PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE

Report No.: PIDA21668

Project Name	TN-Road Transport Corridors (P146502)
Region	MIDDLE EAST AND NORTH AFRICA
Country	Tunisia
Sector(s)	Rural and Inter-Urban Roads and Highways (100%)
Theme(s)	Infrastructure services for private sector development (50%), Export development and competitiveness (30%), Regional integration (20 %)
Lending Instrument	Investment Project Financing
Project ID	P146502
Borrower(s)	GOVERMENT OF TUNISIA
Implementing Agency	Ministere de l’Equipement, de l’Amenagement du Territoire et du Developpement Durable
Environmental Category	B-Partial Assessment
Date PID Prepared/Updated	21-Apr-2015
Date PID Approved/Disclosed	24-Apr-2015
Estimated Date of Appraisal Completion	24-Apr-2015
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Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

Tunisia is currently facing significant economic challenges. Tunisia is an upper-middle income country, whose average annual growth of 5 percent (1997 to 2007) placed it among the fastest growing countries of the Middle East and North Africa (MENA) region. Although it was nearly halved between 2000 and 2010, poverty headcount is still at 15.5 percent nationally. Moreover, economic performance deteriorated sharply in 2011, with a GDP contraction of 1.9 percent and total unemployment rising to 18 percent that year from 13% the year before. After recovering in 2012, growth stagnated at 2.5 percent in 2013, a pace insufficient to improve unemployment and poverty, with the outlook remaining uncertain.

Development in Tunisia is regionally differentiated, with the three largest cities – Tunis, Sfax and Sousse – accounting for 85 percent of national GDP as well as most of the industry and services and all located on the eastern coast. Poverty rates surpass 30 percent in the most disadvantaged regions, notably the predominantly rural western part of the country. The hinterlands and the inland areas, whose economies center on agriculture and mixed farming, have not benefited from economic growth in the same way as has the coast. Public services and economic opportunity lag behind the coastal areas, though the latter do contain pockets of poverty.

These disparities have been growing stronger in the past decade, and the general perception is that coastal regions have been receiving a disproportionate share of public investment (more than 65 percent since 2000). The extreme poverty headcount in Greater Tunis is currently 1.4 percent compared to 14.3 percent in the Centre-West region, the latter being more than three times the national average. Poverty headcount overall in the Centre-West approaches 30 percent, the highest in Tunisia. Similarly, the unemployment rate in western regions (about 20% versus 16% at the national level) is almost double the level in coastal regions. A study on regional development, produced by the Ministry of Regional Development and Planning in 2012, identified Zaghouan, Siliana and Kairouan among the poorest governorates in Tunisia.

The development of lagging regions is considered a high priority objective by the Government. The Government of Tunisia (GoT) has decided to give more priority to reducing regional inequalities and to invest in regional infrastructure to increase connectivity and development of lagging regions, identified as the North-West, Center-West and South-West regions of Tunisia. Inadequate basic infrastructure such as roads in the Governorates of Sidi Bouzid, Siliana and Kasserine and certain regions of the south, is responsible for the slower rate of socio-economic development, compared to the coastal areas.

The revolution raised expectations among citizens that the Government will make progress against poverty and unemployment. One of the main points of contention of the revolution was an expressed popular desire for greater sharing of economic benefits, and for policies aimed at improving the economic prospects of the country’s poor. Indeed, poverty, unemployment and the growing inequality between regions are among the factors that contributed to triggering the revolution. Under the conditions prevailing in Tunisia post-revolution, improvement of public infrastructure, especially roads connecting lagging regions to growth centers, is considered by the government and the public to be a priority to generate private-sector led growth. The private sector has expressed a willingness to invest in the lagging regions if connectivity can be improved and transportation costs reduced. The recent presidential and parliamentary elections have not changed the pressure to address the imbalance between the more developed and lagging regions and support to private sector-led investment and job creation.

The regions served by the roads improved by this project are among those which have shared least in the benefits of Tunisia’s past economic growth. The Center-West and North-West regions are the epicenter of Tunisia’s regional disparity problem. Indeed, the Tunisian revolution began in 2010 in Sidi Bouzid governorate, just south of the Siliana governorate, in the Center-West. Since then, the Center-West and North-West have been among the most restive areas of the country, with frequent demonstrations of public frustration. These regions’ relative economic hardship has yet to be relieved by the post-revolutionary order. RN12 links Sousse, one of the country’s prime economic centres on the coast along with Tunis and Sfax, with Kairouan in the Center-West region. The latter is the poorest region of Tunisia, with an unemployment rate exceeding 15 percent and a poverty rate of 32 percent in 2013 – two years after the revolution. There was a consumption gap of 56 percent between Greater Tunis and the Center-West in 2013. The governorate of Siliana, endpoint of the section of RN4 to be improved by this project, is in the North-West region, second only to the Center-West in unemployment (over 20 percent) and poverty headcount (at 26 percent), with a consumption gap of 27 percent with Greater Tunis.

Sectoral and institutional Context

The road sector in Tunisia plays a vital role in the economy. It represents about 7 percent of GDP, 15 percent of public and private investment and 4.5 percent of manpower. In Tunisia, the road network accounts for virtually all movement of persons and over 80 percent of goods transportation. The road network consists of 19,524 km of classified roads (routes classes – under the responsibility of the Ministry of Equipment, Habitat, and Land Planning) including 356 km of highways, 6,745 km of national roads, 6,495 km of regional roads, and 5,928 km of local roads. An additional 1,905 km of roads are being reclassified and there are 50,000 km of rural (unclassified) roads. The local roads receive the least maintenance and their state reflects this, with only 50 percent of roads in acceptable or satisfactory condition. Dual-lanes represent only 9 percent and 5 percent of the national and regional road networks respectively. Over the past decade, traffic recorded an average annual growth rate of 6.1 percent. Heavy duty vehicle traffic has evolved more rapidly than the overall average traffic, resulting in a reduction in road capacity, increased degradation of the carriageways, and increased risks/gravity of accidents.

Tunisia’s road infrastructure is managed by the Ministry of Equipment, Habitat and Land Planning (MET). The Roads Directorate (Direction Générale des Ponts et Chaussées, DGPC) of MET is responsible for managing the classified road network and a portion of the rural road network. The priorities of the DGPC are based on investment programs and structured around 5 axes: (i) routine and periodic maintenance, (ii) upgrading of select roads, (iii) rehabilitation and upgrade of dedicated structures (such as bridges), (iv) rehabilitation and upgrading of rural roads, and (v) road safety. There is one regional branch (Direction régionale) of the DGPC in each Governorate, with its own equipment and responsibility for maintenance. The Centre d’Essais et des Techniques de la Construction (CETEC) is non-administrative public entity under the responsibility of the MET, in charge of technical research and norms for material and construction techniques. CETEC plays a central role in monitoring and testing the state of the road network, but suffers from outdated equipment.

Road infrastructure also shows disparities between lagging regions and coastal areas. Although the national average road density is 12 km per 100 km2, it is significantly more developed in the denser eastern coastal regions than in lagging regions. For example, the coastal highway linking the northwestern Mediterranean port of Bizerte to Sfax (the second largest city) through Tunis represents 80 percent of the total highway network. Lagging regions also suffer poor and unsafe road conditions and slow traffic resulting from single-lane roads and heavy trucks carrying agriculture products and raw material. Conversely, road connectivity is expected to play an important role in improving the economic situation of the poorest regions in Tunisia. Improving road sections to growth centers is seen as a key step to increase private sector investment in these regions.

Although Tunisia is doing better on road safety than other countries in the region, it is still losing about 4.5% of its GDP to road traffic injuries. Between 2008 and 2011, the number of accidents with death/injuries decreased each year: -5.7 percent, -8.3 percent, -3.3 percent, and -5.1 percent, respectively. Nonetheless, there were still 1,208 road traffic fatalities reported, while the World Health Organization (WHO) estimated fatalities at 1,974. About 43 percent of deaths are drivers or passengers of 4-wheeled vehicles, suggesting that these crashes take place outside cities and highlighting the importance of improving road safety on national and regional roads. Men are disproportionately affected; in 2007, for example, WHO estimated that 82 percent of all traffic-related deaths were male. Though this figure includes pedestrians, women could be disproportionally represented among pedestrian fatalities given their generally lesser access to 4-wheeled vehicles. On RN12 alone, the number of fatalities due to road accidents amounted to 64 between 2008 and 2012. The number of injuries in road accidents reported during the same period was 384. There has been tentative progress on road safety at the strategic and institutional level in recent years with the help of other IFIs and important gaps still need to be addressed. Tunisia could also potentially benefit from an ongoing World Bank regional technical assistance program on road safety.

Since the revolution, Tunisia’s priority has been to implement the 12th Road Investment Program with the support of IFIs, but maintenance funding has not kept pace with investment. IFIs involved in the road sector have been the European Investment Bank (EIB), the African Development Bank (AfDB) and the Arab Fund for Socio-Economic Development (AFSED). The Japan Bank for International Cooperation (JBIC) and the Kuwait Funds are also financing highways with Tunis Autoroutes. Despite a significant level of capital investment in the past few years (an average of US $ 100-150 million annually), the budget for maintenance (average of US$ 41 million in the past five years) over the same period increased only gradually, and even saw a 14 percent decrease in 2014. According to World Bank scenarios modelled during project preparation, the minimum annual budget that will ensure that the state of the network remains stable is US$ 125 million. The government agreed to significantly increase the routine and periodic maintenance budget for 2015 (to US$ 132 million from US$ 35 million in 2014). This increase temporarily addresses the issue but effort should be maintained to ensure (i) adequate budget allocation to maintenance in the coming years, (ii) continuous support of IFIs to bridge the infrastructure gap and (iii) improvement in efficiency of public expenditure and management of the road network to maximize value for money.

Budgeting for road asset maintenance and investment is currently done using an outdated system that results in sub-optimal resource allocation. Allocations are currently based on estimates from technical staff followed by negotiations, but without analytical support from decision making tools (such as HDM-4). The absence of a comprehensive road database and analytical instrument for assessing the overall state of the road network results in sub-optimal investment decisions based on subjective assessments, and lagging regions have suffered negative impacts as a result. MET now seeks to address this need, beginning with technical assistance made possible through the present project, in order to improve efficiency of public investment in the road sector. However, more efficient management of road assets is dependent on having both recent and reliable data (on traffic and state of roads) and a decision support tool on an information technology platform to make use of the data. Regarding the former, updated traffic counts became available at the end of 2014, so the priority is now to (i) provide MET with a decision support tool appropriate to house said data and support more efficient investment decision making, along with appropriate training; (ii) initiate systematic collection of roughness data for the national and regional road network at least; and (iii) ensure that the MET through its subordinate laboratory CETEC (“Centre d’Essais et des Techniques de Constructions”) has appropriate equipment to measure the state of the road network and conduct quality control of civil works.

There is potential for the private sector to play a greater role in maintaining road assets more efficiently and to change the way financial resources are allocated in the road sector. The current system of maintenance delivery includes private sector participation that is circumscribed and involves little transfer of risk. In practice, periodic maintenance and rehabilitation is sub-contracted to the private sector but with limited risk transfer or use of innovative mechanisms such as performance-based contracts that could result in a lower long-term cost of road asset management through stronger private sector involvement. Increased efficiency in public sector investment can be supported by a stronger role for the private sector. There may be opportunities to employ more efficient, performance-based private-sector contracts for rehabilitation and maintenance to improve the efficiency of the maintenance system and reduce the long-term cost of managing road assets.

MET recognizes that there is an enduring need for a national strategy for the road sector. The last strategic thinking on institutional arrangements, human resources and equipment necessary to support road asset management was done in 1984. There is now a consensus within MET and with other IFIs that a Road Development Strategy should be prepared to support future investment. Accordingly, the MET/DGPC is preparing a draft vision for the road sector to identify high priorities for investment and technical assistance, with support from the World Bank. The MET will then engage with IFIs, Arab funds, and bilateral donors to discuss the financing of infrastructure and technical assistance in areas not currently covered by current projects/grants. A similar approach was taken in the water sector and received strong support from IFIs and donors. The key sectoral issues that still need to be addressed are: (i) complement the road development strategy with more in-depth review of institutional reforms and role of the private sector, (ii) implementation of road safety recommendations, and (iii) support the financing of remaining high priority investment and technical assistance. The African Development Bank (AfDB) is currently supporting the Government through a large grant to support institutional reforms in road safety..

Tunisia does not borrow for technical assistance, which has traditionally been more focused on support to individual road investments than addressing broader sector issues. However, the policy environment is now more favorable to address institutional issues requiring coordination at the national level, and the MET and DGPC are now looking to take a more active role in defining needs and aligning them with support from IFIs. The European Investment Bank (EIB) financed a study on road safety completed in May 2014. The EIB-led Transport Sector Support for Transition Countries (TRANSTRAC), financed by the MENA Transition Fund, focuses on (i) the adaptation and standardization of Requests for Proposals, (ii) preparation of a road safety assessment and action plan (coordinated with the EU), and (iii) feasibility studies on transversal road corridors. Concerning road safety, the following institutional gaps have been identified as requiring technical assistance: (i) lack of a central entity in charge of road safety and with sufficient authority over the three ministries involved in road safety, (ii) lack of any structure in charge of creating a national road safety strategy, and (iii) the lack of a traffic management and information center.

The World Bank’s intervention through this project will allow the improvement of key road corridors to strengthen economic conditions in lagging regions in a manner that respects environmental and social integrity and delivers needed technical assistance. The World Bank’s practical and rigorous approach to social and environmental due diligence is one of the main advantages brought to Tunisia by this project. The ability of the World Bank to provide grant financing through the MNA MDTF for technical assistance to MET/DGPC is an additional benefit to the Government. Indeed, the dialogue with the World Bank included a preliminary sector review and capacity assessment in the context of project preparation, which has been helpful to DGPC in its own strategic stock-taking.

II. Proposed Development Objectives

The Project Development Objectives are (i) to reduce transportation cost and time and improve road safety on select road corridors between lagging regions in Tunisia and more developed areas and (ii) strengthen the Ministry of Equipment's capacity in road asset management.

III. Project Description

Component Name

Road Corridor Improvement

Comments (optional)

The proposed project will upgrade about 145.5 km of existing single-lane national and regional road sections on three road corridors. This component would include: (i) 56 km of National Road 12 between Sousse and Kairouan, (ii) about 65 km of National Road 4 between El Fahs and Siliana, and (iii) 24.5 km of Regional Road 133 between Zaghouan and Tunis. Civil works will include widening and upgrading of the road sections when necessary, upgrading of 17 bridges and improvement of 230 culverts, 52 road intersections, traffic signs and implementation of other road safety measures.

Component Name

Road Network Management Improvement

Comments (optional)

The project will support the transformation in the way the Ministry of Equipment manages the road network and plan public investment. This component will consist of two sub-components:

(a) Sub-Component 2.1: The project will support purchasing monitoring equipment to assist MET to better manage the national and regional road network.

(b) Sub-Component 2.2: The project will support institutional strengthening of MET as it moves from traditional managerial models of road asset management to a more modern, evidence-based asset management system supported by information technology.

IV. Financing *(in USD Million)*

Total Project Cost:	245.11	Total Bank Financing:	200.00
Financing Gap:	0.00		
For Loans/Credits/Others			**Amount**
Borrower			44.20
International Bank for Reconstruction and Development			200.00
MNA VPU Free-standing Trust Funds			0.91
Total			245.11

V. Implementation

The Road Transport Corridor Project will be implemented by the MET through the DGPC. Overall, the DGPC's staff comprises:

(a) Engineers: 71
(b) Assistant engineers and technicians: 48

(c) Administrative staff: 44
(d) Laborers: 182

The DGPC has established an internal Project Implementation Unit (PIU), which is responsible for all aspects of the overall preparation and implementation of the present project as well as future Bank projects. Similar structures have been created for EIB and AfDB funded projects. The Decision of the Minister creating the PIU was issued on December 12, 2014. The PIU is headed by a Director and composed of seven (7) MET staff with specific responsibilities related to technical, procurement, financial management, and environmental and social safeguards issues. Consultants were recruited by MET to prepare the ESMPs and RAPs with the support of the Bank. The DGPC's main staff specialists for environmental and social/resettlement issues during project preparation have been assigned to the PIU to handle those issues, and a grievance mechanism under the overall responsibility of DGPC has been established providing citizens affected by the project multiple channels to raise their concerns. The project Operations Manual was endorsed by DGPC following reception of the no-objection from the Bank.

MET Regional Directorates (called Directions Régionales de l'Equipement et de l'Habitat – DREH) exist in each of the 24 governorates and each includes a maintenance and management service with responsibility for vehicles/equipment and maintenance works. Civil works will be managed by Project Managers (Chefs de projet) located within the appropriate DREH. There is one Project Manager for each road in each governorate containing civil works, as follows:

(a) RN 12: One each in DREH Sousse and DREH Kairouan
(b) RR 133: One in DREH Zaghouan
(c) RN 4: One each in DREH Zaghouan and DREH Siliana

The detailed design of the works to be undertaken was prepared by a consulting firm hired by DGPC. The Bank reviewed the preliminary (RN12/RR133/RN4) and final designs (RN12/RR133) and made recommendations that were incorporated. Civil works will be carried out by construction contractors hired by the PMU according to the prescribed procurement methods. Supervision of civil works remains the responsibility of DGPC, but will be carried out by a supervising engineering contractor hired by the PMU and reporting to the Project Managers. CETEC's regional laboratories will be responsible for quality control of civil works at the actual worksites.

Public Disclosure Copy

An existing inter-ministerial committee at the level of the Presidency of the Government (Présidence du Gouvernement) has been mandated to coordinate and resolve cross-cutting issues affecting the project, including for example acquisition of private property, and membership will include representatives of all ministries concerned by the project. This committee is available to broker solutions to any problems requiring coordinated action by multiple ministries.

VI. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✕	
Natural Habitats OP/BP 4.04		✕
Forests OP/BP 4.36	✕	
Pest Management OP 4.09		✕
Physical Cultural Resources OP/BP 4.11		✕

Indigenous Peoples OP/BP 4.10		×
Involuntary Resettlement OP/BP 4.12	×	
Safety of Dams OP/BP 4.37		×
Projects on International Waterways OP/BP 7.50		×
Projects in Disputed Areas OP/BP 7.60		×

Comments (optional)

VII. Contact point

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