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FOR INFORMATION

MEMORANDUM

TO : THE BOARDS OF DIRECTORS

FROM : Vincent O. NMEHIELLE
Secretary General

SUBJECT : TUNISIA – SMALL CITIES (LESS THAN 10,000 INHABITANTS)
SANITATION PROGRAMME – PHASE 1 (PAPC-I)*

ADB LOAN OF EUR 75 MILLION
RWSSI GRANT OF EUR 1.00 MILLION

FINAL VERSION

Please find attached the **Final Version** related to the above-mentioned Appraisal Report as approved by the Boards on 10 October 2018.

Attach:

Cc: The President

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AFRICAN DEVELOPMENT BANK GROUP



SMALL CITIES (LESS THAN 10,000 INHABITANTS) SANITATION PROGRAMME – PHASE 1 (PAPC-I)

COUNTRY: TUNISIAN REPUBLIC

PROJECT APPRAISAL REPORT

Date: August 2018

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RDGN/AHWS

September 2018

Translated Document

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The information and data in this report were collected by the project team, led by Mr. Belgacem BEN SASSI, Chief Water and Sanitation Engineer, Project Manager, following the appraisal mission of 20 November - 4 December 2018 and the reappraisal mission from 18 to 22 June 2018.

Currency Equivalents

May 2018

UA 1	=	TND 3.49722
UA 1	=	EUR 1.19055
UA 1	=	USD 1.43806

Fiscal Year

1 January – 31 December

Weights and Measures

1 km	=	kilometre	=	1000 m
1 km ²	=	square kilometre	=	1000 m ²
1 ha	=	hectare	=	10 000 m ²
1 lm	=	linear metre		
1 m ³	=	cubic metre		
1 m ³ /j	=	cubic metre per day		
1 hm ³	=	million cubic metres		
l/s	=	litres per second		
inhab/ha	=	inhabitants per hectare		
lp/d	=	litres per person per day		

Acronyms and Abbreviations

AFD	=	French Development Agency
AfDB	=	African Development Bank
AFI	=	Agence foncière industrielle (Industrial Land Agency)
AFT	=	Agence foncière touristique (Tourist Land Agency)
ANPE	=	National Agency for Environmental Protection
ARP	=	Abbreviated Resettlement Plan
BD	=	Bidding Documents
BMP	=	Bank Procurement Methods and Procedures
BT	=	Before Tax
CRDA	=	Regional Commissariat for Agricultural Development
CSP	=	Country Strategy Paper
DGGREE	=	General Directorate for Rural Engineering and Water Development
DR	=	General Directorate
DWSS	=	Drinking Water Supply and Sanitation
EBRD	=	European Bank for Reconstruction and Development
EIB	=	European Investment Bank
ERR	=	Economic Rate of Return
ESAP	=	Environmental and Social Action Plan
ESMF	=	Environmental and Social Management Framework
ESMP	=	Environmental and Social Management Plan
EUR	=	Euro
GDP	=	Gross Domestic Product
ISS	=	Integrated Safeguards System
IT	=	Inclusive of all Taxes

IT	=	Invitation to Tender
JICA	=	Japan International Cooperation Agency
KFW	=	German Development Agency
MDICI	=	Ministry of Development, Investment and International Cooperation
MIC	=	Middle Income Countries
NPV	=	Net Present Value
ONAS	=	National Sanitation Authority
PAQEE	=	Treated Water Quality Improvement Project
PP	=	Procurement Plan
RDI	=	Regional Development Index
REUT	=	Treated Wastewater Reuse
RWSSI	=	Rural Water Supply and Sanitation Initiative
SDGs	=	Sustainable Development Goals
SDP	=	Strategic Development Plan
SINEAU	=	National Water Information System
SPMT	=	Tunisia's Procurement System
TFPs	=	Technical and Financial Partners
TND	=	Tunisian Dinar
TOR	=	Terms of Reference
TWW	=	Treated Wastewater
UA	=	Unit of Account
UGO	=	Management by Objectives Unit
USD	=	United States Dollar
WB	=	World Bank
WWTP	=	Wastewater Treatment Plant

Project Information

Client Information

BORROWER : National Sanitation Authority (ONAS)

EXECUTING AGENCY : National Sanitation Authority (ONAS)

Financing Plan

Source	Amount (UA)	Amount (EUR)	Instrument
AfDB	61.9 million	75.0 million	Loan
RWSSI Fund	0.8 million	1.0 million	Grant
EBRD	61.9 million	75.0 million	Loan
Tunisian Government	10.2 million	12.3 million	-
TOTAL COST	134.8 million	163.3 million	

Key AfDB financial information

Loan currency	EUR
Loan Type	Fully flexible loan (FFL)
Maturity	20 years
Grace period	5 years
Interest Rate	Base rate + Funding margin + Lending spread + Maturity premium (This interest rate must be greater than or equal to Zero)
Base rate	Floating (EURIBOR 6 months revised every 1 st February and 1 st August) A free option is available to set the base rate
Funding Margin	The Bank's funding margin revised every 1 st January and 1 st July and applied every 1 st February and 1 st August with the base rate
Lending Spread	80 basis points (0.8%)
Maturity Premium	To be determined:: - 0% if the weighted average maturity <= 12.75 years - 0.10% if 12.75 < weighted average maturity <= 15 - 0.20% if the weighted average maturity > 15 years
Front-End Fee	0.25% of loan amount payable on the date of first disbursement
Commitment Fee	0.25% per year of non-disbursed. It begins to run 60 days after the loan agreement signature date and is payable on the payment dates
Base rate conversion option *	In addition to the floating base rate option, the option is available for Borrower to return to the floating rate or reattach all or part of the disbursed loan amount. Transaction fees are payable
Rate ceiling or tunnel option *	The option is available for Borrower to put a ceiling or tunnel on the base rate for all or part of the loan amount disbursed. Transaction fees are payable

Loan Currency Conversion Option *	The option is available for Borrower to change the currency of all or part of its loan, disbursed or otherwise, into another loan currency of the Bank. Transaction fees are payable
ERR, NPV (base-case scenario)	18% (TND 502 million)

Duration – Milestones (expected)

Concept Note Approval	November 2017 ¹
Project Approval	October 2018
Signature of Loan Agreements	October 2018
Effectiveness of Agreements	January 2019
First Disbursement	April 2019
Last Disbursement	December 2023

¹ For the Programme, an appraisal mission was fielded in December 2017, and a re-appraisal mission in June 2018.

PROGRAMME SUMMARY

Programme Overview

1. The programme consists in developing sanitation services (networks, pumping stations and treatment plants) in small towns of less than 10,000 inhabitants. Phase I of the programme concerns 33 towns spread over 19 Governorates countrywide forming part of the priority intervention programme of ONAS identified by the techno-economic and institutional study for these small towns, financed by an MIC grant². Phase I of the programme is designed to address the health and environmental needs of these 33 towns up to 2030 and will benefit a total population of about 190 000 inhabitants. The implementation of Phase I, whose total cost is estimated at EUR 163.3 million (approximately UA 134.8 million), is expected to span 60 months (Q4 2018 – Q4 2023).

2. The bulk of towns under the programme lack sanitation and purification facilities. Its design targets a 95% connection rate and treatment of 100% of collected wastewater volume. It forms part of the performance contract between the State and ONAS for the 2016-2020 period.

Needs Assessment

3. The design of Phase I of the programme was based on the priority needs identified by ONAS in its performance contract with the State for 2016-2020. The implementation of Phase 1 at this time is warranted by the health status of the towns concerned, which is marked by: (i) virtual absence of sanitation network and purification infrastructure in half of the towns; (ii) poor state of existing networks (compressed concrete pipes, small diameters, etc.); and (iii) wastewater discharge into traditional cesspools or directly on to the streets. As a result of the foregoing, the health status of virtually all the towns is a major cause for concern. Wastewater released into the wild, the streets and on the outskirts of cities into the receiving environments (wadis, dams, lakes, sebkha, etc.) is a source of major community health issues and environmental nuisances (mosquito proliferation, odours, risks of contamination of the water table and surface waters of dams, lakes, health problems, etc.).

Bank's Value-Added

4. The decision of the Tunisian Government and ONAS to involve the Bank in financing this programme is mainly informed by the Bank's vast experience in Tunisia's water supply sub-sector in particular and in that of the North Africa region in general. Through the various projects financed, the Bank and Tunisian authorities have developed good interaction in dealing with various issues and have consolidated their relations, further strengthened by the proximity of the Bank's sector experts at its North Africa regional office in Tunis.

5. Moreover, this operation will serve as an opportunity for the Bank to support national, regional and local sanitation sector stakeholders, particularly in small towns, through various national strategies, such as: (i) Tunisia's treated wastewater reuse strategy (EUT); (ii) creation of start-up opportunities locally for young graduate-owned and operated systems; and lastly (iii) empowering women and integrating youth locally.

² The MIC grant for the strategic study on the sanitation of 80 towns of less than 10,000 inhabitants was approved in 2009 and the study was completed in 2014

Knowledge Building

6. The programme will help to enhance ONAS's experience in small town sanitation and, in particular, implementing new cost-effective sanitation and purification processes that are technically simple and suited to the context of small towns. To this end, a think tank will be set up at ONAS to explore the findings of various technical studies and define a number of purification processes that will particularly mainstream the specificities of the towns concerned.

7. Another aspect to be developed under this operation is the promotion of treated wastewater use for non-agricultural purposes (conservation of water-deprived green spaces and recreational areas, restoration of any degraded forest areas, reduced volume of effluents released into the receiving environment, contribution to groundwater recharge, etc.). This use is more suited to this programme marked by limited volumes of treated wastewater, which are inadequate for re-use in agriculture where abundant and steady supplies are required.

RESULTS-BASED LOGICAL FRAMEWORK

Country and Project name: Tunisia - Small Cities (Less Than 10,000 Inhabitants) Sanitation Programme - Phase I (PAPC I).						
Project goal: To improve the socio-economic, environmental and health conditions of the Tunisian populace through widespread sanitation services in towns countrywide.						
RESULTS CHAIN		PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS AND MITIGATION MEASURES
		Indicators (including CSIs)	Baseline situation	Target		
IMPACT	The socio-economic and health conditions of the populace are improved through widespread sanitation services countrywide.	1. Water and sanitation access and water resources management (SDG6) 2. Reduced inequalities in countries (SDG10)	2. 97.7% (water access) & 85.2% (sewerage network access) About 80 small towns lack adequate sanitation	Ensure water and sanitation access for all citizens by 2030 Ensure adequate sanitation services to all towns in 2030	National statistics. Ministry of Health reports.	
OUTCOMES	1. Increased wastewater collection 2. Collected wastewater treatment widespread 3. Increased treated wastewater reuse 4. New jobs generated and gender disparities narrowed	1.1 Rate of connection of citizens to the sanitation network at country level 1.2 Rate of connection of citizens to the sewerage network in ONAS service areas 2. Collected wastewater treatment rate 3. Treated wastewater reuse rate 4. Number of jobs created: 4.1 Number of temporary direct jobs 4.2 Number of permanent direct jobs. 4.3 Number of indirect jobs.	86.3 % in 2015 90.9% in 2015 97.9% in 2015 24.8% in 2015 0 0 0	95% in 2025 92.5% in 2025 100% in 2025 50% in 2025 About 1,000 in 2025 ³ , at least 20% women About 100 in 2025 ⁴ , at least 30% women Between 5,000 and 10 000 in 2025 ⁵ , at least 35% women ⁶ .	MALE reports and statistics. ONAS annual reports. National statistics (INS, ...) User surveys	Risks - Climate change: water resource scarcity risks in the country - Sanitation network management model in small towns inadequate and inefficient Mitigation measures - Increased treated wastewater reuse rate (50% by 2020). - Adoption of a new institutional framework based on several possible models
OUTPUTS	<i>Component A: Development of sanitation infrastructure</i> A.1. Primary and secondary networks established A.2. Transfer networks established A.3. Sewage treatment plants provided.	A1. Length of primary and secondary networks established A2. Length of transfer networks established A3. Number of WWTPs provided	0 0 0	More than 700 km in 2023 More than 100 km in 2023 More than 20 WWTPs in 2023	Half-yearly programme monitoring reports provided by ONAS, Bank supervision reports. Reports and statistics from MALE and other relevant Ministries	Risks - Disinterest of viable companies in minor contracts and/or over-accumulation of contracts by weak capacity companies - Inadequate human resources at ONAS Regional Directorates and towns. Mitigation measures - Proper lotting of goods and works contracts to foster competition - Government's commitment under the national recruitment programme, to prioritising the recruitment of the additional staff recommended at the level of regions (by ONAS regional directorates and towns).
	<i>Component B: Capacity Building and Institutional Support</i> B.1. The capacity of ONAS (central and regional levels) enhanced B.2. Treated wastewater reuse promoted B.3. Local private sector involved in sanitation systems operation	B1. Monitoring and evaluation system (technical, financial, ESMP ...) improved. B2 Number of pilot towns for TWW reuse. B3 Number of TWW reuse pilot projects	0 0 0	1 in 2023 5 in 2023 5 in 2023	Mid-term review report and project completion report (PCR).	

³ For information purposes, the construction site of a medium-sized WWTP (in the case of the municipalities targeted by the project) involves about fifteen workers. The same applies for primary and secondary networks.

⁴ The number of jobs created by WWTPs in the operation phase varies from three to four according to size and treatment process.

⁵ Each USD 1 million investment in the water and sanitation sector generates between 10 and 15 indirect jobs (UN report on global water development, March 2016). To these jobs, should be added the industrial jobs created in the developed industrial zones and the agricultural jobs created in the lands irrigated by treated wastewater under the programme.

⁶ The percentage differential of women's shares in the newly generated jobs is attributable to the nature of these jobs: temporary direct jobs are mainly construction works, and permanent direct jobs are mainly jobs in management and operation of new sanitation facilities and indirect jobs are jobs in economic sectors developed in the regions covered by the programme (tourism, industry ...).

	<p><i>Component C: Programme Management</i></p> <p>C.1. Implementation studies finalized</p> <p>C.2. Goods and works procured</p> <p>C.3. Works supervised and inspected</p> <p>C.4. ESMP and RAP implemented</p> <p>C.5. Overall Programme coordination</p>	<p>C.1. Implementation studies of the different towns</p> <p>C.2. Bidding documents, bid evaluation report and contracts signed</p> <p>C.3. Monitoring of infrastructure works</p> <p>C.4. Implementation of ESMPs and RAPs</p> <p>C.5. Setting up of a Programme Monitoring Unit</p>	<p>0</p> <p>0</p> <p>0</p> <p>0</p> <p>0</p>	<p>Implementation Study Reports for each municipality</p> <p>BD and evaluation reports finalized according to BPM</p> <p>Monitoring of works carried out by ONAS Regional Directorates</p> <p>Monitoring and implementation of ESMPs and RAPs</p> <p>UGO has been established by decision of ONAS Chief Executive</p>		
KEY ACTIVITIES	<p>COMPONENTS</p> <p><u>A. Development of sanitation infrastructure</u></p> <p><u>B. Capacity building and institutional support</u></p> <p><u>C. Programme management</u></p>			<p>RESOURCES (in UA million)</p> <p>- AfDB loan: UA 61.9 million.</p> <p>- RWSSI grant: UA 0.8 million.</p> <p>- EBRD loan: UA 61.9 million</p> <p>- Tunisian Government: UA 10.2 million</p>		

PROGRAMME IMPLEMENTATION SCHEDULE (PHASE I)

		2018			2019												2020												2021												2022												2023											
		9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11
• GREATER TUNIS DEPARTMENT - Sanitation of small municipalities in the Governorate of Ben Arous																																																																
1-	Sanitation and Transfer Networks and Treatment Station of the municipality of Khlidia in the Governorate of Ben Arous																																																															
• NORTH DEPARTMENT - Sanitation of small municipalities in the Governorates of Nabeul, Zaghouan, El Kef, Siliana, Bizerte, Béja and Jendouba																																																																
1-	Sanitation and Transfer Networks of the municipalities of Dar Allouche, Menzel Horr and Azmour in the Governorate of Nabeul																																																															
2-	Sanitation and Transfer Networks and Treatment Stations of the municipalities of Jbel Ouest and Nadhour in the Governorate of Zaghouan																																																															
3-	Sanitation and Transfer Networks and Treatment Stations of the municipalities of Nebeur and Kalâa Khsiba in the Governorate of El Kef																																																															
4-	Sanitation and Transfer Networks and Treatment Station of the municipality of Kesra in the Governorate of Siliana																																																															
5-	Sanitation and Transfer Networks and Treatment Station of the municipality of Sejnane in the Governorate of Bizerte																																																															
6-	Sanitation and Transfer Networks and Treatment Stations of the municipalities of Amdoun and Guebollat in the Governorate of Béja																																																															
7-	Sanitation and Transfer Networks and Treatment Stations of the municipalities of Ouled M'liz and Beni M'tir in the Governorate of Jendouba																																																															
• CENTRE Department - Sanitation of small municipalities in the Governorates of Sousse, Monastir, Mahdia, Kairouan and Kasserine																																																																
1-	Sanitation and Transfer Networks and Treatment Station of the municipality of Sidi El Heni in the Governorate of Sousse																																																															
2-	Sanitation and Transfer Networks and Treatment Stations of the municipalities of Amiret El Hojjej, Sidi Bannour et Menzel Hayet in the Governorate of Monastir																																																															
3-	Sanitation and Transfer Networks and Treatment Stations of the municipalities of Melloulech, Ouled Chamekh and Karkar in the Governorate of Mahdia																																																															
4-	Sanitation and Transfer Networks and Treatment Stations of the municipalities of Nasrallah, Menzel M'hiri and El Alâa in the Governorate of Kairouan																																																															
5-	Sanitation and Transfer Networks and Treatment Station of the municipality of Hidra in the Governorate of Kasserine																																																															
• SOUTH DEPARTMENT - Sanitation of small municipalities in the Governorates of Sfax, Gabes, Tozeur, Kébili, Médenine and Tataouine																																																																
1-	Sanitation and Transfer Networks and Treatment Stations of the municipalities of Bir Ali Ben Khlifa and Skhira in the Governorate of Sfax																																																															
2-	Sanitation and Transfer Networks and Treatment Station of the municipality of Matmata Jedida in the Governorate of Gabes																																																															
3-	Sanitation and Transfer Networks and Treatment Station of the municipality of Hammet Jrid in the Governorate of Tozeur																																																															
4-	Sanitation and Transfer Networks and Treatment Station of the municipality of Faouar in the Governorate of Kébili																																																															
5-	Sanitation and Transfer Networks and Treatment Station of the municipality of Beni Khdech in the Governorate of Medenine																																																															
6-	Sanitation and Transfer Networks and Treatment Stations of the municipalities of Dhiba and Rmeda in the Governorate of Tataouine																																																															

BANK GROUP MANAGEMENT'S REPORT AND RECOMMENDATIONS ON A PROPOSED AFDB LOAN AND RWSSI GRANT TO TUNISIA FOR THE SMALL CITIES (OF LESS THAN 10,000 INHABITANTS) SANITATION PROGRAMME (PHASE I)

Management submits the present reports and recommendations concerning a proposal for an AfDB loan of EUR 75.0 million (approximately UA 61.9 million) and a RWSSI grant of EUR 1.0 million (approximately 0.8 million EUR) to the National Sanitation Authority "ONAS" for the financing of Phase 1 of the Small Cities (of less than 10,000 Inhabitants) Sanitation Programme in Tunisia.

I. Strategic Thrust and Rationale

1.1. Project Linkages with Country Strategy and Objectives

1.1.1 ***Tunisia is a water-deprived country and this represents a leading challenge for its development.*** Rainfall is extremely low and water is unevenly distributed among the different regions. With a water availability of 450m³/year/inhabitant, the country is, thus, below the water stress threshold (set at around 500m³/year/inhabitant). In terms of geographical distribution, the country's northern part holds 83% of surface water and 31% of groundwater (although forming less than 20% of the country's total area), the Centre: 12% and 25% %, respectively and lastly the South: 5% and 44% with almost 60% of the country's area. Additionally, the quality of surface water, and particularly groundwater, has deteriorated due to increased pollution largely from the discharges into the environment.

1.1.2 ***In 2014, Tunisia adopted a new constitution, which enshrines the following principles:*** (i) the right to water and the obligation for the State and society to preserve this precious resource and manage it in a rational manner (Article 43); (ii) the right to a healthy and balanced environment (Article 44); (iii) decentralisation (Article 8) and; (iv) the generalisation, organisation and strengthening of the powers of elected local authorities (Articles 128 to 139). These principles are directly related to improving liquid waste management services in small cities.

1.1.3 To implement these principles enshrined in the new Constitution, Tunisia is pursuing its decentralisation policy and implementing sustainable development *strategic action plans at the level of local authorities.* The key objective is *to narrow, by 2020, the disparities between the less developed inland regions and the coastal regions* by an average of 30% on the scale of the Regional Development Index (RDI), of which basic services including sanitation services form an essential component.

1.1.4 In the framework of general national policy guidelines aimed at ***improving the living environment of citizens, environmental protection and water resources preservation for sustainable development,*** Tunisia, through ONAS has adopted a sanitation strategy based on the following themes: (i) sustaining the national drive to generalize sanitation services in urban areas and wastewater treatment capacity building; (ii) improving treated wastewater quality; (iii) promoting treated wastewater reuse; (iv) increasing focus on new sanitation technologies and up-to-date treatment through effective, rational, energy-based and ecological processes; and (v) focus on public-private partnership (PPP) for the operation of sewer systems, and design and construction of such facilities.

1.1.5 Lastly, the programme forms part of the performance contract between the State and ONAS for the 2016-2020 period and Tunisia's five-year development programme (2016-2020). This new development programme is characterized by: (i) a **participatory process** throughout the plan preparation stages; and (ii) **positive discrimination** between regions (based on priority Governorates under the Regional Development Index (RDI)). Similarly, this plan estimated the cost of environmental degradation at 2.7% of GDP.

1.2. Rationale for Bank's Involvement

1.2.1 The Bank has provided the country long-standing integrated support in sustainable water resources management. Such support involves technical assistance, investment projects and budget support. This support has concerned: (a) the agricultural sector, the leading water resource user (more than 80% of the mobilized resources), through water saving infrastructure, resources monitoring and integrated management framework, tools for wastewater recovery and those to facilitate water table recharge (e.g. PISSAU); (b) DWSS through development of drinking water supply and liquid waste management infrastructure (funding for 2 rural DWS programmes and 1 water quality improvement project); and (c) development of water resources planning and management tools (implementation of SINEAU and development of the 2050 Water Strategy).

1.2.2 This programme is part of the 2018 indicative lending programme appended to the Bank's CSP 2017-2021. The programme will enable the achievement of the main expected results of Pillar 2 of this CSP, namely improving the performance quality of local governments and local authorities and improving access to public utilities meeting the best existing quality standards for inhabitants of priority regions, and increasing growth, incomes and employment in the priority Governorates under the Regional Development Index (RDI).

1.2.3 Additionally, as part of the green economy, the CSP 2017-2021 will contribute to the environmental improvement drive through actions concerning sanitation (including this programme) and waste management, and will work towards mobilizing non-conventional water resources and disseminating water-saving irrigation techniques to combat water stress.

1.2.4 Lastly, this programme will contribute towards achieving the Ten-Year Strategy and in particular the Bank's five top priorities (High 5s). By improving sanitation services, the project will improve the quality of life for the people. By developing treated wastewater reuse, it will enable development of productive activities and thus support the achievement of: (i) the "Industrialise Africa" priority by ensuring the decontamination of industrial discharges from the new industrial zones planned in the towns concerned; and (ii) the "Feed Africa" priority by mobilising non-conventional water resources (treated wastewater) for agricultural development in the towns concerned.

1.3. Donor Coordination

1.3.1 Since its adoption, the Strategic Development Plan (PSD) for the 2016-2020 period has become the main reference framework for the interventions of the Government and its development partners, and is implemented through the Ministry of Development, Investment and International Cooperation (MDICI). Moreover, the Water Group of Technical and Financial Partners (TFP) meets regularly in Tunis to discuss developments in the sector, particularly in terms of the country's policies and strategies, and each donor's intervention strategies and programmes of activity, to ensure greater coordination and harmonisation of water and sanitation sector interventions. The Bank regularly attends meetings of this group.

1.3.2 This programme is co-financed by the Bank and the EBRD and the Bank acts as Lead Partner (with the application of procurement and financial management rules and procedures). Additionally, through parallel financing, the implementation of the small cities sanitation programme is supported by other financial partners, the foremost being:

- Italian Cooperation (Italian debt conversion), which is financing to the tune of TND 40 million (around EUR 13 million) the sanitation of 8 small towns forming part of the overall programme of 80 towns of less than 10,000 inhabitants;
- AFD, which is funding a sanitation project for low-income districts (underprivileged neighbourhoods in major cities, such as Greater Tunis) and a rural sanitation pilot project (towns of less than 3,000 inhabitants) for a total amount of approximately EUR 40 million;
- KfW, which is financing a sanitation programme for small and medium-sized towns. The total cost of Tranche II, which is ongoing, stands at around EUR 23.6 million. In addition, it is financing (through German debt conversion) a sanitation programme in four medium-sized towns to the tune of approximately EUR 20 million.

1.3.3 The sanitation sub-sector financing (through ONAS) by the key TFPs stands as follows:

DWSS sub-sector financing by the key TFPs

Sector or sub-sector*	Share		
	GDP	Exports	Labour
Drinking water and Sanitation	-	-	-
Stakeholders – Public spending (average) 2017			
Government	Donors		
		EUR million	
	KfW	173	
	AFD	149	
	EIB	119	
	JICA	93	
	WB	55	
	AfDB	32	
	EBRD	20	
Donor coordination level			
Existence of thematic working groups	[Yes]		
Existence overall sector programme	[Yes]		
AfDB role in donor coordination ***	[M]****		

**** L : Lead; M : Member (non-lead) ; None : No role

II. Project Description

2.1. Project Components

2.1.1 The programme will consist of: (i) development of sanitation infrastructure (primary and secondary networks, transfer networks, pumping stations and treatment plants); (ii) capacity building and institutional support; and (iii) Programme management (technical studies, land acquisition, operation and technical assistance).

2.1.2 The activities under the different programme components are detailed in the following table.

Table 2.1: Programme components cost (including contingencies)

	Component/ sub-component name	Estimated cost (TND million)	Estimated cost (EUR million)	Component description
A	<i>Development of sanitation infrastructure</i>	446.9	148.6	This component comprises 4 sub-components: <ul style="list-style-type: none"> ▪ <i>Building of networks (primary and secondary)</i>: laying of approximately 850 km of pipes; ▪ <i>Building of the transfer networks</i>: laying of approximately 70 km of pipes and building about 30 pumping stations; ▪ <i>Building of treatment plants</i>: construction of 24 new treatment plants; ▪ <i>Procurement of operating and maintenance equipment</i>
B	<i>Capacity building and institutional support</i>	3.0	1.0	<ul style="list-style-type: none"> ▪ Study on operating sanitation systems in small towns (private sector participation); ▪ TWR reuse study (with pilot sites); ▪ Design and implementation of a software package for project planning and implementation; ▪ Procurements audit and procedures manual
C	<i>Programme management</i>	41.3	13.7	<p>At regional level (Regional Departments - RDs):</p> <ul style="list-style-type: none"> ▪ Technical assistance for works review, monitoring and inspection; ▪ Monitoring of implementation studies; ▪ Monitoring of land, property and works procurement process; ▪ Monitoring of works ▪ Monitoring ESMP and RAP implementation <p>At the central level (Central Departments):</p> <ul style="list-style-type: none"> ▪ General programme coordination. ▪ Coordination of RD activities (procurements, studies, works follow-up, ...) ▪ Financial and accounting management of the programme. ▪ Technical assistance to RDs
	Total including contingencies	491.2	163.3	

2.2. Technical Solutions Adopted and Alternatives Explored

2.2.1 *The strategic study for the sanitation of towns with less than 10,000 inhabitants, financed by a MIC grant and completed in 2014, reviewed the status of sanitation and proposed the sanitation infrastructure to be provided, namely: (i) primary and secondary treatment systems to collect wastewater; (ii) systems for wastewater transfer to treatment plants; and (iii) envisaged treatment plants.*

2.2.2 For the 33 existing towns, two options were examined for the purification sites: (i) transporting collected wastewater to existing wastewater treatment plants in other towns; or (ii) building new wastewater treatment plants for the wastewater collected. Based on a multi-criterion review (distance to existing station, existing station capacity, backflow need and energy cost, etc.) the 33 towns were classified into 2 categories: (i) category 1, comprising 6 towns whose collected wastewater will be conveyed to existing treatment plants (or others being constructed under different projects); and (ii) category 2, comprising 27 towns, whose collected wastewater will be transferred to treatment plants to be built under this programme (some of the planned WWTPs will serve more than one town).

2.2.3 Regarding the choice of recommended purification processes, there were two alternatives:

1. Inviting bids for the treatment plants according to the "design, supply, and installation" model and allow bidders to propose their own processes. *This alternative was rejected for the reasons listed in Table 2.2 below.*
2. Defining a purification process to be adopted at the national level or at least at regional level and inviting bids based on a solution proposed by the administration. This requires ONAS services to brainstorm on the choice of processes suited to small towns and possibly to the context of each region. *This alternative was chosen.*

Table 2.2: Alternatives explored and reasons for their rejection

Alternative	Brief description	Reasons for rejection
Allow contractors to choose freely which purification process to adopt for each treatment plant.	The Bank's standard "Design, supply, and installation" bidding documents allow bidders to propose the technical solution of their choice.	<ul style="list-style-type: none"> - This alternative may produce purification processes that are ill-suited to the small town context (low flow, low volume); - This alternative may produce a large number (over 20) of proposed processes, which will compound their operation by ONAS workers; - This alternative may produce purification technologies requiring expertise unavailable locally and regionally or entailing high operation costs.

2.3. Project / Instrument Type

This is an investment project to be financed from AfDB and EBRD resources (co-financing) in the form of loans, the RWSSI fund in the form of a grant and national counterpart funding (ONAS).

2.4. Project Cost and Financing Arrangements

2.4.1 The total programme cost, excluding taxes and customs duties, is estimated at EUR 163.3 million (approximately TND 491.2 million). It includes a provision of 5% for physical contingencies, 2% for foreign exchange price escalation (FE) and 3% for local currency price escalation (LC). This cost estimate was based on preliminary design studies and updated estimates from ONAS Regional Offices.

Table 2.3: Estimated cost by component (excluding taxes and customs duties)

Components	TND million			EUR million			% FE
	FE	LC	Total	FE	LC	Total	
Component A – Development of sanitation infrastructure	326.2	88.6	414.8	108.4	29.5	137.9	78.6
Component B – Capacity building and institutional support	3.0	0.0	3.0	1.0	0.0	1.0	100.0
Component C – Programme management (implementation studies, land acquisition, operation and technical assistance)	6.6	34.7	41.3	2.2	11.5	13.7	16.0
Total base cost	335.8	123.3	459.1	111.6	41.0	152.6	73.1
Provision for implementation contingencies	16.3	6.7	23.0	5.4	2.2	7.6	-
Provision for price escalation	5.9492	2.6	8.5492	2.0125	0.9	2.9125	-
Miscellaneous (Front-end fee)	0.5508	0.0	0.5508	0.1875	0.0	0.1875	
Total programme cost	358.6	132.6	491.2	119.2	44.1	163.3	73.0

2.4.2 The programme will be co-financed by the Bank, EBRD, RWSSI Fund and the Tunisian Government. The Bank financing will amount to EUR 75.0 million, or approximately UA 61.9 million. This amount represents 45.9% of the estimated programme cost. EBRD funding also stands at EUR 75.0 million and the government contribution is EUR 12.3 million, representing 7.5% of the estimated programme cost.

Table 2.4: Sources of financing

Sources of financing	TND million			EUR million			% total
	FE	LC	Total	FE	LC	Total	
AfDB Loan	177.8	47.8	225.6	59.1	15.9	75.0	45.9
EBRD	177.8	47.8	225.6	59.1	15.9	75.0	45.9
RWSSI Fund	3.0	0.0	3.0	1.0	0.0	1.0	0.6
National Counterpart	0.0	37.0	37.0	0.0	12.3	12.3	7.5
Total programme cost	358.6	132.6	491.2	119.2	44.1	163.3	100.0

Table 2.5: Project cost by expenditure category

Expenditure categories	TND million			EUR million			% FE
	FE	LC	Total	FE	LC	Total	
Works	210.7	75.7	286.4	70.0	25.2	95.2	73.6
Goods	115.6	12.8	128.4	38.4	4.3	42.7	90.0
Services	9.6	0.0	9.6	3.2	0.0	3.2	100.0
Miscellaneous (implementation studies, operation land acquisition)	0.0	34.7	34.7	0.0	11.5	11.5	0.0
Total base cost	335.9	123.2	459.1	111.6	41.0	152.6	73.1
Provision for implementation contingencies	16.3	6.7	23.0	5.4	2.2	7.6	-
Provision for price escalation	5.9492	2.6	8.5492	2.0125	0.9	2.9125	-
Miscellaneous (Front-end fee)	0.5508	0.0	0.5508	0.1875	0.0	0.1875	
Total programme cost	358.6	132.6	491.2	119.2	44.1	163.3	73.0

(*) 50% from AfDB loan and 50% from EBRD loan

2.4.3 Paragraph 4.2.2 (ii) of the Bank Group Eligible Expenditures Policy approved by the Board on 19 March 2008 requires that the Bank not exceed 50% of total project cost. In addition, paragraph 2.1.2 (ii) of the same policy requires that the Government's contribution cover at least 50% of project cost unless special circumstances warrant a different percentage.

2.4.4 The programme is in line with the 2017 CFPs in terms of financing recurrent costs, national currency use and taxes and customs duties. From a cost-sharing perspective, the Bank's funding for this programme, which is 45.9% of total pre-tax cost, is in line with the 2017 CFPs (Bank financing must be less than 60% of the total cost of a social project). The national contribution (Government) is 7.5% of total cost excluding taxes, which is slightly lower than the contribution of at least 10% of total project costs as provided for in the 2017 CFPs. However, in the water and sanitation sector, the Government's cumulative contribution to the financing of PAEPR II (2016) and PAPC I (2018) stands at EUR 36.8 million out of a total amount of EUR 312.5 million. For these two projects, Government contribution represents 11.8% of the costs of the projects, which is in conformity with the 2017 CFPs.

Table 2.6: Project cost by expenditure category and by source of financing (EUR million)

Expenditure categories	AfDB Loan			RWSSI Grant			EBRD Loan			National counterpart (ONAS)		
	FE	LC	Total	FE	LC	Total	FE	LC	Total	FE	LC	Total
Works	35.0	12.6	47.6				35.0	12.6	47.6			
Goods	19.2	2.15	21.35				19.2	2.15	21.35			
Services	1.1	0.0	1.1	1.0	0.0	1.0	1.1	0.0	1.1			
Miscellaneous (implementation studies, operation land acquisition)										0.0	11.5	11.5
Total base cost	55.3	14.75	70.05	1.0	0.0	1.0	55.3	14.75	70.05	0.0	11.5	11.5
Provision for implementation contingencies	2.7	0.8	3.5	0.0	0.0	0.0	2.7	0.8	3.5	0.0	0.6	0.6
Provision for price escalation	1.1	0.35	1.45	0.0	0.0	0.0	1.1	0.35	1.45	0.0	0.2	0.2
Miscellaneous (Front-end fee)	0.1875	0.0	0.1875									
Total programme cost	59.1	15.9	75.0	1.0	0.0	1.0	59.1	15.9	75.0	0.0	12.3	12.3

Table 2.7: Schedule of expenditure by component (in TND million)

Components	2019	2020	2021	2022	2023
Component A – Development of sanitation infrastructure	41.5	41.5	124.4	124.4	83.0
Component B – Capacity building and institutional support	0.0	0.6	0.9	0.9	0.6
Component C – Programme management	4.1	4.1	12.4	12.4	8.3
Total base cost	45.9	45.9	137.7	137.7	91.8
Provision for implementation contingencies	2.1	5.5	6.1	5.2	4.1
Provision for price escalation	0.9	2.1	2.3	2.0	1.8
Miscellaneous (Front-end fee)	0.1875	0	0	0	0
Total programme cost	48.9	53.5	146.1	144.9	97.8

2.5. Project Target Area and Beneficiaries

2.5.1 The programme has a national scope, with a large area of influence covering 19 of Tunisia's 24 Governorates. It will benefit a total population of about 190,000 in small towns located in regions that are among the least favoured.

2.5.2 The town areas concerned by the programme are located in the 16 "priority Governorates" defined by CSP 2017-2021, but are also among the pockets of poverty found around the big cities. These municipality areas are found in the least developed regions on the scale of the Regional Development Index (RDI). The results of the last general population census of 2014 showed that these regions, in particular, the Governorates of Sidi Bouzid, Medenine, Kasserine, Kairouan and Mahdia, are characterized by a sewerage network connection rate lower than the national average⁷ but also by a literacy rate, especially among women, standing well above the national average.⁸

2.5.3 This programme will improve the sanitation system connection rate in less-favoured areas, thus improving its basic infrastructure, promote economic development and increase its attractiveness, and lastly improve the quality of life for inhabitants and their natural environment health.

⁷ Less than 35% for a national average of about 58%

⁸ For instance, the literacy rate among women is 41.7% in Kairouan and 41.2% in Jendouba, while the national average is 25%

2.6. Participatory Process for Project Identification, Design and Implementation

2.6.1 The sanitation programme for small towns of less than 10,000 inhabitants started with a strategic study for the sanitation of these towns. This study, which was financed by an MIC grant from the Bank, concerned 86 towns not covered by ONAS and not benefiting from investment programmes. It focused on the economic, institutional and technical aspects with a view to adopting a sanitation infrastructure intervention programme for towns deemed “priority” and improving the living environment of their inhabitants.

2.6.2 As part of this strategic study, a survey sheet was prepared for each municipality concerned to gather the necessary information. Furthermore, during field visits more comments, suggestions and any complaints from local and regional authorities on the city’s current or future sanitation situation were noted. Most of the people surveyed consider sanitation an emergency and were willing to pay for sanitation services. The survey also revealed the existence of social conflicts in some sanitation-deprived towns (conflicts with neighbouring residents due to wastewater overflow or stagnation), and hence the dire need for a sanitation system in such towns.

2.6.3 The list of towns in Phase 1 of the programme (33 towns) was also drawn up through a participatory process involving the different stakeholders: ONAS and SONEDE for the baseline data on water consumption and sewage discharge, AFI and AFT for the industrial and tourist areas development programme, CRDA for potential TWWR sites and the towns for the health problems of towns and the expectations of citizens. The participatory process will be continued during its implementation and will cover all stages of the programme. A special focus will be put on capacity building of municipal councils as well as youth and women’s inclusion in wastewater management.

2.6.4 The Bank for its part organized missions (during preparation and appraisal) with ONAS, targeting the various regions concerned by the programme (North, Centre and South of Tunisia), through visits to the localities. During such visits, a representative sample of sanitation-deprived groups were approached to enable an assessment, at the national level, of the current “without project” situation. Discussions with local officials (ONAS, towns, delegates) and the local population provided useful insights into the problems actually suffered due to the current wastewater discharge and collection systems and recommendations on overcoming them. This is all factored into the design of Phase I of the programme.

2.6.5 Similarly, the EBRD mobilised a group of consultants as part of the programme’s environmental and social assessment. The report drawn up following their mission (which included several site visits and consultations with the beneficiaries and various stakeholders) was used to assess: (i) the level of stakeholder involvement; (ii) ONAS communication and awareness strategy in small towns. In addition, information gathered during the visits and exchange of ideas with the local authorities - besides documentary review data – was used for the "gender" analysis described in the final report. The report led to recommendations and an action plan for adoption, within the ESMP framework, of a participatory approach including gender mainstreaming during the programme’s implementation.

2.7. Bank Group Experience and Lessons Reflected in Project Design

2.7.1 As of mid-July 2018, the Bank Group portfolio comprised 45 operations, of which 39 concerned the public sector (including 22 on technical assistance) and six (6) the private sector. The sector breakdown of the portfolio was as follows: transport (35.05%), finance (22.62%), social (17.36%), water and sanitation (11.84%), energy (5.25%), agriculture (3.81%), communications (3.32%), multi-sector (0.66%) and industry and mining (0.09%). Total commitments amount to UA 1,797.4 million. The overall disbursement rate of the portfolio was 64.72% and the average age of the portfolio was 3.9 years. Overall, the performance of the Bank's national public portfolio in Tunisia

remains satisfactory. There is a single problematic project and no ageing project in the portfolio. The key lingering constraints on the implementation of operations are: (i) delays in ratifying financing agreements; (ii) delays in submitting audit reports and existence of unjustified balances of special account balances; and (iii) lengthy processing times on the part of both the administration and the Bank.

2.7.2 In the drinking water and sanitation sector, three investment projects were approved for 2011, 2012 and 2016 respectively. The Rural Drinking Water Supply Programme (Phase I), which was approved in October 2011, is being implemented at a highly satisfactory pace with a commitment rate of around 100% and a disbursement rate of about 90%, the completion date being end-September 2018. The Treated Water Quality Improvement Project (PAQEE), approved in January 2012, is experiencing a less satisfactory pace of implementation with a commitment rate of about 80% and a disbursement rate of about 50%, with completion scheduled for end- 2018. Despite its rather average performance due essentially to major delays in its goods and services procurement process, this project has since end- 2015, improved markedly showing higher commitment and disbursement rates. The commencement of the Rural Water Supply Programme (Phase II), approved in September 2016, was excellent and its disbursement rate has already exceeded 10%.

2.7.3 The lessons learned by the Bank and the Tunisian Government from implementing previous projects and, in particular the Treated Water Quality Improvement Programme "PAQEE" by ONAS (the same executing agency for this programme) served in the design of this programme. The various studies commissioned by the Government to improve drinking water and sanitation sector performance and ensure integrated water resources management are reflected. In addition, it takes into account improved sector governance as well as the sustainability of sanitation systems and their management, particularly in small towns.

2.7.4 Several gains from the ongoing PAQEE are reflected in the design of this programme: (i) use of the national procurement system for goods and works *to fast-track the procurement process*; (ii) use of the special account method for several lots *to speed up disbursements*; (iii) strengthening the monitoring and evaluation system by developing, under Component B, a project planning and monitoring software package, *to ensure effective programme implementation monitoring at central and regional level*; and (iv) the choice of modes of operation suited to small urban centres, in order *to ensure sustainability of the systems set up*. Points (i) and (ii) address the need for accelerated implementation of Bank-financed projects, as particularly underscored in *Presidential Directive DP02-2015*.

2.8. Key performance indicators

In the short term (2022)

2.8.1 The programme results will be the completion of the sanitation infrastructure (networks, pumping stations and treatment plants) of the 33 towns concerned by Phase I.

In the medium term (2025)

2.8.2 The programme impact will be to increase the sanitation connection rate nationally from 86.3% in 2015 to 95% in 2025. It will also help increase the collected sewage treatment rate from 97.9% in 2015 to 100% in 2025 and the treated wastewater reuse rate from 24.8% in 2015 to 50% in 2025. The programme will also contribute to the creation of new temporary jobs during works and permanent jobs for the operation of planned sanitation facilities.

In the long term (2030)

2.8.3 The programme's key performance indicator is assuring clean water and sanitation access for all countrywide by 2030 (SDG 6). Additionally, the programme will contribute towards reduced regional inequalities across the country by 2030 (SDG 10).

III. Project Feasibility

3.1. Economic and Financial Performance

Table 3.1 : Key economic and financial data

ERR : 18 % NPV : TND 502 million

NB : For detailed calculations see Annex B.7

3.1.1 Phase I of the small cities (of less than 10,000 inhabitants) sanitation programme is of a social and environmental nature and its impacts are perceptible through externalities and benefits for all economic agents. From a strictly financial perspective, sanitation charges will not cover all operating expenses and the State is thus obliged to subsidize to ensure the financial equilibrium of ONAS. However, from the community perspective, the project is well justified in view of its numerous benefits perceptible in the immediate and long term such as reduced damage from inadequate sanitation, improved health status, hygiene and living environment, reduced water-borne diseases and health budget savings, reduced workplace and school absenteeism, especially for girls, creation of temporary and permanent jobs and enhancement of sanitation by-products (purified water and sludge). In the longer term, the programme will ease the establishment of industrial zones and foster eco-tourism. Through treated water and sludge use, it will contribute towards forest regeneration and creation of green spaces and possibly parks around towns, and consequently towards limiting greenhouse gas emissions.

3.1.2 The calculation of the economic rate of return was based on the investment, renewal and operating costs and the following quantifiable benefits: valuation of consumer surplus, savings on healthcare expenditure, creation of jobs during programme implementation and development of the lands lying within the municipality area and its environs. The ERR is 18%, and the Net Present Value (NPV) is TND 502 million based on a 6% discount rate consistent with the programme type. The ERR and the NPV would be even higher if it were possible to quantify obvious advantages such as: enhancement of sanitation by-products, namely treated water and sludge reuse to develop irrigation schemes and fertilise agricultural land, improved quality of life, avoided costs due to workplace and school absenteeism and, lastly the environmental impact.

3.1.3 A sensitivity analysis was performed on the cost and benefit elements. It shows that the programme remains economically justified. The different tests are summarized in the table below:

Assumptions	Variation	ERR	NPV (in TND million)
Baseline scenario		18%	502
Investment cost	+20%	14.9%	434
Tariffs	0	11.4%	157
Residual value	-50%	17.9%	484
Consumer surplus	-50%	16.4%	410
Development of lands	-50%	13.7%	291

3.2. *Environmental and Social Impact*

Environmental and Social Impact

3.2.1 In seeking to improve sanitation in 33 towns with less than 10,000 inhabitants, the programme will improve living conditions, hygiene and environmental health in small towns and contribute to the protection of the natural heritage (water, soil, fauna and flora) by reducing the negative impact of the release of raw sewage into the natural environment (watercourses, lowlands, wadis, etc.). It positively addresses the aspirations and grievances of citizens affected by the lack of a collective sanitation system, which is reliable and mindful of human and environmental health protection imperatives.

3.2.2 The programme is assigned Category 2 based on its environmental and social risk assessment conducted according to the Integrated Safeguards System (ISS) requirements, reflecting a low-to-moderate risk that can be mitigated through the implementation and monitoring of an Environmental and Social Management Plan (ESMP). The key negative impacts identified stem from the construction phase of the treatment plants and the installation of transfer and/or discharge pipes. These impacts, which are circumscribed in the work zones, concern mainly: (i) clearing of the land to be acquired for the construction of the stations; (ii) health risks for workers handling the old asbestos pipes to be removed; (iii) soil and water pollution by solid and liquid waste from the site; (iv) air pollution by dust and exhaust emissions; (v) higher accident risks due to increased traffic in the project area and the presence of workers; and (vi) local residents' tranquillity and landscape disturbances. During the operation phase, the impacts generated will depend largely on proper operation of the wastewater treatment plants, maintenance and cleaning of the networks, and observance of sludge and treated water management standards and methods.

3.2.3 Given the programmatic nature of this operation and unavailability of detailed technical studies, notably the final siting of the stations and pipelines provided for in the 33 sub-projects, an Environmental and Social Management Framework (ESMF) was prepared by ONAS to identify and assess the impacts generated by the various works scheduled and enable: (i) stronger Environmental and Social Commitment of ONAS through capacity building of its services in environmental and social management; and (ii) the development of environmental and social performance monitoring indicators of the various treatment plants. The draft ESMF has been submitted to the Bank for review and validation. To strengthen the ESMF and align it with the environmental and social requirements of the Bank and the EBRD, the following reports have been produced and taken into consideration: (i) a land acquisition and loss compensation master plan corresponding to an abbreviated resettlement plan; (ii) a stakeholder engagement plan; and (iii) a report on environmental, social, and health and safety procedures for construction phase monitoring.

3.2.4 The results of the various studies reviewed are being used to prepare an Environmental and Social Action Plan (ESAP) specifying the activities and actions to be undertaken by ONAS for the different sub-projects. The ESAP, which will be included as a contractual document of the programme, will also specify the exclusion from the funding programme of any Category 1 sub-project (requiring the economic and/or physical expropriation of 200 or more persons).

3.2.5 As required by the Bank's policy, ONAS will prepare for each of the sub-projects a specific environmental and social impact assessment report, including social impacts (of which land expropriation) and accompanied by an Environmental and Social Management Plan (ESMP) specific for WWTPs. The reports will be submitted to the Bank for approval and to the National Agency for Environmental Protection (ANPE) for the issuance of certificates of compliance.

Impact on Expropriation

3.2.6 Phase I of the programme includes the construction of 24 WWTPs (whose overall land requirements are estimated at 2 to 3 hectares per WWTP) and 31 pumping stations (site area of 400 to 600 m² for each station). The total area to be acquired is estimated at about 50 hectares spread over several towns and located in rural areas where generally land is available, with a rather low market value of roughly TND 20,000 /hectare or an estimated total budget of TND 1 million. It should be noted that the bulk of pre-identified sites lie on collective land and are served by a road.

3.2.7 Besides land acquisition, the programme will require right-of-ways acquisition for the laying of transfer lines over an average distance of 1.2 km per sub-project, i.e. cumulatively 40 km of discharge network. Overall, the transfer/discharge networks will be located along roads lying on State land, with limited encroachment on private land. The acquisition and compensation terms are developed and detailed in the Land Acquisition and Loss Compensation Plan.

3.2.8 On the strength of procedures implemented by ONAS, private land acquisitions for WWTPs and pumping stations and/or right-of-ways acquisitions for pipelines are mostly amicable. Furthermore and considering the limited land needs of each sub-project coupled with land availability, the programme will as much as possible avoid land acquisition for public interest procedure to be followed. Similarly and in accordance with the ESAP, the programme in each of its sub-projects must avoid physical displacement or involuntary economic resettlement where more than 10% of stakeholder livelihoods could be impacted. In addition, any sub-project that is likely to be classified under Category 1 (more than 200 affected people) is excluded from the programme.

3.2.9 At the national level, land acquisition will be governed by Law No. 2016-53 of 11 July 2016. A gap analysis has been conducted under this programme and the required measures are included in the ESAP. Furthermore, land acquisition will be conducted by ONAS via its Legal Department on a consultative basis and favouring amicable transfers. A Land Acquisition and Loss Compensation Framework Plan has been prepared summarizing land acquisition procedures and possible remedies. This framework will serve as a guide for the development of a Land Acquisition and Loss Compensation Plan for each sub-project, together with a communication plan. These services are included in the technical assistance mission provided for during the implementation of the environmental and social management plan (recruited with EBRD grant funds).

Capacity Building

3.2.10 Technical assistance spanning 4 years is provided in this programme to support ONAS in conducting the complementary environmental and social assessments provided for in the Environmental and Social Action Plan (ESAP), and in monitoring the implementation of the specific ESMPs for each sub-project.

Poverty and job creation

3.2.11 This programme contributes towards reducing unemployment by creating temporary direct jobs during construction and permanent operations- and maintenance-related jobs. It will further contribute towards reducing unemployment and rural exodus through the possible development of TWW and improvement of the living environment, thus making these areas, classified as disadvantaged, increasingly investment-friendly and fostering sedentarization and local development. In this regard, ONAS has demonstrated its determination to explore further avenues for junior technicians and unemployed graduates by implementing new technically simple and low-cost sanitation processes suited to the context of small agglomerations and towns, which are accessible to the youth for the development of start-ups. To this end, a study funded under the RWSSI grant will be launched by ONAS to develop this aspect and test its viability. In terms of poverty alleviation, the

programme will contribute towards reducing healthcare expenses on diseases directly or indirectly attributable to unavailability of sanitation in the project areas, including travel expenses to dispensaries, hospitals and or the closest private doctors.

Climate Change

3.2.12 In terms of climate change, the programme is *classified under Category 2 in accordance with the Bank's policy on vulnerability assessment*. The programme provides an opportunity to develop a climate change adaptation option through the creation of five pilot sites for treated wastewater reuse. This initiative is in line with Tunisia's strategic objectives for 2030-2050, which, by promoting treated water reuse, are seeking to recycle nearly 50% of such water. It is also aligned with the National Policy on integrated water resources management in that it will not only satisfy the demand of some water-deprived regions but also boost TWW reuse in various sectors. Indeed, the upgrading of WWTPs to improve treated wastewater quality, increase agricultural, ecological, industrial and tourism use and recycle sludge from WWTPs particularly through anaerobic digestion/biomethanation, constitute the two strategic thrusts underlining ONAS policy towards climate change in terms of adaptation and mitigation. In that regard, the programme will: (i) study the feasibility and impact of recycling treated water from the WWTPs that are planned in all the regions and highlight five pilot projects selected according to a multi-criteria analysis based on the results of the master plan for TWW reuse in Tunisia and adopted in consultation with ONAS and DGGREE (aridity, sensitivity of the receiving environment, re-use potential, possible reuse routes, raw water quality in relation to any industrial activities in the area concerned, social acceptability, risk level and reliability of health monitoring and control, etc.) and (ii) support ONAS and the Ministry of Agriculture to mobilise climate fund resources to implement the treated water reuse component at the level of the selected pilot projects.

Treated Wastewater Reuse

3.2.13 The programme plans to implement in 5 towns TWW reuse pilot projects. These projects are in line with the country's integrated water resources management policy and will not only meet demand in some water-deprived regions but also promote TWW use in various non-agricultural sectors. In symbiosis with the results of the TWW reuse master plan in Tunisia being developed by the DGGREE, the study, which will be conducted under this programme, with the RWSSI grant resources, will enable the creation of new income sources and contribute to the sedentarization of the population in the small localities. Side-lined in industrial activities, the use of stabilised biological sludge from future treatment plants in these areas may also contribute to the enrichment of soils that are poor in organic matter, their fertilization and consequently increased productivity, and improved incomes (especially for women working in the agricultural sector).

Sustainable Development Goal (SDG)

3.2.14 The programme will make a major contribution towards achieving the SDGs in Tunisia, in particular, Objective No. 6 aiming to “ensure availability and sustainable management of water and sanitation for all” and Objective No. 13 which is “Take urgent action to combat climate change and its impacts”. The programme will also contribute to several other SDGs concerning poverty eradication and improving health and education.

3.2.15 By putting a special focus on the needs of women and girls and people in a vulnerable situation in terms of access to improved sanitation services, the programme will indirectly contribute towards achieving other SDGs, such as Goal 5, seeking to “achieve gender equality and empower all women and girls” and Goal No. 10 aimed at "reducing inequalities within and among countries" as it will improve the sanitation service in small, disadvantaged towns.

Gender Aspects

3.2.16 ONAS has not developed a systematic gender perspective in its activities, procedures and structure, despite the fact that women are the principal users, providers and managers of water in households and are those who are de facto responsible for household hygiene (WSP 2010). In the absence of sanitation, women in a few towns need to devote much time to cleaning raw sewage discharged in front of homes. When poor hygiene causes illness, especially among children, women become the primary caregivers (taking sick children to clinics, tending to sick children at home). In addition, in the context of land acquisition, the programme must take into account the case of women who have land usufruct rights. There is in-depth gender mainstreaming in the environmental and social plan prepared under this study and recommendations are made towards gender equality.

3.2.17 The programme will contribute towards narrowing gender disparities through: (i) Gender capacity building and gender mainstreaming in ONAS procedures. The programme will thus contribute towards gender mainstreaming in the environmental and social framework plan with its gender perspective under preparation. Furthermore, the programme will strengthen gender mainstreaming in human resources, train ONAS staff on gender perspective, mainstream gender in community consultations (raising women's awareness), and monitoring and evaluation as well as communication. The programme will build ONAS capacity on building gender-disaggregated data in surveys and research conducted - i.e. on job creation in the operation of sanitation infrastructure, etc., gender analysis in studies to take into account the social roles of women and men. The programme will also strengthen the gender perspective in ONAS through training and exchanges with experts in this field; (ii) affirmative actions to create jobs for women by including specific communication measures enabling women's equal access as men to the jobs created by the programme and others, in compliance with Tunisian regulations; (iii) contribution to improved gender equality in the programme beneficiary towns through equal inclusion of women in consultation, communication, information programmes and discussions, with a gender perspective (inclusion of women's organizations).

IV. Implementation

4.1. Implementation Arrangements

Implementation Arrangements

4.1.1 The programme will be implemented by the National Sanitation Authority (ONAS), a public establishment with financial autonomy, and placed under the supervisory authority of the Ministry of Local Affairs and Environment. ONAS has implemented a number of similar projects, drawing on its own expertise and requiring timely and targeted local and international technical assistance. Several donors, including the World Bank, KFW, AFD, have contributed towards enhancing its institutional, technical and planning capacities.

4.1.2 The National Sanitation Authority "ONAS" will be the programme's executing agency through its Department of Planning, Budget and General Studies "DPBEG", which will be supported by regional departments and other central structures, namely the Permanent Secretariat of the Procurement Commission (procurement of goods, works and services), the Development Department (environmental and social aspects) and the Financial and Accounting Department (financial management and disbursement). ONAS has set up a Programme Monitoring Unit created by ONAS Directorate General Decision No. 1129 of 24 January 2018 and composed as follows:

- Coordinator (Unit Head);
- Procurement Officer for Goods, Works and Services and BPM;
- An accountant, financial and disbursement manager;

- An environmental and social monitoring officer (ESMP and RAP);
- A programme performance indicators monitoring and evaluation and reporting Officer;

Four engineer members representing the Regional Directorates responsible for monitoring, evaluation of studies and project implementation.

Procurement Arrangements

4.1.3 *Applicable Procurement Policy and Framework:* All procurements of works, goods and consultancy services financed by the Bank or co-financed by the Bank, EBRD and RWSSI grant resources, will be carried out in accordance with the procurement framework for Bank Group-financed operations (“AfDB Procurement Policy”) October 2015 edition and in accordance with the provisions of the Financing agreement. Pursuant to this policy and following the various evaluations conducted, the following groups of transactions have been identified for implementation by the various systems mentioned below:

- Bank Procurement Methods and Procedures (PMPs):** All selections of consultants will be carried out in accordance with the Bank’s Procurement System “AfDB System” using the Bank’s Bidding Documents (BDs). The Bank’s system has been chosen for these procurements on account of the weaknesses identified in the national system, including inappropriate bid opening mechanism for consultants’ bids, lack of a minimum technical qualification score in the system in some methods.
- Tunisian Procurement System (SPMT):** The procurement of works and goods will be carried out in accordance with Tunisia's procurement system "**National System**" governed by Decree No. 2014-1039 of 13 March 2014 on public procurement regulations ("DMP") and by means of BDs commonly used in Tunisia. These are competitive procurements: (i) WWTP construction works (treatment plants) for which ONAS has satisfactory experience in WWTP procurement using the national system with national standard documents; (ii) low-value contracts concerning networks and pumping stations that are unlikely to attract foreign bidders; and (iii) low-value contracts concerning primary, secondary and transfer system pipelines, available and produced by local industries.

The implementation details of these procurements as well as the associated control mechanisms are detailed in Annex B .5.

4.1.4 *A Mutual Reliance Agreement (MRA)* has been signed by the Bank and EBRD for the use, in co-financing, of the procurement policy of either of these partners. Similarly, a specific agreement to implement this programme will be signed between the two partners to set the conditions governing the delegation of fiduciary responsibilities from the EBRD to the Bank as part of activities co-financed under the programme, no later than the date of signature of the AfDB and EBRD loan agreements.

4.1.5 *Procurement Risks and Capacity Assessment:* Risk assessment at the national, sector and programme levels has been completed. The results were used to guide the decision to choose the procurement system (Borrower, Bank) used for specific activities or a set of similar activities under the programme. The assessment of the procurement capacity of the Executing Agency (EA) has been completed. Appropriate risk mitigation measures are included in the PRCA action plan indicated in paragraph B5.9 of Annex B5.

4.1.6 *Specific Terms and Conditions Due to the Use of the National System - Additional Waiver on Eligibility:*

- (i) Eligibility-related Waiver: The Bank's resources for financing the programme's activities come from the ADB window. Accordingly, the eligibility rules specific to the ADB window are *a priori* applicable. Following the procurement risks and capacity assessment, the decision was taken to use the National Procurement System for part of this programme. The eligibility rules for public procurements under Tunisian law not being the same as those of the ADB window, any practical incompatibility should be avoided. To this end, this Programme will benefit from the partial waiver (only contracts of a specified size are concerned) granted by the Bank's Board of Directors ("the Board") for the part implemented under the national public procurement system in March 2017 (see Document AfDB/BD/WP/2016/184/Rev.2) for the non-application of the rule of origin of the ADB window (as provided for in Article 17.1.d "Operational Principles" of the Agreement Establishing the African Development Bank (so-called rule of origin) for all **goods contracts of up to UA 1 million, all consultancy contracts up to UA 300,000 and all contracts of less than or equal to UA 6 million**, which are financed by ADB window resources and concluded in accordance with a national procurement system. For works contracts above UA 6 million and goods contracts exceeding UA 1 million, financed from ADB window resources, and to be concluded in accordance with the National System, an **additional waiver** is requested from the Board for non-application under this programme of the rule of origin of the ADB window (as provided for in Article 17.1.d "Operational Principles of the Agreement Establishing the African Development Bank, so-called rule of origin) for the following procurements: (i) civil engineering and equipment works of the wastewater treatment plants of the municipalities concerned by the programme, the estimated cost of which is equal to or higher than the equivalent of six million Units of Account (UA 6,000,000); (ii) The procurement of primary, secondary and transfer network pipelines for the first four years of the Programme's implementation, and the procurement of operation and maintenance equipment.
- (ii) Other Specific Terms and Conditions Proposed: To be able to fulfil its fiduciary obligations in connection with the use of the National System, the Bank has agreed with the Borrower on a series of measures whose reasons, objectives are detailed in paragraph B.5.7.2 of Annex B5.

Financial Management

4.1.7 An assessment of the programme's financial management system has been conducted in accordance with the Bank's guidelines to determine ONAS' capacity to ensure adequate financial management of programme resources. The assessment covered aspects related to budget management, accounting, fund flow management, internal control, financial reporting and external audit. It also took into consideration the results of Tunisia's fiduciary risk assessment, as well as the conclusions of the review of audit reports and financial supervision missions of the Treated Water Quality Improvement Project (PQEE), financed by the Bank and executed by ONAS.

4.1.8 Following this assessment, *the initial level of fiduciary risk was considered moderate*. The structures involved in the financial management of the programme are permanent internal structures with qualified staff carrying out planning, budgeting, internal control, accounting and financial reporting. The audit environment is adequate and based on documented administrative, financial and accounting procedures. However, these will have to be updated following the recent deployment of the new accounting and financial information system. Furthermore, ONAS structures are familiar

with the procedures of the donors (WB, KfW, EIB, AFD...) and are currently involved in the management of the Bank-financed PQEE whose audit reports have not detected any irregularity in management or misuse of resources. However, the late receipt of audit reports was noted, which in some cases did not comply with the Bank's terms of reference. Specific arrangements are thus required to enable, in particular, reliable and up-to-date programme accounting and timely submission of programme audit reports. The following measures will be taken.

4.1.9 *Financial Management Arrangements:* Financial management will be carried out by the Central Administration and Finance Department and the Planning, Budget and General Studies Department. In this regard, and in order to facilitate coordination of financial management activities, ONAS has designated two focal points representing these two Departments within the Project Management Unit. The Central Administration and Finance Department will be responsible for auditing progress payments and invoices, centralising expenditure supporting documents, preparing disbursement requests, managing the programme's special account, keeping the books, preparing the programme's financial statements and coordinating with external auditors. The Planning, Budget and General Studies Department will be responsible for planning and budgeting, cost tracking and quarterly financial reporting. In the absence of an investment budget management information system, technical assistance will be financed from the resources of the RWSSI grant to support ONAS in implementing a solution enabling computerized budget monitoring of central and regional investment projects and covering physical and financial monitoring. Additionally, and following the transition to production of ONAS' new accounting and financial information system, and in a bid to improve the reliability of investment project financial statements and reduce the time required to prepare them, ONAS will automate, in the new system, the publication of financial statements of investment projects and programmes. Moreover, the accounting and financial manual prepared by ONAS in 2007 will be updated and will take into account the specificities of the projects financed by the donors.

4.1.10 *Financial Information:* The financial information of the programme will be compiled on a computerised tool duly configured and enabling the tracking of resources by source of financing (AfDB, EBRD and counterpart funds) and expenses by component and category. Quarterly financial reports will be prepared in accordance with a template agreed between the Bank and ONAS and submitted to the Bank and EBRD with project progress reports within 45 days of the relevant quarter. Annual financial statements of the programme will be prepared in accordance with the Bank's audit terms of reference.

External Audit Arrangements

4.1.11 ONAS being a public establishment, its accounts are audited annually by an independent external audit firm, a member of the Tunisian Order of Chartered Accountants. The appointment of the auditor is made for a period of three years by open national competitive bidding and after the approval of the ONAS Board of Directors. The financial statements of the programme prepared by ONAS and covering all sources of financing (AfDB Loan, RWSSI grant, EBRD Loan and counterpart funds) will be audited externally at the same time as the audit of ONAS accounts by the same audit firm recruited and paid by ONAS, in accordance with international auditing standards and the Bank's TORs for auditing investment projects. The programme audit reports, including reports on internal control, will be submitted to the Bank and EBRD within six months of the end of each financial year and will be accompanied by the ONAS audit report for the same fiscal year considered.

Disbursement Arrangements

4.1.12 Disbursements of the AfDB loan and the RWSSI grant will be subject to the disbursement rules of the Bank as presented in its Disbursement Handbook. Contracts co-financed with the EBRD will be co-financed according to a sharing principle of 50% -50% of the pre-tax costs concerned, this

ratio to be applied for each of the co-financed contracts. The practical terms and conditions for disbursement will be specified in the specific agreement between the EBRD and the Bank to determine the fiduciary responsibilities of each partner in the execution of the programme. Regarding disbursement methods, the direct payment method and the special account method have been adopted as follows: (i) the direct payment method will be used for works and equipment contracts for WWTPs, the contract for the procurement of operating and maintenance equipment and consultancy services contracts financed from loan and grant resources. The special account method will be used for the other contracts financed from loan resources and services financed from grant resources other than consultancy services. These are mainly contracts for: (i) procurement of pipes; (ii) laying of pipes, ancillary works and pumping stations; and (iii) mid-term review launch workshops. In this regard, two special accounts will be opened in the name of the programme at the Central Bank of Tunisia and will hold the loan resources and grant resources. The latter will receive an initial advance and will be replenished periodically on the basis of a 6-month programme of activities. The replenishment of the special accounts will be conditional upon the justification of at least 50% for the most recent advance and 100% for previous advances. Expenditure from the special accounts will be justified every six months, even in the absence of a request for replenishment. The last replenishment must take place no later than six months before the closing date of the project. All contracts, regardless of the method of payment, will be entered into the Bank's Information System (SAP) and payments will be accounted therein. In addition, a single payment method will be used per contract.

4.2. Monitoring

4.2.1 The physical implementation of Phase II of the programme is planned to span 60 months, from Q4 2018 to Q3 2023. ONAS will have prime responsibility for monitoring the programme's implementation and will produce quarterly reports on the progress of programme implementation covering the physical and financial aspects, commitments and disbursements by component and source of financing, and analysis of social and environmental indicators. ONAS will consolidate the monitoring and evaluation function within a unified structure for greater efficiency in reporting and communication with donors. Additionally, ONAS plans to develop and implement a software package for project planning and execution.

4.2.2 The Bank will monitor the programme implementation through its supervision missions, the review of periodic status reports and the financial statements of ONAS. Such monitoring will be reinforced by arrangements by the Tunisian government, which, through the Ministry of Health, ANPE and the contracted laboratories, independently carries out monitoring and evaluation of treated water quality and social and environmental impacts of sanitation projects. At the end of works, the Bank and ONAS will prepare a completion report and, as necessary, a report evaluating the performance of the programme.

4.2.3 The detailed project implementation schedule is presented at the beginning of the report. Completion of the programme activities is scheduled for September 2023. The estimated programme delivery schedule is as follows:

Period	Milestones	Monitoring Activities / Feedback Loop
2017 – 2018	Detailed engineering studies of the programme	Preparation and validation of studies by ONAS
October 2018	Programme Approval	AfDB Board of Directors
Q3 2018 – Q 4 of 2019	Launch of bid invitations (BIs) for goods and works	Preparation and issuance of BIs by the Regional Directorates
2019 – 2023	Execution of works	Implementation by Contractors and acceptance by ONAS Regional Directorates
2018 – 2023	Programme Management	Carried out by UGO (ONAS)
December 2023	Completion Report	Joint preparation by AfDB and ONAS

4.3. Governance

4.3.1 ONAS has embarked on a programme to revise its organizational framework, which will focus on three main areas: decentralization, control and governance, with implementation expected by end- 2018. Discussions are ongoing with the supervisory authorities to finalise the Authority's reorganisation programme. The progressive communalisation of the country, the delegation of powers to regional and local authorities, and the increasing involvement of civil society and the private sector will ensure greater reliability, efficiency and transparency in the management of the civil society activities of ONAS.

4.3.2 Furthermore, the programme has been designed in a participatory process and its implementation and operation will be based on regional and local decentralised structures. The involvement of these structures and the control and monitoring system will ensure transparency in the process of selection, bid evaluation and physical and financial monitoring of projects. The objective is to limit governance-related risks and ensure the programme's resource efficiency.

4.4. Sustainability

4.4.1 The programme's sustainability will depend on the proper execution of the infrastructure to be constructed and their optimal operation. ONAS has acquired adequate experience in the construction of sanitation facilities and has been assisted in terms of operation by the private sector, notably for networks maintenance and management of WWTPs. For this programme, a set of measures are envisaged to enhance the human resource and financial capacities of ONAS and the towns. ONAS will launch, with the support of the EBRD, a strategic study by 2050 that will provide guidance for the different modes of operation and management of the sanitation service (ONAS, private sector, municipalities)..

4.4.2 Programme contracts concluded and reviewed on a yearly basis between ONAS and the State assign to each party obligations of means and results, all geared towards optimal management of infrastructure and human and financial resources, social tariffs for individuals and fair pricing for other categories that are expected to pay the economic cost of the service according to degree of pollution. The State will ensure the financial equilibrium of ONAS by covering the investments and paying a compensatory subsidy from the operating expenses not covered by the receipts.

Tariff system

4.4.3 Lastly, the sustainability of the programme depends on a sanitation tariff policy seeking to reconcile consumer and stakeholder interests to ensure the system's sustainability. The tariff principle is based on the polluter-pays principle by charging for activities based on their degree of pollution and catering for low-income groups. The current tariff system is definitely inadequate to cover overall investment and operating expenses, given the social and environmental character of the sanitation service, but the State is progressively making adjustments to reconcile them to the economic cost and entrench the polluter-pays principle. *The last tariff revision took place in April 2018 and adopted an 8% adjustment* and this rate of increase will be extended until 2025. The tariff structure is given in Annex B3.

4.5. Risk Management

During the operation phase, an organizational and managerial risk could be generated by non-ownership and non-acceptance on the part of the communities, weak capacity of the towns to take over operation of the investments. This risk will be mitigated by the measures already taken and those to be put in place, including: (i) the programme's design , which was done in a participatory process involving the beneficiaries and municipal structures on the basis of needs expressed by the people;

(ii) involvement of towns in the implementation monitoring process, the towns further benefitting from a support programme to enable them to take over operation of the systems to be put in place; and (iii) the expected outcomes of ONAS' restructuring, aimed at strengthening control, governance and decentralization.

4.6. Knowledge Building

4.6.1 The project's implementation will further enrich ONAS' experience in the construction and operation of water treatment and water quality improvement plants. ONAS is a key player in integrated water resources management projects and has contributed to Tunisia's efforts to protect and optimise water resource use. ONAS has a library for knowledge management, with thousands of research projects, enriched each year by students' dissertations, research by academics and results of exchange of experience with foreign partners.

4.6.2 ONAS has a website, a key knowledge and research dissemination vehicle, where information and reference material are published. ONAS has established close links with universities, research centres and organizations and provides training courses for foreign experts. In 2010, ONAS established a subsidiary "ONAS INTERNATIONAL" which operates as a for-profit firm providing consultancy, assistance and knowledge transfer services.

4.6.3 The Bank will equally benefit from the implementation of this programme in Tunisia and share ONAS' small town sanitation expertise and experience.

V. Legal Framework

5.1. Legal instrument

A loan agreement (AfDB), with a guarantee agreement from the Tunisian Republic, and a grant agreement (RWSSI) will be signed between the Bank and ONAS.

5.2. Conditions associated with the Bank's intervention

The extension of the AfDB loan and the RWSSI grant is subject to the following conditions:

Conditions precedent to effectiveness

The AfDB and RWSSI Grant Agreements will become effective on the date of their signature by the Borrower and the Bank. The effectiveness of the Guarantee Agreement shall be subject to fulfilment by the Guarantor, to the satisfaction of the Bank, of the conditions set out in Section 12.01 of the General Conditions Applicable to Loan Agreements and Bank Guarantee Agreements (sovereign entities).

Conditions precedent to the first AfDB loan disbursement

In addition to the effectiveness of the AfDB loan and RWSSI grant agreements and the guarantee agreement, the first disbursement of the AfDB loan and RWSSI grant resources shall be conditional on fulfilment by the Borrower, to the satisfaction of the Bank, of the following conditions:

- (i) Meet the conditions set out in Section 12.02 paragraph (a) paragraphs (i) and (ii) of the General Conditions (sovereign entities).

Special conditions precedent to disbursement for works involving the acquisition of land and easement rights.

In addition to effectiveness of the AfDB loan agreement and fulfilment of the conditions precedent to the first disbursement of the AfDB loan, the disbursement of AfDB loan resources for the financing of works contracts involving the acquisition of land and easement rights shall be subject to the Borrower's fulfilment, to the Bank's satisfaction, of the following additional conditions:

- (i) Provide satisfactory evidence of the acquisition of land or easement rights, prior to the commencement of work on the areas affected by such acquisition, and in any case, prior to taking possession of the land and/or related property in such areas.

Special conditions precedent to disbursements for work involving resettlement

In addition to effectiveness of the AfDB loan agreement and fulfilment of the conditions precedent to the first disbursement of the AfDB loan, the disbursement of AfDB loan resources for the financing of works contracts involving resettlement is subject to fulfilment by the Borrower, to the Bank's satisfaction, of the following additional conditions:

- (i) Submit a land acquisition plan (the "Land Acquisition Plan") prepared in accordance with the Resettlement Action Plan ("RAP") and the Bank's Safeguard Policies, as updated from time to time, detailing: (i) each Project work area; and (ii) the timeframe for compensation and/or resettlement of all Project-affected Persons (PAP) for each area
- (ii) Provide satisfactory evidence that all PAPs in the area(s) affected by the work have been resettled or compensated in accordance with the Environmental and Social Management Plan ("ESMP"), RAP and/or the Work and Compensation Schedule, before work begins on the affected areas and in any event before the PAPs are relocated and/or their land and/or related property is taken possession; or, if such relocation or compensation is not possible;
- (iii) Provide satisfactory evidence that the resources allocated for the compensation and/or relocation of PAPs that could not be resettled or compensated have been deposited in a dedicated account in a bank acceptable to the Bank or deposited with the General Treasury of Tunisia or any other entity acceptable to the Bank, where the Borrower can prove, to the satisfaction of the Bank, that the compensation and/or relocation of PAPs, in accordance with paragraph (ii) above, could not be carried out, in whole or in part, for reasons beyond the Borrower's control, for the following reasons:
 - a) The identification of PAPs by the Borrower is not feasible or possible;
 - b) There are ongoing disputes involving PAPs and/or affecting the compensation and/or resettlement exercise; or
 - c) Any other reason beyond the Borrower's control, as discussed and agreed with the Bank.

Undertakings

The Borrower undertakes, to the satisfaction of the Bank, (and ensures that each of its contractors, subcontractors and agents does the same) to:

- (a) Implement the Programme in accordance with the ESMP, the RP and/or the Works and Compensation Schedule, the Bank's Safeguard Policies and applicable national legislation in a manner satisfactory to the Bank, in both substance and form;
- (b) Prepare and submit to the Bank, as part of the Programme Report referred to in Section 8.01 (Programme Reports) of this Agreement, quarterly reports on: (i) the implementation of the ESMP and RAP (environmental and social monitoring), including information on identified shortcomings and corrective measures taken to this end; the land and easement rights acquisition process; compensation of populations; (ii) monitoring of communication actions; and (iii) financial monitoring, according to models to be agreed upon between the Bank and the Borrower
- (c) refrain from any action that would prevent or hinder implementation of the ESMP and RAP, including any modification, suspension, waiver and/or cancellation of any provision thereof, in whole or in part, without the Bank's prior written consent; and
- (d) not to start work in the areas affected by Project implementation unless: (i) all PAPs in the area affected by Project implementation are compensated and/or relocated in accordance with the RAP and/or the agreed Work and Compensation Schedule, subject to application of the provisions relating to the impossibility of proceeding with the resettlement or compensation; and/or (ii) the lands and easement rights have been acquired in the areas affected by such acquisition; and/or (iii) each sub-project has avoided physical or involuntary economic resettlement where more than 10% of stakeholders' livelihoods could be impacted; and/or (iv) each sub-project has not been classified under category 1 (more than 200 affected persons) in environmental and social terms, in accordance with the Bank's classification criteria

5.3. Compliance with Bank Policies

The programme complies with all applicable Bank policies, in particular the Bank's environmental and social management policies, guidelines and procedures. It is a Category 2 programme; the ESMP summary has been prepared and published on the Bank's website and the costs of implementing mitigation measures included in the programme cost. A waiver is requested regarding the application of the rule of origin (see § 4.1.6).

VI. Recommendation

Management recommends that:

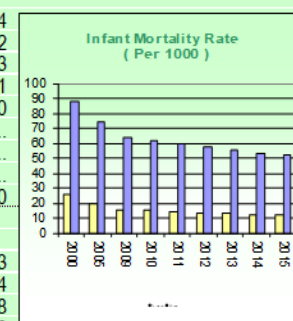
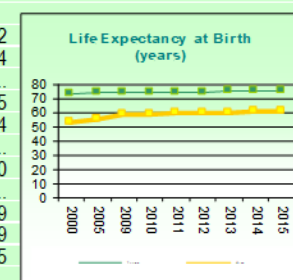
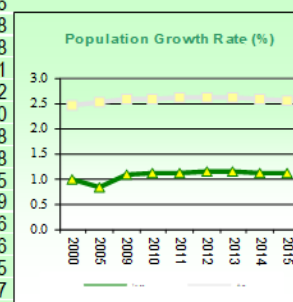
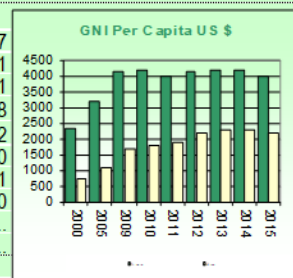
- 1) the Board of Directors of the Bank:
 - (i) exceptionally waive the application of the rule of origin provided for in Article 17 (1) (d) of the Agreement Establishing the Bank for the procurements referred to in paragraph 4.1.6 (i) of this report and in accordance with the conditions therein; and
 - (ii) approve the grant to ONAS of: (a) an AfDB loan of up to EUR 75.0 million with a guarantee from the Tunisian Republic; and
- 2) the Boards of Directors of the Bank and the Fund approve a RWSSI grant to ONAS of up to EUR 1.0 million;

To finance the Small Cities (with less than 10,000 Inhabitants) Sanitation Programme (Phase I), according to the terms and conditions set out in this report.

Appendix I :Tunisia Development Indicators

Tunisia COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Tunisia	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)	2016	164	30.067	97.418	36.907
Total Population (millions)	2016	11.4	1,214.4	6,159.6	1,187.1
Urban Population (% of Total)	2016	66.9	40.1	48.7	81.1
Population Density (per Km ²)	2016	73.2	41.3	65.1	33.8
GNI per Capita (US \$)	2015	3970	2 153	4 509	41 932
Labor Force Participation * - Total (%)	2016	47.7	65.7	63.5	60.0
Labor Force Participation ** - Female (%)	2016	25.1	55.7	48.9	52.1
Sex Ratio (per 100 female)	2016	97.6	100.1	106.0	105.0
Human Develop. Index (Rank among 187 countries)	2015	97
Popul. Living Below \$ 1.90 a Day (% of Population)	2010	2.0	...	18.3	...
Demographic Indicators					
Population Growth Rate - Total (%)	2016	1.1	2.5	1.3	0.6
Population Growth Rate - Urban (%)	2016	1.3	3.6	2.4	0.8
Population < 15 years (%)	2016	23.5	40.9	27.9	16.8
Population 15-24 years (%)	2016	15.1	19.3	16.9	12.1
Population >= 65 years (%)	2016	7.8	3.5	6.6	17.2
Dependency Ratio (%)	2016	45.5	79.9	54.3	52.0
Female Population 15-49 years (% of total population)	2016	27.0	24.0	25.7	22.8
Life Expectancy at Birth - Total (years)	2016	75.2	61.5	69.9	80.8
Life Expectancy at Birth - Female (years)	2016	77.6	63.0	72.0	83.5
Crude Birth Rate (per 1,000)	2016	17.6	34.4	20.7	10.9
Crude Death Rate (per 1,000)	2016	6.6	9.1	7.6	8.6
Infant Mortality Rate (per 1,000)	2015	12.1	52.2	34.6	4.6
Child Mortality Rate (per 1,000)	2015	14.0	75.5	46.4	5.5
Total Fertility Rate (per woman)	2016	2.1	4.5	2.6	1.7
Maternal Mortality Rate (per 100,000)	2015	62.0	476.0	237.0	10.0
Women Using Contraception (%)	2016	66.4	31.0	62.2	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2005-2015	164.8	41.6	125.7	292.2
Nurses and midwives (per 100,000 people)	2005-2015	318.9	120.9	220.0	859.4
Births attended by Trained Health Personnel (%)	2010-2015	98.6	53.2	69.1	...
Access to Safe Water (% of Population)	2015	97.7	71.6	89.4	99.5
Access to Sanitation (% of Population)	2015	91.6	39.4	61.5	99.4
Percent of Adults (aged 15-49) Living with HIV/AIDS	2015	0.1	3.4
Incidence of Tuberculosis (per 100,000)	2015	37.0	240.6	166.0	12.0
Child Immunization Against Tuberculosis (%)	2015	97.0	81.8
Child Immunization Against Measles (%)	2015	98.0	75.7	83.9	93.9
Underweight Children (% of children under 5 years)	2010-2015	2.3	18.1	15.3	0.9
Prevalence of stunting	2010-2014	10.1	33.3	25.0	2.5
Prevalence of undernourishment (% of pop.)	2015-2016	5.0	16.2	12.7	...
Public Expenditure on Health (as % of GDP)	2014	4.0	2.6	3.0	7.7
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2016	114.2	101.2	104.9	102.4
Primary School - Female	2010-2016	112.5	98.4	104.4	102.2
Secondary School - Total	2010-2016	88.2	52.6	71.1	106.3
Secondary School - Female	2010-2016	94.2	50.2	70.5	106.1
Primary School Female Teaching Staff (% of Total)	2010-2016	60.0	47.1	59.8	81.0
Adult literacy Rate - Total (%)	2010-2015	81.1	66.8	82.3	...
Adult literacy Rate - Male (%)	2010-2015	89.7	74.3	87.1	...
Adult literacy Rate - Female (%)	2010-2015	72.8	59.4	77.6	...
Percentage of GDP Spent on Education	2010-2015	6.3	5.0	4.0	5.0
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2014	18.7	8.7	11.2	10.3
Agricultural Land (as % of land area)	2014	64.8	41.7	37.9	36.4
Forest (As % of Land Area)	2014	6.6	23.2	31.4	28.8
Per Capita CO2 Emissions (metric tons)	2014	1.9	1.1	3.5	11.0



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update :

June 2017

UNAIDS; UNSD; WHO; UNICEF; UNDP; Country Reports.

Note : n.a. : Not Applicable; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

Appendix II: Table of Active portfolio of the AfDB in Tunisia (mid-July 2018)

N°	Long name	Sector Name	Status of Project	Approval date	Commitment date	Entry into force	Effective 1st disb	Actual First disbursement	Latest Disbursement	Age	Currency	Capital applied for	Disbursement obligation	Disbursement Ratio	Planned final Disb. date	Planned project completion date
1	ETUDE-GESTION DES RISQUES ET MISE EN PLACE D'UN SYSTEME D'AS	Agriculture	OnGo	02/08/2016	28/09/2016	28/09/2016	08/02/2017	13/03/2017	19/04/2018	1,94	UAC	325 000,00	278 390,13	14,34	31/12/2019	31/12/2019
2	PROJET DE DEVELOPPEMENT AGRICOLE INTEGRE DU NORD DE GAFSA	Agriculture	OnGo	13/02/2013	06/05/2013	14/02/2014	07/03/2014	23/04/2014	15/08/2017	5,41	UAC	18 431 470,60	10 798 832,49	41,41	30/06/2019	30/06/2019
3	PROJET DE DEVELOPPEMENT AGRICOLE INTEGRE (PDA) DE GABES II	Agriculture	OnGo	26/11/2014	28/11/2014	23/06/2015	07/09/2015	18/09/2015	27/11/2017	3,63	UAC	17 212 151,52	11 590 384,86	32,66	30/06/2020	30/06/2020
4	DON MIC POUR LA PREPARATION DU PDAI DE ZAGHOAUN	Agriculture	OnGo	27/10/2014	28/11/2014	28/11/2014	07/09/2015	18/12/2015	28/04/2017	3,71	UAC	390 000,00	63 061,55	73,72	31/12/2018	31/12/2018
5	PROJET DE VALORISATION DES PIA TRAVERS LE DEVELOPPEMENT DES	Agriculture	APVD	25/10/2017	09/11/2017	25/05/2018	Not Yet	Not Yet	Not Yet	0,71	UAC	23 500 437,55	23 500 437,55	0,00	30/06/2023	30/06/2023
	PROJET DE VALORISATION DES PIA TRAVERS LE DEVELOPPEMENT DES	Agriculture	APVD	25/10/2017	09/11/2017	25/05/2018	Not Yet	Not Yet	Not Yet	0,71	UAC	8 691 919,82	8 691 919,82	0,00	30/06/2023	30/06/2023
6	TRANSFORMATION STRUCTURELLE ET APPUI AUX CRENEAUX PORTEURS	Ind/Mini/Quar	OnGo	14/08/2015	19/11/2015	19/11/2015	24/04/2017	07/07/2017	13/03/2018	2,91	UAC	798 310,00	751 452,42	5,87	31/08/2019	31/08/2019
7	PROJET D'APPUI A LA MISE EN PLACE D'UNE POLITIQUE INDUSTRIEL	Ind/Mini/Quar	OnGo	14/08/2015	19/11/2015	19/11/2015	19/11/2015	Not Yet	Not Yet	2,91	UAC	791 830,00	791 380,00	0,00	31/08/2019	31/08/2019
8	ETUDE DU PLAN DIRECTEUR NATIONAL DES TRANSPORTS A L'HORIZON	Transport	OnGo	14/07/2014	28/11/2014	28/11/2014	23/01/2015	17/01/2017	02/05/2018	4,00	UAC	800 000,00	365 006,66	54,37	30/06/2019	30/06/2019
9	ENFIDHA AIRPORT PROJECT	Transport	OnGo	14/01/2009	27/02/2009	13/03/2009	13/03/2009	20/03/2009	22/12/2009	9,50	UAC	56 618 926,53	0,00	100,00	31/03/2010	01/01/2023
10	PROJET ROUTIER VI	Transport	OnGo	15/09/2010	15/11/2010	12/09/2011	12/09/2011	28/10/2011	27/01/2016	7,83	UAC	196 691 253,07	8 334 375,13	95,76	31/10/2018	31/10/2018
11	CONSTRUCTION LIAISON AUTOROUTIERE GABES-RAS-JEDIR	Transport	OnGo	21/06/2011	19/09/2011	19/09/2011	13/04/2012	09/07/2013	11/07/2018	7,06	UAC	114 464 308,04	50 476 622,79	55,90	31/10/2019	31/10/2019
12	PROJET DE MODERNISATION DES INFRASTRUCTURES ROUTIERES (PMIR)	Transport	OnGo	28/10/2015	19/11/2015	25/02/2016	09/03/2016	02/06/2016	22/05/2018	2,71	UAC	120 015 001,88	91 803 142,06	23,51	31/12/2020	31/12/2020
	PROJET DE MODERNISATION DES INFRASTRUCTURES ROUTIERES (PMIR)	Transport	OnGo	28/10/2015	19/11/2015	25/02/2016	09/03/2016	01/06/2016	19/06/2018	2,71	UAC	38 438 138,10	29 145 309,83	24,18	31/12/2020	31/12/2020
	PROJET DE MODERNISATION DES INFRASTRUCTURES ROUTIERES (PMIR)	Transport	OnGo	28/10/2015	19/11/2015	19/11/2015	23/12/2015	Not Yet	Not Yet	2,71	UAC	1 200 000,00	1 200 000,00	0,00	31/12/2020	31/12/2020
13	PROJET D'APPUI A LA CONNECTIVITE ROUTIERE DANS LE NORD-EST D	Transport	APVD	22/11/2017	25/01/2018	Not Yet	Not Yet	Not Yet	Not Yet	0,64	UAC	101 679 376,59	101 679 376,59	0,00	31/12/2023	31/12/2023
14	PROGRAMME D'AEP EN MILIEU RURAL (AEPR)	Water Sup/Sanit	OnGo	12/10/2011	19/10/2011	24/02/2012	24/02/2012	26/09/2012	20/06/2018	6,75	UAC	79 026 544,98	6 093 861,75	92,29	30/09/2018	31/12/2018
15	PROGRAMME D'APPROVISIONNEMENT EN EAU POTABLE EN MILIEU RURAL	Water Sup/Sanit	OnGo	06/09/2016	30/11/2016	29/05/2017	29/05/2017	07/07/2017	17/01/2018	1,85	UAC	103 096 220,36	93 558 463,60	9,25	31/12/2021	31/12/2021
	PROGRAMME D'APPROVISIONNEMENT EN EAU POTABLE EN MILIEU RURAL	Water Sup/Sanit	OnGo	06/09/2016	30/11/2016	01/03/2017	01/03/2017	02/05/2017	02/05/2017	1,85	UAC	833 437,51	750 093,76	10,00	31/12/2021	31/12/2021
16	SYSTEME D'INFORMATION SUR L'EAU DE LA TUNISIE	Water Sup/Sanit	OnGo	22/12/2009	15/11/2010	15/11/2010	22/02/2011	08/08/2011	13/11/2015	8,56	UAC	1 644 372,21	0,00	100,00	30/06/2018	30/06/2018
17	ELABORATION DE LA VISION ET DE LA STRATEGIE EAU 2050 DE LA T	Water Sup/Sanit	OnGo	20/06/2016	01/02/2017	01/02/2017	14/02/2017	Not Yet	Not Yet	2,06	UAC	1 120 973,46	1 120 973,46	0,00	31/12/2019	31/12/2019
18	PROJET D'AMELIORATION DE LA QUALITE DES EAUX EPUREES	Water Sup/Sanit	OnGo	11/01/2012	29/02/2012	29/02/2012	15/05/2013	25/09/2013	07/06/2018	6,50	UAC	27 045 047,30	13 103 956,13	51,55	31/12/2018	31/12/2018
19	PROJET DE DEVELOPPEMENT DU RESEAU DE TRANSPORT ET DE DISTRIB	Power	OnGo	01/04/2015	23/09/2015	23/09/2015	02/03/2016	10/07/2018	10/07/2018	3,28	UAC	41 163 478,77	40 831 681,46	0,81	31/12/2019	31/12/2019
20	SOUTH TUNISIAN GAZ PIPELINE - TUNISIA	Power	OnGo	26/06/2014	23/02/2015	23/02/2015	18/03/2015	30/03/2015	30/03/2015	4,05	UAC	53 265 910,53	0,00	100,00	30/05/2016	19/08/2027
21	APPUI A LA MISE EN ŒUVRE DU PLAN NATIONAL STRATEGIQUE (PNS)	Communications	APVD	08/11/2017	21/12/2017	Not Yet	Not Yet	Not Yet	Not Yet	0,67	UAC	59 640 788,43	59 640 788,43	0,00	31/12/2022	31/12/2019
22	1° LIGNE DE CREDIT A LA BANQUE DE L'HABITAT	Finance	OnGo	27/02/2002	14/03/2002	27/08/2002	27/08/2002	04/10/2002	03/03/2006	16,38	UAC	23 752 969,12	0,00	100,00	28/02/2006	31/12/2006
23	BANQUE HABITAT TUNISIE - LOC II	Finance	OnGo	21/07/2003	15/09/2003	18/12/2003	18/12/2003	31/12/2003	20/02/2008	14,99	UAC	66 675 001,04	0,00	100,00	31/03/2008	31/03/2008
24	SME APEX FACILITY TUNISIA	Finance	OnGo	13/07/2011	19/09/2011	24/02/2012	10/04/2013	17/04/2013	31/03/2017	7,00	UAC	35 510 607,02	10 501 752,90	70,43	20/12/2018	22/07/2021
25	BFPME:BOOSTING PRIVATE SECTOR DEVELOPMENT THROUGH SMALL AND	Finance	OnGo	05/08/2013	27/02/2014	27/02/2014	27/02/2014	02/02/2016	14/09/2017	4,94	UAC	674 701,53	646 033,37	4,25	31/12/2019	31/12/2019
26	LIGNE DE CREDIT POUR LE FINANCEMENT DU COMMERCE POUR LA BH T	Finance	OnGo	19/10/2016	27/02/2017	27/02/2017	28/03/2017	05/04/2017	05/04/2017	1,73	UAC	50 006 250,78	0,00	100,00	27/08/2020	27/08/2020
27	PROGRAMME PMES AFRICAINES - LOC HANNIBAL LEASE	Finance	OnGo	14/07/2017	Not Yet	Not Yet	Not Yet	Not Yet	Not Yet	0,99	UAC	6 667 500,10	0,00	0,00		08/07/2018
28	PROGRAMME D'APPUI A LA MODERNISATION DU SECTEUR FINANCIER	Finance	OnGo	13/07/2016	14/07/2016	10/10/2016	10/10/2016	20/10/2016	20/10/2016	2,00	UAC	223 361 253,49	0,00	100,00	31/12/2017	31/12/2017
29	PROGRAMME D'APPUI AU DEVELOPPEMENT DES COMPETENCES TECHNIQ	Social	OnGo	04/12/2017	21/12/2017	Not Yet	Not Yet	Not Yet	Not Yet	0,60	UAC	60 007 500,94	60 007 500,94	0,00	31/12/2023	31/12/2022
30	PROGRAMME D'APPUI AU DEVELOPPEMENT REGIONAL INCLUSIF (PADRI)	Social	OnGo	02/11/2016	08/11/2016	19/12/2016	19/12/2016	23/12/2016	23/12/2016	1,69	UAC	150 018 752,34	0,00	100,00	31/12/2017	31/12/2017
31	PROGRAMME D'APPUI AU DEVELOPPEMENT REGIONAL INCLUSIF PADRI I	Social	OnGo	03/11/2017	09/11/2017	12/12/2017	12/12/2017	19/12/2017	02/01/2018	0,69	UAC	101 679 376,59	0,00	100,00	31/12/2018	31/12/2018
32	MIC - PROJET D'APPUI A LA PROMOTION DES INVESTISSEMENTS ET D	Social	OnGo	03/06/2015	11/08/2016	11/08/2016	20/10/2017	09/01/2018	09/03/2018	3,11	UAC	296 373,00	266 325,37	10,14	30/06/2019	30/06/2019
33	PROJET D'APPUI A L'OPERATIONNALISATION DU PLAN D'ACTION DE L	Multi-Sector	OnGo	27/12/2013	02/04/2014	02/04/2014	17/10/2014	13/10/2015	13/10/2015	4,54	UAC	530 100,00	310 645,48	41,40	30/06/2019	30/06/2019
34	OPERATIONALISING PPPS IN TUNISIA (PPP ADVISORY)	Multi-Sector	OnGo	14/06/2013	28/10/2013	15/10/2014	15/10/2014	10/11/2016	29/05/2018	5,08	UAC	789 000,00	305 626,08	61,26	31/12/2019	31/12/2019
												1 786 854 283,20	626 607 394,61	64,93%		

Appendix III: Key Related Projects Financed by the Bank and Other Development Partners of Tunisia

				ONAS: December 2017
Projects financed under international cooperation				
Project	Donor	Financing type	FE Amount	Project cost in TDN million
Tunis North Sanitation Project	GEF	Grant	USD 8.03 M	132.000
	IBRD	Loan	USD 39.4 M	
	BIRD	Loan	EUR 16.2 M	
Programme of Extension and Rehabilitation of 19 WWTPs and 130 SP	UE	Grant	EUR 3 M	402.6
	KfW	Loan	EUR 54.974 M	
	AFD	Loan	EUR 18.5 M	
4th Poor Districts Sanitation Project (Tranche 2) and Rural Sanitation Pilot Project (Tranche 3) - PNAQ4-T2 and PPAR3	AFD	Loan	EUR 40 M	134.000
Local Cities Water Environment Improvement Project	JICA	Loan	JYN 10871 M	279.000
"ONAS IV" Sanitation Project	EIB	Loan	EUR 40 M	259.000
Small and Medium Towns Sanitation Programme II	KfW	Loan	EUR 23.6 M	91.000
Sousse Sanitation Project II	KfW	Loan	EUR 3.76 M	141.000
		Loan	EUR 16.5 M	
5th Poor Districts Sanitation Project	AFD	Loan	EUR 30 M	135.700
		Grant	EUR 0.5 M	
Sanitation Project of the Towns of Ben Guerdane, Guetar, Foussena and Regueb	KfW	Recycling of German debt	EUR 20 M	81.000
Treated Water Quality Improvement Project	AfDB	Loan	EUR 32.45 M	91.000
Ten Medium Towns Sanitation Project	KfW	Loan	EUR 20 M	190.000
	SECO	Grant	EUR 17.5 M	
Sanitation Programme of 9 Industrial Zones	KfW	Loan	EUR 7.5 M (tranche 1 signed)	140.000
Programme of Treatment and Evacuation of WWTP Sludge	KfW	Loan	EUR 6 M	110.000
		Loan	EUR 21 M	
Acquisition of Operation Equipment	Italy	Loan	EUR 14.6 M	34.000
Integrated Project for Bizerte Lake Pollution Abatement	EIB	Loan	EUR 9.047 M	105.000
	EBRD	Loan	EUR 20 M	
	FEMIP	Grant	EUR 6.4 M	
Programme to Contribute towards Mediterranean Sea Pollution Abatement (DEPOLMED) - Priority Tranche	AFD	Loan	EUR 60 M	450.000
	EIB	Loan	EUR 69.6 M	
	EC	Grant	EUR 10.4 M	
Programme of Sanitation of 8 Towns (Sakiet sidi Youssef, kalaat Sinen, Majel Bel Abbes, Menzel Bouzaiène, Rouhia, Bargou, Krib and Sned)	Italy	Conversion of Italian debt	-	40.000

Appendix IV: Map of Programme Area

