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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED ADDITIONAL LOAN

IN THE AMOUNT OF
US\$300 MILLION

TO THE

REPUBLIC OF TUNISIA

FOR A

SECOND ADDITIONAL FINANCING TO THE TUNISIA EMERGENCY FOOD
SECURITY RESPONSE PROJECT

MARCH 1, 2024

Agriculture And Food Global Practice
Middle East And North Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective January 31, 2024)

Currency Unit = US\$

US\$1= TND3.12

FISCAL YEAR

January 1 - December 31

Regional Vice President: Ferid Belhaj

Country Director: Jesko S. Hentschel

Regional Director: Meskerem Brhane

Practice Manager: Marianne Grosclaude

Task Team Leader(s): Christian Berger, Sossena Tassew

ABBREVIATIONS AND ACRONYMS

ACGs	Anti-Corruption Guidelines
AF#1	First Additional Financing
AF#2	Second Additional Financing
AfDB	African Development Bank
AM	World Bank's independent Accountability Mechanism
BCT	Central Bank of Tunisia (Banque Centrale de Tunisie)
CAD	Current Account Deficit
CCBs	Climate Co-Benefits
CCDR	Country Climate and Development Report
CGC	General Compensation Fund (Caisse Générale de Compensation)
CGF	General Financial Control (Contrôleur Général des Finances)
COVID-19	Coronavirus disease 2019
CPF	Country Partnership Framework
DP	Development Partner
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ESCP	Environment and Social Commitment Plan
ESF	Environmental and Social Framework
ESMF	Environment and Social Management Framework
FM	Financial Management
GDP	Gross Domestic Product
GHG	Green House Gas
GoT	Government of Tunisia
GRS	Grievance Redress Mechanism
IBRD	International Bank for Reconstruction and Development
IPF	Investment Project Financing
ISR	Implementation Support Report
M&E	Monitoring and Evaluation
MAWRF	Ministry of Agriculture, Water Resources and Fisheries (Ministère de l'Agriculture, des Ressources Hydrauliques et de la Pêche)
MCDE	Ministry of Trade and Export Development (Ministère du Commerce et du Développement des Exportations)
MT	Metric tons
OC	Tunisia Grain Board (Office des Céréales)
OHS	Occupational Health and Safety
PADIDFIC	Cereal Sector Inclusive and Sustainable Development Support Project
PAUSAT	Tunisia – Emergency Food Security Support Project
PDO	Project Development Objective
PIU	Project Implementation Unit
PMP	Procurement Management Plan
PPSD	Project Procurement Strategy for Development
PRUSA	Tunisia Emergency Food Security Response Project (Projet de Réponse d'Urgence à la Sécurité Alimentaire)

SEP	Stakeholder Engagement Plan
SOE	State-Owned Enterprise
TND	Tunisian Dinar
TORs	Terms of Reference
US\$	US Dollars
USAID	United States Agency for International Development

Tunisia

Second Additional Financing to the Tunisia Emergency Food Security Response Project

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BASIC INFORMATION – PARENT (Tunisia Emergency Food Security Response Project - P179010)

Country Tunisia	Product Line IBRD/IDA	Team Leader(s) Christian Berger		
Project ID P179010	Financing Instrument Investment Project Financing	Resp CC SMNAG (9242)	Req CC MNC01 (392)	Practice Area (Lead) Agriculture and Food

Implementing Agency: Office des Céréales

Is this a regionally tagged project?	
No	

Bank/IFC Collaboration	
No	

Approval Date	Closing Date	Expected Guarantee Expiration Date	Environmental and Social Risk Classification
28-Jun-2022	30-Jun-2025		Substantial

Financing & Implementation Modalities

<input type="checkbox"/> Multiphase Programmatic Approach [MPA]	<input type="checkbox"/> Contingent Emergency Response Component (CERC)
<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)

Development Objective(s)



To ensure in the short-term the supply of (i) agricultural inputs for farmers to secure the next cropping season and for continued dairy production and (ii) wheat for uninterrupted access to bread for poor and vulnerable households; and to strengthen Tunisia’s resilience to food crises by laying the ground for reforms of the grain value chain.

Ratings (from Parent ISR)

	Implementation		Latest ISR
	09-Dec-2022	30-Jun-2023	30-Jan-2024
Progress towards achievement of PDO	S	S	S
Overall Implementation Progress (IP)	S	S	S
Overall ESS Performance	S	S	S
Overall Risk	S	S	S
Financial Management	MS	MS	MS
Project Management	S	S	S
Procurement	S	S	S
Monitoring and Evaluation	MS	MS	MS

BASIC INFORMATION – ADDITIONAL FINANCING (Second Additional Financing to Tunisia Emergency Food Security Response Project - P181565)

Project ID	Project Name	Additional Financing Type	Urgent Need or Capacity Constraints
P181565	Second Additional Financing to Tunisia Emergency Food Security Response Project	Restructuring, Scale Up	Yes
Financing instrument	Product line	Approval Date	
Investment Project Financing	IBRD/IDA	14-Mar-2024	
Projected Date of Full Disbursement	Bank/IFC Collaboration		



30-Apr-2027	No		
Is this a regionally tagged project?			
No			

Financing & Implementation Modalities

<input type="checkbox"/> Series of Projects (SOP)	<input type="checkbox"/> Fragile State(s)
<input type="checkbox"/> Performance-Based Conditions (PBCs)	<input type="checkbox"/> Small State(s)
<input type="checkbox"/> Financial Intermediaries (FI)	<input type="checkbox"/> Fragile within a Non-fragile Country
<input type="checkbox"/> Project-Based Guarantee	<input type="checkbox"/> Conflict
<input type="checkbox"/> Deferred Drawdown	<input checked="" type="checkbox"/> Responding to Natural or Man-made disaster
<input type="checkbox"/> Alternate Procurement Arrangements (APA)	<input type="checkbox"/> Hands-on Expanded Implementation Support (HEIS)
<input type="checkbox"/> Contingent Emergency Response Component (CERC)	

Disbursement Summary (from Parent ISR)

Source of Funds	Net Commitments	Total Disbursed	Remaining Balance	Disbursed
IBRD	130.00	130.00		100 %
IDA				%
Grants	11.16	11.16		100 %

PROJECT FINANCING DATA – ADDITIONAL FINANCING (Second Additional Financing to Tunisia Emergency Food Security Response Project - P181565)**FINANCING DATA (US\$, Millions)****SUMMARY (Total Financing)**

	Current Financing	Proposed Additional Financing	Total Proposed Financing
Total Project Cost	141.16	300.00	441.16
Total Financing	141.16	300.00	441.16



of which IBRD/IDA	130.00	300.00	430.00
Financing Gap	0.00	0.00	0.00

DETAILS - Additional Financing

World Bank Group Financing

International Bank for Reconstruction and Development (IBRD)	300.00
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COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any other Policy waiver(s)?

Yes No



Environmental and Social Standards Relevance Given its Context at the Time of Appraisal

E & S Standards	Relevance
Assessment and Management of Environmental and Social Risks and Impacts	Relevant
Stakeholder Engagement and Information Disclosure	Relevant
Labor and Working Conditions	Relevant
Resource Efficiency and Pollution Prevention and Management	Relevant
Community Health and Safety	Relevant
Land Acquisition, Restrictions on Land Use and Involuntary Resettlement	Not Currently Relevant
Biodiversity Conservation and Sustainable Management of Living Natural Resources	Relevant
Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities	Not Currently Relevant
Cultural Heritage	Not Currently Relevant
Financial Intermediaries	Not Currently Relevant

NOTE: For further information regarding the World Bank’s due diligence assessment of the Project’s potential environmental and social risks and impacts, please refer to the Project’s Appraisal Environmental and Social Review Summary (ESRS).

INSTITUTIONAL DATA

Practice Area (Lead)

Agriculture and Food

Contributing Practice Areas

Finance, Competitiveness and Innovation
Macroeconomics, Trade and Investment
Social Protection & Jobs

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

**PROJECT TEAM****Bank Staff**

Name	Role	Specialization	Unit
Christian Berger	Team Leader (ADM Responsible)	Agriculture development	SMNAG
Sossena Tassew	Team Leader	Agriculture economist	SMNAG
Lova Niaina Ravaoarimino	Procurement Specialist (ADM Responsible)	Procurement	EMNRU
Karim Chabir	Procurement Specialist	Procurement	EMNRU
Jean Charles Amon Kra	Financial Management Specialist (ADM Responsible)	Financial management	EMNGU
Monia Braham	Social Specialist (ADM Responsible)	Social development	SMNSO
Olfa Khelifi Ep Arfaoui	Environmental Specialist (ADM Responsible)	Environment protection	SMNEN
Alexandra C. Sperling	Team Member	Lawyer	LEGAM
Elena Segura Labadia	Counsel	Lawyer	LEGAM
Leila Chelaifa	Team Member	Team assistant	MNCTN
Yosra Bouaziz Ep Derbel	Team Member	Agriculture development	SMNAG

Extended Team

Name	Title	Organization	Location
Aniss Ben Rayana	Agriculture Expert - cereal value chain		Tunis
Housseem Chebbi	Agriculture Economist		
Jean Claude Balcet	Economist, Local Development	Consultant	
Leith ben becher	agricultural organization Expert		



I. BACKGROUND AND RATIONALE FOR ADDITIONAL FINANCING

Introduction

1. **The catastrophic 2023 grain harvest due to extreme drought conditions in Tunisia has led to unprecedented needs for wheat imports and to a shortage of locally produced agricultural inputs such as seeds and animal fodder.** The Government of Tunisia (GoT) has requested an emergency second Additional Financing to the Tunisia Emergency Food Security Response Project (P179010) in the amount of US\$300 million to help the Grain Board (Office des Céréales-OC) finance those additional import needs and provide assistance to small domestic grain and dairy producers, with the aim of mitigating the negative impacts of the drought on vulnerable consumers and producers. The GoT has started simultaneously addressing climate and fiscal - of paramount importance given the continued difficult macro-economic position of the country - sustainability challenges in the grain value chain. This second Additional Financing would be part of a broader package of assistance already mobilized or being mobilized by Development Partners (DP).

A. Country and sector context

Economic and Social context

2. **Tunisia continues to face challenging macro-economic conditions, aggravated by the ongoing drought.** The severe drought that hit the country in 2023 has further slowed down an already modest recovery, affected by difficult access to international capital market and continued regulatory barriers to growth. As a result, the economy only expanded in real terms by 0.7 percent in the first three quarters of calendar year 2023, a third of the rate of 2022, and almost a sixth of the 2021 rate (4.4 percent). Real Gross Domestic Product (GDP) remains well below pre-COVID-19 crisis levels (-2 percent).¹ This performance has been weak compared to Tunisia's peers, which exhibited lower declines during the pandemic and more sustained recoveries. The weak recovery adds to the challenge of securing sufficient funds from international capital markets to finance the large structural current account and budget deficits. This has been compounded by the high inflation (8.1 percent in December 2023) particularly for food products (12.1 percent). Tunisia is facing shortages of some basic consumer products, which are affecting more acutely the poorest and most vulnerable segments of the population. The 2023 extremely poor domestic harvest has led to acute grain shortage since June 2023, resulting in long lines at bakeries with regular lack of bread a few hours after opening. Tunisia has currently no active International Monetary Fund (IMF) program. A staff level agreement for a new program had been reached in October 2022 and work is underway to materialize this program.

3. **More benign terms of trade and a robust recovery of tourism have helped ease the pressure on the current account, which however remains in deficit.** The decline in international commodity prices and the increase in the price of key Tunisian exports, including olive oil and electric machinery, have moderated the merchandise trade deficit. The deficit narrowed by 32 percent in 2023 (compared to 2022), although it remained elevated at 10.9 percent of GDP. Imports declined by 4.4 percent in 2023, including energy and agriculture, which had grown by 40 and 90

¹ Source: Tunisia Economic Monitor - Fall 2023 (World Bank document)



percent respectively the year before. Along with the robust tourism performance, the moderation of the trade deficit reduced the Current Account Deficit (CAD), which narrowed to 1.5 percent of GDP in the first half of 2023 from 4.1 percent in the same period of 2022.

4. **Even with a moderating CAD, Tunisia’s limited access to international capital markets along with rising debt of State-Owned Enterprises (SOEs) have led to shortages of some basic imported products.** As Tunisia faces challenges in tapping into international capital markets, the CAD and rising debt repayments have translated into high external financing needs in 2023. Tunisia’s constraints in accessing international financing have made it increasingly difficult to secure the funds to cover these needs. With relatively thin reserves and the increasing debt of SOE importers, the rising CAD has translated into shortages of basic products, including cereals, sugar, dairy products, coffee and pharmaceutical products. For example, as the drought reduced Tunisia’s grain harvest in 2023, the Grain Board (OC) had difficulties to step up its imports to compensate for the shortfall, thus contributing to the shortages on the market. The system of price controls that regulates the markets of wheat and other basic products is among the drivers of the increasing indebtedness of the state-owned marketing boards and hence of the shortages.

5. **Pressure on the budget has continued to be high as subsidies and transfers remain elevated and the economic crisis affects indirect taxes.** While the budget was balanced during the first half of 2023 mainly thanks to the moderation of the public wage bill growth and the robust performance of direct taxes, pressure on the budget remains high, notably because of consumer subsidies and limited indirect tax collection.

6. **The sustained budget deficits of the past years have increased public debt, also raising the burden of Tunisia’s debt service.** Given the limited access to international financial markets, the GoT uses local mechanism to finance its needs. The sustained use of local funding bears the risk of crowding out credit to the rest of the economy. As external financing conditions remain tight, imports have continued to be compressed, in particular for SOEs which have high debt towards the State. On February 6, 2024, the Tunisian Parliament approved a law authorizing the Central Bank of Tunisia (Banque Centrale de Tunisie – BCT) to grant, exceptionally for the year 2024, repayable facilities for the benefit of the general treasury of Tunisia, up to 7 billion dinars (US\$2.2 billion) aimed at filling part of the state budget deficit.

7. **With these challenging economic conditions, Tunisia currently faces increasing poverty and inequality with poor and vulnerable households also suffering the most from drought.** Official poverty measured by the National Institute of Statistics (INS) declined from 20.5 percent in 2010 to 15.2 in 2015, but it rebounded to 16.6 percent in 2021. The percentage of the Tunisian population who are vulnerable to falling into poverty² dropped from 31.1 percent in 2010 to 18.0 in 2015, but it increased to 20.2 percent in 2020 (Poverty and Equity Brief, October 2023). The Gini Index measuring inequality declined from 35.8 to 32.8 between 2010 and 2015 but increased to 35.3 in 2021 with wide regional and urban/rural disparities. Poor households are the most vulnerable to the negative impacts of climate change, and this is particularly true in rural areas where recurrent droughts are compromising the livelihoods of smallholder farmers.

² Using the Upper Middle-Income Poverty Line of US\$6.85 per day (2017 PPP)



Sectoral context

8. **An exceptional drought exacerbated by climate change has dramatically affected Tunisia’s grain production in 2023.** Even considering that the ‘new normal’ is reduced precipitations under the current impact of climate change in Tunisia, the year 2023 stands out in terms of lack of rainfall and excessive heat. For the fourth consecutive year, below-average rainfall and extreme heat have combined to dramatically compromise Tunisia’s grain production in 2022/23. As shown in Table 1 below, the Grain Board collected less than half of durum wheat quantities in 2023 compared to average drought years 2020-22 and two-thirds less than in a non-drought year (such as 2019), and almost no barley (1.3 percent of average drought years). Consequently, average monthly grain import needs have skyrocketed (100,000 MT/month for durum wheat and 100,000 MT/month for barley, currently estimated at US\$48 million/month for durum wheat and US\$28 million/month for barley). Rainfall in the fall of 2023, which is critical for the 2023/24 grain production campaign has been way below the required level. The month of November 2023 was also the hottest November in Tunisia since 1950. Hence, the trend is likely to continue in 2024, with grain production expected to be further curtailed compared to pre-drought years.

Table 1: Grain quantities collected by OC (2019-2023)

Grain type	2019	Average 2020-2022	2023	2023 vs. 2019	2023 vs. average 2020-22
				%	
Durum wheat	876.4	685.6	286.7	32.7%	41.8%
Soft wheat	75.4	31.3	6.2	8.2%	19.8%
Barley	332.9	39.5	0.5	0.0%	1.3%
Total	1284.7	756.4	293.4	22.8%	38.8%

Source: Tunisia Grain Board (OC)

9. **The Tunisia grain sector faces multiple vulnerabilities caused by successive external shocks, including the 2022 market shock and the current climate shock.** Tunisia’s economic performance has decelerated since 2011. Tunisia’s current difficult socio-economic situation is partly due to the legacy of the domestic economic crisis and price inflation following the COVID-19 pandemic, as well as the impact of Russia’s invasion of Ukraine that led to destabilized international grain markets in 2022/2023. Subsidies are part of Tunisia’s food security strategy, with the main responsibilities for grain vested in the Grain Board (Office des Céréales-OC) and the General Compensation Fund (Caisse Générale de Compensation-CGC) (see Box 1 below). For the period from July 2023 to June 2024, the Grain Board is facing an additional financing gap of around US\$522 million due to very low local harvest of durum wheat and barley. In FY22, DPs, including the Bank, provided emergency support to preserve Tunisia’s food security in response to the market shock due to the destabilized international grain markets in 2022/2023 and the subsequent strong increase in Tunisia’s grain import bill. Most of this financing was disbursed in 2022 while a small amount has been disbursed since July 2023, therefore helping to mitigate the impact of the drought. The



current emergency financing needs of the Grain Board reflects the consequences of extreme drought on domestic grain production (see Table 2 below). In a tight macro-fiscal context, the GoT is in dire need of financial support to protect vulnerable consumers and the productive assets of small farmers from drought, maintain national food security, and avoid potential social unrest.

Table 2: OC's financing gap for 2023/24 agricultural season (July 2023-June 2024) due to the impact of drought on the June 2023 grain harvest

Grain type	Planned OC imports: July 2023/June 2024 (MT)	Estimated cost (US\$)	Additional import needs after poor harvest due to drought (MT)	Financial gap due to poor harvest (US\$)	DPs contribution since July 2023 (US\$)	DPs	Financial gap after DPs' contributions (US\$)
Durum wheat	250,000	120,000,000	750,000	360,000,000	19,849,216	AfDB and WB (AF#1 / USAID)	459,271,961
Soft wheat	1,167,000	466,800,000	0*	0*	43,278,823	AfDB and EIB	
Barley	700,000	196,000,000	580,000	162,400,000	-		
Total				522,400,000	63,128,039		

Source: Tunisia Grain Board (OC)

(*) Soft wheat import needs are not substantially impacted by drought since Tunisia is 95 percent dependent on imports.

Box 1: Tunisia's grain value chain: OC and CGC are central to the subsidy system.

- The Grain Board (OC) is an SOE created in 1962 under the tutelage of Ministry of Agriculture, Water Resources and Fisheries (MAWRF) with a core mandate to regulate and ensure a stable supply of grain on the domestic market through domestic grain harvest collection, imports, and the management of strategic reserves. Tunisian households have access to cheaper grain products.
- The OC has a *de jure* monopoly over grain trade (domestic collection and imports), except for barley (animal feed) for which domestic collection (traditionally) and imports (since April 2023) have been authorized for selected private operators.
- The OC buys grain domestically at farmgate prices fixed annually by a government decree. These prices have been below import-parity prices; they were increased by around 60 percent ³since 2022 to incentivize production.
- Prices of the OC procured grain and downstream manufactured grain products are subsidized all along the grain value chain. The OC sells the grain it purchases at subsidized prices to the millers who are granted specific acquisition quotas; the millers in turn sell the milled products (soft wheat bread flour, soft wheat pastry flour, durum semolina) to bakeries and processors similarly at subsidized prices under quota assignments. End products (such as bread, pasta, and couscous) are sold to consumers at subsidized prices.
- CGC, a state-owned entity created in 1970, is responsible for providing compensatory payments to operators at the different segments of the grain value chain to cover the gap between market and administered prices.
- CGC is generally late in providing financial compensation. Delayed payments by CGC accounts for OC financial difficulties. Because of CGC protracted payments, OC must resort to financing by the National Agriculture Bank which is difficult to mobilize and costly.

³ Farmgate gate prices in 2023 have been increased by 60.9 percent, 64.2 percent and 60.7 percent for durum wheat, soft wheat and barley respectively, compared to 2021. In February 2024, official farmgate prices for durum wheat and barley are respectively 3 percent sand 14 percent lower than OC import cost (Source OC).



- The OC and CGC play a central role in the subsidy system: (i) financing subsidies is a huge burden for the State budget; (ii) there is risk of fraud among operators in the value chain to benefit from additional quantities of subsidized products illegally; (iii) there are illegal and improper use of subsidized grain products, i.e., improper use of semolina for feed to animals, illegal leakages of grain products towards neighboring countries, as well as excessive consumption and wastage of bread and wheat-based products by end-consumers, e.g., wastage of 900,000 “*baguettes*” daily; and (iv) the system limits the active participation of the private sector, while reducing agility to adjust to adverse market conditions, and to respond to specific consumer needs.

10. **The Tunisia Grain Board is facing a large financial gap which is partly due to the drought, but also due to delays in financial transfers from the CGC.** For calendar years 2022 and 2023, the OC was supposed to receive TND6,625 million (Tunisian Dinar) – i.e., approximately US\$2,106 million - from the CGC, but funding effectively received from the compensation fund was only 38 percent (i.e., TND2,543 million or US\$808 million). Furthermore, the exceptional 2023 drought has led to additional financing needs of about US\$522 million to cover grain imports from July 2023 to June 2024 (see Table 2 above), hence aggravating OC’s financial situation. As of February 2024, the OC’s estimated overall 2023 balance (yet to be audited) amounts to TND -900 million (equivalent to US\$ -286 million) and OC’s total debt to commercial banks is TND6,343 million (equivalent to US\$2,016 million, out of which 83 percent towards the National Agriculture Bank - BNA). This situation makes it very difficult for OC to access additional financing from commercial banks for grain imports and highlights the urgency of deeper measures, going beyond the plan already undertaken, for the grain value chain to become sustainable.

11. **Beyond emergency needs, to address the market failures in the agriculture sector and climate and financial vulnerabilities of the grain value chain, the GoT is carrying out a series of measures that, if fully implemented, would lead to a more sustainable sector and sizeable budget savings in the range of US\$400-600 million per year.** Since the Parent Project was approved, the GoT has been working on a renewed strategy for the grain sector together with reforms and other accompanying measures to (a) boost domestic grain production, (b) reduce Food Loss and Waste (FLW) and associated fraud, (c) increase value added for the grain value chain, (d) manage production risks, particularly resulting from drought, and (e) reduce OC’s financing needs. A robust and impactful reform plan is under implementation (cf. Table 3 below), already resulting in the adoption of six significant reform measures thereby providing a strong basis for DPs to move ahead with additional support to the sector.

Table 3: Summary reform measures of the grain value chain and associated savings

#	Reform measures	Objectives pursued	Timeline	Fiscal impact (US\$ million/year)	Fraud reduction estimate* (US\$ million/year)
1	Farmgate price increase for soft wheat, durum wheat and barley	A	Approved (Presidential Decree)-July 04, 2022 and July 17, 2023	-	
2	Liberalization of barley imports	C -E	Approved (MAWRF Decision)- April 2023 and September 2023	72	
3	Increase of OC barley sales price	B - E	Approved (joint MAWRF &	108	



			MCDE Decision)- September 18, 2023		
4	Strengthening of compensation for losses (FIDAC ⁴)	A - D	Approved (2024 Fiscal Law)- December 31, 2023	-	
5	Improved access to seasonal credit for grain producers	A	Approved (2024 Fiscal Law)- December 31, 2023	-	
6	Compensatory taxation of commercial and industrial businesses benefitting of the subsidy on pastry flour (PS-7)	E	Approved (2024 Fiscal Law)- December 31, 2023	70	
7	Digital tracking of durum wheat distribution channels	B - E	Planned: decision still to be published (MCDE)	-	100
8	7percent increase of the extraction rate of ordinary flour (PS)	B – E	Planned: positive feedback on bread-making trial and Cabinet Council to review Decision	34	72
9	Liberalization of soft wheat imports for industrial processing of pastry flour (PS-7)	C - E	Planned: Cabinet Council to review the draft Decision	120	
Total				404	172
				576	

Objectives: (A) increase domestic grain production; (B) curb post-harvest losses and improper/illegal use; (C) increase value added; (D) manage risks; and (E) reduce OC’s budgetary needs.

(*): calculation details are available in Project files.

12. **The reform plan includes nine measures, out of which six have already been implemented since the approval of the Parent Project.** Already adopted reforms #1, #4, and #5 are supporting farmers and fostering domestic production as this is key to minimize OC imports, reduce the agricultural trade deficit, and save on hard currency. Other reforms already adopted such as #2, #3, #6 are addressing market failures, opening the grain trade to private operators, or reducing distortions, thereby paving the way for further trade liberalization. The adoption of two additional reform measures is part of the sector policy dialogue with the GoT and is expected shortly: those are measures to improve sector governance which is key to rationalize the current subsidy schemes through product differentiation (reform #8 differentiates highly subsidized bread flour called PS from pastry flour called PS-7) and better control of distribution circuits (#7); these measures have already been accompanied by GoT’s completion in December 2023 of a geo-referenced inventory of all bakeries in Tunisia as “classified” (therefore accessing PS flour quotas) or “modern” (working with PS-7 flour). Another impactful reform (#9) to open soft wheat imports to the private sector will be undertaken gradually over the medium term to mitigate impacts on consumers.

13. **The GoT is demonstrating its commitment to preparing and implementing reforms** to enhance the governance of the grain value chain and to improve the country’s resilience to food security shocks. This series of reforms would lead to OC’s budget and fiscal savings estimated at US\$576 million per year, while several accompanying measures (enhancement of grain logistics

⁴ FIDAC (Fonds d'Indemnisation des Dommages Agricoles causés par les Calamités naturelles): is a farmers’ compensation fund in case of natural disaster, including drought.



and storage, OC's governance, and modernization) are supported by DPs. The current reform plan will likely be complemented with other new measures during project implementation.

14. **In addition, the GoT is addressing climate vulnerability with the help of the World Bank and other DPs, particularly tackling smallholder farmers' adaptation to climate change and the consequences of water scarcity.** A coordinated package of DP assistance was developed in 2022 to mitigate the impacts of the volatility of international grain prices, enhance the governance of the grain sector, and invest in the modernization of grain logistics and the value chain. DPs' coordination is continuing, both for the short-term response to the drought and for support to longer-term sustainable agricultural development, including support to mitigate water scarcity.

B. Current status of the Project

15. **The Parent Project (Tunisia Emergency Food Security Response Project- P179010), was approved by the Board on June 28, 2022, and declared effective on August 24, 2022.** The IBRD loan financing, in the amount of US\$130 million, was part of a coordinated response from DPs to secure grain purchases and support producers affected by market disruptions following Russia's invasion of Ukraine. In that respect, the Project has developed synergies with other DPs' interventions (such as the preparation of reforms for the grain sector, grain storage management and facility improvement). The Project Development Objective (PDO) is "to ensure in the short-term the supply of (i) agricultural inputs for farmers to secure the next cropping season and for continued dairy production and (ii) wheat for uninterrupted access to bread for poor and vulnerable households; and to strengthen Tunisia's resilience to food crises by laying the ground for reforms of the grain value chain". The Project's closing date is June 30, 2025.

16. **The Parent Project is structured around the following components:**

- a) ***Component 1 – Emergency support to farmers (US\$60 million).*** This component aims at mitigating the impact of increased agricultural input costs on production costs of small dairy and grain producers. The Project has financed: (i) the import of barley in the amount of 61,444 metric tons (MT) as feed for the continuation of dairy production in calendar year 2022, and (ii) access to improved, climate-resilient seeds for small producers of durum wheat to secure the fall 2022 planting season, in the amount of 34,655 MT.
- b) ***Component 2 – Emergency purchase of wheat for food security (US\$60 million).*** This component aims at securing soft wheat purchases to avoid bread supply disruption. It has financed the purchase of 160,099 MT of soft wheat in calendar year 2022 (equivalent to close to one month and a half of domestic consumption).
- c) ***Component 3 - Improving resilience to food security shocks and project management (US\$10 million).*** This component aims at addressing structural weaknesses in the grain value chain and distortions introduced by public support to producers and consumers. It has helped in identifying reform options to foster national food security and provides support for additional reforms that will be needed with regards to incentives for domestic producers, grain trade liberalization and food subsidies.



17. **On April 14, 2023, the United States Agency for International Development (USAID) entered into an Administration Agreement with the World Bank to provide additional financing to the Project.** This first additional financing (AF#1) in the amount of US\$11,161,905 was earmarked for the procurement of approximately 25,000 MT of durum wheat. The corresponding Grant Agreement was signed on September 8, 2024; and AF#1 was declared effective on January 3, 2024, following the signing of the subsidiary agreement between the Ministry of Finance and OC.

18. **Overall progress towards the achievement of the PDO and project implementation progress have both been rated Satisfactory since project inception⁵.** Procurement management and environmental & social standards management are rated Satisfactory, whereas financial management (FM) is rated Moderately Satisfactory because of some delay owing to difficulties in compliance with procedures and a late audit⁶. Monitoring and Evaluation (M&E) is also rated Moderately Satisfactory because of the delay in reporting on two intermediate result indicators which rely on field surveys⁷. The current disbursement rate of the Parent Project is 100 percent, although the resources for most of Component 3 are still available in the Project's account (around US\$ 9.7 million). The Parent Project is in compliance with its legal covenants.

19. **Project implementation related to emergency activities has been successful.** The planned emergency activities related to the purchase of barley and the supply of seeds (Component 1) were quickly and successfully completed in calendar year 2022 (61,444 MT of barley and 34,650 MT of certified wheat seeds). The 2022/23 seed campaign (September-November 2022) is considered a success thanks to Project support with areas planted using certified durum seeds showing a marked increase from 17 percent for the baseline to 31 percent actual. However, lack of rain led to a very poor harvest in June 2023. The purchase of soft wheat for food security (Component 2) was fully completed (160,099 MT) in a timely manner by mid-September 2022. The supplier of the additional quantity of approximately 25,000 MT of durum wheat under AF#1 has already been identified by OC and shipment is underway. Despite the success of the emergency activities, the surveys undertaken through the project's M&E mechanism show results somewhat lower than targets for beneficiary satisfaction and access to end-products (79 percent actual for bread and 66 percent for barley, versus a 95 percent target.) The following reasons explain these results: (a) the 95 percent satisfaction targets are deemed unrealistic in the case of Tunisia, where the context of general hardship faced by the population has acted to bias results downward; and (b) there has been a problem of attribution of results to Tunisia Emergency Food Security Response Project (Projet de Réponse d'Urgence à la Sécurité Alimentaire, PRUSA) since commodities procured with Project financing are generic and not readily identifiable, and Project support was available during a short period only. To remedy the above difficulties the targets for beneficiary satisfaction have been revised downward under AF#2, support will also be longer, and surveys will be planned to take place immediately after support has ended.

⁵ See project ISR for December 2023.

⁶ The 2022 audit report was received from the CGF on February 08, 2024, instead of June 30, 2023.

⁷ This relates to two Intermediate Results Indicators of component 1 measuring the number and percentage of beneficiaries reporting adequate access to certified climate smart wheat seeds: surveys have been done and the indicators have been informed on February 13, 2024.



20. Project longer-term activities related to analytical and outreach work on sector reforms are on track after some delay. Component 3 covers these activities, as well as project management activities. While policy dialogue on the future of the grain value chain has progressed since Parent Project preparation, the MAWRF only started analytical work under Component 3 in May 2023 with the approval of a roadmap during the second meeting of the Project's Steering Committee (COFIL) chaired by the Minister of agriculture. Three objectives are pursued through this roadmap: (a) strengthening the resilience of grain farming to shocks and climate change; (b) reforming the grain and dairy sector support system; and (c) preparing the Tunisian Agriculture Strategic Framework in the face of climate change. The Terms of References (ToRs) of the five related studies⁸ have been submitted for Bank no-objection and tenders for the recruitment of consultant firms are to be launched early this calendar year (CY2024). The third meeting of the COFIL, held on November 15, 2023, validated additional data collection, analytical and outreach work related to: (a) the digitization of the seed sector; (b) the census of areas cultivated with grain and the identification of grain producers using a unique registration number; (c) communication campaigns directed towards farmers, value chain operators and the general public on various themes including sustainable agricultural practices, mitigating food loss and waste, and sector reforms; and (d) various training activities, e.g., on the use of modern agriculture machinery (combine harvesters), the adoption of grain-legume crop rotations, the use of climate resilient crop management practices and modern agricultural techniques, and online training for distance learning.

21. Project management by the Project Implementation Unit (PIU) has been satisfactory; the PIU is being strengthened to streamline the implementation of longer-term activities. Overall project management under Components 1 and 2 has been efficient and timely. It has been performed along strict short-term deadlines as required under the emergency planning, with the assistance of OC's experienced staff. Component 3 strategic studies and management activities were planned over a longer period until project closure at mid-CY2025. They are broadly on track, but the studies show some delay due to the difficulty of agreeing on ToRs among several Directorates of the MARHP and other public partners, and/or the difficulty of recruiting firms with the required expertise. In addition, the external audit undertaken by the State Financial Control Entity (Contrôle Général des Finances-CGF, under the auspices of the Ministry of Finance) was overdue for seven months before it was sent to the Bank on February 8, 2024, and an FM action plan was agreed upon to mitigate shortcomings. The Results Framework (RF) was slow to be fully informed for lack of in-house specialized data collection expertise. Bank support missions have recommended strengthening the PIU's capacities to remedy the above issues, by recruiting four individual specialists. To date, the E&S safeguards specialist and Procurement specialist are operational; the recruitment of a Project Management specialist with FM competence is underway.

C. Rationale and Compliance with Bank Policies

22. AF#2 aims to respond to the exceptional drought exacerbated by climate change that has drastically reduced Tunisia's grain production and threatens the next production

⁸ The five studies are to: (1) update the Bioclimatic Map of Tunisia; (2) evaluate national grain consumption needs; (3) estimate national grain production through the establishment of a remote sensing system; (4) analyze current public support to the grain and dairy value chains in Tunisia; and (5) define strategic plans for Tunisia's agriculture and food sector towards 2035 in the face of climate change. The preparation of the studies has been initiated.



campaign. In 2022/23, the grain harvest has been catastrophic: the OC collected extremely low quantities of grain in 2023 for a total 293,500 MT compared to 750,700 MT in 2022 (a 61 percent decrease) and to 1,285,000 MT (a 77 percent decrease) in 2019, which was the last good year over the past decade (see Table 1). The month of November 2023 was the hottest in Tunisia since 1950 and there were almost no precipitations last fall at the time of sowing; farmers are worried that the 2024 grain harvest could also be minimal, but rain has come and could still save the campaign if it occurs at the right time during the season. Furthermore, the drought has drastically curtailed seed availability, with the production level not even sufficient to secure seeds for the 2023/24 campaign. In fact, the several years of drought have severely undermined the seed production system to such a point that it will need to be rehabilitated for several years to maintain the genetic capital which has been built over time and to secure sufficient production capacity.

23. Tunisia’s reliance on grain imports has surged in the context of the highly constrained fiscal situation. The OC’s expenses for grain imports have increased dramatically from US\$575.5 million in 2018 to US\$1,089.3 million in 2022 and the related monthly average grain expenses have increased significantly (currently estimated at US\$48 million for durum wheat, US\$40 million for soft wheat and US\$28 million for barley, i.e., US\$116 million per month in total). Hence, in the current tight macro-fiscal context, in order to maintain national food security, the GoT is in urgent need of support to import grain to maintain access to bread and to safeguard the productive assets of small grain and dairy producers affected by drought. Upon the Government’s request⁹, this second Additional Financing, as well as other DP-supported projects in the grain sector, will provide the required assistance to respond to the current emergency while safeguarding productive assets of smallholder producers for the next agricultural campaigns.

24. AF#2 is part of a coordinated response with other DPs to address the multiple vulnerabilities of the grain sector to recurrent shocks, including the 2022 market shock and the current climate shock. A coordinated package of DP assistance regarding the grain value chain was developed in 2022 at the time the Parent Project was designed for a total of US\$636 million to mitigate the impacts of the volatility of international grain prices, enhance the governance of the grain sector, and invest in the modernization of grain logistics and value chain. A DPs Working Group was established at that time, co-chaired by the Bank, to discuss related issues and coordinate actions. DPs coordination is continuing, both regarding the short-term emergency response to the drought and support to longer-term sustainable development of the grain sector and mitigation of climate risks. The DP community shares the view that structural reforms are needed in the grain value chain as backdrop to coordination efforts to support the grain value chain development agenda.

25. The coordinated response package of 2022 (see Annex 1) included support from the World Bank and other Partners: USAID, the European Bank for Reconstruction and Development (EBRD – Office des Céréales project), the African Development Bank (AfDB - Emergency Food Security Support Project (PAUSAT) and Cereal Sector Inclusive and Sustainable Development Support Project (PADIDFIC) projects), as well as the European Investment Bank and the European Union (European Investment Bank/European Union (EIB/EU) - Strengthening Tunisia Food Resilience project). DP support not only avoided disruptions to wheat and barley

⁹ The Government’s official request for Bank’s assistance is dated November 3, 2023, reiterated on December 29, 2023.



availability, but also involves the gradual implementation of support measures including, inter alia: (a) the rationalization of transport through the acquisition of 60 wagons by the national railway company to minimize costs and increase logistics efficiency; (b) a gradual increase in grain storage capacity by 0.154 million MT by the end of CY2027 complementing the rehabilitation of existing silos (0.194 million MT); (c) the strengthening of scientific research through the acquisition of a greenhouse and laboratory equipment at research centers; and (d) the preparation for enhanced OC's governance through an ongoing study led by a consulting firm. This study has carried out an in-depth diagnosis of the OC (procurement, FM, risk management, digital transformation, and internal governance) and will include an operational action plan. Simultaneously, Food and Agriculture Organization (FAO) has been recruited to undertake an in-depth assessment of the Tunisia grain sector which will result in recommendations to improve the efficiency of the value chain.

26. **AF#2 is consistent with Bank policies for Additional Financing and guidelines for food security response and it is being processed under condensed procedures.** AF#2 is deemed the fastest and most efficient way to provide support as per the GoT's emergency request and it is consistent with Bank policies for Additional Financing. AF#2 is aligned with the Bank's guidelines on food security response.¹⁰ Bank financing is calibrated in size to avoid duplicating supplies provided by other DPs and creating excesses, and to complement DP-financed supporting measures to enhance Tunisia's grain value chain, particularly its logistics. The memorandum seeking Bank management approval to finance food expenditures under AF#2 has been processed. AF#2 also meets the requirements for processing under condensed procedures (para 12 / Section III of Bank Procedures (BP) for Investment Project Financing (IPF) which applies to 'Projects in Situations of Urgent Need of Assistance or Capacity Constraints'.

II. DESCRIPTION OF ADDITIONAL FINANCING

27. **AF#2 will include: (a) activities to build climate resilience, mitigate the impact of successive droughts and secure the next three harvests through adaptation measures** including barley supply for animal feed and enhanced access by smallholder farmers to drought and heat-resilient seed production, (b) short term support for wheat imports in response to the unprecedented drought in a tight macro-fiscal context, and (c) additional activities to increase the resilience of grain producers to climate change and water stress, such as enhanced communication about climate resilient technologies, improved knowledge of the grain sector, particularly key aspects related to vulnerabilities from increased drought and temperatures, and digitization of key processes to streamline operations and adjust to erratic climate conditions particularly in the seed sector. AF#2 will require an 18-month extension of the Project closing date. In particular, support is required over the next three seed production campaigns to mitigate the impact of repeated drought. Dialogue about further support to smallholder farmers to strengthen the resilience of the sector to climate change and market disruptions has also been initiated by the GoT, consistent with the conclusions of the Tunisia Country Climate and Development Report (CCDR) and the World

¹⁰ i.e.: Tunisia has experienced a significant disruption to food supply due to a sudden collapse in domestically produced grain; the support intends to meet immediate consumption needs for less than nine months of national consumption; the Project has a strong likelihood of ensuring access to food on affordable terms to the most vulnerable; adequate measures are in place to address fiduciary/corruption risk and optimize efficiency as demonstrated by satisfactory Parent Project implementation; close coordination with partners is ascertained; and the AF does not involve retroactive financing of food imports.



Bank Global Challenge Program on food and nutrition security.

A. Project Development Objective (PDO)

28. **The current PDO remains unchanged in substance, with minor adjustments to accommodate the fact that AF#2 will cover three grain production campaigns and also focus on wheat products other than bread** (changes in *italics*), i.e.: (a) to ensure, in the short-term, the supply of (i) agricultural inputs for farmers to secure the next cropping seasons and for continued dairy production, and (ii) wheat for uninterrupted access to bread and other grain products for poor and vulnerable households; and (b) to strengthen Tunisia's resilience to food crises by laying the ground for reforms of the grain value chain.

B. Results Framework

29. The results framework has been revised to reflect the scaled up and restructured project activities (see Section VIII).

30. **PDO indicators.** Progress in achieving the PDO will be assessed based on the same indicators as in the Parent Project, with targets adjusted to reflect scaled up project activities and more realistic levels based on implementation experience thus far, i.e.: (a) *ensure the availability of agricultural inputs for farmers*: quantity of barley accessed by smallholder producers, and area planted with certified wheat seeds by smallholder farmers; (b) *ensure the availability of affordable bread and other grain products for vulnerable households*: poor and vulnerable households reporting adequate access to affordable bread and other grain products such as pasta and couscous; and (c) *improve Tunisia's resilience to food crises* based on regular updates of OC's website data on grain domestic collection and imports, and also measured through progress in the implementation of reforms beneficial to the grain value chain; the PDO indicator regarding public consultation on a time-bound food subsidy reform implementation plan has been replaced with the number of reforms prepared.

31. **Intermediate indicators.** Under Component 1, the targets for intermediate results indicators have been revised to reflect (a) the additional quantities of barley imports, and (b) the expanded seed production and seed access, and the fact that the seed support program will cover three years as opposed to a single year. Under Component 2, intermediate indicators on access of poor and vulnerable households to bread have been modified to reflect access and satisfaction at more realistic levels based on implementation experience of the Parent Project and with the addition of the provision of other grain products in addition to bread. The targets have been revised to account for the new quantities of wheat to be imported. Under Component 3, new indicators have been defined specifically to measure progress across the restructured activities.

32. **Project closing date.** The Project duration would be extended by 18 months from June 30, 2025, to December 31, 2026, to reflect that support is needed over more than one production campaign for a full recovery from the current drought and for increased resilience to future climate events. Indeed, several production campaigns will be needed to restore the capacity of the seed production system. It has been seriously affected by drought conditions and will have to undergo in-depth adjustments to fully respond to climate shocks.



C. Beneficiaries

33. **AF#2 will widen the coverage of the Parent Project by including a greater number of beneficiaries**, especially amongst the most vulnerable farmers who have been most affected by the current drought and economic crisis, through additional supply of barley and provision of certified seeds.

34. **AF#2 will continue to ensure access to agricultural inputs and food on affordable terms to the most vulnerable.** Under Component 1, seed and barley distribution will primarily target smallholder farmers who represent most of the grain and dairy producers. The existing distribution mechanisms through OC will ensure an equitable allocation of certified seeds and barley to the different producing areas and allocate a capped quantity of seeds and barley per producer to prevent elite capture by larger producers. Under Component 2 wheat imports are meant to produce flour targeted to bakeries distributing the subsidized bread (“*baguette*” and “*gros pain*”) in disadvantaged neighborhoods, and semolina to industries producing other wheat products (pasta and couscous) as these are mainly consumed by the poorest segments of the population. For AF#2, the OC will carry out monitoring surveys to confirm the availability of certified seeds and barley for smallholder producers and confirm that bread and other wheat products remain widely accessible to the most vulnerable people.

D. Project activities and costs

35. AF#2 will continue to strike a balance between support to smallholder grain and dairy farmers (Component 1) and financing of wheat imports for short-term food security (Component 2). Component 3 will cover medium-term activities to foster resilience of the grain and dairy sector.

36. **AF#2 will primarily benefit smallholder farmers who are adversely affected by the impacts of the drought and maintain access to bread and other wheat products for the most vulnerable segments of the Tunisian population.** AF#2 will provide wheat to supply about seven weeks of national consumption and allow the vulnerable population to access bread and other wheat products (pasta and couscous) at a critical period before the 2024 domestic grain harvest. The provision of barley for animal feed (supply of about 10 weeks) under AF#2 is a critical adaptative measure for dairy producers affected by the lack of green fodder resources because of drought; this will be accompanied by advice to farmers on better feeding practices to increase animal productivity and reduce Green House Gas (GHG) emissions. AF#2 will also make sure that the genetic potential of local varieties (grain and leguminous) is maintained in the face of recurrent drought and provide for enough climate smart seeds to be readily available and accessible to farmers for three agricultural campaigns in a row; this activity will also be accompanied by advice to farmers on smart agronomic practices for crop rotation to increase productivity, reduce fertilizer needs and diminish GHG emissions. The M&E mechanism of the Parent Project has suffered from initial set-up delay, but it is now well-established, and it has shown good results as far as smallholder beneficiary targeting is concerned.

Component 1: Emergency support to farmers (US\$145 million)

37. **This component will aim to mitigate the impact of the drought on small dairy and grain producers and increase their resilience to climate change.** AF#2 will finance: (a) the



temporary import of barley as feed to sustain dairy production since local feed production has been dramatically affected by drought (feed is the main production cost item representing over 50 percent of dairy production costs), and (b) access to improved, drought and heat-resilient seeds for small grain producers to secure the next three planting seasons 2024/25, 2025/26 and 2026/27. Support to seed production will cover not only wheat seeds, but also leguminous seeds; in this regard, rotations between wheat and leguminous crops will be encouraged as they are beneficial for soil fertility and have significant potential to enhance productivity, particularly in the context of adverse climate conditions and contribute to climate change mitigation by increasing carbon sequestration and reducing nitrogen fertilizer needs.

38. **Sub-Component 1.1 - Barley supply for small dairy producers (US\$70 million):** The AF#2 will finance an estimated quantity of 250,000 MT¹¹ of barley for smallholder dairy production during the second quarter of calendar year 2024. Dairy production is an important part of the rural economy and an essential source of income for smallholder farmers, with dairy products also contributing to households' protein intake¹². To feed their cattle, dairy farmers rely on their own fodder production and open grazing areas. But fodder resources have been drastically depleted due to the drought, meaning that many cattle are at risk of starvation and that there are increased risks of overgrazing and increased land degradation in areas with limited fodder production. Healthy and productive cattle provide incomes, jobs, and nutrition, and are thus essential to increase resilience against climate change and other crises. Therefore, to maintain and increase long-term resilience, farmers must adequately feed their cattle. To do so farmers must purchase supplemental barley to ensure the required productivity and achieve tradable surpluses. Barley procured under AF#2 will cover approximately ten weeks of dairy producers' animal feed needs to make up for the shortfall of fodder and the upcoming 2024 domestic harvest of barley which may stand at minimal level. At least 200,000 small dairy producers are expected to benefit from barley procured under AF#2.

39. **Sub-Component 1.2 - Support access to improved seeds (US\$75 million):** AF#2 will help cover farmers' needs for the next three planting seasons (2024/25, 2025/26, and 2026/27), for a total of 120,000 MT of drought and heat-resilient certified seeds¹³. This activity will benefit an estimated 25,000 smallholder grain producing households (approximately 125,000 people). As a result, it is expected that the area planted with certified seeds by smallholder farmers will increase to 33 percent by Project closure from the baseline reference situation of 17 percent in 2022. This will enhance food security and increase medium-term resilience to climate change and will also mitigate the climate-induced migration from rural areas.

40. **AF#2 will finance the supply of certified seeds to address climate conditions,** with three

¹¹ Ten shiploads of barley (25,000 MT each). As a reference, barley imports by OC have been in the range of 480,000 to 950,000 MT yearly in the past six years. Private sector operators have been importing an average of 25,000 MT/month since they were granted import market access in April 2023. The quantities to be imported under the AF would represent a share of total imports estimated for calendar 2024, for about 10 weeks of barley consumption.

¹² Barley is used as feed for livestock and is critical for milk production when fodder resources are scarce because of drought.

¹³ Though OC, in the grain sector, the project will finance the four seed companies operating in Tunisia (procuring from 500 seed multipliers) and farmers will rest assured that financially accessible seeds are available throughout the country, at the right time for planting and in sufficient amount. 40,000 MT of wheat seeds per year at a cost of US\$21 million and 500 MT of leguminous seeds at a cost of US\$4 million, i.e., US\$25 million/year over three years or total US\$75 million additional financing.



objectives: (a) providing adequate amounts of drought and heat-resilient certified seeds to producers; (b) supporting climate smart practices through technical assistance (see Box 2); and (c) preserving Tunisia’s seed genetic capital which is under stress in the context of climate change. Support to the seed plan under Sub-Component 1.2 will be accompanied by the following activities financed by Component 3: (a) a communication campaign directed to targeted producers on the benefits and modalities of using certified seeds and practicing climate smart techniques, including crop rotations, improved water management, reduction of crop losses and waste (see Box 2); (b) support for the digitization of the distribution system all along the seed value chain to streamline operations; and (c) the construction of one barley seed conditioning units for improved marketing and reduced food waste and loss at OC’s premises in Dahmani, including minor civil works and the purchase and installation of equipment.

Box 2: Types of climate smart practices promoted by AF#2

Climate smart practices: alternate cropping cereal/leguminous crops; reduced tillage; mulching; reduced use of chemical fertilizers (partly because of alternate cropping); water management and saving through better irrigation control; better adjustment of agriculture machinery (notably combine harvesters) to minimize crop loss at harvest; and feeding dry fodder to ruminants instead of grazing (minimizing energy consumption). The reduced tillage and crop rotation will result in -964,869 tCO₂-e.

Use of straw: the project will promote the use of straw in the preparation of animal feed and as transformed into organic manure to fertilize crops.

Varieties for crop rotation: the project will promote crop rotation, particularly alternate cropping patterns associating grain and leguminous crops; such leguminous crops will include fodder crops and pulses for human consumption (lentils, chickpeas, etc.).

Fertilizer use reduction: alternate cropping patterns associating grain and leguminous crops will be supported as agronomic practices to reduce nitrogen application needs for the grain crop (chemical nitrogen application is expected to be reduced by 25 -30 percent resulting in at least -51,120 tCO₂-e).

41. **Access to seeds for the upcoming three wheat planting seasons will respond to concerns of grain producers as they face adverse climate conditions.** Drought is a risk for seed production; however, seed multipliers in Tunisia have long been encouraged to invest in irrigation systems to secure production and have access to MAWRF’s assistance program. Starting with the 2024/25 season, the availability of certified wheat seeds will be a critical issue since the 2024 harvest could also fall short of providing enough drought and heat resistant seeds. The seed cooperatives and companies are facing financing difficulties for seed purchases in the current adverse context and rely heavily on the OC for prefinancing the purchase of certified seeds. AF#2 will help OC purchase wheat seeds multiplied by seed producers and finance their cleaning, sorting, and packaging (preparation of certified seeds), and their distribution at subsidized prices to small farmers through its mandated points. AF#2 will also help OC finance the production of climate smart leguminous seeds during three consecutive agricultural campaigns and promote crop rotation as a climate smart agronomic practice.

42. **The existing allocation mechanisms for certified wheat seeds and for barley as feed will ensure accessibility to smallholder farmers,** who are the main providers of domestic grain and dairy products in Tunisia. The OC, in liaison with MAWRF’s regional directorates, closely monitors the allocation and sale of seeds and barley, and a complaints mechanism is in place to report shortages and excessive allocation (e.g., purchase by large producers beyond capped amounts). AF#2 will support additional field visits by OC’s central level staff to oversee seeds and



barley availability and accessibility to smallholder farmers (including women) and strengthen monitoring along the distribution chain. This will be complemented by additional surveys (financed under Component 3) to collect farmers' opinions to inform the M&E plan and flag any availability issues or grievances under the GRM in place. OC monitoring and surveys will provide gender-disaggregated data, including the number of female-headed farms having accessed barley and certified seeds.

Component 2: Emergency purchase of wheat for food security (US\$155 million)

43. **Component 2 will aim at securing wheat purchases and compensating for the reduction of local production because of climate change to avoid a disruption of supply essential for the provision of bread and other grain products, starting from the second quarter of calendar year 2024 onward.** It will finance the purchase of an estimated 352,000 tons of wheat¹⁴ (both durum and soft wheat as needed), equivalent to close to seven weeks of national wheat consumption (the final quantity will depend on prices and other conditions to secure orders and contracts in a context where market conditions are difficult to anticipate). Component 2 will help secure the provision of wheat to avoid any interruption in the supply of bread and other grain products (pasta and couscous) on the domestic market and its direct impact on vulnerable people. Should other DPs decide to increase their support for wheat imports, this support could be used to replenish strategic stocks to the required minimum amount of two months of consumption or 400,000 MT. There is no risk of hoarding or oversupply that would put pressure on the wheat market since Tunisia's strategic security stocks are currently depleted.

44. **Wheat purchases will help secure the availability of affordable bread and other wheat products, essential to vulnerable households' diets, and thereby enhance their resilience.** Ensuring continued access to bread and other grain products is critical for vulnerable households who rely on their supply at low price as their main food item at a time when their purchasing power is decreasing because of inflation. It is also key to safeguarding social stability and climate resilience.¹⁵ Through ensuring the availability and affordability of wheat, vulnerable households will be better equipped to cope with and respond to adverse events, such as future climate-related droughts. A healthier and more food secure population is better positioned to address climate risks. This will also result in reduced climate-induced migration pressure from rural areas. The targeting of vulnerable households is built-in through market segmentation¹⁶ whereby the subsidized wheat flour is used to produce bread of a specific quality standard at a subsidized price, the so-called "baguette" and "Gros pain"; other types of (higher quality) bread consumed by wealthier categories of consumers cannot be produced with subsidized PS wheat flour (or in limited proportion), and their price is not regulated. The 2021 National Survey on Budget Consumption

¹⁴ Planned quantities and related costs are as follows: April 2024, 100,000 MT at a cost of US\$44 million; May 2024, 100,000 MT at a cost of US\$44 million; June 2024, 100,000 MT at a cost of US\$44 million; and July 2024, 52,000 MT at a cost of US\$23 million; total: 352,000 MT at a cost of US\$155 million.

¹⁵ This is particularly true in Tunisia where people remember vividly the bread riots that occurred from December 1983 to January 1984, triggered by a temporary rise in the price of bread due to the government austerity program.

¹⁶ The Ministry of Commerce and Export Development recently completed (December 2023) the inventory of all bakeries in Tunisia, which was a critical step towards reducing subsidized wheat flour "quota leakage" between different bakery categories and guaranteeing the de facto market segmentation.



and Household Living Standards (EBNCV) indicates that “Gros pain” is more consumed by poorer households.¹⁷

Component 3: Improving resilience to food security shocks and project management (US\$0 million)

45. **Component 3 will continue supporting project oversight and coordination.** As part of project management, M&E activities will include financing targeted surveys to monitor such activities as seed and barley supply for smallholder farmers under Component 1, and bread and other wheat products availability and accessibility to poor and vulnerable households under Component 2. Component 3 will also support the completion of five studies initiated under the Parent Project.

46. **Component 3 will be restructured to address climate resilience using the available funds (US\$8.1 million).** In addition to the cost of project management and the strategic studies underway, Component 3 will include support to the following activities using funds which are still unprogrammed under the Parent Project: (a) extension and communication (US\$0.5 million) targeted to stakeholders regarding selected thematic areas: farmers (benefits of improved drought and heat-resilient seeds, grain-leguminous crops rotations, agriculture risk management and climate vulnerability mapping, including disaster risk reduction strategy development for building climate resilience, improved livestock feeding practices, etc.), value chain stakeholders (reform agenda and accompanying measures), and the general public (bread quality, reduction of losses and waste); (b) improved sector knowledge (US\$3.5 million): support to the establishment of a comprehensive farm database as a complement to the preparation of the agricultural census underway, and strengthening of the national agriculture statistics system as part of the 50X2030 initiative¹⁸ carried out with World Bank technical assistance to improve agriculture databases; (c) support to digitization (US\$2.0 million): establishment of a digital system for the seed value chain in complement to an UNCTAD funding¹⁹, and the setting-up of a digital platform for traceability of durum wheat distribution circuit; (d) construction of one barley seed conditioning unit (US\$2.0 million) in order to secure climate smart barley seed production in Tunisia and reduce food waste and loss and improve marketing; and (e) other activities (US\$0.1 million): support to the structuring of the leguminous seed value chain to improve soil carbon sequestration and reduce nitrogen use, and miscellaneous training activities such as use and adjustment of agriculture machinery for grain production and efficient harvest.

47. The summary project costs for AF#2 are presented in Table 4 below.

¹⁷Additional analyses made by the World Bank Poverty & Equity Global Practice using the Commitment to Equity (CEQ) methodology show that 43.3 percent of bread subsidy for “Gros pain” and 43.5 percent of subsidy for other staple durum wheat-based products go to the poorest two quintiles of Tunisia households in 2022.

¹⁸ 50x2030 Initiative to Close the Agricultural Data Gap (FAO, World Bank and the International Fund for Agricultural Development-IFAD). It is financed in part by a US\$300,000 technical assistance grant.

¹⁹ US\$400,000 grant made available by The Netherlands through UNCTAD to develop an online registry for farmers in Tunisia and a one-stop window for requests for agricultural services.



Table 4: Summary AF#2 Costs

Component	Parent Project	Additional Financing	Revised costs
	US\$ Million		
<u>Component 1</u> - Emergency support to farmers:	60	145	205
• Sub-Component 1.1: Barley supply	35	70	105
• Sub-Component 1.2: Seed provisioning plan	25	75	100
<u>Component 2</u> - Emergency purchase of wheat	71.2*	155	226.2
<u>Component 3</u> - Improving resilience to food security shocks and project management	10	-	10
TOTAL	141.2	300	441.2

*Including USAID additional financing of US\$11.2 million (AF#1).

E. Financial Management and Procurement

48. There will be no change in procurement and FM procedures under AF#2, including disbursement procedures. AF#2 funds will be disbursed under similar category of goods and services as currently undertaken as part of the Parent Project, using the existing Designated Account which has been opened for the Parent Project. An FM action plan will be included in the Project Operational Manual (POM).

F. Implementation arrangements

49. **Project implementation arrangements will remain unchanged under AF#2.** The overall project oversight will continue to be vested with a Project Steering Committee chaired by the MAWRF. The OC will continue implementing all project activities, in liaison with the MAWRF. The OC will continue to be responsible for M&E activities. A Subsidiary Agreement between the Ministry of Finance and the OC will be signed prior to effectiveness of the Loan Agreement.

III. KEY RISKS

50. **Systematic Operations Risk-rating Tool (SORT).** The overall risk for the Project is rated as Substantial (see Table 5) because of substantial risks related to Political and Governance, Sector Strategies and Policies, Fiduciary, Environment and Social, and high macroeconomic risks.



Table 5: Systematic Operations Risk-rating Tool (SORT)

Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	High
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project	Moderate
5. Institutional Capacity for Implementation and Sustainability	Moderate
6. Fiduciary	Substantial
7. Environment and Social	Substantial
8. Stakeholders	Moderate
OVERALL	Substantial

51. **AF#2 has identified the following mitigation measures across risk categories:**

- (a) **Political and governance (substantial)** is explained by the complexity of the grain value chain and the multiplicity of its stakeholders. There is, however, broad consensus in the Government on the need to urgently procure grain and avoid the disruption of the supply of bread and other grain products while securing domestic production, and there is also consensus on the imperative to reform the whole grain system progressively.
- (b) **Macroeconomic (high).** Tunisia is experiencing several macroeconomic shocks including severe fiscal pressures and faces the risk of not having sufficient financing to cover the rising social and economic needs of the population. AF#2 aims to mitigate this risk by providing financing for the additional procurement of wheat and barley. This will help avoid a supply shortage in the short-term, while the Government implements parallel actions for more fiscally sustainable solutions in the medium-term.
- (c) **Sector strategies and policies (substantial).** Current sector related policies interventions are associated with high fiscal costs, despite lower global grain prices. There is Government ownership of the reform agenda²⁰ and a new strategy for the grain sector has been drafted but has yet to be approved. In parallel to supporting the grain value chain, DPs have an ongoing dialogue with the GoT focusing on a managed transition to more effective sector strategies and policies.
- (d) **Fiduciary (substantial).** The procurement risk is rated as Substantial mainly linked to and the extremely short bid validity due to the nature of the global grain market, as well as integrity risks associated with the emergency nature of procurement in an uncertain international market. The OC has prepared an updated Project Procurement Strategy for Development (PPSD) and an updated Project Procurement Plan. The FM residual risk is also rated Substantial due to the delay of the 2022 audit, delays in the transmission of the non-audited Intermediate Financial Reports (IFRs) and delays of internal audit reports. To mitigate this risk, the OC has prepared an FM action plan that will be included in the POM.

²⁰ This is evidenced in the ‘*Note de Cadrage*’ shared by the Government that spells out its vision for the sector and the fact that it has already and quickly implemented robust reforms.



- (e) **Environmental and Social (substantial).** AF#2 presents substantial environmental and social risks that require careful consideration and the implementation of effective mitigation measures. The substantial E&S risks attributed to the new activity introduced in Component 3 of the AF#2 project is primarily due to the construction and operation of a barley seed conditioning unit. This classification stems from: (i) Direct environmental impacts: Activities involve land use, potential pollution, and resource consumption, raising concerns about their effects on local ecosystems and resources; (ii) Complexity and scope expansion: Adding this activity introduces new dimensions of environmental and social considerations, increasing the project's complexity and the range of potential impacts; (iii) Sensitivity of local contexts: The operation's location may affect sensitive environments and communities, necessitating careful management and mitigation measures; (iv) Stakeholder Concerns: Engaging with communities and stakeholders becomes even more crucial due to potential concerns about health, livelihoods, and environmental integrity.

In compliance with the latest directives to streamline the Environmental and Social Framework (ESF), three E&S instruments have been prepared and updated. These include: (a) the Environmental and Social Review Summary (ESRS), (b) the Stakeholder Engagement Plan (SEP), and (c) the Environmental and Social Commitment Plan (ESCP). The SEP will undergo updates following consultations with all relevant stakeholders. The initial round of discussions with important stakeholders was completed, with the possibility of conducting additional consultations if considered appropriate. Lastly, two further instruments will be revised to encompass risks and mitigation measures associated with the new activities introduced by Component 3: (d) the ESMF and (e) the Labor Management Plan (LMP).

IV. APPRAISAL SUMMARY

A. Relevance to Higher-Level Objectives

52. **AF#2 is aligned with the World Bank Country Partnership Framework (CPF FY 2023-27)²¹ for Tunisia, discussed by the Board on June 15, 2023.** AF#2 seeks to minimize the compounded effects on vulnerable populations of the current exceptional drought following several years of severe drought which have deeply curtailed domestic grain production and affected producers' resilience to future climate shocks. Fulfilling these objectives will ensure social inclusion in line with the High-level Outcome (HLO II: Strengthened Human Capital) of the CPF. In addition, the reform plan supports a transition towards a more market-driven and private sector-led grain value chain in line with the CPF's ambition of reducing state interventions in the economy and fostering private sector participation (HLO I: Quality jobs created by the private sector). The proposed AF#2 aligns with the CPF's emphasis on strengthening resilience and inclusion for more equity, while improving the operation and financial performance of state entities and fostering private sector investments.

53. **AF#2 is aligned with the recommendations of the CCDR Report (2023) and Tunisia's updated Nationally Determined Contributions (NDCs, 2021); it is consistent with the World**

²¹ World Bank Group, Country Partnership Framework for the Republic of Tunisia for the period FY 2023-2027.



Bank Global Challenge Program (GCP) on Food and Nutrition Security and Tunisia’s “Stratégie de Développement Neutre en Carbone et Résiliente aux Changements Climatiques à l’horizon 2050”. AF#2 will (a) respond to the CCDR objective for Tunisia to reduce GHG emissions and boost adaptation and resilience, while implementing its recommendation to mainstream climate smart agriculture practices, (b) support the implementation of the NDC through the reduction of food loss and waste as well as the introduction of climate resilient grain seeds and technologies and better livestock feeding practices, and (c) address the food and nutrition security GCP goals through emergency response while paving the way for the transformation of the grain value chain in Tunisia. Given the above, the operation is consistent with Tunisia’s long-term strategy ‘Stratégie de Développement Neutre en Carbone et Résiliente aux Changements Climatiques à l’horizon 2050’.

54. **AF#2 will directly respond to GoT’s primary objective to ensure food security while supporting some of the overdue structural reforms in the food system.** Food security remains one of the GoT’s strategic goals guiding the Government’s Long-Term Strategy for the Grain Value Chain at the 2035 horizon (under preparation), with the ambition of ensuring access to a safe, stable, and affordable supply of grain at all times. The OC is a central pillar of the country’s food security strategy. The enactment of structural reforms for the grain value chain will contribute to supporting the modernization of OC’s assets and operational modalities while improving its financial situation, hence strengthening the resilience of the grain supply system.

B. Technical Appraisal

55. AF#2 will continue to implement the main project activities as per the original Parent Project implementation arrangements. It will use the OC’s existing and well-established grain procurement procedures, adjusted for alignment with updated World Bank Procurement Regulations, and rely on OC’s experienced staff for that purpose. To foster adaptation of the Tunisian grain sector to climate change, AF#2 will extend the Parent Project activities by pursuing a solid multi-year seed program to strengthen resilience to drought over time, including a focus on crop rotation by supporting the production of leguminous seeds in addition to grain seeds. These activities will aim to further increase the grain sector’s adaptation to climate change and safeguard future grain production. Similarly, the supply of additional barley for animal feed in the dairy sector will be a direct adaptation response to adverse climate conditions, in particular drought conditions that have curtailed the availability of green fodder and depleted fodder production traditionally used for animal feeding. Finally, AF#2 will provide technical assistance to help carry out analytical work, consultation, and communication to properly design technical activities to enhance resilience to climate shocks, through increased efficiency, the removal of distortions and bottlenecks, and the reduction of losses and wastage in the grain sector. A specific focus of these activities will be on the seed value chain (digitization of seed production and distribution channels; construction of a barley seed sorting/conditioning/packaging unit and assessment of the institutional and legal framework for the leguminous seed sector).

C. Financial Management (FM)

56. **The overall FM performance under the Parent Project and first Additional financing (AF#1) is rated moderately satisfactory since December 2023.** The Parent Project has made significant efforts to improve FM performance. The PIU is in the process of recruiting a Project



Management specialist with FM competence to boost its financial management capacity. However, additional improvements are still required, mainly in terms of compliance with fiduciary reporting and external audit report submission. The 2022 audit report of the Parent Project, which was due on June 30, 2023, was received on February 8, 2024, from the CGF (the government audit institution), following the completion of field missions in December 2023. The CGF has developed a stringent work plan not only to address overdue audit issues, but also to prevent any overdue in the future. FM arrangements for AF#2 will be based on the existing arrangements but an action plan to address past shortcomings will be included in the Project Operations' Manual and strictly enforced. The OC will continue to have the overall fiduciary responsibility for the Project. Specifically, the Project will be required to submit to the Bank by the agreed timeframe: (a) an annual work plan and budget (AWPB); (b) Interim Unaudited Financial reports (IUFs); (c) audited financial statements; and (d) withdrawal applications (WAs).

57. AF#2 will not translate into an increase of the FM risk which remains Substantial. The design and the activities of AF#2 are the same as the Parent Project. On this basis, no new fiduciary risks are expected, except for those identified during the initial project phase, for which mitigating measures have been put in place and implemented or are being implemented. However, because of the challenges the Parent Project is still facing in complying on time with fiduciary reporting and audit report submission, additional capacity building of the Project Implementation Unit (PIU) team and awareness activities on compliance with fiduciary obligations and Bank remedies will be planned. Indeed, although the funds of the Parent Project have been fully disbursed, the 2022 external audit report on the Project has been transmitted late to the Bank. In addition to future external audit report submission, the effectiveness of the Internal Audit Unit of the OC including the implementation of the recommendations derived from their missions will be closely monitored over the implementation period of the AF#2. An FM Action Plan has been prepared and is part of documents on file for this second AF.

58. The existing Designated Account (DA-B) opened at the Central Bank of Tunisia under terms and conditions acceptable to the Bank will continue to be used. The ceiling of the DA-B and disbursement methods are detailed in the Disbursement and Financial Information Letter (DFIL).

D. Procurement

59. All procurement arrangements agreed to and implemented under the Parent Project which have been assessed as satisfactory will continue to apply to AF#2 in accordance with the World Bank Procurement Regulations for IPF Borrowers dated September 2023 (Procurement Regulations). The Project will continue to use the Systematic Tracking of Exchanges in Procurement (STEP) to plan, record and track procurement transactions. The PPSD and Project Procurement Plan have been updated to include the procurement of the additional quantities of wheat and barley under AF#2, as well as Component 3's new activities. Contrary to the Parent Project and AF#1, no waiver is sought for the application of the Anti-Corruption Guidelines (ACGs)²² for bidders who were not successful in the bidding process leading to the procurement of grain since there will be no advanced procurement under AF#2 and OC's standard

²² 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, and revised in January 2011 and July 2016.



grain tendering documents will be amended to include clauses on Bank's ACGs, eligibility and conflict of interests.

60. **Procurement risks are rated Substantial.** To mitigate the procurement and integrity risks, the World Bank team will continue providing procurement training and close implementation support to OC throughout project implementation as needed. The following main measures will continue to apply:

- (a) OC's procurement contract for the supply of grain incorporating the World Bank's specific requirements relating to eligibility, conflict of interest, fraud and corruption, right to audit and any other requirement that the Bank considers necessary.
- (b) Given the volatile market conditions and the short validity period of bids, the OC's evaluation of offers and award decision will be taken within 24 hours of bid opening and the World Bank will provide its response and no objection through STEP within that timeframe.
- (c) OC will be responsible for ensuring that prices are reasonable in comparison with prevailing market prices. The World Bank team will confirm that prices are consistent with spot market conditions and ensure the availability of updated price information to facilitate review.

E. Environmental and Social

61. **Environmental and Social risk (E&S).** The E&S risk classification for AF#2 is Substantial, with modifications limited exclusively to component 3. This adjustment involves minor civil works required for the construction of a barley seed conditioning unit, which encompasses sorting, treatment, and packaging processes. The E&S risks linked to this added activity are considered manageable, predictable, with well-defined occupational health and safety (OHS) risks alongside straightforward mitigation measures.

62. **Environmental and Social Standards (ESSs) identified as relevant under the Parent Project, remain relevant for AF#2 activities.** The OC will continue to ensure that adequate procedures are enforced to control the impacts of dust and that adequate OHS measures are maintained during grain offloading processes. Furthermore, OC will continue to enforce all necessary Gender-Based Violence and Sexual Exploitation and Abuse (GBV/SEA) prevention measures in accordance with the World Bank's guidelines. In compliance with the latest directives to streamline the ESF, three essential E&S instruments were updated at AF#2 appraisal. These instruments are: (a) the Environmental and Social Review Summary (ESRS), (b) the SEP, and (c) the ESCP. As noted earlier, project implementation, including adherence to E&S commitments, has been satisfactory to date. Regarding Land Acquisition, Restrictions on Land Use and Involuntary Resettlement under ESS5, the barley seed conditioning unit will be built on land belonging to OC; that land is not occupied by population settlements.

63. **Updates to the SEP will be carried out after comprehensive consultations with all the key stakeholders involved and will be disclosed alongside the ESCP.** Mandatory detailed consultations with these entities were carried at appraisal, with the option for additional consultations if needed. The updated ESCP will be applicable to both the Parent Project and AF#2. To ensure consistency, the already established grievance mechanism system will be adopted for



AF#2 and remain operational throughout Project implementation. It will be updated in conjunction with any updates to the SEP.

64. After AF#2 appraisal, the Parent Project’s ESMF which includes a Pest and Pesticide Management Plan (PPMP) and an OHS Plan (OHSP), and the Labor Management Plan (LMP) will be updated and disclosed no later than three (3) months after the Loan agreement Effective Date to address and mitigate E&S risks. In addition, an Environmental and Social Management Plan (ESMP) will be prepared before the contracting of construction works for the barley seed conditioning unit.

F. Legal Operational Policies

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

G. Corporate Requirements

65. **GHG accounting.** Over the duration of 20 years (implementation phase 5 years, capitalization 15 years), AF#2 constitutes a carbon sequestration of -1,022,399 tCO₂e. Per hectare, the project will sequester -5.1 tCO₂e. The net annual emission is -51,120 tCO₂e (see Annex 2). AF#2 will promote different types of climate-smart agricultural technologies such as improved wheat seeds (certified, drought-tolerant seeds), soil conservation (reduced tillage), and high carbon input application through activities supported through Sub-Component 1.2. The GHG accounting aims to capture AF#2 interventions which will have an impact on land-based emissions from 200,000 hectares of improved wheat cultivation which will involve: alternate cropping grain/leguminous crops, improved fertilizer use, reduced tillage, and mulching. The project will promote crop rotation, particularly alternate cropping patterns associating grain and leguminous crops; such leguminous crops will encompass fodder crops for animal and pulses for human consumption (lentils, chickpeas, etc.). It is also assumed that in irrigated areas (16,000 ha) the nitrogen use will be decreased by 25 percent from 120 kg/ha to 90 kg/ha.

66. **Climate Co-Benefits (CCBs).** Based on a preliminary assessment, AF#2 will generate total CCBs of US\$187.50 million or 62.5 percent of project costs. AF#2 will scale-up interventions that demonstrated positive results in terms of livelihood improvement for vulnerable smallholder farm households. These interventions, such as securing certified, drought resistant seed supply, and the adoption of climate smart practices will support household resilience and will boost their coping strategies. They will contribute to improving household income and nutritional status. As these activities are aimed at improving agricultural production by boosting crop productivity and livestock performance (through animal feed availability), they will contribute to household-level climate resilience. AF#2 will also contribute to climate adaptation with a stronger focus on securing and scaling-up certified and drought resilient seed production and the adoption of other climate smart agricultural technologies and risk-coping strategies. Other climate-related benefits are expected to be accrued at household level via resilience building through activities



supported under Component 3 (communications and awareness about reforms and technologies, support to databases and digital practices, etc.).

67. **Paris Alignment: AF#2 is aligned with the goals of the Paris Agreement on both mitigation and adaptation risks** as they remain low and acceptable based on the Paris Alignment IPF Instrument Method.

68. **In terms of adaptation, the main climate hazards are related to increased droughts, extreme temperatures with the potential to generate fires, and floods due to erratic precipitations.** All these phenomena are exacerbated by climate change, making Tunisia increasingly vulnerable to climate hazards. Project activities are exposed to these adverse climate events which may disrupt their implementation, e.g. (a) under subcomponent 1.1, they may disrupt supply of barley to smallholder producers, (b) under subcomponent 1.2, they may reduce access to certified seeds, disrupt production of climate smart leguminous seeds, and damage the construction of the barley conditioning unit, and (c) under component 2, they may impact the purchase of wheat and/or negatively impact the process of import implementation. However, the above project activities are temporary and/or timebound, and the risk associated to climate hazards is low for such activities given their defining characteristics. Structure of conditioning unit hasn't been determined yet and will depend on financial viability—this can be a mobile unit or permanent building structures. If it is the latter, Excellence in Design for Greater Efficiency (EDGE) Level 1 certification or equivalent country-appropriate energy efficiency performance standards will be complied with, and building structure will be built as per climate-resilient design standards to minimize impact from hazards such as floods. AF#2 addresses these vulnerabilities by financing the following adaptation measures, hence reducing the related risk to a low/ acceptable level, including: (a) supply of barley as feed for the continuation of dairy production and support to livestock health, since green fodder is getting scarce on account of the drought; the short time-bound and temporary nature of this activity have been accounted for in assessing its adaptation impact; (b) provision of drought and heat-resilient seeds for smallholder wheat producers that are climate resistant, particularly as regards temperature and water stress; seed provision will cover three campaigns and this extended time-bound period has been taken into account in assessing adaptation; and (c) support for climate smart practices to address the impact of climate change on agricultural production such as the introduction of wheat in rotation with leguminous crops that will obviate the need for nitrogen supplement.

69. **In terms of climate change mitigation, none of the project components will have a material risk of a negative impact on the country's low-GHG-emissions development pathways.** Under Subcomponent 1.2, the provision of access to climate-resilient seeds and the promotion of climate-smart practices both fall under item #14 on the Universally Aligned List (Crop and livestock production using Climate-Smart Agriculture approaches). The expected area planted with certified seeds by smallholder farmers will increase to 33 percent (one third) of their total cultivated area by project closure from the baseline reference situation of 17 percent in 2022. This will not entail an expansion of total current cultivated areas. Hence there will be no encroachment into areas of high carbon stocks or high biodiversity or no land use change likely to reduce carbon stocks.

70. **Citizen engagement.** No changes are expected in the citizen engagement mechanisms. The



Parent Project has integrated citizen engagement and has included specific beneficiary-focused indicators at the intermediate results levels. The Parent Project's Grievance Redress Mechanism is fully established and functional, and it will continue to be used under AF#2. The Parent Project has effectively reported on the Citizen Engagement Indicators. These indicators have been revised slightly under AF#2 and are deemed suitable to close the feedback loop and report whether/what actions are taken based on input received through surveys conducted. They will be regularly updated during project implementation. To ensure effective communication and encourage maximum interaction and public outreach, particularly on such topics as climate change, AF#2 will utilize various citizen engagement tools, such as participatory workshops, round-table discussions, and panels.

71. **Gender.** The Parent Project was evaluated as gender tagged. Since AF#2 follows the same gender results chain with gender targets set in the Results Framework, it is de facto considered gender tagged. AF#2 will support targeted activities designed for women and aimed at closing specific gender gaps. The Results Framework includes gender-disaggregated indicators to measure progress on gender targets. Activities focused on women and designed specifically for women, considering women's special needs, have designated monitoring indicators. AF#2 will support equal access to barley and certified seeds to men and women producers alike and will ensure that female-headed farms are properly registered and informed through project-sponsored communication activities. A recent study from the Center for Agriculture and Bioscience International²³ revealed that in Tunisia women are facing specific barriers: (a) women are more involved in livestock and agricultural production but their role is not properly recognized; (b) climate change has decreased the production of fodder and feed and increased dependency on purchased feed, but also led to increased women's workloads as they tend to be responsible for feed collection; and (c) for cultural reasons, men find it easier to access subsidized feed than women. These issues will be addressed as part of AF#2 implementation. The project will continue to use gender-disaggregated data, including the number of female-headed farms having accessed barley and certified seeds. Surveys will also include women's perception on their workload to record any reduction in the time dedicated to feed collection and other activities impacted by the Project.

72. **Private Capital Mobilization-PCM / Maximizing Finance for Development-MFD.** AF#2 will explore opportunities for private sector engagement, whenever there are opportunities for buying goods and services from private firms, and/or providing capacity building to private firms. Private firms are targeted in AF#2 design as they are intermediaries at various levels of the grain value chain, and the main beneficiary group at production level (smallholder farm households) are considered private agri-food producers. Additionally, the reforms underway are expected to facilitate private sector interventions. Henceforth, Private Capital Mobilization under AF#2 is expected to be significant as the private sector will be mobilized, and the restrictive private sector operating constraints will be eased under the sector reforms.

²³ CABI, 2021, Gender, climate change and livelihoods – Vulnerabilities and adaptation



V. WORLD BANK GRIEVANCE REDRESS

73. **Grievance Redress. Communities and individuals who believe that they are adversely affected by a project supported by the World Bank may submit complaints to existing project-level grievance mechanisms or the Bank’s Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the Bank’s independent Accountability Mechanism (AM). The AM houses the Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank non-compliance with its policies and procedures, and the Dispute Resolution Service, which provides communities and borrowers with the opportunity to address complaints through dispute resolution. Complaints may be submitted to the AM at any time after concerns have been brought directly to the attention of Bank Management and after Management has been given an opportunity to respond. For information on how to submit complaints to the Bank’s GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank’s Accountability Mechanism, please visit <https://accountability.worldbank.org>.



VI SUMMARY TABLE OF CHANGES

	Changed	Not Changed
Project's Development Objectives	✓	
Results Framework	✓	
Components and Cost	✓	
Loan Closing Date(s)	✓	
Implementing Agency		✓
Cancellations Proposed		✓
Reallocation between Disbursement Categories		✓
Disbursements Arrangements		✓
Legal Covenants		✓
Institutional Arrangements		✓
Financial Management		✓
Procurement		✓

VII DETAILED CHANGE(S)

PROJECT DEVELOPMENT OBJECTIVE

Current PDO

To ensure in the short-term the supply of (i) agricultural inputs for farmers to secure the next cropping season and for continued dairy production and (ii) wheat for uninterrupted access to bread for poor and vulnerable households; and to strengthen Tunisia’s resilience to food crises by laying the ground for reforms of the grain value chain.

Proposed New PDO

To (a) ensure, in the short-term, the supply of (i) agricultural inputs for farmers to secure the next cropping seasons and for continued dairy production, and (ii) wheat for uninterrupted access to bread and other grain products for poor and vulnerable households; and (b) strengthen Tunisia’s resilience to food crises by laying the ground for



reforms of the grain value chain.

COMPONENTS

Current Component Name	Current Cost (US\$, millions)	Action	Proposed Component Name	Proposed Cost (US\$, millions)
Emergency support to farmers	60.00	Revised	Emergency support to farmers	205.00
Emergency purchase of wheat for food security	71.16	Revised	Emergency purchase of wheat for food security	226.20
Improving resilience to food security shocks and project management	10.00		Improving resilience to food security shocks and project management	10.00
TOTAL	141.16			441.20

LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Current Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IBRD-94320	Effective	30-Jun-2025	30-Jun-2025	31-Dec-2026	30-Apr-2027
TF-C2639	Effective	30-Jun-2025	30-Jun-2025	30-Jun-2025	30-Oct-2025

Expected Disbursements (in US\$)

Fiscal Year	Annual	Cumulative
2022	0.00	0.00
2023	129,675,000.00	129,675,000.00
2024	111,161,905.00	240,836,905.00
2025	150,000,000.00	390,836,905.00
2026	25,000,000.00	415,836,905.00
2027	25,000,000.00	440,836,905.00

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Latest ISR Rating	Current Rating
Political and Governance	● High	● Substantial



Macroeconomic	● High	● High
Sector Strategies and Policies	● Substantial	● Substantial
Technical Design of Project or Program	● Moderate	● Moderate
Institutional Capacity for Implementation and Sustainability	● Moderate	● Moderate
Fiduciary	● Substantial	● Substantial
Environment and Social	● Substantial	● Substantial
Stakeholders	● Moderate	● Moderate
Other		
Overall	● Substantial	● Substantial

LEGAL COVENANTS – Second Additional Financing to Tunisia Emergency Food Security Response Project (P181565)

Sections and Description

Section I.A.1(b) of Schedule 2: No later than ninety (90) days after the Effective Date, or such later date as agreed by the Bank, update and adopt the POM acceptable to the Bank, and thereafter, carry out the Project in accordance with the POM

Conditions

Type	Financing source	Description
Effectiveness	IBRD/IDA	The Subsidiary Agreement has been executed on behalf of the Borrower and the OC and is in full force and effect.



VIII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY: Tunisia

Second Additional Financing to Tunisia Emergency Food Security Response Project

Project Development Objective(s)

To (a) ensure, in the short-term, the supply of (i) agricultural inputs for farmers to secure the next cropping seasons and for continued dairy production, and (ii) wheat for uninterrupted access to bread and other grain products for poor and vulnerable households; and (b) strengthen Tunisia’s resilience to food crises by laying the ground for reforms of the grain value chain.

Project Development Objective Indicators by Objectives/ Outcomes

Indicator Name	PBC	Baseline	End Target
Ensure the availability of agricultural inputs for farmers			
Quantity of barley accessed by smallholder dairy producers through the Project (Metric ton)		61,444.00	325,000.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: Indicator revised to reflect the scaled up and restructured of the project activities as well at the new project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
Areas planted with climate-resilient certified wheat seeds adapted to local water-stressed conditions, procured and delivered to small farmers through the Project (Percentage)		31.00	33.00
<i>Action: This indicator has been Revised</i>	<i>Rationale: Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		



Indicator Name	PBC	Baseline	End Target
Ensure the availability of affordable bread and other cereal products for vulnerable households (Action: This Objective has been Revised)			
Poor and vulnerable households reporting adequate access to affordable bread and other grain products (Percentage)		78.80	80.00
Action: This indicator has been Revised	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
Female-headed vulnerable households reporting adequate access to affordable bread (Percentage)		81.10	80.00
Action: This indicator has been Revised	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
Improve Tunisia's resilience to food crises through reforms			
Regular publication of data on grain imports and domestic grain collection available on OC's website (Yes/No) (Yes/No)		Yes	Yes
Action: This indicator has been Revised	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
Public consultation organized by the GoT on a proposed time-bound food subsidy reform implementation plan (Yes/No) (Yes/No)		No	Yes
Action: This indicator has been Marked for Deletion	Rationale: <i>The indicator was deleted because the present political context in Tunisia makes it impossible to discuss a time-bound food subsidy reform implementation plan. However, the government has prepared a solid serial sector reform plan which is under implementation.</i>		



Indicator Name	PBC	Baseline	End Target
The number of reforms prepared (Number)		6.00	9.00
<i>Action: This indicator is New</i>			

Intermediate Results Indicators by Components

Indicator Name	PBC	Baseline	End Target
Component 1 – Emergency support to farmers			
Quantity of climate-resilient certified wheat seeds adapted to local water-stressed conditions, procured and delivered to small farmers through the Project (Metric ton)		34,650.00	160,000.00
<i>Action: This indicator has been Revised</i>	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
Smallholder farmers benefiting yearly from certified climate-smart wheat seeds procured by the Project (Number)		16,362.00	25,000.00
<i>Action: This indicator has been Revised</i>	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
of which female farmers (Percentage)		21.00	20.00



Indicator Name	PBC	Baseline	End Target
<i>Action: This indicator has been Revised</i>	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
Beneficiaries reporting adequate access to climate-resilient certified climate-smart wheat seeds (Percentage)		86.36	75.00
<i>Action: This indicator has been Revised</i>	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
Smallholder dairy farmers benefiting from barley procured by the Project (Number)		126,000.00	326,000.00
<i>Action: This indicator has been Revised</i>	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
of which female farmers (Percentage)		26.00	20.00
<i>Action: This indicator has been Revised</i>	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
Beneficiaries reporting sufficient access to barley distributed through the Project (Percentage)		66.20	75.00
<i>Action: This indicator has been Revised</i>	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		



Indicator Name	PBC	Baseline	End Target
Component 2 – Emergency purchase of wheat for food security			
Quantity wheat procured and delivered through the Project to ensure continued access to affordable bread for poor and vulnerable households (Metric ton) (Metric ton)		160,099.00	537,099.00
Action: This indicator has been Revised	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2. Final target includes the 160,099MT of wheat already delivered under PP, the 25,000 MT of wheat to be purchased under AF#1 and 352,000 MT of wheat to be purchased under AF#2</i>		
Beneficiaries’ feedback addressed through the GRM within the timeframe publicly communicated by the project (Percentage)		100.00	100.00
Action: This indicator has been Revised	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
Bakeries (class A and C) registered in poor neighborhoods reporting continued supply of bread (Percentage)		70.00	75.00
Action: This indicator has been Revised	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
Quantity of durum wheat procured and delivered through the Project to ensure continued access to traditional bread and other cereal products affordable for poor and vulnerable households (Metric ton)		0.00	25,000.00
Action: This indicator has been Marked for Deletion			



Indicator Name	PBC	Baseline	End Target
Industrial millers reporting continued access to durum wheat (Percentage)		0.00	75.00
Action: This indicator is New	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
Poor and vulnerable households reporting satisfaction on wheat-based products' availability (Percentage)		0.00	75.00
Action: This indicator is New	Rationale: <i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		
Component 3 – Improving resilience to food security shocks and project management			
Reform agenda oversight by the PM's Food Security Committee (Number)		0.00	12.00
Action: This indicator has been Marked for Deletion			
OC Modernization plan prepared (Yes/No)		No	Yes
Action: This indicator has been Marked for Deletion			
Food subsidy reform implementation plan prepared (Yes/No)		No	Yes
Action: This indicator has been Marked for Deletion			
New policy framework for domestic production proposed (Yes/No)		No	Yes
Action: This indicator has been Revised	Rationale:		



Indicator Name	PBC	Baseline	End Target
		<i>Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>	
Stakeholder consultation on proposed reforms (Number)		0.00	10.00
<i>Action: This indicator has been Marked for Deletion</i>			
Stakeholders consultation and/or communication campaigns undertaken (Number)		0.00	5.00
<i>Action: This indicator is New</i>		<i>Rationale: Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>	
National Cereal Sector database established (Yes/No)		No	Yes
<i>Action: This indicator is New</i>		<i>Rationale: Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>	
Digitization of durum wheat distribution circuit established (Yes/No)		No	Yes
<i>Action: This indicator is New</i>		<i>Rationale: Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>	
Digitization of cereals' seed value chain established (Yes/No)		No	Yes
<i>Action: This indicator is New</i>		<i>Rationale: Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date.</i>	



Indicator Name	PBC	Baseline	End Target
<i>The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>			
Operational barley seed conditioning units (Number)		0.00	1.00
<i>Action: This indicator is New</i>	<i>Rationale: Indicator revised to reflect the scaled up and restructured of the project activities as well as the new Project closing date. The latest results/achievements of the Parent project's indicators are used as the baseline for the AF#2.</i>		

Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Quantity of barley accessed by smallholder dairy producers through the Project	Ensure a continuous supply of barley to small dairy producers through barley procured and delivered under the Project.	Annually	OC	OC reporting	OC
Areas planted with climate-resilient certified wheat seeds adapted to local water-stressed conditions, procured and delivered to small farmers through the Project	Increased grain areas planted with certified seeds during the next planting season.	Annually	OC	OC Reporting	OC
Poor and vulnerable households reporting adequate access to affordable bread and other grain products	Level of access to affordable bread and other grain products reported by poor and vulnerable households.	Annually (September 2024)	OC through the recruitment of a survey firm to sample	Bread and other cereal products access survey of a representative sample of project beneficiaries. A survey	OC



			beneficiaries.	firm is to be recruited.	
Female-headed vulnerable households reporting adequate access to affordable bread	Level of access to affordable bread and other grain products reported by female-headed vulnerable households.	Annually (September 2024)	OC through the recruitment of a survey firm to sample beneficiaries.	Bread and other grain products access survey of a representative sample of project beneficiaries, with data disaggregated by gender. A survey firm is to be recruited.	OC
Regular publication of data on grain imports and domestic grain collection available on OC's website (Yes/No)	OC has established a dashboard that provides internally real time data on domestic grain collection estimates and grain imports; these data are published and updated on OC's website on regular basis. Updated real time data is key.	Monthly	OC	OC reporting	OC
Public consultation organized by the GoT on a proposed time-bound food subsidy reform implementation plan (Yes/No)	The approach to revising the existing food subsidies has been defined and a roadmap for implementation has been formulated after consultation organized by the GoT with all concerned stakeholders.	Quarterly	MAWRF International Cooperation Directorate	MAWRF and PIU activity reports and minutes of stakeholders consultative meetings	MAWRF International Cooperation Directorate
The number of reforms prepared	The preparation of the nine (9) reforms agreed upon in	Quarterly	MAWARF	MAWARF reporting	MAWARF



	the reform plan				
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Monitoring & Evaluation Plan: Intermediate Results Indicators

Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Quantity of climate-resilient certified wheat seeds adapted to local water-stressed conditions, procured and delivered to small farmers through the Project	Supply of climate-resilient certified seeds to grain producers ahead of the next planting season.	Annually	OC with data from Seed Companies and points of sale.	OC reporting after data collection from seed companies and points of sale to farmers .	OC
Smallholder farmers benefiting yearly from certified climate-smart wheat seeds procured by the Project	Number per year of smallholder farmers who will have purchased climate-resilient certified seeds procured by the Project for the 2024/2025, 2025/2026/ and 2026/2027 cropping seasons.	Annually	OC	Survey. A survey firm is to be contracted by the Project.	MAWRF
of which female farmers	Proportion of female farmers who purchased certified climate-smart seeds procured by the Project.	Annually	OC	Survey. A survey firm is to be contracted by the Project.	MAWRF
Beneficiaries reporting adequate access to climate-resilient certified climate-smart wheat seeds	Level of access to climate-resilient certified wheat seeds reported by grain producers (monitoring of this indicator will be	Annually	OC	Seed access survey of a representative sample of project beneficiaries. A survey firm is to be contracted.	OC



	discontinued when seed distribution under the Project is completed).				
Smallholder dairy farmers benefiting from barley procured by the Project	Number of smallholder dairy farmers who purchased barley procured by the Project.	Annually	OC	Survey. A survey firm is to be contracted by the Project.	MAWRF
of which female farmers	Proportion of female farmers who purchased barley procured by the Project.	Annually	OC	Survey. A survey firm is to be contracted by the Project.	MAWRF
Beneficiaries reporting sufficient access to barley distributed through the Project	Percentage of small dairy producers reporting sufficient access to feed (barley) through Project support (Monitoring of this indicator will be discontinued once barley distribution is completed).	Annually	OC	Surveys of small dairy farmers. a survey firm to be contracted by the Project.	OC
Quantity wheat procured and delivered through the Project to ensure continued access to affordable bread for poor and vulnerable households (Metric ton)	Quantity of wheat procured and delivered through the Project for continued access to affordable bread and other wheat-based products for poor and vulnerable households.	Quarterly	OC	OC Reporting	OC
Beneficiaries' feedback addressed through the GRM within the timeframe publicly communicated by the project	Monitor the functionality of the project's GRM.	Monthly	OC's GRM	OC's GRM recording.	OC
Bakeries (class A and C) registered in poor neighborhoods reporting continued	Percentage of bakeries registered in poor	Annually (survey in	OC	Survey . A survey firm is to be contracted.	OC



supply of bread	neighborhoods that report continued supply of bread (no interruption of access to soft wheat flour).	December 2024).			
Quantity of durum wheat procured and delivered through the Project to ensure continued access to traditional bread and other cereal products affordable for poor and vulnerable households	Quantity of durum wheat procured and delivered through the Project for continued access to traditional bread (Tabouna) and other cereal products (semolina, couscous) for poor and vulnerable households.	Monthly	Office des Céréales	OC reporting	OC
Industrial millers reporting continued access to durum wheat	Percentage of millers that report continued supply of durum wheat to process pasta and couscous	Annually (survey in December 2024)	OC	Survey. A survey firm is to be contracted by the Project	oc
Poor and vulnerable households reporting satisfaction on wheat-based products' availability	Percentage of poor and vulnerable households reporting satisfaction on wheat products availability, i.e. couscous and pasta	Annually (survey in December 2024)	OC	Survey. A survey firm is to be contracted by the Project	OC
Reform agenda oversight by the PM's Food Security Committee	Number of regular meetings of the Food Security Committee at PM's Office level to ensure close monitoring of the formulation and implementation of the reform agenda .	Quarterly	OC	OC reporting	OC



OC Modernization plan prepared	Preparation of a modernization plan for OC, including process and storage digitalization, import and procurement procedure revision, storage facility assessment, financial situation assessment.	Quarterly	Office des Céréales	OC reporting	OC
Food subsidy reform implementation plan prepared	Preparation of a reform plan for food subsidies and switch to cash transfer, including consultation and communication.	Quarterly	MAWRF	MAWRF reporting	MAWRF
New policy framework for domestic production proposed	New policy framework to support domestic production proposed and discussed with producer organizations.	Quarterly	MAWRF	MAWRF reporting	MAWRF
Stakeholder consultation on proposed reforms	Consultation meetings organized to ensure citizen engagement with different categories of stakeholders on reform options.	Quarterly	MAWRF	MAWRF reporting	MAWRF
Stakeholders consultation and/or communication campaigns undertaken	Stakeholders consultation/communication campaign undertaken (on reforms, certified seeds, crop, rotation, risk management, food loss and waste, extraction rate change)	Quarterly	MAWRF	MAWRF reporting	MAWRF



National Cereal Sector database established	National Cereal Sector databased established through thematic surveys	Quarterly	MAWRF	MAWRF reporting	MAWRF
Digitization of durum wheat distribution circuit established	Digitization of durum wheat distribution circuit from wholesaler to retailers	Quarterly	Ministry of Commerce	Ministry of Commerce reporting	Ministry of Commerce
Digitization of cereals' seed value chain established	Digitization of cereals' seed value chain	Quarterly	OC	OC reporting	OC
Operational barley seed conditioning units	Barley seed conditioning unit purchased by OC and made operational.	Quarterly	OC	OC reporting	OC



Annex 1 – Activities of development partners (DPs) in the grain value chain

1. **AF#2 is part of a coordinated response with other DPs to secure grain purchase for vulnerable households and support small producers.** The DP community also shares the view that reforms are needed in the grain value chain and work closely with the GoT on that agenda. AF#2 will develop further synergies with other DP interventions and will be instrumental for a coordinated response to the drought. The Bank co-chairs the DPs' Working Group established in 2022 to discuss issues and coordinate actions regarding the grain value chain.

2. **Other DPs are already active in the grain sector,** through funding of emergency grain imports, equipment, and services, as well as technical assistance, as part of the following projects coordinated with AF#2 see Table A.1 for details):

- a) *European Bank for Reconstruction and Development (EBRD):* Food Security Resilience Response Project (Approval date: July 20, 2022, EUR 150.5 million);
- b) *African Development Bank (AfDB):* PAUSAT (Emergency Food Security Support Project, Approval date: October 12, 2022, US\$80 million), and PADIDFIC 1 and 2 (Support Project for the Inclusive and Sustainable Development of the Cereal Sector; the first operation was approved on July 19, 2023, US\$87 million); and the second operation is being prepared; and
- c) *European Investment Bank (EIB):* Strengthening Tunisia Food Resilience Project (Signed December 16, 2022, EUR 150 million).
- d) *United States Agency for International Development (USAID):* first Additional financing to the Tunisia emergency Food Security Response Project (Signed September 8, 2023, US\$11.16 million).

3. **Apart from grain purchase, DP-financed projects cover the following activities in the grain value chain:**

- a) *Digitization:*
 - AfDB: Establishment of a multi-actor digital platform, and a digital platform to improve the management of the grain collection campaign.
 - EBRD: Funding to support reforms in the grain sector and the modernization of OC (grain supply, risk management and financial management/ digital transformation and internal governance).
- b) *Storage:*
 - AfDB: Rehabilitation and extension of OC's storage capacity of port and fallback silos (150,000 MT rehabilitation and 170,000 MT extension).
 - EIB: Rehabilitation, upgrade, extension, and creation of new storage capacities in port and fallback silos.
- c) *Rail transport:*
 - AfDB: Acquisition of 30 wagons.
 - EIB: Repair and maintenance of railway sidings and acquisition of 30 wagons.



d) *Quality, hygiene, and safety:*

- EIB: Studies, training, and investment, in the field of hygiene, safety and quality of grain in silos

e) *Seed support:*

- AfDB: Establishment of a production unit for certified seeds and acquisition of equipment for seed processing by cooperatives and private collectors.

f) *Scientific research:*

- AfDB: Experimental equipment for research centers. Acquisition of an experimental glass greenhouse. Research on the valorization of grain by-products. Support for innovative start-ups. Laboratory equipment for seed treatment.

g) *Training:*

- AfDB: Training of grain producer leaders and Agricultural association of Souk Jedid (SMSA) members by the National Institute of Field Crops (*Institut National des Grandes Cultures-INGC*). Training of INGC trainers.
- EIB: Training themes currently being identified.

h) *Strategic studies:*

- AfDB: Study on changes in eating habits in Tunisia.
- EBRD: In-depth assessment of the grain sector and recommendations to improve the efficiency of the Tunisian grain value chain. Analytical work on the review of public expenditures earmarked for food production, with medium-term prospects and simulation scenarios.

4. **AF#2 will finance only part of the grain emergency imports required to provide bread and other grain products to vulnerable groups, as well as barley as animal feed for small dairy producers.** Emergency grain supply is envisaged in the amount of US\$225 million, which is around 43 percent of OC's financial gap for the period covering July 2023 to June 2024 due to the exceptional drought of 2023. There are no risks of grain over supply since Tunisia's security stocks are currently low, while GoT's strategic stock is normally of the order of two-month consumption for soft and durum wheat (i.e., equal quantities of both grains amounting to a total of 400,000 MT).

5. **Other DPs will finance agricultural inputs and extension support, as well as investments in the storage and transport facilities for the grain value chain.** Whilst AF#2 will finance seed supply for a total amount of US\$75 million, DPs are financing other needed agricultural inputs such as fertilizer, and as well as support services such as agricultural extension services. Other DPs (EIB and AfDB) are also financing investments to strengthen the operation of the grain value chain, such as the increase in OC's storage capacity (construction of new silos for 150,000 MT and rehabilitation of existing silos for 170,000 MT), as well as the capacity increase for railroad transport of grain (60 specialized wagons).



Table A1.1: Support for the grain value chain by the DPs in Tunisia

Project name	DP	Effective Date	Closing date	Total amount	Grain amount	Remarks
OC working capital support project	EBRD	July 20, 2022	Sept. 2027	EUR 150.5 million (US\$164 million)	EUR 150.5 million (US\$164 million)	<ul style="list-style-type: none"> • Loan finances OC's working capital needs related to their international purchase of grain
Projet de Réponse d'Urgence à la Sécurité Alimentaire (PRUSA Parent Projet)	IBRD	Aug. 24, 2022	June 30, 2025	US\$130 million	US\$95 million	<ul style="list-style-type: none"> • Emergency imports of wheat (for bread and wheat products, US\$35 million) and barley (as feed for animals, US\$60 million) • Improved resilience to food security shocks and project management (US\$10 million)
Projet d'Appui en Urgence à la Sécurité Alimentaire en Tunisie (PAUSAT)	AfDB	Oct. 12, 2022	Dec. 2025	US\$80 million	US\$43 million	<ul style="list-style-type: none"> • Support to grain value chain organization and production (US\$31.16 million) • Stakeholder capacity building and inclusiveness (US\$2.5 million)
Strengthening Tunisia Food Resilience project	EIB	Dec. 16, 2022		EUR150 million (US\$163.5 million)	EUR 82 million (US\$90 million)	<p>EUR 85million (about US\$92.65 million)</p> <ul style="list-style-type: none"> • Extension and rehabilitation of grain silos • Rehabilitation, modernization, repairs, and maintenance of silos, rail track connections • Purchase of 30 wagons for EUR 3 million (about US\$3.3 million): Technical assistance to OC
Technical support project for the digitalization and innovation of the cereal industry	AfDB	Feb. 20, 2023		300,000 UA (US\$0.4 million)	-	<ul style="list-style-type: none"> • Technical assistance for digitization of cereal production and distribution



Support Project for the Inclusive and Sustainable Development of the Cereal Sector (PADIDFIC 1)	AfDB	July 19, 2023	June 2027	US\$87 million	US\$52 million	US\$35.3 million <ul style="list-style-type: none"> • Support to cereal production (not yet fully disbursed) and supply chain • Modernization of grain storage et promotion cereal transport (purchase of 30 wagons) • Stakeholder capacity building and project coordination
PRUSA AF# 1	USAID	Jan. 03, 2024	June 30, 2025	US\$11.16 million	US\$11.16 million	<ul style="list-style-type: none"> • Purchase of 25,000 MT of durum wheat
PADIDFIC 2	AfDB	Under evaluation		-	-	<ul style="list-style-type: none"> • Details not known yet
TOTAL (million)				US\$636.06	US\$455.16	

Legend: African Development Bank (AfDB); European Investment Bank (EIB); European Bank for Reconstruction and Development (EBRD); and US Agency for International Development (USAID)



Annex 2 – GHG accounting

1. **Corporate Mandate.** The GHG analysis has been carried out as part of a corporate mandate to conduct GHG emissions accounting for investment lending in relevant sectors.
2. **Methodology.** To estimate the impact of agricultural investments on GHG emissions and carbon sequestration, the EX-ACT (v9.4.1), developed by the FAO was used. EX-ACT is primarily based on the IPCC 2019 Refinement to the 2006 Guidelines for National Greenhouse Gas Inventories (IPCC 2019) and IPCC 2013, 2013 Supplement to the 2006 IPCC Guidelines for National Greenhouse Gas Inventories: Wetlands (IPCC 2014). EX-ACT allows the assessment of a project's net carbon balance, defined as the net balance of CO₂ equivalent (CO₂eq) GHG emitted or sequestered as a result of project implementation compared to a Without project (WOP) scenario. EX-ACT estimates the carbon stock changes (emissions or sinks), expressed in equivalent tons of CO₂ per hectare and year.²⁴

Project Characteristics and Assumptions

3. **Crop management:** The project will promote different types of good and climate-smart agricultural technologies such as improved wheat seeds (certified, drought-tolerant seeds), soil conservation (reduce tillage), and high carbon input application through activities supported through Sub-component 1.2. Therefore, this GHG accounting aims to capture the project interventions which will have an impact on land-based emissions from 200,000 hectare of improved wheat cultivation which will involve: alternate cropping cereal/leguminous crops, improved fertilizers use, reduced tillage and mulching. The project will promote crop rotation, particularly alternate cropping patterns associating grain and leguminous crops; such leguminous crops will encompass fodder crops (alfalfa, “vesce de Narbonne” *Vicia Narbonensis*, other varieties of *Fabeae-Vicia*, “sulla” *Hedysarum Coronarium*, “pois fourrager”, etc) and pulses for human consumption (lentils, chickpeas, etc). It is also assumed that in irrigated areas (16,000 ha) the nitrogen use will decrease by 25 percent from 120 kg/ha to 90 kg/ha. Additionally, it is anticipated that the project will reduce emissions from irrigation through improved control which is not accounted in the stimulation due to lack of baseline and experimental data.
4. **Basic assumptions:** Tunisia has a tropical climate with a dry moisture regime. The dominant soil type is High Activity Clay (HAC) soils. The implementation phase is five years, and the capitalization phase is assumed to be 15 years. The “without project scenario” is assumed not to differ from the “initial scenario.” The analysis further assumes the dynamics of change to be linear over the duration of the project.

²⁴ EX -ACT website: <https://www.fao.org/in-action/epic/ex-act-tool/suite-of-tools/ex-act/en/>



Results

5. **Net carbon balance:** Over the duration of 20 years (implementation phase 5 years, capitalization 15 years), the project constitutes a carbon sequestration of -1,022,399 tCO₂e. Per hectare, the project will sequester -5.1 tCO₂e. The net annual emission is -51,120 tCO₂e.

Table A2.1: Summary GHG Accounting Results

GROSS FLUXES				
In tCO ₂ -e over the whole period analysis				
PROJECT COMPONENTS		WITHOUT	WITH	BALANCE
Cropland	Annual	706,778	-258,091	-964,869
	Inputs & Invest.	262,994	205,464	-57,530
Total emissions, tCO₂-e		969,773	-52,627	-1,022,399
Total emissions, tCO₂-e/ha		4.8	-0.3	-5.1
Total emissions, tCO₂-e/ha/year		0.2	-	-0.3