Tunisia:
Executive Summary

September 2016
IDEV conducts different types of evaluations to achieve its strategic objectives.
Executive Summary

This evaluation aims to: (i) provide an independent evaluation of the Bank’s development results in Tunisia over the 2004–2015 period; (ii) review the causes and factors of success and failure in terms of development results; and (iii) make recommendations for possible improvements. These recommendations will contribute to the preparation of the Bank’s future Country Strategy Paper (CSP) for Tunisia.

Bank’s Intervention Framework and Portfolio

The Bank’s cooperation with Tunisia evolved over the 2004–2015 period in line with the country’s priorities in the different plans. Before 2011, this assistance was provided under the 2002–2004 CSP, extended to 2006, and the 2007–2011 CSP. In the aftermath of the Revolution, and in the absence of a consensual development strategy for the country, the Bank developed two successive interim strategies (2012–2013 i-CSP and 2014–2015 i-CSP) to provide a framework for its operations in Tunisia.

The Bank intervened in 9 sectors, with special emphasis on transport infrastructure and governance. Between 2004 and 2015, the Bank financed 58 projects in Tunisia representing a total amount of about UA 2.38 billion (i.e. about USD 3.4 billion) and is one of Tunisia’s main donors. AfDB provided support to the country’s development in strategic sectors such as transport and energy infrastructure as well as technical assistance and analytical work in the areas of social protection, health and youth employability.

In the wake of the ‘Arab Spring’ in 2011, the Bank’s commitment in the form of two successive budget support operations then obliged it to focus on non-lending activities. The Bank’s operations accelerated and peaked in 2011 with the two successive budget support operations totalling one billion US dollars. This contribution exhausted the Bank’s commitment capacity, as a result of which it refocused by prioritizing non-lending activities (technical assistance, advisory support and economic and sector work) in 2012–2013. However, commitments in favour of investment projects resumed in 2014.

How has the Bank Managed its Interventions?

The design quality of the Bank’s strategies in Tunisia over the period under review improved over time due to the deepening of consultations and intensification of analytical work, especially in the post-2011 period when the analysis of regional disparities and employment issues was scaled up. Over the 2004–2011 period, the Bank aligned its strategies to Tunisia’s clear development strategies. The design of results frameworks was strengthened over time but remained confined to outputs. After 2011, preparation of the Bank’s strategies in Tunisia was enriched by the deepening of stakeholder consultations and increased use of analytical work on regional disparities and youth employment. Unlike the two previous strategies, the two interim strategies focused on two pillars with special emphasis on issues pertaining to regional disparities and jobs. The socio-political risks of post-Revolution programmes were analysed and mitigation measures identified. However, the degree to which the situation had deteriorated was not adequately assessed nor taken into account. (See “Quality of Country Strategies and Selectivity”).

The Bank’s approach in terms of partnership evolved in the pre and post-revolution periods. Before 2011, policy dialogue was mainly carried out within the traditional framework of consultations for the preparation of Country Strategy Papers (CSPs). Following 2011, the Bank adapted to the new Tunisian context by establishing a broad-based
consultation process involving different actors, to provide advisory-support to the new political decision-makers. The Bank also seized the opportunity provided by the 2011 context to reinforce its dialogue with civil society. However, dialogue with the private sector remains weak.

While very few analytical studies were conducted and listed in the CSPs prior to 2011, the Bank stepped up its activities in that area following the revolution. Despite this strong momentum regarding the production of analytical work, greater selectivity and more effective strategic alignment are required. (See “Knowledge and Guidance on Policy Formulation”)

Before 2011, coordination with other donors and the leverage effect were not the Bank’s main concerns in its interventions. The Bank opted for co-financing with a limited number of donors in Tunisia but had a different approach to partnership in governance and agricultural. However, the scarcity of joint financing in the infrastructure sectors impeded the development of synergy and complementarity among donors. Since the Revolution, the Bank has been fully involved in the Deauville Partnership which led, among others, to the establishment of Trust Funds. (See “Partnership and Leverage”)

Contribution to Development Results

According to the four evaluation criteria of relevance, effectiveness, efficiency and sustainability, the Bank’s development results were as follows: (see diagram below).

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**Relevance**

Overall, relevance is deemed satisfactory. From both a strategic and operational standpoint, the Bank satisfactorily aligned its different interventions to meet Tunisia’s development needs while appropriately combining the instruments offered by the public and private sector windows in the different economic sectors. Prior to 2011, the Bank’s different strategies met the macroeconomic expectations and priorities of Tunisia’s different economic development plans. Following 2011, in the absence of a country development strategy, the 2012–2013 i-CSP and 2014–2015 i-CSP extended to 2016, guided the Bank’s interventions in Tunisia. The relevance of all the projects and programmes financed by the African Development Bank (AfDB) in Tunisia over the 2004–2015 period is assessed as satisfactory in relation to the country’s needs and priorities. The needs of beneficiaries were more effectively taken into account after 2011. Similarly, the selection of conditionalities, some of which were linked to pressing social measures, was aligned with the challenges facing the country in the post-Revolution period. (See “Relevance”)

The relevance of project design varies according to the sector and period (pre and post-revolution). Infrastructure sector projects (approved before 2011) were based on technical and economic feasibility studies, and implementation responsibility was clearly defined. The executing agency was designated and performance indicators established from the outset. In the area of governance, post-revolution programme design was clearly focused on outputs and did not adequately take implementation capacity into account. (See “Relevance”)

**Effectiveness**

Effectiveness of the Bank’s operations in Tunisia is rated as moderately satisfactory. Over 85% of the projects reviewed were deemed moderately satisfactory or higher in terms of achievement of outputs and outcomes. A more detailed overview reveals that the achievement of results is mixed and varies by sector and period (pre and post-revolution). (See “Effectiveness”)

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The Bank’s contribution to infrastructure development in support of productive sector growth (pre-2011 interventions) is tangible. In the agricultural sector, the objectives were achieved overall, often with implementation rates of 100%. In the water and sanitation sector, the objective of achieving a rural drinking water access rate of 98% in 2020 currently stands at 94.1% (51.3% achieved by Société Nationale d’Exploitation et de Distribution des Eaux (SONEDE, National Water Distribution Utility) and 42.8% by the Ministry of Agriculture). In the road transport sector, Bank support to the classified networks (Road Projects IV, V and VI) did not significantly alter the network’s length between 2001 and 2014 (from 19,117 to 19,455 km), but contributed, in particular, to quality improvements and a reduction in the number of accidents. Paved roads represented 79% of the classified network’s total length in 2014, while this percentage was 66% in 2001, i.e. a total length of 2,484 km of paved roads over the period (2001–2014). The impacts of these investments are reflected in increased traffic, lower vehicle operating costs and a reduction in the number of road accidents. Average daily traffic throughout the paved network rose from 4,539 to 6,992 vehicles for all motor vehicle traffic, representing a 54% increase. The number of accidents resulting in bodily injuries fell from 12,127 in 2002 with 1,585 fatalities and 16,416 injured people to 9,351 accidents in 2012 with 1,583 fatalities and 14,144 injured people.

In the air transport sector, the country’s socio-political situation prevented the achievement of the expected results of the Enfidha Airport Project. Although the project has provided the country with a fine airport facility at Enfidha and upgraded Monastir Airport, the expected development results were not achieved due to the crisis in the tourism sector since the Revolution.

In the energy sector, the specific objectives of the network rehabilitation projects were to: 1) safeguard consumers’ power supply; 2) reduce losses; and 3) improve the conditions of employees of Société Tunisienne d’Électricité et de Gaz (Tunisian Electricity and Gas Company, STEG) and third parties. While the evaluation noted an improvement in the quality of service delivery, in particular concerning power outage durations (less than half of the baseline indicator) and undistributed power, the number of occupational accidents among STEG employees increased significantly (almost 70%).

The two projects supported by the Bank in the energy sector from the private sector window contributed to the energy mix and to public revenue. Revenue from the Hasdrubal Gas Field Development Project far exceeded the project appraisal estimates. In 2013–2014, the Hasdrubal concession contributed 35% to 45% of the net income of Entreprise Tunisienne d’Activités Pétrolières — ETAP (Tunisian National Oil Company), which has 23 concessions. In 2014, the Hasdrubal field produced 2.9 million Nm3/day of gas, 10,000 bl/day of liquid hydrocarbons, 615 Nm3/day of propane and 315 Nm3/day of butane (ETAP activity reports) which contributes to attaining the country’s energy autonomy objective.

Before 2011, significant improvements had been made in the areas of governance, improvement of the macroeconomic framework and competitiveness. The macroeconomic framework had remained stable for at least two decades due to a prudent macroeconomic policy. Progress had been made in enhancing the transparency of public procurement procedures and accountability. Similarly, the financial sector reform programmes had reduced the number of non-performing loans (NPL, as a % of total debt) in the Bank’s portfolios from 23.7% in 2004 to 17.3% in 2007. As regards competitiveness and the business climate, significant results had been achieved through the Competitiveness Support Programme (PAC) and the Institutional Support Programme (PAI). This allowed Tunisia to remain slightly ahead of its neighbouring countries.

After 2011, despite some progress in certain areas of governance, the country’s socio-political context and weak institutional capacity called into question the sustainability of the results achieved concerning the country’s macroeconomic framework and competitiveness. Tunisia was ranked 8th out of 52 countries according to the 2015 Ibrahim Index of
African Governance with steadily improving scores, especially relating to the rule of law and accountability. The September 2015 Open Budget Survey shows that Tunisia also made considerable strides in terms of fiscal transparency compared to the previous survey in 2012. Its score virtually quadrupled from 11/100 to 42/100. However, the macroeconomic framework deteriorated. Public debt rose from 32% in 2010 to 49.4% of GDP in 2014 while the fiscal deficit, which had been contained (0.9% of GDP in 2010), also deepened after 2011, reaching 4.7% of GDP in 2014 far short of the 3% objective retained in the CSP. This slippage was due to the combined effect of an increase in the wage bill and stagnation of the relative share of tax revenue as a result of the economic recession. Despite the measures taken to foster investment in the priority poor regions, the implementation of additional tax incentives and an increase of 35% in civil service staffing between 2010 and 2014, the objective of reducing unemployment to 11% was not achieved. While it was 13% in 2010, the unemployment rate averaged around 15.4% in 2015 (National Institute of Statistics – INS) and was higher among women (22.6%) and tertiary education graduates (31%).

Despite some progress made in terms of administrative reforms, it is necessary to simplify administrative procedures. Moreover, access to information remains difficult. Principles of transparency were applied for public access to information but the e-government portal is still barely operational.

In the social sector, the Secondary Education Support Programme – Phase II (PAES II) helped to build the intake capacity of educational establishments and increase the enrolment rate from 75.4% in 2005 to 81% in 2014. However, the impacts on educational performance, while positive, did not meet expectations.

Inclusion and the reduction of disparities remain unfinished projects. While Tunisia appears to be one of the most egalitarian countries in North Africa with a Gini coefficient of 0.36 (most recent 2012 INS estimate), wide inter-regional disparities remain. Emergency transfers to local governments and the governorates of the interior, and resource mobilization mechanisms at municipal level were introduced. However, the objective of increasing the proportion of resources from local taxation was not achieved and there are clear inter-regional infrastructure gaps. For example, the index for the level of knowledge built by the authorities shows that the level of knowledge is 30 times higher in Tunis than in Kasserine, and the quality of health services is six times higher in Tunis than in Kairouan and 11 times higher than in Sidi Bouzid. Similarly, access to water and sanitation, roads and energy is sometimes difficult for people living in the interior regions. The post-revolution reform programmes attempted to correct these disparities by readjusting public expenditure in favour of disadvantaged areas (the AMAL Programme for employment). But these programmes are faced with a problem of targeting.

Also AfDB still has a long way to go towards achieving its objective of beginning the transition to green growth. The Bank’s operations did not include any solar and wind energy projects for operating pumping stations for boreholes or electrification. In the road sub-sector, there was unpredicted, invasive pollution. In the energy sub-sector, fossil fuels were the main source of virtually all energy distributed by the transmission and distribution grids. Renewable energies (wind, water and solar) were insignificant.
Efficiency

Despite sound financial performance evaluated by the economic and financial rates of return, delays were noted in the implementation of most projects. Therefore, efficiency was deemed moderately satisfactory. Ex post cost/effectiveness and cost/benefit analyses could not be conducted for all projects. When ex post cost/benefit analyses were conducted, it was noted that the economic and financial rates of return were in general higher than the ex-ante rates when projects were implemented in accordance with the initial configuration. Time overruns were noted in the implementation of most projects post 2011. The same applied to technical assistance and studies where the average time overrun was about 23 months. Extensions were given by the Bank to finalize works. The delays observed concerned excessively long delays for the approval of works contracts and an over-restrictive regulatory framework governing expropriations and clearing of rights-of-way, disruptions caused by social unrest, sit-ins on sites by young job seekers, the refusal of some contractors to respond to contracts in the interior, expropriation difficulties and lastly, the disorganization of labour in executing agencies following the Revolution. (See “Efficiency”)

Sustainability

Sustainability of the Bank’s operations over the period under review is rated moderately unsatisfactory. Sustainability of the outcomes of reforms implemented by the authorities is likely to be compromised by the lack of ownership observed since 2011, while budget allocations are insufficient to ensure normal infrastructure maintenance. Ownership of reform programmes by the Tunisian Authorities has helped to maintain the results of the pre-2011 programmes. However, the social crisis in 2011 increased the risk to sustainability of outcomes and the two post-revolution budget support operations were considered to be moderately unsatisfactory. With regard to infrastructure, the non-existence of permanent resources (road maintenance fund, for example) for road maintenance, subjects network maintenance to budget constraints. The environmental aspect is well covered at the design and preparation levels but does not appear to have received sufficient attention during implementation. (See “Sustainability”)

Factors of Success or Failure

The following factors have contributed to the success of the Bank’s operations in Tunisia: 1) the continuity and rapidity of the Bank’s responses to the new challenges facing the country; 2) the consistency of all Bank operations in terms of instruments, public and private sector window, and non-lending activities (technical assistance, advisory support, etc.); and 3) the Bank’s contribution to policy dialogue by intensifying consultations with civil society and stakeholders in the context of the post-revolution reforms. (See “Synthesis: Has the Bank made a difference in Tunisia?”)

The most constraining factor to success was the inadequate design of operations that underestimated the complexity of the political and social environment during the transitional period as well as the complexity of reforms. The budget support reforms were compatible with the Government’s objectives but did not contain proposals for the medium-to-long term strategic reforms necessary for development, which require much longer implementation periods. Institutional strengthening was somewhat neglected in favour of financing construction or infrastructure rehabilitation projects (10 investment projects and 2 sector studies). (See “Synthesis: Has the Bank made a difference in Tunisia?”)

The Way Forward – Recommendations

- **Recommendation #1:** Engage in dialogue with the Government in order to initiate a large-scale reform process that will affect all aspects of the economic recovery within the framework of an integrated national plan.
- **Recommendation #2:** Improve mainstreaming of inclusion aspects in the Bank’s strategies and operations through closer targeting of adequate measures aimed at ensuring sustainable
outcomes. The Bank should continue to support the Government in its administrative regionalization and decentralization efforts, including mechanisms for the establishment of contractual relationships with the regions and regional communities in order to pursue its commitment to inclusive and equitable growth.

**Recommendation #3:** Prepare and implement a capacity building programme for central government, executing agencies and the regional authorities.

**Recommendation #4:** Support the Government in completing the reforms in the finance and insurance sectors in order to strengthen financial intermediation and inclusion in Tunisia.

**Recommendation #5:** Conduct a comprehensive analysis of the Bank’s experience in the agricultural sector in Tunisia (Integrated Agricultural Development Projects – PDAI, Water Sector Investment Project – PISEAU, etc.) and draw lessons from the Bank’s experiences in other countries (for example, Nigeria and Morocco) with a view to exploring alternative approaches (for example, value chain approaches) in the context of AfDB’s new 2016–2025 agricultural transformation strategy.
Independent Development Evaluation
African Development Bank
About this Evaluation

This evaluation examines the African Development Bank’s assistance to Tunisia over the 2004–2015 period as well as its contribution to the country’s development. It aims to draw lessons from past performance to improve the Bank’s future strategy and operations in Tunisia. Between 2004 and 2015, the Bank financed 58 projects in Tunisia worth over USD 3.4 billion.

Four successive Country Strategy Papers (CSPs) guided the Bank’s actions over the period in review. This evaluation covers all sectors of the Bank’s interventions in Tunisia, especially the transport infrastructure and governance sectors. It is based on data and information gathered from different sources including document reviews, key informant interviews and site visits.

Overall, this evaluation finds that the Bank aligned its different interventions to meet Tunisia’s development needs and that the Bank’s contribution towards improving the macroeconomic framework, governance and productive sector growth, prior to the 2011 social crisis, was tangible. The evaluation recommends that the Bank continues to support the Government of Tunisia in its financial and economic recovery reforms, administrative regionalization and decentralization efforts, and capacity building.