

Ex-Ante Evaluation (for Japanese ODA Loan)
Middle East Division 1, Middle East and Europe Department, JICA

1. Name of the Project

- (1) Country: Republic of Tunisia (Tunisia)
 - (2) Project site / Target region: Entirety of the Republic of Tunisia (Population: 11,936,000 (World Bank, 2021))
 - (3) Project: Project for Support to Strengthen the Social Protection
- Loan Agreement: January 27, 2023

2. Background and Necessity of the Project

- (1) Current State and Issues of the Social Protection Sector and Priority of the Project in Tunisia

COVID-19 has impacted many aspects of Tunisia's economy and society. For example, the unemployment rate has increased from 14.9% (33.8% in the case of young people) to 18.4% (42.4% in the case of young people) (National Institute of Statistics (INS), 2021) from 2019 to 2020. The percentage of poor people who live on less than \$6.85 per day (based on the U.S. dollar purchasing power parity in 2017) increased from 17.0% in 2019 to 19.1% in 2022 (World Bank, 2022), and the number of children in poverty increased from 688,000 to 900,000 (UNICEF, 2020). In addition, social unrest is increasing due to significant rise in prices of essentials such as wheat and energy, affected mainly by the war in Ukraine, as well as the economic disparity between regional/inland areas and urban/coastal areas.

Meanwhile, national health insurance and social insurance for government employees and private company employees (i.e. retirement pension, pension for surviving family, workers' accident compensation) have been developed in Tunisia. Public assistance and social welfare for the poor and vulnerable groups, including informal sector workers and unemployed people, have also been partially developed, such as the cash transfer program introduced in 1986. These reflects the government's priority of strengthening the social protection system, which has been continuously pursued today through the economic and financial stabilization program (from 2022 to 2025) and the national development plan (from 2023 to 2025) formulated in December 2022. Social protection will also be a prioritized sector in the long-term development plan (Vision 2035), which is now being formulated. In this context, in 2019, a law to create a comprehensive social protection program (Amen Social) was enacted to

strengthen support for the poor and vulnerable groups in consideration of multiple factors including demography, disease status, educational background, living situation. Amen Social provides cash transfer and family allowance, free or subsidized access to health care, and provided temporary cash transfer to the poor and vulnerable groups as countermeasures against COVID-19.

Some problems were raised, however, with Amen Social, including the situation in which qualified recipients could not receive cash transfer. This was due to a failure to introduce transparent selection criteria and to update the list of eligible people for the cash transfer program in a timely manner (the World Bank, 2019). Accordingly, the Tunisian government is working to improve the process of selecting appropriate target households based on revenue, assets owned, household budget size, family structure, etc., with the support of the World Bank.

In addition, while the current poverty rate (poor people who live on less than \$6.85 per day (based on the U.S. dollar purchasing power parity in 2017)) is 19.1%, cash transfer by Amen Social was targeted for 265,000 households, corresponding to approximately 8% of the population in 2021. There is, therefore, a gap between the current poverty rate and the coverage rate of cash transfer of Amen Social. The Tunisian government aims to further expand the cash transfer to 310,000 households, which correspond to 10% of the population. This requires an annual budget of 242 million dollars. For 2023, while the World Bank provides partial support to fill the financial gap, it is still necessary to further secure financial resources of 152 million dollars.

Furthermore, the amount of cash transfer only covers approximately 38% of the average amount consumed by poor households in 2021 (World Bank, 2022), and the provision of family allowance is also urgently required so that nutrition and health during the early childhood, which affect human capital formation, will not be influenced by the economic situation of households.

With regard to the fiscal balance of the Tunisian government, the deficit has been high since 2020 due to COVID-19 as follows: 3.6% (2019), 9.1% (2020), 7.6% (2021), and 6.6% (2022 estimation) of GDP (IMF, 2022). Under the 2022 budget law, a financing gap of approximately 3,000 million USD is assumed. Based on this situation, the Tunisian government is putting forward a policy to accelerate financial reforms and public expenditure reduction. As part of the policy, the government announced a national reform program in June 2022 that will gradually reduce subsidies to prices of basic food, electricity, LPG, and natural gas until 2026. To balance such subsidy reduction, it is urgent to

strengthen the social protection for the poor and vulnerable groups that truly require public assistance. As the ratio of public debt to GDP has been increasing from 82.8% (2020), 81.8% (2021), and to 88.8% (2022 estimation) (Source: IMF, 2022), and that the repayment of the public debt is needed, it is necessary to secure the financial resources for social protection.

The Project for Support to Strengthen the Social Protection supports the implementation and expansion of the Amen Social program and contributes to improving the lives of poor/vulnerable people and stabilizing the society and economy of Tunisia.

(2) Japan's and JICA's Cooperation Policy and Operations in the Social Protection Sector

This Project is consistent with the "Improvement in the Living Environment and Promotion of Regional Industries to Resolve a Regional Gap," which is a prioritized area in the Country Development Cooperation Policy for the Republic of Tunisia (September 2019). It is also consistent with the "Resolving a Regional Gap," which is a main development issue presented in JICA Country Analysis Paper for the Republic of Tunisia (March 2017), as well as the "Enrichment of Social Security Systems as a Foundation of Society," which is a main activity in the "Social Security/ Disability and Development" of JICA's Strategies for Global Development Issues (Global Agenda). In addition, the Project will contribute to SDG 1: End poverty in all its forms everywhere. Through Emergency Grant Aid (in cooperation with WFP), the Japanese government provides food aid to 7,500 households registered with Amen Social in three governorates with high poverty rates (Kairouan, Kasserine and Siliana) that are not receiving cash transfer to alleviate the impact of the wheat price hike affected by the war in Ukraine.

(3) Other Donors' Activities

1) World Bank

- Through the Tunisia Social Protection Reforms Support Project (Technical Assistance of 5.7 million USD, from 2013 to 2019), support was provided for the overall design, law establishment, and information management system development of Amen Social
- Through the Digital Transformation for User-Centric Public Services (Investment Project Financing of 100 million USD, from 2019 to 2025), support is provided for improving the efficiency of the selection and evaluation process of households targeted for the cash transfer program, developing a digital payment system for cash transfer, and performing

procedure approval tasks related to family allowance, etc..

- Through the COVID-19 Social Protection Emergency Response Project (Investment Project Financing of 300 million USD, approved by the board in March 2021), support is provided for 1) cash transfer to respond to crises, 2) cash transfer to develop human capital, and 3) the strengthening of social security programs. Additional loan for similar components (400 million USD) was approved by the board in March 2022. The Project is financing this project in parallel with by the World Bank.
- 2) Joint financial support by the World Bank, AFD, and KfW (Development Policy Loan)
- Financial support and joint financing was provided by the World Bank (Tunisia First Resilience and Recovery Emergency Development Policy Financing), AFD, and KfW in 2020. Support was also provided to strengthen social protection programs, with economic and social inclusion as one of the pillars, in a joint policy matrix related to the financial support.
- 3) African Development Bank
- Support was provided to alleviate the impacts of COVID-19 through the Economic Recovery and Social Inclusion Support Programme (a development policy loan of 60 million euros approved by the board in July 2021) by helping the implementation of policies related to increasing the number of households targeted for cash transfer, distributing digital insurance cards, and so on.
- 4) UNICEF, KfW, and USAID
- UNICEF carried out a pilot project to expand provision of the family allowance and its impact evaluation, as well as public awareness activities concerning school education, nutrition, and vaccination. KfW provided grant aid of 12 million euros in 2020 and 10 million euros in 2021 to this project. Utilizing a training program to strengthen social protection (TRANSFORM) developed by UNICEF, ILO, and UNDP, UNICEF implemented training to develop training leaders for social workers (Training of Trainers) in November 2021 and June 2022.
 - USAID is examining a possibility of providing grant aid of 60 million USD for cash transfer and family allowance through UNICEF from 2022 to 2024.

3. Project Description

(1) Project Description

1) Project Objective

The objective of the Project is to expand the social protection by supporting implementation of the social protection program in Tunisia, thereby contributing to improving the livelihood of the poor and vulnerable households and promoting social development and economic stabilization.

2) Project Component(s)

a) Cash transfer (targeting approximately 310,000 households of Amen Social that are eligible to receive cash transfer)

b) Family allowances (targeting approximately 200,000 children from 0 to 5 years old from the above-mentioned households)

After cash transfer and family allowance are provided to the targeted households, disbursement will be carried out later based on payment documents (SOE) and evidenced documents.

3) Project Beneficiaries (target group)

- Direct beneficiaries (approximately 310,000 households): poor households whose lives will be improved by the Project
- Final beneficiaries (approximately 890,000 households): poor and vulnerable households that Amen Social aims to help

(2) Estimated Project Cost: 37,919 million yen (including a yen loan of 12,000 million yen)

(3) Project Implementation Schedule (Cooperation Period)

From January 2023 to June 2025 (30 months in total). The Project will be completed upon loan completion (scheduled for June 2025).

(4) Project Implementation Structure

1) Borrower: The Government of the Republic of Tunisia

2) Guarantor: None

3) Executing Agency: Ministry of Social Affairs

4) Operation and Maintenance System: Ministry of Social Affairs

(5) Cooperation and Sharing of Roles with Other Donors

1) Japan's activities:

To promote the benefits of the Project, JICA plans to implement a training to support the improvement of the livelihoods of targeted households of cash transfer and/or family allowance, such as to aim independence from

social protection services through employment, or capacity development of household budget management, while aligning with the World Bank's activities.

2) Other donors' activities:

The Project is being financed in parallel with the World Bank's COVID-19 Social Protection Emergency Response Project. JICA links the Project with the World Bank's consulting services and technical assistance, and jointly monitors the progress of the Project.

(6) Environmental and Social Consideration

1) Category: C

2) Reason for Categorization: The Project is likely to have minimal adverse impact on the environment under the JICA Guidelines for Environmental and Social Considerations (January 2022).

(7) Cross Sectoral Issues

1) Poverty reduction: The Project aims to support the Tunisian government on its social protection policies for the poor and vulnerable households, and contributes to supporting the livelihoods of poor and vulnerable households.

2) Consideration for Disabilities: Interviews by ULPS and social workers were conducted in the process of selecting and evaluating households as targets for the social protection program, and people with disabilities are given preferential treatment through the process.

(8) Gender Category

Gender Issue / GI (S) gender informed (Significant)

<Description of activities and reason for classification> The Project aims to support the livelihoods of poor and vulnerable female householders by setting the ratio of female householders as an effect indicator related to the cash transfer.

(9) Other Important Issues: None in particular

4. Targeted Outcomes

(1) Quantitative Effects

1) Outcomes (Operation and Effect Indicators)

Indicator	Baseline (Actual value in 2021)	Target (2027) (2 years after project completion)
Number of households receiving cash transfer	265,000	310,000
Number of children receiving family allowance	150,000	200,000
Rate of female-headed householders among households receiving cash transfer	61%	61%

*The number of households receiving cash transfer is an indicator shared with the World Bank, which is co-financing this Project.

(2) Qualitative Effects

Livelihood improvement among the poor households, and social and economic stabilization in Tunisia

(3) Internal Rate of Return

Not calculated because details of the targeted poor households cannot be identified in advance.

5. External Factors and Risk Control

- (1) Preconditions: None in particular
- (2) External Conditions: There must be no significant change in the political system and no occurrence of big social turmoil in the political reform process, including the referendum on the new constitution in July 2022 and the legislative election from December 2022 to January 2023.

6. Lessons Learned from Past Projects

According to the Project Completion Report (2020) on the Project on Life Improvement and Livelihood Enhancement of Conditional Cash Transfer Beneficiaries through Financial Inclusion (from 2015 to 2020) in Honduras, support was provided to promote life improvement in order to appropriately use benefits under the conditional cash transfer system for the poorest groups. From this project, we learned the importance of introducing and strengthening household budget management among the poorest in order to have positive

impacts. In the planned Technical Assistance attached to the Project, awareness building and other activities for target households will also be examined. The report from the Center for Global Development, in which projects by international financial institutions were analyzed, proposes the necessity of adopting gender-related indicators because females play an important role in household budget management and housekeeping. This Project also uses gender-related indicators.

7. Evaluation Results

The Project aims to reduce the impacts of COVID-19 and financial reforms by the Tunisian government, such as subsidy reduction, on the poor and vulnerable groups and it is consistent with Japan's and JICA's cooperation policies and analyses. The Project is considered to contribute to SDG 1, which aims to end poverty in all its forms everywhere, by providing support to strengthen social protection programs. All of these aspects suggest that it is highly relevant for JICA to support the implementation of the Project.

8. Plan for Future Evaluation

(1) Indicators to Be Used

As indicated in Section 4.

(2) Timing

Ex-post evaluation: 2 years after project completion

Attachment: Project for Support to Strengthen the Social Protection (Map)

END

Project for Support to Strengthen the Social Protection (Map)



(Source: Central Intelligence Agency)