



Project Information Document (PID)

Appraisal Stage | Date Prepared/Updated: 22-Feb-2022 | Report No: PIDA33157



BASIC INFORMATION

A. Basic Project Data

Country Tunisia	Project ID P177821	Project Name Tunisia COVID-19 Social Protection Emergency Response Support Project Additional Financing	Parent Project ID (if any) P176352
Parent Project Name Tunisia COVID-19 Social Protection Emergency Response Support Project	Region MIDDLE EAST AND NORTH AFRICA	Estimated Appraisal Date 15-Feb-2022	Estimated Board Date 29-Mar-2022
Practice Area (Lead) Social Protection & Jobs	Financing Instrument Investment Project Financing	Borrower(s) Republic of Tunisia	Implementing Agency Ministry of Social Affairs

Proposed Development Objective(s) Parent

The Project objective is to provide cash support to poor and vulnerable households affected by the COVID-19 pandemic and contribute to strengthening the social protection system in Tunisia.

Components

- Cash transfers to mitigate the impact of the COVID-19 crisis
- Cash transfers for human capital development
- Strengthening the social protection system
- Contingency Emergency Response

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	300.00
Total Financing	300.00
of which IBRD/IDA	300.00
Financing Gap	0.00

DETAILS

World Bank Group Financing



International Bank for Reconstruction and Development (IBRD)	300.00
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Environmental and Social Risk Classification

Substantial

Other Decision (as needed)

B. Introduction and Context

This Additional Financing (AF) in the amount of US\$300 million will scale up the activities of the Tunisia COVID-19 Social Protection Emergency Response Support Project (P176352) (the Parent project) to further support the social protection system and protect vital social safety net expenditures during the economic crisis. The Parent project of US\$318 million was approved on March 31, 2021. Since effectiveness, it has disbursed US\$220 million and made considerable progress toward achieving its development objective with the implementation of a Temporary Cash Transfer (TCT) to about 30 percent of the population through a vertical and horizontal expansion of the national AMEN Social program. However, since the start of the implementation of the Parent project, the country’s fiscal position has deteriorated. In 2020, Gross Domestic Product (GDP) contracted by 9.2 percent. In 2021, the economic rebound of 3 percent was moderate and well below the expected 5.8 percent. This gap reflects pre-existing structural weaknesses, a resurgence of COVID-19 in Tunisia, and the slow global recovery. The poverty rate that started increasing with the onset of the COVID-19 pandemic is expected to remain high in 2022, at almost 21 percent, and is not expected to decline to pre-COVID levels before 2023. The support to be provided by the AF will ensure the continuity of social assistance programs for poor and vulnerable households during a period characterized by a challenging fiscal and budgetary situation while strengthening the social protection system. It will do so by better identifying, reaching, and covering people in the poorest decile and by accelerating the implementation of the AMEN Social program to make the program more responsive to shocks to increase the resilience of vulnerable households.

Country Context

Tunisia’s health and economic conditions that started to deteriorate since the onset of the COVID-19 pandemic continued to worsen in 2021 and 2022. The severe drop in the Tunisian economy in 2020 (-9.2 percent) has been followed by a slow economic recovery in 2021 that has put even further pressure on the government’s spending, including social assistance. The fiscal situation has deteriorated and poses a risk to the sustainability of the AMEN Social program, the main social assistance program in the country. The crisis has also increased the already high current public expenditures, including health spending and the public wage bill. Tax revenues declined, driven by reduced economic activity. As a result, the fiscal deficit increased to 9.4 percent of GDP in 2020 from 2.9 in 2019. This increase was moderated in the first few months of 2021, with the deficit projected at 7.6 percent of GDP, as revenues partially recovered, and expenditure growth has slowed.

The health and economic crisis have exacerbated key vulnerabilities of the Tunisian economy, impacted household livelihoods, and have contributed to increasing social pressures. The unemployment rate, which was



high at around 15 percent before the pandemic, worsened to 17.4 percent¹ in 2020, with higher rates among youth and women. The health and economic crisis impact on informal workers, who account for 46 percent of the workforce, is likely to be significant. Informal workers, such as day workers and those self-employed in informal micro-businesses, are generally from lower-income households who do not have access to social insurance benefits. In addition, the crisis is having a lasting impact on poverty and past gains in poverty reduction were lost. Overall, economic growth was pro-poor from 2000 to 2015, resulting in poverty decline from 25.4 to 15.2 percent. Yet, significant disparities continued to exist between urban and rural areas and between coastal regions (where most economic activities are concentrated) and interior regions. However, a Bank study² suggests that in 2020, poverty has dramatically increased and affects approximately one in five Tunisians. The most vulnerable individuals are likely to be women living in large households, without access to health care, and employed without contracts.

Protecting and developing the human capital of children of poor and vulnerable households is becoming more challenging. Once a leader in the region, Tunisia has experienced a dramatic slowdown in human capital accumulation over the past decade. The human capital index declined from 0.53 in 2010 to 0.52 in 2020, with a significant negative impact on the poor and vulnerable in the lagging regions. The declining state of human capital can be attributed to the systemic challenges that hinder the capacity of the Government and citizens to build, protect, and utilize human capital, which the recent fiscal situation has exacerbated. Furthermore, the COVID-19 pandemic has further impacted this development and deepened the existing systemic challenges and regional disparities. School closures may lead to learning losses equivalent to a third to a full year of schooling, and they are likely to affect disadvantaged students disproportionately.

In addition, the COVID-19 pandemic has exposed gaps in the resiliency of the Tunisian health, education, and social protection systems. The gaps in pandemic preparedness and response, including limited use of information systems, weak coordination between stakeholders, and the inability to mobilize additional financial and service delivery resources, limited the capacity of the Government to respond effectively to the pandemic, maintain essential services and protect poor and vulnerable categories.

Sectoral and Institutional Context

In 2019, the Government enacted a law to set up a new integrated social safety net program: the AMEN Social program. The Government's main objective is to improve the efficiency of the social protection system to address multidimensional poverty by reducing the fragmentation, increasing the coverage of poor and vulnerable households, and creating a social registry of beneficiaries to better assess their needs. In addition, the AMEN Social program aims to facilitate access for poor and vulnerable households to services, thus linking with education, housing, employment, healthcare, and social services.

The Ministry of Social Affairs (MoSA) has implemented important reforms to improve efficiency, including developing the AMEN Social registry to identify poor and vulnerable households and enroll them into the program. The main objective of the social registry is to cover the bottom 30 percent of the population with social protection benefits and services. Moreover, the MoSA developed a new management information system and deployed new processes, including a targeting system and a grievance redress mechanism. The MoSA,

¹ INS_T4 2020 : <http://www.ins.tn/fr/themes/emploi#sub-374>

² Impact of COVID-19 on household welfare in Tunisia, World Bank 2020.



supported by the World Bank, is undertaking technical work on the AMEN Social registry, the inter-operability platform, the digital Government-to-person payment platforms, and the electronic health cards. A new inter-operability platform was implemented and used in 2021 to ensure an automatic data cross check with social funds databases and confirm the eligibility of households to TCTs. In addition, the MoSA and the Health Insurance Fund started, in September 2021, the distribution of the electronic health cards with the support of the national post office - *La Poste*.

The AMEN Social program provides many services to poor and vulnerable households. The program covers 265,000 poor households, representing about 8 percent of the total population (2019), with the following benefits : (i) a free health card (AMG1) to access medical care at public health centers at no charge; (ii) a monthly permanent cash transfer of TND 180³ (US\$65); (iii) a supplemental family allowance of TND 10 (US\$4) for each child 0-18 years old, and a monthly family allowance of TND 20 (US\$8) for each child 0-18 years old living with disabilities, which will continue until the age of 25 for children in education or training; (iv) back-to-school allowances of TND 50 (US\$20) for each child in primary and secondary school and of TND 120 (US\$48) for each university student; (v) a religious celebration aid of TND 60 each (US\$24 each) for Ramadan, *Aïd al-Fitr*, and *Aïd al-Idha*; (vi) on-demand allocation of financial and material resources to encourage and support beneficiaries to engage in income-generating activities to facilitate their economic and social inclusion; and (vii) one-off assistance (*e.g.*, in-kind benefits) or TCTs.

In addition, the program also provides benefits to 620,000 vulnerable households, representing roughly 20 percent of the total population (2019). The services offered include: (i) the subsidized health card (AMG 2) to access medical care in public health centers for a fixed annual fee (fiscal stamp) of 10 TND (US\$4); (ii) back-to-school allowances of TND 50 (US\$20) for each child in primary and secondary school, and of TND 50 (US\$20) for each university student; and (iii) one-off assistance (*e.g.*, in-kind benefits) or TCTs.

Building on the technical progress of the implementation of the AMEN Social Registry, the Government of Tunisia has rapidly launched additional social measures to mitigate the impact of the crisis over the past year, including (i) the implementation of an additional wave of TCTs; (ii) the acceleration of the digitalization of the payment system; (iii) the targeted expansion of the Permanent Cash Transfers (PCTs) under the AMEN Social program; and (iv) the gradual expansion of the Family Allowance benefits. Thus, while the crisis brought many economic and social challenges, it also provided an opportunity to accelerate the implementation of the social protection reforms with stronger Government commitment to improve the coverage of poor and vulnerable households.

C. Proposed Development Objective(s)

Original Project Development Objective (PDO)

The PDO is to provide cash support to poor and vulnerable households affected by the COVID-19 pandemic and contribute to strengthening the social protection system in Tunisia.

Current PDO

³ The 2022 budget law scheduled an 11 percent increase of the PCT to TND 200 (US\$80) per month per household.



The AF PDO is to provide cash support to poor and vulnerable households affected by the COVID-19 pandemic and contribute to strengthening the social protection system in Tunisia.

Key Results

The PDO will be monitored through the following PDO level outcome indicators:

1. Households receiving TCTs (number)
Share of women heads of households receiving TCTs (percentage)
2. Children 0-5 years old from poor and vulnerable households receiving Family Allowance (number)
Share of girl 0-5 years old from poor and vulnerable households receiving Family Allowance (percentage)
3. Households receiving the AMEN Social PCTs through the new selection process (number)
Share of women heads of households receiving the AMEN Social PCT through the new targeting process (percentage)
4. Percentage of beneficiary households receiving PCTs and Family Allowance through digital payment tools (percentage)
5. Percentage of beneficiary women receiving payments digitally (percentage)

D. Project Description

The proposed AF will continue to support the AMEN Social program to ensure the provision of cash transfers to poor and vulnerable households to alleviate the impact of the crises and further strengthen the capacity of the social assistance system to respond to economic shocks. The components of the Parent project will be revised and include:

- I. under the first component: an expansion of the AMEN Social program cash transfer to mitigate the impact of the current health and economic crisis or future economic shocks on poor and vulnerable households and support the improvement of the targeting efficiency of the AMEN Social program.
- II. under the second component: an expansion of financial support to the Family Allowance under the AMEN Social program for the poorest and vulnerable households, and
- III. under the third component: a reinforcement of the governance and institutional arrangements of the AMEN Social program and further improvement of the efficiency of the social protection system.

Legal Operational Policies

Triggered?

Projects on International Waterways OP 7.50

No

Projects in Disputed Areas OP 7.60

No

Summary of Assessment of Environmental and Social Risks and Impacts



The overall risk rating of the Parent project and the AF is substantial.

The political and governance risks associated with this AF remain high. Following extensive protests, against the Government and the parliament, for the handling of the COVID-19 crisis and the economy. On July 25, 2021, the President invoked Article 80 of the Constitution. The exceptional measures were subsequently extended through the issuance of Presidential Decree 117 of September 22, 2021, which partially suspends the application of the 2014 Constitution by retaining only the provisions that do not contradict the decree and increases the powers of the President, including the issuance of legislative texts by decree. Further, the activities of parliament and the parliamentary immunity of its representatives remain suspended indefinitely. The President subsequently named a new Prime Minister on September 29, 2021 and announced a new Cabinet on October 11, 2021. The Government has also launched a national online consultation exercise on the future governance model involving citizens and announced a plan for parliamentary elections to be held in December 2022, likely to result in another change of Government. Uncertainty around Tunisia’s future governance model and the planned elections poses significant macro-level political and governance risks for this operation and could delay its implementation. There remains broad support both in society and among political actors for enhanced social support to the poorest households at the sector level. However, there has also been substantial turnover in key management roles in recent months—including a new Minister (*Chef du Cabinet*), a Director of Administration and Finance (*Président de l’instance générale de promotion sociale*), and procurement focal point in the Delivery Unit (DU), resulting in a loss of institutional memory and continuity. The political and governance risks will continue to be mitigated throughout the AF and the Parent project implementation, through: (i) ongoing high-level dialogue with the authorities; (ii) efforts to coordinate and align sector development partners dialogue and messaging; and (iii) the provision of technical assistance financed by considerable World Bank-executed trust fund resources that facilitate project implementation and associated sector reforms.

The macroeconomic risk is rated high

The residual macroeconomic risk to achieve the project objectives remains high due to the economic and fiscal crisis. Tunisia is experiencing severe fiscal pressures and faces the risk of not having sufficient funding to cover the rising needs of a population under social, economic, and health strains. After the dramatic drop in 2020, Tunisia’s economic recovery has been slow in 2021. The rising debt (84 percent of GDP in 2021), the lack of reforms, and the delay in negotiations with the International Monetary Fund (IMF) have effectively cut the Tunisian Government off international capital markets, with sovereign ratings plummeting in 2021. These factors contribute to a reduction of resources available for critical social assistance and COVID-19 related expenditures. The proposed AF and parent project aim to mitigate this risk by providing financing for cash transfers to poor and vulnerable households, including financing regular cash transfers and free fiscal space for other priority expenditures. The residual macroeconomic risk to project sustainability will remain high. The risk will be mitigated through continued dialogue with key development partners, including the IMF, to lay down the right conditions for structural reforms that could facilitate renewed access to international financing. In addition, the advice provided by the World Bank and other partners on ways to achieve greater efficiency in public spending could help increase fiscal space.



The Financial management (FM) risk remains substantial

The key FM risks relate to: (i) the additional increased workload of the project current FM staff, which may negatively impact the accuracy and timeliness of financial and audit reports submission; (ii) lack of effective internal audit function in the ongoing Parent project; (iii) challenges associated with the preparation of Interim Financial Reports and annual financial statements using a spreadsheet and data extracted from the national budget execution software ADEB; (iv) the design of the project which involved many actors and beneficiaries geographically dispersed around the country and resulting in a large number of small expected transactions; and (v) the lack of recent audit and verification reports of the AMEN Social program by one of the government institutions of control (*e.g.*, court of accounts, (*Contrôle général des finances* (CGF)) or (*Contrôle général des services publics* (CGSP)) over the last 12 months (2021). To mitigate the identified risks, additional FM staff fully dedicated to the project and adequate budget will be allocated to MoSA's Internal Audit (IA) department to help the entity fulfill its mandate. The IA will be required to conduct and submit to the World Bank at least on a semesterly basis a copy of the reports of the IA missions covering procurement, FM, and programmatic aspects of the project, including physical verifications when needed. The existing FM procedures section of the project operations manual prepared for the Parent project will be updated to reflect the additional activities to be financed.

The environmental risk is assessed as moderate, whereas the social risk is deemed substantial

The main environmental risk related to project activities is linked to COVID-19 transmission among civil servant social workers, among vulnerable households with low literacy and/or digital literacy that must interact with service providers and during training sessions and field visits that project social workers will have to be carried out under the AMEN Social program supported by the project. The national COVID-19 mitigation measures will be applied. The social risk is deemed substantial for the following reasons: i) the important number of beneficiaries involved; ii) the geographic coverage of the project; iii) social exclusion through failure to reach some segments of the poor, vulnerable, disadvantaged groups in remote regions of the targeted population, digital illiteracy, fraud, inclusion errors; and iv) exclusion of existing beneficiaries deemed no longer qualified under the new targeting model and criteria. The mitigation measures put in place to address social exclusion will continue to be implemented. They include eligibility determined by objective criteria using a centralized system, a new manual of procedures for all services under the AMEN social program, training of all social workers, continuation of the implementation of the social assessments, and the audit action plans prepared under the Parent project. These measures are funded and technically supported by the World Bank-financed Digital Transformation for User-Centric Public Services (P168425).



E. Implementation

Institutional and Implementation Arrangements

The DU within the MoSA will remain in charge of the overall implementation of the Parent project and the activities proposed under the AF. The DU has performed well during the initial phase of the implementation of the Parent project and will be further strengthened by civil servants or consultants to support the additional workload resulting from the new activities. The team will be strengthened to cover the FM, procurement, and safeguards aspect of the project. The creation of an inter-ministerial steering committee was not needed at the time of preparation and during the implementation of the Parent project since most activities were implemented by the MoSA. Since the scaling up of the original project activities will primarily focus on the implementation of an integrated social program to support the resilience and the human capital development of poor and vulnerable households, the higher council for social development will serve as the project inter-ministerial steering committee in charge of strategic guidance and oversight.

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APPROVAL

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