yearly interest rate	0%	National official rate	National official rate + 2%	Rate charged to banks + 2,5%		
Repayment period	40 years	10 years	10 years	10 years	12 months	5 years
Grace period	31 years	Up to 3 years	Up to 3 years	Up to 3 years	no	no

On the basis of the Logical Framework Matrix formulated during the planning stage, the **General Objective** of the intervention was to "contribute to the pursuit of the country's development objectives", through "the promotion of private investment and the protection of the existing production" (**Specific Objective**). The **Expected Results** were:

- consolidation through the technical modernization of existing SMEs and the creation of new SMEs;
- financial stabilization of existing SMEs.

The Logical Framework assigned **quantitative indicators** to both expected results:

- 150 funded investment projects;
- 200 stabilization operations.

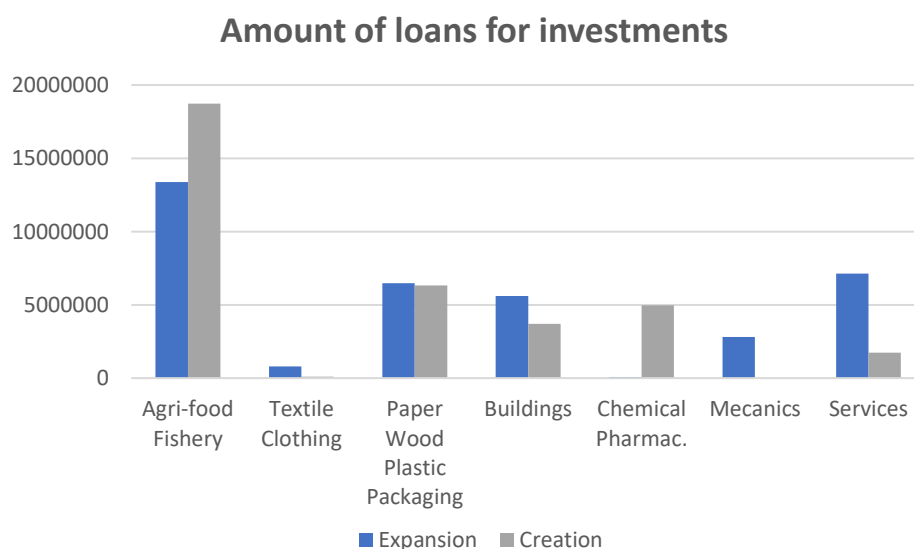
The Line has substantially run out of funds, having disbursed 99.7% of the allocated sums. 162 operations were financed, for a total of 144 beneficiaries, since some proposers obtained more than one loan. There were 152 transactions involving the investment component, only 10 involving the financial restructuring component. The purchases of equipment concerned goods of Italian origin entirely, therefore, the overall available fund was allocated to this component. The **complete distribution of operations** is shown below, divided by production sector and geographical area.

GOVERNORATES	Agri-food Fishery	Textile Clothing.	Paper Wood Plastic Packaging	Buildings	Chemical Pharmac.	Mecanics	Services Transports	TOT
Grand Tunis	15	3	4	4		2	11	39
Sfax	4	2	7		1	2	3	19
Nabeul	16							16
Zaghouan	4		2			2	2	10
Kairouan	7		1		1			9
Sousse	3		6					9
Madhia	2	2	4					8
Monastir	5			2				7
Bizerte	4		1		1		1	7
Le kef	4			1			1	6
Sidi bouzid	2			2	1		1	6
Beja	2			2				4
Gabes	2		1				1	4
Kasserine	3			1				4
Medenine	1			3				4
Siliana	1		2	1				4
Gafsa				3				3
Jendouba	1							1
Kebili	1							1
Tozeur	1							1
Tataouine								0
TOTAL	78	7	28	19	4	6	20	162

The **geographical distribution of funding** covered all the Governorates, with the sole exception of the extreme south (Tataouine), and with a greater concentration in the Grand Tunis area (24% of operations) and in the industrial areas of Sfax and Nabeul. As far as the sectors are concerned, the agri-food sector occupies by far the first place, with almost half of the operations (48%), followed by the Paper/Plastic/Wood sectors with 17% of the operations and by services (12%).

Similarly, the distribution of loans in **terms of volume** always sees the Grand Tunis area as the main recipient, with around 26% of total disbursements, followed by Sfax (10.7%), Zaghouan and Kairouan (each with 9 %). The same area of Grand Tunis sees all sectors represented, with the sole exception of the chemical-pharmaceutical sector, and a greater concentration in the agri-food and services sectors. The distribution of the sectors in the various Governorates reflects the productive vocation of the area, as in the case of Nabeul, where all operations concerned the agri-food sector. As regards the **involvement of credit institutions**, all the main institutions in the country were involved in the execution phase of the programme.

Finally, for investment support operations only, it is important to highlight how the loans were distributed homogeneously between operations aimed at the creation of new companies and operations for the benefit of already existing companies. With regard to the breakdown by sector, the largest financial volume for business creation was directed to the agri-food sector, while in terms of percentage breakdown within the sector itself, services recorded the largest loans to already active businesses.



2.2. Objectives of the Evaluation

This evaluation intends to offer an overall judgment on the implementation of the VIII Credit Line in favor of Tunisian SMEs, placing it in the final period of the programme. The **objectives of the evaluation** can be summarized as follows:

- provide an independent judgment of the relevance and performance of the program (efficiency and effectiveness of the actions carried out, impact and sustainability of the interventions), and in particular to what extent the program as a whole has achieved the expected objectives, both through an analysis of the execution process and a verification of the results;
- identify the **main conclusions and lessons** that can be drawn from the experience of the program as a model of intervention;
- formulate **recommendations in the form of operational proposals** in relation to future choices regarding new interventions of a similar nature.

The evaluation follows the **evaluation criteria defined within the OECD-DAC**. Although the evaluation is qualified as focused on the impact, the analysis of the Terms of Reference showed the need to take into account the whole project cycle. Indeed, the verification of the Theory of Change which illustrates the logical path of the initiative revealed how the measurement of the expected impact, linked to macro-economic indicators, was hardly attributable to the programme. The extent of the intervention with respect to its possible contribution to the variation of these indicators appeared to be difficult to quantify, above all in consideration of the high number of socio-economic variables which contribute to determining the effects considered. It was therefore considered preferable, also in the light of the primary objective of favoring the utility of the evaluation, to **focus on the level of results** (outcome), which better allow us to grasp the benefits generated by the intervention and its added value, in the context of the support to the development of the private sector and the economy in general.

In terms of **effectiveness**, the aim was to understand how much the objectives of the Program have been achieved and whether these objectives have been well identified and quantified. An attempt was also made to investigate the mechanisms and factors that mostly influenced the achievement of the objectives, with particular attention to the procedural aspects and the involvement of the various actors. In terms of **efficiency**, the use of resources employed to obtain the results was analysed, within the costs and the foreseen timing, and if more efficient alternatives were possible, paying attention to the degree of coverage of the satisfied demand and the quality of the same. As for the **pertinence or relevance**, which means deepening if the context and development problems were duly taken into account, it was verified whether the objectives of the Program really responded to the needs of the community and to the strategic priorities of the Italian Cooperation.

The **impact** criterion was however considered, trying to draw useful indications to understand what real changes the Program has caused in the community and how much it has contributed to promoting structural changes in socio-economic conditions. **Sustainability**, relating to the Program's ability to ensure lasting benefits, took into account the socio-economic effects of the program and possible future integrations with other initiatives that could improve its benefits after the conclusion of the programme. Finally, given that the contents of the programme have a priority character within the donor community in Tunisia, the dimensions of **coherence and complementarity** have been added as further evaluation criteria, declined in terms of coherence and complementarity (i) within the Programme, (ii) in relation to the Italian bilateral development cooperation policy and (iii) in relation to the programming of the other donors.

In line with what is indicated by the ToR, the evaluation aims to provide the Italian Cooperation with useful and operational recommendations, reporting to the various external stakeholders about the activities carried out through a framework of the results achieved and sharing the experiences acquired, in order to be able to direct future loans in the credit sector in Tunisia and to provide guidance to the subsequent Credit Lines.

3. THE THEORETICAL AND METHODOLOGICAL FRAMEWORK

3.1. The methodology applied

The evaluation process has been developed starting from some **essential evaluation questions** to be answered, elaborated in the Technical Offer and confirmed in the evaluation Inception phase. The translation of these questions into evaluation criteria and the further development of appropriate indicators were fundamental steps to allow the subsequent identification of key methodological tools such as techniques (quantitative and qualitative) for data collection and analysis.

The questions of the **Evaluation Matrix**, by making explicit reference to the evaluation criteria, analyze three project areas:

- Assessment of the context and programming capacity (relevance, coherence);
- Evaluation of the implementation of the Program (effectiveness, efficiency);
- Evaluation of the impact and sustainability of the Programme.

The evaluation had a **theory-based approach**, starting from the reconstruction of the theory of change implicit in the formulation of the programme, to identify to what extent the activities carried out acted as drivers of change, aimed at making concrete improvements to the SMEs involved and more generally to the overall economic growth in Tunisia. Project documents, monitoring reports and previous evaluations carried out about the present and the previous Lines were analysed. The final set includes 8 questions, each one detailed in a few sub-questions, which are listed below.

N.	Criteria	Evaluation Questions	Scope of Analysis
1	Relevance	<i>To what extent does the intervention of granting the Credit Line respond to the needs and development objectives of the country?</i>	<ul style="list-style-type: none"> - Degree to which the Program takes into account the context and the economic problems; - extent to which the objectives of the intervention are consistent with the needs of the beneficiaries.
2	Efficiency	<i>To what extent have the mechanisms and operating tools of the Program facilitated the achievement of the expected results?</i>	Analysis of the relationship between activities and results - the ability of the project to convert resources, means and activities into results: <ul style="list-style-type: none"> - Results achieved in the expected time - Efficiency of the means used (lower costs / shorter time)
3	Effectiveness	<i>To what extent has the Program Credit Line enabled Tunisian SMEs to obtain financing from credit institutions that otherwise would not have been available or available on less favorable terms?</i>	Evaluation of the degree and extent of achievement of the program results: <ul style="list-style-type: none"> - Extent to which the intended results of the program have been achieved; - Analysis of the main factors that influenced the achievement (or not) of the objectives
4	Effectiveness	<i>To what extent have the funds for financial restructuring enabled the beneficiary SMEs to emerge from the economic crisis situation?</i>	Evaluation of the degree and extent of achievement of the program results: <ul style="list-style-type: none"> - Extent to which the intended results of the program have been achieved; - Analysis of the main factors that influenced the achievement (or not) of the objectives

5	Effectiveness	<i>To what extent do goods and services of Italian origin satisfy the needs of Tunisian SMEs in terms of innovation?</i>	- Evaluation of the opportunity of the choices in terms of priority destination of the purchases that can be made by the Credit Line
6	Impact	<i>To what extent has the program contributed to making Tunisian businesses more competitive and financially stable?</i>	- Ability of the project to produce and reproduce benefits over time, in particular considering the results obtained by the financed companies in the first years of implementation of the intervention.
7	Coherence	<i>Is the program in line with previous interventions by the Italian Cooperation and with those carried out by other donors?</i>	- Consistency of the program with the intervention priorities of the CI and complementarity/synergies with similar interventions carried out in the country.
8	Sustainability	<i>What conditions can best ensure the full functioning of the Program mechanism and its replicability?</i>	- Analysis of the sustainability factors of the financial commitments of SMEs - Analysis of the prospects for access to the resources of the off-balance revolving fund for the participation in the risk capital of companies from partner countries, pursuant to art. 27 of Law 125/2014

3.2. The different phases of the Evaluation

The evaluation was structured in three phases: desk analysis, field mission, preparation of the report.

1. **Desk analysis:** preliminary meetings with the Client, collection and analysis of the basic documentation, discussion and validation of the proposed methodology and development of the tools for the ground phase.
2. **Field mission:** collection of information, through the administration of questionnaires, carrying out interviews and focus groups with beneficiaries and privileged actors of the program and visits to sample sites.
3. **Drafting of the evaluation report:** drafting of the final report, following the overall analysis of the collected material, systematization of data and triangulation of information.

The **first desk phase** took place between October and November 2022 and ended with the presentation of the Inception Report. Subsequently, following a formal communication with which the Italian Embassy in Tunis informed the contracting authority about the new security conditions in Tunisia, the **temporary suspension of the activities** was ordered by the RUP, communicated by letter dated 12 December 2022. The figure below illustrates the **overall timing of the evaluation**.

Date	3 Oct. 12 Dec.	13 Dec. 22 Jan.	23 Jan. 5 Mar.	6 Mar. 2 Avr.	3 Avr. 16 Mai
Fase 1 - Desk					
Fase 2 – Field					
Fase 3 - Reporting					

In the first phase, the preliminary interviews allowed the team to obtain direct information on the planning and the execution phases of the initiative. At the same time, the development of the questionnaires to be distributed to companies was started. In the **field phase**, interviews

and focus groups were conducted with key informants and subjects involved in the programme. The team visited a few beneficiaries to observe the visible results of the interventions, gather further information and verify the results of the data collection. In the **final phase**, the evaluation team prepared the evaluation report, containing the answers to the evaluation questions, the conclusions, the recommendations and the main lessons learned, according to the format included in the Terms of Reference.

3.3. Methods of Collection and Analysis of Data and their Limits

The evaluation was characterized by the adoption of a **mix of methods and tools**, which allowed the team to collect a wide range of diversified data. In fact, the evaluation methodology required the activation of two main channels for collecting information useful for carrying out the analyses, divided into primary and secondary sources.

The **primary sources**, i.e. those detectable through observation and investigation of the field, have led to the direct gathering of information from the subjects involved in the intervention, through:

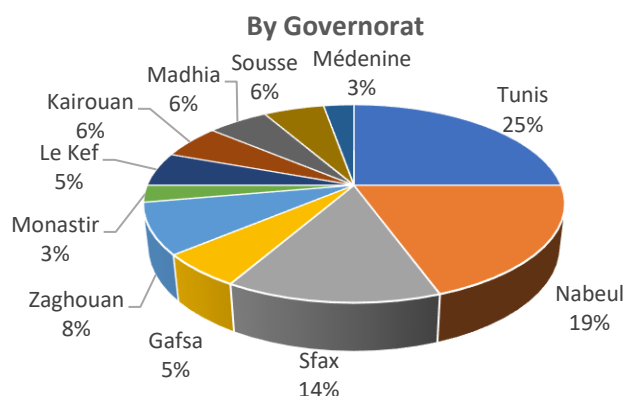
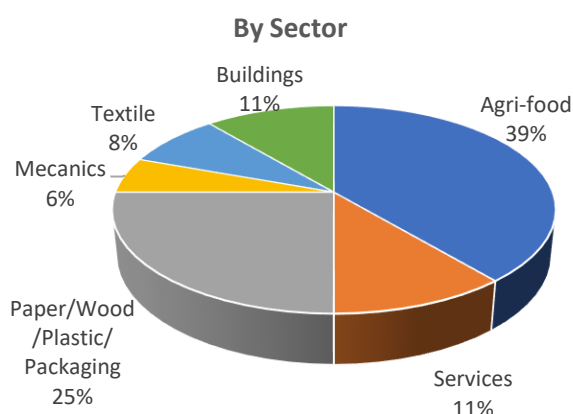
- Interviews with project managers and experts, both in Italy and on site;
- Direct surveys of the main local stakeholders involved in the implementation;
- Interviews and focus groups with the beneficiaries and actors of the programme, in which various stakeholders were involved;
- Visits to some companies to verify the results of the investments made;
- Interviews with representatives of other bilateral and multilateral development cooperation experiences.

The **secondary sources**, i.e. the specific documentation and the technical literature on the subject, have made it possible to frame the context, to verify the project design and the main sector indicators, through:

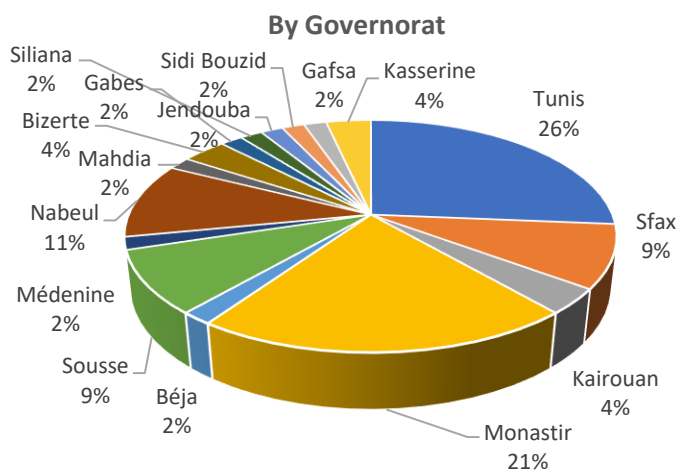
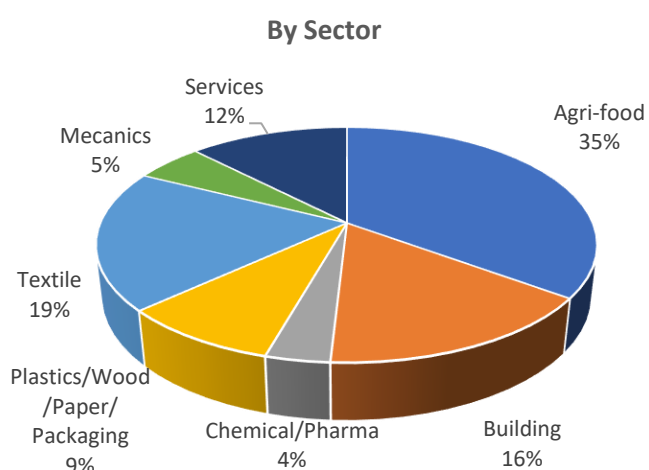
- The official documentation produced by the Program, including the monitoring system;
- The official Tunisian statistical sources (National Institute of Statistics and the Central Bank) and international ones (World Bank, IFC, EBRD);
- Publications, reports and databases from international financial institutions;
- Strategic guidance documents (policy papers, declarations of intent, multi-year economic planning plans);
- The thematic literature produced by international bodies, development agencies, public and private economic research bodies and other institutions operating in the sector.

An important element of the data collection was constituted by the **administration of online questionnaires** to the SMEs that have used the intervention provided through the Italian Credit Line and to a "control group" made up of SMEs not involved in the intervention, but having characteristics similar to those of the beneficiaries. The first questionnaire was sent to all the beneficiary companies. Out of a total of 144 beneficiaries of 162 operations (some promoters received more than one loan from the Line), 46 subjects were impossible to contact. Out of the remaining 97, at the end of the administration period, 36 responses were received, i.e. 37% of the recipients of the survey and 25% of the total universe.

The SMEs that replied to the questionnaire are distributed as follows:



57 companies replied to the questionnaire sent to the control group, identified on the basis of the sector of activity, company size and geographical location. Their distribution, highlighted below, is considered satisfactory to fulfill the need for comparison with the responses of the first group.



The **semi-structured interviews** had the aim of collecting and/or commenting on the quantitative and qualitative data and providing information and perceptions on the context and the analogous achievements. The following were interviewed and consulted:

- the representatives of MAECI and AICS in Tunis,
- Tunisian institutions (CBT and Ministries),
- representatives of other donors (European Union, World Bank, German Cooperation).

Lastly, **3 discussion focus groups** were organised, in the same three geographical areas identified for the visits, to gather points of view and discuss aspects of greater importance through a comparison between different types of actors. The focus groups were attended by public administrations, business and sector organisations, banking institutions and direct beneficiaries.

4. EVALUATION FINDINGS

4.1. Relevance

QUESTION 1: TO WHAT EXTENT DOES THE INTERVENTION OF GRANTING THE CREDIT LINE RESPOND TO THE NEEDS AND DEVELOPMENT OBJECTIVES OF THE COUNTRY?

Q1.1 Do the Protocol and the Financing Agreement take into account the objectives of the XI Development Plan?

Q1.2 To what extent are cross-cutting issues (environment, gender, disadvantaged people) given priority in funding procedures?

Q1.3 Did the monitoring activities make it possible to take into consideration the economic elements that occurred during the implementation?

Brief Answer to Question 1

- The intervention of granting the Credit Line by the Italian Government is highly relevant in the framework of supporting the needs and development objectives of Tunisia. The program was designed in full compliance with the priorities defined by the country through the XI five-year Plan for Economic Development, relating to the years 2007-2011.
- The intervention was designed on the basis of previous experiences of financial cooperation, excluding specific priorities or thematic areas. In this way, the possible positive effects on qualifying and transversal aspects of development, such as the environment, social inclusion and gender issues, were limited.
- The success of the initiative and the limited problems encountered in its implementation have limited the execution of a substantial and continuous monitoring activity, in the phases following the disbursement of the funds. If on the one hand this did not prevent the program from completing its execution, on the other it did not allow for a precise verification of the efficiency of the implementation mechanism and of the real effectiveness of the measures adopted, above all in consideration of the long duration of the intervention (10 years, from 2013 to 2022) and in the light of the important evolutionary factors of the socio-economic context of the country.

4.2. Efficiency

QUESTION 2: TO WHAT EXTENT DID THE OPERATIONAL MECHANISMS AND TOOLS OF THE PROGRAM FACILITATE THE ACHIEVEMENT OF THE EXPECTED RESULTS?

Q2.1 Were the funds for goods and services disbursed on time and in the manner envisaged and in compliance with the initial budget?

Q2.2 Were the information activities carried out sufficiently to ensure complete knowledge of the initiative, in terms of companies involved, geographical coverage and the involvement of the most disadvantaged subjects?

Q2.3 Has the planned technical assistance been successfully used in the overall implementation of the programme?

Q2.4 Do the guidelines and formats set up constitute an efficient and transparent mechanism for the management of loans and for the verification activity by the MAECI/AICS?

Brief Answer to Question 2

- The Program has set up a particularly articulated execution mechanism, which involves different actors, both from the Italian and Tunisian sides. The implementation of this mechanism is not easy and it sometimes required a particularly long process, such as to have compromised the final result in some cases.
- The Italian staff of the program did its utmost to limit the negative effects of the process, demonstrating high professionalism and dedication to achieving the objectives.
- The general information on the programme, as well as the documentation supporting the execution phase, showed some insufficiencies that generated misunderstandings and delays. The information dissemination process was not homogeneous throughout the territory and for the entire duration of the programme.
- The technical assistance implemented by the program had, compatibly with the available financial resources, an effective support function for the administrative management of the dossiers, while the envisaged function of orientation and guidance to the proposers in the preparation phase of the requests for funding was lacking.

4.3. Effectiveness

QUESTION 3: TO WHAT EXTENT HAS THE PROGRAM CREDIT LINE ALLOWED TUNISIAN SMES TO OBTAIN FINANCING FROM CREDIT INSTITUTIONS WHICH OTHERWISE WOULD NOT HAVE BEEN AVAILABLE OR AVAILABLE UNDER LESS FAVORABLE CONDITIONS?

Q3.1 To what extent has the program contributed to increasing access to medium-long term credit by Tunisian SMEs?

Q3.2 To what extent have the funds for financial restructuring enabled the beneficiary SMEs to emerge from the economic crisis situation?

Brief Answer to Question 3

- The Credit Line has enabled SMEs to obtain credit for the purchase of materials and equipment on conditions that are certainly very advantageous compared to those offered by the market. Together with the interest in technology of Italian origin, this ensured the success of the initiative.

- On the other hand, this success has not helped to reduce the problem of access to credit by Tunisian SMEs. This has grown in absolute terms, but more in relation to the constant increase in the number of SMEs than in relation to the satisfaction of needs. The negative economic situation of recent years has further worsened the context, which today sees access to credit as the major obstacle to the development of SMEs.
- The Line was therefore mainly used by entrepreneurs who would in any case have been able to access credit, obtaining limited success among subjects who are normally excluded from it.
- The component for the financial restructuring of companies was used very marginally, even in the presence of a strong potential demand due to the unfavorable economic situation. The limits on use are attributable to the conditions proposed for this component, judged not particularly attractive.

QUESTION 4: TO WHAT EXTENT HAVE THE FUNDS DISTRIBUTED CONTRIBUTED TO IMPROVE THE ECONOMIC RESULTS OF THE BENEFICIARY SMEs?

Q4.1 To what extent have the beneficiary SMEs improved their market positioning and competitiveness following the intervention?

4.2 To what extent have the beneficiary SMEs increased their staff employment rate?

Brief Answer to Question 4

- The funds disbursed have been highly effective in improving the economic performance of the beneficiary SMEs. 90% of companies have increased their turnover, 75% are more competitive on the market.
- The result is also largely positive in terms of employment: over 90% of companies have increased, to various extents, the number of their employees. The number of companies that have hired new women is smaller (about 75%).
- However, the variation in the employment rate appears to be lower than the estimates made by the promoters in the planning phase, reducing the extent of the benefits quantified in the program projections.

QUESTION 5: TO WHAT EXTENT DO GOODS AND SERVICES OF ITALIAN ORIGIN SATISFY THE NEEDS OF TUNISIAN SMES IN TERMS OF INNOVATION?

Q5.1 Has the quota reserved for purchases of goods of Italian origin been fully used?

Q5.2 To what extent did the purchased material contribute to an effective repositioning of the company?

Brief Answer to Question 5

- Goods of Italian origin are highly appreciated by Tunisian SMEs. The knowledge of Italian products and technology is very widespread among entrepreneurs, who prefer to invest in Italian materials, even in the presence of higher costs than other competing suppliers.
- This made it possible to use almost all the resources of the line (71.9 million euros out of a total of 73) for the purchase of equipment of Italian origin and confirmed the contribution offered by the initiative to strengthen the economic conditions of the beneficiary companies.

4.4. Impact

QUESTION 6: TO WHAT EXTENT HAS THE PROGRAM CONTRIBUTED TO MAKE TUNISIAN COMPANIES MORE COMPETITIVE AND FINANCIALLY STABLE?

Q6.1 To what extent have the interventions carried out with the resources of the program affected the overall improvement of the socio-economic conditions of the beneficiaries?

Q6.2 To what extent does the program support to the private sector contribute to greater social inclusiveness?

Brief Answer to Question 6

- The impact on the direct beneficiaries of the Italian initiative is certainly positive. Over 50% of the beneficiaries confirmed an improvement in their socio-economic conditions, while the national context of SMEs suffered, for over 60% from problems in economic management.
- Since the nature of the problems encountered by the sector is to a greater extent of a financial nature, the Italian intervention is to be considered particularly suitable for promoting the financial stabilization of companies.
- The result is less evident in terms of social inclusiveness and collective well-being, as the Line has not applied priorities in favor of less advantaged territories, effectively concentrating in areas with a greater industrial vocation.

4.5. Coherence

QUESTION 7: IS THE PROGRAM IN LINE WITH PREVIOUS ITALIAN COOPERATION INTERVENTIONS AND WITH THOSE CARRIED OUT BY OTHER DONORS?

Q7.1 Was the program designed taking into account the Italian intervention priorities and international reference guidelines?

Q7.2 Were the experiences of the previous Lines of Credit and the results of the related evaluation analysis taken into consideration in the design phase?

Q7.3 Have processes of comparison and coordination been put in place with other players operating in the country in the same sector and methods of intervention?

Brief Answer to Question 7

- The program is consistent with the priorities of the Italian intervention in Tunisia and in general with the programmatic lines of the Italian Cooperation. This coherence was present at the time of formulation and is still present today.
- The instrument is still considered as an "independent" component among development initiatives, and is struggling to integrate into all the initiatives carried out by Italy in Tunisia. The management mechanism follows a tested logic, based on previous positive experiences, which puts the best design practices somewhat in the background, in favor of a soft management method.
- The recommendations made by previous evaluations have not really been taken into account and are still valid and adequate.

4.6. Sustainability

QUESTION 8: WHAT CONDITIONS CAN BEST ENSURE THE FULL FUNCTIONING OF THE PROGRAM MECHANISM AND ITS REPLICABILITY?

Q8.1 What are the monitoring mechanisms that allow the Program to verify the credit repayment stages?

Q8.2 Are ESG criteria present in the credit access assessment system?

Q8.3 What are the national regulations concerning the risk capital of enterprises, with reference to the participation of foreign capital?

Brief Answer to Question 8

- The monitoring mechanism and in general the program piloting tools must be more functional to the actual management control and orientation needs. The checks must also be extended to the phase following the disbursement of the loans, in order to ensure complete information on the results obtained over time.
- The methods of implementation must integrate with the most recent practices able to maximize the sustainability of the financial support. In addition to ensuring respect and compliance with ESG standards, capable of increasing the level of sustainability of industrial practices, the Line should make the mechanism and eligibility rules more flexible, integrating with other regulatory instruments, such as art. 27 of law 124/2014, in order to use the financial instrument as leverage for an increase in resources.

5. CONCLUSIONS, LESSONS LEARNT AND RECOMMENDATIONS

5.1. Conclusions

- C1. The VIII Credit Line concession program continues a **consolidated method of intervention by the Italian Cooperation**. The program was designed on the basis of previous experiences and follows, with some non-substantial modifications, the aims and the execution mechanism. The approach of the Program was developed in line with the national development priorities of the time, which were also confirmed in the subsequent strategic plans. At the same time, the program is consistent with the guidelines of the Italian Cooperation and with the priorities of Italian support in Tunisia.
- C2. **The results of the programme**, in terms of positive effects on the economic conditions of the actual beneficiaries, **are clearly positive**. 90% of the beneficiary SMEs have increased their turnover, 75% are more competitive on the market, over 90% of the companies have increased, to varying degrees, the number of their employees. The contribution of the program was also important in consideration of the certainly unfavorable national context: while 60% of the sample of Tunisian SMEs interviewed stated that they were suffering from an economic crisis, over 50% of the beneficiaries of the Line confirmed an improvement in their socio-economic conditions.
- C3. The **terms of use of the loans granted by the Line are certainly favorable** with respect to both the market and other solutions proposed by international lenders, at least as regards the investment support component. This was the first success factor, combined with the recognized comparative value of the quality of Italian technology. Local entrepreneurs are traditionally interested in sourcing Italian tools and equipment, and have used the financial instrument of the Line often on the basis of their search for machinery of Italian origin.
- C4. This interest has also made it possible to overcome the **bureaucratic and procedural difficulties** which weighed down the implementation phase, and which are considered by all the actors to be the major critical element of the programme. These procedures certainly comply with the requirements dictated by Italian and Tunisian regulations, especially in relation to the management of contributions from the Revolving Fund pursuant to art. 8 of Law 125/2014, but the presence of numerous executing agents on both the Italian and Tunisian sides, and the lack of a consolidated manual of procedures to be disseminated above all to local banks, has sometimes made the fulfillment of the loan process slow and difficult.
- C5. Despite the aforementioned procedural difficulties, largely due to the multiplicity of actors involved, the initiative was carried out successfully and with the **full satisfaction of the local counterparts and final beneficiaries. The funds were used in full** and there were no significant management problems. On the other hand, namely the consolidated method and the appreciation of the stakeholders have reduced the attention towards rigorous management practices. Some aspects of the planning, starting from the drafting of the Logical Framework, such as some of the monitoring activities and compliance with the functionality of the Coordination Committee, were considered secondary to the efficiency of the administrative procedures. This has led to an insufficient gathering of information on the actual progress of the program, concerning the phases following the disbursement of the funds. As well, it implied a limited capacity to intervene to adapt the intervention due to the possible economic changes, even within the limits imposed by the intergovernmental agreements.

- C6. **The Italian personnel in charge of the program have shown professionalism and commitment**, especially in the context of the Tunisian operational headquarters, which is of primary importance for the Italian Cooperation. However, **some aspects of management were not fully effective**: the information and communication activity was carried out essentially in the initial phase of the intervention, then trusting in the role of local agents (primarily the banks); the technical assistance had only an administrative and managerial function, putting in the background the role of guidance and orientation to the promoters: instead, it would have been particularly useful, in order to raise the quality of the dossiers and reduce the timing for processing requests.
- C7. The program has had a **limited impact in terms of the overall growth in firms' capacity to access credit**. Although this is not an explicit objective of the programme, it appears to be a relevant element when dealing with the impact of the program in terms of development. The lack of mitigation of the basic requirements imposed by the banking institutions (in particular the real guarantees required to support the loan), has allowed the use of the instrument in the majority by those entrepreneurs who would still have been able to access a bank credit. Furthermore, the absence of priority criteria for the selection of beneficiaries at a territorial or sectoral level has concentrated the operations in areas having a greater industrial vocation, rather than involving less advantaged territories and sectors.
- C8. The program is framed in a logic of financial cooperation and is rather **"untied" from the development policies and practices conducted in the country** by the Italian Cooperation and by other international donors. Although its objectives and mechanisms are clearly defined, due to its operational modality the program runs the risk of not fully grasping the development goals that should distinguish it. With a view to optimizing the use of resources for development purposes, greater integration should be sought at all levels: a) with the other activities carried out by the Italian Cooperation in the country, b) with the sectoral practices and interventions of the other donors and c) with other possible instruments of mixed cooperation (blending) which can increase the leverage effect of the financial contribution alone.

5.2. Lessons learnt

Since this is a well-established program in its structure, there are no specific lessons learned, but rather considerations that reflect the previous conclusions.

The first one concerns **the very high consideration that Italian technology and products enjoy among Tunisian entrepreneurs**. Supplies originating from Italy are highly sought after and are preferred for their quality, even in the case of higher prices than those provided by suppliers from competing countries.

Incentives to the private sector and development goals do not always coincide, especially in partially developed market economies such as Tunisia. The risk is that, without adequate corrective measures, the favorable conditions for accessing credit will be exploited mostly by subjects who least have the disadvantageous characteristics which should instead characterize the beneficiaries of the initiative.

The success of an intervention should not abolish good control and supervision practices. Especially in multi-year programs, circumstances can change and the goals need to be reoriented in order to increase results and optimize resources.

5.3. Recommendations

The recommendations that follow come from reading the results of the evaluation and its conclusions. They are divided into three conceptual levels: strategic, with respect to the general aims of the intervention; programmatic, with respect to the design drawing of the overall system; operational, with respect to the execution methods.

Strategic Level

- R1. In terms of overall strategy, the program should **increase its focus on the development goals** for which the initiative was designed. Given the considerable financial commitment made, it would be equally important to fully grasp the aims of contributing to the growth of the Tunisian economic system, which appears in the general and specific objectives. Tunisia suffers from evident imbalances in the development process, that require corrective measures and adequate support. Recourse to a "pure" financial cooperation instrument does not appear sufficient if it is not integrated into a framework of geographical and sectoral priorities, capable of addressing interventions where the needs are greatest and maximizing the effects of the financial support.
- R2. The disbursement of the financial contribution should be **more integrated with the other interventions of the Italian Cooperation in the country**, benefiting from the transfer of know-how and capacity building work carried out in other project contexts and perhaps contributing to the identification and support of beneficiaries already involved in other actions. Similarly, the methods and opportunities for coordination and fertilization within the donor community (such as the Team Europe Initiative) must be increased, in order to avoid overlaps and seek possible synergies deriving from operating in the same context.

Programming Level

- R3. As already noted in the previous evaluations, **greater attention should be paid to both the drafting and verification of the intervention control tools**. Both in the form of the Logical Framework and in the more recent definition of the Theory of Change, programming should be more rigorous in defining realistic and measurable objectives and indicators at all levels. They will then be constantly monitored to provide an updated picture of progress and allow for updating and correction of interventions.
- R4. The problem of access to credit cannot be solved only through an improvement in financial conditions. Since the credit risk remains fully borne by the banking system, it continues to require the satisfaction of certain requirements (real guarantees) that are not easily fulfilled by the applicants. To help solve the problem and significantly widen the range of eligible subjects, **it is necessary to combine favorable conditions with a guarantee alleviation mechanism**, such as to encourage banks to take on risks that they are normally to exclude. The establishment of a Guarantee Fund alongside the Line or the possibility of taking charge of a percentage of the potentially non-repayable loan could help considerably in this direction.
- R5. The complexity of the procedural steps of execution is reflected in the timing of disbursements and even more in that of the delivery of materials. A **simplification of these steps is highly requested by all stakeholders** and is recommended to improve program performance. In particular, the phase of administrative controls on the documentation could be carried out ex-post: a simplified management of the financial provision should be

adopted, as has already been experimented in other cases, by allocating the funds directly to the counterparty Central Bank in subsequent tranches, following an audit process.

- R6. A **capacity building action on the bodies executing the operations** (Tunisian banks) would also be beneficial to the good execution of the initiative. Although the practice of lending to the private sector is customary by now, the Tunisian banking system has some intervention differences on the territory which could be mitigated by a greater presence and involvement in the issues specific to the Italian credit line. It could help individual operators to address more customers towards the tool and to prefer it over the "simpler" proposals on the market. Among other things, this action could also be coordinated with other donors interested in the same objective.

Operational Level

- R7. The **communication and information activity should be more continuous and widespread**. In addition to organizing launch events in the regions, the program should maintain a constant flow of information and open a permanent information "window" able to offer data and clarifications to possible beneficiaries, as there are many entrepreneurs who are still unaware of this initiative. To optimize resources, a more intense and systematic collaboration should be activated with one or more intermediate support structures for entrepreneurs, which can act as a vehicle for disseminating information and at the same time collect feedbacks and problems.
- R8. **Technical assistance should be strengthened**, also with an adequate financial allocation, in order to fulfill those functions of guidance and orientation to potential users of the Line which have been lacking so far. In addition to information support, SMEs also need additional skills for the preparation of dossiers and for the choice of debt management methods, which possess they only rarely. A role of technical-financial support offered by specialized personnel would increase the quality of the proposals and reduce the risk of insolvency of the obligations contracted.
- R9. The staff of the program has developed an information database that updates the progress of the disbursements, but it does not have any tool for following the intervention's effects on the single beneficiaries. In order to have an objective confirmation of the results of the programme, as well as to fully understand whether the mechanism put in place addresses the contributions by identifying the beneficiaries correctly, the **monitoring practices and tools should be more developed. They would adopt a counterfactual logic**, which allows to acquire a series of initial data and to verify the modifications on the subjects who received the loans as well as on a reference sample.
- R10. Subordinate to Recommendation 5, if the financial management structure cannot be modified, **the intervention on the procedures should in any case be carried out, in order to reduce the timing of the entire process**. Since the actors involved and the bureaucratic aspects are numerous, the preparation of exhaustive guidelines on process implementation and a check-list of the needed documentation are elements that could facilitate the management and increase the level of awareness and understanding from the users.