Program Information Documents (PID)

Appraisal Stage | Date Prepared/Updated: 10-Dec-2020 | Report No: PIDA227450

BASIC INFORMATION

A. Basic Program Data

Country	Project ID	Program Name	Parent Project ID (if any)
Tunisia	P173568	Tunisia Integrated Disaster Resilience Program	
Region	**Estimated Appraisal Date**	**Estimated Board Date**	**Practice Area (Lead)**
MIDDLE EAST AND NORTH AFRICA	11-Dec-2020	25-Feb-2021	Urban, Resilience and Land
Financing Instrument	**Borrower(s)**	**Implementing Agency**	
Program-for-Results Financing	Ministry of Finance	Ministry of Finance, National Institute for Meteorology, Ministry of Equipment, Housing and Land Use Planning	

Proposed Program Development Objective(s)

To strenghten Tunisia’s disaster risk management and financing, and to enhance the protection of the targeted population and assets from disaster and climate-related events.

COST & FINANCING

SUMMARY (USD Millions)

Government program Cost	250.00
Total Operation Cost	125.00
Total Program Cost	125.00
Total Financing	125.00
Financing Gap	0.00

FINANCING (USD Millions)

Total World Bank Group Financing	50.00
World Bank Lending	50.00
Total Government Contribution	25.00

Total Non-World Bank Group and Non-Client Government Financing	50.00
Multilateral and Bilateral Financing (Concessional)	50.00

Decision

The review did authorize the team to appraise and negotiate

B. Introduction and Context

Country Context

Despite its transition to democracy, significant economic disparities remain, and progress has slowed down due to weak economic and employment growth in recent years. Tunisia is a lower-middle-income country, with a population of 11.6 million and a gross domestic product (GDP) of US$ 39.87 billion (2018). Often hailed as the success story of the Arab Spring, the country has made great strides toward establishing the fundamentals of democracy, including the formation of the National Dialogue Quartet in 2013 and the introduction of a new constitution in 2014. Another milestone in Tunisia's democratic trajectory were the October 2019 presidential and parliamentary elections, the second democratic transition of power since the revolution. Overall, economic growth has been pro-poor from 2005-2015 but the decline in inequality was rather modest. Indeed, significant disparities exist between urban and rural areas, and between coastal regions (where most economic activities are concentrated) and interior regions. Extreme poverty rate remains a rural phenomenon. Economic growth has slowed down markedly: Gross Domestic Product (GDP) growth in 2011-2018 was less than half than in 2006-2010 and the lowest in the past four decades. In addition, growth has increasingly been consumption-driven and did not generate enough jobs. Consequently, the employment growth has stagnated in recent years and unemployment is elevated, especially among youth, women and in lagging regions.

Tunisia is highly vulnerable to natural hazards and climate change, with impacts felt across key sectors of the economy. Tunisia is exposed to a wide range of natural hazards including floods, drought, earthquakes, landslides, forest fires and snowstorms.[1] While droughts are most frequently recorded (54%), floods account for the highest number of casualties (70%) and most significant economic losses (approx. 60%).[2] In addition, climate change acts as a threat magnifier by increasing the variability of hydrometeorological conditions, the frequency of extreme weather events and sea-level rise (SLR). The country's vulnerability to climate variability and disaster impacts is tied to several factors. The economy is highly dependent on climate-sensitive agriculture, while a large share of its population and economic activity (tourism and industry) are concentrated along flood and SLR prone coastal zones.[3] In addition, underlying risk drivers such as rapid

[1] Between 2011 and 2018, Tunisia recorded more than 2,550 fires that devastated about 34,000 hectares of forests. The earthquake, which caused the most severe impacts in the 20th century occurred in 1957 in the Jendouba governorate. It registered magnitude 5.6 on the Richter scale and caused the loss of 13 lives and the collapse of buildings. See MALE Opening Statement - Africa-Arab DRR Platform – October 2018.

2 Data combined from DesInventar and EM-DAT databases, for the period 1957-2018.

3 Agriculture accounts for 10 to 14 percent of the country's gross domestic product (GDP) and employs approximately 16 percent of the workforce. Tunisia's coastal region harbors 80 percent of the country's economic activity and is home to two-thirds of the country's 11.6 million people. USAID 2018. Climate Risk in Tunisia: Country Risk Profile, p.1. climatelinks.org/sites/default/files/asset/document/Tunisia_CRP.pdf

population growth and urbanization, land use change and poverty all contribute to increasing the country's climate and disaster vulnerability. As climate change and disasters become increasingly pronounced, Tunisia's financial risk exposure is also growing, putting pressure on the government budget with potential adverse impacts on the country's indebtedness and fiscal balances. In addition, the current COVID-19 crisis is exacerbating the population's vulnerability to disaster and climate-related events. The pandemic is not only affecting Tunisia's population and economy, but also increasing its vulnerability to other potential covariate shocks, such natural catastrophes.

Sectoral and Institutional Context

Recurrent flash floods over the recent years have highlighted the urgency to address disaster and climate-related risks in a more comprehensive manner. A Rapid Needs Assessment (RNA) conducted by the Government of Tunisia in partnership with the World Bank (WB), the United Nations (UN) and the European Union (EU), following the 2018 Nabeul floods, estimated recovery needs to amount to approximately US$100 million. Most of the needs were concentrated in the transport, agriculture, and housing sectors. The Nabeul disaster raised a red flag about Tunisia's strong exposure to natural hazards and the growing impacts of climate change, and to the exposure of its population to disasters, particularly poorer and vulnerable groups. It also shed a light on the imperative to tackle institutional, physical, financial and knowledge deficiencies for integrated disaster risk management (DRM) and financing (DRF).

Tunisia lacks a unified and comprehensive legal and policy framework for disaster and climate-related risk management, which has contributed to institutional fragmentation and policy coordination challenges. The current legislative framework for DRM is essentially focused on emergency preparedness and response. The 1991 Law and its implementing decrees on "The Fight against Calamities, their Prevention and the Organization of Relief Efforts"[4] establish the National Commission for the Fight Against Disasters (CNLCC) under the leadership of the Minister of Interior, as well as Regional Commissions for the Fight Against Disasters (CRLCCs) under the leadership of Governors. This emphasis on emergency preparedness and response has translated into a fragmented and inconsistent policy and legal framework for DRM with significant coordination challenges across government institutions. In addition, there is no formal mechanism or institution for decision-making and coordination of multisectoral efforts on DRM.

The Nabeul disaster event also raised awareness on the growing challenge posed by flash floods, especially in Tunisia's urban areas. The country disaster risk profile conducted by the World Bank showed that urban areas concentrate 77% of the buildings (replacement) value in Tunisia. As urbanization continues to progress (1.6% annual increase in 2018) and climate change increases the frequency of heavy rainfall events, cities' exposure and vulnerability to floods is also increasing. Despite the scope of this challenge, historically, investments in urban flood protection infrastructure have been relatively low in Tunisia.

With regards to hydrometeorological services and early warning systems, Tunisia is lagging compared to most other MENA countries. According to an in-depth WB assessment of the National Meteorological and Hydrological Services (NMHS) and Early Warning System (EWS) providers,[5] Tunisia ranks 13th out of 19 MENA countries.[6] Insufficient equipment and tools for hydrometeorological monitoring and forecasting, institutional fragmentation, a non-concerted approach for data collection, processing and analysis, as well as inefficient Standard Operating Procedures (SOPs) for

4 Law No. 91-39 of June 8, 1991; implementing decrees: No 93-942 (1993) and No 2004-2073 (2004).

5 These include the National Institute for Meteorology (INM), the Ministry of Agriculture, Hydrological Resources and Fisheries (MARHP), the Ministry of Equipment, Housing and Land Use (MEHAT) and the National Office for Civil Protection (ONPC).

6 WB 2019, Desk review of hydrometeorological capacities in 19 MENA countries.

near real-time data exchange and for alert communication and dissemination make it difficult for NMHS and EWS institutions to cope with the increasing demand for improved products and better services from a wide range of users.

Existing risk financing mechanisms in Tunisia are characterized by a reactive approach and limited private sector solutions that tend to exacerbate state liability in the aftermath of disaster and climate-related shocks. There is a lack of public and private financial instruments to inject quick liquidity in the immediate aftermath of a disaster (e.g. for emergency needs) or to provide a buffer to the long-term fiscal impact of disasters (e.g. reconstruction costs). In addition, existing financing mechanisms are mainly financed through budgetary reallocations that depend on available budget buffers and are not targeted to the most critical beneficiaries in a pre-planned and cost-efficient manner.[7]

Tunisia has a strong emergency response system with a well-resourced civil protection agency, however the response at the local levels need to be further developed. The current legislative framework for DRM clearly assigns ONPC with the country's central role in emergency preparedness and response. Under the responsibility of the Ministry of Interior (MI) and present throughout Tunisia thanks to 24 regional directorates and 196 brigades, ONPC's mandate is to respond to all domestic emergencies as well as to larger scale crises such as disaster and climate-related shocks. The human and financial capacities of ONPC have steadily improved over the last ten years. As revealed by the floods in Nabeul, however, the national disaster response mechanism and its implementation at the local level needs to be further developed, both in the chain of command and in the deployment of response means.

Multisectoral disaster recovery planning and processes are not institutionalized. Authorities carry out damage and needs assessments and reconstruction works on an ad hoc and uncoordinated basis. Institutional and financial arrangements for recovery are devised ex-post. Partly as a result of funding gaps for actions that normally require multi-annual investments, implementation of recovery efforts mainly focus on the short term and are not consistently monitored.

Current levels of risk understanding are low, and existing risk data and information are not effectively shared across institutions, which challenges the optimal use of financial resources. Risk understanding remains focused on specific geographic areas or hazards. Even though some data on past disasters as well as information on exposed assets and vulnerability exist, they are neither regularly updated nor systematized to provide a comprehensive understanding of risks. The lack of comprehensive financial vulnerability and exposure data, for example on state-owned assets, critical infrastructure and businesses in strategic sectors (e.g. tourism), stands in the way of accurately assessing the financial and fiscal impact of disasters, which in turn translates into the suboptimal use of financial resources.

The decentralization of DRM functions to the local level is facing delays. The 2018 Local Government Code (Organic Law N°2018-29 of 9 May 2018) has transferred a certain number of DRM-related prerogatives to municipalities. However, the implementation decrees of the 2018 Local Government code have not yet been drafted. Hence, ambiguities remain on the impact of these new regulations on the previously established division of roles and responsibilities.

[7] When a disaster strikes, funding for response and recovery comes mainly from global allotments specified in the Finance Act, special emergency treasury accounts, the budget of respective ministries, and the repurposing of existing funds.

PforR Program Scope

The proposed Tunisia Integrated Disaster Resilience Program will directly support a subset of the government program on disaster risk management (DRM) and financing (DRF) and climate change over a period of five years (2021-2025). It will consist of (i) a Government of Tunisia contribution of US$25 million (amount to be confirmed), and (ii) a Program-for-Results (PforR) in the amount of US$100 million financed by the World Bank (US$50 million) and AFD (an equivalent of US$ 50million). These results have been identified and prioritized for the PforR Program based on the Government's request for specific support, considering readiness for implementation, building on previous WB support in DRM and DRF, and complementing other ongoing and planned projects by the WB and development partners. The activities and results to be supported by the Program are structured into four results areas and support the following activities:

- **Results Area 1: Improving Flood Risk Reduction in urban areas**
  - Implementation of the National Flood Risk Management Plan (NFRMP)
  - Investments in priority urban flood risk reduction projects
  - Strengthening of maintenance practices of urban flood risk investments
- **Results Area 2: Enhancing Disaster Preparedness**
  - Strengthening of institutional coordination and capacity building
  - Modernization of weather and flood monitoring and multi-hazard Impact-based Forecast and EWS (MH-IBF-EWS) and hydrometeorological services
  - Development of products and services targeting socio-economic sectors
- **Result Area 3: Strengthening Financial Protection**
  - Development, adoption and implementation of a medium-to long-term national DRF and Insurance strategy
  - Development, exploitation and maintenance of a natural disasters database and actuarial model (CAT-NAT).
  - Promotion of the development of national CAT-NAT insurance markets
- **Result Area 4: Promoting institutional coordination and a sound regulatory environment for DRM**
  - Establishment of institutional coordination mechanisms for DRM
  - Launch of medium- to long-term reform efforts to strengthen the regulatory and institutional framework for DRM

C. Proposed Program Development Objective(s)

Program Development Objective(s)

The Program Development Objective (PDO) is to strengthen Tunisia's disaster risk management and financing, and to enhance the protection of the targeted population and assets from disaster and climate-related events.

PDO-Level Result	PDO-Level Results Indicator
Improved Flood Risk Reduction in urban areas	(i) Number of people covered by urban flood protection infrastructure supported by the Program (disaggregated by sex)
Enhanced Disaster Preparedness	(ii) Number of people reached by MH-IBF-EWS (disaggregated by sex)
Strengthened Financial Protection	(iii) Number of eligible beneficiaries of a public financing mechanism in line with the priorities and objectives set in the National DRF strategy (of which X% of women) (iv) Increase in the penetration rate of Cat-Nat insurance
Improved institutional coordination and regulatory environment for climate and disaster risk management	(v) Institutional coordination mechanisms and the regulatory framework for climate and disaster risk management are strengthened.

D. Environmental and Social Effects

An Environmental and Social Systems Assessment (ESSA) has been conducted by the Bank for the proposed PforR to ensure their consistency with the basic principles described in OP/BP 9.00 Program Financing for Results. Among others, the ESSA assessed the capacity of existing national and local environmental and social management systems to identify potential gaps and suggest mitigation measures towards program delivery. The final ESSA report was consulted upon in a public hearing with various stakeholders on October 9, 2020. The ESSA has been disclosed in country and on the World Bank external website on December 08, 2020 and November 30, 2020 respectively.

Environmental and Social Impacts: The Program activities that are most likely to induce adverse environmental and social impacts are flood protection projects under Results Area 1, and the installation of meteorological and hydrological monitoring stations under Results Area 2. Those impacts are workspace specific, have minor footprint and are generally located in the Hydraulic Public Domain or on the sites of existing infrastructures. Flood protection projects under Result Area 1 can generate social impacts related to land acquisition and/ or resettlement. There could be also a limited risk of social exclusion in the case of absence or insufficient information and participation of vulnerable populations to benefit equitably from the financing mechanism under Results Area 3. However, the communication campaigns and the set-up of the claim registry under the PfoR activities will mitigate this risk.

Environmental and Social Regulatory and Institutional Framework: The Program's environmental and social management system will be largely based on the existing Tunisian Environmental Impact Assessment's (EIA) legal, regulatory and institutional framework. The EIA framework, however, still has several gaps and limitations that should be addressed to ensure program E&S management is in accordance with the provisions of OP9.00. The main gaps include absences of provisions related to social impacts assessments; information disclosure; public consultations; disclosure of EIA reports and weak monitoring of environmental mitigation measures at implementation. The ESSA has identified gaps and weaknesses in involuntary resettlement procedures, as well as in participatory and social accountability practices. The capacity of implementing agencies is quite limited, few of them have already good experience and are familiar with E&S aspects.

Considering potential E&S risks of the activities under Result Areas 1 to 3, the E&S regulatory and institutional framework in Tunisia, and E&S capacity of the implementing agencies, the E&S risk of the program is deemed substantial and will require the implementation of an adequate Program Action Plan (PAP). More specifically, the

Program will support the development and adoption of an Environmental and Social Technical Manual, which will clearly define the E&S eligibility procedures of projects in accordance with the provisions of OP9.00 and tools for identifying potential E&S risks and impacts and for categorizing projects.

International Waterways:

	Triggered?
Projects on International Waterways OP 7.50	Yes
Projects in Disputed Areas OP 7.60	No

In accordance with OP 7.50 "Projects on International Waterways" (the Policy), the project falls within the exception to the notification requirement specified in paragraph 7 (a) of the Policy. To this end, a memo on Exception to the riparian notification requirement has been prepared and approved by the Bank MENA Vice president.

Communities and individuals who believe that they are adversely affected as a result of a Bank supported PforR operation, as defined by the applicable policy and procedures, may submit complaints to the existing program grievance redress mechanism or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address pertinent concerns. Affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit *http://www.worldbank.org/GRS*. For information on how to submit complaints to the World Bank Inspection Panel, please visit *http://www.inspectionpanel.org*.

E. Financing

The PforR Program will finance approximately 50 percent of the total envelope of the government program. The program is estimated at TD 680 million (US$250 million) over a period of five years (2021-25). The Tunisia Integrated Disaster Resilience Program will fund a portion of the Government program in the amount of TD 342 million (US$ 125 million), of which the International Bank for Reconstruction and Development (IBRD) will finance US$50 million, AFD will finance US$50 million equivalent, and the Government of Tunisia will provide a contribution of US$25 million (to be confirmed). The breakdown of planned spending is presented in the Table below:

Program Financing

Source	**Amount (USD Million)**	**% of Total**
Government of Tunisia (amount to be confirmed)	**25.00**	20.00
International Bank for Reconstruction and Development (IBRD)	**50.00**	40.00

Cofinancing - Other Sources (IFIs, Bilaterals, Foundations) **FRANCE: French Agency for Development**	**50.00**	40.00
Total Program Financing	**125.00**	**100%**

The operation will be co-financed by AFD, which is integrally involved in the design and financing of the operation. AFD will use similar financing modalities to those selected by the World Bank. It will contribute a fixed percentage of the financing tied to disbursements linked to the Program's DLIs and expenditure framework. AFD will be adopting all Bank procedures with regards to implementation and verification, including DLIs. By applying a unified approach to the financing and supervision of the Program, the World Bank and the AFD will contribute to simplifying and harmonizing efforts to support the government's program.

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