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Report Number: ICRR0024375

1. Project Data

Project ID	Project Name	
P158138	Youth Economic Inclusion Project	
Country	**Practice Area(Lead)**	
Tunisia	Social Protection & Jobs	
L/C/TF Number(s)	**Closing Date (Original)**	**Total Project Cost (USD)**
IBRD-87830	31-Jan-2024	5,377,522.88
Bank Approval Date	**Closing Date (Actual)**	
11-Sep-2017	31-Jan-2024	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	60,000,000.00	0.00
Revised Commitment	25,824,900.57	0.00
Actual	17,493,388.85	0.00

Prepared by	Reviewed by	ICR Review Coordinator	Group
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2. Project Objectives and Components

a. Objectives

As stated in the October 14, 2017, Loan Agreement (p. 5), the project's development objective (PDO) was "to improve economic opportunities for targeted disadvantaged youth in the selected Governorates of the Borrower.'' This statement is consistent with the one provided in the Project Appraisal Document (PAD, p. 19), where, in the context of this project, "economic opportunities" were defined as the chance to improve earnings and access to wage or self-employment of targeted youth, with reduction of gender gaps in accessing key economic opportunities being an integral part of the project. In line with the need to redirect project resources to contribute to the government's COVID-19 emergency response, the PDO statement was revised in June

2020 under a level-1 restructuring to read as follows: "to (a) improve economic opportunities for targeted disadvantaged youth in the selected Governorates of the Borrower; and (b) support the Borrower's efforts to mitigate the impacts of the COVID-19 pandemic on jobs and earning losses in all Governorates.'' The second project restructuring in December 2022 led to partial funding cancellation and reduced project ambition. Normally, with an added objective and subsequent reduction in the project's scope, a split rating would be required. However, neither the original nor revised PDO-level targets were met, resulting in a Highly Unsatisfactory overall outcome rating regardless of the application of a split evaluation. Therefore, a split evaluation of the project will not be applied.

b. Were the project objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

Yes

Date of Board Approval

08-Jun-2020

c. Will a split evaluation be undertaken?

No

d. Components

Component 1: Identifying and Connecting Target Youth to Jobs (estimated cost: US$17.47 million; actual cost: US$0.14 million). The component aimed to help selected targeted youth move from unemployment/inactivity to wage or self-employment, or from low to higher-quality jobs (including from informal to formal). The Ministry of Vocational Training and Employment (MFPE) was to deliver these services through performance-based contracts with private sector/non-governmental organization (NGO) service providers. The component was to be implemented in two cycles, starting in Year 1 (first cycle) with an estimated maximum targeted number of 5,000 individual beneficiaries and continuing in Year 4 (second cycle) with another 5,000 beneficiaries. The process of beneficiaries' identification and connection to jobs included activities divided into two sub-components: (i) program intake and profiling; and (ii) tailored performance-based services for connection to jobs.

- ***Subcomponent 1.1: Carrying out of program intake and profiling of target youth.*** This subcomponent aimed to identify, register, select, and profile target youth. It involved (i) designing and implementing targeted outreach and awareness-raising activities to identify and motivate target youth to register and to inform applicants about accessing the services; (ii) development and implementation of a statistically assisted job profiling system for the selected target youth, which would categorize beneficiaries into homogeneous groups with similar labor market barriers and help estimate the scope of jobs services (and costs) that would be expected from service providers; and (iii) financing incremental operating costs incurred by government agencies involved in these activities.
- ***Subcomponent 1.2: Providing tailored services for connecting target youth to jobs.*** This subcomponent aimed to enhance labor participation and employability of selected target youth by (i) providing, through competitively recruited local private sector/NGO service providers, a

performance-based set of tailored support services to increase beneficiaries' access to job opportunities, including soft and/or technical training, counseling, and/or job search assistance; (ii) training of trainers to improve their skills in designing and conducting these services; (iii) specialized capacity-building to selected government agencies to ensure gradual adoption of the new service provision model; and (iv) provision of monthly stipends to selected youth to address income, mobility, and social care constraints. These stipends were to be conditional on participation in subcomponent 1.2 activities, with—aimed to boost women's labor market participation—50 percent higher stipend for young mothers with children under 6 years old and/or with dependents such as elderly and persons with disabilities.

Component 2: Supporting Job Creation (estimated cost: US$32.7 million; actual cost: US$0.9 million). This component aimed to help the private sector realize its potential in creating jobs by supporting the development of value chains that have a high potential of job creation (subcomponent 2.1) and supporting selected target youth in their micro-projects (sub-component 2.2).

- ***Subcomponent 2.1. Supporting the development of value chains with high job creation potential.*** The subcomponent aimed to enhance sustainable and quality private sector job creation within relevant value chains by addressing coordination failures, lack of information about potential markets, and social externalities related to jobs. It was to support technical assistance (TA) to stakeholders to conduct analytically underpinned public-private dialogues to identify bottlenecks preventing targeted value chains from achieving their full potential. The subcomponent was also to provide TA to implement Investment Action Plans (IAPs), which could include advocacy in regulatory reforms, promoting vocational training to provide relevant skills to an industry, and awareness campaigns to link producers to potential buyers. The IAPs were to inform training and connection services for youth in Component 1 and entrepreneurial opportunities for subcomponent 2.2 beneficiaries. Service providers under Component 1 were to be informed about the IAPs and job creation potential and be encouraged to contact firms supported by Component 2.1 to better tailor training programs and support services. Technical work was to showcase opportunities that potential micro-entrepreneurs could fill, improving the chances of success for beneficiaries of subcomponent 2.2. The subcomponent was to support public investments to unlock the value chain growth potential (e.g. equipment and/or small works, mainly rehabilitation of existing installations/equipment). Micro, small and medium enterprise (MSME) competitive matching sub-grants were to be provided to selected MSMEs to support their firm-level investments for the development of value chains. The matching grant mechanism was important for reducing MSMEs' and the financial sector's risk in covering new production modes or venturing into new markets, internalizing social externalities, and encouraging more firms to generate jobs.
- ***Subcomponent 2.2. Supporting the creation of micro enterprises.*** The subcomponent aimed to promote entrepreneurship among hard-to-serve youth by addressing constraints that the target youth face in creating economically viable projects, such as lack of startup financing, lack of entrepreneurial skills, and limited information about government programs. The subcomponent was to finance: (i) provision of a comprehensive set of business development services (BDS) to selected target youth covering both pre-creation and post-creation of relevant projects, and including a basic package of business and entrepreneurship training (simplified version of the curriculum of International Finance Corporation Business Edge or that of the International Labour Organization, for example, adapted to the target segment), as well as mentoring, specific consulting, advisory services for marketing or technical issues, and modules for financial inclusion, such as saving and opening a bank account; (ii) training of the selected BDS providers to address gender gaps in business creation by women; (iii) provision of youth sub-grants to selected target youth to cover the

initial investment cost and working capital of their business plans; and (iv) provision of stipends to selected target youth, similar to those on the wage employment track, to address income, mobility, and social care constraints. These stipends were to be conditional on their participation in subcomponent 2.2 activities. Beneficiaries were also to be encouraged to open bank accounts and save part of the stipends, contributing to the investment cost of the youth sub-grant provided by the project.

Component 3: Building Effective and Accountable Program Delivery (estimated cost: US$6.33 million; actual cost: US$0.62 million). This component aimed to facilitate the implementation of various interventions by central and regional public agencies and stakeholders through four sub-components.

- ***Subcomponent 3.1. Developing a management information system (MIS) and other information and communications technology (ICT) solutions for data-sharing and accountability.*** The subcomponent was to finance the creation of a MIS and ICT solutions for coordinated, agile, and transparent project implementation along two dimensions: (i) supporting data exchange and increasing access to information, finances, and services among the project target youth, and (ii) supporting monitoring and beneficiary engagement, from the initial outreach phase to the capturing of user feedback during implementation (beneficiary report card).
- ***Subcomponent 3.2: Creating capacity-building and communications with stakeholders.*** This subcomponent was to support project implementation and stakeholder engagement and help anticipate and manage potential tensions through effective communication. It was to provide capacity building, policy development, or institutional strengthening to ensure the gradual adoption and institutionalization of innovative project business processes, such as coordinated job approaches, performance-based service delivery, and gender approaches.
- ***Subcomponent 3.3: Building results-orientation and service delivery accountability.*** The subcomponent was to support (i) designing and implementing monitoring and evaluation activities (including mid-term process evaluation, impact evaluations, and a beneficiary survey to detect and help correct implementation bottlenecks); (ii) capacity building services to stakeholders; (iii) TA for the design and implementation of the report card for selected target youth and selected MSMEs, as well as of the grievance redress mechanism (GRM), including recruitment of local firm for technical design, allowing independent facilitators to identify solutions and submit action plans for conflict resolution; and (iv) monitoring of implementation of the safeguard instruments.
- ***Subcomponent 3.4: Project implementation support.*** The sub-component was to finance technical advisory services and incremental operating costs for the establishment and operations of the Project Management Unit by Objectives (UGO) in the management and coordination of the project, and handling of technical, administrative, fiduciary, and safeguard-related matters.

Revisions to components

As noted in the ICR (p. 5), the project underwent two restructurings (in June 2020 and in December 2022), which made changes to the project's Results Framework (RF), the number of PDO-level indicators and intermediate results indicators (IRIs), and their end target values.

The first project restructuring (dated June 8, 2020), was a response to the COVID-19 emergency that necessitated reprogramming part of the project resources to be used to support Tunisia's national COVID-19 response, resulting in reduced project scope and decreased funding of the project's original components 1 and 2, with the number of expected beneficiaries revised downwards, to free up resources for the newly added: (i) Component 4: Emergency and post-COVID support to vulnerable groups and private sector firms,

and (ii) PDO-level indicator to reflect the addition of COVID-19 mitigation activities under Component 4. The June 2020 restructuring maintained the original project design, but the reallocation of resources towards the emergency COVID-19 response led to a recalibration of project targets. The allocated amounts for Components 1 and 2 were revised from US$17.47 million to US$8.7 million and from US$32.7 million to US$16.2 million, respectively.

Activities under the newly added *Component 4. Emergency and post-COVID support to vulnerable groups and private sector firms (estimated cost: US$25.5 million; actual cost: US$5 million)* had two main target groups: (i) self-employed and artisans, and (ii) MSMEs in vital job-creating sectors. Subcomponent 4.1 (US$17 million) was to provide an immediate cash transfer of TND 200 and a recovery cash transfer of TND 1,200 in two tranches, contingent on participation in financial and debt management training and post-crisis recovery planning. Targeting and enrollment were to be conducted through the national digital registration platform "Batinda," managed by the Ministry of Social Affairs (MoSA) and the Ministry of Finance (MoF), with eligibility criteria determined between the MoSA, MoF, and MFPE. Subcomponent 4.2 (US$8 million) provided cash grants to MSMEs to keep them viable and provide incentives to maintain workers. These grants were to be disbursed in several tranches, conditional on the enterprises' commitment to retain a predetermined proportion of their salaried workforce. Targeting for this group was to be done through two other platforms, "HELP" and "Enterprise," managed outside the MFPE. As noted in the ICR (p. 7), the restructuring paper did not specify the amount of financial support for firms under Component 4.2. According to the ICR's Annex 3: Project cost by component (ICR, p. 35), under the second restructuring, Component 4's initial cost of US$25.5 million was reduced to US$3.2 million, while the component's actual cost was US$5 million. As reported by the Bank team in a written interview dated 12-13-24, the reason for Component 4's reported actual cost to exceed its revised cost at the second restructuring by around US$1.8 million was because, while the Project Implementation Unit (PIU) declared that Component 4's actual cost was US$5 million equivalent (based on January 2024 exchange rates), it is likely that in the second restructuring estimation, Component 4 was projected to have spent less due to PIU delays in providing information on actual costs, audits, and other relevant data.

The second project restructuring was initiated after the government's thorough assessment of the project's implementation progress. The incoming Minister of Employment ordered a hold on project activities in January 2022, pending a February 2022 World Bank Group portfolio review in Tunisia. The portfolio review identified the project as one of several underperforming operations experiencing significant delays due to its design complexity, low implementation capacity, and low disbursement progress. The government decided to restructure the project, canceling a portion of its loan proceeds rather than closing it. The second restructuring, approved on December 2, 2022, simplified project design and shifted its focus from vulnerable populations to entrepreneurship, aligning the project with the Ministry of Employment's evolving priorities. The restructuring reduced the number of PDO-level indicators from seven to five. The two PDO-level indicators tracking the increase in monthly earnings among beneficiary youth (male and female) were dropped to reflect the project's revised scope. The project's theory of change was significantly impacted by the restructuring, which removed key activities from its initial design and results chain. These included dropping job matching (subcomponent 1.2) and Value Chain Development activities (subcomponent 2.1), and shifting the project beneficiary target away from disadvantaged and hard-to-reach youth towards individuals with entrepreneurial potential. Important project implementation tools like the digital profiling system, digital one-stop-shop, tailored support curriculum, and project MIS (subcomponent 3.1) were not delivered, and the related IRI was deleted at the second restructuring. The IT-based GRM mechanism was not developed. Dropping these subcomponent 3.1 activities at the second restructuring reduced the project's system-building aspirations. Additionally, the second restructuring interrupted the project's implementation for over 18 months, resulting in only 14 months remaining to implement revised activities

before the closing date of January 31, 2024. At the time of the December 2022 restructuring, Component 4 for emergency COVID-19 response was canceled, and the amounts of the remaining project components were revised as follows: Component 1: Identifying and Connecting Target Youth to Jobs: reduced from US$8.7 million to US$0.2 million; Component 2: Supporting Job Creation: increased from US$16.2 million to US$19.8 million in line with the project's shift towards entrepreneurship grants; Component 3: Building Effective and Accountable Program Delivery: reduced from US$6.1 million to US$1.3 million. According to the ICR's Annex 3: Project cost by component (ICR, p. 35), under the second restructuring, Component 4's initial cost of US$25.5 million was reduced to US$3.2 million, while the component's actual cost was US$5 million (as outlined above).

e. Comments on Project Cost, Financing, Borrower Contribution, and Dates

Cost. The total project cost was originally estimated at US$56.5 million equivalent. Final costs were US$6.6 million equivalent, reflecting low disbursement rate of allocated funds and the government's partial loan cancellation. At the project end, only 27 percent (US$6.6 million equivalent) of the total revised project cost of US$24.5 million equivalent had been disbursed.

Financing and Borrower Contribution. The project was fully financed by a loan from the World Bank. Of the original loan amount of US$56.5 million equivalent, US$6.66 million equivalent (around 12 percent) was disbursed. No contribution from the Borrower was planned or delivered.

Key Dates. The project was approved on September 11, 2017, and became effective eight months later, on May 11, 2018. A mid-term review was conducted in December 2021. The project was restructured twice, on June 08, 2020, and December 21, 2022, as described above. The project closed on January 31, 2024, as originally planned.

3. Relevance of Objectives

Rationale

The PDOs were highly relevant to current country conditions. In Tunisia, social and economic exclusion is increasing for certain groups, especially affecting the youth population, creating a breeding ground for radicalization. At the core of public dissatisfaction is unemployment, particularly among the poor, youth, and residents of lagging regions or marginalized peri-urban areas. In 2014, 40 percent of the youth population were students, 30 percent were working, and 30 percent were classified as Not in Employment, Education or Training (NEET), with nearly two-thirds of NEETs not having completed secondary education. NEET rates are higher among young women (38 percent compared to 25 percent among young men). Although the unemployment rate decreased from 18.9 percent in 2011 to 15 percent in late 2014, unemployment rates vary across income deciles and age groups. In the poorest decile, workers have an average unemployment rate of over 30 percent, while in the richest decile, the rate is below 15 percent. Among youth (aged 15-24), the unemployment rate is 2.5-3 times higher than that of adults, with 2 out of 3 young people with tertiary education unemployed. Tunisia's workforce predominantly works in low-productivity and low-quality jobs, with 77 percent of the workforce in these sectors. High productivity service sectors only account for 7.7 percent of total employment. Around 41 percent of the labor force is engaged in low-quality jobs, such as unpaid work, informal wage employment, or self-employment in agriculture or non-

farm activities. Labor market outcomes vary across regions, with regions where a higher share of the workers is engaged in unpaid work or self-employed in agriculture, and regions where most workers are wage-employed. In rural areas, women, especially those above age 30, are likely to be engaged in unpaid family work on farms. Young educated women in these regions are trapped and have limited options for moving to better opportunities. Being married increases men's employment probability but decreases women's, suggesting strong social norms surrounding women's labor force participation. These challenges are exacerbated by slow economic growth, which plunged to an average of 1.4 percent after the 2011 revolution and has recovered only modestly since then. The main response to unemployment in Tunisia has been through active labor market programs (ALMPs), but these have limited impact due to design and implementation issues. ALMPs are poorly targeted and fragmented, prioritizing highly educated youth at the expense of unemployed individuals with secondary education and below, who form the majority of the unemployed population. Moreover, despite equal opportunities for both young men and women, ALMPs have failed to address the barriers faced by women in low-income households, such as childcare constraints and socio-cultural norms.

The PDOs were also aligned with the development priorities of the country. The government is committed to enhancing job opportunities for the vulnerable segments of the population through various initiatives such as the 2013 Social Contract, the ongoing national dialogue with trade and employers' unions, the 2016 emergency employment measures, the Government's Strategic Orientation Note, and the Five-Year Plan (Tunisia 2020). These government initiatives have translated into specific—albeit uncoordinated—actions by different ministries (and their respective agencies) to combat poverty, reduce unemployment and promote job creation, such as launching various employment programs with state and/or donor funding, actions to improve jobs and earning opportunities for the Social Safety Net Program beneficiaries, services to exporters and business development services to support startup opportunities, piloting of investments in youth and female entrepreneurship, etc. Given the limited and unsustainable impact of these uncoordinated and not well targeted actions, the government has acknowledged the need for a multi-sectoral, better-coordinated approach to promote more and better job opportunities for youth, especially for the most disadvantaged and for young women. In this regard, this project was expected to help establish new systems for integrating supply- and demand-side interventions, finance catalytic investments, and promote institutional coordination across government agencies. The PDOs were also aligned with the government's objective of improving the efficiency of value chain development (VCD) in Tunisia, leveraging synergies and boosting job creation potential of public investments in this area. The project was to contribute to achieving a joint approach to VCD activities in targeted lagging regions (PAD, pp. 14-19). Additionally, the PDOs were well aligned with the Bank’s commitment to support countries in managing the impact of the COVID-19 crisis, as shown by the Bank’s swift restructuring of the project to redirect substantial project resources to support the government’s efforts to mitigate the impacts of the COVID-19 pandemic on jobs and earning losses. At project closing, the PDOs remained relevant to the government's priorities for fostering job creation through entrepreneurship. The government continues to invest in job creation through public investment in entrepreneurship, particularly through the development of registration platforms and seed programs, ensuring that the PDOs remains relevant to current government priorities (ICR, p. 8). At the same time, as noted in the ICR (pp. 15-16), focusing on the most marginalized adolescents was not the best starting point for reforming Tunisia's youth employment system. National stakeholders emphasized the importance of first focusing on creating the overarching employment system and then adapting it to the specific needs of vulnerable categories of youth. This might have been technically and politically preferable.

The PDOs are substantially aligned with the Bank’s Country Partnership Frameworks (CPFs) for Tunisia, both the one in effect at the time of appraisal (CPF for FY16-FY20, extended until 2022) and

the subsequent CPF currently in effect (CPF for FY23-FY27). The PDOs were aligned with the objectives of CPF for FY16-FY22's: (a) Pillar I ("Restoring Environment Conducive to Sustainable Economic Growth and Private Sector-Led Job Creation") by supporting private sector-led job creation initiatives; (b) Pillar II ("Reducing Regional Disparities") by enhancing economic opportunities in lagging regions; and (c) Pillar III ("Promoting Increased Social Inclusion") by improving policies and programs to connect work-able young members of social safety net (SSN) household beneficiaries and disadvantaged youth not currently served by these programs to economic opportunities. Specifically, FY16-FY22's Sub-Objective III.2 ("Increasing opportunities for young men and women") was addressed by enhancing employability and entrepreneurship for youth, with a concentration on youth living in lagging regions and peri-urban marginalized areas, and by addressing gender issues in the project design. The PDOs were also consistent with Sub-Objective III.3 ("Improved and more equitable social programs") by promoting a productive approach to safety nets and linking work-able youth from SSN households to better economic opportunities. Additionally, the PDOs were well aligned with the Bank's commitment to support countries in managing the impact of the COVID-19 crisis, as shown by the Bank's swift restructuring of the project to redirect substantial project resources to support the government's efforts to mitigate the impacts of the COVID-19 pandemic on jobs and earning losses. At project closing, the PDOs remained consistent with the Bank's current CPF for FY2023-27, which maintains a strong focus on jobs, private sector efficiency, social cohesion, and youth inclusion. The PDOs were aligned with the FY2023-27 CPF's High-Level Outcomes: (i) Quality jobs created by the private sector (specifically, Objective 1.2.: Improving access to long-term finance for viable and innovative SMEs and startups, and Objective 1.3.: Reducing economic regional disparities), and (ii) Strengthened human capital, as well as the cross-cutting theme on gender. In addition, the PDOs were aligned with the Bank's 2015 MENA Strategy, specifically focusing on its pillar on renewing the social contract and restoring trust between citizens and the state. The project intended to support fundamental shifts in Tunisia's job policy-making, promoting effective protection of the poor and vulnerable, inclusive service delivery, and a stronger private sector that can create jobs and opportunities for youth. Four fundamental shifts in approach were to be supported: from large untargeted jobs programs to those specifically targeting poor and disadvantaged youth; from a heavy reliance on supply-side job interventions to a demand-driven, private sector-led approach; from public sector delivery to performance-based, competitively recruited service providers; and from a centralized, top-down approach to stronger citizen engagement and accountability in service delivery. Furthermore, the PDOs were consistent with the Bank's strategic goals of ending extreme poverty and boosting shared prosperity in a sustainable manner, and consistent with global WBG strategies such as the Social Protection and Labor Strategy, the Trade and Competitiveness Roadmap (2016), and the updated WBG Gender Strategy (FY 2016-2023). However, the second restructuring expanded the project target population from disadvantaged youth aged 18-35 to include business-ready entrepreneurs aged 18-45, this adjustment could have been reflected in a change to the PDO to clarify that the broadened targeting approach was intended to match the stronger entrepreneurial focus of the restructured project.

The project was part of the WBG's long-standing support to Tunisia with regard to private sector growth, job creation, reducing regional disparities, and promoting social inclusion. The project sought to enhance synergies with WBG interventions and other partners' initiatives. It complemented policy-level interventions to support private sector-led job creation by improving the investment climate and boosting entrepreneurship under the Tunisia Business Environment and Entrepreneurship Development Policy Financing (P158111). The project also complemented the Tertiary Education and Employability Project (P151059) and the 2013-2017 Micro, Small and Medium Enterprise facility (P124341) by providing financing to segments not served by banks or multilateral financial institutions. It also provided continuity for the Bank's support to the strengthening of the social security system after the closure of the Transition Fund Project on support to the Social Protection Reforms Support Project (P144674). The operation provided

synergies and complementarities with International Finance Corporation activities in Tunisia that focused on youth employability, sector competitiveness, and financial inclusion.

Rating
Substantial

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective
To improve economic opportunities for targeted disadvantaged youth in the selected Governorates.

Rationale
The original project objective was expected to be achieved by applying an integrated approach that maximized synergies between the project components through **linking supply-side interventions** targeted at disadvantaged youth (identifying, training, and matching targeted individuals to wage jobs or internships (Track 1) - Component 1) **with demand-side interventions** targeted at MSMEs (providing entrepreneurship grants and training that help targeted youth start their own business (Track 2), and developing new value chains that generate jobs and opportunities - Component 2) **to ensure that targeted youth have access to the jobs created at the firm level with the project's support, while supporting systems and capacity-building activities** (Component 3) **to maximize those linkages and synergies**. The project-supported creation of linkages and synergies between supply- and demand-side interventions and activities to maximize them (building capacities and effective and accountable delivery systems) were directly supportive of the original and longer-term PDO: to improve economic opportunities for targeted disadvantaged youth in the selected Governorates, and, as per the project's theory of change (ICR, p. 3), were expected to contribute to other higher order, longer term outcomes, such as increased economic diversification and job creation, and increased female labor force participation.

Outputs and intermediate outcomes

- There were 140 beneficiaries of job-focused interventions (73 under Track 1/Component 1 and 67 under Track 2/Component 2), ***not reaching the target*** of 20,775 beneficiaries. The RF indicates that the number of beneficiaries of job-focused interventions increased from a baseline of 0 in 2017 to 47,868 in 2024, which significantly exceeds the target of 20,775 beneficiaries, but the RF also notes that out of the 47,868 beneficiaries of job-focused interventions, 47,728 (over 99 percent) were beneficiaries of Component 4 interventions.
- There were 58 female beneficiaries of job-focused interventions under Component 1, ***not reaching the target*** of 11,000 female beneficiaries. As above, the RF indicates that the number of female beneficiaries of job-focused interventions under Component 1 increased from a baseline of 0 in 2017 to 9,924 in 2024, but the RF also notes that these were mostly female beneficiaries of Component 4.

- The number of youths who completed internships or training increased from 0 in 2017 to 67 in 2024, ***exceeding the target*** of 45 youths.
- The number of female youths who completed internships or training increased from 0 in 2017 to 27 in 2024, ***exceeding the target*** of 20 female youths.
- The share of supported female youth who indicated feeling confident about running their own business increased from a baseline of 0 percent in 2017 to 34 percent in 2024, ***far exceeding the target*** of 10 percent.
- The number of newly established microenterprises by Component 2 beneficiaries increased from 0 in 2017 to 61 in 2024, ***not achieving the target*** of 2,200.
- The number of newly established microenterprises by Component 2 female beneficiaries increased from 0 in 2017 to 33 in 2024, ***not achieving the target*** of 1,200.
- The number of staff (public and private) trained under Component 3 increased from 0 in 2017 to 4 in 2024, ***not reaching the original target*** of 250, ***or the revised target*** of 150. Capacity building and institutionalization activities were not implemented.
- The share of supported youth with rating "Satisfied" or above from the Beneficiary Youth Scorecard increased from 0 percent in 2017 to 49 percent in 2024, ***not achieving the target*** of 70 percent.
- The share of supported female youth with rating "Satisfied" or above from the Beneficiary Youth Scorecard increased from 0 percent in 2017 to 26 percent in 2024, ***not achieving the target*** of 70 percent.
- The share of grievances addressed within the timeframe stipulated in the project operational manual was 0 percent, ***not reaching the target*** of 70 percent.
- A total of 67 young entrepreneurs presented their proposals to the regional committee, out of which 64 projects were appraised and received funding in the form of a subsidy of up to US$5,000 per project.

Outcomes

- The share of supported youth with wage or self-employment increased from 0 percent in 2017 to 52 percent, ***not achieving the original target*** of 20 percent, as the original indicator was dropped at the 2022 restructuring, and the 52 percent share reflects the results of a small pilot involving 61 microenterprises (140 beneficiaries) conducted between 2019-2021 and not the initial beneficiary target of 10,500 youth.
- The share of supported female youth with wage or self-employment increased from 0 percent in 2017 to 26 percent, ***not achieving the original target*** of 25 percent, as the achieved share reflects the results of a small pilot of 61 microenterprises, with a total of 140 beneficiaries, while the original indicator (2,625 female beneficiaries) was dropped at the 2022 restructuring.
- The number of full-time equivalent direct jobs created among businesses supported by the project increased from 0 in 2017 to 99 in 2024, ***not achieving the original target*** of 750 businesses, ***or the revised target at first restructuring*** of 400 businesses, or the ***revised target at the second restructuring*** of 9,000 microenterprises to reflect the project's pivot towards entrepreneurship support, when the indicator was reformulated to replace "businesses" with "micro-enterprises."
- The employment gender gap among project beneficiaries was reduced by 1 percent, ***not reaching the original target*** of 5 percent reduction.

Additional outcomes reported in the ICR (p. 10) not included in the RF, and hence without target values:

- Of the 73 youth beneficiaries on the pilot project's wage employment track (Track 1) who completed the training, only 14 (19 percent) subsequently achieved wage employment.
- Of the 64 youth who established microenterprises under the pilot's Track 2, 56 entrepreneurs (around 88 percent) maintained their enterprises, and most reported an improvement in their living standards and that the project had a positive impact on their income.

The achievement of objective 1 is rated Negligible based on non-achievement of the original and revised outcome targets, as well as non-achievement of original and revised targets for most intermediate-level indicators.

Rating
Negligible

OBJECTIVE 2

Objective
To support the Borrower's efforts to mitigate the impacts of the COVID-19 pandemic on jobs and earning losses in all Governorates (added at the first project restructuring).

Rationale
The fourth project component was to finance the provision of emergency cash transfers to the self-employed, artisans, and MSMEs, which were directly supportive of the intermediate outcome: to support the Borrower's efforts to mitigate the impacts of the COVID-19 pandemic on jobs and earning losses in all Governorates, representing the second objective of the PDO statement.

Outputs and intermediate outcomes

- The share of supported artisans and self-employed still in operations 6 months after receiving the project support decreased from 100 percent in 2020 (pre-COVID-19) to 89 percent in 2024 (post-COVID-19), ***exceeding the target*** of 60 percent.
- The number of artisans and self-employed that received a cash transfer under the project increased from 0 in 2020 to 47,747 in 2024, ***exceeding the target*** of 45,000. Importantly, under subcomponent 4.1, only the first and smaller of the two planned transfers was realized. Moreover, subcomponent 4.1 faced implementation challenges, with 27,009 eligible individuals not retrieving their transfers, which was mainly because they were not notified through SMS (62 percent) and because the withdrawal system did not work (17 percent), which required beneficiaries to go to distribution points to collect their cash transfers. The second, larger and more transformational transfer of TND 1,200, accompanied by a training package, was not delivered. The ICR (p. 11) noted that this was due to lack of buy-in from the Ministry of Vocational Training and Employment, the PIU's limited implementation capacities, and the difficulties arising from implementing the first unconditional transfer. Additionally, the project did not provide the envisaged support to MSMEs under subcomponent 4.2. The activity was dropped by the government in early 2022 despite the availability of a targeting mechanism, registration platform, and additional financing from as well as strong collaboration with other development partners.

- The number of female artisans and self-employed who received a cash transfer under the project increased from 0 in 2020 to 9,866 in 2024, ***not achieving the target*** of 15,000.

Outcomes

A total of 69.7 percent of the full-time equivalent (FTE) direct jobs among businesses supported by the project were preserved 6 months after receiving the COVID-19 grant, almost achieving the target of 70 percent preserved FTE direct jobs among businesses supported by the project.

The achievement of objective 2 is rated Modest based on (i) partially achieved outcome target; (ii) partially achieved intermediate-level indicator target on the number of female artisans and self-employed that received a cash transfer; (iii) undelivered support to MSMEs under subcomponent 4.2; and (iv) partial success in delivering emergency cash support to the self-employed and artisans based on the exceeded intermediate-level indicator target of 45,000 recipients of emergency support, which, however, included only one (and the smaller) of the envisaged two types of emergency transfers.

Rating
Modest

OVERALL EFFICACY

Rationale
Overall efficacy under the PDOs was Negligible, based on negligible achievement of the first objective (improved economic opportunities for targeted disadvantaged youth) and modest achievement of the second objective (supporting the government's efforts to mitigate the COVID-19 impacts on jobs and earning losses).

In the December 13, 2024, written interview with IEG, the Bank team shared its views of the project's attribution/contribution and counterfactual as follows.

Attribution. The results of the project's pilot phase could be solely or largely attributed to the project, as the specially selected youth to benefit from the pilot did not benefit from other initiatives. The COVID-19 emergency transfer was conducted through a national registration platform for pandemic response and—given the complementary nature of the project's emergency support—it likely contributed to the achievements of the government's COVID-19 response. In addition, while the project did not yield significant direct outcomes, it contributed to positive externalities, as the TA delivered under the project, the policy dialogue with the Bank, and the project-led coordination of international stakeholder engagement in the field of youth economic inclusion in Tunisia contributed to (i) a EUR 10 million Bank-executed Trust Fund, which took on the planned system-level investments (notably curricula and MIS development); (ii) an EUR 8 million French Development Agency grant to MSMEs, initially planned to be implemented under the project's COVID-response subcomponent 4.2, but successfully implemented outside of the project; and (iii) ongoing interest from the African Development Bank in re-engaging with the integrated jobs approach, using the experience and lessons learned from this project.

Counterfactual. The project failed to deliver on key systems investments and planned beneficiary scale-up, leaving the issue of counterfactual—at least for the initial project design—somewhat moot. The absence of emergency cash transfers to small business owners may have resulted in higher business closures, but this is unlikely, as only a small share of the total planned amount (TND 200 out of a total of TND 1,400) was actually transferred to beneficiaries.

Overall Efficacy Rating	**Primary Reason**
Negligible	Low achievement

5. Efficiency

Economic efficiency. The project's cost-benefit analysis at appraisal focused on the expected benefits of Components 1 and 2, with Component 3 expected to improve the performance of these benefits. Expected benefits of Component 1 (*training and matching youth to wage jobs or internships*) include increased employability and productivity, and hence in earnings, for the target group in the selected Governorates, as well as difficult-to-quantify positive social externalities, such as beneficiaries' re-engagement in the labor market as employers or entrepreneurs, and reduced public financial contributions (i.e. social safety net payments and public health care expenses) to vulnerable households in the medium and long term. The expected benefits of Component 2 (*supporting youth's entrepreneurship projects and leveraging public and private investments and job creation in value chains*) included beneficiaries' (i) increased earnings because of the created jobs through investment in selected value chains and generation of new activities and micro businesses; and (ii) leveraging new investments (PAD, p. 48). The economic analysis at appraisal revealed that considering complementarities between supply- and demand-side interventions increases the social rate of return (SRR) for each project component, with the SRR for the supply-side component increasing from 19 percent to around 24 percent. Overall, the analysis found that, under 40 to 50 percent government contribution to the private sector, the SRR for the project without complementarities was about 18 percent, reaching about 20 to 21 percent by designing an integrated approach (PAD, p. 118).

The COVID-19 pandemic led to significant changes in the project's initial economic analysis, as redirecting resources toward Component 4 led to a revision of project objectives and affected the relevance of key indicators used to estimate the project's economic benefits at appraisal. The project's restructuring dropped the project's intended outcome to increase beneficiaries' earnings, leaving intact only the single intended outcome of increasing disadvantaged youth's access to wage and self-employment opportunities, which made the project suitable for cost-effectiveness analysis, as there was no longer a need for cost-benefit analysis (which relies on assumptions of the monetary value of the benefits accrued through the project). The end-of-project financial and economic analysis therefore focused on the project's cost effectiveness in placing beneficiaries in jobs and creating businesses. Only a small pilot was undertaken between 2019-21 with a total of 140 beneficiaries. The project's cost-effectiveness analysis used anecdotal evidence from semi-structured interviews with 17 project beneficiaries and administrative data from the UGO, which consisted of: Track 1 beneficiaries (vocational training) who were placed in jobs and Track 2 beneficiaries (entrepreneurship training) whose businesses were still in operation. Although neither exhaustive nor representative, the interview data provided an indication of the pilot's medium-term impact on the permanence of job placement and enterprise creation. The operation's investment of over US$1 million in the pilot project resulted in 14 job placements and 64 enterprises created, of which 56 (around 88 percent) were still in operation, for a cost of around US$10,000 per job and US$16,070 per business established. Based on the data from beneficiary interviews, the cost per job placement can be estimated at around US$13,420, and the cost per created business around US$23,440. These data (despite

their considerable quality and availability limitations) indicate that the costs of Tracks 1 and 2 remain within the range of similar projects in developing countries. The project underperformed in its Track 1 compared to similar vocational training projects, while meeting expectations with its Track 2 when benchmarked against entrepreneurship support initiatives (ICR, p. 37).

Implementation and administrative efficiency. The project had low implementation efficiency due to a poor ratio between the resources used and results achieved. The project started slowly, with a six-month delay in validation of the project by the Tunisian parliament after signing the project loan agreement. The project was implemented with significant freezes in activity. At project closure, the total project cost was US$1.66 million, excluding the cost of Component 4 (US$5 million), indicating a very low disbursement rate under the original project components: only around 3 percent of the initially approved amount of US$56.5 million equivalent and 6.8 percent of the revised amount of US$24.5 million equivalent. If counting Component 4 expenditures, the disbursement rate was 11.8 percent of the initially approved loan amount and 27 percent of the revised loan amount. Administrative costs, including Component 4, were 9.3 percent, rising to 37.5 percent of total actual project disbursement, if not counting Component 4. The project's low implementation efficiency was a result of several factors, within and outside the project's control, that had a negative impact on the project's efficacy, timeliness of its delivery, and the amount of support that was planned to be provided. As stated in the ICR (p. 12), the project design was too complex for the capacities of the multiple agencies involved, significantly increasing operational risk. The limited capacity to coordinate and implement preparatory activities led to critical delays and inability to provide support to project beneficiaries. At the first restructuring, the project's overall progress towards PDO achievement was rated moderately satisfactory, while overall implementation performance was moderately unsatisfactory, which was partly due to the project's slow start due to the long approval process associated with the ratification of the project by the Parliament, and major delays in setting up the PIU. At the second restructuring, according to the latest (at the time) Implementation Status and Results Report (ISR) of January 26, 2022, progress toward the achievement of PDO and the overall implementation progress were rated as Moderately Unsatisfactory (MU). The downgrade to MU stemmed largely from delays associated with the implementation of Component 4 activities. Procurement challenges, due to UGO's limited capacity and institutional hurdles, were significant, affecting the entire World Bank Group Tunisia portfolio at the time. The UGO dedicated 12-18 months between year 2 and year 3 to a small pilot project that was not part of the initial design. The COVID-19 pandemic in year 3 blocked face-to-face activities and diverted efforts from core project components, disrupting the implementation of the pilot project and the preparation for project scale-up, as well as limiting training opportunities for UGO staff due to travel and public administration employee training restrictions, which negatively impacted capacity development. Human resource challenges occurred during implementation, with UGO having three different managers over the course of the project and facing difficulties staffing up, high turnover, and skills mismatches. Political risk was also present, with high turnover of MFPE leadership, an 18-month pause in activities, and a project restructuring that effectively froze the project for 18 months between 2021 and 2023. At the same time, UGO staff's efforts in implementing this complex project in a challenging environment, despite understaffing, were commendable. The UGO managed to carry the project forward, filled in recruitment gaps, and continued to push the implementation of the second project restructuring to the end despite a tight timeline and an increasingly unfavorable environment for the project.

The project was not implemented at the planned scale, and the end-of-project cost-effectiveness analysis was based on limited administrative and anecdotal data for a small-scale pilot, which indicated mixed results: underperformance of Track 1 compared to similar vocational training projects, and Track 2 that met expectations. Overall efficiency is rated Negligible due to low economic and implementation efficiency, minimal disbursement, and high administrative costs compared to outcomes.

Efficiency Rating

Negligible

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 ☐ Not Applicable
ICR Estimate		0	0 ☐ Not Applicable

* Refers to percent of total project cost for which ERR/FRR was calculated.

6. Outcome

The relevance of PDO is rated substantial; efficacy is rated negligible for the first objective and modest for the second objective; and efficiency is rated negligible. These ratings produce an overall outcome rating of Highly Unsatisfactory, reflecting severe shortcomings in the operation's preparation, implementation, and achievement.

a. Outcome Rating

Highly Unsatisfactory

7. Risk to Development Outcome

As reported by the Bank team in a written interview dated 12-13-24, the main channel for the project's achievements to be sustained would be through an upcoming African Development Bank (AfDB)-supported youth employment program, which draws on the integrated design of this project. Going forward, the risks for the successful implementation of the AfDB-supported project will be tied to political context, institutional arrangements, and government coordination and implementation capacities.

8. Assessment of Bank Performance

a. Quality-at-Entry

The project design—based on an extensive analytical and evidence base, and on the 2013 World Development Report—was ambitious, reflecting the high priority that youth employment had for Tunisia's government and the WBG. The project components were clearly structured, and the activities were comprehensive, complementary to each other, and relevant to the country and sector context. The PAD

correctly ranked the overall project risk as high, based on identified key risks, including (i) high and/or substantial risks linked to political and governance issues, macroeconomic issues, and sector strategies; (ii) substantial risks related to the project's technical design, and specifically to the integrated approach to jobs; (iii) high risks related to institutional and implementation capacity, including low implementation capacity in lagging regions; (iv) substantial fiduciary risks, (iv) high stakeholders risks; and (vii) high security risk. A number of risk mitigation measures were identified at appraisal, including measures to ensure implementation readiness, appropriate technical staffing of the UGO, a phased approach for various activities, technical assistance and institutional development for gradual appropriation of technical design features by central and regional agencies and other stakeholders, maintaining the coalition and coordination across different stakeholders and administration levels, ensuring transparency and selection criteria as well as mechanisms to monitor for risks of elite capture in selection processes, and help with design of workable and Tunisia-sensitive GRM (PAD, p. 43). However, as the experience of this project showed, these mitigation measures were insufficient.

Certain design features increased the project’s risk, especially when combined with the UGO's limited operational capacity and institutional arrangements. More specifically, stakeholders interviewed for the project’s ICR identified the following design flows that increased the project’s risk: (i) *complexity, frontloading, and operational sequencing*: the design overestimated the implementing agency's ability to coordinate the implementation of the complex preparatory work that was required in order to provide the project support at the envisaged scale; (ii) *redesigning Tunisia’s youth employment system starting with the marginalized youth*: in line with national stakeholders’ views, it may have been technically and politically preferable to build the overarching employment system then adapt this system to the specific needs of vulnerable categories of youth; (iii) *externalization of service provision:* establishing performance-based contracting of firms providing accompanying services—such as training, mentoring, job matching, support to firms and value chains—despite its conceptual soundness, was not customary practice in the Tunisian public administration.

The project's institutional arrangements led to significant risks that affected its implementation. These included: (i) project placement within MFPE, which had not implemented large-scale projects before, had no knowledge of WBG procedures, and had limited convening power and experience for effective inter-ministerial coordination; (ii) operational dependence on MFPE’s implementing agency, ANETI (National Agency for Employment and Independent Work): the project design required the UGO to use ANETI's resources and expertise for key deliverables, such as job-matching systems and training curricula, which ANETI would then implement as part of its own programs. However, as reported by key informants, ANETI—which, despite its nominal authority, operated with significant independence due to its substantial resources and involvement with international donors—was resistant to this arrangement, as it added to their workload without providing control over project funding, resulting in ANETI’s reluctance to allocate resources to important aspects of project implementation, such as procurement, financial management (FM), and M&E; (iii) the project delegated VCD activities (subcomponent 2.1) to CEPEX, which was beyond the influence of the UGO or MFPE. The rationale was to develop CEPEX’s role as a technical hub for VCD in Tunisia. However, this decision left a key activity outside the direct control of primary implementing entities, complicating coordination and oversight. CEPEX also experienced significant instability during project implementation, with seven different chief executive officers. As noted by the Bank team in a written interview dated 12-13-24, VCD activities initially involved preparatory work (i.e., identifying relevant value chains and preparing value chain assessments and action plans), which was delegated to a dedicated Task Force platform anchored at CEPEX within the Ministry of Commerce, supported by a contracted private sector service provider. This was done under a complex inter-ministerial institutional platform and a framework contract with the PIU. The staff salaries and all

operating costs were funded by four parallel WB-funded projects, including this project. The Bank was heavily involved in the preparation of this arrangement. However, the project design underestimated risks related to institutional ownership, turnover, interdependence with other World Bank-funded projects, burdensome contractual arrangements, and externalization of activities to stakeholders outside the project's direct control. In this regard, the Bank team noted that simpler implementation arrangements with greater control by the Ministry/PIU could have been more effective and avoided challenging inter-ministerial coordination arrangements.

Quality-at-Entry Rating
Unsatisfactory

b. Quality of supervision

The Bank team—with a Task Team Leader based in Tunis for much of the project’s duration—provided intensive implementation support, promptly identifying activity-level constraints and bottlenecks, and providing guidance to resolve them, as evidenced by the clear action points agreed upon at the end of each implementation support mission and as detailed in the aide-memoires. As noted above, under the second restructuring, the project's original integrated approach was shifted towards a simpler entrepreneurship support mechanism by eliminating job matching and VCD activities, while dropping the MIS and curriculum development reduced the project's system building aspirations. System building activities, however, were later implemented through the World Bank-executed EU4YOUTH Trust Fund of EUR 10 million, which aimed to help mitigate capacity gaps and provided critical assistance to ANETI, including job-matching platforms and service enhancements like new training curricula. Additionally, the integrated approach that formed the project's initial vision and design is now serving as a foundation for financing from the AfDB. In response to the COVID-19 crisis, the Bank team swiftly restructured the project, and during the second project phase, maintained robust virtual support and supervision, and formed strategic partnerships with key development actors like AFD and GIZ for implementation and scaling. After the second project restructuring (third phase), the Bank team continued to provide crucial support to the UGO, assisting in the submission of hundreds of business development applications from entrepreneurs during the remaining twelve months until project closure in January 2024. National stakeholders praised the Bank team for its practical, hands-on approach. The UGO's managers appreciated the strong technical support that the Bank team provided in the complex operational and political environment of Tunisia.

The project faced persistent challenges, including procurement delays, staffing shortages, and political and coordination difficulties, which likely warranted from the Bank earlier and more decisive corrective measures, including structural adjustments or even closing the project. While weak project monitoring impeded full visibility into these issues, the consistent and critical issues, which were also identified through the February 2022 portfolio review, should have prompted stronger intervention by the Bank team.

Overall, the Bank's failure to mitigate risks, ineffective adaptation to Tunisia's institutional context, and excessive complexity at entry led to significant shortcomings in project implementation, resulting in Unsatisfactory overall Bank performance.

Quality of Supervision Rating

Moderately Unsatisfactory

Overall Bank Performance Rating

Unsatisfactory

9. M&E Design, Implementation, & Utilization

a. M&E Design

The original and revised PDO were clearly articulated. The PAD identified baselines and targets, as well as data sources, frequency of reporting, data collection methodology, and responsible authorities for each indicator (PAD, pp. 56-69). The PDO-level indicators were clearly defined and provided good measures of outcomes. However, as noted in the ICR (p. 16), the project RF prioritized job creation outcomes over systems-strengthening and activity output monitoring, limiting its ability to track progress and identify bottlenecks. While the second restructuring expanded the project target population from disadvantaged youth aged 18-35 to include business-ready entrepreneurs aged 18-45, as noted in the ICR (p. 5), this adjustment could have been reflected in a change to the PDO to clarify that the broadened targeting approach was intended to match the stronger entrepreneurial focus of the restructured project. Additional indicators could have been included in the RF to monitor the development of the digitalized job profiling system, various training curricula, and the VCD objectives under Component 2.1. Also, the RF could have segregated between Track 1 and Track 2 beneficiaries, payment tranches, completion of training, or accompanying measures. At appraisal, it was envisaged that the project's M&E would be based on the MIS that was to capture selected youth and MSMEs. The M&E system was to be closely linked to the project job profiling system, financed under Component 1. At intake and registration, selected youth or MSMEs were to provide data to establish a baseline, which was to be repeated at mid-term and end-project through tracer surveys. The M&E system was also to incorporate reporting from performance-based service providers who were to provide data on support to each beneficiary/firm and status, linked to the performance contracts and subject to quality control by the UGO.

b. M&E Implementation

The Bank team consistently monitored and reported on the project's progress despite data availability constraints. However, the UGO did not hire an M&E specialist or develop the planned M&E system, leading to weak monitoring results and ineffective progress tracking. The Bank team took a proactive approach, facilitating communication among stakeholders and collecting data for project oversight. At the request of MFPE, in December 2021, the Bank conducted a comprehensive stocktaking exercise and review with the government, which served as the project's mid-term evaluation. Although a baseline assessment and mid-point survey were conducted for a small pilot phase in 2018, no follow-up online assessment was carried out, limiting opportunities for evidence generation and project learning.

c. M&E Utilization

M&E data were used to monitor project implementation and progress, and to inform the project restructurings and the analysis of the ICR. Given the unavailability of the planned M&E system and the

absence of an M&E expert, the Bank's supervision missions were crucial for gathering information on project status, identifying issues, and finding solutions. The two restructurings were carried out based on implementation challenges identified during these missions.

M&E Quality Rating

Modest

10. Other Issues

a. Safeguards

The project's subcomponent 2.1 (Support for Value Chain Development) and subcomponent 2.2 (Support to Microenterprise Creation) included building of small civil works that could potentially generate site-specific environmental impacts, expected to be minimal and easily mitigated. In addition, the project was expected to target value chain investments in potentially high-risk sectors, like agriculture, that pose risks related to child labor, occupational health, and biodiversity. Investments in small microenterprises could also generate adverse impacts. The rest of the project components focused on institutional development, TA, and capacity building (PAD, p. 54). In compliance with World Bank OP/BP 4.01 and based on the safeguards assessment at the time of project preparation, given that that the project’s effects were to be limited, easily controllable/manageable, and not irreversible, the project was rated as Category "B" partial assessment. An Environmental and Social (E&S) Management Framework was prepared and disclosed before appraisal, but the project's compliance with E&S safeguards policies was rated as Moderately Unsatisfactory. Except for the rehabilitation work conducted in Daouer Hicher in 2020—where simplified checklists were used to monitor the implementation of mitigation measures—critical E&S actions were not implemented, such as appointing a dedicated full-time E&S focal point, and recruiting an E&S consultant to support the focal point and the UGO in the implementation of E&S activities, including the preparation of the E&S management plan, monitoring, reporting, and training. The project GRM was finalized only at the end of the project (ICR, p. 20).

b. Fiduciary Compliance

Financial Management. As reported in the ICR (p. 2), the project’s FM faced many challenges, including delays in submitting FM documentation and audit reports, and ineffective monitoring of annual work plans and budget execution. FM performance was consistently unsatisfactory, with significant risk. From the outset, the project struggled to submit Interim Financial Reports (IFRs) on time. At the time of ICR preparation, the project had several key financial documents still outstanding, including statements of expenditures, two Interim IFRs for 2023, and audit reports for 2022, 2023, and January 2024. The 2021 audit report received a clean "unmodified" opinion from the external auditor. EUR 11 million in the designated account was undocumented by the deadline, which was at the end of the grace period on May 31, 2024. By the time of ICR Review preparation (December 2024), as reported by the Bank team in a written interview dated 12-13-24, the previously undocumented EUR 11 million in the designated account had been documented, the two outstanding IFRs for 2023 had been submitted and cleared, and the audit report for 2022 had been submitted with unqualified opinion, but the audit reports for 2023 and January

2024 are still outstanding and will be submitted by the end of December 2024, and the external financial audit at project closing has yet to be submitted.

Procurement. The UGO faced procurement challenges throughout the project. At Mid-Term Review - due to limited internal capabilities and complex regulations - fourteen out of the thirty-eight planned contracts in the Bank's tool for Systematic Tracking of Exchanges in Procurement (STEP) were canceled. While the Bank procurement team's assistance helped improve procurement capacity over time, the project's procurement performance was rated Moderately Unsatisfactory due to persistent delays and discrepancies in clause interpretation by state procurement control and the departmental procurement commission.

c. Unintended impacts (Positive or Negative)

None reported.

d. Other

Gender. The project aimed to reduce gender gaps in accessing economic opportunities for female beneficiaries, as shown by the PAD's PDO elaboration (i.e., *reduction of gaps between male and female beneficiaries for accessing key economic opportunities is an integral part of the project*). The project included two PDO-level and five intermediate indicators on female beneficiaries. Female-specific project activities included higher stipends for female participants with dependents, and special training on overcoming gender norms and entrepreneurship self-confidence. However, under the second restructuring, most of these activities were eliminated, while 70 percent of Component 4 beneficiaries were male.

11. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Highly Unsatisfactory	Highly Unsatisfactory	
Bank Performance	Unsatisfactory	Unsatisfactory	
Quality of M&E	Modest	Modest	
Quality of ICR	---	High	

12. Lessons

The ICR (pp. 22-24) presents several lessons generated through this project:

It is essential that institutional arrangements are based on a thorough analysis of institutions' technical, operational, and convening capabilities. The project's chosen arrangement aimed to improve the MFPE's capacity and authority over the MFPE's implementation

agency (ANETI). However, issues like limited internal capacity, lack of experience with World Bank-financed projects, procurement challenges, and recruitment rules affecting government staff were known during project design and should have been considered during decision-making at the time, along with issues related to mandates, funding, legal responsibilities, and political risk.

To avoid delays that can affect project outcomes, it is important to ensure early on that PIUs and implementing agencies have the capacity to manage procurement processes effectively. Public procurement in Tunisia is regulated by multiple institutions, including the Public Procurement Authority, Market Control Commissions, Evaluation Committees, and Opening Committees. All procurement activities for World Bank-financed projects must pass through these entities before contracts can be signed. Obtaining clearances from each institution is time-consuming and requires expertise from PIUs and implementing agencies. This suggests that, in order to avoid delays that could jeopardize project outcomes, it is crucial to ensure that PIUs and implementing agencies have the necessary capacity and readiness to manage and expedite procurement processes effectively.

Strong innovation or system-strengthening project outcomes cannot be effectively captured if these objectives are not included in the project's RF. In this case, the project's objectives were not clearly reflected in its RF, limiting the ability of the Bank and the government to track progress and provide timely oversight.

Simplifying project design and focusing on core activities that are better aligned with the vision and mandate of the implementing agency can increase implementation efficiency. The project required numerous preliminary actions, including setting up a MIS, data systems, and VCD analyses, before beneficiaries could be processed and funds disbursed, suggesting that the range of innovations might have been better implemented through a phased approach over a longer time horizon, potentially across several projects (including TA or capacity-building-focused programs). In this regard, the project's entrepreneurship component showed promising results, with the straightforward design under the second restructuring being effective in supporting entrepreneurs during its implementation over 12 months. By streamlining and refocusing on core activities, the project could efficiently solicit, process, and select many entrepreneurial projects for funding. While this shift meant that some important innovative and system-strengthening elements were lost, the simpler design better matched the MFPE's vision and mandate, resulting in accelerating the implementation of the remaining activities.

13. Assessment Recommended?

No

14. Comments on Quality of ICR

The ICR was well written, with its various parts logically linked and coherent, giving a good picture with plenty of details and insights. It was candid about implementation delays and provided an overall adequate, critical assessment of the project's achievements and shortcomings, as well as detailed explanations of the project's changes introduced at the two restructurings. The ICR's efficiency and Bank performance sections were particularly insightful, presenting a detailed analysis of the key factors affecting implementation, Bank

performance, and M&E. The lessons presented in the report were useful and derived from project experience. This ICR provides an excellent basis for learning and sharing lessons more broadly in the Bank.

a. Quality of ICR Rating

High