

## PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC69569

<b>Project Name</b>	Integrated Landscapes Management in Tunisia's Lagging Regions (P151030)
<b>Region</b>	MIDDLE EAST AND NORTH AFRICA
<b>Country</b>	Tunisia
<b>Lending Instrument</b>	Investment Project Financing
<b>Project ID</b>	P151030
<b>Borrower(s)</b>	Republic of Tunisia
<b>Implementing Agency</b>	Direction Générale des Forêts
<b>Environmental Category</b>	B-Partial Assessment
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<b>Concept Review Decision</b>	Track II - The review did authorize the preparation to continue

### I. Introduction and Context

#### Country Context

Economy. Tunisia is a middle-income country of 10.9 million people with an average gross domestic product (GDP) per capita of US\$4,400 in 2014. In the last decade, economic growth averaged 5 percent, placing Tunisia among the fastest growing countries in the MENA region. In recent years, however, social and political turmoil led to an economic slowdown (GDP growth estimated at 1.8 percent in 2016). Tunisia also made significant progress in the fight against poverty, with the poverty incidence halving between 2000 and 2014, from over 32 percent to 15.5 percent, and extreme poverty also halving during the same period.

Democratic transition. In about two years, Tunisia has completed a successful democratic transition, by concluding its political crisis (end of 2013), adopting and promulgating a new Constitution (January 27, 2014), holding parliamentary elections (October 26th, 2014), electing a new president (December 21st, 2014), nominating a prime minister (January 5th, 2015), and approving a new unity government (February 6th, 2015). After one year and half exercise, the parliament passed an unprecedented vote of no confidence in the Prime Minister, disbanding his government. On August

3, 2016, a new prime minister has been nominated by the president and a new government has been established. Overall, the democratic transition is far from complete and the Government faces a complex challenge in responding to the demands of the Revolution, particularly coming from the youths.

**Lagging regions.** Economic development in Tunisia has been characterized by significant regional imbalances, with coastal regions developing fastest and hinterland regions lagging behind. In 2010, poverty rates ranged from a low rate of 8-9 percent in the Center East region and Grand Tunis to a high of 26 and 32 percent in the North West (NW) and Center West (CW) regions, respectively. These two regions are home to about 46 percent of the poor (NW 19 percent and CW 28 percent), and have the lowest regional development indicators - education, employment, health - and register the highest unemployment rates for university graduates.

Agriculture (crops, forestry, and livestock) dominates the economic life in NW and CW regions which also account for 50 and 82 percent of Tunisia's agricultural land and forests, respectively. Agriculture provides the bulk of employment and income opportunities in those two regions. However, income levels remain low, well-paying employment or income opportunities limited, and poverty levels high and threatened by unsustainable management practices and by climate change. Three broad constraints hamper the sustainable development of Tunisia's Lagging regions in general, and the NW and CW regions in particular:

- National agricultural and forestry policies that discriminate against the sustainable development of the primary sector in these regions.
- Fragmented and centralized administrative approaches to local development that lack in effectiveness and efficiency.
- Limited infrastructure and public services (e.g., transport, education, health, water supply and sanitation); availability to common services such as logistics, business intelligence services, R&D, and financial services.

The proposed project focuses on agriculture (crop, forestry, livestock) because of its significance in the development of lagging regions.

### **Sectoral and Institutional Context**

#### **Sectoral context**

**Agricultural landscapes.** The NW and CW lagging regions' agricultural landscapes are mixed systems combining crop agriculture, agro-forestry, forests, tree plantations, and rangelands with all these resources interlinked by grazing cattle, sheep and goats. Small, mostly rainfed farms of less than 10 ha dominate the agriculture landscape across the NW and CW regions, except in the governorates of Kef and Siliana where larger farms (above 10 ha) are more prevalent.

Households in the Tunisia NW and CW Regions are highly dependent on natural resources. Through the provision of subsistence needs, employment, and cash income, forests and rangelands contribute significantly to the welfare of rural Tunisians in general, and those of NW and CW regions in particular. Forests and rangelands generate an estimated economic value of US\$ 500 million per year, equivalent to 14 percent of agricultural GDP in 2012. While significant to the livelihoods of rural households living in and around forests and rangelands, the bulk of this economic value does not accrue to them. About 55 percent correspond to environmental benefits, such as reduction of reservoir sedimentation, water retention and regulation, and protection against

desertification. Another 12 percent are global benefits, such as carbon sequestration and biodiversity. The market value of fodder and non-wood forest products which accrue to the country's poorest local communities account for only 33 percent. Yet, forests and rangelands provide about 38 percent of incomes of households living in and around forests and rangelands, and about 5 to 7 million working days per year, equivalent to 35,000 permanent jobs benefiting approximately to 100,000 rural households.

Women workforce dominate Tunisian agriculture. Women represent 58 percent of the rural labor force and up to 80 percent in NW and CW regions. Women have always actively participated in agriculture, working in the farm and the production system, in livestock, tree cultivation, vegetable crops, handicraft, and processing and storage of agricultural products for household use and the market. While they play a key role in agricultural and rural development, women remain quite vulnerable: about 80 percent work informally, many of them are head of families and have very limited to no access to credit.

Agricultural Policies biases against Lagging Regions. Food security and securing livelihoods of farmers are the primary agricultural policy objectives of the government. These policy objectives are supported by a complex system of subsidies focusing mainly on commodity price support and production assistance which represent a significant budgetary burden for the Ministry of Agriculture. These policies tend to repress growth by stimulating the production of commodities (e. g., cereals, beef and milk) for which Tunisia enjoys limited comparative advantage, and mainly grown in coastal northern regions, and away from labor-intensive, higher value products in which interior regions are more competitive.

Agricultural Policies may also discourage sustainable management of landscapes. When combined with farmers' practices to secure land use rights, agricultural policies play also a significant role in the degradation of Lagging Regions' landscapes by encouraging excessive cultivation of marginal lands, prone to soil erosion and desertification and directly adding to the pressure from livestock on forests. The allocation of rangelands to the private sector, combined with state aid for planting olive trees encourage land clearing and conversion to olive plantation with potentially large costs of environmental degradation; today, in the absence of an integrated landscape management approach, these costs are being ignored.

Top-down sectoral approaches and policies reduce the access to and management of forests and rangeland resources by local population and local entrepreneurs, depressing local income and employment opportunities and providing little to no incentives for their sustainable exploitation. Some policies, such as the forestry code, discriminate directly against lagging regions by inhibiting forest and rangeland development and discouraging sustainable co-management with the local population. Under the forestry code, the State owns and manages about 94 percent of forests, and provides local people with only restricted use rights limited to the satisfaction of family subsistence needs, and no management responsibilities.

Lack of access to finance is a serious constraint for farmers and the private sector, particularly in rural lagging regions where the bulk of agriculture activities takes place. The portion of farmers benefitting from bank loans does not exceed 7 percent. Banks finance just 11 percent of total agricultural investments, while 70 percent is financed by own resources, which probably includes a significant volume of supplier and purchaser credit. The share of investment funded by

credit has halved between 2008 and 2012, and seasonal credit only covers 1/14th of agricultural input use.

**Threatened agricultural landscapes.** The degradation of the mixed agricultural landscapes results from multiple factors. Natural factors include: climate (i.e. Mediterranean climate with heavy showers), soils (i.e. soils subject to erosion), topography (i.e. steep slopes in the mountains) and climate change. In addition, activities such as overgrazing and surface disturbing cultivation threaten these landscapes. Climate change (such as increase in temperature, reduced rainfalls, occurrence of extreme events) are likely to have adverse impacts on agricultural landscapes and on the Tunisian population who depend on them. It is estimated that climate change will reduce the income from agriculture by 2-7 percent per year for a period of 30 years.

#### Untapped Opportunities

There is significant potential for growth, by expanding and increasing the productivity of agriculture, forest and rangelands based value chains. It is estimated that for forests and rangeland products alone, current market value could be raised five-fold from 33 million DT today, to a sustainable level of 150 million DT involving the creation of around 25,000 jobs. Additional analytical studies currently in progress also suggest a significant scope for local actors to reorient their products towards higher value added and growing global markets, pending the development of adequate value chains.

New private investment opportunities exist, but they require complementary public investments to address barriers. Some of these investments are value chains and area specific where the government through some of its agencies has helped build a critical mass in production such as olive oil, sheep fattening, hatchery egg production, etc... These activities need to be moved further up the value chain from low value added bulk production to transformation/processing into higher value products and branding. In most value chains, the development of production, quality and quantity, and the aggregation capacity depends on a better understanding of market trends and specificities, the provision of missing services, the existence of private sector leaders and well-organized producer groups, and efficient linkages between producers and processors/buyers.

#### Institutional context

**Strategic directions.** In Tunisia, key overall strategic directions are provided by the New five-year Development Plan (2016-2020), which aims to maintain social peace, especially in lagging regions by highlighting the need for a (positive discrimination between regions), and stressing the importance of a new development model based on efficiency, equity and sustainability. This Plan lays the foundation for the implementation of an integrated landscape management approach which recognizes the interdependence between value chains in agriculture and forestry, and natural resources (particularly soil and water), and seeks to increase rural households' incomes while strengthening the resilience and sustainability of these natural resources.

**Decentralization.** As called by the 2015 Constitution, the Government is seeking to decentralize by empowering local governments (collectivités territoriales) (this objective is again stressed by the new five-year Development Plan. The recently created Ministry of Environment and Local Affairs is leading the design and implementation of the decentralization process by supporting the development of national government policy on decentralization (both fiscal and functional, and by accompanying and supporting local governments in the management of local affairs, the

preparation and execution of development plans, programs and projects in collaboration with concerned ministries and institutions.

Institutional setting. The Ministry of Agriculture, Water resources, and Fishing intervenes in five key areas: (i) agriculture; (ii) fisheries and aquaculture; (iii) livestock; (iv) water resources; and (v) natural resources ➤( forests and rangelands. It is characterized by a high level of institutional fragmentation that complicates the coordination and coherence of development strategies and programs by the Ministry. The ministry has initiated a review of its sectoral strategies:

➤(ç The ongoing development of a Strategy of Agricultural Sector and Fishing by year 2020 will help implement the first building block of a comprehensive strategy of MARHP.

➤(ç Main objectives of the forthcoming Strategy for Water and Soil Conservation (WSC), considered as a key element of territorial management, are the incorporation of a new technical and organizational vision for the management and conservation of agricultural lands and the improvement of local organizational capacities.

➤(ç The new National Strategy for the Sustainable Development and Management of Forests and Rangelands (2015-2024) ambitions to reconcile the conservation of forests and rangelands with socio-economic development by promoting the involvement of community-based organizations and private owners in the co-management of forests and rangelands.

The Budget Management by Objectives (BMO), initiated in the MARHP since 2004, provides the basis for improved coordination among the many directorates and institutions by grouping its budget into 6 programs and 17 subprograms.

The MARHP is deconcentrated in each Governorate through the Regional Agricultural Development Commission (Commissariat RÃ©gional au DÃ©veloppement Agricole CRDA), which translates MARHP national policies and programs at the regional level. CRDAs are a financially autonomous entity, reporting to MARHP, with the following main responsibilities: supervise the implementation of legislative provisions and regulations concerning the protection and the development of agricultural lands, forests, water; contribute to the protection of the environment, implement actions relating to the good progress of agricultural campaigns at the levels of supply, processing, and marketing; and encourage farmers to set up adequate structures helping promote the sector.

Multiple publicly sponsored private sector development agencies are involved to achieve the objectives of the five-year plan. Examples include national agencies with relevant technical expertise (e.g. APIA, for agricultural development; APII, for agroindustry development; and CEPEX, for export development), as well as regional development agencies (e.g. ODNO, ODCO).

Cooperative sector. The Agricultural professional organizations in Tunisia consist of (i) about 151 Mutual Agricultural Service Companies (SMSAs); (ii) 3000 Agricultural Development Groups (GDA) involved in the provision of drinking water and management of water for irrigation, (iii) seven inter-professional associations; (iv) around 270 companies for Enhancement and Agricultural Development (SMVDA); and the Tunisian Union of Agriculture and Fishing. These ➤( producer organizations ➤( (POs) are relatively weak, have weak management, are undercapitalized, offer only rudimentary services, operate in business sectors with narrow margins, have no or only limited access to bank financing and suffer from low levels of member patronage.

## Relationship to CAS

The proposed Project is aligned with the new Country Partnership Framework (CPF) for the period FY 2016-2021, whose overarching goal is to support Tunisia's efforts to define and put in place a new economic model that provides opportunities for those left behind. The proposed project contributes to the CPF three pillars through: (i) improving the national regulatory environment in the agroforestry sector (CPF pillar one); (ii) contributing to the creation of jobs in targeted lagging regions through value chains development bottom-up approach (CPF pillar 2); and (iii) contribute to economic inclusion of youth and marginalized groups but choosing to focus on landscapes where the poorest populations in the lagging regions are concentrated, and targeting value chain development work to create jobs and economic opportunities for these populations (CPF pillar 3).

The project seeks to foster inclusion and shared prosperity in Tunisia lagging regions. Therefore, it is in line with the MENA strategy whose goal is to promote peace and social stability. The proposed project supports the first pillar of MENA strategy by contributing to the renewal of the social contract in promoting a new, bottom-up development model in lagging regions, with more effective and responsive public services that focuses on the poor and vulnerable people and private sector development through value chains to create jobs and opportunities mainly for the youth in Tunisia's lagging regions. The project also contributes to the fourth pillar of the Strategy by gathering external partners (AFD, IFAD, UNDP and FAO) around the integrated landscape approach promoted by the project; this contributed to leveraging large scale financing during preparation phase.

The proposed project will also contribute to the implementation of the World Bank Forest Action Plan FY16-20 approved in April 2016. Project activities are in line with the Forest Action Plan Focus Area 1 on Sustainable Forestry through investments focusing on optimizing the potential of forests to provide cash and non-cash income and to generate jobs and economic opportunities for Tunisian forest-dependent people. The project also contributes to the Forest Action Plan Focus Area 2 supporting Forest-Smart Interventions in other economic sectors mainly agriculture in order to improve the productivity and resilience of agricultural crops surrounding selected forests and rangelands.

The project will support the implementation of the Bank Agricultural Strategy which has four primary orientations: (i) improving food supply and nutrition; (ii) providing livelihood and income in rural areas; (iii) providing economic growth and environmental sustainability; and (iv) affecting climate change in various ways.

The project also aligns with the World Bank objective to strengthen Tunisia's competitiveness and increase the quantity and value-added of its exports. It builds on the World Bank's recent experiences in Tunisia in terms of sector specific Public Private Dialogues, and scales up cluster and value chain development engagements aimed at removing sector specific constraints and market failures

The project will coordinate and benefit from the ongoing Urban Development and Local Governance Program for Results (UDLGP) and align its planning process on the framework of the current decentralization program supported by the UDLGP. The project will coordinate with the ongoing Tunisia Third Export Development Project by relying on the financial and technical services it provides to exporting firms, and on technical services targeting the development of

agricultural value chains in the lagging regions.

The project will also draw important lessons from the strengths and weaknesses of other similar programs/projects operating in Tunisia and elsewhere in MENA, in the areas of community development, capacity building and integrated landscape management (Table 3). The project will complement the proposed Productive Inclusion Opportunities for young women and men project, by specifically focusing on agriculture, forests and rangelands-based VCs in the lagging regions. The proposed Development Policy Operation (DPO) on Jobs, Entrepreneurship, Finance and Fiscal Sustainability (JEFF-1) will address those policy constraints that discriminate against lagging regions.

Finally, it has also been agreed with IFAD and AFD (which are formulating new projects) to use the same landscape approach, ensure complementarity of geographical targeted zones, and set-up a joint steering committee for the three projects. UNDP has been selected by the Ministry of Environment and Sustainable Development as executing agency to prepare a new GEF project on rangeland management. An agreement was reached with these partners to use the current project as a common program framework and use GEF6 STAR resources as parallel financing mechanism for key project technical assistance activities.

## II. Proposed Development Objective(s)

### Proposed Development Objective(s) (From PCN)

The project development objective is to improve access to economic opportunities derived from more sustainable management of agricultural resources in selected lagging regions of Tunisia.

Direct beneficiaries of the project will be the rural communities in the NW and CW regions of Tunisia, which will benefit from a range of initiatives aimed at improving their asset-based livelihoods through different capacity building initiatives and investments (on local natural, physical, human, and social capital). These communities represent a population of about 250,000 rural households (about 1.5 million people), Women constitute 51 percent of these beneficiaries, and youth (age category 15-29) are about 25 percent (i.e., about 400,000 people).

A number of national and regional institutions will also indirectly benefit from the project. They will benefit from capacity building initiatives as well as the effects of improvements of the legal and institutional environment and regulations, namely the following: (i) at national level, this include key MARHP directorates and agencies (particularly DGFIOF, DGF, DGAP, DGPA, DGIA) and sectoral ministerial departments; (ii) at regional level, CRDAs and regional institutions, as well as different ranches of sectoral ministerial departments.

### Key Results (From PCN)

The proposed indicators at PDO level are:

- (i) Agricultural value chains supported according to defined criteria (number)
- (ii) Farmers associations in selected agricultural value chains with improved access to key services (number)
- (iii) Target beneficiaries in lagging regions with rating Satisfied or above on project interventions (disaggregated by sex) (%) and age (15-29) (civic engagement and gender indicator)
- (iv) Direct project beneficiaries (number), of which female (percentage) (Core)

## III. Preliminary Description

## Concept Description

### A. Concept

The integrated landscape management approach adopted by the Project fully recognize the interdependence between agricultural value chains and natural resources. Rural households' incomes will be increased within a comprehensive paradigm which strengthens resilience and sustainability. This approach will draw on the successful Leader program of the European Commission for integrated rural development in lagging regions which empowers local actors to develop an area by capitalizing on its endogenous development potential and on public-private partnerships.

### PROJECT DESCRIPTION

The project will be implemented through 4 interrelated components: Component 1 will focus on territorial development planning and investment in improving landscape management; component 2 focuses on VC development; and component 3 on addressing policies and barriers to (i) improved landscape management, (ii) income generation and integration of rural households into agricultural based VCs. The last component is related to the project management.

#### COMPONENT 1: Strengthening integrated landscape management (ILM) approach (US\$ 50 million)

This component will include two complementary sets of activities focusing on: (i) Territorial Development Planning and capacity-building for integrated landscape management implementation, including the sustainable management of natural resources; and (ii) implementation of ILDPs.

Sub-component 1.1. Territorial Development Planning. This sub-component will involve the following inter-dependent activities:

- a. Information management and knowledge creation: Strategic planning for integrated landscape management including impacts and vulnerability to climate change require accurate information and database on agricultural resources. The project will support the following activities which will concern the whole country and for which TORs and / or DAO will be ready at negotiation stage: (i) establishment of the national forest and rangelands inventory; (ii) elaboration of a national restoration (afforestation) plan; (iii) completion of land cover and soils potential maps at appropriate scales; (iv) Development / update of integrated forest and rangeland co-management plans; (v) Development of agricultural management information and monitoring systems, including the monitoring of environmental services of forests and rangelands, land use changes, and (vi) the development of an Measurement, Reporting and Verification (MRV) system.
- b. Mobilization and awareness building: In parallel of the above activities, and specifically in the NW and CW regions, this sub-component will support mobilization and awareness activities to generate the demand for the formation of Multi-Sectoral Partners Groups (MSPGs) which will effectively lead the planning process at landscape level, elaborate landscape development plans, and guide their implementation and monitoring. MSPGs will be created with appropriate statutes that ensure adequate representation for the various interest groups, and securing transparency in decision making. Once in place, MSPGs technical and managerial capacities will be strengthened through qualified consultants to be hired at the project effectiveness.
- c. Once the MSPG is created, it would prepare a participatory Integrated Landscape Development Plans (ILDP). The planning process will be streamlined with the annual investment planning process currently undertaken by the local governments. The plan examines the strengths,



weaknesses, opportunities and threats faced by the community within its identified territory and outlines the types of actions and VCs to be developed and supported to address the weaknesses and threats and exploit the strengths and opportunities.

Sub-component 1.2: ILDPs Implementation. This sub-component will support the implementation of ILDPs produced in alignment with the annual local government investment plans through a conditional transfer co-financing grants linked to the LUs. The Project Operation Manual (POM) will be prepared before negotiations will spell out funding mechanisms, eligible investments, eligible project promoters, performance criteria to access to funds, and the like. Activities to be supported by this sub-component are exclusively related to forestry, agriculture and rangelands management, and small infrastructure. As the participatory approach to elaborate ILDPs is an extensive process, priority investments (for the first years) will be drawn from the local development plans elaborated under PNO4 and PGRN2 projects, and the preliminary ILDPs process elaborated before appraisal and during project implementation. Investments will focus on:

- a. Implementation of a variety of climate-smart agriculture practices which could include: (i) integrated soil fertility management techniques; (ii) conservation tillage; (iii) soil, water and nutrient management along with agroforestry; (iv) techniques to build soil organic matter (to increase agriculture resilience to climate change); and (v) livestock husbandry and livestock diversification.
- b. Implementation of a variety of sustainable forests rangeland management activities such as: afforestation/reforestation activities; landscape restoration works; natural regeneration; rangeland seeding; rehabilitation of aromatic and medicinal plants; and maintenance of new plantations as well as thinning and pruning of forests combined with introduction of forest fire protection activities and biodiversity measures. Where supported by the community, forest and rangeland certification activities could underpin the developments.

For forests and rangelands, in order to allow local population and private actors to co-manage forests and rangelands resources, a phased approach was agreed with the MARHP. Under the first phase, a co-management model (Community Forestry and Rangeland Management Agreement (CFRMA)) defining the roles and responsibilities of the forestry administration and local communities (e.g., forestry user groups), will be finalized before appraisal, signed by Negotiations, and piloted during the first two years of the project in 10 selected Landscape Units (LUs). The second phase would roll out the co-management of forests and rangelands in the whole North-West and Center-West Regions. MARHP is committed to improve the forest code, as requested under the new five year development plan, but wants to benefit from lessons of experience before a national roll-out to field-test the model and learn from experience. During this pilot phase, provisions to improve the forestry code will be developed based on an in-depth review of the legal framework governing natural resources (see component 3.1).

## COMPONENT 2. Strengthening agricultural value chains (US\$ 35 million)

This subcomponent would support investments and job creation in agricultural value chains by providing financial and non-financial services to targeted beneficiaries (Micro, Small, and Medium Enterprises - MSMEs - including individual producers and self-employed; user groups). Support is provided through an MSME development Platform, which builds on the value chain development task-force created in CEPEX by the Third Export Development Project (EDP-3). This platform will contain two components:

Sub-component 2.1. Supporting Services for Inclusive Entrepreneurship in Value Chains development. The aim of this subcomponent is to provide Enterprise Support Services (ESSs) to MSMEs (including individual producers and farmers) and improve market orientation and exchanges using participatory mechanisms. The platform will identify, develop, and/or support the growth of existing MSMEs whose activities are based on agricultural products already existing in the targeted regions. The package of ESS would vary depending on the type of business and the characteristics of the beneficiaries but would include the following outputs: (a) business-to-business networking and cluster development based on strategic market orientation and analysis; (b) Training, in business planning and development, (c) advisory and mentoring services, (d) assistance in accessing finance.

Sub-component 2.2. Smart MSMEs co-financing to integrate growing value chains. The objective of this subcomponent is to provide co-financing to MSMEs for the implementation of business plans resulting from sub-component 2.1. In order to secure efficient and transparent financing, the project will channel grants through the Productivity and Growth Fund (PGF) to selected business-plans by associations of farmers and/or firms. The PGF will be managed internally by the ministry of agriculture, and a dedicated operations manual will be developed at appraisal stage.

Types of investments would include advisory and mentoring services, the purchase of collective services that provide high added value to a wide range of vulnerable and atomized beneficiaries (e. g. cold chain services for individual farmers of fresh produce), equipment (including information technology), small works (like rehabilitation of existing facilities), and needed common-good technical infrastructure. Other activities aimed to catalyze collaboration among entrepreneurs to access skills, equipment, training or other value-addition services that have been identified through component 2.1, and demonstrate the incremental returns to the entire value chain, can also be co-financed by the PGF.

The competitive selection process of the PGF will be open to applicants using clear eligibility criteria (including the ability to create local jobs), and funds will be allocated in compliance with Bank procurement procedures. Beneficiaries could also be local entrepreneurs and reputable distribution partners who provide key services missing from a value chain (e.g. logistics firms, retailers, international exporters) and who could demonstrate the ability to help local entrepreneurs/MSMEs develop their integration in the value chain and create jobs and value added locally.

### COMPONENT 3. Strengthening institutional and legal frameworks (US\$ 8 million)

During the project preparation phase, and throughout the rollout of the various value chain development initiatives (through public private dialogue) supported by this project, an evaluation of the legal and institutional frameworks governing agriculture and natural resources will identify key strengths and weaknesses. Activities of this component seek to strengthen accordingly the legal and institutional frameworks governing agricultural resources.

Sub-component 3.1. Strengthening the legal framework. Project activities will support specific initiatives aimed at: (i) Conducting in-depth analyses of current legislation governing natural resources (forestry code, water code, soils code, land tenure code, public-private partnership (PPP) code, and other agribusiness related regulations) and identifying complementarities and inconsistencies among them; (ii) Assessing the legal soundness of the co-management model established in the 10 targeted LUs (sub-component 1.1), before replicating it; (iii) Proposing to the government simple and viable alternatives aimed to adjust agricultural regulatory framework, and in

particular the forestry code and some key national regulations and procedures that have a direct impact on the ways farmers and MSMEs participate in decision-making process, and access to finance and use sustainably their natural resources.

Sub-component 3.2. Strengthening the MARHP institutional framework. Specific activities of the sub-component will aim at improving in a targeted fashion the organizational framework of the MARHP general directorates and CRDAs, mainly services governing agriculture and natural resources, to ensure better coordination, complementarity, consistency and quality. Learning from pilot activities rewarding farmers for improved agricultural practices with area based payments as intended under the project, in so far as endorsed by government, policy papers and draft regulation, including payment mechanism design could be introduced to eventually roll-out adopted policies throughout the project area or nationally. Appropriate mechanisms and procedures will be defined and put in place in order to steer the entire process and monitor its implementation and performance, and ensure a smooth translation of strategic objectives into action.

#### IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01	x		
Natural Habitats OP/BP 4.04	x		
Forests OP/BP 4.36	x		
Pest Management OP 4.09		x	
Physical Cultural Resources OP/BP 4.11		x	
Indigenous Peoples OP/BP 4.10		x	
Involuntary Resettlement OP/BP 4.12	x		
Safety of Dams OP/BP 4.37		x	
Projects on International Waterways OP/BP 7.50		x	
Projects in Disputed Areas OP/BP 7.60		x	

#### V. Financing (in USD Million)

Total Project Cost:	100.00	Total Bank Financing:	100.00
Financing Gap:	0.00		
<b>Financing Source</b>			<b>Amount</b>
Borrower			0.00
International Bank for Reconstruction and Development			100.00
Total			100.00

#### VI. Contact point

##### World Bank

Contact: Taoufiq Bennouna  
 Title: Sr Natural Resources Mgmt. Spec.  
 Tel: 5714+3046  
 Email: tbennouna@worldbank.org

**Borrower/Client/Recipient**

Name: Republic of Tunisia  
Contact:  
Title:  
Tel:  
Email:

**Implementing Agencies**

Name: Direction Générale des Forêts  
Contact: Habib Abid  
Title: General Manager  
Tel: 71848892  
Email: habibabid2001@yahoo.fr

**VII. For more information contact:**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>