Report Number : ICRR0021245

1. Project Data

Country
Tunisia

Practice Area(Lead)
Macroeconomics, Trade and Investment

Programmatic DPL
Planned Operations: 0

Approved Operations: 0

Operation ID
P128251

Operation Name
TN - Governance Opportunities & Jobs DPL

L/C/TF Number(s)
IBRD-82100

Closing Date (Original)
31-Dec-2013

Total Financing (USD)
513,087,454.13

Bank Approval Date
27-Nov-2012

Closing Date (Actual)
31-Dec-2013

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	500,000,000.00	0.00
Revised Commitment	500,000,000.00	0.00
Actual	513,087,454.13	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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Operation ID
P132709

Operation Name
TN - Governance Opportunities Jobs DPL-2 (P132709)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-82100,IBRD-83580	30-Jun-2015	242,507,627.86
Bank Approval Date	**Closing Date (Actual)**	
29-Apr-2014	30-Jun-2015	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	250,000,000.00	0.00
Revised Commitment	250,000,000.00	0.00
Actual	242,507,627.86	0.00

Operation ID	Operation Name
P150950	TUNISIA: Third GOJ DPL (P150950)

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IBRD-83580,IBRD-85360	31-Dec-2016	497,634,433.26
Bank Approval Date	**Closing Date (Actual)**	
01-Oct-2015	31-Dec-2016	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	500,000,000.00	0.00
Revised Commitment	500,000,000.00	0.00
Actual	497,634,433.26	0.00

2. Program Objectives and Policy Areas

a. Objectives

The Governance, Opportunity and Jobs (GOJ) Development Policy Loans (DPLs) originally consisted of two operations, but due to slower-than-expected implementation the second DPL was split into two operations.

The development objective (PDO) for GOJ1 (Program Document, page 31) was to *lay the policy foundations for a more competitive business environment, a strengthened financial sector, more inclusive and accountable social services, and more transparent public governance.* The PDO remained substantively the same through all three operations.

b. Pillars/Policy Areas

There were four policy areas:

Policy area 1: Attracting investment and job creation. This was to be achieved through regulatory reforms aiming at creating a more competitive business environment, and by opening the telecommunications market to competition.

Policy area 2: Strengthening the financial sector. This was to be achieved by improving the financial situation and governance of public banks.

Policy area 3: Improving the quality of social sector services and inclusive policies. This was to be achieved by improving quality and governance in active labor market programs and in health and education services, making them more inclusive and accountable.

Policy area 4: Strengthening governance, transparency and accountability. This was to be achieved by promoting access to information, introducing greater transparency in public finances, and strengthening the public procurement system.

Revisions to Policy Areas

While the policy areas were not formally revised, some changes in emphasis were introduced during implementation, albeit without substantive changes to contents. The biggest change occurred in Policy Action 1, where explicit mention of “job creation” was dropped, and the emphasis placed on developing the business environment. Job creation was already an auxiliary objective to a better business environment, as well as being explicitly addressed in Policy Area 3 under active labor market programs.

Other Significant Changes

The program was implemented during a turbulent time in Tunisia. It was launched under a post-revolutionary interim government and would be implemented while a new constitution was being written and new elections held, as well as with a deteriorating security situation and its effects on tourism and budget revenues. Consequently, the program experienced slower-than-expected implementation as well as shifting emphasis within the policy areas. The operation expanded from two to three DPLs, the overall amount of the loan was increased, and targets were revised to take into account delays.

c. Comments on Program Cost, Financing, and Dates

Project cost and financing. The commitments under GOJ1 and GOJ2 were originally US$500 million each. However, implementation of GOJ2 experienced delays due to the volatile political and economic environment and an uncertain security situation. Consequently, the original GOJ2 was split into two operations of US$250 million each (a revised GOJ2 and a new GOJ3). GOJ3, envisaged as a two-tranche operation after the split, was reformulated as a single-tranche operation. The amount of GOJ3 was then increased to US$500 million to help alleviate domestic financing needs that had arisen as tourism revenues dropped in response to the worsened security situation. Ultimately, total disbursements for the whole series came to US$1.25 billion, rather than the originally envisaged US$1 billion.

Dates. GOJ1 was approved on November 27, 2012, became effective on December 14, 2012, and closed on December 31, 2013. GOJ2 was approved on April 29, 2014, became effective on August 11, 2014, and closed on June 30, 2015. GOJ3 was approved on October 1, 2015, became effective on December 23, 2015, and closed on December 31, 2016.

3. Relevance of Objectives & Design

a. Relevance of Objectives

The GOJ series objective helped address the pressure for social and economic change that had brought about regime change in Tunisia in 2011. It supported the government's medium-term strategy in seeking to mitigate some of the effects of a weak economy by strengthening the investment climate and the financial sector; addressing social concerns, notably labor market intermediation, and access and quality of education and health services; and addressing concerns about transparency and accountability in governance.

The series was relevant to the Bank's Interim Strategy Note for Tunisia, put in place following the 2011 revolution, and is relevant to the new Country Partnership Framework (CPF) (2016-2020). Pillar I of the CPF focuses on strengthening economic and fiscal management as well as trade and competitiveness, and improving the business environment for private sector job creation, innovation, and entrepreneurship, aligning with the series' Policy Areas 1 and 2. Pillar III of the CPF emphasizes social inclusion and targets World Bank Group assistance to particularly vulnerable segments of society, with the aim of helping to build greater citizen trust and promoting skills development, transparency, and accountability, aligning with Policy Areas 3 and 4.

Rating

Substantial

b. Relevance of Design

Program design, including chosen policy areas and proposed actions, were relevant to achieving the PDO. The results chain was set out in a policy reform matrix. It was clear, and prior actions and triggers could reasonably be expected to deliver the intended outcomes. Indicators were measurable. Program design drew on previous analytical work and on lessons drawn from previous DPLs, in particular a 2011 single operation that preceded the series; and it built on the spirit of optimism and promise that surrounded the country's political transition to a multi-party democracy . While appropriate at the time, and highly relevant, the program also was ambitious, and sensitive to the kinds of external shocks that soon would come to make themselves felt – political turbulence, social tensions and security threats. This resulted in implementation delays and in some instances only partially achieved outcomes (see Section 4). That said, it did set in motion important reform initiatives on which to build for the future.

The macroeconomic framework during preparation of GOJ1 was deemed adequate and sustainable over time. The medium-term growth outlook was positive with expected recovery of exports, tourism, and foreign direct investment. The domestic economy drew on a package of reforms introduced by the new government that were expected to lead to growing investment. The fiscal position was characterized by a widening deficit in the short term, which was subsequently expected to decrease with better expenditure control and increasing tax revenues. The International Monetary Fund supported the government's choice of fiscal policies, and a Standby Arrangement was signed in June of 2013.

Rating
Modest

4. Achievement of Objectives (Efficacy)

Objective 1

Objective
Lay the policy foundations for a more competitive business environment

Rationale
The objective was to be achieved: (i) by introducing a regulatory reform process of simplifying business procedures with participation by the private sector; and (ii) by removing institutional bottlenecks to increase competition in the telecommunications market. In the short term, streamlining business procedures was expected to lead to a substantial reduction in compliance costs, and in the longer term, to enhance transparency in administrative processes. Increasing competition in the telecommunications market was

expected to reduce the price of international telecommunications over the medium term, increase the competitiveness of Tunisian companies, reduce network redundancy, and increase network security.

Simplifying business procedures. A regulatory review process of business formalities was initiated as a prior action for GOJ1 with a nine-month results horizon. For reasons largely outside the control of either the government or the Bank see Section 3b), as the political situation this initial phase took over four years. At the end, an inventory of business formalities identified 1,107 formalities, with 240 formalities identified for simplification. Of these, 154 have been approved for simplification, and 137 effectively either removed or simplified. Compliance cost savings estimated at US$18 million were achieved against an original target of US$3 million and a revised target of US$30 million, set in 2016. The simplification process is continuing with the support of the Bank under a subsequent development policy financing operation; however, the ICR (page 35) indicated that it appears to have lost momentum, with low participation by the private sector.

Increasing competition in the telecommunications market. The series advanced competition in the telecommunications market, albeit not to the extent originally envisaged. Access to landing stations for international telecommunications cables to more operators was legally opened as a prior action for GOJ1. It did not have the expected impact, as the telecommunications authority set a prohibitive access price. Developments were more favorable in the domestic mobile market, where the penetration rate for mobile data increased from 19 percent in 2012 to 63 percent in 2016, as alternative fiber-optic infrastructure existed in two state-owned enterprises, and was opened for leasing to licensed operators. A further initiative, a prior action under GOJ 3, had more limited applicability: Internet service providers were to be allowed to develop their own infrastructure; unbundling/bitstream regulations were to allow operators direct access to local loop telecommunications infrastructure; and numbers portability was introduced. Only the last item was implemented successfully; the two other items, while creating the opportunity, did not meet with the market response: no new infrastructure was built; and available copper infrastructure held less interest due to higher demand for fiber-optic cable. A further prior action under GOJ3 initiated restructuring of the telecommunications authority. The restructuring plan was completed, including a 20 percent reduction in staff, while creating a new staffing structure, including higher salaries and clear job descriptions under which new staff can be hired.

Formally, the reform measures did open the telecommunications market to more competition. While in some cases this has not immediately resulted in sought-for outcomes, the platform that the formal changes have created can be expected to allow for more far-reaching reforms in the future.

Rating
Modest

Objective 2
Objective

Lay the policy foundations for a strengthened financial sector

Rationale

The objective was to be achieved by improving the financial position and governance of public banks. This was to be done by restructuring the three public banks – Societe Tunisienne de Banque, Banque Nationale Agricole, Banque d'Habitat -- and strengthening key aspects of prudential regulation in the banking sector.

Bank restructuring. Bank restructuring was initiated under GOJ1, where a prior action included the launching of strategic and financial audits of the three banks. Corporate governance was reformed as a prior action for GOJ2, redefining the roles of management, board, and state in public bank governance. The audits were completed in 2015, and based on them, restructuring plans were adopted (prior action for GOJ3). The restructuring plans include modernization of information technology systems, introduction of performance contracts, and initiation of staff restructuring. These processes are currently being implemented.

Strengthening prudential regulation. The Central Bank issued a circular outlining stricter prudential regulation for the banking sector as a prior action under GOJ1. With the completion of audits in 2015, the three banks were recapitalized (prior action for GOJ2), their solvency ratios rising from 8.9 percent in 2013 to 11.3 percent end-2016, above the minimum requirement of 10 percent.

Bank restructuring and stronger prudential regulations are plausibly moving the system towards international practice, restoring stability, increasing competition, and providing improved access to finance.

Rating

Substantial

Objective 3

Objective

Lay the policy foundations for more inclusive and accountable social services

Rationale

The objective was to be achieved as follows: in *employment*, by the consolidation of existing employment insertion programs, and a results-based monitoring and evaluation framework to improve job insertion rates and monitoring of program performance; in *health*, by establishing an auditing, evaluation, and accreditation system to improve quality in health care; in *higher education*, by establishing a national authority for evaluation, quality assurance, and accreditation to ensure quality in the supply of higher education services; and in *public service delivery,* by institutionalizing mechanisms for participatory evaluation of the performance of public services.

Employment. The government's intention to replace six ongoing active labor market programs – the decision to do so was a prior action for GOJ1 – was not realized due to limited capacity for implementation in the employment fund. Instead, two programs focusing on insertion were expanded, and two new programs were introduced. The results-based monitoring and evaluation framework was not introduced due to differences on methodology with the Bank team, and limited capacity in the employment fund.

Health. A national authority for the evaluation and accreditation of health services (INAS) was established as a prior action for GOJ1. An operating budget and staffing are in place, and INAS has initiated the process of getting its experts and procedures internationally accredited.

Higher education. A national authority for evaluation, quality assurance, and accreditation of higher education was established as a prior action for GOJ1. It became operational in 2014 and has so far carried out 27 evaluations. It still would need international recognition for any accreditations it might issue.

Public service delivery. The government institutionalized participatory evaluations of service delivery as prior action for GOJ2. However, the executing body – the public services control entity – has neither the staff nor the budget to carry out any participatory evaluations of service delivery.

Rating
Modest

Objective 4
Objective
Lay the policy foundations for more transparent public governance

Rationale
The objective was to be achieved by promoting access to information about the operations of public agencies by clarifying the rules for dissemination of information on the government's websites; strengthening fiscal transparency through disclosure of information on budget planning and execution; and improving the public procurement system by increasing transparency and streamlining procedures.

Transparency and accountability. Procedures for the implementation of the 2011 law on the right of the public to gain access to documents held by public agencies were introduced as a prior action for GOJ1. They provided guidelines on the publication of key information on public finances, including a citizen's budget (a simplified budget presentation) and an online open budget platform giving citizens direct access to detailed and timely public expenditure data. To ensure coherent interpretation of the guidelines at all levels of the administration, legislation was passed as a prior action for GOJ3 focusing on how to implement the transparency measures. An action plan to apply the legislation was approved and a commission set up for implementation. As a result of these initiatives, budget proposals and budget execution reports are published online; a citizen's budget (a simplified budget with explanations) is issued; and local budget data are published, as are consolidated financial data of state-owned enterprises. The Bank team assesses that Tunisia has a relatively open environment for information disclosure, ranking 11th out of 111 countries

Procurement. Following a joint assessment by the Bank and the African Development Bank, an action plan was developed to improve the public procurement system. Revisions to the system were introduced as a prior action for GOJ2 and focused on improving the legal and regulatory framework; introducing electronic procurement and electronic publishing of procurement processes; and a mechanism for resolution of disputes. The reform, which has been implemented, significantly shortened the procurement process, from 200 days to 129 days on average.

Rating
Substantial

5. Outcome

Relevance of objectives was rated **substantial,** while relevance of design was rated **modest**, the latter rating reflecting a design that was too ambitious taking into account the uncertainties that surrounded the political situation in the country at the time. These same uncertainties are reflected in the Efficacy ratings: **modest** for two objectives and **substantial** for two. IEG considers that, overall, the emphasis in Efficacy tends toward **substantial** rather than modest; where targets were not achieved – largely because of external factors - processes were nevertheless initiated and in most instances can plausibly be expected to achieve results over time. The outcome rating is therefore **moderately satisfactory**, reflecting moderate shortcomings in the operation's preparation and implementation.

a. **Outcome Rating**
Moderately Satisfactory

6. Rationale for Risk to Development Outcome Rating

The government, despite several changes and elections, appears to remain committed to the reform program, and this is confirmed by its policy declarations. That commitment is backed by broad popular support for reforms that improve governance and social and economic performance. The political and social risks that affected program implementation remain as post-program risk factors. Economic risks are mitigated by active donor support for the government's medium-term reform agenda, including a robust relationship with the

Bank. The Bank delivered a follow-up operation in 2017 focusing on the business environment, and another one in 2018.

a. Risk to Development Outcome Rating

Substantial

7. Assessment of Bank Performance

a. Quality-at-Entry

The series drew on the government's strategies at the time, focusing on interventions that would temper governance and socio-economic issues that were at the forefront of the country's democratization effort. It provided timely budget support at a time of uncertain international and domestic economic perspectives. Its programmatic approach recognized the need for continuity in donor support; it built on the experience from a single-tranche Governance and Opportunity Loan (GODPL) that preceded the series, as well as drawing on policy notes that the Bank had prepared in key sectors. Attention was given to maintaining close coordination with other major donors. Potential risks were identified, but also means to mitigate the social and economic ones, the former by improving the quality and provision of social services and giving greater voice to the population, and the latter through effective fiscal policy. The political ones - the resurgence of social tensions and security challenges - lay outside the influence of the Bank or its programs. Still, the result was an ambitious, multi-sector program that, while addressing the major challenges set out in the PDO and the results matrix, in some instances fell short of its intentions. M&E design, notably the selection of indicators in some instances, did have some shortcomings that would not allow the full monitoring of progress or results of policy actions (addressed in Section 9).

Quality-at-Entry Rating

Moderately Unsatisfactory

b. Quality of supervision

An intensive supervision effort included support from Bank activities in related subject-matter areas, as well as collaboration with other donors. It faced the challenges of a turbulent period as Tunisia was shaping its post-revolutionary institutions. Still, the supervision effort was able to bring the program to closure, adjusting the pace of implementation to challenges on the ground.

Quality of Supervision Rating

Moderately Satisfactory

Overall Bank Performance Rating

Moderately Satisfactory

8. Assessment of Borrower Performance

a. Government Performance

The immediate, post-revolutionary government, faced with political, social, and economic tensions, was strongly committed to the reforms that were being introduced with the series, and which were essential for successful transition. The short-term dynamics of the subsequent post-transition period -- including constitutional reform, several government changes, and security issues – would divert attention from the reform effort and contribute to slow program implementation. The coordinating agency - the Ministry of Development, Investment and International Cooperation -- which initially played a strong coordinating role, would become progressively weaker in the uncertain environment. Instead, without strong central coordination, relevant sector agencies came to play a more important role in implementation, but also exacerbated capacity constraints.

Government Performance Rating

Moderately Unsatisfactory

b. Implementing Agency Performance

Not assessed.

Implementing Agency Performance Rating

Not Rated

Overall Borrower Performance Rating

Moderately Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The policy and results matrix for the series provided a logical sequence of prior actions underpinning the policy changes. Key indicators for tracking outcomes were identified, including specifying baselines, milestones, and targets where appropriate. In some instances, outcome indicators did not fully measure policy actions; for example, while indicators did measure opportunity and insertion rates for labor market programs, no explicit measure for governance was included, instead proxies were introduced.

b. M&E Implementation

Monitoring was based on the government’s regular monitoring and evaluation activities, reinforced by support from the Bank teams and other donors. Still, in the volatile political environment, actual data collection or analysis through the central data collection mechanisms would turn out to be insufficient to provide timely updates on progress across all four objectives.

c. M&E Utilization

The ICR provides no information on M&E utilization.

M&E Quality Rating

Modest

10. Other Issues

a. Environmental and Social Effects

No safeguard policies were noted in the ICR.

b. Fiduciary Compliance

No fiduciary concerns were noted in the ICR.

c. Unintended impacts (Positive or Negative)

None noted.

d. Other

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11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Satisfactory	Moderately Satisfactory	---
Risk to Development Outcome	Substantial	Substantial	---
Bank Performance	Moderately Satisfactory	Moderately Satisfactory	---
Borrower Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Quality of ICR		Substantial	---

Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

12. Lessons

The following lessons are drawn by IEG:

A complex transition requires careful consideration of trade-offs between ambition and feasibility in project design. In Tunisia, political pressures and economic challenges called for broad multi-sectoral interventions, but success might have been greater with a more careful assessment of institutional capacity in key reform areas.

Reforms are especially prone to being undermined by their weakest link. In Tunisia, employment reforms were affected by the lack of ownership of the employment agency. In such instances, other actors, for example non-governmental organizations, can be helpful through outsourcing.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR provided a sufficient discussion of the background and rationale of the GOJ series, as well as the environment in which it was implemented, to allow assessment of results and ratings. Still, a more thorough discussion of efficacy would have been helpful, notably a more rigorous juxtaposition of activities, outputs and outcomes to key indicators and targets. This could also have been the case for M&E, where the process remained unclear. However, referring to the Project Document, one does get the impression that there was not much material available on which to review monitoring and evaluation.

a. Quality of ICR Rating

Substantial