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INTERNATIONAL FINANCE CORPORATION

MULTILATERAL INVESTMENT GUARANTEE AGENCY

COUNTRY PARTNERSHIP FRAMEWORK

FOR

THE REPUBLIC OF TUNISIA

FOR THE PERIOD FY23-FY27

May 11, 2023

Maghreb Country Management Unit

Middle East and North Africa

The International Finance Corporation

The Multilateral Investment Guarantee Agency

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ABBREVIATIONS AND ACRONYMS

AFD	Agence Française de Développement (French Development Agency)
AfDB	African Development Bank
ANETI	Agence Nationale pour l'Emploi et le Travail (National Agency for Employment)
ASA	Advisory Services and Analytics
CCDR	Country Climate and Development Report
CLR	Completion and Learning Review
CPF	Country Partnership Framework
CSO	Civil Society Organizations
CNSS	Caisse Nationale de Securité Sociale (National Social Securiy Fund)
CNAM	Caisse Nationale Assistance Maladie (National Health Assistance Fund)
CNRPS	Caisse Nationale de Retraite et de Prévoyance Sociale (National Pension and Social Welfare Fund)
COVID-19	Coronavirus disease 2019
DHU	Direction de l'Hydraulique Urbain (Directorate of Urban Hydraulics)
DPF	Development Policy Financing
DPL	Development Policy Loan
EBRD	European Bank for Reconstruction and Development
EFF	Extended Fund Facility
EIB	European Investment Bank
Elmed	Tunisia-Italy Electricity Integration and Renewable Energy Ecosystem Project
ESF	Environmental and Social Framework
EU	European Union
FDI	Foreign Direct Investment
GBV	Gender based violence
GDP	Gross Domestic Product
GEF	Global Environment Facility
GoT	Government of Tunisia
GPs	Global Practices
HCI	Human Capital Index
HLO	High-level Outcome
IBRD	International Bank for Reconstruction and Development
ICR	Implementation Completion and Results Report
ICT	Information and Communication Technology
IFC	International Finance Corporation

IMF	International Monetary Fund
IPF	Investment Project Financing
IPP	Independent Power Producer
JICA	Japan International Cooperation Agency
KFW	Kreditanstalt für Wiederaufbau (German Development Bank)
MDTF	Multi Donor Trust Fund
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MIGA	Multilateral Investment Guarantee Agency
MFI	Microfinance Institution
MSMEs	Micro, Small, and Medium Enterprises
NAPEVW	National Action Plan for the Elimination of Violence against Women
NDC	Nationally Determined Contribution
NHSFO	Non-Honoring Financial Obligations
NPL	Non-performing Loan
NPR	National Plan of Reform
OECD	Organization for Economic Co-operation and Development
ONAS	Office National de l'Assainissement (Wastewater Management Unit)
PDUGL	Programme de Développement Urbain et Gouvernance Local (Urban Development and Local Governance)
PER	Public Expenditure Review
PFM	Public Financial Management
PforR	Program-for-Results
PIM	Public Investment Management
PIU	Project Implementation Unit
PLR	Performance Learning Review
PMU	Project Management Unit
PPP	Public-Private Partnership
PSC	Personal Status Code
RETF	Recipient Executed Trust Fund
SCD	Systematic Country Diagnostic
SMEs	Small and Medium Enterprises
SOE	State-Owned Enterprise
STEG	Société tunisienne de l'électricité et du gaz (Tunisian Company of Electricity and Gas)
TA	Technical Assistance

TD	Tunisian Dinar
TERI	Tunisia Economic Resilience and Inclusion
TRP	Tunisian Renewable Plan
TTL	Task Team Leader
UGTT	Union Générale Tunisienne du Travail (Tunisian General Labor Union)
US$	US Dollar
UTICA	Union Tunisienne de l'Industrie, du Commerce et l'Artisanat
WBG	World Bank Group

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I. INTRODUCTION

1. **The World Bank Group (WBG) Country Partnership Framework (CPF) for Tunisia will cover the five-year period FY23-27 for IBRD, IFC, and MIGA and support Tunisia's inclusive and sustainable growth.** The CPF is aligned with the Government of Tunisia's development and reform program, the WBG corporate priorities, and the 2022 WBG Systematic Country Diagnostic (SCD). Through the CPF, the WBG aims to assist Tunisia over a period of five years moving from an unsustainable status quo towards faster, inclusive jobs-generating growth by advancing an ambitious reform program. In doing so, the CPF will support the country to make further progress on the WBG twin goals of eliminating extreme poverty and boosting shared prosperity. It is aligned with the WBG's expanded regional strategy for the Middle East and North Africa (MENA) region[1] and the Climate Change Action Plan for 2021–25.[2]

2. **Tunisia is facing simultaneous political, constitutional, and economic crises together with the need to fundamentally change its economic model.** The country entered a critical political juncture in July 2021, when President Saied introduced measures such as the partial suspension of the 2014 Constitution and the dissolution of the parliament. A new Constitution was adopted by referendum in July 2022 with a 94 percent approval rating and a voter turnout of 30 percent and established a presidential system of government with two legislative chambers. Parliamentary elections took place between December 2022 and January 2023 with a turnout of around 11 percent each. In February 2023, the process for setting up the National Council of Regions and Districts (the second legislative chamber) was initiated together with the reorganization of local governments, the amendment of the electoral law for local governments, and the dissolution of the municipal councils elected in 2018. In this context, building a political settlement and citizen-centric institutions and harnessing the power of citizen voice is critical to regain trust between citizens and state institutions. At the same time, Tunisia is facing a serious economic and macro-fiscal crisis. Post-revolution policies prioritized social peace by increasing public expenditure, particularly through public employment and cash transfers, without adopting measures to support the expansion of the market economy, which generated structural vulnerabilities. Furthermore, the government's capacity to implement public policies and reforms has been eroded, and parts of the population are still largely excluded, especially women and young people who are more vulnerable and disproportionally disadvantaged in the labor market. Given the economic and employment situation as well as a strong surge in prices of basic food and consumer goods, social tensions are rising. A complex migration debate has also added to the difficult situation. The country's structural fiscal challenges have been aggravated by the impact of the COVID-19 pandemic and Russia's invasion of Ukraine.

3. **The government's economic response consists of a National Plan of Reform (NPR), which includes both a program for economic and financial stabilization and a development plan for 2023-25, whose success will depend on the extent and quality of their implementation.** The stabilization program focuses on implementing price subsidy reforms, restructuring state-owned enterprises (SOEs), and ensuring medium-term fiscal sustainability, while bolstering social protection programs. Amid extremely difficult political, economic, and social conditions, a fast-moving reform program is needed, whose success can be secured only through Government ownership and the restoration of trust between the state and its citizens, and with a particular focus on lagging regions and disadvantaged groups. The time is ripe for such a program, as the

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[1] WBG. 2015. *Economic and Social Inclusion for Peace and Stability in the Middle East and North Africa. A New Strategy for the World Bank Group.* Washington, DC: World Bank; WBG. 2019. *The Middle East and North Africa: From Transition to Transformation*. Washington, DC: World Bank; WBG. 2021. "Middle East and North Africa (MENA) Regional Update: Preventing a Lost Decade, Unlocking the Region's Potential." Washington, DC: World Bank; WBG. 2021. "Middle East and North Africa: Looking Forward."

[2] WBG. 2021. *World Bank Group Climate Change Action Plan 2021–25: Supporting Green, Resilient, and Inclusive Development*. Washington, DC: World Bank.

country is approaching its limits managing its public finances and preserving social cohesion. The development plan 2023-25 aims to support private sector-led growth and competitiveness, human capital, inclusiveness and regional development, and optimization of natural resources, with the overarching goal of creating jobs for a population of young people who are losing hope in their own country. Scaling up the implementation of the National Plan of Reforms and the fiscal measures included in the 2023 budget law during the second half of 2023 would be a strategic signal on the significance of the Government response to Tunisia fiscal and economic challenges.

4. **The CPF is built around three high-level outcomes (HLOs) that capture national development goals and fully internalize lessons learned in implementing the previous CPF and the suggestions of the SCD**. These HLOs are: (i) quality jobs created by the private sector; (ii) strengthened human capital; and (iii) improved resilience to climate change and reduced carbon emissions. The CPF is built on the foundations of two cross-cutting themes – (1) gender and (2) social accountability, participation and trust– that cut across the HLOs and are mainstreamed across all activities. The CPF also balances emergency responses with support for sustainable change over the medium-term.

5. **While building on WBG's existing and pipeline lending and knowledge program, the CPF also draws lessons from the CPF for FY16-21 to ensure effective implementation.** This CPF will apply an approach that internalizes the country´s political and economic context, counterparts' capacity, and the availability of WBG resources. Focusing on the 'how' will be critical for effective implementation. The CPF is designed to be both focused through attributable objectives and flexible with its HLOs and its scenarios adjustable to the progress of reforms. It will prioritize readiness at the design stage and selectivity in the IBRD program, including through a focus on strategic, long-term engagement. It will enhance implementation support and supervision, while remaining flexible, agile, and adaptable to the challenging context. If needed, course corrections will be introduced through a mid-term Performance and Learning Review (PLR), whose initiation could be triggered earlier by a selection of performance criteria.

6. **The longer-term HLOs and medium-term CPF priorities, while building upon the lessons learned from the previous CPF and ensuring continuity of the WBG's Program in Tunisia, reflect the views and opinions expressed during both CPF consultations and SCD.** Both government capacity constraints and a challenging political environment, as illustrated by CLR findings, have paved the way for meaningful discussions of the relevance and selection of CPF objectives, while paying close attention to implementation. The CPF also benefitted from strategic discussions with the government to identify priorities and client demand, and from the WBG engagement with the private sector, academia, civil society, and other development partners. The feedback received from various stakeholders contributed to the formulation of strategic focus areas for WBG engagement and the specific CPF objectives.

7. **The overall risk to achieving the development objectives identified for the WBG during the coming CPF period is *high,* given the significant level of political and economic uncertainty, the challenges faced in public administration, and the substance and pace of post-pandemic reforms**.

II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

Political Context

8. **In 2011, Tunisia's Arab Spring marked the beginning of a political transition that led to the approval of the 2014 Constitution followed the same year by presidential and parliamentary elections.** This political transition boosted civil society and freedom of expression, with significant gains in access to information and transparency. As Tunisia became a more open polity, citizens' ability to voice their demands and concerns increased significantly, and levels of citizen organization and mobilization are high relative to peers, building on a historically active

and powerful civil society.

9. **Meanwhile, over the past decade, a mix of inertia and exclusion has undermined trust in Tunisia's political institutions**. Trust in public institutions and political elites has deteriorated in recent years amid stalling economic growth, limited job creation and persistent fiscal challenges, declining further in the wake of the COVID-19 pandemic.[3] Despite progress on measures of government openness, the state has struggled to develop its capability to respond to citizen dissatisfaction and rebuild trust.

10. **By 2021, Tunisia had reached a critical juncture, with President Saied enacting the partial suspension of the 2014 Constitution and the dissolution of parliament.** On July 25, 2021, the president dismissed the prime minister, suspended parliament, and assumed wide-ranging powers through a partial suspension of the constitution.[4] Subsequent developments included setting up transitional arrangements through Presidential Decree 117[5] and appointing a new government in October 2021. Although it has declined somewhat over the past year, the president continues to enjoy wide popular support.[6]

11. **In a context of uncertainty, the political calendar announced in December 2021 is under implementation, including the adoption of a new constitution and holding of parliamentary elections in December 2022 and January 2023.** The political roadmap announced by the president on December 13, 2021, called for a constitutional referendum in July 2022 and elections by December 2022. The Supreme Judicial Council was replaced by an interim body in February 2022, and a referendum on July 25, 2022, saw a turnout of 30.5 percent and 94 percent of voters supporting the adoption of a new constitution establishing a more presidential system of government with two legislative chambers. A new electoral code was adopted in September 2022, and the parliamentary two-round elections in December 2022 and January 2023, in which individuals could run as candidates instead of political parties, returned a turnout of around 11 percent. In February 2023, the process for setting up the National Council of Regions and Districts (the second legislative chamber) was initiated together with the reorganization of local governments, the amendment of the electoral law for local governments, and the dissolution of the municipal councils elected in 2018. This context complicated the establishment of an environment which fosters investments and growth.

Economic Developments since 2011 and Outlook

12. **Tunisia's economic performance has decelerated since 2011, resulting in a lost decade for growth even before the emergence of the Covid-19 pandemic**. Growth in gross domestic product (GDP) averaged 1.7 percent per year during 2011-19, down from an average of 3.5 percent per year in 2000-11. Productivity growth declined due to excessive regulation of economic activity, increasing dominance of the public sector in the economy, low investment, and limited innovation. Private investment as a share of GDP dropped from an average 17.4 percent in 2000-10 to 14.9 percent in 2011-19. Also, the share of Tunisian firms introducing new products or services halved from 28 percent in 2013 to 14 percent in 2019.

13. **With worsening growth and job outcomes, Tunisia has relied increasingly on the welfare state to meet citizens' aspirations for better livelihoods**. Job creation slowed in the post-revolution period as the economy failed to produce sufficient opportunities, particularly for university

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[3] According to the Arab Barometer Survey in March–April 2021, 15 percent of Tunisian respondents indicated that they had a "great deal" or "quite a lot" of trust in government, compared to much higher levels in neighboring Morocco (48 percent) and Algeria (26 percent).

[4] These measures were taken invoking Article 80 of the 2014 Constitution.

[5] This covered, for example, suspension of the 2014 Constitution and transitory legislative power under the President.

[6] A survey conducted by Emrhod Consulting in February 2023 shows that 65% of respondents would vote for President Kaïes Saïed in the first round of the presidential election. His popularity has also increased, with a four-point rise in satisfaction with his performance as Head of State.

graduates and the prime working-age population. The state sought to compensate citizens for deteriorating wellbeing through public employment creation, large consumer and producer subsidies, transfers to SOEs, and a significant scale-up of cash transfer programs for needed families.[7] These measures helped many poor and vulnerable households but made the external and the fiscal deficits increasingly unsustainable. For example, large subsidies on energy and food, for which Tunisia is a net importer, are no longer affordable.

14. **At the same time, this approach has not tackled deep economic distortions, thus generating growing concern regarding economic growth, fiscal sustainability, and public sector effectiveness**.[8] State-provided palliative measures did not accelerate job creation nor provide a broad sense of growing opportunities. On the contrary, markets became increasingly concentrated, as barriers to entry and operations remained high across sectors, including cumbersome rules on investment, trade, and licenses; poor access to finance; and a growing and increasingly inefficient public administration. Moreover, the expanding role of the state resulted in a rapid growth of public debt, from 40.7 percent of GDP in 2010 to 79.9 percent in 2021.

15. **The COVID-19 pandemic and Russia's invasion of Ukraine have exacerbated these vulnerabilities.** The pandemic caused a dramatic drop in real GDP in 2020 (–8.6 percent), followed by a modest recovery as real GDP rose 4.3 percent in 2021, but weakened to reach 2.5 percent in 2022. Key factors behind this modest recovery include the limited fiscal space, and a difficult business environment, including restrictions on investments and competition. Tunisian authorities responded to the needs of the health sector, provided financial assistance to vulnerable households, and supported businesses through tax and credit measures. As a result, public debt reached 79.3 percent of GDP by end 2022, and sovereign credit rating downgrades followed. Russia's invasion of Ukraine further aggravated fiscal challenges through, for example, an increase of the subsidy bill for energy and wheat.

[7] For instance, the "Programme National d'Aide aux Familles Nécessiteuses" (PNAFN) was scaled-up over the past decade and most of the areas that experienced the fastest growth rates in the number of beneficiaries were among Tunisia's lagging regions.

[8] See World Bank (2014), World Bank (2021) and the forthcoming Tunisia Country Private Sector Diagnostic for detailed analyses of such barriers.

Table 1: Tunisia Selected Macroeconomic Indicators, 2019-2025

	2019	2020	2021	2022	2023	2024	2025
Real GDP Growth, at constant market prices	1.5	-8.6	4.3	2.5	2.3	3.0	3.0
Private Consumption	2.4	-5.1	3.0	4.3	2.2	2.9	3.0
Government Consumption	1.5	-4.1	2.2	-2.2	-0.4	-0.5	-0.5
Gross Fixed Capital Formation	0.6	-22.4	3.9	4.8	1.8	2.2	2.8
Exports, Goods and Services	-4.2	-20.0	11.8	5.9	5.0	7.1	4.2
Imports, Goods and Services	-8.4	-16.6	10.9	9.7	3.1	4.7	2.9
Real GDP Growth, at constant factor prices	1.6	-8.7	4.5	2.5	2.3	3.0	3.0
Agriculture	5.9	0.4	-2.7	2.0	1.0	3.0	2.0
Industry	-1.3	-10.1	8.7	1.9	1.5	2.0	2.5
Services	1.8	-9.6	4.1	2.9	2.7	3.3	3.3
Current Account Balance (% of GDP)	-8.1	-6.0	-6.0	-8.5	-8.0	-8.4	-7.8
Foreign Exchange reserves ($ bn)	7.1	8.8	8.9	7.9	7.4	6.9	8.2
Foreign Exchange reserves (months of imports)	4.5	4.3	3.3	2.9	2.5	2.1	2.3
Central Government Overall Fiscal Balance (% of GDP)	-2.9	-8.7	-7.6	-6.5	-4.6	-3.4	-2.9
Primary Fiscal Balance (% of GDP)	-0.3	-5.6	-4.7	-3.4	-1.3	-0.2	0.2
Fiscal Revenues (% of GDP)	26.0	24.8	25.7	28.3	28.3	27.1	26.6
Fiscal Expenditures (% of GDP)	29.1	34.2	33.3	34.9	32.9	30.5	29.5
Financing needs of the Central Government (%GDP)	7.9	13.3	10.9	12.5	14.9	14.3	13.5
Central Government Debt (% of GDP)	67.8	77.8	79.9	79.3	76.1	72.3	68.7
Interest payments (on CG debt; % of GDP)	2.6	3.1	2.8	3.2	3.2	3.2	3.2

Source: for 2019-21, Tunisian National Institute of Statistics figures from January 2023; for 2022-24, World Bank estimates from February 2023.

16. **Macro-fiscal sustainability during 2023-27 can be achieved only through economic and fiscal reforms.** Given the high debt level, the large budget and current account deficits, Tunisia faces mounting severe challenges to cover its large financing needs (estimated at around 13 percent of GDP in 2027 and around US$ 48.9 billion in current prices during 2023-27). As a result, the country's macro-fiscal sustainability is at risk. This calls for urgent fiscal reforms including by rationalizing subsidy expenditures, the SOE sector, and the public wage bill, improving tax collection while ensuring an effective social protection system to facilitate the transition and by conducting reforms to boost economic growth.[9]

17. **An agreement with the International Monetary Fund (IMF) will be key for Tunisia to implement key reforms and mobilize the needed external financing.** A staff level agreement for an Extended Fund Facility (EFF) over US$1.9 billion was reached in October 2022 and the program was to be approved by the IMF's Board of Executive Directors in December 2022. This approval was postponed for ensuring completion of prerequisites. While the 2023 budget law included the main measures foreseen by the program of the staff level agreement, no new IMF

[9] Annex 8: Economic Data 2019-2027.

Board approval date was set by the submission of this CPF to the World Bank's Board of Executive Directors.

Poverty & Inequality

18. **Before the COVID pandemic, Tunisia showed lower poverty and inequality rates than other countries in the Middle East and North Africa (MENA) region.** Tunisia experienced significant poverty reduction over the past decade, with official poverty declining from 20.5 percent in 2010 to 15.2 percent in 2015 and estimated at 13.8 percent by 2019 and a more recent increase with a rate of 16.6 percent in 2021.[10] Similarly, poverty at the upper-middle income poverty line of US$6.85 in 2017 (in purchasing power parity terms) shows a comparable pattern over time dropping to 17.5 percent in 2015, a lower rate than in Algeria, Morocco, and Egypt. Meanwhile, the national Gini index measuring inequality reached 35.3 in 2021, higher than Algeria (27.6) and Egypt (31.8), and lower than Morocco (39.5). [11]

19. **National estimates hide sizeable geographical disparities in living standards.** In 2021, about 24.8 percent of the population in rural areas was poor compared with 12.7 percent in urban areas. Poverty is high in the Center-West (37 percent) and North-West (22.5 percent) as opposed to the coastal areas of Grand Tunis (4.7 percent), North-East (15.2 percent), and Center-East (13.2 percent) where poverty incidence is lower overall, but with pockets of poverty. Similarly, geographical gaps in inequality persist. A large part of inequality is driven by disparities within urban and rural areas as well as between regions. The Gini index decreased from 36.5 in 2015 to 35.3 in 2021. During 2015-21, inequalities increased slightly in all regions except Grand Tunis where the Gini dropped from 35.6 to 30.4.[12]

20. **The poverty profile of vulnerable groups has not changed significantly in recent years, and there is a mismatch between skills and labor demand.** In 2019, as in 2015, poor households were typically headed by younger men with limited education, living in rural areas, and working in agriculture or construction sectors with low productivity levels and lower wages. Tunisia's human capital is largely underutilized, and public investment in education has not sufficiently translated into employment opportunities. A mismatch in skills is one of the main reasons for the high unemployment rate among youth with a tertiary education, as popular curricula are not well aligned with private sector demand.

21. **Tunisia is one of only two countries in the MENA region with a decreasing score on the Human Capital Index (HCI) over the last decade.** Tunisia's HCI dropped from 0,53 in 2010 to 0,52 in 2020, indicating that a child born in Tunisia today will only be about half as productive as an adult than if she or he had access to optimal health and education systems.

22. **Despite progress in maternal health and education, female labor force participation remains low (26.5 percent in 2017)** and unemployment among women is twice as high as for men.[13] The activity rate of women with no education is particularly low at less than 10 percent, and Tunisian women were more likely than men to have permanently lost their jobs as a result of the COVID-19 pandemic (Enterprise Survey 2020). Factors behind women's low participation in the labor market include overall weak labor demand, restricting gender roles and discriminatory regulations, lack of access to productive assets and the limited availability of affordable childcare services, among others.

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[10] Latest official figures are about 2021 and released in 2023. Household surveys took place in 2015 and 2021. The official figures for the 2021 household survey were released in February 2023. 2019 figures are estimates.

[11] The Gini coefficient ranges from 0 (perfect equality) to 1 (perfect inequality).

[12] The decline in the Gini Index is due to the drop in certain expenditure by the wealthiest households during the COVID crisis which reduced disparities in consumption.

[13] Latest available official figures.

Main Development Challenges

23. **Tunisia needs to fundamentally change its development model to reframe the role of the state and create the basis for a growing economy that generates private sector jobs.** While the government's attempt to fulfill its social contract by increasing public expenditures contributed to poverty reduction, a lack of economic competitiveness has kept growth stagnant over the past decade. This strategy has also led the country to approach its limits on both public finances and social vulnerability, exacerbated by the impact of the COVID-19 pandemic and Russia's invasion of Ukraine. Addressing Tunisia´s development model will require, on the one hand, making the public sector more efficient and fiscally sustainable by stabilizing the public sector wage bill, ensuring the financial and operational efficiency of SOEs, and reforming subsidies, while ensuring compensation for the poor and vulnerable. On the other hand, creating the basis for private sector-led economic growth will require efforts to ensure a level playing field by removing pervasive barriers to competition across sectors, including access to finance, and modernizing the financial sector while strengthening human capital, social inclusion, and gender equality.

24. **The level of public sector effectiveness seriously affects the implementation of public policies and reforms and addressing this development challenge will require careful sequencing and selectivity in program planning.** In a context in which the Tunisian Government faces complex multisectoral challenges, public sector bottlenecks to implementing public policies and reforms hold back progress. From 2011 onward, public sector effectiveness was severely undermined by a mix of factors, including capacity for policy design and planning, monitoring and evaluation (M&E) systems, and public financial control and procurement effectiveness. The public administration was also affected by constraints in inter-institutional coordination and risk aversion, which contributed to limited responsiveness and agility, as well as frequent changes in the composition of the cabinet during 2011–21. These challenges may affect the level of ambition and speed of reforms, policy implementation, and the execution of donor-funded programs. Careful sequencing and selectivity of reforms will be critical for the Government to ensure effective and sustainable change.

25. **Given the political transition initiated in July 2021, building a political settlement and citizen-centric institutions, and harnessing the power of citizen voice will be critical.** The political shift that took place in July 21 tapped into the accumulated dissatisfaction with, and mistrust of, political institutions felt by many Tunisians, disrupting the political impasse that had prevailed over the past decade. As suggested by the SCD, establishing a more inclusive and stable political settlement is a core development challenge, while ensuring the rule of law is maintained under the new constitutional order is also paramount.

26. **Strengthening inclusion through improving human capital, reducing regional disparities and gender imbalances, is also crucial for Tunisia's stability.** As highlighted by the SCD, inclusion is a critical challenge in Tunisia and could be addressed through more even access to economic opportunities, improved learning and more relevant skills, and health outcomes, especially in lagging regions. Similarly, addressing the multiple constraints women face to enter and stay in the labor market and enhancing women's and youth's overall social and economic inclusion would be critical. Addressing discrepancies in connectivity and service provision, particularly at local level, would also be needed.

27. **Migration is increasingly becoming a central question in Tunisia.** Long a country of origin for many labor migrants going into the European Union, Tunisia is now also increasingly a transit country for Sub-Saharan African migrants on their way North. The challenge is to manage these movements in a manner that can benefit the country's development. This requires approaching this question holistically, based on data and evidence. As a country of origin, Tunisia can deliberately manage labor migration as a driver of poverty reduction and development—including by facilitating remittances and knowledge transfers and building skills that are in

demand globally. As a country of transit, Tunisia is faced with difficult challenges which require cooperation with other origin and destination countries of the Euro-African space. Eventually, Tunisia needs to prepare to the challenges of a country of destination and work on an optimal management of Tunisian migrants abroad for Tunisia's development benefit. Recently, and following public statements, a debate on migration has taken place in the country, which has affected the integration of migrants from Sub-Saharan Africa and has been followed by Government's mitigation measures.

Box 1: Migration in Tunisia

The question of migration has become increasingly critical in Tunisia. On the one hand, the number of Tunisian emigrants has become significant because of the COVID pandemic and the economic situation with around 566,000 Tunisian emigrants leaving the country from July 2020 to March 2021. The total number of Tunisian emigrants arriving in Italy increased from 15,675 in 2021 to 18,148 in 2022, and between January and April 2023 the number of emigrants arriving to Italy has significantly increased compared to the same period in 2021 and 2022. On the other hand, the number of migrants transiting through Tunisia is also increasing. While total numbers are difficult to estimate, close to 20,000 migrants were intercepted by Tunisian authorities between January and April 2023, compared to 25,657 for the entire year 2021 and 38,372 for 2022. Human suffering is increasing: the number of death and missing migrants reached 498 between January and April 2023, much higher than in previous years.

As a core part of the CPF FY23-27 activities, the WBG will be organizing a series of dialogues as well as launching analytical work on migration. The dialogues will build on the 2023 World Development Report (Migrants, Refugees, and Societies), which combines insights from applied economics, new data sources, and international law to inform policy recommendations. The report focuses on people who live outside their country of nationality, including migrants seeking better economic opportunities or adapting to climate change as well as refugees displaced by persecution or conflict. The effects of migration on development depend on the individual characteristics of migrants and refugees, the circumstances of their move, and the policies they face. A "match and motive" matrix simultaneously assesses and recommends policies for both origin and destination countries which depend on the strength of a migrant's "match" with the destination society and the "motive" under which migrants move. Accompanying the dialogues will be analytical work, including quantitative and qualitative household survey data collection to be conducted in close coordination with Tunisia's institutions.

Climate and Development interactions

28. **Tunisia is one of the Mediterranean countries most vulnerable to climate change, both through climate-related shocks (droughts and floods) as well as long-term stressors (sea-level rise and water scarcity)**. The main climate risks for Tunisia are temperature increases, reduced precipitation, rising sea levels and saltwater intrusion, and escalating extreme weather phenomena (floods, droughts, and forest fires) affecting key economic sectors. Tunisia is a water-scarce country with existing imbalances in water resource distribution between the north and the semi-arid south. Reductions in water availability due to climate change will affect agricultural productivity and food security. Coastal and urban areas will also be at the center of climate change impacts, due to high vulnerability to climate impacts (heat waves, sea level rise, floods) combined with a concentration of population and economic activity in those areas.

29. **Although Tunisia reaffirmed its ambition to the worldwide climate crisis in 2021 by submitting its revised Nationally Determined Contribution (NDC), the country has not yet started to implement related policies.** Tunisia raised the goal of reducing national carbon intensity to 27 percent (unconditional) and 45 percent (conditional) by 2030, compared to its 2010 level.[14]

[14] UNFCCC.2021 PARIS AGREEMENT ON CLIMATE CHANGE TUNISIA UPDATED NDC

Tunisia has started to prepare a Carbon Neutral and Climate Change Resilience Strategy with a 2050-time horizon, with the aim of reaching carbon neutrality by 2050.[15]

30. **Climate change could have an impact on almost every aspect of Tunisia´s socio-economic development, acting as a threat multiplier.** Given Tunisia's challenging fiscal position, climate-related shocks could represent an additional fiscal burden while reducing the country's capacity to respond to future covariate shocks and embark on a fiscal consolidation. Climate change may also amplify pre-existing fragility, poverty, and inequality. Significant deterioration of climatic conditions could lead to an increase of about one-tenth to one-fifth of current migration levels in the region. Rural areas would suffer the most from agricultural productivity losses, which would increase the gravitational pull of cities. Moving ahead with the decarbonization agenda could enhance Tunisia's energy independence, thereby reducing trade deficits and devaluation pressure, while strengthening competitiveness by reducing the carbon intensity of its export products (notably to the European market). In this context, supporting the Government on both the mitigation and the adaptation/resilience agenda is of critical relevance.

31. **Food security in Tunisia is negatively impacted by climate change.** Tunisia is structurally a cereal importer to meet consumption needs but domestic production has traditionally accounted for around 30 percent of total consumption.[16] Meanwhile, recurrent droughts together with higher temperature and overall water scarcity are increasingly placing Tunisia's agriculture under severe water stress conditions leading to reduced domestic production and widening the agricultural trade deficit. This long-term trend, coupled with Tunisia's reduced fiscal space, is directly threatening food availability and social stability since food shortage and high prices have historically led to social unrest and rioting in the country. Most recent droughts are leading to an almost complete collapse of domestic grain production with import needs putting significant additional pressure on available reserves.

III. WORLD BANK GROUP PARTNERSHIP FRAMEWORK

A. Government Program and Medium-Term Strategy

32. **The government's 2025 National Plan of Reforms (NPR) articulates priority actions, from emergency measures to a medium-term vision as outlined in a series of complementary documents.** The NPR includes: (i) emergency economic measures; (ii) a program of economic and financial stabilization, associated with the structural reform program (whose scope is broader and includes the stabilization program); (iii) the medium-term 2023-25 development plan; and (iv) 2035 Tunisia vision.

Figure 1. Government's medium-term strategy

33. **The overall objective of the economic and financial stabilization program is to lay the foundation for sustainable and inclusive economic growth**. This is expected to be achieved by: (i) regaining trust and accelerating private investment, (ii) strengthening economic activity, (iii)

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[15] Idem

[16] Over the last 5 years on average, the production of cereals accounted for 31.6 percent of the consumption (60 percent of consumption for durum wheat and 3.6 percent for soft wheat). Source : Office des céréales: https://www.oc.com.tn/fr/evolution-de-collecte-des-cereales-de-tous-les-produits/.

improving service delivery for citizens and the business community through more efficient administration and public enterprises, (iv) strengthening social development and resilience, and (v) promoting economic resilience.

34. **Implementation of the economic & financial stabilization program is being executed through seven reform axes:** (i) freeing up initiative and laying the foundations for fair competition; (ii) supporting financial sector resilience; (iii) improving public sector performance; (iv) enhancing digitalization; (v) promoting human capital; (vi) supporting social integration; and (vii) ensuring sustainable development.

35. **The 2023-25 government development plan[17] builds on Tunisia's vision concept, "*Note d'Orientation Tunisie 2035*".** This vision is articulated around private sector-led economic growth and job creation, with the development of high added-value sectors, strengthening of human capital, and promotion of a vibrant civil society. The vision concept consists of six axes:

- **Axis 1: Human capital and Inclusive Development.** Main areas include social welfare, education, health, and vocational training.
- **Axis 2: A knowledge-based economy for innovation and creativity.** This includes strengthening skills, research & development, digital transition, and innovation.
- **Axis 3: A competitive and diversified economy, which fosters private sector initiative.** This includes sectors of high value added and technology, export and diversification, promotion of private investment, and development financing.
- **Axe 4: Green economy and climate change.** This includes sound use of natural resources, waste management, water security, renewable energy, circular economy, agriculture systems that ensure food security, green growth, and climate change adaptation.
- **Axe 5: Social justice and cohesion.** This includes reducing disparities and fostering social inclusion.
- **Axis 6: Inclusive and fair regional development reducing disparities.** This includes strengthening local institutions; supporting entrepreneurship and economic initiatives that build on the valorization of lagging regions; fostering regions attractiveness; and strengthening land management.

B. Proposed WBG Country Partnership Framework

36. **This WBG CPF (IBRD-IFC-MIGA) covers the five-year period FY23-27, aligns with Tunisia's development priorities and WBG's corporate priorities, and is informed by the SCD and the initial analysis from the ongoing Country Climate and Development Report (CCDR)**. The CPF is also consistent with the four pillars of the WBG's Global Crisis Response Framework (GCRF): (i) responding to food insecurity; (ii) protecting people and preserving jobs; (iii) strengthening resilience; and (iv) strengthening policies, institutions, and investments. The government's strategy and close dialogue with the client have helped the WBG narrow its focus on a set of development priorities, while reflecting two cross-cutting themes—gender and accountability & trust— across all activities. These choices have been validated by the SCD Update and by the WBG comparative advantage and corporate priorities. While the priorities of the government program and the CPF are well aligned, the CPF leaves room for even greater emphasis on areas such as social inclusion and resilience, renewable energy and climate change policies, and reforms related to SOEs and price subsidies.

37. **While building on WBG's existing and pipeline lending and knowledge program, the CPF draws lessons from the FY16-21 CPF, particularly on the selection of HLOs and the need to focus on effective implementation.** The ability to attribute results to the contribution of WBG programs is a critical criterion for the design of CPF objectives. At the same time, the CPF seeks to combine flexibility and selectivity, and to incorporate measures to strengthen implementation. Flexibility and performance measurement will be ensured through a Performance and Learning Review (PLR), which will either be triggered by CPF implementation or take place at mid-term, and evaluate progress achieved and adjust the CPF as needed.

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[17] The 2023-25 Development Plan includes a Business Climate Improvement Strategy that was prepared in close consultation with the private sector and aims at improving Tunisia's attractiveness for investors.

Lessons Learned

38. **As reported in the 2022 Completion and Learning Review (CLR), the FY16-21 CPF had strong foundations, covered relevant priorities, and contributed to successful, long-term engagements in energy and social protection.** Design of the previous CPF was largely aligned with Tunisia's government development agenda, the 2015 SCD, and the WBG's corporate and regional priorities. Main development challenges were properly identified, and risks were adequately assessed, adjusted appropriately mid-way, and monitored throughout the CPF period. Also, knowledge and advisory activities under the previous CPF were significant and contributed to client engagement. IFC also contributed to the CPF with investments and advisory projects supporting the private sector, while MIGA contributed through the continuation of its non-honoring of sovereign obligations guarantees, which enabled more sustainable commercial financing of public investments in the transport sector. In the energy sector, the WBG developed a long-term partnership with the Tunisian government over the last decade, with a diversified and integrated program to prepare Tunisia to become a regional renewable energy hub.[18] On social protection, IBRD helped the government set up an integrated social safety nets system.[19]

39. **The CLR also shows, however, that the FY16-21 CPF did not achieve most of its objectives, despite a gradual increase in the size of the WBG's program and the frequent use of development policy financing (DPF).** Two out of ten CPF objectives were achieved, and overall disbursement stood at around 42 percent over FY16-21,[20] with a significant share from DPFs. Non-DPF disbursements were limited, particularly if the FY21 health and social protection COVID-19 emergency operations are excluded. Implementation of investment project financing (IPF) was affected by the lengthy period between approval by the World Bank's Executive Board and project effectiveness —usually 9-13 months over the period FY16-21. Progress on support for reforms and the impact of DPF operations were limited.[21]

40. **The CLR and several project Implementation Completion Reports (ICRs) suggest that the CPF's low implementation performance was caused by overambitious projects' results frameworks, lack of selectivity, and underestimation of political economy and institutional challenges, particularly for DPFs.** The CLR concluded that project design was often excessively complex and, in some cases, overly ambitious, as evidenced by cancelations and reallocations in FY20 and FY22. According to the ICRs, DPF results were held back by overly ambitious agendas that supported too many proposed reforms while underestimating counterpart challenges. Several implementation bottlenecks emerged, especially regarding the design and implementation of safeguard and fiduciary management, where public financial management and procurement challenges on the government side and the effect of frequent cabinet changes were underestimated. Moreover, the 2018 PLR did not sufficiently revise the results framework in response to contextual factors that were hindering implementation, and the emerging lessons identified in the PLR could not be addressed effectively, keeping the portfolio at risk. In addition, the extent to which CPF outcomes could be attributed to WBG interventions was not straightforward for all objectives. Finally, the WBG's lending engagement was broad and

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[18] The active portfolio and ASA include advice on energy subsidy reform, diagnostics on the electricity company, oil & gas sector, renewable energies and innovative technologies (e.g., CSP, green hydrogen); a US$13 million Technical Assistance Project to design the Tunisia-Italy interconnection to export renewable energy to Europe; and a US$150 million investment project on transport network.

[19] This included the 2014-19 PARPS project supporting the design of the new integrated safety net (AMEN Social program) and the development of a new Management Information System; the 2018 DPF supporting the adoption of the AMEN Social Law; the Digital Transformation for User-Centric Public Services (GovTech) project supporting the digital transformation of the social assistance system with its cash transfers and social security system; and the 2020 DPF which supported the implementation decrees of the AMEN social law, the National Unique identifier, and the expansion of the coverage of health insurance cards.

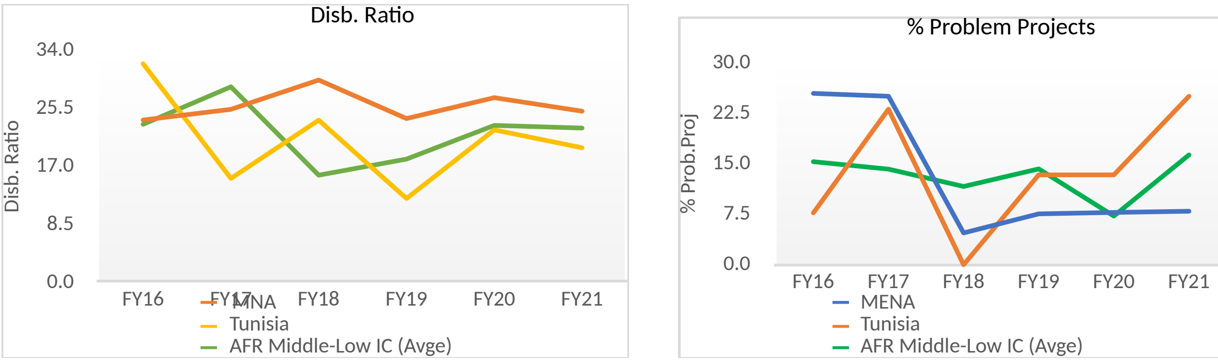
[20] The average of 42 percent is based on an analysis over the previous CPF period and covering all types of operations (DPO, PforR, and IPF).

[21] For example, the 2018 DPO Business Environment & Entrepreneurship (P158111) achieved 3 out of 8 target indicators, and the 2019 Investment, Competitiveness and Inclusion had 4 indicators fully achieved, 2 partially, and 7 not achieved.

fragmented into nine sectors in 2018 combined with a relatively low ratio of field-based task team leaders (TTLs).[22]

Figure 2. Tunisia Portfolio Performance in Comparison: disbursement ratio & problem projects

* Tunisia compared to MENA and the average of 4 Sub-Saharan African lower middle-income countries.



** As per IBRD policy, disbursement ratio in this table is calculated for IPF (disbursed amount in given FY/undisbursed amount at beginning of FY.

41. **In FY22, IBRD delivered US$550 million of emergency projects supporting the government's response to the COVID-19 pandemic and the crisis resulting from Russia's invasion of Ukraine while intensively providing just-in-time advice to the government.** The delivery of emergency projects in social protection, health, and food security was crucial for the swift disbursements of over US$465 million. In parallel, an in-depth portfolio review led to another series of fund cancellations and reallocations (similar to those conducted in FY20). Intense just-in-time advice was provided on reform planning and monitoring through support for the Head of Government service delivery unit and advice on policy areas such as subsidies, SOEs and competitiveness.

42. **Design of this CPF also builds on extensive inputs received through in-depth consultations with the government, private sector, civil society, and development partners.** During these consultations, government representatives emphasized the importance of aligning the CPF with the 2025 National Plan of Reforms and the medium-term development plan for 2023-25. Participants underlined the critical importance of WBG's policy advice and emphasized the priority placed by the government on subsidy and SOE reforms, renewable energy, human capital, and natural resources management. The business community stressed the need to improve the effectiveness of public spending, while creating better conditions for private sector development and investment. Civil society representatives reaffirmed their desire for stronger involvement in monitoring the CPF implementation. Women's groups noted that women are marginalized in several aspects of society, including land ownership and education. Development Partners acknowledged the strong cooperation with the WBG, particularly through parallel financing, the platform approach, and the joint budget assistance matrix.

43. **On this basis, it is clear that successful execution of the FY23-27 CPF will depend heavily on its implementation approach.** The CPF needs to ensure that progress toward identified objectives can be attributed clearly to WBG programs and other key features, such as enhanced selectivity and supervision (Table 2). Given the crisis context, the CPF will need to strike an effective balance between emergency support and long-term development goals.

[22] In 2018, out of the 15 active projects, 8 were supervised by TTLs based in Tunis.

Table 2: Doing Business Differently in the CPF for FY23–27

More of / New
Attributability. Design of CPF objectives with careful attention to attributability to the WBG program. **Selectivity.** Enhanced selectivity with systematic prioritization criteria for design of CPF objectives and pipeline lending. **Readiness.** Project design criteria (political economy, social, simple design, impact, ownership) checked at negotiation stage. **Continuity & long-term engagement.** Previous strong implementation track record, long-term programmatic engagement. **Budget support.** Reform readiness, exploring further reliance on Program for Results (PforR) to support focused reforms. **Trigger for PLR.** Criteria to trigger earlier PLR are portfolio performance & context. Review of CPF Result Framework at PLR. **Project Targeting Index (PTI).** Implementation of PTIs and use for CPF monitoring at PLR. **Citizen engagement & supervision.** Systematic adoption of consultative and collaborative practices with stakeholders. **Enhanced portfolio supervision.** Field implementation support including tackling bottlenecks portfolio-wide.

44. **Key Lesson Learned 1: Selectivity.** Selectivity in this CPF is two-pronged. First, while the HLOs are, by design, broad longer-term goals that reach beyond CPF attributability, the objectives highlighted in this CPF are designed to be focused and attributable to CPF-supported activities and existing programs over the course of the CPF period (figure 3). Second, the CPF will apply selectivity filters at the project identification and design stages to ensure readiness and feasibility (Section IV).

45. **Key Lesson Learned 2: Readiness.** The CPF will focus on project readiness at design stage and include a series of criteria to ensure reasonable probability of implementation success prior to releasing proposed projects for WBG Executive Board approval. In particular, the WBG will consider the political economy, the degree of counterpart ownership and institutional capacity, the need for technical assistance (TA), and the simplicity in project design (Section IV).

46. **Key Lesson Learned 3: Continuity & Long-Term Engagement**. The CPF will build on successful programmatic and long-term engagements, such as those in the energy and social protection sectors. This focused targeting of lending support will be combined with a broader scope and engagement-focused approach to advisory services and analytics (ASA) to continue exploring opportunities for greater development impact and poverty reduction.

47. **Key Lesson Learned 4: Budget support. Impactful engagement commensurate with country context and relying on DPFs complemented by PforRs.** IBRD's Budget support design will internalize political uncertainty and country context, work to strike the right balance between ambition and feasibility, and support more focused reforms in a way that is reflected properly in results frameworks with achievable results.

Figure 3. Selectivity Filters for CPF HLOs & Objectives

Structure and Overview of the WBG Partnership Framework

48. **The CPF is built around three HLOs and two cross-cutting themes that address Tunisia's main development challenges, support national development goals and WBG corporate priorities, and reflect SCD recommendations**. The HLOs are: *(i) Quality jobs created by the private sector; (ii) Strengthened Human Capital; and (iii) Improved resilience to climate change and reduced carbon emissions*. These three HLOs and their respective objectives are described in Section III.C,

along with two cross-cutting themes: *(i) Gender and (ii) Social Accountability, Participation & Trust*.

49. **Informed by the ongoing CCDR, the CPF also aims at building a low-carbon and resilient society and promoting inclusive development.**[23] The CCDR is informing CPF objectives and advancing the analytical discussion by identifying the most effective actions to address climate and development goals (Figure 4). On mitigation, the main analytical work will be presented under *Pathway 1a: Decarbonization of the energy sector* and *Pathway 1b: Decarbonization of the energy demand*, *Pathway 2: Adapting the water sector*, *Pathway 3a: Urban and coastal resilience*, *Pathway 3b: Financial insurance and resilience and Pathway 4: Integrated landscape management* will pave the way to a more resilient green and blue economy. The CCDR will present a policy matrix to prepare a transition for the economy and people focusing on actionable interventions.

Figure 4: Tunisia CCDR Framework

50. **The Tunisia CCDR has been conducted simultaneously with the CPF preparation.** The framework and priorities initially analyzed by the CCDR have informed and will support the implementation of the CPF, and particularly its HLO III.

Box 2: Tunisia CCDR

The Tunisia CCDR aims to help advance Tunisia's climate policy and development agenda by identifying the most crucial and effective policies and investments for mitigation and adaptation for this purpose. It contributes to addressing climate change issues and navigating the economic crisis by identifying the main policy changes needed for Tunisia to become a strong, low carbon, inclusive and resilient economy. It also identifies the biggest risks and opportunities and advocate for management and trade-offs. This CCDR is shedding light on the short- and long-term impacts on climate and development goals both of different policy options. Specifically, the CCDR intends to provide a new development framework internalizing specific challenges such as the reliance on fossil fuels and the opportunities to modify the energy matrix, the opportunity to find new engines of growth, the water crisis, and the importance of the coastal economies. On mitigation, the main analytical work is focused on the decarbonization of the energy sector and of energy demand. The adaptation angle is focused on water scarcity and urban and coastal resilience. For both mitigation and adaptation, the CCDR considers the financial and private sector dimensions as well as key human development and governance implications. These areas have been identified on the basis of the potential impacts on the economy as well as on the country's adaptation and mitigation goals presented in the last National Determined Contribution (NDC).

51. **As a joint IBRD–IFC–MIGA strategy, the CPF will build on IFC and MIGA strategic engagement in the country.** IFC strategic priorities, which have been based on both Tunisia´s development

[23] MENA Climate Roadmap 2021-25.

challenges and a diagnostic of the challenges and opportunities for greater private sector participation, revolve around the following three priority areas: (i) enhancing the resilience and competitiveness of the private sector; (ii) supporting MSMEs and entrepreneurs, with a focus on access to finance; and (iii) building the foundations of an inclusive recovery, through sustainable infrastructure. Also, as IBRD's support to energy sector reforms advances, there may be potential for further collaboration with IFC and MIGA in supporting private sector engagement in generation and distribution, particularly in scaling-up renewable energy. IBRD-IFC synergies will also be pursued to advance the implementation of the CPF objectives in other areas such as the development of public–private partnerships (PPPs), and financing of infrastructure projects, ranging from water management to transport and logistics. MIGA will also explore opportunities to support investments in Tunisia's renewable energy sector and trade finance alongside IFC.

52. **In addition to lending, the CPF proposes an ambitious agenda for advisory work and TA.** This represents a continuation of prior efforts across the development agenda, with an emphasis on the cross-cutting themes. The ASA agenda will continue to be pursued in close partnership with the authorities and in coordination with development partners. The Tunisia Economic Resilience and Inclusion (TERI) Country Trust Fund Umbrella will support the ASA agenda (e.g., advisory services, capacity building) including Policy Dialogue and support to reforms.

53. **The CPF introduces two scenarios triggered by the progress achieved in implementing Tunisia´s reform program.** Three financing categories are considered for IBRD: (i) Emergency & Resilience, (ii) Transformational Investment, and (iii) Policy Change. In the case of reform progress consistent with the government program, all three categories will be financed. Otherwise, CPF financing will focus on the first two, with policy change supported through ASA. Regarding IFC, financing operations could be scaled-up under the first scenario most notably in the renewable energy sector, and with export-oriented businesses; otherwise, IFC's program will weigh more on investment climate reforms and technical support to entrepreneurship.

C. Objectives supported by the WBG Program

54. The WBG´s main objective is to assist the country over the CPF period to move from an unsustainable status quo to a jobs-generating and growing economy, and to support the Government in implementing its ambitious program of reform and multi-annual plan.

HLO I: Quality jobs created by the private sector

55. This HLO supports Tunisia's efforts to improve macroeconomic and fiscal stability, private sector led growth, and job creation by reframing the role of the State in the economy. Its objectives are: (i) improving the efficiency of energy public spending; (ii) improving access to long-term finance for viable and innovative SMEs and startups; and (iii) reducing regional economic disparities. This HLO will also support statistics and data on poverty while remaining flexible to expand the engagement in areas such as wage bill, tax equity improvements, and targeted expansion of cash transfers. It will continue to foster private sector development and business climate reforms with IBRD focus on commercial justice to improve business environment and investment climate, and IFC support to enabling greater integration in global value chains, particularly for agribusiness and manufacturing, entrepreneurship, and business climate reforms. On the financial sector, IBRD and IFC will continue to support banking supervision frameworks and prevent the proliferation of and manage risks related to non-performing loans (NPLs). A Financial Sector Assessment Program (FSAP) is planned, in coordination with the IMF. The HLO will also contribute to consultative approaches and ongoing feedback mechanisms, which will be achieved through institutionalizing service charters, strengthening local feedback and complaint mechanisms and crowdsourcing ideas.

Table 3: Overview of HLO1 objectives and indicators

HLO Objectives	Objective Indicators
1.1 Improving efficiency of energy public spending.	(i) Energy subsidies as share of GDP; and (ii) STEG Operating Revenue-to-Operating Cost Ratio.
1.2 Improving access to long-term finance for viable and innovative SMEs & startups.	(i) Increase in the total volume of outstanding SME loans with maturities above 7 years in PFI portfolio (Percentage); (ii) Private capital mobilized for innovative startups and SMEs through Bank projects.
1.3 Reducing regional economic disparities	(i) Number of people living in targeted disadvantaged areas benefiting from improved municipal infrastructure; (ii) Number of firms in lagging regions benefiting from infrastructure investments & direct financial support (indicator to be disaggregated by women-owned firms); and (iii) Goods traffic across the corridor Sfax-Kasserine.
Financing Focus	Objective 1.1: Policy Change; Objectives 1.2 & 1.3: Transformational Investment.
HLO-level Indicator	Increased net job creation by the private sector, including disaggregated for youth, women, university graduates.

Objective 1.1.: Improving efficiency of energy public spending

56. **Inefficient energy subsidies and the poor performance of state-owned enterprises (SOEs) in the energy sector are a source of substantial fiscal pressures and risks in Tunisia.** The provision by the state of imported energy at subsidized prices and its impact on energy SOEs is a major reason for the government's large fiscal deficits. Despite price increases in 2022, energy subsidies (electricity, gas, fuel) are still large with around 5 percent of GDP in 2022 according to WBG estimates. On average during 2017-22, expenditures on energy subsidies were the equivalent of 43 percent of the budget deficit. Also, the largest subsidy transfers continue to be directed towards the SOE that imports and refines fuel (Société Tunisienne des Industries de Raffinage, STIR) and the power utility (Société Tunisienne d'Electricité et du Gaz, STEG). STEG also has a large share of public debt, and its financial viability is at risk.

57. **The CPF will contribute to improving fiscal sustainability and efficiency, focusing on electricity and gas subsidies and the performance of the power utility (STEG), through a combination of ASA and lending aligned with Government priorities and timing.** This includes IBRD contribution to the financing of Tunisia-Italy electricity Integration and Renewable Energy Ecosystem (ELMED) Project and STEG's performance. The ASA program will seek to inform the government's energy subsidy reform program and build on the current ASA on the financial and operational performance of STEG. The WBG is regularly providing the government with analysis and expert advice on SOEs overall, including on governance issues. On the operational front, DPF operations will leverage the large ASA program and the WBG's active donor coordination efforts to advance critical fiscal reforms. The CPF aims to build strong complementarities between financing instruments to support improving the efficiency of energy public spending. IBRD support will be aligned with Government priorities and sequencing of implementation.

Objective 1.2.: Improving access to long-term finance for viable and innovative SMEs and startups

58. **Access to finance is a critical bottleneck to private sector development in Tunisia.** The private sector, which is dominated by MSMEs, is constrained by difficulties in accessing finance particularly for MSMEs and startups. Financial inclusion is particularly low among women and women-led enterprises, which affects their ability to borrow and develop businesses. Beyond banks, few effective financing mechanisms exist in the Tunisian economy. Private equity remains underdeveloped, and capital markets are shallow, restricting access to long term finance. At the other end of the spectrum, the microfinance market remains underexploited, including closing the gender gap in access to finance between SMEs led by men and those led by women.

59. **The WBG has had a long engagement on many aspects of the financial sector and private sector development in Tunisia, and is delivering coordinated analytics, advisory work, and lending support.** The ongoing IPF on 'Innovative startups and SMEs' is mobilizing private capital (equity) for targeted high growth segments, which are key for job creation. The project includes a focus on increasing the participation of women-led startups and SMEs. In complement, IFC's program focuses on access to finance, support to key agribusiness and manufacturing value chains, entrepreneurship, and business climate reforms. IFC's "Accelerator Scale-Up for Youth Entrepreneurship" project supports unlocking the potential of innovative entrepreneurship in Tunisia. IFC is also supporting the leading Tunisian microfinance institution to broaden microcredit and early-stage financing for entrepreneurs.

60. **The CPF will continue to support enhanced access to finance for the private sector and particularly innovative SMEs and startups, through a mix of IBRD non-lending and lending instruments, as well as IFC and MIGA instruments.** Through the Tunisia Support to SMEs for Economic Recovery, IBRD will continue helping the Government to improve access to long-term finance to viable SMEs through a line of credit. IFC's key strategic priorities will be to support: (i) development and internationalization of export-oriented businesses through advisory and investments; and (ii) financial inclusion. MIGA has the potential to leverage its capital optimization and trade finance guarantees to help support access to finance for the private sector.

Objective 1.3.: Reducing economic regional disparities

61. **Tunisia's economic development has been characterized by significant disparities between more dynamic coastal areas and lagging hinterland regions.** Lagging regions have the lowest regional development indicators in education, employment, and health. They also lack basic infrastructure and equipment; and have a weaker private sector and the highest rates of youth unemployment. Poor infrastructure connectivity to economic hubs reduces lagging regions' access to markets and significantly affects women's entry into the workforce, while private sector development is hampered by the challenging business environment.

62. **IBRD is helping to address regional imbalances through a mix of lending and non-lending instruments.** The ongoing Road Transport Corridor Project (Tataouine-Medenine) and Urban Development and Local Governance PforR contribute to increasing inter-regional connectivity, municipal infrastructure, and service delivery in lagging regions. The latter is complemented by an advisory program, which addresses fiscal transfer, local governments resources, citizen engagement, and transparency.

63. **To continue fostering inclusive economic development, the CPF will focus support on inter-regional connectivity and inclusion.** Through an IPF, the CPF will focus on improving road connectivity between Sfax and Kasserine, and SME financing in the lagging governorates of Sidi Bouzid and Kasserine.

HLO II: Strengthened Human Capital

64. **This HLO supports efforts to strengthen human capital and inclusion in Tunisia.** Its objectives are: (i) improving the quality of basic education services delivery; (ii) improving the relevance of higher education; and (iii) strengthening the resilience of households to shocks. This HLO will also support the digitalization of services in health, education and social protection through the Digital Transformation for User-Centric Public Services (GovTech) IPF; the preparation of a human capital review; TA and potential lending on the National Health Strategy; and analytical work to better understand outward migration among health and education professionals. This HLO will also include analytics on deeper understanding of existing local/school level social accountability mechanisms and ways to further increasing accountability in the education sector. This HLO will also support engagement on migration with a view to contributing to the public debate and advising the Government–through data collection, analytical work, and policy advice as may be

relevant–and to supporting multilateral cooperation with origin and destination countries, including by using the WBG's convening power. A series of public dialogues are being planned, the first at the end of June 2023 when the World Development Report 2023 would be used to contribute to the framing of a constructive migration debate in Tunisia. In parallel, household survey data collection, both quantitative and qualitative, on migration is in an advanced planning stage together with Tunisian institutions.

Table 4: Overview of HLO2 objectives and indicators

HLO Objectives	Objective Indicators
2.1.: Improving the quality of basic education service delivery	(i) Increase in average number of words read per minute in Arabic for children in grade 3 (disaggregated by gender); (ii) Increase in average number of words read per minute in French for children in grade 4 (disaggregated by gender and urban/ rural).
2.2 Improving the relevance of higher education	(i) Proportion of students registered in higher education who choose programs that are in high demand by the Tunisian private sector (disaggregated by gender); (ii) Increasing the number of programs with international accreditation.
2.3 Strengthening the resilience of households to shocks.	(i) Proportion of households in the bottom 40 percent covered by the cash transfer program; (ii) Number of children 0-5 years old from poor and vulnerable households receiving family allowance; (iii) Percentage of beneficiary households receiving permanent cash transfers and family allowance through digital payment tools.
Financing Focus	Objectives 2.1 & 2.2: Transformational Investment; Objective 2.3: Emergency & Resilience.
HLO-level Indicator	Human Capital Index

Objective 2.1. Improving the quality of basic education service delivery

65. **Low learning outcomes are a key factor in the stagnation of human capital development of Tunisia, which is one of only two countries in the MENA region with a decreasing score on the Human Capital Index (HCI) over the last decade.** Learning poverty among the student population of 10-year-olds stood at 65 percent in 2019. While some of the improvements needed in basic education services require central level reforms, these need to be accompanied by visible improvements in frontline service delivery.

66. **The CPF is contributing to strengthening basic education in Tunisia.** The IBRD-funded Strengthening Foundations for Learning Project (PREFAT) supports efforts to improve learning foundations in preschools and primary schools, with a focus on the supply, quality, and learning conditions of public preschool in lagging regions, including teacher capacity, and learning assessment. Under the CPF, IBRD will help to expand and improve the quality of early childhood services; strengthen teacher performance; and build on the digital education and school connectivity improvements to provide digital learning and teaching tools with a focus on lagging regions and vulnerable groups.

Objective 2.2.: Improving the relevance of higher education

67. **There is a poor match between the skills produced by Tunisia's education system and the needs of the labor market.** In addition to increasing skilled human capital, higher education is essential for promoting technology absorption and creating innovation spillover effects. To benefit from the substantial job creation potential of the clean energy transition, Tunisia needs substantial and targeted education and training of human resources at the tertiary level, while including vulnerable population groups such as young girls and women in rural areas. Scaling up and enhancing information and communication technology (ICT) training programs could boost digital skills and facilitate women's transition from higher education to the job market.

68. **IBRD supports jobs and employability.** The Tertiary Education and Employability Project (PROMESSE) has worked to introduce financial autonomy of and competitive financing in universities, which has been instrumental in improving curricula through programs co-constructed in partnership with industry and the private sector, including career centers (4Cs). The Youth Economic Inclusion (Moubadiroun) project aims to expand economic opportunities for targeted disadvantaged youth in Tunisia. The TRACE project supports youth in rural areas for whom wage jobs are limited and small-scale entrepreneurship could offer good prospects. IBRD also provides TA to build capacity for intermediation stakeholders such as the National Agency for Employment (ANETI), to assist all job seekers and underemployed workers in finding better jobs.

69. **During the CPF period, IBRD will continue to support the employability of higher education graduates, the placement of job seekers—especially youth and women, and improvements in the governance and management of higher education.** Building on the foundations of the PROMESSE project, IBRD can support the large-scale implementation of performance-based financing of universities to improve both employability of higher education graduates and the governance of the system. Interventions will prioritize high productive sectors, such as renewable energy, climate change, the digital and blue economy. IBRD will also support the provision of services to enable vulnerable youth and others who live in lagging regions to gain access to the labor market.

Objective 2.3.: Strengthening the resilience of households to shocks

70. **Strengthening household social and system resilience is crucial for minimizing the impact of shocks such as economic downturns, outbreaks of pathogens and pests, food crises and climate change.**[24] Since 2018, the Government has implemented the integrated AMEN social inclusion and protection program to respond to shocks and mitigate their impact. This program has shown its responsiveness during the COVID crisis and its ability to become an entry point for providing poor and vulnerable populations with access to social programs. The COVID-19 Social Protection Emergency Response Project is helping AMEN on the mitigation of the impact of COVID-19 on poor and vulnerable households. The Tunisia Emergency Food Security Response Project contributes to mitigating food security risks through short-term supply of wheat for uninterrupted access to bread for vulnerable households, and through strengthening the resilience of the domestic grain value chain to shocks and climate change.

71. **During the CPF period, IBRD will continue to strengthen household resilience to future shocks.** Support to AMEN will focus on further improving its efficiency and its linkage with other programs targeted to vulnerable households. AMEN will provide cash transfers to poor households and link them to early childhood development services. The IBRD will also support household resilience to the impacts of the pandemic through a health system resiliency tool developed by the WBG to identify specific ways to reinforce key public health functions. Country food security capacity will continue to be supported.

HLO III: Improved resilience to climate change and reduced carbon emissions.

72. This HLO, which is informed by the on-going CCDR, is fully aligned with the climate ambitions stated by Tunisia in its Nationally Determined Contribution (NDC) to the UNFCCC and with the Paris Agreement, both on Mitigation and Adaptation agenda. [25] This HLO will help put Tunisia on a low-carbon and climate-resilient development path. The ongoing CCDR aims at further strengthening the analytical foundations to enhance climate benefits of WBG interventions while spurring growth, jobs, and competitiveness. This HLO also supports a "whole of society" participatory approach for climate change.

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[25] https://unfccc.int/sites/default/files/NDC/2022-08/CDN%20-%20updated%20executive%20summary.pdf?download

Table 5: Overview of HLO3 objectives and indicators

HLO Objectives	Objective Indicators
3.1.: Increasing Renewable Energy Generation Capacity.	(i) Installed renewable energy generation capacity (in MW); (ii) Private sector funds invested in renewable energy (in US$ million).
3.2.: Improving disaster risk management.	(i) Number of people covered by urban flood risk reduction infrastructure. (ii) Number of eligible beneficiaries for a public disaster risk financing mechanism (disaggregated by gender).
3.3.: Improving water services	(i) Area provided with new/improved irrigation or drainage services. (ii) Number of new households connected to the sewer network.
Financing Focus	Objectives 3.1, 3.2, & 3.3: Transformational Investment.
HLO-level Indicator	Level of implementation of NDC for Tunisia.

Objective 3.1.: Increasing Renewable Energy Capacity

73. **Accelerating the development of renewable energy, mostly through private sector investment, would help Tunisia switch to a more resilient and sustainable economic model.** Tunisia's economy is highly dependent on mostly imported fossil fuels for its energy needs, leaving it vulnerable to fluctuations in international energy prices. Accelerating the deployment of renewable energy would significantly reduce the carbon intensity of the economy and align it with the Paris Agreement.

74. **The government has set itself ambitious energy transition targets and timeframe,** including: (i) diversifying the energy sources by increasing the share of renewables in the energy mix to 35 percent (or 4.7 GW of additional capacity) by 2030 (the Tunisian Renewable Plan – TRP) under three private sector driven regimes—concessions (for large scale projects), authorizations and auto-generation for industries; (ii) promoting energy efficiency to reduce energy consumption by 30 percent by 2030; (iii) improving the sector performance to reduce energy costs; (iv) eliminating energy subsidies by 2026; and (v) strengthening sector governance with a regulatory authority regulating energy prices.

75. **The WBG developed a long-term partnership with the Tunisian government to accelerate the country's energy transition, focusing on increasing private sector participation and positioning the country as a regional hub for energy integration with the European Union (EU).** The IBRD program has included: (i) advice on energy subsidy reform, STEG viability, reform of the oil & gas sector, and renewable energies; (ii) the design of the Tunisia-Italy interconnection that will export renewable energy to Europe; and (iii) an investment project on transport network. IFC engaged with the authorities to improve the bankability of the renewable energy program and attract international private sector investment. MIGA is also positioned to help mobilize foreign direct investment for the same program.

76. **The CPF will continue to support Tunisia's energy transition toward a more financially sustainable low-carbon model.** IBRD program includes an IPF to finance the Tunisia-Italy interconnection pipeline project ELMED, and technical assistance including for issuing necessary regulations to promote private investments in renewables and for the modernization of STEG. IFC and MIGA will also work to mobilize renewable energy investments by private investors through a combination of upstream advice, investment, and in the case of MIGA, political risk guarantees.

Objective 3.2.: Improving disaster risk management

77. **Tunisia is highly vulnerable to natural hazards and climate change, with impacts felt across key sectors of the economy.** The country's vulnerability is tied to rapid and uncontrolled

urbanization[26] and inadequate and dated urban infrastructure.[27] While droughts are recorded most frequently,[28] floods account for the most significant economic losses,[29] the highest number of casualties and people affected.[30] The 2018 national disaster risk profile prepared by IBRD estimates that floods may cause an average annual loss (AAL) of US$ 42.3 million, or 0.11 percent of Tunisia's GDP (2018). Despite the magnitude of this challenge, investments in urban flood protection have been relatively low.[31]

78. **IBRD is working with the Tunisian authorities to enhance the preparedness and protection of the Tunisian population and assets against disasters and climate-related hazards.** Through a PforR, IBRD supports a holistic approach to disaster risk management (DRM) and financing (DRF) by improving the GoT's financial capacity and regulatory environment for the management of disaster and climate-related risks, focusing on: (i) risk understanding by strengthening hydromet services to monitor and forecast climate shocks, (ii) risk reduction of flooding through resilient infrastructure investments; (iii) strengthening DRM financing; (iv) climate and DRM institutional coordination and sound regulation.

79. **The CPF will continue improving climate and disaster risk management.** The CPF will (i) support the transfer of certain DRM-related prerogatives to municipalities, (ii) expand support for urban resilience while enhancing citizen participation, and (iii) support the country in developing contingency financing for disasters.

Objective 3.3.: Improving water services

80. **Tunisia is one of the most water scarce countries in the region (and in the world).** With an estimated 399 m^3 of annual renewable freshwater resources per capita, Tunisia has fallen below the threshold of absolute water scarcity.[32] The increasing incidence and severity of droughts is already a major source of macroeconomic volatility and a threat to food security at the national level. In addition, water resources are deteriorating at a faster rate due to insufficient treatment of wastewater.

81. **The WBG supports the sustainable management of water resources, by improving irrigation and sanitation services.** The WBG accompanies the transformation of the agriculture sector, to become more resilient to climate shocks, by supporting the modernization of the irrigation systems and the production and distribution of certified climate-smart seeds: both interventions directly contribute to reducing the vulnerability of the domestic cereal production to droughts. Through the support to the national sanitation utility (*Office National de l'Assainissement,* ONAS), the WBG contributes to expand water sanitation services to hundreds of thousands of beneficiaries, while improving environmental conditions through enhanced wastewater treatment. Given the current water shortage, the WBG will be ready to upscale support on water management.

69.6%[26] of the population living in urban areas in 2020; Source: World Bank, 2020: https://donnees.banquemondiale.org/indicateur/SP.URB.TOTL.IN.ZS?locations=TN&most_recent_value_desc=false

[27] Tunisie Profil National de Risques de Catastrophe, 2020, World Bank.

[28] 54 percent of disaster events reported between 1957 and 2018.

[29] Around 60 percent of losses during this period.

[30] Combined data from DesInventar and EM-DAT.

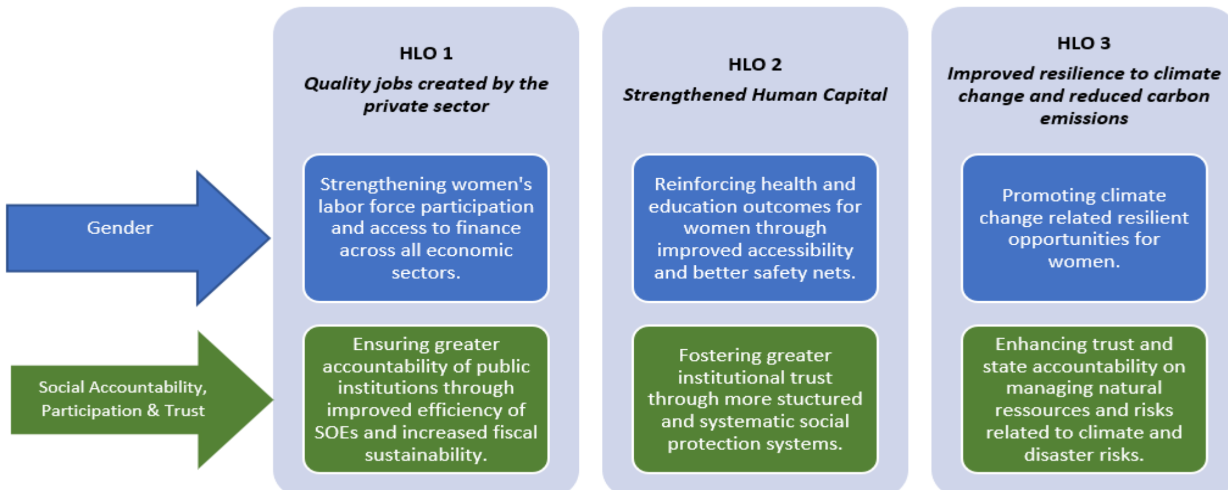
[31] In 2010, the Directorate of Urban Hydraulics' (DHU) annual investment budget for flood risk reduction projects was TD 14 million (US$ 5 million). Since the 2018 flash floods in Nabeul, the DHU's investment budget has increased significantly, reaching TD 123.5 million (US$ 45 million) in 2020.

[32] The absolute level of water scarcity is set at 500 m3 per capita per year.

82. **Through analytical and advisory work, WBG will deepen the engagement on critical topics.** On one hand, the CCDR is carried out during the first year of the CPF implementation and builds a strong knowledge base on the complex inter-relations between climate change and development: outputs of the CCDR aims at strengthening the climate dividends of our engagement across the sectors. On the other hand, WBG will continue its engagement on Blue Economy to inform the development of the Blue Economy Strategy and identify priority actions. Across the analytical engagement, a special focus will be given to job creation in green and blue economic sectors.[33]

Cross-cutting themes: (i) Gender; and (ii) Social Accountability, Participation, and Trust

Figure 5. Impact of cross cutting themes on HLOs



Gender

83. **In line with the WBG Gender Strategy for FY16–23, and the MNA Gender Action Plan, the CPF's focus on women and girls will be applied through consistent attention to gender implications in all ongoing and new operations, as well as ASA.** Supported by the Maghreb Facility for Women's Economic and Social Inclusion (MFW), and based on the Tunisian context and priorities, focus areas will include: (i) equitable access to services, (ii) employment, (iii) financial inclusion and entrepreneurship, and (iv) gender-based violence (GBV) and agency.

84. **Under HLO1, on quality jobs created by the private sector, the CPF will aim to enhance women's financial inclusion and conditions for greater access to economic opportunities.** This requires (i) a deeper understanding of obstacles to women's access to finance, through increased evidence and analytics to propose tailored solutions, (ii) addressing gender gaps among MSMEs by reinforcing financial and technical support to female entrepreneurs and promoting workforce and corporate boards gender diversity.

85. **Under HLO2, the gender focus will support efforts to improve efficiency and quality of service delivery in education services and social protection for women.** High unemployment of women, especially those with tertiary education is correlated to the skills mismatch. The CPF will contribute to better understanding (i) the transition from education to work (tracer studies and gender norms survey), and (ii) how to better connect education and the private sector. The CPF will also support early childhood education for better learning outcomes of children and increased livelihood for women. Finally, the CPF will support an improved offer of quality jobs to women.

[33] Agriculture, fisheries, forestry. eco-tourism.

86. **Under HLO3, on improved resilience to climate change and reduced carbon emissions, the CPF will support the inclusion of women in the green transition while reducing women's greater vulnerability to climate change and natural disasters.** Within and outside the family, women can be powerful agents of change for climate resilience. Harnessing this capacity will require equal access to information, economic opportunities, and education, including in sectors where women are less represented. Additional evidence is required to better understand the risks that climate change poses for women and the potential opportunities the green transition represents for female labor force participation. The ongoing CCDR is applying a gender lens to better inform and strengthen the analytical foundations to enhance climate benefits, generate job opportunities and support to women.

87. **The MFW will support ensuring that gender equality objectives are embedded in each of the CPF's HLO, including monitoring gender activities and fundraising.** The MFW will generate knowledge by identifying contextual and structural factors contributing to gender gaps in the Maghreb countries and exploring policy and programmatic actions to contribute to closing these gaps and informing the policy dialogue and country programing.

88. **IFC included in its investment climate advisory a component fostering women's economic participation.** Among others, a reform memo was delivered identifying legal barriers to women's economic participation, based on global good practices, empirical evidence, and regional examples. This also covered an impact assessment of the implementation for extending maternity leave or establishing parental leave. Going forward, IFC will further elaborate on these topics and focus on (i) lifting labor code restrictions on women's employment; (ii) establishing equal pay for work of equal value; (iii) prohibiting the dismissal of pregnant workers and gender-based employment discrimination; and (iv) prohibiting gender-based discrimination in access to credit.

Social accountability, participation & trust

89. **This cross-cutting theme will focus on promoting transparency and citizen engagement across the CPF program.** Improving the transparency, openness and accountability of the state is a foundational step in strengthening citizen trust in government. The SCD argues it is the route to promoting civic participation and building more citizen-centric state institutions. Building on the SCD and WBG guidance,[34] the WBG will work to harness citizen engagement to strengthen the demand for good governance.

90. **Measures to promote transparency and participation will include improved fiscal transparency, strengthened channels for state-citizen interaction, and scale-up of the Public Service Delivery Barometer.** On fiscal transparency, work will continue to update and improve the Mizaniatouna Open Budget platform. The IBRD (GovTech)-supported Public Service Delivery Barometer within the Presidency of Government office, which promotes citizen-centric services, will be scaled up to improve the government's capability to systematically measure and publicize citizen satisfaction with flagship social services. Transparency and accountability will also be enhanced through support to improved commercial justice service delivery, which will contribute to the rule of law.

91. **The CPF will support the strengthening of the statistical ecosystem, improving the frequency and quality of data, while expanding access to, and use of, data.** The statistical ecosystem underpins citizens' access to information and informs better public policies. This CPF will provide TA on the production and use of data to support government policy making, inform citizens, and assess IBRD portfolio design and monitoring. Existing data sources used for policy making will be complemented by more granular quantitative and qualitative information collected through face

[34] Masud, Harika; Kumagai, Saki; Grandvoinnet, Helene. 2019. Mainstreaming Citizen Engagement through the World Bank Group's Country Engagement Model. World Bank, Washington, DC.

to face, phone and internet surveys as well as innovative tools such as applications, videos, interactive GIS maps.

92. **The CPF will complement project-level citizen engagement requirements to leverage country- and portfolio-wide impacts.** Analytical work will be undertaken to acquire a deeper and more nuanced understanding of challenges and strengths of civil society and public officials, so as to operationalize channels for consistent and results oriented state-citizen interaction. In addition, a *Citizen Engagement Roadmap* will be prepared to guide the development of proposed interventions at three levels: (i) country/thematic-level; (ii) institutional-level, and (iii) portfolio level. At the country-level, IBRD will explore options to strengthen the enabling environment for transparency, participation and public accountability (e.g., strengthening complaint and feedback mechanisms, fostering multi-stakeholder climate change networks, and providing support for planned and ongoing Open Government activities). At the level of selected institutions, IBRD will consider actions to support institutionalizing innovations for citizen interaction within government systems, while making them more accessible for vulnerable groups. Finally, at the portfolio-level, IBRD will take actions to promote synergies across projects to address PIU challenges and identify opportunities for mainstreaming participatory approaches.

93. **Finally, the CPF will support analytical work to deepen our understanding of the drivers of trust, as well as supply and demand-side capacity and willingness to engage in public participation.** Through ASA on Citizen Trust and Service Delivery, IBRD will complement existing surveys (e.g., Arab Barometer) with: (i) surveys to track the evolution of citizen trust in government; and (ii) quantitative and qualitative information about satisfaction with specific social services to complement the Arab Barometer.

IV. Implementing the CPF

94. **Building on lessons learned under the previous CPF, implementation of this CPF will be underpinned by four main principles: flexibility, adaptability, selectivity and participation**. Its approaches will be carefully tailored to Tunisia´s political and economic context, counterparts' capacity, and the scarcity of WBG resources. Implementing the CPF will therefore rely on: (i) developing a deeper understanding of the general and specific project context, (ii) rebalancing ASA and enhancing the WBG's convening power, (iii) ensuring selectivity in programming, (iv) maintaining flexibility and adaptability in the face of potential changes in context, (v) enhancing implementation support and supervision, and (vi) continuing the WBG's close cooperation with other partners. At the same time, this approach will maintain a focus on achieving proposed CPF objectives and corporate priorities.

Financing and Instruments

95. **This CPF, which covers the period FY23-27, will be implemented jointly by IBRD, IFC, and MIGA, building extensively on their current portfolios.** This joint CPF aims to optimize the combined resources and expertise of the WBG Group by financing realistic, fully owned, and implementable projects. To accomplish this, WBG instruments will need to be balanced carefully against feasible objectives, and budget support will need to be underpinned by strong and credible reforms.

96. **As of February 2023, IBRD's active portfolio includes 20 operations (loans and recipient executed trust funds) with a net committed amount of US$2.5 billion, of which almost US$1.0 billion remains undisbursed.** The IBRD portfolio focuses particularly on enhancing human development; supporting private sector and employability; investing in energy and road transport infrastructure; improving digital governance and service delivery; local development, especially in lagging regions; and improving agriculture productivity, disaster risk management, and environmental sustainability (Annex 3).

97. **The IBRD portfolio dedicates a significant share of resources to addressing the impact of the COVID-19 pandemic and Russia's invasion of Ukraine.** Over US$ 900 million has been dedicated to responding to the health and social impact of the COVID-19 crisis and addressing the food security risks resulting from Russia's invasion of Ukraine. The COVID-19 Response, COVID-19 Social Protection Emergency Response, and Food Security operations have been instrumental in supporting Tunisia's stability and recovery during this challenging period.

98. **As of February 2023, IFC's committed portfolio is US$91 million focused on key sectors including transport, MSME financing, manufacturing, and agribusiness.** IFC's portfolio performance remains healthy overall despite COVID and Russia's invasion of Ukraine. During FY22-23, IFC's engagement includes (i) support for Tunisia's ongoing solar program; (ii) financing of the leading Microfinance Institution (MFI) to develop climate financing for MSMEs; (iii) support of the investment climate reforms and FDIs; and (iv) on-going support to the Central Bank's strategy on digital payments.

99. **As of February 2023, MIGA's outstanding exposure in Tunisia is US$14.8 million related to a project in maritime transport.** In FY12, MIGA issued US$217.7 million in Non-Honoring of Sovereign Financial Obligations (NHSFO) guarantees in favor of the Government of Tunisia to mobilize commercial bank financing for the purchase of a passenger ferry linking Tunisia with Europe, supporting greater connectivity and macroeconomic integration. MIGA is currently working to support investors in Tunisia's renewable energy sector and engages with Tunisian companies seeking to insure their outbound investments.

100. **In addition to investments from IFC and guarantees from MIGA, the CPF will seek to maximize the use of available IBRD resources, outlining a detailed pipeline for FY23-24 and a more flexible program for the outer years of the CPF.** Actual IBRD investments will be subject to a variety of considerations including Tunisia borrowing needs, IBRD's lending capacity, the degree of private sector investment, selectivity, and alignment with CPF objectives. The pipeline for FY23-24 (Annex 3) consists of a mix of potential budget support and IPF operations, with an annual allocation of about US$500 million per fiscal year. The IPFs include wastewater management, SME access to finance, ELMED Tunisia-Italy electricity interconnection, the Economic Corridor Kasserine-Sfax and potential additional financing. Budget support projects will depend on Tunisia macro fiscal conditions and capacity to implement structural reforms promoting private sector led growth. Finally, there will an enhanced focus on developing PforR operations to support the implementation of specific reforms and policies. For the outer years of the CPF, an annual envelope of up to US$300 to 400 million is foreseen for IPFs and in case of reform traction, this could be complemented with an annual envelope of up to US$200 million for DPF and/or PforRs.

101. **The CPF lending program will be informed and supported by a robust program of ASA (Annex 3) focused on disseminating analysis to inform interventions, build capacity, and leverage lending**. The ASA program includes a significant number of just-in-time products that respond to government requests. In 2022, for example, the government requested WBGs support for the design of emergency economic measures and impact studies on subsidy reforms, and a strategic note on SOEs. Within the CPF framework, the WBG will engage with the Government to enhance the planning and anticipation of just-in-time initiatives.

102. **The CPF will continue to rely on the TERI Umbrella Multi-Donor Trust Fund (MDTF) to support ASAs.** The MDTF TERI Umbrella currently has a US$65 million allocation and is aligned with CPF and government priorities. It brings together the TERI Anchor Trust Fund (TF) and other MDTFs (Moussanada, Compact with Africa, and TRACE). TERI is articulated around three pillars: (1) effective and resilient public sector; (2) environment conducive to sustainable economic growth and private sector-led job creation; and (3) enhanced services to citizens for social, economic, and regional inclusion. TERI supports both government reforms and IBRD-funded operations and has received resources from Italy, The Netherlands, Switzerland, and United Kingdom.

Managing Program Implementation

103. **CPF implementation will support selectivity and flexibility through a two-stage, sequenced WBG Program.** In the first stage and prior to the PLR, the CPF will prioritize financing on social resilience (e.g., food security and social protection), energy and sustainable growth (e.g., efficient energy public spending, renewable energy investment), and SME access to finance, which are all included in the three HLOs. As a second phase, following the preparation of the PLR, and based on progress achieved and identified risks, financing is expected to fully cover the three HLOs.

104. **A two-scenario approach will ensure flexibility in CPF implementation.** Under scenario 1, with reform progress consistent with the government program, lending will include the three financing categories: (i) Emergency & Resilience, (ii) Transformational Investment, and (iii) Policy Change. Otherwise, CPF financing will move to scenario 2, focusing lending only on Emergency & Resilience and Transformational Investment, and supporting policy change through ASA only.

105. **Building on the CLR of the FY16-21 CPF, a series of project and portfolio level measures will be implemented to ensure effective implementation of the FY23-27 CPF.** These measures are described in the below table 6 and will frame the portfolio approach throughout the CPF.

Table 6: Project and Portfolio level Measures for Effective CPF Implementation

Selectivity filter at project identification
Selectivity filters will include the following dimensions: (i) political ownership, through a clear commitment from both political and public administration leadership; (ii) social consensus, through explicit dialogue and understanding between the government and social partners; (iii) public administration capacity, through robust evidence shown by lessons learned, assessment and analytics; (iv) impactful lending with effects on economic growth and poverty alleviation. The CPF will also prioritize projects with potential demonstration effects and synergies across WBG interventions (including IFC's initiative). Consistency with CPF outcome indicators and WBG comparative advantage will also be considered.
Upstream project readiness assessment at project concept stage
Upstream readiness assessments will be required and reviewed at project concept meetings. These assessments will take stock of the political economy and operational capacity, as well as the existence of analytical underpinnings to determine each project feasibility and readiness. Assessing readiness to move swiftly from Board approval to effectiveness will be key. WBG project teams will carefully analyze counterpart institutions' track record of and explore with the government optimal institutional options for implementation.
Concept-stage theory of change & results framework
Each pipeline project will include a preliminary theory of change and results framework for review at project concept meeting.
Need for Technical Assistance
Incorporating technical assistance in loan proceeds will be systematically explored at project design and as portfolio engagement with the Government. IBRD lending in Tunisia is characterized by very limited technical assistance funding through loan proceeds, and the Government usually opts to finance this assistance through trust funds.
Adoption of readiness criteria at negotiation stage
By negotiation, readiness criteria defined during preparation will have to be fulfilled. These criteria could include the adoption of policy actions needed for effective implementation, evidence of effective implementation capacity, and progress in procurement/ESF.
Trigger for PLR
Initiation of the PLR will be triggered by a review of the economic situation, contextual circumstances, and fulfillment of at least two of the following criteria: (i) a fiscal year with a disbursement ratio below 15 percent; (ii) a project that remained problem project for a consecutive duration of one year or above; and (iii) at least three problem projects in the portfolio. If these are not met, the PLR will be prepared, as per guideline, during the mid-point of CPF implementation.
Project Targeting Index (PTI) as a CPF monitoring tool
The CPF will implement the PTI to geographically orient the design of projects towards CPF priorities and review at the PLR stage whether there is a good alignment between the spatial distribution/location of IBRD projects and CPF priorities. The PTI will be adjusted according to changing circumstances or as project objectives evolve.
Use of strengthened country systems for citizen engagement as a tool for supervision
In addition to supporting government entities on participatory processes and feedback systems, IBRD projects will systematically engage with relevant stakeholders and civil society networks and share information on results.

WBG field-based staff & enhanced supervision
The WBG will reinforce field-based resources, by increasing the number of field-based operational teams, fiduciary and GP staff, as well as Task Team Leaders. Given the portfolio size and performance as well as counterpart capacity challenges, field-based implementation support will be increased to ensure better portfolio performance. Bi-annual joint IBRD-Government portfolio reviews will be conducted and on-site supervisions for problem projects.

106. In addition, CPF portfolio performance will be measured through specific indicators and associated targets. These indicators are detailed in the below table 7.

Table 7: Portfolio performance targets

Performance Indicator	Target
Disbursement Ratio	Annual gradual increase of the disbursement ratio (IPF) from 15 up to 20 percent.
Number of problem projects	No more than one problem project in the fiscal year.
Proactivity Actions	100% proactivity actions on problem/at risk projects in the fiscal year.
Timely audit report submission	80% of audit reports submitted on time.
Level of commitments at risk	Less than 5% of total commitments at risk.

107. **Beyond project-level measures, addressing systemic public sector implementation bottlenecks to improve project execution will be critical.** Given the extensive reliance on country systems for the implementation of International Financial Institutions' funded portfolio, the CPF foresees engaging with the government to strengthen counterpart capacity and address critical implementation bottlenecks.[35]

108. **CPF implementation will cut across IBRD global practices (GPs), IFC and MIGA to provide integrated support in pursuit of the HLOs.** The WBG's Tunisia program relies heavily on continued strong cross-GP collaboration for lending and ASA. The CPF program will seek to draw more effectively on synergies among IBRD, IFC, and MIGA instruments and operations to maximize financing for development. This coordinated approach will seek to leverage private sector climate and development finance.

Environmental and Social Framework

109. **Compliance with the WBG's environmental and social requirements will remain at the heart of CPF implementation.** The Environmental and Social Framework (ESF), introduced in 2018, offers a range of opportunities for WBG engagement in Tunisia—not only in minimizing harm to people and the environment from WBG-financed operations, but also in supporting the achievement of more inclusive outcomes by considering vulnerable groups and minimizing and mitigating the particular risks they face. The ESF emphasizes the importance of stakeholder engagement as a continuous, inclusive, and meaningful process and a key modality through which to ensure a constructive relationship between the government and its citizens. The WBG will continue to engage closely with government counterparts to ensure effective implementation of ESF requirements, most importantly by offering handholding support at the sector level. Modalities for ESF implementation will continue to adopt different forms, including but not limited to technical implementation support, peer-to-peer learning and exchange, production of relevant guidelines, and capacity building to support application of the guidelines. The WBG will explore opportunities to capitalize on established learning hubs that can help strengthen in-country capacity for environmental and social risk management and stakeholder engagement.

[35] A 2021 review found that IFIs/donor funded portfolio constituted around EURO 5.6 billion of undisbursed financing and that, on average, projects were 18 months late with nearly half of the delays attributable to the capacity of the contracting authority and procurement delays (Multi-Donor Working Group, 2021 "Accelerating the implementation of IFI-funded projects in Tunisia"). See also CPF section on main development challenges.

Fiduciary Management

110. **The CPF foresees mitigating measures to address systemwide public financial management (PFM) and portfolio-level financial management (FM) challenges.** During the CPF period, fiduciary FM arrangements of IBRD-funded projects will continue to rely on country systems and be executed by project management units (PMUs) set up within beneficiary entities and staffed with public sector employees. Implementation bottlenecks in these arrangements have affected portfolio performance in the past, including disbursement rates and the timeliness with which project audit reports are submitted. The CPF foresees a mix of systemic and portfolio-level measures to address these fiduciary bottlenecks, including support for government strengthening of the foundations of PFM and increased use of results-based financing instruments, coupled with hands-on implementation support.

111. **The CPF will prioritize efforts to address procurement-related implementation bottlenecks for IBRD funded projects in Tunisia.** The procurement legal framework is characterized by disparate legal and regulatory texts, a lack of hierarchy, and overlaps and gaps. The institutional framework includes many entities with sometimes overlapping responsibilities. Also, regulation and control functions are not separated. The government started removing national ex ante control in donors funded projects to swiften implementation, and adopted key measures that include: (i) setting up a High-Level Committee chaired by the Head of Government to ensure swift implementation; (ii) extending the reliance on turnkey contracts to reduce the transaction costs; (iii) encouraging the reliance of contracted technical assistance for the implementation of donor-funded project; and (iv) facilitating and making more agile land acquisition. [36] The CPF provides the opportunity to support government initiatives and build on the MAPS-II recommendations such as a shift towards a risk-based approach and a focus on the performance and efficiency of the tender processes, which will be critical to optimize the execution of IFI financed projects.

Partnerships

112. **WBG will continue to take a leading role in partners' engagement and responses, particularly through the multi-stakeholder country platform led by the Ministry of Economy and Planning.** There is strong partner coordination in Tunisia, which helps to optimize resources and ensure strong consistency of messages and complementarity. During the CPF implementation period, the WBG will continue to coordinate multi-partner country platform initiatives such as the following:

- ***Coordinating a Joint Budget Support Matrix with six direct partner institutions (France, Germany, Italy, Japan, African Development Bank (AfDB), and IBRD) in close consultation with the EU and IMF.*** IBRD is coordinating with development partners and the EU's high-level engagement with the government to ensure strategic alignment and shared priorities through the joint matrix.
- ***Supporting the government in designing economic reforms, which is crucial to alleviate growing fiscal and debt pressures and the loss of access to international capital markets.*** This work complements the Joint Budget Support Matrix through the provision of advice on fiscal reform, the role of the state in the economy, and competitiveness. Delivered as just-in-time assistance, this initiative will continue to support implementation of the government's program.
- ***Coordinating partners' TA funding through the TERI Umbrella MDTF.*** The European Commission and bilateral partners (Germany, Italy, Netherlands, Norway, Switzerland, the United Kingdom) contribute to the TERI MDTF in support of coordinated TA to Tunisia, which is particularly critical given government restrictions on the use of loan funding for TA.
- ***Continuing to coordinate alignment between the WBG's CPF and UN Cooperation Framework for 2021–25.***

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[36] These measures are included in the decree law 68/2022 published on October 19, 2022, to strengthen implementation of donor-funded project.

113. **Under the CPF, the WBG will continue to coordinate with partners to mobilize resources and optimize IBRD lending.** In 2022, the US$400 million additional financing to AMEN Social Protection Program has leveraged US$ 90 million of parallel financing from Japan International Cooperation Agency (JICA). Addressing the food security crisis, the 'first entrant' US$130 million IBRD operation will leverage about US$300 million of parallel financing from European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), and EU. The US$120 million SME recovery credit line is expected to leverage US$200 million from French Development Agency (AFD), EIB, EU, and German Development Bank (KfW). The WBG will sustain efforts to leverage co-financing and parallel financing from bilateral and multilateral development partners to deliver on CPF objectives. In 2023, the Tunisia Italy electricity connection ELMED is supported by the EU, the Government of Italy, EIB, EBRD, KfW and the World Bank.

Table 8: Engagement Sectors of Selected International Partners

Development Partner	Sectors of engagement
African Development Bank (AfDB)	Agriculture, transport, energy, water, environnent, financial sector.
European Union (EU)	Urban Development, water, environment & sustainable development, energy & climate change, education, agriculture, transport, health, private sector development, justice, digitalization, migration, higher education/research, social protection, civil society, security sector reform, public administration reform, media.
European Investment Bank (EIB)	Water & environment, urban development, education, energy, ITC, transport.
European Bank for Reconstruction and Development (EBRD)	Water, wastewater & environment, energy, transport, telecommunications media and technology (TMT), solid waste, urban transport, industry, commerce and agriculture (ICA), SMEs, digital solutions and E-governance, private sector finance and support, investment
French Development Agency AFD	Agriculture, water supply and sanitation, environment, education and vocational training, urban development, health and social security, governance and support to SOE reforms, civil society, transport, energy, ICT, financial sector, SMEs and entrepreneurship.
German Cooperation & Kreditanstalt für Wiederaufbau (KfW)	Water & environment, urban Development, energy, transport, education, financial sector, and social protection.
Italian Agency for Development Cooperation	Government & civil society, industrialization (private sector development), agriculture and fishing, health, education, and energy and environment.
Japan International Cooperation Agency (JICA)	Urban development, water resources development, prevention of natural disasters, health.
United Kingdom	Education, sustainable transport (ending March 2023), financial sector (ending March 2023), support to economic reforms, security, gender equality/preventing violence against women.
U.S. Agency for International Development (USAID)	Clean energy & climate change, private sector productivity, sustainable tourism development, public administration reform, local environmental governance, elections and political processes, civil society, social protection, youth, and gender.
United Nations	2021-25 UN Cooperation Framework aligned with WBG Strategy, and covering: water, environment & sustainable development, energy & climate change, agriculture, health, growth & private sector development, employment, youth, gender, justice, digital, migration, education & higher education, social protection, civil society, security sector, local administration reform, local urban development.

Advisory & Advocacy

114. **The WBG will place significant emphasis on using ASA for advocacy, while proactively managing the risks of a more visible engagement and setting up a CPF Sounding Board for consultation and implementation monitoring.** The economic crisis offers new opportunities in this regard, and the WBG will attempt to go beyond technical advice behind closed doors (the

‘how’) to envisage a greater role for public information (the ‘what’). ASA proposals will be screened ex-ante for alignment with CPF priorities and will include a logical framework and a political economy review to ensure consultation with relevant stakeholders and impact on strategic objectives. The WBG will also seek to engage a larger audience to foster and improve the quality of public debate, in cooperation with academia and civil society.

115. **The UNDP-WBG Economic Policy Dialogue Series will be an important vehicle for supporting advocacy.** It will promote stakeholder debate around key socio-economic agendas, help build consensus, promote inclusiveness, provide options to policy makers, and help international actors better understand the expectations of national actors. Debates will take place every two months, and each topic will be documented to promote subsequent advocacy and potential use in implementation. The United Nations Development Program (UNDP) and the WBG will select the topics in consultation with national actors but will not participate directly to the debates.

Citizen Engagement

116. **The CPF will mainstream citizen engagement activities across the program, following the approach described in the section on cross-cutting themes.** The CPF will benefit from TA provided to all project teams to identify entry points and relevant citizen engagement mechanisms. Citizen and community engagement will be particularly important in proposed WBG engagements in natural resources management and agriculture. Current and future engagements will target the most vulnerable segments of the population, including women, youths, the elderly, and those living with disabilities.

V. MANAGING RISKS TO THE CPF PROGRAM

117. **The overall risk to the CPF program is rated high (Table 9).**

Table 9: CPF Risk Rating

Risk Category	Risk Rating
Political and governance	High
Macroeconomic	High
Sector strategies and policies	Substantial
Technical design of project or program	Substantial
Institutional capacity for implementation and sustainability	Substantial
Fiduciary	Substantial
Environment and social	Substantial
Stakeholders	High
Overall	**High**

118. **Political and governance risk is rated high**. Overall, there remains uncertainty about the outcome of Tunisia´s political transition, especially if economic challenges intersect with the political situation that began in July 2021 and included the dismissal of the Prime Minister and the suspension of the parliament. The WBG intends to address the impact of this risk across the CPF program through an upstream and systematic political economy assessment of program preparation. Also, particular attention will be paid to developing and institutionalizing M&E systems in government programs and projects to minimize risk. Close partner coordination will help addressing this risk.

119. **Macroeconomic risk is rated high, given uncertainty on the external financing, the large fiscal and current account deficit and heavy public debt, which require urgent and decisive reforms**. The macroeconomic outlook remains fragile, highlighting the urgency of reforms to: (i) free up

the economy from policy restrictions; (ii) reduce recurrent fiscal expenditures; (iii) restructure SOEs; and (iv) increase the equity and efficiency of the tax system. These reforms could accelerate the recovery, bring the fiscal deficit to a sustainable path and secure international support. The government has shown commitment and prepared a program aligned with these priorities that resulted in an IMF staff level agreement for an Extended Fund Facility (EFF) program signed in October 2022. Meanwhile, the IMF Board discussion has been postponed and has not been scheduled at the time this CPF is distributed to WBG Executive Directors. The WBG and other bilateral and multilateral institutions (such as AFD, AfDB, the EU, Italian Cooperation, and KfW) are supporting the government technically and financially to accelerate the implementation of structural reforms. The CPF framework is designed to address the above risks.

120. **Risks associated to sector strategies, technical design of project, and institutional capacity are all rated substantial.** There is limited capacity for policy formulation and planning and sector strategy. Also, institutional capacity remains limited, particularly on inter-institutional coordination, and, in many institutions, on managing complex programs and interface with the public. As mitigating measures, the WBG will continue efforts to strengthen institutions in all government and agency levels through a multi-year programmatic approach on capacity building relying upon both ASA and TA products. The WBG will also closely work with the authorities and in coordination with other Partners to ensure project planning and design is commensurate with implementation challenges. Also, the Government has set up a Delivery Unit with WBG support to strengthen coordination, prioritization, and monitoring of implementation of reforms and public policy.

121. **Fiduciary risks for IBRD-funded operations in Tunisia are substantial**. On financial management, there are two key fiduciary risks: (i) low disbursement rates due to the challenges in procurement and budget execution; and (ii) delays in submission of audit reports due to limited human and financial resources and inadequate tools. These risks relate to overall PFM challenges and fiduciary arrangements. The CPF will address these risks through: (i) hands-on support to the implementation of the PFM reform action plan derived from recent PFM diagnostics (including the Agile Public Expenditure and Financial Accountability Assessment), which will help address delays in processing transactions and payments; (ii) implementation of a project management skills development program covering all core functions of project management to build human resource capacity; and (iii) exploring alternative external auditing arrangements. Procurement risks relate to challenges with the regulatory and institutional framework, the limited capacity of implementing agencies, the need for key operational tools such as standard procurement documents and effective procurement performance monitoring tools. The CPF will address this risk through reinforcing Tunis-based IBRD staff resources specialized in procurement, strengthening counterparts' capacity, and supporting public procurement reforms.

122. **The overall environmental and social risks to the CPF program are assessed as substantial**. Tunisia has adequate legal, regulatory and institutional framework for managing environmental and social risks and impacts. Environmental and Social Management Systems (ESMS) in Tunisia have improved gradually while benefitting from capacity building. Some gaps remain, however, with respect to IBRD environmental and social standards (ESS), particularly in i) institutional and implementation capacity and compliance enforcement; and ii) the absence of a social assessment policy (equivalent of the environmental assessment law), including an involuntary resettlement policy and law.

123. **Interventions under the CPF could face a range of multi-dimensional environmental and social concerns but are not expected to have long-term cumulative and transboundary impacts.** Envisaged risks are not expected to result in intensive or complex involuntary resettlement or land acquisition, nor high probability of serious adverse effects on the health of the human population and/or the environment. That said, the CPF may result in significant risks and impacts that are envisaged to be mostly temporary, predictable, and/or reversible. To address environmental and social risks, the CPF will provide the government and implementing agencies

with capacity-building, technical advice and extra due diligence and supervision of specific safeguard instruments and will cover the use of citizen engagement and grievance redress mechanisms. The risk rating will be monitored closely in collaboration with the Tunisian Ministry of Environment and may be adjusted as specific projects and activities become fleshed out in sufficient detail. The CPF includes measures to address this risk.

124. **Stakeholder risk is assessed as high.** In Tunisia, broad consensus with stakeholders is critical for the successful implementation of public policies. Social partners are particularly key, the main labor union, Tunisian General Labor Union (UGTT) and the main employer union, Tunisian Union of Industry, Trade and Handicrafts (UTICA) both benefit from strong legitimacy. The government is mitigating this risk by engaging with social partners and enhancing its external communication. The WBG addresses it through intense engagement and dialogue with different stakeholder groups. Improved in M&E measures for CPF activities will contribute to reducing this risk.

ANNEX 1: CPF RESULTS MATRIX

HLO 1: Quality jobs created by the private sector
High Level Outcome description *Rationale:* Tunisia faces the challenge to fundamentally change its development model. The Government's attempt to fulfill its social contract over the past decade by increasing public expenditures, particularly through public employment and subsidies, has also led the public finances to their limits. In parallel, economic growth was not dynamic and affected by lack of competitiveness. The COVID-19 and Russia's invasion of Ukraine exacerbated these fragilities including through the rapid rise of the budget and current account deficits, along with an estimated 84.5 percent debt/GDP ratio for 2021. With the looming social crisis and rising global commodity prices, economic trends are not expected to change and may become fiscally unsustainable. In this challenging context, rethinking the role of the state and creating the basis for a private sector jobs-generating growing economy are key development objectives. These need to be addressed by acting swiftly in several areas, including making public institutions more efficient and fiscally sustainable; strengthening the operational and financial situation of SOEs; ensuring a level playing field by removing pervasive barriers to competition across sectors; reforming subsidies while ensuring compensation for the poor; and modernizing the financial sector. <u>WBG engagement</u>: In coordination with other partners, the program will contribute to improving fiscal sustainability and SOE performance, with an initial focus on the energy sector, through a combination of ASA, and complementary policy and investment lending. The ASA program will seek to inform the government's human resource management, public spending efficiency and tax equity policies. DPF operations will leverage the large ASA program and the WB's active partner coordination efforts to advance critical fiscal reforms. The program will also build strong complementarities between DPFs, PforRs, and IPFs in critical sectors and themes such as on food security and reform of the cereal value chain, performance of the power utility, targeted expansion of cash transfers etc. It is expected that DPFs will continue to focus on the governance and performance of SOEs, through a mix of transversal, sectoral and SOE-specific reforms. On the investment lending side, the program will initially focus on the energy sector. The focus will be expanded over the lifespan of the CPF, the political economy permitting, building on the wide fiscal and sectoral dialogue in Tunisia. The specific objectives of this HLO are: (i) raising the efficiency of energy public spending; (ii) stimulating access to long-term finance for SMEs and startups; and (iii) reducing regional economic disparities. Beyond, this HLO supports statistics and data on poverty while remaining flexible to expand the engagement on areas including the wage bill and other types of current expenditures, tax equity, and targeted expansion of cash transfers. It will continue to foster private sector and business climate with IFC support to enabling greater integration in global value chains, particularly for agribusiness and manufacturing, entrepreneurship, and business climate reforms; and IBRD support to enhancing commercial justice. On the financial sector, IBRD and IFC will continue supporting banking supervision frameworks and NPL prevention and risk management, and an FSAP is planned in coordination with IMF. <u>Knowledge gaps</u>: The IBRD has been working on public wage bill and human resource management, energy, and food subsidies and SOEs for several years. A Public Expenditure Review was completed in 2019 and the IBRD regularly produces policy notes for the government. More recently the IBRD has started working on tax reform, focusing on expanding the tax base and making taxation more equitable given Tunisia's already relatively high tax mobilization effort. The main knowledge gap the IBRD is working on is to tailor policy recommendations to the political economy context, including the country's political and social context, and capacity constraints. <u>HLO Indicator</u>: • Increased net job creation by the private by the private sector, including disaggregated for youth, women, university graduates. <u>SDGs associated to the HLO</u>: • SDG 8 – Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
Objective 1.1.: Improving efficiency of energy public spending

Intervention logic

Rationale for the CPF objective and WBG engagement: The lack of fiscal sustainability has become a binding constraint to growth. The growing and significant size of the wage bill, and the increasing role of the state as a provider of imported energy and food at subsidized prices are major reasons explaining the government fiscal unbalance. In parallel, SOEs, which play a key role in the Tunisian economy, contributing to around 9 percent of GDP, have experienced a considerable deterioration in both financial and service delivery performance, thus becoming a source of fiscal burden, risks, and declining competitiveness. The stock of debt from the 30 largest SOEs was estimated at 40 percent of GDP in 2019. The low performance of the SOE sector is driven by weak corporate governance of the sector. In particular, inefficient energy subsidies and the poor performance of state-owned enterprises (SOEs) in the energy sector are a source of substantial fiscal pressures and risks in Tunisia. Despite price increases in 2022, energy subsidies (electricity, gas, fuel) are still large with around 5 percent of GDP according to WBG estimates. On average during 2017-22, expenditures on energy subsidies were the equivalent of 43 percent of the budget deficit. Also, the largest subsidy transfers continue to be directed towards the fuel importing and refining SOE (Société Tunisienne des industries de raffinage, STIR) and the power utility (Société Tunisienne d'Electricité et du Gaz, STEG). STEG also has a large share of public debt, and its financial viability is at risk.

Lessons learned and new knowledge at the program level: Given resources and capacity constraints, readiness at the project design stage and selectivity through an adequate use of filters need to be considered as priorities. Considering the size and diversity of the SOE sector in Tunisia, selectivity will be needed, and focus should be on large and strategic SOEs such as energy utilities. If DPFs are used, they need also to strike the right balance between ambition and feasibility, aiming at narrower and more focused sets of reforms.

WBG ongoing and planned support to this CPF Objective:

Ongoing: The IBRD is supporting the implementation of the Government's fiscal reform program through analytics and advisory work. The IBRD is also providing advisory support to SOEs including in particular the design of a plan to modernize the *Société Tunisienne d'Electricité et du Gaz* (STEG) and improve its financial and operational performance.

Planned: The CPF will contribute to improving fiscal sustainability and efficiency, focusing on electricity and gas subsidies and the performance of the power utility (STEG), through a combination of ASA and lending aligned with Government priorities and timing. This includes IBRD contribution to the financing of ELMED Tunisia-Italy electricity connection and STEG's performance. The ASA program will seek to inform the government's energy subsidy reform program and build on the current ASA on the financial and operational performance of STEG. The WBG is regularly providing the government with analysis and expert advice on SOEs overall, including on governance issues. On the operational front, DPF operations will leverage the large ASA program and the WBG's active partner coordination efforts to advance critical fiscal reforms. The CPF aims to build strong complementarities between financing instruments to support improving the efficiency of energy public spending. IBRD support will be aligned with Government priorities and sequencing of implementation in this area.

Key risks and mitigation: With this objective focused on fiscal policy change, the high political risk including the challenges in achieving consensus with social partners and key stakeholders are critical. Improving the efficiency of energy public spending, needed to restore macro fiscal sustainability and unblock opportunities for economic

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program

• Energy subsidies as a share of GDP. (2022 Baseline: 5.3%; 2026 target: 2%). • STEG Operating Revenue-to-Operating Cost Ratio. (2021 Baseline: 85%; 2027 Target: 95%).	• Government energy subsidy reform roadmap is adopted. • Regular publication of reports on debt, including contingent liabilities from SOEs, and SOE financial performance annexed to the approved annual Budget Law. • Share of SOEs by turnover that have published their audited financial reports for year n during year n+1 on the national company registry (RNE) or on their website (in percent of total turnover, non-financial SOEs):	• Programmatic ASA on energy sector (Energy Subsidy part). • ASA Food Product Subsidies, Public Finance. • Possible DPF or PforR. • iSOEF ASA.
Objective 1.2.: Improved access to long-term finance for viable and innovative SMEs & startups		

Intervention logic

Rationale for the CPF objective and WBG engagement: With public sector resources under pressures, a vibrant private sector would be a strong contributor to growth, jobs, and productivity is an essential ingredient in Tunisia's development. Lack of progress on structural reforms and significant financial sector challenges – including high macro-financial sector risks with large debts, poor growth, and a high reliance on external financing have however constrained the development of a vibrant private sector. Economic activity remains concentrated on low-wage, low value-addition, and exports with limited diversification despite emerging but limited successful activities. In parallel, investment rates have fallen, and FDI has declined while the private sector has been spending less on fixed assets and on innovation.

In particular, access to finance is a critical bottleneck to private sector development in Tunisia. The private sector, which is dominated by MSMEs, is constrained by difficulties in accessing finance particularly among MSMEs and startups. Beyond banks, few effective financing mechanisms exist in the Tunisian economy. Private equity remains underdeveloped, and capital markets are shallow, restricting access to long term finance. At the other end of the spectrum, the microfinance market remains underexploited.

Lessons learned and new knowledge at the program level: Interventions draw lessons from private sector diagnostics undertaken by the WBG. Business climate, a fair competition framework, and inclusive access to finance are identified as critical areas for reform. The focus for new knowledge will be on a more granular understanding of the reform needs in these three areas. Also, the exposure of the financial sector to government's borrowing affects MSME access to finance as well as the high level of Non-Performing Loans. Access to finance would also benefit from strengthening the capacity to provide guarantees and enhanced commercial courts of justice.

WBG ongoing and planned support to this CPF Objective:

Ongoing: The WBG has a long engagement in many aspects of the financial sector and private sector development and is delivering coordinated analytics, advisory work, and lending support to Tunisia. The ongoing IPF on 'Innovative startups and SMEs' is mobilizing private capital (equity) for targeted high growth segments. Complementary to this activity, IFC's program focused on the areas of access to finance, support to key agribusiness and manufacturing value chains, entrepreneurship, and business climate reforms. IFC's "Accelerator Scale-Up for Youth Entrepreneurship" project supports unlocking the potential of innovative entrepreneurship in Tunisia. IFC is also supporting the leading Tunisian microfinance institution to broaden microcredit and early-stage financing for entrepreneurs.

Planned: The CPF will continue supporting enhanced access to finance for the private sector and particularly innovative SMEs and startups through a mix of IBRD non-lending and lending instruments, as well as IFC and MIGA instruments. IBRD financing will include an IPF supporting access to long-term finance to viable SMEs through a line of credit. In parallel, IBRD is supporting the reform of the partial public credit guarantee company SOTUGAR. For IFC, key strategic priorities will be to support: (i) development and internationalization of export-oriented businesses through advisory and investments; and (ii) financial inclusion. MIGA has the potential to leverage its capital optimization and trade finance guarantees to help support access to finance for the private sector.

Key risks and mitigation: Envisioned reforms may face some challenges from government capacity constraints

CPF Objective Indicators	**Supplementary Progress Indicators**	**WBG Program**

• Increase in the total volume of outstanding SME loans with maturities above 7 years in PFI portfolio (Percentage) (2022 Baseline 0,2027 Target: 20%). • Private capital mobilized for innovative startups and SMEs through Bank projects (2022 Baseline: US$5 million, 2027 Target: US$40 million).	• Memorandum of understanding for joint oversight of SOTUGAR by Ministry of Finance and Central Bank of Tunisia is adopted. • Regulation for NPL resolution adopted.	IBRD ASA & lending: • ASA on competitiveness, financial sector. • Support to SME for Economic Recovery (P178380) *(FY23 pipeline-approved).* • Tunisia Innovative Startups SMEs (P167380) *(Active)* • Financial & technical support to Commercial Courts of Justice. Ongoing IFC ASA: • Improving the investment climate, easing FDI restrictions and implementing the simplification of investment authorizations. • Advisory projects with Tunisian exporters, including on supply chain management. • Contribute to the deployment of G2P digital and mobile payment solutions. • Supporting the implementation of the regulatory framework for entrepreneurs. • Advising the activities of two accelerators. **Ongoing IFC Financing:** • IFC investments in export-oriented businesses. • IFC financing of MSMEs through financial institutions (banking and microfinance). **IFC Pipeline Financing:** • Scale investments in agricultural value chains and export-oriented businesses. • Deployment of IFC's Global Trade Finance Program (GTFP). • Explore additional opportunities to unlock MSME financing, including through indirect investments in financial institutions. **IFC Pipeline ASA:** • Explore advisory programs to support supply-chain development, resource efficiency and internationalization of Tunisian firms. • Assess opportunities for analytical and advisory programs to enhance MSMEs access to finance

Objective 1.3.: Reducing regional economic disparities

Intervention logic

Rationale for the CPF objective and WBG engagement:

Economic development in Tunisia has been characterized by significant regional imbalances, including coastal regions developing faster and hinterland regions lagging. Therefore, strengthening infrastructure, connectivity and inclusion, which also requires the strengthening local governments, is crucial. Lagging regions have the lowest regional development indicators in education, employment, health. They lack basic infrastructure and equipment, while having the highest unemployment rates for the youth, and an incipient private sector, with a limited number of companies.

Lessons learned and new knowledge at the program level: Importance of readiness and institutional capacity of the counterpart institutions. Importance of keeping project design simple. Technical assistance is needed to address capacity gaps and requires trust financing given the difficulty to finance TA through lending.

WBG ongoing and planned support to this CPF Objective:

Ongoing: The ongoing WB Road Transport Corridor project (Tataouine) contributes to increasing the inter-regional connection. Meanwhile, the Urban Development and Local Governance (PDUGL) PforR aims to strengthen Local Governments' performance to deliver municipal infrastructure, and to improve access to services in targeted disadvantaged neighborhoods. This operation is complemented by an advisory program on decentralization (fiscal transfer, local governments own resources, citizen engagement, municipal transparency).

Planned: This CPF will focus support on inter-regional connectivity and inclusion through the IPF Economic Corridor project, which is expected to contribute to improve access to markets for two of Tunisia's most lagging governorates (Sidi Bouzid and Kasserine) by upgrading road infrastructure and stimulating private sector economic development within the Corridor area, notably through improved access to finance for SMEs.

Key risks and mitigation: For the economic corridor, implementation efficiency in particular with regards to safeguards compliance will be the key risk. Mitigation measures will include capacity building and technical

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
• Number of people living in targeted disadvantaged areas benefiting from improved municipal infrastructure (2022 Baseline: 0; 2025 target 640,000 people). • Number of firms in lagging regions benefiting from infrastructure investments and direct financial support (indicator to be disaggregated by women-owned firms). (2023 Baseline: 0 2028 Target: 30,000). • Goods traffic across the corridor Sfax-Kasserine (i.e., goods transported by light, heavy, articulated, and pickup trucks). (2023 Baseline: 16,000 vehicles per day; 2028 Target:	• Reduction in travel time (in minutes) between Sfax and Kasserine. Targets: Truck: 35; car: 25. • Road constructed in kilometers on the corridor Sfax-Kasserine. Target: 181 km of which 64 from IBRD. • Number of km of municipal access roads constructed and/or rehabilitated in disadvantaged neighborhoods (target: 600km). • Number of municipalities that have received capacity building consistent with their annual capacity building plan (target: 216 municipalities).	• Urban Development and Local Governance Project UDLG (P130637) *(Active).* • Economic Development Corridor Project (167900) *(Pipeline).*

HLO 2: Strengthened Human Capital

High Level Outcome description

Rationale: Tunisia is one of only two countries in the MENA region with a decreasing score on the Human Capital Index (HCI) over the last decade (from 0,53 to 0,52). This score means that a child born in Tunisia today will only reach approximately half of her potential than if she had access to optimal health and education systems. Both the low value of the HCI and the fact that it is declining indicate the need to urgently address service delivery bottlenecks in education and health.

WBG engagement: As outlined in more detail below, the WBG is engaged in a combination of financing and analytics with the key Ministries responsible for improving and sustaining human capital. The duration and depth of WBG engagement varies by sector, with longstanding engagement in areas such as higher education and social protection and more recent engagement in health because of the pandemic. Demand for WBG analytics and TA to support implementation is strong and it is well coordinated with key partners from the United Nations, civil society, and bilateral donors. Over the last few years, the focus has shifted from mainly improving access to services to a sharper focus on outcomes (e.g., learning, quality of employment, mortality and morbidity) which is achieved through a focus on the quality-of-service delivery. There has also been a sharper focus on equity, gender and socio-economic development which will be further strengthened with the implementation of the social registry.

The specific objectives of this HLO are: (i) improving the quality of basic education services; (ii) improving the relevance of higher education; and (iii) strengthening the resilience of households to shocks. This HLO also includes supporting the digitalization of services in health, education and social protection through the ongoing GovTech IPF; conducting a human capital review; supporting through TA and potential lending the National Health Strategy; and undertaking analytical work to better understand outward migration amongst health and education professionals. This HLO will also include analytics on deeper understanding of existing local/school level social accountability mechanisms and ways to further increasing accountability in the education sector. This HLO will also support engagement on migration with a view to contributing to the public debate and advising the Government–through data collection, analytical work, and policy advice as may be relevant–and to supporting multilateral cooperation with origin and destination countries, including by using the WBG's convening power. A series of public dialogues are being planned, the first at the end of June 2023 when the World Development Report 2023 would be used to contribute to the framing of a constructive migration debate in Tunisia. In parallel, household survey data collection, both quantitative and qualitative of nature, on migration is in an advanced planning stage together with Tunisian institutions.

Knowledge gaps: Until recently, key stakeholders in Tunisia did not fully appreciate the downward progression in the quality of human capital related services in the country. The Human Capital Review and related stakeholder engagement processes is contributing knowledge to understand the causes of this decline and to propose potential solutions. Going forward, a key knowledge gap, which can be managed through regular implementation research, relates to how to improve the quality-of-service delivery to generate measures such as improved learning, skills that are better aligned to the jobs market, better health outcomes and more efficient implementation of social protection programs. Another important knowledge gap is how to strengthen the resilience of systems for human capital to enable them to respond better to future shocks. Finally, there is a knowledge gap to fill on migration and understanding Tunisia as an origin, transition and destination country.

HLO Indicator:

- Human Capital Index.

SDGs associated to the HLO:

- SDG 2 – End hunger, achieve food security and improved nutrition and promote sustainable agriculture.
- SDG 3 – Ensure healthy lives and promote well-being for all ages.
- SDG 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.

Objective 2.1.: Improving the quality of basic education service delivery

Intervention logic

Rationale for the CPF objective and WBG engagement: Basic education services are amongst the most visible ways in which Tunisians interact with their government. The biggest factor driving Tunisia's stagnation in human capital is low learning outcomes.

Lessons learned and new knowledge at the program level: The focus on access to services – through enrollment in school – has not been sufficient to produce efficient outcomes because access has not been accompanied by sufficient focus on quality-of-service delivery. It is now well recognized that measurement of progress is a critical element that enables systems to maintain a focus on quality and to achieve better outcomes. In education, the workers are at the core of these quality improvements but the household members they serve directly as students or indirectly as parents also need to play an important role. Digitalization of service delivery also provides an important opportunity to improve efficiency. The perceived quality of services is an important element in generating trust in state institutions.

WBG ongoing and planned support to this CPF Objective:

Ongoing: On education, through the PREFAT project, the IBRD is supporting the strengthening of learning foundations in pre and primary education with a focus on quality, supply and learning conditions of public preschool in lagging regions, teacher capacity, and learning assessment. The GovTech IPF project supports the digitalization of services in health, education and social protection. The WBG is also conducting a human capital review to contribute to generating a national consensus on the key bottlenecks to improving human capital and fiscal management of the social sectors.

Planned: A new lending operation or an additional financing of the PREFAT project will support the expansion and quality improvement early childhood services, implement systematic measures to improve teacher performance, build on the digital education investment on school connectivity and provide digital learning and teaching tools in schools. The IBRD will also undertake non-lending work to facilitate a better understanding of the high levels of outward migration amongst health and education professionals, and will also support digitalization of public services, which will be critical to improve performance in education.

Key risks and mitigation:

- **Measuring outcomes of interest** – there is a risk that the government will shy away from measuring outcomes such as learning if they find that results are not as positive as they anticipate. This will be mitigated through technical assistance to manage expectations and to support effective communications of results.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
• Increase in average number of words read per minute in Arabic for children in grade 3 (disaggregated by gender). (2022 Baseline 43 words per minute; 2027 Target 48 words per minute). • Increase in average number of words read per minute in French for children in grade 4 (disaggregated by gender and urban/rural). (2021 Baseline 46 words per minute; 2027	• Delivery of full large national assessment every 3 years (either PISA or TIMSS) and/or national assessment. (Baseline 0, target 1).	• PREFAT – Strengthening Foundations for Learning project (P162297) *(Active).* • GovTech project to support digitalization (P168425) *(Active).* • ASA – Human Capital Review. • ASA – Health Financing and Service Delivery Strengthening for UHC in Tunisia.
Objective 2.2.: Improving the relevance of higher education		

Intervention logic

Rationale for the CPF objective and WBG engagement: There is a currently a poor match between the skills produced by Tunisia's education system and the needs of the labor market. Tunisia stands out in the MENA region as the country where firms report the most frequently an inadequately educated workforce as a significant constraint, noting a particular gap in terms of soft skills. In addition to increasing skilled human capital, higher education is essential for promoting technology absorption and innovation spillover effects. To prepare and benefit from the substantial job creation potential of the clean energy transition, Tunisia requires substantial and targeted education and training of its human resources, in particular at the tertiary level, as most of the new occupations will be at the high and mid-skills levels.

Lessons learned and new knowledge at the program level: In order to meet the needs of the labor market for skills, it is important that universities and other institutions of higher education have clear signals and collaborations with the private sector who need these skills. This collaboration is facilitated when higher education institutions are incentivized to be results-focused and when they are given reasonable autonomy. This signal from the private sector also needs to translate into guidance to students on which programs will enable them to develop skills that will most likely enable them to obtain satisfying jobs. Employers in Tunisia consistently report that they find it particularly difficult to find graduates who have the soft skills required to work effectively in today's organizations and in ever changing environment where ongoing learning is the norm. In a country like Tunisia with a large youth population and many of them in situations of vulnerability, it is important to also focus on building systems who will be able to support these youth to participate in the labor market. There are strong social norms that create barriers to women's participation in the labor market, even for those who are successful in completing higher education.

WBG ongoing and planned support to this CPF Objective:

Ongoing: The Tertiary Education and Employability Project PROMESSE supports the introduction of competitive financing, in the form of Program Appui Quality (PAQs) that have been instrumental in improving curricula through programs co-constructed in partnership with industry and the private sector, and student employability support including career centers (4Cs). It is also supporting the financial autonomy reforms of universities and the piloting of performance-based financing of universities. The project Moubadiroun aims at improving economic opportunities for targeted disadvantaged youth in selected regions of Tunisia. The TRACE project supports youth in rural areas for whom wage jobs are limited and small-scale entrepreneurship could offer good prospects for jobs. The IBRD also provides technical assistance to build local capacity for intermediation stakeholders such as the National Agency for Employment (ANETI) in order to inform, train and assist all job seekers and under-employed workers in finding good and better jobs.

Planned: The CPF will continue to support (i) the employability of higher education graduates and improving higher education governance management, and (ii) the placement of job seekers in jobs, in particular youth and women through more performing intermediation structures.

Key risks and mitigation:

Equity – When pursuing reforms to higher education there is a risk of focusing mainly on programs that benefit relatively better off students because these are the individuals who have had the support to succeed so far in lower levels of education. This can be mitigated through programs that focus on equity of access and also by working with higher education institutions located in lagging regions.

Insufficient flexibility – there is a risk that higher education institutions will not have the administrative flexibility to respond effectively to the needs of the labor market. This risk is already being mitigated through measures such as performance- based contracts that are accompanied by governance measures that provide more autonomy to these institutions.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program

• Proportion of students registered in higher education who choose programs that are in high demand by the Tunisian private sector (disaggregated by gender). (2022 Baseline 50 percent; 2025 target 55 percent). • Increasing the number of programs with international accreditation (Baseline 2022: 8 programs, Target 2027: 15	• Institutionalized graduate tracer studies at all public and private universities for improved measurement of youth employability. (Disaggregated by gender). (Baseline 1, target 5) • Number of universities implementing performance-based financing contracts. (Baseline 0, target 5).	• Tertiary Education and Employability Project PROMESSE (P151059) *(Active).* • Youth Economic Inclusion project Moubadiroun (P158138) *(Active).* • TRACE project *(Active).* • TA to national Agency for Employment (ANETI).
Objective 2.3.: Strengthening the resilience of households to shocks		

Intervention logic

Rationale for the CPF objective and WBG engagement: unexpected shocks can overwhelm national systems and lock vulnerable communities and households into a cycle of poverty and exclusion. The COVID-19 pandemic has revealed the vulnerability of Tunisia's systems to shocks. The unfolding impacts of Russia's invasion of Ukraine and disruptions on food and energy global markets brought an additional strain. Without preparedness, coping mechanisms and contingency planning, vulnerable communities and households could suffer recurring impacts and losses, which reduce system efficiency and exacerbate exclusion. Since 2018, the Government has implemented the integrated AMEN Social program to respond to shocks and mitigate their impact. This program has shown its responsiveness during the COVID crisis and its ability to become an entry point to provide access to social programs for poor and vulnerable populations.

Lessons learned and new knowledge at the program level: The COVID-19 crisis and Russia's invasion of Ukraine have demonstrated that Tunisian households are vulnerable to shocks and the systems that support them for education, social protection, health and food security are not yet sufficiently resilient to adapt quickly and provide fully effective protection. With future shocks anticipated due to risks such as climate change, it is imperative that the systems be strengthened. Global experience has also shown that cash transfer systems such as the AMEN social program are effective to serve as compensation mechanisms for households when subsidy reforms such as those which Tunisia is planning are implemented. Experience from other countries can be applied in Tunisia to provide fairly rapid increases in resilience of its systems for human capital.

WBG ongoing and planned support to this CPF Objective:

Ongoing: The IBRD supports the AMEN social inclusion and protection program and contributes to food security. This CPF will continue to support the AMEN Social Program with a focus on improving its efficiency and management systems, as well providing the necessary links with provision of social services. The CPF also contributes to strengthening other social resilience systems, notably to increase food security.

Planned: The CPF will address risks in the health sector by implementing the pandemic preparedness and health system resiliency tool which the WBG has developed to identify specific ways to reinforce key public health functions. Similarly, a pandemic and climate change preparedness lens will be applied to future support in the education sector to develop activities such as distance learning, improving computer literacy for teachers, strengthening hygiene measures in schools. Country food security capacity will continue to be supported.

Key risks and mitigation:

Post-crisis inertia – With competing priorities for the Tunisian policy makers as well as limited fiscal space, there is a risk that insufficient attention will be given to strengthening systems to increase their resilience. This will be mitigated through ongoing policy dialogue and through the use of tools such as the health systems pandemic preparedness tool.

Targeting challenges – improving the efficiency of social protection includes sharpening the targeting of these programs which likely will lead to changes in who receives benefits. This could create resistance from

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program

• Proportion of households in the bottom 40 percent covered by the cash transfer program. (2022 Baseline: 6%; 2025 Target: 10%). • Number of children 0-5 years old from poor and vulnerable households receiving family allowance. (2022 Baseline: 0; 2025 Target: 120,000). • Percentage of beneficiary households receiving permanent cash transfers and family allowance through digital payment tools. (2022 Baseline: 50%; 2025 Target: 80 %).	• Pandemic-sensitive early warning system in place. • Digital teacher training platform operational teachers using e-learning tools. • Percentage of poor and vulnerable households reporting adequate access to affordable bread (Target: 95 percent). • Percentage of bakeries registered in poor neighborhoods reporting continued supply of bread (Target: 95 percent). • Percentage of complaints and queries on permanent cash transfers and family allowance addressed within a publicly stipulated timeline [disaggregated by location and gender] (Baseline: 20 percent; Target: 40 percent). • Percentage of beneficiaries expressing satisfaction with the Program AMEN (baseline: 45; target: 60). • Percentage of women beneficiaries expressing satisfaction with the Program	• Tunisia COVID-19 Social Protection Emergency Response Support Project (P176352) *(Active).* • Pandemic Preparedness ASA/ TA. • Emergency Food Security Response Project (P179010) *(Active).*
HLO 3: Improved resilience to climate change and reduced carbon emissions		

High Level Outcome description

Rationale: Climate change could potentially impact almost every aspect of Tunisia´s socio-economic development. On one hand, Tunisia is highly vulnerable to climate shocks and change. Rural areas will suffer the most from water scarcity and associated agricultural productivity losses, which in turn would increase the gravitational pull of cities. Meanwhile, rising sea levels and coastal erosion could displace millions of people and jeopardizes livelihoods along the densely populated coasts. In an already weakened fiscal position, climate-related shocks could represent an additional fiscal burden, reducing the government's capacity to respond to future covariate shocks and embark on a fiscal consolidation. In addition, climate change may exacerbate pre-existing fragility, poverty and inequality. Addressing country vulnerabilities of climate change and ensuring a better management of natural resources is of upmost importance. On the other hand, Tunisia is well endowed with renewable energy sources (solar and wind): unleashing the deployment of renewable energy could put Tunisia on a low carbon path by decarbonizing its power sector and end user sectors (such as industry and transport)

WBG engagement: The WBG is committed to support Tunisia in the implementation of its Nationally Determined Contribution (NDC) and supports the country's alignment with the Paris Agreement. This HLO-III aims at putting Tunisia on a low-carbon and climate-resilient development path. It is fully aligned with the climate ambitions stated by Tunisia in its Nationally Determined Contribution (NDC) to the UNFCCC and with the Paris Agreement, both on Mitigation and Adaptation/Resilience agenda. It will contribute to put Tunisia on a low-carbon and climate-resilient development path. The CCDR is informing and strengthening the analytical foundations to enhance climate benefits of WBG interventions while spurring growth, jobs, and competitiveness. This HLO will also support a "whole of society" participatory approach for climate change.

The specific objectives of this HLO are: (i) Increasing Renewable Energy Generation Capacity; (ii) Improving disaster risk management; and (iii) Improving water services.

Knowledge gaps: The ongoing CCDR, to be delivered during the first year of the CPF, will provide ground-breaking analysis on the inter-relations between climate change and development path. This will further inform and strengthen the analytical foundations to enhance climate benefits of the WBG interventions while spurring growth, generating job opportunities and boosting competitiveness. Also, during the CPF period, the analytical engagement on Blue economy will be continued and new work will be launched to assess the potential of green/ blue jobs in targeted sectors (e.g., renewable energy, eco-tourism).

HLO Indicator:

- Level of implementation of NDC for Tunisia: 45% decrease in the carbon intensity of the economy (per unit of GDP) in 2030 compared to 2010.

SDGs associated to the HLO:

The HLO III will strongly contribute to achieve multiple SDGs. It will–mainly support the achievement of the SDG 13 (Climate Action) by increasing Tunisia's climate resilience, enhancing preparedness and strengthening adaptation measures to address climate hazards (floods, droughts, sea-rise level…) and related impacts such as coastal erosion. More specifically the objective 3.1. will contribute to provide Tunisia with Affordable and Clean Energy (SDG 7) by increasing development and access to renewable energies and innovative technologies and the Objective 3.2 will help to develop Sustainable Cities and Communities (SDG 11) making human settlements inclusive, safe, resilient and sustainable. Finally, achieving the Objective 3.3 will provide the Tunisian population with access to Clean Water and Sanitation (SDG 6) services. It will also contribute to Conserve and sustainably use the oceans, seas and marine resources (SDG 14 – Life below the Sea) and to Sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss (SDG 15 – Life on land).

Main: SDG 13: Climate Action

- SDG 7: Affordable and Clean Energy (Objective 3.1.)
- SDG 11: Sustainable Cities and Communities (Objective 3.2.)

Objective 3.1.: Increasing Renewable Energy Generation Capacity

Intervention logic

Rationale for the CPF objective and WBG engagement: Tunisia's economy is highly dependent on mostly imported fossil fuels for its energy needs, which makes it vulnerable to fluctuations in international energy prices. The electricity system is more than 90 percent reliant on natural gas for power generation, and most of this gas is imported from a single source, Algeria. Accelerating the development of renewable energy mostly through private sector investment would help Tunisia to switch to a more resilient and sustainable economic model. The GoT embarked on several ambitious programs of reform to tackle the sector challenges on multiple fronts, including: (i) diversifying the energy sources by increasing the share of renewables in the energy mix to 30 percent (or 4.7 GW of additional capacity) by 2030 (the Tunisian Renewable Plan – TRP) under three private sector driven regimes—concessions (for large scale projects), authorizations and auto-generation for industries; (ii) promoting energy efficiency to reduce energy consumption by 30 percent by 2030; (iii) improving the sector performance to reduce the cost of energy; (iv) eliminating energy subsidies by 2026; and (v) strengthening the sector governance with a regulatory authority regulating prices of energy.

Lessons learned and new knowledge at the program level: Moving away from the traditional utility-led reliance on publicly financed thermal power generation using natural gas towards privately-owned renewable energy has been a lengthy process with political economy resistance. Required reforms for this energy transition require top-level political leadership and concerted support from WBG and other IFIs, using a variety of instruments: ASAs, IPF and DPF. It is closely related to the utility and subsidy reform agenda, as the financial health of STEG is a key component of the energy transition. Critical areas to improve private sector participation within this area include (i) clarifying public policies and providing credit enhancements to meet international standards of bankability; and (ii) assessing market liquidity and readiness of financiers to lend to planned projects. Future WBG knowledge generation will aim to identify additional reforms needed to level the playing field to promote private sector participation.

WBG ongoing and planned support to this CPF Objective:

Ongoing: IBRD program includes advice on energy subsidy reform, operational and financial viability of the electricity and gas utility STEG, reform of oil & gas sector, development of renewable energies and innovative technologies (e.g., dispatchable solar power, green hydrogen); a US$13millionTechnical Assistance Project to design the Tunisia-Italy interconnection to export renewable energy to Europe; and a US$150 million investment project on the electricity transport network and improvement of STEG's commercial performance. IFC engaged with the authorities on a prior renewable energy tender with a legal review of the regulatory framework and underlying contractual agreements, with the aim to assess and improve the robustness and bankability of the program and consequently attract private sector investment and international financing of the program. IFC engaged with the authorities on a prior renewable energy tender with a legal review of the regulatory framework and underlying contractual agreements, with the aim to assess and improve the robustness and bankability of the program and consequently attract private sector investment and international financing of the program.

Planned: This CPF will include an IPF to finance the Tunisia-Italy Electricity Integration and Renewable Energy Ecosystem Project and technical assistance including for issuing necessary regulations to promote private investments in renewables and for the creation of an electricity sector regulator. IFC and MIGA will also seek to mobilize renewable energy investments by private investors. IFC will support investment mobilization in renewable energy by private investors via (i) focused upstream and advisory interventions to support the scale-up of renewable energy tenders; and (ii) financing of Independent Power Producers (IPP) projects.

Key risks and mitigation: Reforms to encourage private sector participation in infrastructure investment carry both implementation and financing risks. The WBG will use analytical and operational engagements to assist with

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program

• Installed renewable energy capacity (2021 Baseline: 490 MW; 2027 Target: 650 MW). • Private sector funds invested in renewable energy (2022 Baseline US$65 million; 2027 Target US$465 million).	• Decrees and regulations published after seeking and incorporating public inputs for operationalizing the new renewable energy self-generation regime: medium voltage tariff and contractual framework. • Changes to boost the renewable energy authorization regime: revise manual of procedures, improve power purchase agreements for next rounds of projects and extend delays between award and project completion. • Law adopted for the creation of the electricity sector regulator.	• Programmatic ASA for the energy sector, including support to renewable energy and creation of an electricity regulator. • Energy Sector Performance Improvement Project (P168273) *(Active).* • Tunisia-Italy Power Interconnector Preparation TA (P164625) *(Active).* **IFC Pipeline Financing:** • IFC financing renewable energy projects (IPPs and C&I). • Closely follow-up on opportunities for corporate PPA projects (C&I). **IFC Pipeline ASA:** • Continue building traction
Objective 3.2.: Improving disaster risk management		

Intervention logic

Rationale for the CPF objective and WBG engagement:

Tunisia is highly vulnerable to natural hazards and climate change, with impacts felt across key sectors of the economy. The country's vulnerability is tied to rapid and uncontrolled urbanization (69.6 percent of the population living in urban areas in 2020) and inadequate and dated urban infrastructure. While droughts are most frequently recorded (54 percent of disaster events reported between 1957 and 2018), floods account for the most significant economic losses (approximately 60 percent of total losses in that period), the highest number of casualties, and the highest number of people affected.

Lessons learned and new knowledge at the program level: The 2018 WB national disaster risk profile estimate that floods may cause an average annual loss (AAL) of US$ 42.3 million, or 0.11percent of Tunisia's GDP in 2018. Despite the magnitude of this challenge, historically, investments in urban flood protection infrastructure have been relatively low. Since the 2018 flash floods in Nabeul, the Directorate of Urban Hydraulics (DHU)'s investment budget has increased significantly, reaching TD 123,5 million (US$ 45 million) in 2020.

WBG ongoing and planned support to this CPF Objective:

Ongoing: IBRD is accompanying the Tunisian authorities in enhancing the preparedness and protection of the Tunisian population and assets against disasters and climate-related hazards. Through a PforR, the World Bank supports a holistic approach to disaster risk management (DRM) and financing (DRF) by improving the GoT's financial capacity and the regulatory environment for the management of disaster and climate-related risks. With a focus on: (i) risk understanding by strengthening hydromet services to monitor and forecast climate shocks, (ii) risk reduction of flooding through resilient infrastructure investments; (iii) strengthening disaster management financing; (iv) institutional coordination and a sound regulatory environment for climate and DRM.

Planned: The CPF will continue improving climate and disaster risk management. The CPF will (i) support the transfer of certain DRM-related prerogatives to municipalities (2018 Local Government Code), possibly with the municipality of Tunis, (ii) expand support to urban resilience (e.g., harmonization of resilient urban planning methodology; support to local authorities; local level contingency plans; and scaling up urban flooding investments across governorates) while enhancing citizen participation.

Key risks and mitigation: The deployment of DRM/DRF systems requires a strong coordination with multiple actors at central and local levels. The DRM operation has been structured in a way to build coordination mechanisms and create incentives for cross-collaboration. In addition, a series of TA support has been secured to

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
• Number of people covered by urban flood risk reduction infrastructure (Baseline 2022: 0; Target 2025: 90,000). • Number of eligible beneficiaries for a public disaster risk financing mechanism (disaggregated by gender), (Baseline 2022: 0; Target 2025: 1 million, disaggregated by gender).	• Number of people reached by Multi-Hazards Impact-Based Forecasts and Early Warning Services (200,000). • Ministerial approbation of a strategy for in-depth regulatory and institutional reform, outlining the institutional framework and roles and responsibilities to strengthen climate resilience and DRM. • Number of governorates with DRM plans that have been developed in collaboration with communities (baseline: 0, target: 10) • 1 communication campaign	• Tunisia Integrated Disaster Resilience Program (P173568) *(Active).* • Possible PforR AF. • Maghreb Climate & Disaster Resilience Support (P177669).

Objective 3.3.: Improving water services

Intervention logic

Rationale for the CPF objective and WBG engagement: Tunisia is one of the most water scarce countries in the region (and in the world). With an estimated 399 m3 of annual renewable freshwater resources per capita, Tunisia has fallen below the threshold of absolute water scarcity. The increasing incidence and severity of droughts is already a major source of macroeconomic volatility, and a threat to food security at the national level. In addition, water resources are also confronted to growing deterioration due to insufficient treatments of used waters.

Lessons learned and new knowledge at the program level: The WBG estimated that the annual cost of environmental degradation of water, air, land, coastal zone and waste was 2.1 percent of GDP in 2008, with agriculture as the most impacted sector, arising from salinity, water quality and water logging. The recently finalized work on Blue Economy highlights the multiple threats and risks of degradation of the critical coastal/ marine ecosystems while presenting the potential for job creation through sustainable management of these resources. The CCDR will be delivered during the first year of the CPF implementation period and will be fundamental to build the knowledge basis to decipher the complexity of the inter-relation between climate change and development and help strengthen the climate dividends of our WBG interventions during the CPF period.

WBG ongoing and planned support to this CPF Objective:

Ongoing: The WBG accompanies the transformation of the agriculture sector, to become more resilient to climate shocks, by supporting the modernization of the irrigation systems and the production and distribution of certified climate-smart seeds: both interventions directly contribute to reducing the vulnerability of the domestic cereal production to droughts.

Planned: Through a lending operation supporting ONAS, the WBG will contribute to expand water sanitation services, while improving environmental conditions through enhanced wastewater treatment. Through analytical and advisory work, the WBG will deepen the engagement on critical topics. Given the current water shortage, the WBG will be ready to upscale support on water management.

Key risks and mitigation: There is a limited understanding of the importance of preserving natural capital for a

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program

• Area provided with new/ improved irrigation or drainage services (Baseline 2022: 1,110 hectares; target 2027: 25,900 hectares). • Number of new households connected to the sewer network (Baseline 2023: 0; target 2027: 102,000 households or 387,000 beneficiaries).	• Number of farmers provided with new or improved irrigation and drainage services (target: 3,500) (disaggregated by gender). • Number of farmers reached with improved agricultural assets or services (disaggregated by gender) (target: 1,300). • Percentage of beneficiary farmers that are satisfied with irrigation and agriculture services (target: 80 percent) • Number of concession agreements signed and declared effective (target: 2). • Number of WWTPs which initial rehabilitation & complementary works have been completed (target: 15). • Wastewater treated as a result of the project (target: 64,506,000 Cubic meters/year).	• Tunisia Irrigated Agriculture Intensification Project (P160245) *(Active).* • Tunisia Sanitation PPP Support Project (P162957) *(Active).*

ANNEX 2 COMPLETION AND LEARNING REPORT

Date of CPS (FY2016–2020): April 19, 2016 (Report No. 104123-TN)

Date of CPS Performance and Learning Review: May 22, 2018 (Report No. 123957-TN)

Period Covered by the Completion and Learning Review: FY16-FY21

1. **This Completion and Learning Review (CLR) evaluates the performance of the World Bank Group (WBG) under the FY16-21 Country Partnership Framework (CPF) for Tunisia.** It evaluates the CPF program performance in achieving WBG expected outcomes, assesses WBG performance in the design and implementation of the program and discusses its alignment with the WBG's corporate goals. In doing so, the CLR will seek to draw lessons from past and present programs to assess performance, and to provide forward-looking recommendations to inform the scope and structure of the new CPF (FY22-26).

2. **The CPF (FY16-21) program was built around three pillars: (i) restoring an environment conducive to sustainable economic growth and private sector-led job creation; (ii) reducing regional disparities; and (iii) promoting increased social inclusion.** The CPF was designed in anchor with the Government's objectives as set in the 2015 Note d'Orientation Strategique, translated into five-year National Development Plan NDP, (Plan Quinquennal 2016-2020)[37], while keeping with findings of the 2015 Systematic Country Diagnostic (SCD). The NDP aims to boost economic growth, reduce regional disparities through human development, social and regional inclusion and good governance. The Performance and Learning Review (PLR), approved by the Board of Executive Directors on May 22, 2018, confirmed the validity of the CPF strategic areas, and given the evolving country context, on the political, socio-economic fronts, adjusted several outcomes and supplementary indicators and extended the CPF period by one year to FY21.

3. **The CPF was implemented in a challenging environment characterized by frequent episodes of political instability, social unrest, economic turbulence, and government coordination and implementation capacity disruptions, all aggravated by the COVID-19 pandemic in early 2020.** The impact of these challenges exceeded the levels of risks identified and assessed in the CPF and PLR. The CLR uses the results framework updated during the PLR as main reference for assessing the CPF program and uses the findings from some Implementation Completion and Results (ICR) reports, IEG evaluations, as well as the Activity Completion Summaries of several Advisory Services and Analytics (ASA).

4. **Political instability and capacity constraints**. **Tunisia's democratic trajectory was marked by the first free and open municipal elections, in May 2018, followed by the October 2019 presidential and parliamentary elections.** The country elected its new leaders and the economy started showing signs of improvement (a positive GDP growth, lessening inflation and a recovery of the tourism sector that was affected by the 2015 terrorist attacks) reviving hope about Tunisia's future. Yet, a decade later, Tunisia's path remains uncertain. The fractured political landscape and the stagnating national economy have hindered Tunisia's democratic consolidation. The country's commitments to economic reforms and the business climate have

[37] Tunisia's five-year National Development Plan NDP, (Plan Quinquennal 2016-2020): http://www.tunisie.gov.tn/uploads/Document/02/978_445_Plan-developpement_2016_2020.pptx

not been fulfilled[38] as it has been difficult to reconcile international commitments and a degraded economic and social situation (General strikes in the public service, sporadic social movements), aggravated later by the global COVID-19 pandemic. The constant turnover of senior leadership[39] within the government not only made it impossible for any government to tackle challenging but necessary economic and social reforms, but also very difficult for the WBG to address capacity constraints while implementing the program. The social climate has grown tense with the proliferation of acts of anguish, protests and blockades of production sites disrupting economic activity in key economic sectors. The government failed to deliver economic growth, debt reduction, trade or employment. Unemployment remains high (17.4 percent by the end of 2020 compared with 14.9 percent before the pandemic), the transition from school to employment is increasingly difficult and jobs have become more precarious. This mixture of immobilism, exclusion and the consequent failure of the economy to deliver growth and jobs in recent years has led to a collapse of trust of a large share of Tunisians in public institutions.

5. **The COVID-19 pandemic halted and/or delayed most WBG program activities.** Between March and May 2020, authorities strictly enforced a nationwide lockdown and curfew, restricting public movement with complete cessation of several activities. The Government announced a package of measures to support vulnerable households and firms to cope with the COVID-19 pandemic costed at US$1 billion (2.5 percent of 2019 GDP). During this time, the WBG provided a fast and flexible response to the COVID-19 pandemic, utilizing all WBG operational and policy instruments and working in close partnership with the government and other agencies (see Box 1).

A. SUMMARY OF KEY FINDINGS

6. **In alignment with government strategies, the WBG engaged through a combination of development policy lending, investment and results-based financing and analytical work, complemented by IFC investment and advisory services and MIGA guarantees**. IBRD delivered a large lending program of almost US$3.3 billion (FY16-21), of which US$1.7 billion in budget support and US$1.6 billion in investment lending. Budget support was deemed necessary to help Tunisia lay the foundations for a more competitive business environment, a strengthened financial sector, more inclusive and accountable social services, and more transparent and accountable public governance. A total of 19 investment projects were approved during the CPF period, with an average of 3 operations per fiscal year.

7. **The Development Outcome of the CPF is rated Unsatisfactory.** The CLR rating is based on an aggregate assessment of the CPF objectives in the revised results matrix. The CPF objectives under all three CPF pillars were mostly either partially achieved or not achieved. A detailed assessment of individual objectives and respective indicators is presented in CLR Annex 1.

8. **The performance of the WBG in designing and implementing the CPF is rated Fair.** The CPF objectives were aligned with the Government's priorities as laid out in the NDP and responsive to the client's needs. The CPF program also aligned closely with the WBG's corporate and regional priorities, which include a focus on better education, improved service delivery, private sector-led growth, and digital governance. The CPF identified major risks to implementation including deterioration of the security situation, capacity constraints, political economy and governance challenges, and macroeconomic and debt sustainability risks. However, the original results outlined in the framework were overly ambitious, lacked selectivity and did not

[38] For example, the last IMF program ended in March 2020. Aid, amounting to US$ 2.9 billion, was conditional on an acceleration of reforms, of the banking sector, and a reduction in public expenditure, an improvement in business climate, increased access to credit and a more committed fight against corruption. These commitments have not all been fulfilled. New discussions with the IMF are currently ongoing.

[39] Ten different governments and five Presidents of the Republic since 2011.

adequately plan for the magnitude of political economy and institutional challenges that eventually constrained program implementation.

9. **The Bank responded in a timely and highly effective fashion to the COVID emergency (Annex 3).** The built-in flexibility of the CPF allowed for appropriate adjustment and responses to government's emerging needs. The WBG responded with agility to client needs and to the changing environment and carried out a proactive and close oversight of the portfolio throughout the CPF period. The Bank maintained its engagement in key sectors, focusing on strengthening implementation of the portfolio by addressing institutional capacity. Technical capacity constraints, high number of implementing agencies and complex institutional and governance arrangements tend to affect adversely the performance of operations in the Tunisia portfolio and caused major delays.

10. **Knowledge and advisory services have been important elements of the Bank's engagement with Tunisia.** The Bank delivered a number of ASA in the timeframe of CPF implementation, in areas such as macroeconomics, policy dialogues, public financial management, business environment, finance and capital market reforms, structural reforms in energy, transport, agriculture, education, employment and labor markets, social safety nets, risk and resilience, public sector governance, SOEs and health. The WBG has adapted its analytical work to address shocks and crises and increased its responsiveness to provide just-in-time technical assistance for specific policy issues.

11. **IFC contributed to CPF objectives with investments and advisory projects supporting private sector activities in the financial sector and MSMEs support, agribusiness value chains** with presence in lagging regions, export-oriented manufacturing, entrepreneurship (inclusion of youth and women), and public private partnerships (PPP). IFC projects complemented Bank programmatic DPLs and specific IPF projects. IFC has taken an active role in the areas of access to finance and strengthening of the resilience of the financial sector, business climate reforms, private investment in renewable power generation and water, and support to entrepreneurship. The "Accelerator Scale-Up for Youth Entrepreneurship" project supported the unlocking of the potential of innovative entrepreneurship in Tunisia by designing, developing, implementing, and funding an accelerator scale-up program, with a special focus on women-led start-ups and, more generally, by supporting the ecosystem of transformational entrepreneurship. MIGA contributed to CPF objectives through continued support to the TANIT passenger ferry project, an important investment by an SOE aimed at enhancing Tunisia's connectivity with Europe.

B. PROGRESS TOWARDS CPF DEVELOPMENT OUTCOMES

12. **The CPF Development Outcome rating is Unsatisfactory.** This is based on the Self Evaluation Framework. The ratings are presented in Table 1.

Table 1. Summary of ratings

Focus area 1: Restoring an Environment Conducive to Sustainable Economic Growth and Private Sector-Led Job Creation	**U**
Objective 1.1: Strengthened Budget Management and Reduced Fiscal Risks	**NA**
Objective 1.2: More Pro-Growth Public Expenditures	**NA**
Objective 1.3: Improved Conditions for Trade Facilitation	**NA**
Objective 1.4: Enhanced Financial Sector Support to Entrepreneurship	**NA**
Focus area 2: Reducing Regional Disparities	**U**
Objective 2.1: Improved Access to Services in Lagging Regions	**NA**
Objective 2.2: Improved Road Connections to Inland Regions	**A**

Objective 2.3: Enhanced Economic Opportunities in Lagging Regions	**NA**
Focus area 3: Promoting Increased Social Inclusion	**MU**
Objective 3.1: Enhanced Access to Information and Data	**PA**
Objective 3.2: Enhanced Employment Opportunities for Youth	**NA**
Objective 3.3: Better Targeted Social Programs	**A**

Ratings: HS=Highly Satisfactory; S=Satisfactory; MS=Moderately Satisfactory; MU=Moderately Unsatisfactory; U=Unsatisfactory; HU=Highly Unsatisfactory; A=Achieved; MA=Mostly Achieved; PA=Partially Achieved; NA=Not Achieved; NV=Not Verified.

Focus Area 1. Restoring an Environment Conducive to Sustainable Economic Growth and Private Sector-Led Job Creation – *Unsatisfactory*

13. **Under this focus area, the WBG sought to support the government in promoting growth and increasing private sector employment and inclusion.** This includes strengthening economic and fiscal management; trade and competitiveness; and an improved business environment for private sector job creation, innovation and entrepreneurship.

Objective 1.1 Strengthened Budget Management and Reduced Fiscal Risks – *Not Achieved*

14. **The WBG program supported the adaptation and modernization of key economic and fiscal policies and institutions aiming to promote more inclusive, private sector-led growth and increase in the performance of public services and programs.** A series of DPFs aimed to support the business climate, financial sector, strengthen economic and fiscal management through governance reforms. The Governance, Opportunities, and Jobs (GOJ) series[40] had created the conditions for the Bank to deepen its policy dialogue and engagement on a key pillar of the CPF: helping the Government restore the conditions for private sector led job creation. Two follow-up stand-alone operations (US$ 1 billion) supported the implementation of key reforms that were included in the GOJ DPL series but did not materialize[41]. The "Business Environment and Entrepreneurship" DPL (BEE DPL-P158111) was the fifth in a series of successive DPLs since the 2011 revolution with the aim of supporting the country's economic and political transition in a challenging economic, social, and security context, and was designed as a bridge DPL between the previous GOJ DPL series and another standalone program, Investment, Competitiveness and Inclusion (ICI) DPL. The BEE DPL allowed the WB to continue to support Tunisia at a critical juncture in its post-revolution transition, especially in light of the political and economic aftermath of the 2015 terrorist attacks and the associated growth of its financing needs. It was expected to continue and deepen some of the reforms that were started under the Bank's 2012-2015 GOJ DPL series, and to accompany Tunisia in its efforts to implement key legislations (Law on Access to Information, the Competition Law, the PPP Law, the Law governing the Central Bank, the Law on Collective Procedures, the Banking Law, and the new Investment Law).

15. **Even though the Bank made a concerted effort in its design and implementation of the BEE DPL to learn from the lessons of the previous DPL series, which was noted as too ambitious given challenges around political feasibility and institutional capacity during the transition period, the BEE DPL was rated Moderately Unsatisfactory for outcomes and Bank**

[40] Programmatic series of Governance, Opportunity, and Jobs (GOJ) Development Policy Loans (DPLs) included a series of three DPLs totaling US$1,250 million. The GOJ DPL series (approved between Nov. 2012 and Oct. 2015) aimed to (i) promote a more competitive business environment, (ii) strengthen the financial sector, (iii) provide more inclusive and accountable social services, and (iv) increase transparency and accountability in public governance. GOJ3 was approved in FY16.

[41] Competition Law, the new Investment Law, and the Bankruptcy Law.

performance. Reform progress was constrained by unstable governments, lack of communication and consensus building around reforms in a politically and socially sensitive context, and strong vested interests against certain reforms.

16. **Achieving a satisfactory outcome required a much stronger progress in the reform agenda set forth during this CPF period.** Under the Tunisia First Resilience and recovery Emergency DPF (P173324), only 3 out of 12 triggers have witnessed some substantial progress or have been completed (triggers #2, #3 and #8). The first pillar on social assistance is the only one where Tunisia has made some significant progress. On the other hand, none of the measures in the SOE pillar and only one measure (on Non-Performing Loans) in the private sector pillar have seen some progress. In the absence of significant reforms and with the protracted pandemic, the economic indicators have deteriorated. Tunisian fiscal deficit has expanded further to 9.4 percent of GDP in 2020 and 7.6 percent estimated for 2021. As a result, public debt has ballooned to over 85 percent of GDP in 2021.

17. **Objective 1.1 was expected to be measured by an improved legal framework for public financial management and by introducing performance-based budgeting (CPF indicator 1.1.1) through an organic budget law in 2018.** This was achieved but with delay. The new organic budget law was ratified in 2019. In addition, a medium-term debt strategy aimed at stabilizing public debt and controlling debt servicing was approved by the Ministry of Finance in December 2016. The new upcoming 5-year development plan will be based on an update of this strategy.

18. **Another measure of achievement of Objective 1.1 was the public expenditure on food and energy subsidies (CPF indicator 1.1.2).** The CPF target of 9 percent subsidies (as share of total public expenditures) on energy and food (2.7 percent of GDP) was not met. Energy subsidy accounted for 1.6 percent GDP in 2017 and 2.6 percent in 2018 and contributed to Tunisia's fiscal and external deficits. Despite mixed results, the ICI DPL designed at the time of growing oil prices, supported the reforms to reduce energy subsidies, to improve STEG's efficiency (reduce losses and improve bills recovery), and to initiate renewable energy projects. The program focused on: (a) devising a framework for transparent and rules-based pricing and gradually adjusting tariffs toward cost recovery; (b) identifying actions to reduce STEG's losses and improve its performance; (c) preparing the social safety nets to protect the poor and vulnerable from price adjustments; (d) developing a communication plan to inform the public about the rationale for subsidy reform and accompanying measures; and (e) supporting the expansion of renewable energy to reduce generation costs and import dependence.

19. **The Government's Energy Subsidy Reduction Policy Note adopted in May 2018 outlined its plan to eliminate subsidies by 2022 and laid the foundation for price adjustments to be implemented in a systematic manner.** After a rather successful subsidy reform during 2018-19, the process was paused because of the parliamentary and presidential elections, the subsequent changes of government, and the COVID-19 pandemic, which brought not only political uncertainty, but also worsened socio-economic conditions, hence the hesitance to raise prices. Nevertheless, driven by the increases in international oil prices, the Government recently resumed the automatic adjustments of petroleum products (3 percent increase every month) and adjusted electricity and natural gas prices by 12-15 percent per on average. The plan is to continue the adjustments in 2023-2026 to reach full cost recovery. For LPG, the Government has adopted a Decision to clearly mark the bottles for household (which receive subsidies) to avoid leakage to commercial users. The Government is committed to reforming LPG subsidy, but only when the platform for compensating cash transfer has been in place. Overall, although the trigger for the next DPF (The Governments adopts a systematic indexation mechanism for electricity and natural gas or a reform plan for domestic LPG) has not been achieved, the commitment has been revived and there are some initial efforts. Nevertheless, future commitment will depend on the result of the parliamentary election in December 2022.

Objective 1.2 More Pro-Growth Public Expenditures- *Not Achieved*

20. **The WBG's support to the government's efforts to strengthen the fiscal management framework targeted budget planning and implementation, procurement policies, expenditure management including capital expenditure, and financial reporting and auditing, started in 2016.** The Bank supported the establishment of a new unified Public Investment Management framework (PIM) for public investment projects (PIP) and public private partnership (PPP) projects and the creation of a National Committee for the Approval of Public Projects, through a budget support operation (GOJ3 DPL). The following Development Policy Financing BEE (2018) allowed the implementation of the framework.

21. **Under BEE DPL[42], the decree establishing a unified public investment management framework for public investment projects (PIP) and public private partnership (PPP) was effective and significant progress has been made to implement the PIM.** A unified framework with systematic and standardized project screening was put in place through TARTIB, a tool developed through WB TA (Under Moussanada MDTF) that implemented harmonized project documents with clear selection criteria including: (i) economic, regional, social, and environmental sustainability, (ii) budget and cost-based analysis, efficiency analysis, (iii) quality assurance mechanisms, and project maturity. In addition, a CNAPP (National Committee of approval of public projects - Comité National d'Approbation des Projets Publics) was created. It is composed of key stakeholders including MDICI, MoF, IGPPP (General PPP Authority - Instance Générale des PPP), and IGSPP (Supervision of public projects' Authority - Instance Générale de Suivi des Projets Publics) and it screens projects according to the standardized criteria mentioned above. Selected projects are moved into the pipeline project list which is submitted to the Government. In 2017, the framework was piloted during the preparation of the 2018 Budget Law with the 3 ministries whose projects represent a large share of the Government's public investment, namely the ministries of Transport, Agriculture, and Equipment. In 2018, during the preparation of the 2019 Budget Law, the framework was rolled out to all ministries and 6 SOEs (ONAS, STEG, SONEDE, OMMP, Groupe Chimique, ARRU (Restructuring and Renovation Agency - Agence de Réamenagement et de Renovation). The momentum provided by TARTIB is fully consistent with the World Bank Group's "Maximizing Finance for Development' approach.

22. **CPF indicator 1.2.2 measured the number of PPP transactions signed, with a target of 5 by 2021, which was not achieved.** Since this was the first PPP in the energy sector after a long period, there have been several challenges. For example, the PPP procedures and standards are long and complicated, making it difficult for the private sector to reach financial close. However, aligned with the objective of fostering private sector development, the WBG continues to help facilitate public-private partnerships (PPP) in sectors that enhance competitiveness, such as energy, water desalinization and ICT. The Tunisia Infrastructure Diagnostic (P162398) reviewed Tunisia's performance and track-record in PPPs and benchmarked against peers. Recommendations to advance the PPP agenda were made considering macro-economic and fiscal constraints faced by Tunisia. Other ASAs Support for PPPs in Rural Water Supply and Irrigation (P155271), STEG Operational Diagnosis and Upgrade (P159568), Analytical Work on SOEs (P162936), Supporting the Financial Viability and Sustainable Transition of the Tunisian Energy Sector (P167211) have contributed to prepare the groundwork for Tunisia's PPP agenda.

23. **A CwA-funded TA supports the initial conceptualization of a Project Preparation Fund for PPPs to help Tunisian authorities (and specifically the PPP authority – IGPPP) consider the rationale, features and indicative implementation arrangements of a project preparation facility for PPPs.** This TA confirms the need to strengthen institutional capacity in PPPs and consider the

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[42] PA#3: The Decree No. 2017-394 dated March 29, 2017, establishing a unified public investment management framework for public investment projects (PIP) and public private partnership (PPP) projects to cover the appraisal, selection and prioritization, financing modalities and continuous monitoring of all investment projects has been published in the Official Gazette No. 26 dated March 31, 2017.

mobilization of technical and financial support instruments to facilitate project preparation and implementation, as well as a thorough assessment and realistic expectation regarding the status and potential of the PPP pipeline.

24. **IFC is actively working on facilitating greater private investment and to expand its footprint in Tunisia, however progress of implementation is slow as Tunisia is still working on the operationalization of the country's PPP law-voted in 2015.** IFC is acting as transaction advisor for the structuring of a long-term O&M concession, where investments are being supported by the Bank. The Tunisia Sanitation PPP Support Project (P162957) constitutes a first step in the implementation of the long-term strategy of the Tunisian national wastewater utility (ONAS) to enhance the quality and efficiency of its operations. This operation, initially planned for FY20 delivery, has been delayed due to several factors, including Tunisia's limited experience in PPPs, stakeholders' social concerns, and macro-fiscal constraints (Board in FY23).

25. **In the energy sector, IFC built on the Bank's overall support to the sector, especially the support to the transmission infrastructure as a pre-requisite for the integration of renewable energy projects, and the technical support to the SOE with capacity building and enhancement of the financial and commercial management functions.** IFC directly contributed to the structuring of the first renewable energy program and is currently mandated for the financing of one project part of the program.

26. **During the CPF period, MIGA continued its support to the TANIT passenger ferry project, an important investment by an SOE aimed at enhancing Tunisia's connectivity with Europe.** MIGA is currently working closely with IFC and with potential project developers to identify opportunities to facilitate foreign direct investment into Tunisia's renewable energy sector.

27. **Under Tunisia's renewable energy program, GoT launched the selection process for 5 solar concessions in 2018 and for 240 smaller PPP projects under the authorization regime.** The concessions have been attributed to private investors and the negotiated contracts have been signed by the Government and promoters, but they still require approval by law. For the authorization regime, 3 projects have reached financial close; many others await a letter of comfort from GoT to facilitate debt mobilization from commercial banks. The first tender of 500 MW under the concession regime reached the lowest bid for solar energy in Africa of US$2.4 / kWh, but it took 2 years of negotiations, and the project agreements were finally approved by presidential decree in December 2021.

Objective 1.3 Improved Conditions for Trade Facilitation- *Not Achieved.*

28. **During the CPF period, the Bank supported reforms to boost export-driven growth and competitiveness – including through the modernization of logistics at the Port of Radès (the main merchandise port in Tunisia).** The Third Export Development Project (EDP3) supported Tunisian Company for Stevedoring and Handling (STAM, Société Tunisienne d'Acconage et de Manutention), the concessionaire and the operator of the Radès container terminal, including through the installation of an integrated solution, including: (i) a new TOS to help track the containers instantaneously and optimize the port management; and (ii) a SMART GATE (helping plan and organize the flow of goods at the terminal's entry and exit gates). The modernized systems at the Port of Radès have been operational since December 2019. The effects of the efficiency improvements of the TOS system could not be captured. In fact, the latest available data (2020) on the indicators related to the TOS (Containers cleared in Rades port), is 277,000 containers, reflecting a downward trend related to the decrease in exports in 2020. Although this is partly due to COVID-19, it indicates the need for STAM to put in place complementary measures to optimize the use of the new system (personnel, organigramme, etc.). On the other hand, the indicator regarding SMART GATE (Processing time for containers to enter/leave the port of Rades) has been progressing well in 2020. The latest available progress indicator (for 2020) notes a significant improvement to 1h20 in processing time compared to 4h in 2015.

29. **The First Resilience and Recovery Emergency Development Policy Financing (P173324) emphasized two actions related to this objective.** These actions are: (i) Accelerating private participation in port management and operations based on amendment of the current concession agreement between OMMP43 and STAM44; and (ii) launching the construction / management of platforms 8 and 9 under PPP scheme. Following the failed procurement process on the contract to construct platforms 8-9, the government took a decision to integrate this element in its planned Compact with MCC. While this set back the concession agreement process by several months, it created a more robust process where all aspects of support and financing to the creation of the container port and bringing it under a concession are centralized under the government's program with MCC, thus giving the (then) Ministry of Economy and Finance and the Ministry of Transport more direct control over the process.

30. **IFC supported reforms related to Trading across borders through several initiatives which are expected to result in facilitating trade leading to time reduction to import in Tunisia.** The two main reform activities focus on: (i) abolishing paper format of customs declarations, and (ii) introducing the use of One-Stop Shop TTN to all agencies involved in technical inspections. These reforms are expected to impact all ports and border crossings. Other reform activities include assistance with overall governance and capacity building. For instance, the project intends to reactivate the Procedure Facilitation Committee, which was inactive since 2011, as well as create a permanent supervision committee for the document exchange platform of the single declaration created by decree 97-2470. On the capacity building side, the team intends to deliver training of relevant staff in logistics chain with a certification program and introduce productivity standards for STAM, Customs, and inspections, among others.

Objective 1.4 Enhanced Financial Sector Support to Entrepreneurship- *Not Achieved*

31. **The WBG continued pursuing the implementation of key reforms in Tunisia's financial sector to promote economic growth and employment creation through a mix of interventions that aimed at building a diversified and inclusive financial sector through expanding access to financial services for MSMEs, with a focus on women and youth entrepreneurs, and strengthening selected components of the financial sector landscape (insurance, private equity, export finance, microfinance).** Micro, Small and Medium Enterprise Financing Facility (P124341), coupled with a TA and BEE DPF supported the promotion of inclusive financial sector development through, inter alia, strengthening regulatory and oversight practices, improving the quality of Tunisia's public credit registry (PCR), and encouraging innovative financing sources for SMEs. The implementation of these instruments allowed credit constrained MSMEs access to capital to invest in their businesses and expand private sector business activity amongst MSMEs served. In fact, there was substantial increase in the targeted total MSME loans in the portfolios of participating financial institutions: Target: 13%, Achievement: 79 percent. The gender impact of the line of credit was significant. In fact, 44% of enterprises financed by the credit line are headed by women representing 5,353 women, with on average, approximately 50 percent of microcredit clients in Tunisia are women.

32. **IFC and the WB jointly supported an ecosystem diagnostic through an advisory facility.** This facility provided comprehensive advisory support to improve the development and financing of MSMEs through improving enabling environment regulations, supporting financial institution on addressing supply and demand barriers preventing them from serving MSMEs, and support to MSMEs themselves to improve overall productivity and investment. Through this facility, the WBG strengthened policy, legal, and infrastructure reforms, notably through training on

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43 Office de la Marine Marchande et des Ports

44 Société Tunisienne d'Acconage et de Manutention

corporate governance of SOBs by the CBT, reforming the secured lending regime, and developing a credit information system for the microfinance sector.

33. **Another measure of achievement of this objective was the increase in the number of firms benefiting from Tunisia's export guarantee instruments (Dhamen finance – CPF indicator 1.4.2), which was not achieved.** Only 69 firms (out of a target of 490) benefitted from Dhamen Finance by end of 2020. Two years into the implementation of the Export Development Project 3 (P132381), the WB identified that the implementation of this component in EDP3 would require a revision of the existing Law and Decree on Dhamen Finance. This process took a long time, and the texts were approved by Parliament only one year before initial closing date of the Project (December 2020). CPF indicator 1.4.3 on the amount of equity investments towards start-ups form Anava sources was not achieved. This was due to delays in the set-up of Anava amid political uncertainties and administrative delays.

<u>Focus area 2: Reducing Regional Disparities. Unsatisfactory</u>

34. Under this focus area, the WBG supported the government's need to reducing the gap in economic opportunities and living standards across regions through a package of analytical and financial support aimed at improving access to and quality of services and enhancing economic opportunities.

Objective 2.1 Improved Access to Services in Lagging Regions-*Not Achieved.*

35. **In Tunisia, the challenges of local human and business development – along with addressing the economic disparity between the country's different regions – has long been a major concern of state authorities.** The WBG supports the country's regional development strategy to help reduce the gap in social welfare through diversified instruments that promote the implementation of the national decentralization agenda, strengthen the education system, and better orient it to market needs, improve natural resources management (using a participatory approach), and narrow the gaps in access to basic services.

36. **Following the adoption of the new Local Government organic law and the municipal elections held in 2018, the Government sought the support of the WBG through a US$300-million scale up of the Urban Development and Local Governance Program (PforR, P130637).** The Program helped strengthen LG's performance to deliver municipal infrastructure and improve access to services in targeted disadvantaged neighborhood (covering 272 Local Governments (LGs)). Although this operation is progressing well, it has not achieved the targets of the related CPF indicators. The percentage of LGs that have executed their Annual Investment Plans on schedule have reached 50 percent in 2019 (below the 70 percent target) and decreased in 2020, due to the Covid-19 situation.

37. **The WBG supported the construction and rehabilitation of critical drinking water treatment, transfer and distribution facilities to allow Tunisia's national utility (SONEDE) satisfy increasing water demand, through the Urban Water Supply IPF project (P064836).** Through the Project, SONEDE was able to ensure service continuity in benefiting regions, while connecting 190,000 (approx. 780,000 people) and 110,000 (approx. 450,000 people) new residential customers in the Greater Tunis and Center-east regions respectively. On the other hand, through the Northern Tunis Wastewater IPF project (P117082) the Bank supported the Tunisian wastewater management utility (ONAS) in the development of a safe system for the disposal of the treated wastewater effluent generated in the northern catch-basin of the Tunis metropolitan area, servicing an equivalent population of 1.2 million people. While the objectives set forth for the Urban water supply project in terms of water service quality and continuity were achieved, those related to the improvement of SONEDE management efficiency were not fully attained, due to some extent to resistance to change among utility managers, lack of uptake of the recommendations issued by the studies developed under the institutional strengthening

component of the Urban Water Supply IPF project (P064836) mentioned above and under the ASA on PPPs for rural water service delivery.

38. **The WBG sought to assist the government's approach to promote more and better job opportunities for youth, especially for the most disadvantaged and for young women.** Through the Youth Economic Inclusion project (P1581380), the Bank aimed to gradually help create new systems to integrate supply-and demand-side interventions (capacity building and connection to jobs), finance catalytic investments (support job creation, Value-chain development, matching grants), and promote institutional coordination across different agencies. The target outcome supported by this project was not achieved. Only 139 youth completed internship or training to connect to jobs in Daouer Hicher (one of the most disadvantaged locations in the Manouba governorate). However, their training was expected to end in January 2022 and has not been completed. The project has slow implementation progress due to institutional capacity and lack of ownership of the implementing ministry.

39. **Tunisia has made significant progress toward the universalization of one year of preschool for children five years of age.** WBG supports Tunisia's plan to bridge the regional gap existing in lagging regions and increase access to and quality of preprimary education, strengthen programs for teacher education and training and strengthen systems for learning assessment, through the Strengthening Foundations for Learning Project (P162297). Approved in May 2018 and effective in February 2019, the project had an innovative design, with a focus on teacher professionalization and modernization of education programs, critical to addressing HCI-related performance issues in Tunisia. However, the project suffered from a very slow implementation and no disbursements for more than 12 months. A partial cancellation of funds took place in March 2020 (US$27.5 million) and accelerated disbursements of US$ 10 million for COVID-19 related expenditures in April 2020. For the school year 2020-21, 8,399 (out of a target 9000) 5-year-old children were enrolled in preschool programs in 31 targeted districts, out of which almost 50 percent were girls and 87 percent in rural areas. The progress indicator could not be achieved (preschool facilities established, primarily in lagging regions, and 49 preprimary classrooms established by end of 2021.

Objective 2.2 Improved Road Connections to Inland Regions- *Achieved*

40. **The WBG supports Tunisia in its response to the development and citizen's needs in lagging regions, targeting poorer, more underdeveloped areas**. The Road Transport Corridor project (P146502) marks the Bank's first engagement (after ten years) with road improvement, expansion, and management, connecting cities inland to cities on the coast. It contributes to protecting the existing and new road network, while fostering intra-and inter-regional trade and helping to support integrated rural development programs (Oases Ecosystems and Livelihood (P132157) and Fourth Northwest Mountainous and Forested Areas Development Project (P119140). The project was complemented by several TA and studies to help institutional strengthening of transport sector sustainability in Tunisia. Beneficiaries will benefit from the improved state and capacity of the roads reflected in reduced vehicle operating costs, greater comfort to users, and reduced risk of injury and deaths due to traffic accidents. The travel time on rehabilitated roads has been reduced by 22.4 percent (target achieved, however exact value could not be verified), with 146.5 km of roads connecting lagging regions to markets completed. Another indicator that justifies the achievement of the objective is the fact that 373,500 people benefited from improved infrastructure connections to urban centers compared to an initial baseline of zero in 2016.

Objective 2.3 Enhanced Economic Opportunities in Lagging Regions-*Not Achieved*

41. **The WBG supports improving agricultural productivity through advisory and lending instruments aimed at enhancing farming approaches and creating and strengthening of value chains.** Support is focused on natural asset-based sectors such as agro-forestry.

42. **Albeit with delay on the original timeline, support under the Integrated Landscape Management Project (P151030) has been mobilized end FY20 for the development of 2 value chains, with a focus on essential oils and aromatic plants.** Diagnostic assessments and Public private dialogue consultations have been carried out in coordination with the Task Force for the Development of value Chains and Clusters – based on the Competitiveness Reinforcement Initiative (CRI). Investment plans were validated in May 2021. Additional value chain initiatives are envisaged focusing on alfa and possibly carroube. The progress indicator "Area under sustainable landscape management practices in Northwest and Center west regions" has been partially achieved. The initial end target had been updated at restructuring from initial 100 000ha to 70 000ha. Land areas under sustainable land management practices are only about 6 percent of the area expected at this stage (i.e., about 4,000ha instead of expected 40,000ha). However, improvements are expected following the allocation of specific lots (stands, forest plantation, olive tree plantation) and the signature of specific conventions (co-management agreements) with an initial group of eight Agricultural Development Groups (GDAs) and the forthcoming signature of a convention with nine additional GDAs.

43. **From the onset, the Project experienced implementation delays, due to a combination of factors, notably the limited capacity on the ground and the lack of adequate coordination among key project stakeholders.** Only a limited number of co-management agreements with the GDAs (the cornerstone of key activities under this project) could be signed, and with major delays, due to the fact that the use of project funds financed by the World Bank to support non-state entities through matching grants and co-financing of plans of activities took a long time to be resolved. As a result, most of the indicators were below targets with a low disbursement rate, which led to the joint decision to partially cancel the loan proceeds of this operation in June 2022 (for an amount equivalent to US$29 million).

Focus area 3: Promoting Increased Social Inclusion-Moderately Unsatisfactory.

44. **Tunisia has made progress promoting socio-economic inclusion to stimulate growth through its NDP, with a vision for building a minimum social protection floor for all.** The WBG is broadly engaged to promote increased opportunities for youth, support the government's efforts to design and implement a comprehensive approach to youth inclusion, provide support for youth-driven development to foster inclusion, improve the quality of education outcomes and the entrepreneurship ecosystem.

Objective 3.1 Enhanced Access to Information and Data-*Partially Achieved*

45. **The WBG supports the government's efforts to promote fiscal transparency, citizen's access to information and public and private sector involvement through several TA**. Tunisia has strengthened mechanisms for democratic scrutiny and accountability through the adoption of a "good practice" Access to Information Law, the implementation of two Open Government Partnership action plans and the adoption of the backbone of modern Public Financial Management systems (notably through the ratification of the New Organic Budget Law (2019) and new e-procurement (2018)). The number of users of public finance data published on Ministry of Finance's portal and data portal 'Mizaniatouna' remains below 10,000 per year. This is mainly because proactive data publication stagnated in 2017. Publication of information on public finances resumed only since 2018. The adoption of new budget law in 2019 changed the budget classification method and required the update of the 'Mizaniatouna' platform to accommodate the changes. The Bank is working with the Ministry of Finance to support the upgrading of the platform accordingly.

46. **Enhanced access to information and data has contributed to eroding the us-versus-them divide between citizens and government by making citizens active actors of change.** The publication of data in sharable formats allows citizens to become true partners with government, in both the identification and implementation of public policy. An Open Data decree n° 2021-3 was adopted on January 6th, 2021, after which four new sector datasets were published in open formats: health insurance, culture, transport and local affairs.

Objective 3.2: Enhanced Employment Opportunities for Youth- ***Not Achieved***

47. **The WBG participated and contributed to the dialogue on pre-tertiary education reform to improve quality, relevance and governance of education and create foundations for better links between education and employers' needs.** The Tertiary Education and Employability Project (PromESsE, P151059) supports tertiary education by improving the employability of graduates through the scale-up of the successful competitive grant funding initiative PARES 2. The project aims at enhancing university graduates' hard and soft skills to become more employable in the private sector, supporting degree programs in high-demand areas and supporting young universities in lagging regions.

48. **The PROMESSE, approved in 2016, had an effectiveness delay of almost 1 year.** No activities or disbursements took place until end 2017, pending higher education system reforms to be enacted. The project had design flaws: overly ambitious in design (in particular on results-based financing of higher education), and a flawed M&E system. Innovation in the implementation system also slowed down processes (award of competitive grants faced concerns about process and transparency, hence a heavy independent review process).

49. **The target number of joint university-industry programs created under the project was not achieved, by May 2021. In fact, 32 (out of 50) co-constructed professional-academic programs (at the masters' degree level) were implemented with the private sector.** Progress of achievement was monitored by the number of students completing courses focusing on transferable skills, which reached 2211. It is far below the target of 17000. Only 139 youth out of 5000 successfully completed an employment program consisting of an orientation followed by support to a placement in a wage job or in an entrepreneurship program.

50. **IFC supported early-stage ICT-enabled innovative ventures through direct and indirect venture capital investments and training programs through the E4E ICT Tunisia Project.** The project helped build the first qualification framework in ICT sector in the country and supported the ICT Federation of Tunisia build a virtual match-making body and an ICT labor observatory under which a qualifications framework was developed. The project also led to the creation of the first private sector-led Sector Skill Council in Tunisia for the ICT sector. IFC also developed a new Qualification and Competency Framework (QCF) for the sector and supported its adoption by 10 universities and 11 privates sector companies.

Objective 3.3: Better Targeted Social Programs- ***Achieved***

51. **The WBG supported the Government's efforts to develop better targeted, more responsive safety nets with greater coverage, enhance the coverage and sustainability of the pension system, and address inequality of opportunities in access to basic education and health services, particularly in lagging regions, through ASA, policy dialogue and lending operations (DPL and IPF).** The government launched efforts to redesign the Social Safety Nets (SSN) system and create a social registry with the aim of achieving greater transparency, equity and efficiency in social assistance programs and expanding their coverage. In January 2019, the Organic Law AMEN Social for social assistance was approved by Parliament. The WBG has supported this reform process through a number of previous interventions (MENA Transition Fund, TA) and DPF (2018 Tunisia Investment Competitiveness and Inclusion DPF) which resulted in the preparation and approval of the AMEN Social Law. Since 2019, the Government has established the new

AMEN[45] integrated social safety net program, partly supported by the World Bank through the COVID-19 Social Protection Emergency Project (P176352) to improve the efficiency of the social protection system to address poverty by reducing system fragmentation, increasing the coverage of vulnerable households and creating a social registry of beneficiaries. The AMEN social program also helps poor and vulnerable households access socio-economic services (education, housing, employment, etc.).

52. **Under the new integrated SSN program "AMEN Social" the Ministry of Social Affairs implemented a social registry with more than 700,000 enrolled households.** Among them about 450,000 households were visited by social workers to collect information on their living conditions. The social protection law set a strategic framework to make the social protection system more effective, better targeted and more sustainable, and paves the way for the future expansion of more effective social assistance programs. The Digital Transformation for User-Centric Public Services (P168425) supported the development of a digital social registry and a social identifier that will accelerate delivery of social assistance and ensure interoperability. A common social ID is functional, and work is underway to strengthen its registry and the sectorial interoperability platform.

53. **The impact of the Bank's support in social protection is complemented by a more recent Emergency Food Security Response Project (P179010) to provide a coordinated and complementary response to the impact of Russia's invasion of Ukraine.** The new operation (Board June 2022) will focus on the response needed on the supply side to avoid a disruption of grain availability (barley and wheat) on the domestic market and to mitigate the impact of high inputs prices on small dairy and grain producers. It will also lay out options (and the feasibility) to use the existing cash transfer system as a food subsidy compensation mechanism to accompany a phase out of the food subsidies over time. The cash transfer system was used to provide emergency assistance during the COVID-19 pandemic, and it is being expanded to reach 10 percent of the population.

54. **The WBG helped the government build stronger social and economic resilience to shocks through Tunisia's First Resilience and Recovery Development Policy Financing (P173324).** This financing facilitated key reforms to enhance the capacity of the social protection system to respond to the COVID-19 crisis and future shocks and improve household resilience. Through this DPF, the government has succeeded in putting in place an emergency response that provides temporary cash transfers to a large proportion of the vulnerable population including people working in the informal sector. Apart from this support, other DPF results have been unsatisfactory.

C. WBG PERFORMANCE

55. **The WBG performance in designing and implementing the CPF is rated Fair.** The CPF program was designed to align with government's National Development Plan 2016-2020, while the intervention logic was informed by the 2015 Systematic Country Diagnostic (SCD). As the CPF and the PLR acknowledged, the CPF period required the Bank to maintain full flexibility and continuous effort to adjust to changes in government priorities, changes in the economic and social environment, and institutional capacity constraints. IBRD program was implemented through a mix of lending instruments, technical assistance and analytical work. IFC contributed to CPF program with investments and advisory projects supporting private sector activities in the financial sector and MSMEs support, agribusiness value chains with presence in lagging regions, export-oriented manufacturing, entrepreneurship, and PPPs. MIGA contributed to the CPF program through the continuation of its non-honoring of sovereign obligations guarantees which enabled more sustainable commercial financing of public investments in the transport sector.

[45] AMEN means safety in Arabic

56. **The WBG failed in implementing the 2018 PLR mid-course recommendations.** The lessons from implementing the FY12-15 CPS informed the design of the FY16-21 CPF, as well as the design and implementation of lending operations, TA, and analytical products. The 2018 PLR identified further emerging lessons. However, these lessons could not be implemented effectively, maintaining the portfolio at risk. Further to this, the attention of both the Government and the Bank shifted at the onset of the pandemic to respond to immediate emergency needs.

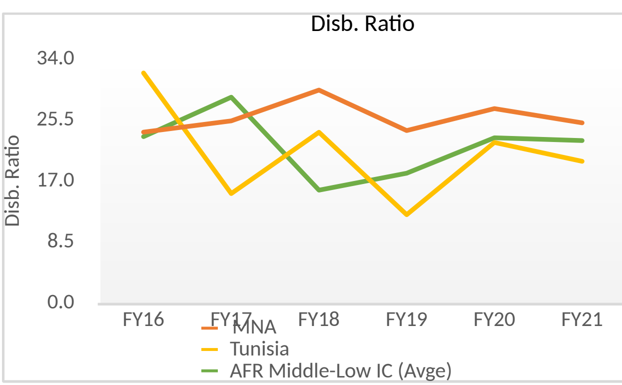
Design and Relevance

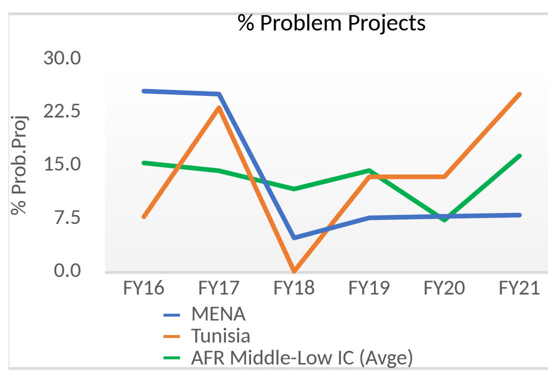
57. **The FY16-21 CPF had strong foundations, covered relevant priorities, and contributed to successful and long-term engagements in energy and social protection.** The design of the CPF was largely aligned with Tunisia's government development agenda, the 2015 SCD, and the WBG's corporate and regional priorities. Main development challenges were properly identified, and risks were adequately assessed, monitored throughout the CPF period, and adjusted mid-way. Also, CPF knowledge and advisory part was significant and contributed to client engagement. IFC also contributed to the CPF with investments and advisory projects supporting the private sector, while MIGA contributed through the continuation of its non-honoring of sovereign obligations guarantees, which enabled more sustainable commercial financing of public investments in the transport sector. On energy, over the last decade, the WBG developed a long-term partnership with the Tunisian government with a diversified and integrated program to prepare Tunisia to become a regional hub of renewable energy. On social protection, over the last ten years, IBRD assisted the Government in setting up an integrated social safety nets system.

58. **The FY16-21 CPF did not achieve most of its objectives, despite a gradual increase of the size of the Bank's program and the frequent use of DPFs.** In terms of overall impact, two out of ten CPF objectives were achieved. In terms of implementation, overall disbursement stood at around 42 percent over FY16-21, with a significant share from DPFs. Non-DPF disbursements were limited, particularly if the FY21 COVID-19 health and social protection emergency operations are excluded. IPF implementation was also affected by the lengthy period between Board approval and effectiveness – usually 9-13 months over FY16-21. At the same time, progress on support for reforms and the impact of DPF operations were limited.

Figure 2. FY16-FY21 Comparative performance of Tunisia in disbursement ratio and problem projects

*** Tunisia compared to MENA and the average of 4 Sub-Saharan African lower middle-income**





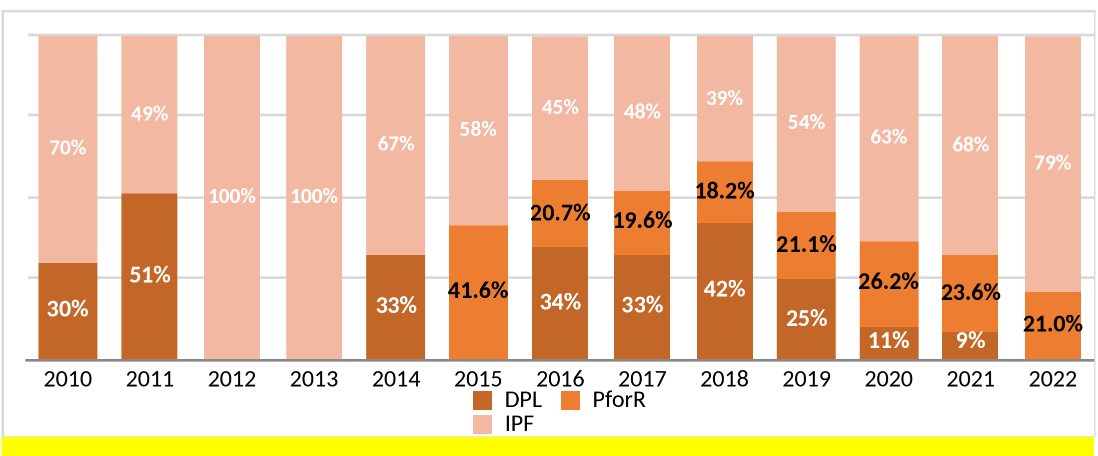
59. **The CPF's low implementation performance was caused by overambitious projects' results frameworks, lack of selectivity, and underestimation of political economy and institutional challenges, particularly for DPFs.** Several identified factors contributed to the low Bank portfolio performance. First, the projects design was often excessively complex and, in some cases, overly ambitious, which is evidenced by cancelations and reallocations in FY20 and FY22. Second, several implementation bottlenecks emerged, especially regarding safeguard design/ implementation and fiduciary management, where government-side drawbacks in terms of

public financial management and procurement and the effect of frequent cabinet changes were underestimated. Third, the 2018 PLR did not sufficiently revise the result framework as several of the contextual factors hindering the implementation became visible. Moreover, the PLR's emerging lessons could not be effectively implemented, which kept the portfolio at risk. Fourth, the CPF attributability was not straightforward for all objectives. Fifth, the WBG's lending engagement was broad and fragmented in a context of a relatively low number of field based TTLs. Meanwhile, according to ICRs, overly ambitious agendas and a high number of supported reforms as well as an under-estimation of counterpart challenges significantly affected results of DPF operations.

60. **In FY22, the IBRD delivered over US$550 million of emergency projects to support Government response to COVID-19 pandemic and the impact of Russia's invasion of Ukraine while intensively providing just-in-time advice to the Government.** In FY22, the delivery of emergency projects in Social Protection, Health, and Food Security built on existing engagements, which was crucial for the swift delivery and the disbursements of over US$465 million. In parallel, an in-depth portfolio review led to another series of fund cancellations and reallocations (similar to FY20's). Intense just-in-time advice was also provided, particularly on planning and monitoring of reforms through supporting the Head of Government service delivery unit and providing advice on a variety on policy areas including subsidies, SOEs and competitiveness.

61. ***Instruments.* During the CPF period, Investment Project Financing (IPF) outnumbered budget support financing operations.** While DPF amounts were at their highest in the first three years of the CPF period, compared to previous years, these amounts started declining due to macroeconomic stability challenges, and slow reform pace (see Graph 1 below). The PLR referred to the possibility for a PforR instrument to support SOE reform in key utilities (which was originally conceived as a PforR for the water sector), and a Green Growth Development Policy Financing (DPF). However, the Green Growth DPF did not materialize during the CPF period, as Tunisia did not achieve a stable macroeconomic policy framework. The PforR to support SOE reform in key utilities did not materialize either due to lack of momentum, and political economy challenges. More recently, the WB started using IPF with PBCs (in emergency social protection operations) to promote more incentives for longer-term development, while at the same time addressing short-term emergencies.

Graph 1. IBRD Financing Share by Instrument FY10-22



62. ***Risks*. Risks were adequately assessed, monitored throughout the CPF period, and adjusted mid-way.** The Political and Governance Risk was High at CPF and PLR, and the Macroeconomic risk was raised from Substantial (at CPF) to High (at PLR). The overall risk to the program was raised from Substantial (at CPF) to High (at PLR). A slowdown in the reform momentum-due to frequent political instability, frequently changing project leadership and staffing (with lack of

ownership), and lack of institutional capacity for operational implementation and sustainability were correctly identified as risks to achievement of CPF outcomes. As a result, for example, progress on macroeconomic and fiscal reforms was delayed.

Program implementation

63. **IBRD delivered a large lending program totaling $US 3.3 billion during the CPF period FY16-FY21, relative to a target of $US2.6 billion (indicative lending program for FY16-18 as per previous CPF (i.e., before the extension in the PLR).** Nineteen new operations were approved during the CPF period: 4 DPLs, 13 Investment Lending and 2 PforR operations. Although the CPF was designed with flexibility to adjust to economic slowdown, political instability and client's changing priorities and demands, it is only during the second half of the CPF period-just after the PLR- that the WBG adjusted quite extensively its interventions, both in terms of program delivery and portfolio management. Tunisia's portfolio faced many challenges identified at the start of the CPF period, reconfirmed during the PLR, however, underestimated the extent and impact on achievement of CPF development outcomes. Portfolio performance declined due to complex design involving more than one executing agency, safeguards and fiduciary issues, a risk averse administration exacerbated by a limited implementation capacity and high staff turnover, delays in government approvals (e.g., effectiveness is required to go through parliament for review and approval; formalization of project implementation units), government reshuffles requiring the need to repeatedly rebuild ownership (see Graph 2 below). As a result, disbursements were relatively low, as shown in Table 2 below.

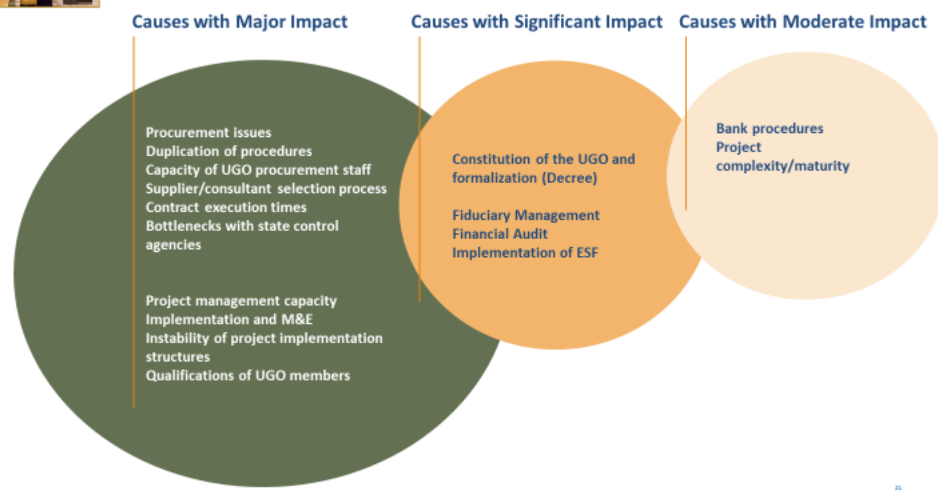
Table 2. Disbursement rates FY19-21

Data as of	FY19	FY20	FY21
Active Projects #	15	15	16
Net Commitments Amt US$m	2,051.66	1,656.27	2,048.87
Total Disbursements US$m	897.49	652.29	948.68
IBRD/IDA Disb Ratio	12.2	22.6	20.0

*As per IBRD policy, disbursement ratio in this table is calculated for IPF (disbursed amount in given FY/undisbursed amount at beginning of FY).

Graph 2. Implementation Delays in Tunisia's Portfolio

Graph 2. SIGNIFICANT IMPLEMENTATION DELAYS IN TUNISIA'S PORTFOLIO



64. **In the period FY18-FY19, the Bank approved 7 new operations (including a DPF) with new objectives, and targets that were introduced to the program results framework.** With an average of 10.5 months from Bank approval to Effectiveness, and in addition to major delays in formalization of the PIUs, these projects were not able to contribute to achievement of results, even at the intermediate indicator-level. For example, the Integrated Landscape Management in Lagging Regions Project (P151030), the Irrigated Agriculture Intensification Project (P160245) and the Strengthening Foundations for Learning Project (PREFAT-P162297) could not proceed with implementation until 9 months after Board approval, and it took around 12 months for Innovative Startups and SMEs (P167380), Energy Sector Improvement(P168273) and GovTech projects to become effective. Moreover, the establishment of and formalization (Decree approved by a ministerial council and published in the official Gazette) of PIUs for the Irrigated Intensification, PREFAT and GovTech projects took 10, 18 and 24 months after effectiveness, respectively.

65. **To address implementation constraints, the WB conducted several deep dive sessions with the implementation units and the main counterparts.** Several training sessions took place during the CPF implementation period and in particular, in fiduciary and safeguards. For example, the financial management team conducted 6 workshops delivered for all PMU staff, Supreme Audit Institution, Central Bank of Tunisia and Government teams on: (i) preparation of annual financial statements for audit purposes; (ii) preparation and use of IFRs; (iii) Bank financing instruments with a focus on PforR; (iv) methodology of FM performance rating; and (iv) project closing: key steps and actions.

66. **During the CPF period, the IBRD's portfolio was generally compliant with safeguard policies; project ratings ranged from substantial to low safeguard risks**; and the WBG provided oversight, supervision, follow-up, and capacity-building support. In 2019/2020, the WB provided a training on the new Environmental and Social Framework among relevant stakeholders, including all PIU members.

67. **Country-based staffing numbers and increased presence of technical experts, as well as regularity of supervision missions and handholding, have proved essential in the plan to enhance portfolio performance through just-in-time support.** However, challenges remained due to limited engagement of senior government officials; frequent changes of project leadership and staff; and lack of institutional capacity for operational implementation.

68. **Despite implementation challenges, the experience over the second half of the CPF period**

highlighted the WBG's ability to be flexible, agile, and to respond swiftly to unanticipated changes in the country's circumstances and needs. A description of the WB's swift adjustments to the CPF in response to the COVID-19 crisis is in Annex 3. Actions were taken to restructure some projects to free-up some lending space and to design new projects that take into consideration the weak implementation capacity. FY20 cancellations (US$ 80.9 million) made it possible to create the space necessary to proceed with budget support during fiscal years 21 and 22, as well as to allow the preparation of a COVID-related emergency program for fiscal years 20-21. This involved a major restructuring exercise of six projects in the portfolio to help finance health, economic and social measures. A total of US$ 137 million was reprogrammed and disbursements accelerated to support social measures.

69. **During FY22, IBRD portfolio implementation and performance remained challenging.** Considering IBRD lending capacity, the World Bank continued its focus to include not only Tunisia's pursuit of short-to-medium-term economic recovery, but also its efforts to address emergency support which includes on-going restructuring/cancellation of the existing portfolio as well as the above-mentioned emergency food security operation.

70. **IFC's committed portfolio was around $163 million as of June 2021 (own account).** This is spread across key sectors including transport (airport), SME banking, MFIs, SME funds, and agribusiness. The committed portfolio does not include the regional Private Equity funds that are counted in the region's budget (AfricInvest, SPE Capital, etc.).

71. **MIGA's portfolio consists of one operation in maritime transport facilitation, which fits well within the broader engagement on maintaining and developing connectivity.** In FY12, MIGA issued US$217.7 million in Non-Honoring of Sovereign Financial Obligations (NHSFO) guarantees in favor of the Government of Tunisia to mobilize commercial bank financing for the purchase of a passenger ferry linking Tunisia with Europe. Tunisia's plans to acquire a new passenger ferry were nearly derailed in 2011, when in light of the political uprisings in the country, the export credit agency that was planning to provide cover to the financier pulled out and no other insurer was willing to provide cover. MIGA stepped in to enable the transaction, which Trade Finance magazine and Global Trade Review both recognized with "deal of the year" awards. While the COVID-19 pandemic adversely affected passenger traffic, undermining the financial condition of the state-owned enterprise operating the ferry, the underlying financing obligations linked to MIGA's guarantees have continued to be met to date.

72. **The World Bank Group responded to client's emerging needs by producing and disseminating high-quality knowledge products in priority areas.** The ASA program was diversified and allowed the World Bank to provide knowledge and policy advice to address new concerns. This program included engagements on governance, financial sector, fragility and resilience, entrepreneurship, business climate & competitiveness, social inclusion, and equity issues. ASA informed the design and implementation of reform programs and the preparation of Development Policy Loans and lending program across the CPF portfolio. The WBG delivered and disseminated a programmatic Public Expenditure Reviewed (PER) to the government which provided useful foundations for the dialogue on social sector expenditures and public investment management. The Maghreb Infrastructure Diagnostic informed the dialogue on PPP and infrastructure prioritization, with the purpose to help identify MFD opportunities. The ASAs in the energy sector focused on subsidy reform, utility performance improvement and regulation, identified challenges and investment needs and drove future engagements in the sector. Other critical pieces of analytical work included enhancing female entrepreneurship, climate change adaptation and mitigation, ICT for education, value-chain development for jobs in lagging regions, financial sector modernization.

73. **IFC's transactional advisory services helped the country to mobilize private sector resources to support private sector activities** in the financial sector and MSMEs support, agribusiness value chains with presence in lagging regions, export-oriented manufacturing, entrepreneurship

(inclusion of youth and women), and public private partnerships (PPP).

74. **TFs were a vital complement to the WBG's program over the CPF period, supporting both lending and ASA.** A Tunisia Country Umbrella was created, subsequently to the rollout of the World Bank's Trust Fund Reform 2.0 in 2020: the Tunisia Economic Resilience and Inclusion (TERI) program, with the activation of a new Anchor MDTF and the integration of the three existing MDTFs as Associated TFs: (i) Moussanada, (ii) Tunisia Compact with Africa, and (iii) Tunisia Rural and Agricultural Chains of Employment Program MDTF. The Country Umbrella program has been created building on the strong engagement of 6 development partners (Netherlands, Germany, Norway, Switzerland, European Commission and United Kingdom) at the local level. The development objective of TERI is to support Tunisia in its efforts to strengthen its economic resilience and inclusion through three principal areas of intervention: (i) Pillar 1: A more effective and resilient public sector for citizens and the private sector, (ii) Pillar 2: An environment conducive to sustainable economic growth and private sector-led jobs creation, and (iii) Pillar 3: Enhanced services to citizens for social, economic, and regional inclusion. The WBG's effort to improve coordination among development partners and enhance overall value of donor assistance is highly effective. the World Bank played an active role in establishing and running a well-functioning platform and a database for improving coordination (see Annex 5).

D. ALIGNEMENT WITH CORPORATE GOALS

75. **Evolution of Poverty Reduction and Shared Prosperity. The WBG CPF program was fully aligned with the corporate goals of eliminating extreme poverty and sustainably increasing shared prosperity.** It has identified peace, economic recovery, and (macro and social) stability as essential preconditions for ending poverty and boosting shared prosperity in Tunisia. Overall, economic growth was pro-poor from 2000 to 2015, resulting in a decline of poverty from 25.4 percent to 15.2 percent. Yet, significant disparities continued to exist during the CPF period between urban and rural areas, and between coastal regions (where most economic activities are concentrated) and interior regions.

76. **The COVID-19 pandemic, that occurred in the last three years of the CPF implementation, had a significant impact on poverty, and past gains in poverty reduction are likely to be lost, as the share of the population vulnerable to falling into poverty increases.** A Bank study[46] suggested that in the near term, poverty will affect approximately one in five Tunisians. Additionally, inequality is estimated to increase from 37 percent to 39.5 percent. Most of the impact is likely being felt by the poorest households, which are concentrated in Tunisia's Center-West, North-West, and South-East regions. The most vulnerable individuals are likely to be women living in large households, without access to health care, and employed without contracts.

77. **By the end of 2021, the unemployment rate stood at 17.4 percent[47], up from 15 percent pre-COVID-19.** The impact on informal workers, who account for 46 percent of the workforce, is likely to be significant. In addition, the COVID-19 crisis raised unprecedented challenges for Tunisia to guarantee adequate education and health services and household food security. Prior to COVID-19, the health system faced important disparities across income groups and regions, and significant vulnerabilities related to out-of-pocket expenditures. About 30 percent of pharmaceutical spending is attributed to the bottom 50 percent of the population. The adjusted CPF's contribution to contain the impact of COVID-19 on the poor and most vulnerable was significant. In particular, the *COVID-19 Social Protection Emergency Response Support Project (P176352)* supported increased access to social protection instruments for the poor and vulnerable, with a specific focus on the expansion of cash transfer programs for poor families and their children, including accompanying measures for mothers of young children.

46 Impact of COVID-19 on household welfare in Tunisia, World Bank 2020.

47 INS – T4 2020 : http://www.ins.tn/fr/themes/emploi#sub-374

78. **Pillar 3 of the Tunisia Investment, Competitiveness, and Inclusion (P161483) program was dedicated to social inclusion**; therefore, it was expected to have positive poverty and social impacts through the targeted expansion of the social safety nets to the poor once the reform is implemented, and through larger microcredits. Result indicators #14 on microcredit had also a gender specific indicator ("Volume of microcredits disbursed, of which for women"). Moreover, while actual direct impacts are still limited, pillar 1 through strengthening of competition, clearer regulations and smoother trade, and better SME access to finance will in the long run contribute to better consumer welfare and improved competitiveness of the Tunisian economy with positive impacts on the poverty. Both pillars had positive poverty impacts especially during the COVID-19 pandemic.

79. **Maximizing Finance for Development.** The CPF sought to maximize the role of private finance through advisory work on investment climate and competitiveness as well as by specific ASA on leveraging private finance for infrastructure. The FY18 Investment, Competitiveness, and Inclusion DPF (P161483) focused on implementing the Maximizing Finance for Development (MFD) approach in Tunisia through energy sector and investment climate reforms and enhanced access to finance for micro, small, and medium enterprises (MSMEs). Enhanced IFC engagement in the design of the DPF supported unlocking policy constraints to private investment.

80. **Citizen Engagement.** While there is room for improvement in meeting the Citizen Engagement commitments across the portfolio, there are notable innovative efforts made to collect feedback from citizens (see Annex. 6).

81. **Climate Change.** The WBG strategy supported climate change activities, particularly in the second half of the CPF period. On the adaptation side, the World Bank support to climate-resilience includes the Integrated Landscape Management project which supported an integrated approach for sustainable management of land and forest resources to enhance climate resilience and ecosystem services. Through analytical and technical assistance, the World Bank also helped the government identify and strengthen climate-smart and digital agriculture. On the mitigation side, the World Bank helped the government build capacity and access private financing for the deployment of renewable energy.

82. **Gender.** The CPF has seen an increased focus on gender compared to previous CPFs and has contributed better to raising awareness and promoting gender mainstreaming in projects. Further to IEG recommendations, efforts were made to support task teams; generate and leverage knowledge, tools, data, and solutions for impact; and develop momentum and capacity (Annex 5)**.**

E. LESSONS LEARNED

83. The following are lessons from the design and implementation of the CPF, informed by the IEG evaluations of closed projects, among others. Given that the new CPF is addressing similar objectives (many of them were not achieved or partially achieved), these lessons could be used in the design and implementation of the new CPF, emphasizing what we could do differently to maximize impact.

84. **Key lesson 1: Addressing implementation challenges.** ***Take due account of Tunisia's political economy and limited institutional and technical capacity to implement reforms*. *Strong ownership of structural reforms is essential, along with long-term engagement to reinforce that ownership.*** Ensure reform areas are well-grounded in the country's development plan and enjoy strong ownership among all pertinent levels of government, and among relevant stakeholders from the private sector and civil society. Identify strong champions able to conceive and lead the needed reforms. When supporting sensitive or difficult reforms, provide strong TA and high-quality analytical products, define reasonable timeframes for reforms, and seek to foster authorities' understanding of challenges as well as their consensus and commitment to reform paths. Political economy and convening power could be used to assess ownership and

readiness and promote it.

85. **Key lesson 2: Selectivity.** ***Further focus WB financial resources and lending on fewer operations in key sectors for more impact while balancing ambition and feasibility.*** Selectivity will be needed in the design of the new CPF and at individual project design stage.

86. **Key lesson 3: Readiness.** ***Further align program ambition with both WBG interventions and institutional capacity and ensure project readiness at design stage.*** On one hand, this could encompass realistic ambitions and less complex project design. Simplicity in project design can contribute significantly to reduce bottlenecks and delays during implementation. All projects benefited from a variety of approaches such as tightening capacity in the PIUs, increased day-to-day operational support from the CMU, handholding in all aspects, fiduciary and safeguards trainings. Project design needs to be less ambitious, involve fewer implementing agencies, and less dependent on stable government and actions. In the period FY18-FY19, the Bank approved 7 new operations (including a DPF) with new objectives, and targets that were introduced to the program results framework. With an average of 10.5 months from Bank approval dates to Effectiveness, plus major delays in formalization of the PIUs (8-16 months), these projects were by no means able to contribute to achievement of results, even at the intermediate indicator-level. Also, simple implementation (incl in fiduciary-safeguards arrangements) is important in avoiding implementation delays. For example, in projects with complex procurement processes, market analysis could be undertaken upstream and with sufficient market sounding to avoid downstream challenges and delays. On the other hand, it could also contemplate strengthening the RF with regards to realism of timeframes, results measurements, reporting and evaluation for better monitoring and engagement. The CPF is built on project-level results framework assuming smooth implementation and validity of timely information. However, government capacity constraints and external factors beyond WBG control affected the RF because of absence of measurement instruments and data. The PLR is a critical milestone in the CPS implementation that needs to be effectively used. In the case of Tunisia, the PLR missed the opportunity to simplify the results matrix in consequence to identified implementation challenges. RF should be prepared and/or revised with greater caution, focusing on realistic outcomes and verifiable indicators, and should include mid-way targets to increase ownership.

87. **Key Lesson 4: Continuity & Long-term engagement. Build on successful programmatic engagements that brought strategic results for example on energy and social protection.** On Energy, over the last decade, the World Bank developed a long-term partnership with the Tunisian government with a diversified and integrated program to prepare Tunisia to become a regional hub of renewable energy. This included advice on energy subsidy reform, business and financial viability of the electricity company, reform of oil & gas sector, development of renewable energies and innovative technologies (e.g., CSP, green hydrogen); a US$13 million Technical Assistance Project to design the Tunisia-Italy interconnection to export renewable energy to Europe; and a US$150 million investment project on transport network. On social protection, over the last ten years, the World Bank assisted the Government to set up an adaptive and integrated social safety nets system. This included The 2014-19 PARPS project that supported the design of the new integrated safety net (AMEN Social program) and the development of a new Management Information System; the 2018 DPF that supported the adoption of the AMEN Social Law; the GovTech project supporting the digital transformation of the social assistance system with its cash transfers and social security system; and the 2020 DPF which supported the implementation decrees of the AMEN social law, the National Unique identifier, and the expansion of the coverage of health insurance cards.

88. **Key lesson 5: impactful Budget Assistance.** ***When supporting policy change, ensure engagement commensurate with country context and relying both on DPFs and PforRs. reform frontloading and identify alternative options if continuous ownership is questionable.*** Given the track record of reforms during the CPF period and the performance of DPFs, it is important to carefully assess at design stage the actual impact that can be expected from a DPF and analyze

whether the DPF is the most appropriate instrument for the reform dynamic. Forward looking, budget assistance design could internalize political uncertainty; focus on striking the right balance between ambition and feasibility; and support more focused reforms, properly reflected in result frameworks with achievable results. Instruments could include both DPFs and PforRs to better sequence reform support.

CLR Annex 1: Status of Tunisia FY16-21 CPF Results Matrix (Summary Table)

Description	Status at CLR	Overall rating
Focus area 1: Restoring an Environment Conducive to Sustainable Economic Growth and Private Sector-Led Job Creation		**U**
Objective 1.1: Strengthened Budget Management and Reduced Fiscal Risks	**NA**	
Indicator 1.1.1: Improved legal framework for public financial management, introducing performance-based budgeting	NA	
Indicator1.1.2: Public expenditure on general subsidies	NA	
Objective1.2: More Pro-Growth Public Expenditures	**NA**	
Indicator 1.2.1: New Public Investment Management Framework adopted	A	
Indicator1.2.2: Number of PPP transactions signed	NA	
Objective 1.3: Improved Conditions for Trade Facilitation	**NA**	
Indicator 1.3.1: Containers cleared in Rades port	NA	
Objective 1.4: Enhanced Financial Sector Support to Entrepreneurship	**NA**	
Indicator 1.4.1: Increase in the total MSME loans in the portfolios of participating financial institutions	A	
Indicator 1.4.2: Increase in number of firms benefiting from guarantee instruments	NA	
Indicator 1.4.3: Amount of equity investments towards start-ups from Anava sources	NA	
Focus area 2: Reducing Regional Disparities		**MU**
Objective 2.1: Improved Access to Services in Lagging Regions	**NA**	
Indicator 2.1.1: Local governments have executed their Annual Investment Plans on schedule in terms of expenditures	NA	
Indicator 2.1.2: People benefiting from more reliable water services in targeted urban areas as a result of the extension and rehabilitation of water systems.	A	
Indicator 2.1.3: Youth in disadvantaged regions who completed internship or training to connect to jobs	NA	
Indicator 2.1.4: Enrollment in preschool programs in 31 targeted districts	NA	
Objective 2.2: Improved Road Connections to Inland Regions	**A**	
Indicator 2.2.1: Travel time on rehabilitated roads (percentage of reduction)	A	
Indicator 2.2.2: People benefiting from improved infrastructure connections to urban centers	A	
Objective 2.3: Enhanced Economic Opportunities in Lagging Regions	**NA**	
Indicator 2.3.1: Value chains operational in lagging regions (number)	NA	
Indicator 2.3.2: Area under sustainable landscape management practices in Northwest and Center west	NA	
Focus area 3: Promoting Increased Social Inclusion		**MU**
Objective 3.1: Enhanced Access to Information and Data	**PA**	
Indicator 3.1.1: Number of users of public finance data published on the Ministry of Finance's data portal	NA	
Indicator 3.1.2: New sector datasets published in open formats (transport, water, agriculture, culture)	A	
Objective 3.2: Enhanced Employment Opportunities for Youth	**NA**	
Indicator 3.2.1: Number of joint university-industry programs created under the Tertiary Education for Employability Project	NA	
Objective 3.3: Better Targeted Social Programs	**A**	

Indicator 3.3.1: Creation of a social registry on 'Needy Families and Vulnerable Households' based on an updated socioeconomic information obtained from a full survey	A	
Indicator 3.3.2: Common Social Identifier System established	A	

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
Result Area 1: Restoring an Environment Conducive to Sustainable Economic Growth and Private		
Objective 1.1: Strengthened Budget Management and		
CPF Indicator 1.1.1*: Improved legal framework for public financial management, introducing performance-based budgeting** Baseline (2015): Organic Budget Law (as amended 2004) Target (2018): New Organic Budget Law adopted (GBO) (2017) **Achieved but with delay.** New Organic budget law was ratified in 2019. ***Supplementary Progress Indicator: **Government adopts a medium-term debt strategy aimed at stabilizing public debt and controlling debt servicing** Baseline (2016): No Target (2017): Yes **Achieved: 2016** Medium-term debt strategy was approved	**Delivered and ongoing Financing** • Business Environment and Entrepreneurship DPF (P158111) • Third Export Development Project (EDP III) (P132381) • Investment, Competitiveness, and Inclusion DPF (P161483) **Delivered and ongoing ASA/TA/TF/ Others** • Macroeconomic Monitoring • Economic and Open Governance Programmatic TA • Investment Authority OECD-IFC Project • PFM TA (P154152) (FY16)	Political economy of reforms needs to be the basis for any complex program of reforms, particularly subsidies. It takes ownership and strong commitment to implement and communicate on difficult reforms, including subsidies, despite difficult political

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
<u>CPF Indicator 1.1.2:</u> **Public expenditure on general subsidies (% of expenses)** Baseline (2017): 11.9% (3.6% of GDP) Target (2021): 9% (2.7% of GDP) General subsidy is for food and energy. Public expenditure in food subsidies in 2021 estimated in November 2021, could not be verified. **Not Achieved** Discussion are currently ongoing with the IMF in the context of the new DPL. ***<u>Supplementary Progress Indicator:</u>*** **Reduction in energy subsidies as percentage of GDP** Baseline (2017): 5% (1.5% of GDP) Target (2021): 4% (0.9% of GDP) **Not Achieved** Energy subsidy includes electricity and gas but not from other sources. Public expenditure in energy subsidies in	**Delivered and ongoing Financing** • Business Environment and Entrepreneurship DPF (P158111) • Investment, Competitiveness, and Inclusion DPF (P161483) **Delivered and ongoing ASA/TA/TF/ Others** • STEG Operational Diagnosis and Upgrade (P159568) • Macroeconomic Monitoring (Ongoing) • Tunisia Delivery Unit (P158121) • ASA on Subsidy Reforms (P144674) • Tunisia Public Expenditure Review (P158118) • Tunisia Energy Sector Development Dialogue (P161267)	
Objective 1.2: More Pro-Growth Public Expenditures		

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
CPF Indicator 1.2.1: **New Public Investment Management Framework adopted** Baseline (2018): No PIM Framework Target (2021): PIM Framework adopted **Achieved.** PIM Framework adopted in 2017. Source (platform Tartib) ***Supplementary Progress Indicator:*** **Share of public investment transactions with feasibility studies in the pre-investment phase** Baseline (2016): 40% Target (2021): 70% **Achieved. Actual 80%** A CwA-funded TA is supporting the initial conceptualization of a Preparation of Project Preparation Fund for PPPs. The objective of this technical assistance is to help Tunisian authorities (and specifically the PPP authority – IGPPP) consider the rationale, features and indicative implementation arrangements of a project preparation facility for PPPs (indicative	**Delivered and ongoing Financing** • PPP Support and SOE Reform in Key Utilities PforR (FY19) • PPP Support in the Sanitation Sector (FY20) **Delivered and ongoing ASA/TA/TF/ Others** • Public Investment Management TA (Moussanada TF) • Support for PPPs in Rural Water Supply and Irrigation in Tunisia (P155271) • STEG Operational Diagnosis and Upgrade (P159568) • Tunisia Analytical Work on SOEs (P162936) • Tunisia Infrastructure Diagnostic (P162398) • Tunisia Public Expenditure Review (P158118)	

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
CPF Indicator 1.2.2: **Number of PPP transactions signed** Baseline (2016): 0 Target (2021): 5 **Not achieved** Under Tunisia's renewable energy program, GoT launched the selection process for 5 solar concessions in 2018 and for 240 smaller PPP projects under the authorization regime. The concessions have been attributed to private investors and the negotiated contracts have been signed by the Government and promoters, but they still require approval by law. For the authorization regime, 3 projects have reached financial close with all contract signed and have been constructed; many others await a letter of comfort from GoT to facilitate debt mobilization from commercial banks.	**Delivered and ongoing Financing Lending** • PPP Support and SOE Reform in Key Utilities PforR (FY19) • PPP Support in the Sanitation Sector (FY20) **Delivered and ongoing ASA/TA/TF/ Others** • Support for PPPs in Rural Water Supply and Irrigation in Tunisia (P155271) • STEG Operational Diagnosis and Upgrade (P159568) • Tunisia Analytical Work on SOEs (P162936) • Tunisia Infrastructure Diagnostic (P162398) • Tunisia Public	There is a need to strengthen institutional capacity in the area of PPPs and consider the mobilization of technical and financial support instruments to facilitate project preparation and implementation, as well as a thorough assessment and realistic expectation regarding the status and potential of the PPP pipeline. There is a need to simplify PPP procedures and standards which are currently long and complicated, making it difficult for the private sector to reach financial close.
Objective 1.3: Improved Conditions for Trade Facilitation		

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
CPF Indicator 1.3.1: **Containers cleared in Rades port** Baseline (2016): 320,000 *Equivalent* 20-feet equivalent Target (2021): 457,000 EVP **Not achieved** With regard indicators related to the TOS (Containers cleared in Rades port), the latest available data (for 2020) is 277,000 containers. The effects of the efficiency improvements of the TOS system are not captured as of yet, reflecting a downward trend related to the decrease in exports in 2020 due to COVID19, but also to the need for STAM to put in place complementary measures to optimize the use of the new system (personnel, organigramme, etc.) ***Supplementary Progress Indicator:*** **Processing time for containers to enter/ leave the port of Rades** Baseline (2015): 4 hours Target (2021): 1/3 hour **Not achieved** The latest available progress indicator (for 2020) notes a significant improvement to 1h20 in processing time, albeit far from the target. This is expected to improve further with the introduction of reforms related to electronic number of initiatives which are expected to result in facilitating trade leading to time reduction to import in Tunisia. The two main reform activities focus on (1) abolishing paper format of customs declarations, and (2) introducing the use of One-Stop Shop TTN to all agencies involved in technical inspections. These reforms are expected to impact all	**Delivered and ongoing Financing Lending** • Third Export Development Project (EDP III) (P132381) MIGA • Passenger Ferry project (10180) **Delivered and ongoing ASA/TA/TF/ Others** • Tunisia Investment Climate (P128461) • High Growth Sectors Value Chain Analysis TA • IFC-led advisory (as part of Finance, Competitiveness, and Innovation) in Regulatory Simplification, New Investment Code, Bankruptcy Law, Competitiveness Law • ALECA ongoing dialogue • Informal Trade in Maghreb Study (P148610) • Tunisia Matching Grant Impact Evaluation (P158446)	The implementation of far-reaching modernization at the Port of Radès required a prolonged and laborious effort to overcome resistance to reform. Progress was consolidated over time with the integration of technical assistance and equipment provided by the EDP3 project, as well as a joint donor budget support platform — structured, inter alia, to sustain engagement on this policy reform program. This effort will require continued attention moving forward, as the new systems (TOS and SMART GATE) need to be consolidated, and overall agenda broadened further. **Lessons Learned (IFC Led-Advisory)** • It is important to set ambitious yet realistic targets and aim for incremental steps rather than systemic changes. In highly polarized and unstable political settings, large-scale reforms are typically resisted by the elite and require considerable political will to disrupt the balance of powers. As a result, there is the **need for stakeholder mapping and in-depth political economy analysis to identify reform champions** and build strong coalitions that support the reform process and reduce the resistance of reform "losers". • It is important to dedicate enough funding and time to cover activities that **support implementation, and not just**

***CPF Outcome** (2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
Objective 1.4: Enhanced Financial Sector Support to		

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
CPF Indicator 1.4.1: **Increase in the total MSME loans in the portfolios of participating financial institutions** Baseline (2011): 0 Value (Dec 31, 2015): -6.10 Target (2018): 13 percent **Achieved** **Exceeded target** End-achievement (2018): 79 percent Source: Tunisia Micro, Small, and Medium Enterprise Financing Facility ICR P124341 ***Supplementary Progress Indicator:*** **Number of microloans disbursed by MFIs (of which disbursed to women)** Baseline (2015): 769,628 (523,980) Target (2021): 1,345,000 (820,000) **Not verified as per indicated CPF targets. However:** Number of microloans disbursed (of which disbursed to women) - In 2015: 329,747 (209,945)- Source: Annual report of ACM - In March 2021 (actual): 411,105 (221,630)- Source: Baromètre de la Microfinance March 2021 **The IFC program** on entrepreneurship helped and contributed to the preparation of the entrepreneurship program of the World bank. IFC and the WB jointly supported ecosystem diagnostic that was useful to orient Government and IFIs support	**Delivered and ongoing Financing Lending** • Business Environment and Entrepreneurship DPF (P158111) • Micro, Small, and Medium Enterprise Financing Facility (P124341) • Entrepreneurship and Access to Finance Project • DPF (FY20) • Tunisia Investment, Competitiveness, and Inclusion (P161483) **Delivered and ongoing ASA/TA/TF/ Others** • Financial Sector Modernization Program - Technical Assistance (P156301) • Empower Her Program (P161084) **IFC Lending** • SME finance: Equity in SME (IFC Investment and Advisory), SME, Private Equity Funds (IFC IS) • Access to Finance for Micro-entrepreneurs (ENDA Microfinance IFC Investment and Advisory) • Equity Investment	- **Provision of WB line of credit (LOC) to PFIs for on lending is an effective way to catalyze private financing for underserved segments such as SMEs (**the WB LOC had a multiplier volume of 1.16 times, or TND 1,209 million, in amount financed by the PFIs into MSMSE lending in addition to those financed using the project). - **The TA program and DPF helped identify and support the reform agenda on credit infrastructure, however, lack of strong leadership of the reforms coupled with unstable political situation are challenging reform implementation.** Several laws were still pending parliament's approval. - **Effective donor coordination can play a role in pushing the reform agenda.** Policy dialogue including in the context of the joint donor matrix with CWA, helped resume NPL dialogue and start a NPL resolution TA (the initial NPL indicator was dropped in the PLR). - **There is a key challenge in monitoring MSME lending on a regular basis in Tunisia** as there are no official statistics on MSME lending. The lack of a formal and unified framework (and definition) for monitoring credits granted to MSMEs is undermining informed policy making and evaluation.

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
CPF Indicator 1.4.2: **Increase in number of firms benefiting from guarantee instruments** **Dhamen Finance:** Firms receiving Dhamen Finance export guarantees Baseline (2015): 0 Target (2021): 490 Not Achieved **Only 69** firms benefitted from Dhamen Finance by end of 2020. Two years into the implementation of the EDP3, the team identified that the implementation of this component in EDP3 would require a revision of the existing Law and Decree on Dhamen Finance. This process took some time, and the texts were approved by Parliament only one year before initial closing date of the Project (December 2020). In addition, the governance structure of Dhamen Finance (as defined in the new Decree) has not been implemented yet by the Government, so this component has not been included in the extension of the Project. The Government still has funds available to implement the guarantee without WB lending project. A TA may still be needed and was recommended by the WB. **Sotugar:** Amount of guaranteed loans to SME Baseline (2017): TND 73,828 million Target (2021): TND 88,590 million **Not verified** (initial data source for the baseline and target not found)	**Delivered and ongoing Financing Lending** • Third Export Development Project (EDP III) (P132381) (FY14) • Tunisia Investment, Competitiveness and Inclusion (P161483) Tunisia First resilience and recovery emergency DPF (P173324) **Delivered and ongoing ASA/TA/TF/ Others** • Secured Transactions in Tunisia (P162728) (FY16, closing in FY18) - this was extended to reflect the phase 2 of the DFS program and renamed: access to finance and digital finance • Virtual Market Places for the Development of SMEs Exports (P148638) (MNA Transition Fund) • Credit Information Sharing System (FY16) • Promoting Mobile Money (FY16) • IFC Investment in Olive Oil • Virtual Market Places (women) (We-Fi Fund 38) (MNA Transition Fund FY 19)	Measures that rely on legal reforms take time and may not materialize as early as expected, especially given the several changes in line ministries over the period. None of these were foreseen when this indicator was added in the CPF. However, the team mobilized trust funds to provide a technical assistance led by Bank experts, which helped support the update to the legal texts and the governance of the Guarantee. **Lessons learned** - Flexibility in the program as well as strategic relevance of ASAs are key to respond to emerging needs during implementation. Ongoing TA and DPF supported the launch of the credit guarantee program for SMEs affected by COVID (SARE) in May 2020, with 15 banks participating and 1,632 SMEs beneficiaries of guarantees for a total volume of commitment of 633M TND of Sotugar as of March 2021. - Availability of TA funding (including RETF) can help when frequent changes in governments increase uncertainties in reform commitment and slow down reform process. As with several financial sector authorities, SOTUGAR required capacity enhancement through modernization of IT systems to be able to implement the new

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
CPF Indicator 1.4.3: **Amount of equity investments towards start-ups from Anava sources** Baseline (2018): 0 Target (2021): US$20 million **Not achieved** (May 2021): 0 (Investments expected by end 2021) ***Supplementary Progress Indicator:*** **Early-stage equity fund of funds for start-ups (Anava) operational** Baseline (2016): No Target (2018): Yes **Achieved.** Actual (2021)	**Delivered and ongoing Financing Lending** • Business Environment and Entrepreneurship DPF (P158111) • Investment, Competitiveness, and Inclusion DPF (FY18) • Entrepreneurship and Access to Finance IPF • Tunisia Innovative Startups and SMEs (P167380) **Delivered and ongoing ASA/TA/TF/ Others** Tunisia Financial Sector Modernization Program (P151139)	***Lessons learned*** General comment: the current political instability significantly hindered the advancement of the reforms. - **General delays in parliament ratification of new lending programs are exacerbated with frequent changes in government,** affecting achievement of the target. The main project supporting the set-up of Anava and initial equity investments took 7 months for signing due to political uncertainty. Rethinking with the government how to streamline the process of approvals would help in achieving results as planned. - **Strategic relevance of TAs and their complementarity to lending programs help advance technical discussions amid political uncertainties and administrative delays** in project approval. TA activities helped advance the strategic discussions and dialogue on the setup of Anava, which set-up and first closing (disbursement) took place within 6 months of project's effectiveness. - **Donor coordination and joint effort are important to increase synergies and maximize impact.** Several development partners have expressed their intents to also invest in Anava. Anava's second closing with KfW and EU is expected by July 2021 (so far

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
Result Area 2. Reducing Regional Disparities		
Objective 2.1: Improved Access to Services in Lagging		
***CPF Indicator 2.1.1*: Local governments have executed their Annual Investment Plans on schedule in terms of expenditures** Baseline (2016): 35% Target (2021): 80% of local governments supported under PDUGL **Not achieved** Overall AIPs execution was around 50% in 2019 and is expected to decrease (numbers still being calculated) due to the COVID situation. ***Supplementary Progress Indicator:* Local governments that have met the threshold annual performance assessment score** Baseline (2014): 0 Target (2021): 70% **Target for 2021 not verified** In 2019, almost 90% of LGs have met the threshold on the annual performance assessment score. Due to COVID, there was no assessment in 2020. Assessments currently ongoing.	**Delivered and ongoing Financing Lending** • Urban Development and Local Governance PforR (P130637) (FY14) • Urban Development and Local Governance PforR Additional Financing (FY18)	**Infrastructure delivery**: relatively low AIP execution rate (even before COVID) points out to the low capacity of LGs to plan, design and implement projects. When injecting money into LGs' investment budgets, programs must be mindful to keep a balance between these increased investment budgets and existing operational capacities (including operating budgets). While capacity building can increase LGs operational capacities to a certain extent, it is indispensable to consider levels of skills present in the LGs and provide direct support to staffing if necessary (which is being done under UDLGP as part of its additional financing). **Institutional performance**: minimum conditions and performance indicators backed by a performance-based grant (PBG) create virtuous dynamics within and among LGs. Minimum conditions create substantially higher rates of compliance with key regulations and strengthen

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
***CPF Indicator 2.1.2*:** **People benefiting from more reliable water services in targeted urban areas as a result of the extension and rehabilitation of water systems.** Baseline (2015): 0 Target (2018): 340,000 **Achieved** The Urban Water Supply IPF project (P064836) financed the construction and rehabilitation of critical drinking water treatment, transfer and distribution facilities to allow Tunisia's national utility (SONEDE) to satisfy increasing water demand in the Greater Tunis area and in the Center-east region of the country, including Nabeul, Monastir, Sousse and Sfax. Thanks to the Project, SONEDE was able to ensure service continuity in benefiting regions, while connecting 190,000 (approx. 780,000 people) and 110,000 (approx. 450,000 people) new residential customers in the Greater Tunis and Center-east regions respectively between the start and the closing of the project, which occurred in 2018. The Northern Tunis Wastewater IPF project (P117082) supported the Tunisian wastewater management utility (ONAS) in	**Delivered and ongoing Financing Lending** • Urban Water Supply IPF (P064836) • Northern Tunis Wastewater Project (P117082) (FY 10) • Second Natural Resources Management Project (closed) • Fourth NW Mount and Forest Area Dev. Project, PNO4 (FY11) (closed) **Delivered and ongoing ASA/TA/TF/ Others** • Maghreb Infrastructure Diagnostic (P162398) • IBRD/IFC TA Activities with SONEDE and ONAS • TA pilot for PPP Program on Rural Water Supply • ASA - Support PPP Rural Water Supply	While the objectives set forth for the Urban water supply project in terms of water service quality and continuity were achieved, those related to the improvement of SONEDE management efficiency were not fully attained, due to some extent to resistance to change among utility managers. In fact, the implementation of the project evidenced the need to: (i) improve and digitalize management systems to increase efficiency and cost effectiveness; (ii) change SONEDE's business model, outsourcing non-core tasks to improve flexibility and improve cost effectiveness; and (iii) shift the focus of the utility from infrastructure development and management to a customer centered business model. SONEDE resistance to change is evidenced by, among other factors, the lack of uptake of the recommendations issued by the studies developed under the institutional strengthening component of P064836 and under the ASA on PPPs for rural water service delivery.

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
***CPF Indicator 2.1.3*: Youth in disadvantaged regions who completed internship or training to connect to jobs** Baseline (2018): 0 Target (2021): 3,500 **Not achieved** **Status:** 139 youth supported in Daouer Hicher (one of the most disadvantaged locations in the Manouba governorate). However, their training is expected to end in January 2022 and is not yet completed. Our engagement with the ANETI is now substantial. We expect that new curricula being developed for entrepreneurship and job placement will be replicating, hence improving access to job placement services and entrepreneurship programs in disadvantaged regions.	**Delivered and ongoing Financing Lending** • Youth Economic Inclusion (P158138) (FY18) **Delivered and ongoing ASA/TA/TF/ Others** • Let's Work Program (P157321) • Tunisia Lagging Areas TA (P159072)	• The capacity of ANETI is limited when it comes to providing high-quality services to youth in every part of the country. There is a need to rely on private intermediation and more generally, to revamp services to job seekers. • The objective of the Youth Economic Inclusion project was twofold: (i) to build the capacity of private intermediation stakeholders, especially in disadvantaged regions where the capacity of these stakeholders is low, and (ii) to revamp services for the most vulnerable. • The implementation of these activities has been stalled, mainly due to the low capacity of the PIU in preparing procurement packages and the excessive and multiple internal controls within the Ministries. As a result, one procurement related to the revamping of entrepreneurship programs has not been yet concluded

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
CPF Indicator 2.1.4: **Enrollment in preschool programs in 31 targeted districts** Baseline (2016/17): 7,416 Target (2021): 9,000 **Not Achieved** • For 2020/21 school year = 8,399 (Girls: 4,025 Boys: 4,374 / Urban: 1,036 Rural: 7,363) • We had a decrease of 2.2% in access to preschool between 2019/20 and 2020/21. Can probably be attributed to COVID-19 (lower demand) and delay with increasing supply of preschool services (delay in civil works) ***Supplementary Progress Indicator:*** **New preschool facilities established, primarily in lagging regions** Baseline (2018): 0 Target (2021): 150 **Not verified. Different target** Target is to achieve 49 new preprimary	**Delivered and ongoing Financing Lending** • Strengthening Foundations for Learning Project (FY18) **Delivered and ongoing ASA/TA/TF/ Others** Programmatic Public Expenditure and Institutional Review Bank executed TFs: • MELQO (TF) • Socio-emotional skills measurement 12-1 years of age • EGRA	Weak capacity for project management and implementation. Need for Bank-executed TF to provide technical assistance and build process, procedures, and systems. Simple project, simple design, simple results indicators. Don't start a project if there is no PIU. Ensure adequate staffing. Lift the constraints on the budget law for project implementation. Accountability for performance at Ministerial and Government level. Transfer responsibilities/ delegate to regional administrative authorities with more accountability for results.
Objective 2.2: Improved Road Connections to Inland		

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
CPF Indicator 2.2.1: **Travel time on rehabilitated roads (percentage of reduction)** Baseline (2018): 0 Target (2021): 22.4% (Exact value could not be verified) **Achieved** ***Supplementary Progress Indicator:*** **Kilometers of roads completed that connect lagging regions to markets** Baseline (2018): 39.7 Target (2021): 146.5 **Achieved**	**Delivered and ongoing Financing Lending** • Road Transports Corridor (P146502) (FY 16) • Oases Ecosystems and Livelihoods (GEF) (FY14) • Second Natural Resources Management Project P086660 • Fourth Northwest Mountainous and Forested Areas Development Project (P119140) **Delivered and ongoing ASA/TA/TF/ Others** • Institutional Strengthening for Transport Sector Sustainability (ESW) (FY16) • Road Safety Study • Impact of Highway Upgrading on National (P166418) • Integration and Local Economic Development in Tunisia (FY17)	Road works activities are a good vehicle to engage with the Government in the Transport sector, although they are executed in Tunisia by the Ministry of Equipment and not the Ministry of Transport. The Government is well equipped in terms of engineering capacity but faces difficulties in terms of contract/project management and safeguards compliance. Based on Government's decision, technical assistance can be financed by either the Government's budget or World bank grants but cannot be committed out of the proceed of the credits. This consequently may have an impact on the Government's ability to properly execute projects because of lack of timely financing to support a smooth implementation of projects. Committing funding out of the proceeds of the loan would be of help to mitigate that negative impact. Covid-19 (lockdown, travel restrictions, etc.) affected the execution of physical investment and related works have been substantially delayed. Covid-19 impacts are likely to downgrade Project performance. Covid-19 also affected the performance of public transport SoEs because of a drop of the demand. Supporting: (i) the improvement of the public transport and logistics offer in the context of the COVID-19, including through transport SOEs comprehensive restructuring plans to improve their

CPF Outcome *(2016 baselines and FY21-end targets)*	*Activities that contributed to the Outcome*	*Lessons*
***CPF Indicator 2.2.2*:** **People benefiting from improved infrastructure connections to urban centers** Baseline (2016): 0 Target (2021): 373,500 (of which 50 percent women) **Achieved**	**Delivered and ongoing Financing Lending** • Road Transports Corridor (P146502) (FY 16) **Delivered and ongoing ASA/TA/TF/ Others** Tunisia Urban	
Objective 2.3: Enhanced Economic Opportunities in		
CPF Indicator 2.3.1*:** **Value chains operational in lagging regions (number)** Baseline (2018): 0 Target (2021): 3 **Not achieved** Support under the ILMP project has been mobilized end FY20 for the development of 2 value chains, with a focus on essential oils and aromatic plants. Diagnostic assessments and Public private dialogue consultations have been carried out in coordination with the Task Force for the Development of value Chains and Clusters – on the basis of the Competitiveness Reinforcement Initiative (CRI). Investment plans are being finalized and validated as of May 2021. Additional value chain initiatives are envisaged focusing on alfa and possibly carroube. ***Supplementary Progress Indicator: **Farmers reached by CPF supported programs (IFC investments)** Baseline (2014): 4,780	**Delivered and ongoing Financing Lending** • Integrated Landscape Management Project (P151030) • Tunisia Ecotourism and Biodiversity Conservation ((P120561) (FY 14) • Oases Ecosystems and Livelihoods (GEF) (P132157) (FY14) **Delivered and ongoing ASA/TA/TF/ Others** • Maghreb Youth Employment Task Force (FY15) • Economic Development in South Tunisia (FY20)	Moving forward, continued focus should be dedicated to strengthening the institutional capacity and governance of the Task Force for the Development of Value Chains and Clusters. This should include: (i) strengthened coordination of public sector agencies and PIUs involved in the design and implementation of investment plans emanating from the Value Chain initiatives; (ii) continued WBG support to building the capacity of the Task Force and accompanying investment and advisory support for the implementation of the value chain development activities (iii) improving flexibility in the procurement process to easily mobilize on-demand technical and sectorial expertise, (iv) reinforced governance and championing by public authorities of this innovative initiative – including through the operationalization of the Steering Committee by MIDCI,

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
***CPF Indicator 2.3.2*: Area under sustainable landscape management practices in Northwest and Center west regions** Baseline (2018): 0 Target (2021): 100,000 ha **Not achieved** The indicator has been partially achieved. The initial end target had been updated at restructuring from initial 100 000 ha to 70 000ha. Land areas under sustainable land management practices are only about 6% of the area expected at this stage (i.e., about 4,000ha instead of expected 40,000ha). However, significant improvements are expected following the allocation of specific lots (stands, forest plantation, olive tree plantation) and the signature of specific conventions (co-management agreements) with an initial group of eight Agricultural Development Groups (GDAs) and the forthcoming signature of a convention with nine additional GDAs.	**Delivered and ongoing Financing Lending** • Integrated Landscape Management Project (P151030) • Tunisia Ecotourism and Biodiversity Conservation ((P120561) • Oases Ecosystems and Livelihoods (GEF) (P132157) **Delivered and ongoing ASA/TA/TF/ Others** • Maghreb Youth Employment Task Force (P158437) • Economic Development in South Tunisia (FY20)	Attaining transformational results in sustainable landscape management require time and tenacity in the engagement with Government, Partners, Beneficiaries, and other Stakeholders. Unforeseeable administrative bottlenecks can constitute a formidable obstacle to the attainment of expected results. Community ownership and participation are keys to sustainable results. Additional lessons learned indicate, among others, the key importance of activities aimed at strengthening partnerships with national specialized institutions such as National Center for Legal and Judicial Studies (CNJJ) to consolidate legal and institutional frameworks, and the National Center for Agricultural Studies (CNEA) to provide advisory services to field staff. The Covid-19 crisis heavily affected field work because an innovative approach such as the Integrated Landscape Management (ILM) approach - which aims to bring together relevant stakeholders to agree on common goals, constantly align their activities, and
Result Area 3. Promoting Increased Social Inclusion		
Objective 3.1: Enhanced Access to Information and Data		

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
CPF Indicator 3.1.1: **Number of users of public finance data published on the Ministry of Finance's data portal** Baseline (2015): 0 Target (2021): 10,000 per year **Not Achieved** Number of users of public finance data published on Ministry of Finance's data portal remains below 10,000 per year. Proactive data publication has stagnated since 2017. Information on public finances has not been updated since 2017. ***Supplementary Progress Indicator:*** **Information on public finances is published on the Ministry of Finance website and data portal 'Mizaniatouna'** Baseline (2015): Draft budget and budget execution reports not published regularly; public expenditure data not available online Target (2018): Draft budget and budget execution reports published regularly; public expenditure data available online **Achieved**	**Delivered and ongoing Financing Lending** • e-Governance (P168425-GovTech) **Delivered and ongoing ASA/TA/TF/ Others** • Mizaniatouna Open Budget TA (TF018947) • Open Government Partnership TA • National Network of Social Accountability TA • Regional Access to Information Workshop • Governance in Social Sectors • Political Economy Analysis (FY16)	Financial Transparency must be improved through additional technical assistance, notably by integrating the Ministry of Finance into the World Bank's ongoing Open Government Partnership TA. This will ensure a more systematic prioritization and publication of data in open and reusable formats.

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
CPF Indicator 3.1.2: **New sector datasets published in open formats (transport, water, agriculture, culture)** Baseline (2017): 0 sectors Target (2021): 4 sectors **Achieved** The sectors of health insurance, culture, transport and local affairs publish datasets in open formats. ***Supplementary Progress Indicator:*** **Adoption of a decree on open data implementation and management** Baseline (2018): No Target (2021): Yes **Achieved** An Open Data decree has been adopted.	**Delivered and ongoing ASA/TA/TF/ Others** • Open Government Partnership TA • National Network of Social Accountability TA • Regional Access to Information Workshop • Governance in Social Sectors	Enhanced access to information and data has contributed to eroding the us-versus-them divide between citizens and government by making citizens active actors of change. The publication of data in sharable formats allows citizens to become true partners with government, in both the identification and implementation of public policy. To continue on this path for change, open data must be endorsed by all public structures, not merely a selected few, in order to reap its full benefits. To achieve this objective, the open government program must be embedded into a much broader institutional and cultural changes within government and be fully integrated into the governments overall economic and social development goals.
Objective 3.2: Enhanced Employment Opportunities for		

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
<u>CPF Indicator 3.2.1</u>: **Number of joint university-industry programs created under the Tertiary Education for Employability Project** Baseline (2015): 0 Target (2021): 50 **Not achieved** 32 co-constructed/professional academic programs (master's degree level) with the private sector ***<u>Supplementary Progress Indicators:</u>*** **Students completing courses focusing on transferable skills** Baseline (2015): 0 Target (2019): 17,000 **Not achieved** 2,211 higher education students received a certification end of 2020 **139 youth** in an employment program (orientation followed by support to a placement in a wage job or in an entrepreneurship program **Number of education/training programs that were established based on the new ICT qualifications framework** Baseline (2014): 0 Target (2018): 11 **E4E ICT Tunisia Project (IFC)** helped building the first qualification framework in the ICT sector in the country and supported the ICT Federation of Tunisia build a virtual match-making body and an ICT labor observatory under which a	**Delivered and ongoing Financing Lending** • Tertiary Education for Employability Project (P151059) • Youth Economic Inclusion Project **Delivered and ongoing ASA/TA/TF/ Others** • E4E ICT Tunisia Project (IFC) • Maghreb Youth Employment Task Force	• Need for capacity building, particularly in project management. • Introduce for result-based management as a rule to transfer funding • Competitive funding works but simplify rules to focus on achievable results and less on lengthy administrative process. • There is a need to better analyze the skills in high demand by the private sector. Data at a granular level are not available and donors usually end up training youth in similar trades. A sustainable mechanism to better analyze the return on education and the skills needed by private sector is necessary and needs to be anchored in the administration for sustainability. • Most programs focusing on employment support are rather small and scattered. All donors are involved in this area without any concrete results. There is a need to support ministries and relevant stakeholders in collaborating more. Administrations need to be supported to come up with clear strategies and actions plans that could be the basis for further consolidation of donors' support. • The COVID19 has substantially slowed down the implementation of the Youth Economic Inclusion project as (i) additional procurement packages

CPF Outcome *(2016 baselines and FY21-end targets)*	***Activities that contributed to the Outcome***	***Lessons***
Objective 3.3: Better Targeted Social Programs		
CPF Indicator 3.3.1: **Creation of a social registry on 'Needy Families and Vulnerable Households' based on an updated socioeconomic information obtained from a full survey** Baseline (2015): No Target (2021): 300,000 families **Achieved** Under the new integrated SSN program "AMEN Social" the Ministry of Social Affairs implement a social registry with more than 700,000 enrolled households. Among them about 450,000 households were visited by social workers to collect information on their living conditions ***Supplementary Progress Indicator:*** **Creation of a social registry on 'Poor Families and Vulnerable Households' based on updated socioeconomic information** Baseline (2016): No Target (2020): Yes **Achieved**	**Delivered and ongoing Financing Lending** e-Governance (FY20) **GovTech (P168425):** Implement and improve the social registry and social survey and improve service delivery **Emergency SP project (P176352):** Support Covid-19 response and SSN targeted expansion **DPL 2018 (P161483):** Support SSN reform **DPL 2020 (P173324):** Support Covid-19 response and SSN reform **Maghreb SP Dialogue (P165788)**: Policy dialogue and TA to implement targeting tools. **Social Protection Reforms Support (P144674) (MNA Transition Fund):** Support the design of SSN reform and the	The covid-19 crisis has an impact on poor and vulnerable household and increased the poverty rate in Tunisia. The coverage of SSN is still very low. A first PMT model has been developed and the Ministry of Social Affairs will apply it for new beneficiaries and the expansion of SSN. A strong support is needed to improve the targeting model based on the most recent information to improve the coverage of the most vulnerable populations (building on good collaboration with INS). The Government should also develop an exit strategy for ineligible existing beneficiaries. The covid-19 crisis has slowed down the progress of the social survey. It is important to finalize the social survey and ensure a process for periodically updating information on the living conditions of households. Thus, the establishment of a multichannel platform, capacity building of social workers, the implementation of a case management system and strengthening communication will allow the government to implement an effective SSN

CPF Outcome *(2016 baselines and FY21-end targets)*	*Activities that contributed to the Outcome*	*Lessons*
CPF Indicator 3.3.2: **Common Social Identifier System established** Baseline (2015): No Target (2021): Yes **Achieved** A social ID is functional, and work is underway to strengthen its registry and the sectorial interoperability platform (GovTech project).	**Delivered and ongoing ASA/TA/TF/ Others** Social Protection Reforms Support (P144674) (MNA Transition Fund) 1- Social Protection Reforms Support (P144674) (MNA Transition Fund) 2- **Moussanada (P151301)**	Strengthening coordination is much needed to speed up the implementation of the national ID and ensure the link with sectorial ID including Social ID is a prerequisite for setting up a reliable identification and authentication system to ensure quick and easy access to quality social services. There is still resistance to change for the overhaul of the information systems of the

CLR Annex 3: WBG Support for Responding to the COVID-19 Crisis in Tunisia

1. **The WBG provided a fast and flexible response to the COVID-19 pandemic, utilizing all WBG operational and policy instruments and working in close partnership with governments and other agencies.** The WBG support included a new COVID-19 emergency response operation, as well as significant restructuring of six ongoing projects to include a COVID-19 response component.

2. **Support for Tunisia's health response.** Early in the pandemic and responding to GOT request for urgent assistance from the Bank to immediately help fill the gaps in laboratory equipment and supplies, personal protective equipment (PPE), and infection control products, and as part of the Fast-Track Facility, the new Tunisia COVID-19 Response project (US$20 million) was delivered to improve COVID-19 detection and infection control. In addition, the ongoing Tunisia Irrigated Agriculture Intensification Project was restructured on April 1, 2020, to accommodate a new COVID-19 emergency response component with a budget reallocation of US$14 million.

3. **Ensuring sustainable business growth and job creation.** The Youth Economic Inclusion "Moubadiroun" project was restructured to make US$25 million available to support vulnerable entrepreneurs by: (i) financing a temporary payment to approximately 150,000 microenterprises; and (ii) supporting Small and Medium-size Enterprises (SMEs) to resume activities after the crisis. The Energy Sector Improvement Project was restructured to ensure electricity supply continuity by helping the Electricity authority (STEG) address short-term liquidity shortfall because of the COVID-19 pandemic (US$25 million).

4. **Protecting the poor and vulnerable.** The Tunisia First Resilience and Recovery Emergency Development Policy Financing (US$175 million) was approved in June 2020 and focused, among several other reform areas, on: (i) expansion of permanent and temporary cash transfers to benefit about 36 percent of the population (around 4.2 million people); (ii) temporary top-up of small pensions that would benefit about 1.2 percent of the population (about 140,000 people); (iii) introduction of a temporary unemployment benefit that would benefit up to 2.7 percent of the population (about 250,000 people); and (iv) support to self-employed and informal workers that would benefit about 0.3 percent of the population (around 35,000 people). In addition, the Digital Transformation for User-Centric Public Services (Gov. Tech) was restructured to make available US$20 million to: (i) improve social protection and social safety net systems, including cash transfers, in order to provide more efficient and targeted transfers to the groups who are most affected by shocks, such as COVID-19; (ii) provide the necessary tools for distance learning, notably by improving school internet connectivity, by developing digital education services and content, and by improving teacher-parent digital communication; (iii) improve the efficiency of public spending on services, thus making fiscal space for emergency responses and post-COVID-19 recovery; and, (iv) improve the access to services of vulnerable groups in underserved regions.

5. **Strengthening policies, institutions, and investment for rebuilding better.** The ongoing Urban Development and Local Governance was restructured (US$53 million) to help the government and municipalities rapidly respond to the COVID-19 pandemic and prepare for its aftermath by: (i) capturing the impact of COVID-19 on the program implementation; and (ii) boosting local economic development in the medium term. In addition, the Strengthening Foundations for Learning Project was also restructured to make available US$10 million to: (i) launch television education programs

and develop digital platforms for distance learning; (ii) train teachers for online and virtual teaching; and (iii) develop digital content and improve communication between administrators, teachers, students and parents.

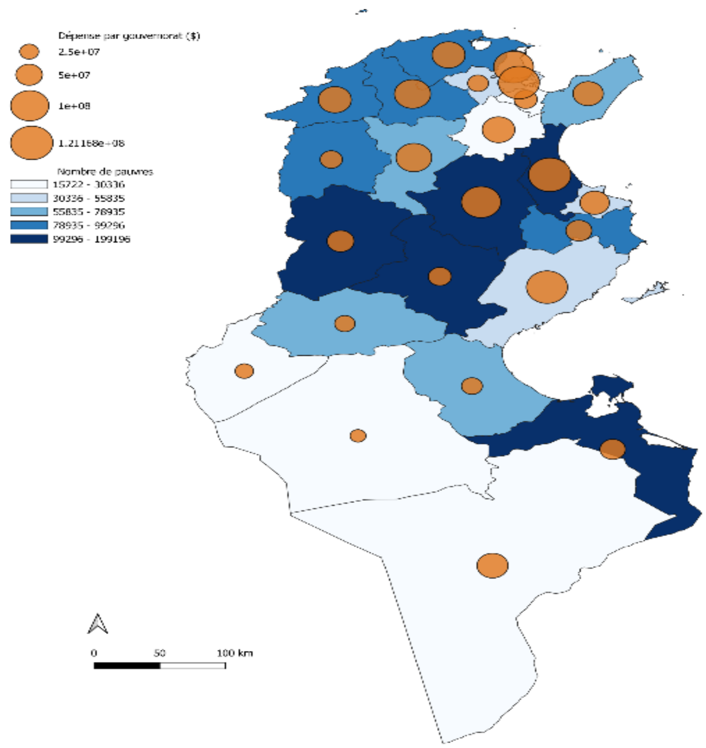
6. **Selectivity, Complementarity, Partnerships.** The Bank was part of a well-coordinated and substantial international support to help Tunisia respond to the COVID-19 crisis. The international support package included: (1) parallel policy-based operations jointly prepared by the World Bank (WB), German Development Bank (KfW), French Development Agency (AFD), Japan International Cooperation Agency (JICA) and the African Development Bank (AfDB) in close coordination with the European Union (EU). The joint financing package amounted to US$600-700 million in 2020, with additional EU financing as part of macro-financial support; (2) financial support from the International Monetary Fund (IMF) through a US$745 million Rapid Financing Instrument (RFI) approved in April 2020, which was going to be followed by a new program expected to be negotiated by end 2020 (the 2016-2020 Extended Fund Facility (EFF) expired in March 2020) but is yet to take place. This partnership and coordination platform support a three-year GOT reform program through intensive policy dialogue and regular technical review missions. The Bank-financed Resilience and Recovery Development Policy Financing (DPF) mentioned above was critical for continued donor synergies, building on this platform, and for the international support to Tunisia.

CLR Annex 4: Portfolio Footprint Analysis

1. **A Portfolio Footprint analysis was implemented in Tunisia to contrast the distribution of portfolio commitments across governorates with different need indicators, including poverty.** The Portfolio Footprint highlighted that despite positive correlation between the number of poor and total expenditure per governorate, the portfolio allocation for governorates with similar levels of poverty varied. Adding other correlates to the analysis helped mitigate this observation and gave a supplementary explanation for the choice of project allocation.

2. **The Portfolio Footprint (PF) examines the subnational distribution of World Bank (WB) portfolio commitments and their relationship with indicators or need.** The approach estimates WB portfolio amounts spent or committed at the sub-national level to understand spatial distribution of investments. It largely focuses on investments that can be disaggregated at low geographic levels, usually leaving out centralized spending or budget support projects.

3. **Once that estimation is completed, the commitments are overlaid with different welfare and sectoral indicators.** Portfolio Footprints have been used to help identify potential disconnects between WB investments and needs and inform discussions about future geographic investment targeting.



CLR Annex 5: Tunisia Country Platform

Beyond Financing and TA, the WBG convening's Power in supporting development outcomes through a Country Platform

1. **The WB is playing a key role in a Country Platform (CP) to support the government in taking forward critical economic and social reforms and to help mobilize necessary resources to cover the government's financing needs.** This has become more urgent given the political developments and the critical macro-fiscal situation (fiscal gap and debt) exacerbated by the COVID-19 pandemic (and more recently by Russia's invasion of Ukraine). The CP's activities gained additional urgency due to the first phase of the COVID-19 crisis in March-June 2020, during which the Government actively used the CP to mobilize partner financing, including reallocating ongoing investment program financing to urgent COVID relief priorities.

2. **Led by the Bank, coordination meetings with partners resulted in a proposal to the government on the possible reprogramming of ongoing projects and/or exploring ways to accelerate disbursements by each partner, to help fill liquidity gaps.** The main achievement of the CP was an agreement on a 3-year joint effort (set out in a government-approved reform matrix) involving 6 partner institutions and the government on reform measures including business and investment climate reforms, SOE reforms, energy sector reforms and social protection safety net strengthening. The process of finalizing this matrix was significantly informed by the strategy note produced jointly by the Bank, the EU and EBRD around government priorities. Development Partners (Germany, Japan, France, the African Development Bank, the EU and the WB, in coordination with the IMF), have also committed to providing financial support to the implementation of the program, once key necessary actions are in place.

3. **The Country Platform is also active in supporting the Government in preparing a reform program, which is crucial to alleviate the growing fiscal and debt pressure and the loss of access to international capital markets.** This complements the Join Budget Support Matrix through measures supporting public debt sustainability and refocusing the role of the state in commercial sectors and unleashing the potential of the private sector to create jobs – thus aligned with the JET agenda. These measures would address bottlenecks to competition in almost all sectors of the economy; reduce the growth in public wage bill while preserving public service quality; and make the tax system more equitable and efficient. This initiative also includes potential support to policy dialogue with national stakeholders (UGTT, UTICA, civil society) on critical reforms.

CLR Annex 6: Citizen Engagement in Tunisia

Learning from the past: Beneficiaries' feedback for better accountability.

1. **The WB has developed an innovative rapid data collection and evidence-based policymaking toolbox.** In Tunisia, the Maghreb CMU has experimented two of these tools, putting citizen engagement at the core of its projects for better accountability. It includes several Iterative Beneficiary Monitoring and a Portfolio Footprint (mentioned in Annex 4).

2. **The Iterative Beneficiary Monitoring (IBM) is a method for gathering low-cost, iterative feedback on project performance.** IBM aims to bridge the disconnect between project planning and what happens on the ground. By directly asking beneficiaries, it focuses on diagnosing specific barriers to effective project implementation. IBM offers an agile problem-oriented feedback loop that allows management teams to adjust implementation activities on-the-fly.

List of projects having benefitted from IBM in Tunisia

		Projects	FY
1	P176352	Tunisia COVID-19 Social Protection Emergency Response Support Project	21
2	P178540	Additional Financing for Tunisia COVID-19 Response Project: Vaccination (Beneficiaries)	22
3	P178540	Additional Financing for Tunisia COVID-19 Response Project: Vaccination (Health workers)	22

3. **The first IBM aimed at assessing the good implementation of the additional cash transfer program implemented by the government of Tunisia to mitigate the impact of Covid-19 through an expansion of existing social programs as well as a digitalization of the process**. Among other issues, the IBM highlighted that 15 percent of beneficiaries did not receive the cash transfer, and around 75 percent of the beneficiaries were not aware of the program despite being registered. Furthermore, many beneficiaries declared that they encountered difficulties in the withdrawal of the cash transfer as well as in the use of the newly developed digital tools. Considering these findings, the WB team shared results and recommendations with the Ministry of Social Affairs to take corrective actions. It included reinforcement of communication and awareness around social programs, better collaboration between organizations through a consolidation platform to monitor access to services, increased accompaniment for the use of digital tools, especially for the most vulnerable, as well as a better monitoring and update of beneficiaries' information (including beneficiaries contact information).

4. **The government appreciated the value-added of this IBM tool and the Bank's support in promoting citizen engagement.** As a result, the Ministry of Health of Tunisia requested two IBMs to be conducted on the vaccination campaign to better understand the low vaccination take-up rate and provide clear recommendations and a better comprehension of the blockages preventing people from getting vaccinated or receiving additional doses. The survey of nearly 2,000 households revealed that: a) the general reason for non-vaccination was not related to supply constraints, but rather the refusal of individuals to be vaccinated because of the low level of perception of the need for vaccination (mainly for people aged over 75); b) parents did not think that their children needed the vaccine, with more than 80% of parents indicating that COVID does not have a significant impact on children; c) fear of side effects and lack of confidence in the effectiveness of the vaccine are the two most important factors contributing to non-vaccination. The survey demonstrated the role of television and social networks in communication campaigns.

5. **Despite the global crises that have made data collection more challenging, IBM has helped WB teams and governments identify clear obstacles to the implementation of their projects and implement corrective actions**. Because it is low cost, easy to implement and relies on beneficiaries' satisfaction, it represents a great tool for citizen and community engagement.

CLR Annex 7: Gender interventions in Tunisia

1. **As planned in the CPF, a gender assessment of the portfolio was conducted early during the CPF cycle** and aimed at identifying how the existing portfolio has been addressing gender equality issues and provided recommendations to deepen the WBG's engagement on women's economic empowerment and inclusion. The assessment has identified additional opportunities to address gender inequality in the active portfolio, especially through removing barriers to jobs, empowerment, and inclusion. A "Gender Filter" to be used in project preparation was produced as a result of this assessment.

2. ***Access to economic opportunities and inclusion of women*** were incorporated in ten Bank projects with indicators for specific gender targets. They included addressing gender gaps to boost young women's ***labor force participation and economic opportunities; gender-balanced access in pre-primary school enrollment; enhancing women's voice and agency; and increasing women's access to social assistance****.* The Gender Tagged-Tunisia Investment, Competitiveness, and Inclusion DPF (P161483)[48] aimed at addressing the main constraint of lack of collateral which often hampers access to bank credit for SMEs, especially those run by women. A greater percentage of firms with female top managers (36.4 percent) reported access to finance as a major constraint compared to firms with male top managers (22.8 percent). In addition, female entrepreneurs tend to be "fixed asset poor" and tend to hold wealth in movable assets that cannot be easily leveraged as collateral for loans. A modern secured transaction framework was expected to contribute to address this constraint and reduce the gender gap in access to finance. The DPF included the following prior actions which were met: (i) To improve access to micro-credit for income generating activities, the Borrower has raised the loan amount ceiling for micro-credits; and (ii) To improve SME access to finance, the Borrower has approved and transmitted to the Parliament the draft law on Secured Transactions (allowing banks to use movable collateral). The related indicator measured "the volume of microcredits disbursed towards income generating activities (of which for women)."

[48] The Tunisia Investment, Competitiveness, and Inclusion DPF (P161483) was listed as one of the examples in the "Gender Tag for Impact Good Practice Note, April 2022".

3. To address the gender gaps in: ***Women's digital access, literacy and use/Access to information***, the Digital Transformation for User-Centric Public Services Project (Gov-Tech, P168425) conducted consultations with women to identify technology barriers, development of mechanisms within digitized access points to serve their needs. It implemented targeted public information and sensitization campaigns via traditional channels and digital tools that can reach women and build their awareness on implication of digital transformation. The project introduced a basic internet literacy session meeting the specific needs of women and men to address low digital literacy; offering an information session on internet security to raise confidence in using the internet; especially among women, rolling out outreach campaigns at the grass root level to encourage women to access a nearby digital point while considering social norms restricting their activities in the public sphere.

4. ***The cash transfer program support of the COVID-19 Social Protection Emergency Response Support Project (P176352)*** offered the opportunity to address the special needs of women during the COVID-19 pandemic. The pandemic has had negative impacts on Tunisian women, who have long faced many structural challenges in the labor market. The demand for unpaid home care work has disproportionately fallen on women following the outbreak of COVID-19, which has caused many women globally to drop out of the labor market (Alon et al, 2020)[49]. School and child-care facility closures during the waves of infections in Tunisia are likely to have negatively affected women's economic outcomes. It was estimated that women spent 8 hours a day on average on unpaid care activities in 2019, while men spent less than 45 minutes on such activities[50]. Before COVID-19, women in the Tunisian labor market had long faced major structural challenges. Despite progress in legislation, it is estimated that Tunisian women's labor market participation rate is at 24 percent, which is 46 percentage points lower than that of men[51]. In contrast, the unemployment rate for women is 7 percentage points higher than that for men. When women partake in the economy, they are more likely to be in the informal sector and/or in the bottom of value chains occupying perilous and vulnerable positions in sectors such as agriculture and textiles.

5. In line with the CPF's focus on lagging regions, women, and youth empowerment, the ***"Harnessing Digital Technology for Women Economic Empowerment"***, called ***"Empower Her"*** brough together leverages the unbounded enthusiasm of youth and their technological skills to overcome challenges to women economic empowerment, by developing helpful technological solutions irrespective of the women's literacy level. Women living in Tunisia's interior regions are disadvantaged as jobs, access to markets, information and mobility are limited. This program engaged students and

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[49] Alon, T., Doepke, M., Olmstead-Rumsey, J., & Tertilt, M. (2020). This Time It's Different: The Role of Women's Employment in a Pandemic Recession. *NBER Working Paper 27660.*

[50] Oxfam and The Association of Tunisian Women for Development Research (AFTURDF) rapid care analysis, 2019. Available at: https://reliefweb.int/sites/reliefweb.int/files/resources/bp-care-crisis-time-for-global-reevaluation-care-250620-en.pdf

[51] Gender gaps among workers in Tunisia, % in total labor force and gender percentile gap, 2020/Source: https://ilostat.ilo.org/data/

unemployed university graduates from the interior regions to compete (through Hackathons) for the best solution that promoted the economic empowerment of these women. After completing a series of intensive training in entrepreneurship, financial management, leadership, and other skill-building sessions organized by the World Bank, the selected youth started implementing their solutions. One of the technological solutions had a transformative impact and resulted in changing the laws to enable the rural women in agriculture to be protected by healthcare.

Empower Her. A Story of Resilience

When the COVID-19 pandemic hit their businesses very hard, Empower Her's young entrepreneurs adapted their solutions and innovated. To address the negative impact of the pandemic on rural women, who were mostly affected by job losses and food price increases as well as shortages of essential products such as flour and semolina, and who were vulnerable to health risks, one of the entrepreneurs created an App which came to the rescue of rural women, who no longer had any source of livelihood. It created a connection that linked rural women with associations and citizens to receive necessary food supplies from the nearest point of sale with dignity and at no cost. In addition, solutions were created to protect rural women through awareness audio-recordings or direct calls to teach them about the preventive measures needed to save themselves and their households from contracting COVID-19. Another Empower Her entrepreneur realized that she had to adapt her digital marketplace business model rapidly for her company to survive this crisis, as well as to be able to provide a source of income for the women artisans she employs. Recognizing the increasing but unmet demand for protective gear and face masks, she decided to train the seamstresses connected to her business to manufacture protective clothing and masks for health care personnel in the Northwest, one of the poorest regions in Tunisia.

6. Empower Her took place in the **poorest regions**, was implemented by the **poorest youth,** for the benefit of the **poorest women**[52].

7. Beyond Investment projects and grants, efforts were made during the CPF cycle to enhance data and evidence to better inform the gender agenda such as in the context of the Impact Evaluation: "Impact of public works program & capital injections intervention targeting prospective Female entrepreneurs on women's entrepreneurship" or "Investigating Gender Discrimination in Tunisia's Labor Market through a Field Experiment."

8. **A new Maghreb Facility for Women Economic and Social Inclusion was launched in FY21 with the following objectives**: (i) Mobilize global expertise in higher level reform agendas in support of expanding economic opportunities for women and promoting social inclusion; (ii) provide evidence-based technical support and policy-oriented analytics, anchored in data and impact evaluations; (iii)

[52] *EmpowerHer was a result of close collaboration with the Government of Tunisia, the private sector*

, civil society, partners, the Global Practices and Global Themes (Finance, Competitiveness and Innovation; Digital Development; Gender) and the International Finance Corporation.

established strong relationship with the Ministries of Economy and Finance and engagement across several line ministries relevant to address constraints women face in economic and social aspects; (iv) develop close relationships and convening power with stakeholders across government, civil society and development partners; and (v) leverage ability to bring in private sector partnerships and solutions. A mapping of all donor-funded activities in Tunisia, and WBG activities as well as their impact on women's economic and social inclusion took place in FY21 in the context of the Maghreb Facility design to ensure synergies across donors. A Maghreb Gender Resource Repository was prepared and will serve as a reference for teams designing new projects or ASAs to enable them to identify and use data and analysis. In the new CPF, the Facility will support project teams at design to identify meaningful actions to address gender gaps; and during implementation, the Facility will support activities to strengthen PIU capacity to address, monitor and report on gender gaps. The Environmental and Social Framework (ESF) will also be leveraged to identify relevant gender gaps and mechanisms to address those.

CLR Annex 8: IBRD'S Active Portfolio in Tunisia (As of May 2022)

Len. Inst.	Project ID	Project Name	Board Approval Date	Closing Date	Net Comm. Amt. ($M)	Undisb. Bal. ($M)
IPF	P132381	Third Export Development Project (EDP III)	16-Jun-2014	31-Dec-2022	50.00	20.73
	P146502	TN-Road Transport Corridors	14-Jul-2015	30-Jun-2022	194.40	9.20
	P151030	Integrated Landscapes Management in Lagging Regions Project	15-Mar-2017	29-Mar-2024	52.00	39.05
	P151059	Tunisia Tertiary Education for Employability Project	25-Feb-2016	31-Dec-2023	70.00	16.81
	P158138	Youth Economic Inclusion Project	11-Sep-2017	31-Jan-2024	60.00	42.37
	P160245	Tunisia Irrigated Agriculture Intensification Project	29-May-2018	31-Dec-2024	140.00	107.49
	P162297	Strengthening Foundations for Learning Project	18-May-2018	31-Dec-2023	68.96	41.55
	P167380	Tunisia Innovative Startups and SMEs Project	14-Jun-2019	31-Dec-2026	75.00	49.89
	P168273	Tunisia Energy Sector Improvement Project	24-Jun-2019	30-Jun-2024	151.00	123.43
	P168425	Digital Transformation for User-Centric Public Services	14-Jun-2019	20-Jun-2025	100.00	69.15
	P173945	Tunisia COVID-19 Response project	30-Apr-2020	31-Mar-2025	142.00	57.82
	P176352	Tunisia COVID-19 Social Protection Emergency Response Support Project	31-Mar-2021	31-Mar-2024	700.00	310.74
PforR	P130637	Tunisia - Urban Development and Local Governance	24-Jul-2014	30-Jun-2023	430.00	58.47
	P173568	Tunisia Integrated Disaster Resilience Program	11-Mar-2021	30-Jun-2027	50.00	37.38
					2283.37	**984.08**

CLR Annex 9: IBRD's ASA program in Tunisia (As of May 2022)

Task Name	GP	Completion FY
Tunisia Climate and Development Report	Environment	2023
Tunisia Human Capital Review	Education	2023
Tunisia: Moussanada : Governance TA Program	Governance	2024
Financial Sector Modernization Program - TA	FCI	2024
Tunisia - Access to finance and digital finance TA	FCI	2024
Tunisia Compact with Africa Fund	Governance	2024
Economic reforms for fiscally sustainable growth	MTI	2024
Health Financing and Service Delivery Strengthening for Universal Health Coverage in Tunisia	Health	2024
Technical support to accelerate Tunisian energy sector transition	Energy and	2024
Ambition "Good Jobs for All" in Tunisia	SP	2025

CLR Annex 10: IFC's Investment Portfolio in Tunisia

1. Tunisia Historical Investment Program Commitments by Fiscal Year (as of May 31, 2022)

	FY17	FY18	FY19	FY20	FY21	FY22 YTD	FY17-FY22
Long Term Finance (LTF)	**27.9**	**0.0**	**46.3**	**32.4**	**32.9**	**0.5**	**140.0**
of which IFC Own Account	27.9	0.0	46.3	32.4	32.9	0.5	140.0
of which Core Mobilization	-	0.0	0.0	0.0	0.0	-	-
Short Term Finance (STF)	-	-	-	-	-	-	-
Total IFC own Acc. LTF Commitments since *2005*	**263.6**						

2. Tunisia Investment Portfolio by Industry Group (as of May 31, 2022)

Industry Group	FIG	MAS	INR	CDF	Total
Committed Exposure	**18.7**	**48.8**	**29.2**	**2.8**	**99.5**
Portfolio Outstanding	12.8	31.7	29.2	2.7	**76.4**
of which Loan Outstanding	12.8	31.7	29.2	-	**73.8**
of which Equity Outstanding	-	-	-	2.7	**2.7**
Undisbursed	5.8	17.1	-0.0	0.1	**23.1**
Non-Performing Loans (NPLs)	-	-	29.2	-	**29.2**
NPL Ratio (%)	0.0%	0.0%	100.0%	0.0%	**39.6%**

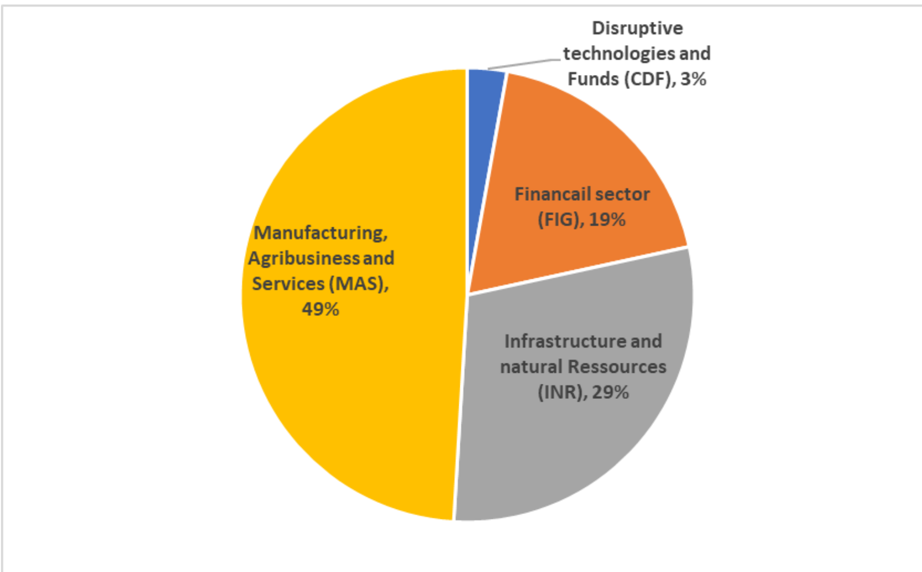
3. Top 5 Portfolio Clients by Committed Exposure in Tunisia (as of May 31, 2022)

Client	Industry	Industry Group Sector	Committed Exposure	Portfolio Outstanding
TAV Tunisie	INR	Infrastructure	29.2	29.2
CHO Company	MAS	Agribusiness & Forestry	25.8	25.8
One Tech	MAS	Manufacturing	13.9	-
Banque Attijari Tunisie	FIG	Financial Markets	12.8	12.8
VACPA	MAS	Agribusiness & Forestry	5.9	5.9

CLR Annex 11: IFC Program

IFC Tunisia Committed Portfolio as of FY22 May-end

Sector Composition - Committed Portfolio



CLR Annex 12: IFC's Advisory Portfolio in Tunisia

Project	Primary Sector Name	Description	Total Funds Managed by IFC
CTA-PPP			**0.6**
Tunisia Water and Sewerage	Utilities	PPP transaction support for ONAS on the structuring of two concessions	0.6
Economic Private Sector Development			**0.5**
CPSD - Tunisia	Non-Sector Specific Advisory Services	Analytical work required for the Country Private Sector Diagnostic scheduled for dissemination in 2022	0.5
FIG			**4.6**
Agrifin DFS Tunisia Scoping phase	Agriculture and Forestry / Access to Finance	Scoping phase of agri-finance Digital Financial Services opportunities	0.1
BH Tunisia - Banking on Women (BoW) Champion & Digital Transformation	Finance & Insurance	This pioneering project, in partnership with Banque de l'Habitat, was launched in 2018 to help the bank boost financial inclusion for women in Tunisia and launch a digital offering for its customers. IFC's advisory services have supported Banque de l'Habitat in setting up a program tailored to female clients, including financial and non-financial services. The project also includes advice on developing a scalable digital strategy, allowing the bank to offer a new digital experience to its clients.	0.6
Enda Cash Payment Company	Finance & Insurance	IFC will help the Tunisian NGO Enda Inter Arabe to set up and launch a new payment company, offering new products and services to Enda Tamweel's existing clients and to reach out to new clients in Tunisia.	0.6

ENDA MIS and DFS	Finance & Insurance	IFC will support ENDA Tamweel as it implements a new, integrated MIS system that can reduce the number of parallel systems and support its expansion and product diversification plans as part of ENDA's transformation into a for-profit company.	0.7
ENDA Tamweel Capacity Building & DFS	Finance & Insurance	IFC will provide support to Enda Tamweel, to cope with Covid-19 crisis and to improve its risk management, to continue its digitization process, and to improve a current product and/or develop a new one, in order for the institution to continue to serve Tunisia's MSMEs and increase financial inclusion in the country	0.7
Improving credit reporting system in Tunisia - MSME 2.0	Finance & Insurance	IFC will support the Central Bank of Tunisia (BCT) to revamp the Public Credit Registry (Centrale des Risques), towards becoming a tool for the institutional functions of the BCT. IFC will also aim to develop a psychometric scoring tool for the financial market, and to pilot it by exploring the inclusion of new forms of data (ex. Big Data, Fintech data, psychometrics, etc.) into the credit reporting system along with other more mature credit reporting markets at the regional level.	1.0
Tunisia Digital Payments Ecosystem Support	Finance & Insurance	The objective of this project is to support the Central Bank of Tunisia to develop a national strategy for a digital payment ecosystem in Tunisia. This strategy will focus on increasing access to and usage of financial services, particularly payments, for individuals and businesses in Tunisia. To this end, this FIG AS project will apply a modular approach with 3 modules focused on standardizing existing digital payments use cases (e.g. social transfers), developing a strategy and roadmap for new use cases, building capacity and raising awareness.	0.9
MAS			**1.0**

VACPA Date Supply Chain Development - Tunis	Agriculture and Forestry	The IFC Advisory Project is to support VACPA in developing its smallholder farmer supply chain. The main objectives of the project are supporting the adoption of climate-smart and sustainable agronomic solutions by smallholder farmers supplying dates to VACPA; facilitating their improved access to extension services, technologies, and markets through farmers' organizations; and, introducing and piloting digital supply chain management platform.	1.0
Regional Advisory - CMA			**7.7**
Accelerator Scale-Up for Youth Entrepreneurship	Collective Investment Vehicles	A key pillar of IFC's strategy, the program helps boost economic growth in Tunisia through private sector-led job creation and by strengthening the country's entrepreneurship ecosystem, while promoting social inclusion through increased opportunities for young men and women. The program's main objective is to unlock the potential of innovative entrepreneurship in Tunisia by designing, developing, implementing, and funding an accelerator scale-up program, with a special focus on women-led start-ups and, more generally, by supporting the ecosystem of transformational entrepreneurship.	1.2
Accelerator Scale-Up for Youth Entrepreneurship	Professional, Scientific and Technical Services	A key pillar of IFC's strategy, the program helps boost economic growth in Tunisia through private sector-led job creation and by strengthening the country's entrepreneurship ecosystem, while promoting social inclusion through increased opportunities for young men and women. The program's main objective is to unlock the potential of innovative entrepreneurship in Tunisia by designing, developing, implementing, and funding an accelerator scale-up program, with a special focus on women-led start-ups and, more generally, by supporting the ecosystem of transformational entrepreneurship.	1.0

Attracting FDI in Tunisia	Non-Sector Specific Advisory Services	The Project aims at creating opportunities for investment and enhancing transparency through: - Opening markets to new players and investors and strengthening the new investment framework; - Improving effectiveness of country investment promotion	2.3
Tunisia Investment Climate Reforms Program II	Non-Sector Specific Advisory Services	The Project aims at creating opportunities for investment and enhancing transparency through: - Opening markets to new players and investors and strengthening the new investment framework; - Enhancing business regulations using an indicator-based reform methodology, and focusing on sector-specific regulatory burdens.	2.7
Accelerator Scale-Up for Youth Entrepreneurship	Collective Investment Vehicles	A key pillar of IFC's strategy, the program helps boost economic growth in Tunisia through private sector-led job creation and by strengthening the country's entrepreneurship ecosystem, while promoting social inclusion through increased opportunities for young men and women. The program's main objective is to unlock the potential of innovative entrepreneurship in Tunisia by designing, developing, implementing, and funding an accelerator scale-up program, with a special focus on women-led start-ups and, more generally, by supporting the ecosystem of transformational entrepreneurship.	0.3

Accelerator Scale-Up for Youth Entrepreneurship	Professional, Scientific and Technical Services	A key pillar of IFC's strategy, the program helps boost economic growth in Tunisia through private sector-led job creation and by strengthening the country's entrepreneurship ecosystem, while promoting social inclusion through increased opportunities for young men and women. The program's main objective is to unlock the potential of innovative entrepreneurship in Tunisia by designing, developing, implementing, and funding an accelerator scale-up program, with a special focus on women-led start-ups and, more generally, by supporting the ecosystem of transformational entrepreneurship.	0.2
Total Tunisia Advisory Portfolio			**14.4**

CLR Annex 13: MIGA's Portfolio in Tunisia

Project	**Primary Sector Name**	**Description**	**Total Issuance Amount (m)**
Guarantees			
Tunisia Passenger-Car Ferry Project	Transport	Non-Honoring of Sovereign Financial Obligations coverage benefiting commercial banks financing the purchase of a Tunisia Passenger-Car Ferry (TANIT).	217.7

CLR Annex 14: Summary of Changes between original CPF Results Framework and Revised PLR Results Framework

Original CPF Indicators and Objectives	Revision	Rationale for Change
Pillar 1: Restoring an Environment Conducive to Sustainable Economic Growth and Private Sector-Led Job Creation		
Objective 1.1: Strengthened Macroeconomic and Fiscal Management	**Objective 1.1:** Strengthened Budget Management and Reduced Fiscal Risks	Reformulation to better reflect the scope of engagement under this objective
CPF Indicator 1: Improved legal framework for public financial management, introducing performance-based budgeting Baseline (2015): Organic Budget Law (as amended 2004) Target (2017): New Organic Budget Law adopted (GBO) (2017)	**Unchanged and becomes CPF Indicator 1.1.1**	
Progress indicator: Government adopts a medium-term debt strategy aimed at stabilizing public debt and controlling debt servicing Baseline (2016): No Target (2017): Yes	**Unchanged**	
CPF Indicator 2: Share of central government development expenditure (investment in total expenditure) (excluding net lending) Baseline (2015): 17% Target (2020): 20%	**Dropped**	The government's approach to public investment spending has changed due to fiscal constraints. Hence, the focus is now on leveraging private sector financing through PPPs and keeping stable total public investment spending. This element is now captured in CPF Indicator 1.2.1.
	New CPF Indicator 1.1.2: Public expenditure on general subsidies Baseline (2017): 11.9% (3.6% of GDP) Target (2021): 9% (2.7% of GDP)	In line with the government's agenda to reduce fiscal deficit and create fiscal space to foster investment and better targeted social policies

Original CPF Indicators and Objectives	Revision	Rationale for Change
	New supplemental progress indicator: Reduction in energy subsidies (as percentage of GDP) Baseline (2017): 1.209 Target (2021): 40.9% of GDP	Given the recent macro-fiscal developments, there is a growing risk of fiscal imbalances. Uncertainty about (imported) energy cost is an important driver of these imbalances, and hence efforts to reduce the impact of unpredictable energy import prices by reducing subsidies are a critical macro-fiscal risk mitigation factor.
Objective 1.2: Improved Enabling Environment for Greater Private Sector Competitiveness	**Reformulated and moved to Objective 1.3**	
	New Objective 1.2: More Pro-growth Public Expenditures	This is in line with the government objective to reduce expenditures that are not pro-growth. This will be achieved by containing wage bill growth to create fiscal space for increased social spending and infrastructure spending while seeking to improve public administration performance. This addition reflects the World Bank Group engagement to leverage private sector financing through PPPs and to support the Government of Tunisia (GoT) to improve its PIM capacity.
	New CPF Indicator 1.2.1: New Public Investment Management Framework adopted Baseline (2018): No PIM Framework Target (2021): PIM Framework adopted	A new PIM framework will help assess the potential real impact of public investments in Tunisia. The PIM will support the decision-making process to ensure that the right criteria are considered (for example, local development plans). It will also include the monitoring, implementation, and evaluation of investments.

Original CPF Indicators and Objectives	Revision	Rationale for Change
	New progress indicator: Share of public investment transactions with feasibility studies in the pre-investment phase Baseline (2016): 40% Target (2021): 70%	In Tunisia, feasibility studies are generally weak. As part of the implementation of the PIM framework, this progress indicator will monitor the improvements in the formulation of projects before they are contemplated by the budget.
	New CPF Indicator 1.2.2: Number of PPP transactions signed Baseline (2016): 0 Target (2021): 5	There is a need to scale up investments but lack of funding in the medium term. The increase in the number and management of PPPs will allow for the scale-up of private sector financing and implement pro-growth policies by increasing efficient public investment.
	New Objective 1.3: Improved Conditions for Trade Facilitation	Reformulated objective to better capture the efforts under the CPF to address a binding business environment
CPF Indicator 3: Number of firms benefiting from improved business formalities in terms of reduction in time or cost Baseline (2015): 18,100 Target (2018): 90,502	**Dropped**	This indicator definition was not clear. At the time of the formulation, the indicator did not have a clear specification of the business formalities to measure.
	New CPF Indicator 1.3.1: Containers cleared in Rades port Baseline (2015): 320,000 EVP (20 foot equivalent) Target (2021): 457,000 EVP	This is a new indicator introduced following the EDP III restructuring. It shows the overall impact of the Terminal Operation Storage System that aims at increasing the efficient management of the flow of containers and impacts overall port performance.
Progress indicator: Percentage of customs payments using computerized system Baseline (2015):0 Target (2020): 80	**Dropped**	The acquisition of the new IT system has not been completed yet, and there will not be time to track progress before the projected EDP III closing date.

Original CPF Indicators and Objectives	Revision	Rationale for Change
	New Progress Indicator: Processing time for containers to enter/leave the port of Rades Baseline (2015): 4 hours Target (2021): 1/3 hour	This is a new indicator introduced in the EDP III restructuring to reflect the impact of Smart Gates implementation (hardware and software) to optimize and manage the allocation of the gates according to the port's entry and exit flows.
CPF Indicator 4: Number of firms benefitting from the export development fund which increased exports Baseline (2015): 0 Target (2020): 1,200	**Dropped**	New indicators were selected under Objective 1.4 to better capture the scope and nature of engagement under the CPF, focusing on enhancing guarantee instruments under Sotugar and Dhamen Finance.
Objective 1.3: Fostered Sound Financial Sector Development	**Reformulated Objective 1.4:** Enhanced Financial Sector Support to Entrepreneurship	
CPF Indicator 5: Number of microloans disbursed by participating MFIs (of which disbursed to women) Baseline (2015): 769,628 (523,980) Target (2018): 1,345,000 (820,000)	**Unchanged and becomes progress indicator** Number of microloans disbursed by participating MFIs (of which disbursed to women): Baseline (2015): 769,628 (523,980) Target (2021): 1,345,000 (820,000)	The MSME objective includes the Mircofinance loan allocations, hence is it more appropriate to express it as a supplementary indicator
	New CPF Indicator 1.4.1 (previously a progress indicator): Increase in the total MSME loans in the portfolio of participating financial institutions. Baseline (2011): 0 Target (2018): 13%	This is a core performance indicator in a long-standing engagement under the MSME line of credit, which is closing in mid-2018.

Original CPF Indicators and Objectives	Revision	Rationale for Change
CPF Indicator 6: Percentage decrease of NPLs ratios for three state-owned banks Baseline (2015): 16 Target (2018): 14%	**Dropped**	The engagement on state-owned bank restructuring could not be brought to successful closure as private participation in key state banks was postponed. In addition, the trend on NPLs is negative, given weak progress on reforming the sector. NPL resolution is also addressed in the context of the IMF program.
	New CPF Indicator 1.4.2: Increase in number of firms benefiting from guarantee instruments **Dhamen Finance:** Firms receiving Dhamen Finance export guarantees Baseline (2015): 0 Target (2021): 490 **Sotugar:** Amount of guaranteed loans to SME Baseline (2017): TND 73,828 million Target (2021): TND 88,590 million	Replaces dropped CPF indicator 4 (see above), as a way to better capture the scope and nature of engagement under the CPF, focusing on enhancing guarantee instruments under Sotugar and Dhamen Finance.
	New CPF Indicator 1.4.3: Amount of equity investments toward start-ups from Anava sources Baseline (2018): 0 Target (2021): US$20 million	The start-up sector has been identified as one with a growth potential in Tunisia but with significant finance constraints. The World Bank will contribute to a flow of funds to increase available financing to the sector.

Original CPF Indicators and Objectives	Revision	Rationale for Change
	New progress indicator: Early-stage equity fund of funds for start-ups (Anava) operational Baseline (2016): No Target (2018): Yes	The creation of the fund as instrument that channels financing from different donors is a key milestone toward increasing available finance for start-ups.
	Pillar 2: Reducing Regional Disparities	
Objective 2.1: Improved Access to and Quality of Services in Lagging Regions	**Reformulated Revised Objective 2.1:** Improved Access to Services in Lagging Regions	The reformulated objective expresses better the nature of engagement under the CPF and realism on the impact the program can expect to have in the current political and economic context.
	New CPF Indicator 2.1.1: Local governments have executed their Annual Investment Plans on schedule in terms of expenditures Baseline (2018): 35% Target (2021): 80% of local governments supported under PDUGL	One of the main objectives of the engagement under the Urban Development and Local Governance PforR is to enhance local level investments in key infrastructure and this element is captured in the CPF indicator.
	Reformulated progress indicator: Local governments that have met the threshold annual performance assessment score. Baseline (2014): 0 Target (2021): 70%	Minor reformulation to capture correctly the engagement under the Urban Development and Local Governance PforR, including the additional financing

Original CPF Indicators and Objectives	Revision	Rationale for Change
CPF Indicator 7: People benefiting from improved municipal infrastructure (Transport and Water and Sanitation Services) (of which 40% women) Baseline (2015): 0 Target (2020): 500,000	**Reformulated CPF Indicator 2.1.2:** People benefiting from more reliable water services in targeted urban areas as the results of the extension and rehabilitation of water systems Baseline (2015): 0 Target (2018): 340,000	The reformulated indicator expresses better and more specifically the nature of engagement on improved access to services in the water sector. The CPF indicator is based on results of the Urban Water Supply Project, closing in FY 18. The CPF indicator reflects the planned engagement on water, sanitation and transport in the remaining period of the CPF
Progress indicator: Number of pilot PPP contracts for rural potable water and irrigation awarded Baseline (2015): 0 Target (2020): 5	**Dropped**	Engagement on this issue was dropped due to political economy constraints.
Progress indicator: Level of water and sanitation sector cost recovery Baseline: (2014): 75% Target (2020): 100% (operations and management)	**Dropped**	This indicator has been dropped due to the difficulties in the cost recovery calculation and political economy constraints to adjusting tariffs.
Progress indicator: Users satisfied (%) with water and sanitation services Baseline (2014): 80 Target (2020): 85	**Dropped**	User satisfaction surveys not yet applied and time line for their introduction is uncertain
CPF Indicator 8: Number of people benefiting from improved basic rural infrastructure and services (of which 50 percent women) Baseline (2015): 0 Target (2020): 100,000	**Dropped**	The formulation of the indicator was too general and attribution problematic. The specific engagement on this area is now captured under Indicator 2.1.2 and under Objective 2.2.

Original CPF Indicators and Objectives	Revision	Rationale for Change
	CPF Indicator 2.1.3: Youth in disadvantaged regions who completed internship or training to connect to jobs Baseline (2018): 0 Target (2021): 3,500	New indicator reflecting engagement under the Youth Economic Inclusion Project, which includes a target of connecting at least 10,000 disadvantaged youth to jobs by 2023
CPF Indicator 9: People benefiting from improved transport infrastructure to urban centers (of which 50% women) Baseline (2015): 0 Target (2020): 339,112	**Reformulated and moved to CPF Indicator 2.2.2**	
Progress indicator: Share of land area under soil and water conservation management (percentage) Baseline (2014): 0% Target (2020): 7.7%	**Incorporated under new CPF indicator 2.3.2**	A reformulated version of this indicator is found in CPF Indicator 2.3.2, which captures a new engagement under the Integrated Landscape Management Project, and which builds on the (closed) Second Natural Resource Management Project. The revision captures better the evolution of the CPF program.
	New CPF Indicator 2.1.4: Enrollment in preschool programs in 31 targeted districts Baseline (2016/17): 7,416 Target (2021): 9,000	This new CPF indicator reflects the planned FY18 project to support preschool program in disadvantaged districts. This indicator measures inclusion through increasing access to social services in lagging regions. While the operation covers lagging and non-lagging regions, the indicator corresponds to the districts in lagging regions.
	New progress indicator: New preschool facilities established, primarily in lagging regions Baseline (2018): 0 Target (2021): 150	Related to inclusion in the accessibility to services, this indicator measures the enrollment (access) to preschool services. The project's beneficiaries are both in lagging and non-lagging regions. The target reflects the change in access in districts located in lagging regions.

Original CPF Indicators and Objectives	Revision	Rationale for Change
CPF Indicator 10: Number of traffic-related fatalities per hundred million vehicle-kilometers travelled (vkt) on roads improved by CPF interventions Baseline (2015): 5.3 Target (2020): 3.7	**Dropped**	Results from the Road Corridor Program to be included in the CPF results matrix were revised following discussions with the government and are now captured under Objective 2.2.
	New Objective 2.2: Improved Road Connections to Inland Regions	This new CPF objective focuses on enabling lagging areas to benefit from a better road infrastructure, improve road safety, and increase the institutional capacity to manage infrastructure.
	Reformulated CPF Indicator 2.2.1: Travel time on rehabilitated roads (% of reduction) Baseline (2018): 0% Target (2021): 22.4%	CPF interventions to improve connectivity will reduce transport costs and delays.
	New progress indicator: Kilometers of roads completed that connect lagging regions to markets Baseline (2018): 39.7 Target (2021): 146.5	This new progress indicator will monitor the improvement in the connectivity that facilitates access to markets.
	New CPF Indicator 2.2.2: People benefiting from improved infrastructure connections to urban centers Baseline (2018): 0 Target (2021): 373,500 (of which 50% women)	The improvement in the connections to urban centers can have a positive impact by benefiting lagging regions from agglomeration dynamics in leading urban centers.

Original CPF Indicators and Objectives	Revision	Rationale for Change
CPF Indicator 11: Reduction in travel time on the roads improved by CPF interventions (weighted average by kilometer of roads) Baseline (2015): 0% Target (2020): 26.1%	**Dropped**	This indicator is reformulated and substituted by CPF Indicator 2.2: Improved Connectivity to Inland Regions, to better reflect the infrastructure projects connecting inland regions to markets.
Objective 2.2: Enhanced Economic Opportunities in Lagging Regions	**Moved as Objective 2.3:** Enhanced Economic Opportunities in Lagging Regions	
	New CPF Indicator 2.3.1: Value chains operational in lagging regions (number) Baseline (2018): 0 Target (2021): 3	This new CPF indicator reflects the engagement of the World Bank Group with the improvement of value chains in key sectors of potential for the Tunisian economy with high growth and job creation potential. Four World Bank Group-financed operations are contributing to value chain work, as well as several ASA mainly in the Northwest and Centerwest Tunisia.
Progress indicator: Farmers reached by CPF-supported programs (IFC investments) Baseline (2014): 4,780 Target (2018): 12,200	**Revised target for progress indicator:** Farmers reached by CPF-supported programs (IFC investments) Baseline (2014): 4,780 Target (2018): 7,500	Targets reduced based on assessment of progress under the project
Progress indicator: Number of paid work days under CPF supported programs Baseline (2014): 490,000 Target (2020): 1,500,000	**Dropped**	This indicator, while largely achieved under closed program support interventions, was dropped on selectivity grounds.
CPF Indicator 12: Number of municipalities with enhanced institutional performance (as measured by annual performance assessments) Baseline: (2015): 0 Target (2020): 119 (45%)	**Dropped**	Engagement is captured under the revised progress indicator related to CPF Indicator 1.2.1.

Original CPF Indicators and Objectives	Revision	Rationale for Change
Progress indicator: Number of regions with approved multisectoral Regional Development Plans Baseline (2015): 0 Target (2020): 4	**Dropped**	This progress indicator was dropped on selectivity ground and is also partially reflected in the new CPF Indicator 2.3.2 below.
	New CPF Indicator 2.3.2: Area under sustainable landscape management practices in Northwest and Centerwest regions Baseline (2018): 0 Target (2021): 100,000 ha	This CPF indicator measures the improvement in natural resources management in the Northwest and Centerwest, as well as the increased access and management of forestry resources by communities.
Pillar 3: Promoting Increased Social Inclusion		
Objective 3.1: Promoted Participation, Transparency, and Accountability	**Revised Objective 3.1:** Enhanced Access to Information and Data	This revised CPF objective addresses more specifically the needs to make information more available to the citizens, private sector, and civil society.
PF Indicator 13: Strengthened public sector accountability measured by the increase in the government responses to citizens' requests for information under the new access to information policy Baseline (2014): 532 responses out of 544 requests Target (2017): 1,980 responses out of 2,000 requests	**Dropped**	With the recent establishment of the Access to Information (ATI) Authority, the responsibility of tracking and consolidating overall data on access to information requests and government responses is less clear. Through the open government TA, the World Bank is supporting the implementation of an ATI platform to automatize the tracking of requests and responses. The functional and managerial responsibilities of the platform are being discussed with relevant stakeholders. Based on anecdotal evidence and information collected from various government agencies, the numbers of access to information requests previously recorded has been decreasing, which can be partly explained by the government's increased efforts in proactive dissemination of information.

Original CPF Indicators and Objectives	Revision	Rationale for Change
CPF Indicator 14: Increase citizens' access to and use of the fiscal information through the open budget platform Mizaniatouna Baseline (2015): Launch Target (2021): 5,000 users	**Revised CPF Indicator 3.1.1:** Number of users of public finance data published on the Ministry of Finance's data portal Baseline (2015): 0 Target (2021): 10,000 per year	Through open budget TA, the team is supporting the Ministry of Finance in improving the portal's user interface (enhancing charts and graphics) and enabling automatic publication of data to ensure timely and regular update.
Progress indicator: Adoption of a government policy on public consultation Baseline (2015): No Target (2017): Yes	**Revised progress indicator:** Information on public finances is published on the Ministry of Finance website and data portal 'Mizaniatouna' Baseline (2015): Draft budget and budget execution reports not published regularly; public expenditure data not available online Target: (2018): Draft budget and budget execution reports published regularly; public expenditure data available online	Instead of focusing on a broad consultation policy, which is broad and difficult to capture impact of, in this indicator the specific issue of budget and public finance information is focused, where a specific tool has been introduced that can be readily monitored.
	New CPF Indicator 3.1.2: New sector datasets published in open formats (transport, water, agriculture, culture) Baseline (2017): 0 sectors Target (2021): 4 sectors	This is a GoT commitment as part of the Open Government Partnership second action plan. The team is supporting the implementation through the Open Government Partnership TA. These are four sectors that have been tentatively selected by the GoT.

Original CPF Indicators and Objectives	Revision	Rationale for Change
	New progress indicator: Adoption of a decree on open data implementation and management Baseline (2018): No Target (2021): Yes	The formulation and approval of the decree will help the GoT take full ownership for a successful open data initiative implementation and to accompany the access to information law. The decree would consider the key principle of open data (open licensing, no-fees, proactive release of data) and the improvement in coordination and communication between supply and demand-side actors.
Objective 3.2: Increased Opportunities for Young Men and Women	**Reformulated Objective 3.2:** Enhanced Employment Opportunities for Youth	
CPF Indicator 15: Students in tertiary education who completed employability-oriented activities Baseline (2015): 0 Target (2020): 10,000	**Revised CPF Indicator 3.2.1:** Number of joint university-industry programs created under the Tertiary Education for Employability Project. Baseline (2015): 0 Target (2021): 50	The data to calculate the initial indicator 15 will only be collected through a survey in the final year of the project, hence the revision of the CPF indicator.
Progress indicator: National youth forum/council operational Baseline (2015): No Target (2016): In place	**Dropped**	
Progress indicator: Number of certificates for students in courses focusing on transferrable skills Baseline (2015): 0 Target (2019): 17,000	**Reformulated:** Students completing courses focusing on transferable skills Baseline (2015); 0 Target (2019): 17,000	

Original CPF Indicators and Objectives	Revision	Rationale for Change
	New progress indicator: Number of education/ training programs that were established based on the new ICT qualifications framework Baseline (2014): 0 Target (2018): 11	This new progress indicator measures the adoption by universities of the ICT framework that will enhance the quality of education for youth since the education programs will be aligned with the needs of the private sector.
Objective 3.3: Improved and More Equitable Social Programs	**Revised Objective 3.3:** Better Targeted Social Programs	Objective defined more narrowly to reflect the emphasis on targeting as a way to enhance the impact of limited budget resources on vulnerable groups
CPF Indicator 16: Creation of a social registry on 'Needy Families and Vulnerable Households' based on an updated socioeconomic information Baseline (2015): No Target (2019): Yes	**Reformulated** **CPF Indicator 3.3.1:** Creation of a social registry on 'Needy families and Vulnerable Households' based on an updated socioeconomic information obtained from a full survey Baseline (2015): No Target (2021): 300,000 families **New Progress Indicator: Creation of a Social Registry on "Poor families and Vulnerable Households" based on updated socio-economic information.** **Baseline (2016): No** **Target (2021): Yes**	The CPF Indicator remains but it is reformulated to exactly refer to the creation of a registry with full information on the families and the baselines and targets become quantitative and not qualitative. The objective has been achieved for the collection of very basic data (names, father and mother name, birth date) but with no additional information on the households. This reformulated indicator refers to the implementation of the full survey. The development of the IT system and the implementation of the social survey are a key milestone towards the registration of existing vulnerable households and those in waiting list (about 50,000).

Original CPF Indicators and Objectives	Revision	Rationale for Change
CPF Indicator 17: Common Social Identifier System established Baseline (2016): No Target (2021): Yes	**Unchanged and becomes CPF Indicator 3.3.2**	The USI is a key milestone toward the creation of the registry from which improve the targeting for GOT's social programs. It is a unique number assigned to all household members. The identification phase will be done with social workers gathering data first with current beneficiaries of social safety net support. While the number has been assigned, there is not yet interoperability among the databases due to the lack of platform to exchange the data. The USI allows the interoperability of systems (CNAM, CNRPS, CSSS) among different providers of social policy. It also permits to avoid inefficiencies such as the payment of double compensations/ benefits.

ANNEX 3 OPERATIONS PORTFOLIO (IBRD/IDA AND GRANTS), LENDING & ASA

As of 01/31/2023

Closed Projects	158

IBRD/IDA*	
Total Disbursed (Active)	1,371.53
of which has been repaid(1)	30.18
Total Disbursed (Closed)	8,798.85
of which has been repaid	6,088.36
Total Disbursed (Active + Closed)	10,170.38
of which has been repaid	6,118.54
Total Undisbursed (Active)	1,080.78
Total Undisbursed (Closed)	0.21
Total Undisbursed (Active + Closed)	1,080.99

Active Projects

		Last PSR Supervision Rating			Original Amount in US$ Millions					Difference Between Expected and Actual Disbursements a/	
Project ID	Project Name	Development Objectives	Implementation Progress	Fiscal Year	IBRD	IDA	Grants	Cancel.	Undisb.	Orig.	Frm Rev'd
P178380	Support to SMEs for Economic Recovery	#	#	2023	120.0	0.0		0.0	120.0	0.8	0.0
P173945	TN: COVID-19 Response project	S	MS	2020	142.0	0.0		0.0	57.8	-61.4	26.3
P176352	TN: COVID-19 SP Emergency Response	S	S	2021	700.0	0.0		0.0	302.3	-352.2	197.5
P168273	TN: Energy Sector Improvement Project	MS	MS	2019	151.0	0.0		0.0	122.6	116.7	29.6
P167380	TN: Innovative Startups and SMEs (iSME	MS	MS	2019	75.0	0.0		0.0	49.9	-12.0	0.0
P151030	TN: Integrated Landscapes Mgmt Project	S	MS	2017	100.0	0.0		77.0	4.3	72.0	-0.5
P160245	TN: Irrigation Project	MS	MU	2018	140.0	0.0		0.0	103.0	76.2	1.9

IBRD ASA Portfolio

Task ID	Task Name	Closing FY
P178091	Tunisia Human Capital Review	FY23
P179130	Tunisia Climate and Development Report (CCDR)	FY23
P179660	Tunisia Public Expenditures and Financial Accountability Assessment (PEFA)	FY23
P177161	Tunisia iSOEF	FY23
P603431	Tunisia Country Private Sector Diagnostic (CPSD)	FY23
P177507	Support to digital inclusion and transformation in Maghreb	FY23
P177919	Maghreb Water Resilience ASA	FY23
P156301	Financial Sector Modernization Program - Technical Assistance	FY24
P162728	Tunisia - Access to finance and digital finance technical assistance	FY24
P178283	Economic reforms for fiscally sustainable growth	FY24
P178625	Health Financing & Service Delivery for Universal Health Coverage in Tunisia	FY24
P178700	Technical support to accelerate Tunisian energy sector transition	FY24
P168292	Tunisia Poverty Assessment	FY24
P177669	Maghreb Climate and Disaster Resilience Support	FY24
P179965	Maghreb: policy engagement for resilient and inclusive agri-food systems	FY24
P177161	Maghreb Infrastructure Monitoring	FY25

IBRD active portfolio

Project ID	Project	Net Commit. US$M	CPF High Level Outcome Objectives			Closing					
			HLO1	HLO2	HLO3	2022	2023	2024	2025	2026	2027
P146502	TN-Road Transport Corridors	194	√								
P151030	Integrated Landscapes Management	52			√						
P151059	Tunisia Tertiary Education for Employability	70	√	√							
P158138	Youth Economic Inclusion	60		√							
P160245	Tunisia Irrigated Agriculture Intensification	140			√						
P162297	Strengthening Foundations for Learning	69		√							
P167380	Tunisia Innovative Startups SMEs	75	√								
P168273	Tunisia Energy Sector Improvement	151	√		√						
P168425	Digital Transformation for User-Centric Public Services	100	√	√							
P173945	Tunisia COVID-19 Response	142		√							
P176352	TN COVID-19 Social Protection Emergency Response Support	700		√							
P130637	TN - Urban Development and Local Governance	430	√								
P173568	Tunisia Integrated Disaster Resilience Program	50	√	√	√						
P164625	Tunisia - Italy Power Interconnector - Project Preparation TA	12	√		√						
P174017	Economic Recovery & Job Creation in Agri-Food (RETF)	1	√	√							
P175641	Economic Recovery & Job Creation in Agri-Food Northwest (RETF)	2	√	√							
P175645	Economic Recovery & Job Creation in Agri-Food South (RETF)	2	√	√							
P179010	Tunisia Emergency Food Security Response	130	√	√							
P162957	Tunisia Sanitation PPP support operation **(Pipeline FY23)**	113	√		√						
P178380	Support to SME for Economic Recovery **(Pipeline FY23)**	120	√								
TOTAL		**2,613**									

FY23-24 IBRD pipeline and proposed new operations

Operation	Net Commit. US$M	CPF High Level Outcome Objectives			Fiscal Year (FY)				
		HLO1	HLO2	HLO3	2023	2024	2025	2026	2027
Sanitation PPP support operation **(already approved)**	113	√		√	√				
Support to SME for Economic Recovery **(already approved)**	120	√			√				
ELMED	270	√		√	√				
DPL	100	√				√			
Economic Corridor	220	√				√			
Social Inclusion	180	√	√			√			
Total	**1,003**								

ANNEX 4 SELECTED INDICATORS OF IBRD PORTFOLIO PERFORMANCE AND MANAGEMENT

As of 02/20/2023

Indicator	FY20	FY21	FY22	FY23
Portfolio Assessment				
Number of Projects Under Implementation [a]	14.0	15.0	15.0	16.0
Average Implementation Period (years) [b]	3.2	3.2	4.1	3.9
Percent of Problem Projects by Number [a, c]	14.3	20.0	26.7	12.5
Percent of Problem Projects by Amount [a, c]	7.9	8.4	11.7	6.5
Percent of Projects at Risk by Number [a, d]	14.3	20.0	26.7	12.5
Percent of Projects at Risk by Amount [a, d]	7.9	8.4	11.7	6.5
Disbursement Ratio (%) [e]	18.8	19.4	47.4	15.3
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US$)				
Average Supervision (US$/project)				

Memorandum Item	Since FY80	Last Five FYs
Proj Eval by IEG by Number	134	6
Proj Eval by IEG by Amt (US$ millions)	8,364.8	1,205.3
% of IEG Projects Rated U or HU by Number	21.6	33.3
% of IEG Projects Rated U or HU by Amt	29.9	84.8

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

ANNEX 5 STATEMENT OF IFC'S HELD AND DISBURSED PORTFOLIO (IFC)

As of 01/31/2023

		Committed					Disbursed Outstanding				
FY Approval	Company	Loan	Equity	**Quasi Equity	*GT/RM	Participant	Loan	Equity	**Quasi Equity	*GT/RM	Participant
FY10	AMEN SANTE	0.00	4.51	0.00	0.00	0.00	0.00	4.51	0.00	0.00	0.00
FY18	BANQUE ATTIJARI	0.00	0.00	8.67	0.00	0.00	0.00	0.00	8.67	0.00	0.00
FY15	CHO COMPANY	0.77	0.00	0.00	0.00	0.48	0.77	0.00	0.00	0.00	0.48
FY21	CHO COMPANY	23.84	0.00	0.00	0.00	0.00	23.84	0.00	0.00	0.00	0.00
FY21	ENDA TAMWEEL SA	5.32	0.00	0.00	0.50	0.00	5.32	0.00	0.00	0.16	0.00
FY17	ISC-FLAT6 TUNIS	0.00	0.50	0.00	0.00	0.00	0.00	0.42	0.00	0.00	0.00
FY20	ONE TECH	14.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
FY08	TAV TUNISIE	9.11	0.00	18.93	0.00	0.00	9.11	0.00	18.93	0.00	0.00
FY98	TUNINVEST INTL	0.00	-0.28	0.00	0.00	0.00	0.00	-0.28	0.00	0.00	0.00
FY20	VACPA	4.64	0.00	0.00	0.00	0.00	4.64	0.00	0.00	0.00	0.00
Total Portfolio:		**57.77**	**4.73**	**27.60**	**0.50**	**0.48**	**43.68**	**4.65**	**27.60**	**0.16**	**0.48**

ANNEX 6 MIGA'S GUARANTEE PORTFOLIO (MIGA)

MIGA Portfolio as of 12/31/2022

Project	**Primary Sector Name**	**Description**	**Total Issuance Amount (US$m)**	**Total Outstanding Exposure**
Guarantees				
Tunisia Passenger-Car Ferry Project	Transport	Non-Honoring of Sovereign Financial Obligations coverage benefiting commercial banks financing the purchase of a Tunisia Passenger-Car Ferry (TANIT) linking Tunisia with	217.7 (FY12)	14.8

ANNEX 7 FY16-21 PORTFOLIO TRENDS

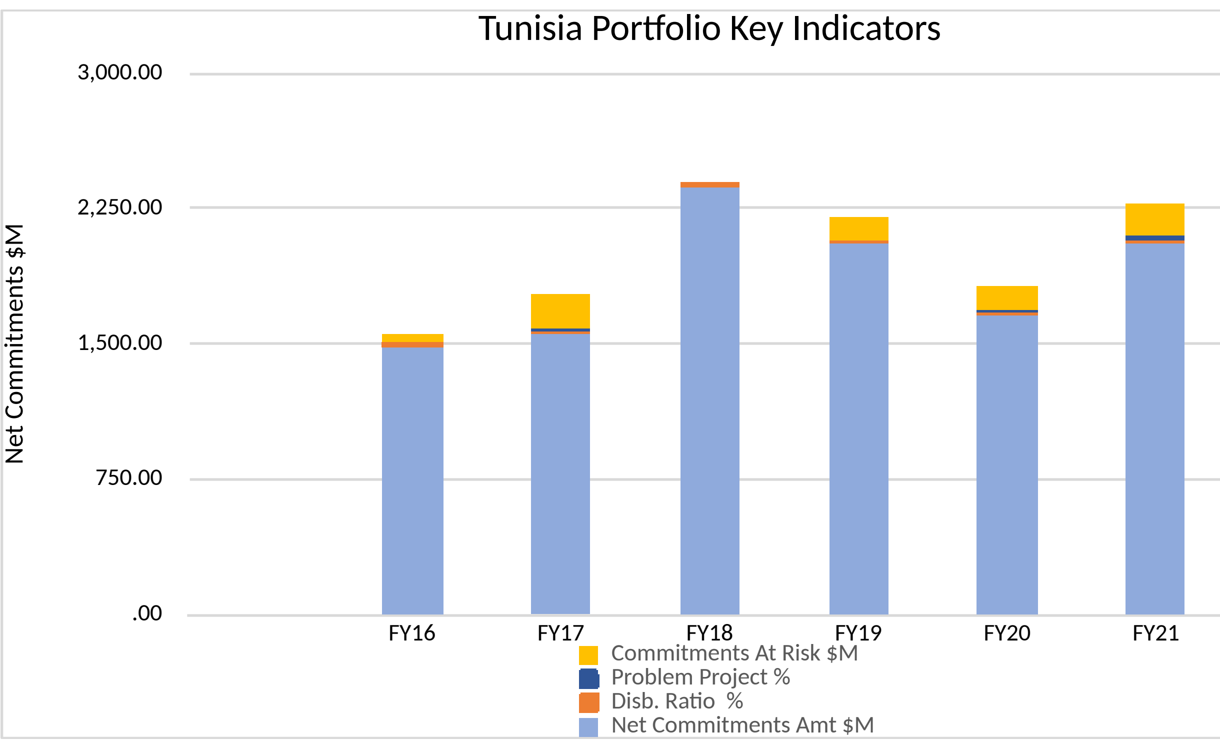
Table A. Number of Months from Bank Approval to Effectiveness

Project Name	Number of Months
Tertiary Education for Employability (P151059)	9.3
Integrated Landscape Management Project (P151030)	9.1
Irrigation Project (P160245)	8.9
Strengthening Foundation for Learning (P162297)	9.1
Innovative Startups & SMEs (iSMEs) (P167380)	13.5
Energy Sector Improvement Project (P168273)	11.8
GovTech (P168425)	11.9

Table B. FY16-21 IBRD Portfolio Trends

Portfolio & Disbursements	FY16	FY17	FY18	FY19	FY20	FY21
Active Projects #	13	13	14	15	15	16
Net Commitments Amt $m	1,477	1,547	2,367	2,052	1,656	2,049
Disbursements total in FY $m	669	93	676	589	244	342
DPO Disbursements in FY $m	500		500	500		175
PforR Disbursements in FY $m	81	25	49	33	78	30
IPF Disbursements in FY $m	88	68	127	56	166	137
Actual Problem Project #	1	3	0	2	2	4
Problem Project %	7.7	23.1	0.0	13.3	13.3	25.0

Table C. FY16-21 WB Key Portfolio Indicators



ANNEX 8 ECONOMIC DATA 2019-2027

	2019	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**
Real GDP Growth, at constant factor	1.5	-8.6	4.3	2.5	2.3	3.0	3.0	3.0	3.0
Current Account Balance (% of GDP)	-8.1	-6.0	-6.0	-8.5	-8.0	-8.4	-7.8	-4.0	-4.0
Central Government Overall Fiscal Balance (% of GDP)	-2.9	-8.7	-7.6	-6.5	-4.6	-3.4	-2.9	-2.6	-2.6
Primary Fiscal Balance (% of GDP)	-0.3	-5.6	-4.7	-3.4	-1.3	-0.2	0.2	0.1	0.1
Fiscal Revenues (% of GDP)	26.0	24.8	25.7	28.3	28.3	27.1	26.6	25.3	25.3
Fiscal Expenditures (% of GDP)	29.1	34.2	33.3	34.9	32.9	30.5	29.5	27.9	27.9
Financing needs of the Central Government (%GDP)	7.9	13.3	10.9	12.5	14.9	14.3	13.5	13.4	13.4
financing needs (M USD)	3,462	5,677	5,080		8,131	8,856	9,535	10,622	11,812
Central Government Debt (% of GDP)	67.8	77.8	79.9	79.3	76.1	72.3	68.7	66.5	64.5
Interest payments (on CG debt; % of	2.6	3.1	2.8	3.2	3.2	3.2	3.2	3.0	3.0

ANNEX 9 TUNISIA CPF CONSULTATIONS – HIGHLIGHTS

1. **Stakeholders' consultations were conducted on-site through face-to-face meetings.** Between September and December 2022, the WBG conducted in-country consultations to discuss in depth areas of focus and strategic directions of the Country Partnership Framework FY23-27. Consultations covered a wide range of stakeholders including the government, academia, civil society, private sector, and development partners, and captured their concerns, insights, views and aspirations. Participants appreciated the opportunity to comment on the CPF priorities and broadly supported them.

2. **Stakeholders agreed that implementation issues and bottlenecks yielded to very weak national achievement results, whether reforms and projects are international donors-funded or nationally funded**. Participants from the different categories stressed on the inadequacy between the targeted goals and the institutional capacities to achieve them. They highlighted the need for stronger governance framework to implement development strategies and sector policies. They stressed the importance of capacitating public sector institutions and civil servant particularly in governance, project management, change management and communication, in order to meet the organizational requirements for implementing reforms and carrying out projects. They also emphasized the importance of selectivity, readiness, and political support as critical criteria in selecting projects with a view to better achieve projects' results. Successful reforms' implementation would also need the right change management approach, strong internal and external communication, and stakeholders' awareness and ownership.

3. **Stakeholders were unanimous about the urgent and critical need to restructure State-Owned Enterprises to meet citizens aspirations for good and decent quality public services as well as to ensure financial sustainability.** They highlighted that a successful approach to SOEs reorganization should be carried out under a sector umbrella. For instance, the strengthening of STEG (Société Tunisienne de l'Electricité et du Gaz) should be part of a broad energy transition and could contemplate improving STEG governance and operating and delivery capacities.

4. **Climate change has been a hot topic across all the different stakeholders which acknowledged its critical and tangible impacts**. They stressed on the need to expand WBG's support to addressing Tunisia's climate challenges and in particular scaling up its renewable energy transition. On the latter, suggestions included: (i) assess the potential of different sources of renewable energy (e.g., geothermal, wind energies); (ii) define an energy transition strategy and (iii) develop a feasible implementation plan. The following points were highlighted as critical for energy transition: transiting to decarbonization, reducing energy deficit and energy cost (production and consumption), and embarking on exporting solar energy to Europe.

5. **Business community, civil society and academia agreed that both the Tunisian economic model (based on strong state involvement, low wages, and price subsidies) needs to be revisited and shifted towards higher value-added creation and economic openness.** They viewed the state as commodities and subsidy provider for citizens and enterprises while holding monopoly positions in some key sectors. They suggested that the state should shift from a commodities supplier role to exclusively focus on defining and implementing public policies as well as controlling and regulating markets. Stakeholders also suggested that public policies should be more evidence-based. On subsidies, they pointed out that the need for the government to define a well-designed strategy and an implementation roadmap to move away from a reliance on price subsidies, while addressing the financial needs of the most vulnerable ones.

6. **Reinforcing the private sector competitiveness has been considered by all stakeholders as a key strategic matter for a sustainable and inclusive growth as well as quality jobs creation.** This would entail reinforcing human capital development and value chains and competition; improving access to finance and financial inclusion; establishing a stable and predictable tax system; revisiting investment regulations; digitizing public services; improving infrastructure; and signing no double taxation treaties with sub-Saharan African countries to improve services exports to them. It was stressed that that the different investment laws in Tunisia were focused on attracting investment rather than driving and endorsing value creation. On access to finance, participants praised WBG's contribution to improve financial inclusion and requested the WBG to further support access to credit and equities for businesses through reinforcing capacities of the financial markets and the stock market. Reforms and initiatives in all these areas are expected to contribute to developing investment and exports, economic growth and creating more and better jobs that provide a pathway to economic security for the middle-class and poverty reduction.

7. **Agriculture in Tunisia faces both endogenous and climate change related issues which have been considered as a key priority by stakeholders as they are directly linked to the country's food security and resilience**. Suggestions to address the relevant issues include enhancing water management; rationalizing irrigations; adapting the farming and agricultural potential in a context of global warming; upgrading farmers' capabilities; prioritizing farmers in the energy clean transition to benefit from solar energy to reduce electricity costs; and reinforcing value chains and improve access to agricultural lands as the majority of agricultural lands in Tunisia are the property of the state.