

# Tunisia Makes History as First Country to Use World Bank Group's Framework for Financial Incentives (FFI)

## Highlights

- **Unprecedented Maturity and Volume Boost:** Leveraging the FFI on the \$430 million financing package, Tunisia secured a 43-year final maturity and unlocked an additional \$150 million in volume beyond its country limits
- **Customized repayment terms:** The loan was structured to match the duration of Tunisia's infrastructure investments (40+years), with a seven-year grace period to ensure repayment begins only once program benefits materialize
- **Delivers cross-border impact:** To qualify for the FFI, the project generates positive cross-border benefits by funding Tunisia's renewable energy investment and climate-resilient infrastructure

## Background

Tunisia's fiscal space remains limited, shaping the government's ability to allocate resources. Overall budget dynamics are also affected by developments within the state-owned electricity and gas company. (Société Tunisienne de l'Electricité et du Gaz – STEG) due to Tunisia's heavy reliance on imported natural gas comprising 94.4% of electricity production increasing electricity generation cost and subsidies as a result of tariff revenue shortfall, which increased from 1% of GDP in 2021 to 2.5% in 2023.

To address these challenges, Tunisia aims to increase renewable energy in the electricity mix from ~6% today to 35% by 2030, requiring significant long-lived investments across the value chain, including resilient network infrastructure with asset lives ~ 40 years.

Tunisia has partnered with the World Bank Group for the [Tunisia Energy Reliability, Efficiency, And Governance Improvement Program](#) (TEREG - P507304) to scale-up renewable energy, improve electricity supply reliability, and to enhance STEG's financial and operational performance and electricity sector governance.

## Financial Objectives

- Align financing with the project's long-lived infrastructure investments and defer debt repayment until the program generates measurable benefits.
- Increase available financing volume without burdening Tunisia's IBRD borrowing headroom.



Figure 1 Wind turbine in Northern Tunisia Photo Credit Shutterstock by Mashhour

## Financial Solution

The World Bank Group structured a €384.8 million (\$400 million equivalent) Program-for-Results for TEREG, with an additional \$30 million co-financing from the Clean Technology Fund (CTF).

The central feature of this transaction was the application of IBRD's Framework for Financial Incentives (FFI), which extended the loan maturity beyond standard IBRD terms while simultaneously increasing the available financing volume.

### What is [Framework for Financial Incentives \(FFI\)](#)?

The FFI offers volume, tenor, and price incentives to encourage client countries to undertake projects that address global challenges with cross-border benefits. These incentives can be deployed in combination, as applicable to the country, sector, and/or project circumstances.

**Volume incentives** supplement lending capacity beyond existing country IBRD limits, at regular IBRD terms. Delivered through the Global Solutions Accelerator Platform (GSAP), volume incentives can cover up to 50% of the project component that generates the positive externality.

**Tenor incentives** extend final maturity from 35 years to up to 50 years, and the average repayment maturity (ARM) from 20 to 25 years, while maintaining the same maturity premiums as regular long-dated loans (as per [IBRD lending rates](#) per country group).

**Price Incentives** include grants and interest-rate buy-downs: (i) project preparation grants or technical assistance — up to \$5 million or 5% of the overall project

size, whichever is lower; (ii) co-financing grants to lower the overall cost; and (iii) (forthcoming) performance-based interest rate buy-downs, equivalent to sustainability-linked loans, linking interest-rate cuts to verifiable performance conditions ([Pilot example: Uruguay](#))

### Qualification Criteria

To qualify for FFI incentives, projects must address one of the eight Global Challenges and produce cross-border benefits: (1) Climate Change Mitigation and Adaptation, (2) Fragility and Conflict (3) Pandemic Prevention and Preparedness, (4) Energy Access, (5) Food and Nutrition Security, (6) Water Security and Access, (7) Enabling Digitalization, (8) Protecting Biodiversity and Nature.

### Outcome

In early November 2025, the Tunisian government and the World Bank Group signed \$430 million in financing through TREG — including \$30 million in CTF concessional financing — to support Tunisia’s energy sector modernization.

The project qualified for the FFI due to its significant contribution to greenhouse gas emissions reduction, addressing the ‘Climate Change Mitigation and Adaptation’, one of the eight recognized Global Challenges under FFI.

The project benefited from the FFI in two distinct areas, with repayment terms tailored to the project investment profile:

**Extended Loan Maturity:** A 43-year final maturity including a 7-year grace period, well beyond the standard 35-years limit. This maturity aligns with the long-lived nature of Tunisia’s electricity infrastructure investments and supports STEG’s debt management without increasing costs. The 7-year grace period ensures that principal repayments begin once project benefits start to materialize.

To maximize the tenor incentive while staying within the ARM limit, the project was structured with a 43-year maturity including a 7-year grace period, striking the right balance between affordability, repayment capacity, and investment sustainability (a 50-year maturity could be achieved if there was 0 years of grace period).

**Volume Incentive:** Of the total \$400 million IBRD loan, \$150 million was provided through the Global Solution Accelerator Platform, without impacting Tunisia’s existing exposure limits (such as the Single Borrower Limit or the 15% of GNI exposure limit). This allows Tunisia to implement the project while safeguarding the US\$150 million from the country IBRD allocation for other national priorities.

## World Bank Group’s Role

The World Bank Group Treasury, in collaboration with the Energy & Extractives Global Practice, the Country Management Unit, Finance & Accounting (WFA), Legal Secretariat, supported Tunisia in this financial transaction. The Energy team led the design and implementation of the project.

The Treasury team:

- **Supported the project team throughout the cycle**, including participation in the project appraisal and negotiations to ensure that financing design aligned with project needs and client debt profile.
- **Provided comparative pricing analysis** for loan scenarios in EUR and USD, enabling STEG to assess cost and currency implications and select the most suitable option.
- **Maximized the use of the FFI**, optimizing the loan terms by structuring a 43-year maturity including a 7-year grace period within the FFI limits, aligning repayment with the project’s long-term impact.
- **Provided hands-on client support**, helping STEG complete the Loan Choice Worksheet and aligning financial terms and pricing with their debt management strategy.

## Financial Structure

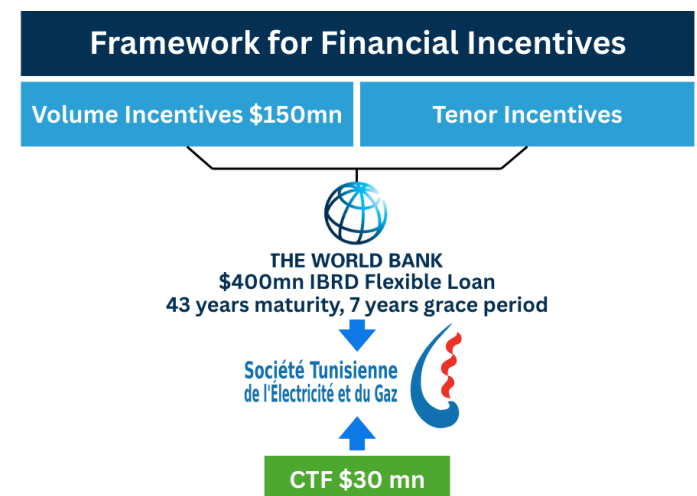


Figure 1. Financial Structure

Summary of Financial Terms	
Signature Date	November 3, 2025
Amount	€384.8 million (\$400 million equivalent)
Volume Incentive	\$150 million through GSAP
Co-Financing	\$30 million from Clean Technology Fund
Term	43 years for IBRD and 30 years for CTF
Grace period	7 years
Instrument	Program-for-Results (PforR)
Structure	Level repayment