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TUNISIA



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ACRONYMS

CDCS	Country Development Cooperation Strategy
CSO	Civil Society Organization
DO	Development Objective
DOAG	Development Objective Assistance Agreement
EU	European Union
G7	Group of Seven
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GOT	Government of Tunisia
IMF	International Monetary Fund
IR	Intermediate Result
MEL	Monitoring, Evaluation, and Learning
MENA	Middle East and North Africa
PMP	Performance Monitoring Plan
SOE	State Owned Enterprise
USG	U.S. Government

EXECUTIVE SUMMARY

USAID/Tunisia’s 2022-2027 Country Development Cooperation Strategy (CDCS) goal is **“Foundations for a resilient, prosperous, and democratic Tunisia developed.”** Over the course of this five-year strategy period, USAID expects to make evidenced and impactful contributions to Tunisia’s core development foundations, with a particular focus on resilience, prosperity, and democracy- three aspects of Tunisia’s overall development vision. By reinforcing the foundations for development in Tunisia, particularly in those three areas, USAID, the Government of Tunisia, and other development partners and stakeholders can ensure that development investments sustainably support the fundamental principles, capacities, and people needed to carry Tunisia through the next decade.

This CDCS comes at a crossroads in Tunisia’s history.. Growing citizen frustration and disappointment with the lack of social reforms and worsening economic conditions led to protests across the country in 2021. This also contributed to widespread support for President Saied’s July 2021 steps to freeze and ultimately dissolve Parliament and begin rule by decree. In 2022, President Saied proposed, via referendum, a new constitution consolidating power at the executive, which Tunisians approved. Subsequently, less than 12 percent of Tunisians turned out to vote for the members of the first chamber of the new Parliament, which was seated in 2023.

Although unexpected and a troubling setback to progress made over the last decade to consolidate democratic ideals and improve the economy, the 2021 political crisis was not an isolated event. Tunisians were, prior to July 2021, and continue to be, frustrated that their government has been unable to find sustainable or stable solutions to a long series of economic and social crises since the Revolution. Despite these challenges, the new constitution, eventual reinstatement of parliament, and demand for other major reforms offer potential opportunities to address long-standing or fundamental gaps in Tunisia’s development. This CDCS recognizes those gaps, links them to U.S. foreign policy priorities, and identifies the areas in which USAID’s comparative advantage and investments can bear significant returns.

Democracy: Despite Tunisia’s steady progress on many governance fronts, reliance on consensus politics to form governments and parliamentary majorities has stymied reforms, failing to address some of the key economic grievances and stability issues that date back to the revolution and its immediate aftermath.¹ Tunisians demand meaningful participation and inclusion in governance, public services that respond to citizen needs, greater accountability from their leaders, and political stability. In response to these gaps and in support of the U.S. Government (USG) foreign policy priority to realize and defend democratic values across the world, this CDCS will strengthen the social contract between citizens and government, addressing the key gaps in the foundational democratic values and systems needed to define the

¹ Maher Al-Qudura. [“Consensus Politics and Democracy in Tunisia: Challenges for Political Reform;”](#) Washington Institute for Near East Policy, March 2, 2020.

formal and informal interactions between citizens and the state in Tunisia. By strengthening the social contract in Tunisia, USAID aspires to create equilibria in state-society relationships, increase predictability in and accountability of the governance system, and reinforce social stability, ultimately building trust.² Additionally, by strengthening the social contract, this CDCS will mitigate some of the key gaps that exacerbate drivers of conflict in Tunisia, particularly exclusion, lack of citizen-government dialogue, distrust, and disaffection.

Prosperity: Despite Tunisia's integration into the global economy, macroeconomic vulnerabilities, declining investment, and business-enabling environment challenges have decreased economic opportunities for many Tunisians. Moreover, class, age, gender, and geographic inequalities hinder sustainable economic growth in Tunisia. Tunisians identify the economy as the single biggest issue in Tunisia. Tunisia's economic and fiscal crisis continue to deepen, and the country has limited options to confront growing inflation. Without major structural reforms, the economy cannot achieve a growth rate that will meet the employment demands of a large and growing youth population, sustain a growing debt burden, and tackle energy and food shortages. In response to these gaps and in support of the USG foreign policy priority to expand global economic prosperity and opportunity, this CDCS will accelerate and sustain inclusive, private sector-led economic growth, developing the foundations for a prosperous Tunisia where all are able to participate and reap the benefits of the Tunisian economy. By addressing structural problems and impediments to private sector growth, this CDCS will make direct contributions towards improving the business enabling environment, increasing investment, expanding trade, and strengthening economic planning.

Resilience: Tunisia was the first country in the Middle East and North Africa (MENA) region, and third in the world, to integrate climate change into its constitution and one of the best performing countries in terms of pandemic preparedness prior to the emergence of COVID-19.³ Despite recognition of these crucial issues, Tunisia remains one of the most vulnerable countries to climate change in the Mediterranean⁴ and at one point during 2021 had one of the highest per capita COVID-19 death rates worldwide. It is crucial that Tunisia take immediate action to shore up its institutions, private sector, and communities against the various shocks (social instability, climate change, food insecurity, pandemics) that are likely to occur over the next decades and which threaten Tunisia's development investments. In response to these needs and the USG foreign policy priorities of responding to climate change and COVID-19, this CDCS integrates resilience as a crucial element of social and economic reforms. By integrating resilience, this CDCS ensures that development investments are

² Markus Loewe, Tina Zintl, Annabelle Houdret, [The social contract as a tool of analysis](#): Introduction to the special issue on "Framing the evolution of new social contracts in Middle Eastern and North African countries", *World Development*, Volume 145, 2021.

³ [International Health Regulations IHR Capacity Self-Assessment Score](#) (2020). Geneva: World Health Organization, 2021.

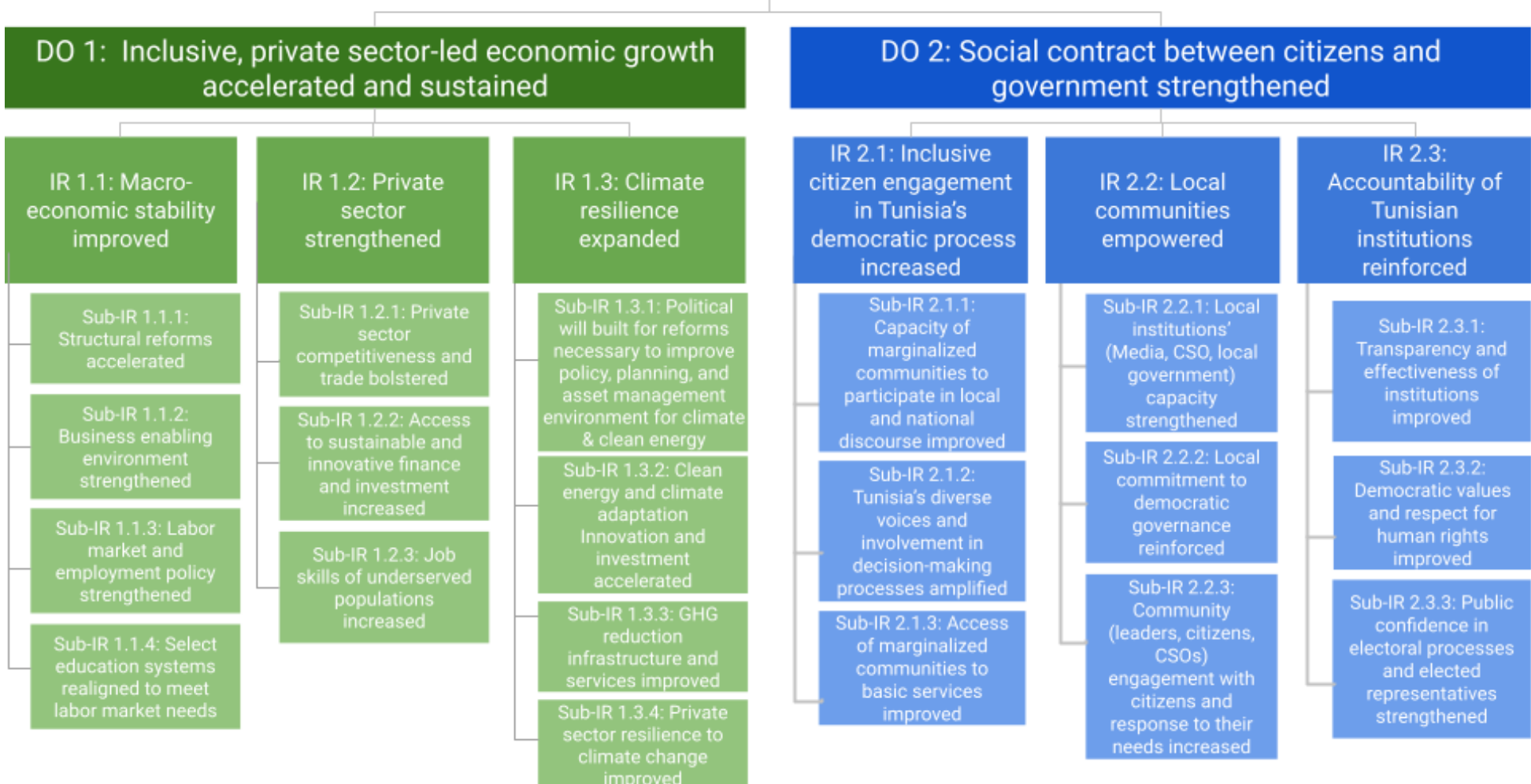
⁴ World Bank, "[Tunisia Climate Change Knowledge Portal](#)," accessed April 20, 2021.

protected, that stakeholders are included in potentially difficult decision making, and that individuals feel empowered to act in the face of uncertainty. This CDCS also reinforces resilience by fully embracing: 1) USAID's localization agenda that supports consideration of local voices, actors, and capacity in the development process; 2) USAID's inclusive development policies that seek to include all marginalized and vulnerable actors in the development processes that USAID promotes, and; 3) the Progress Beyond Programs agenda, which seeks to leverage the entirety of USAID's power and strength to promote harmonized development impact in the countries it serves.

Despite its small size and relatively limited natural resources, Tunisia has the human capital necessary to re-establish its foundations and meet the emerging development challenges over the next 50 years. This CDCS will leverage those strengths with investments and partnerships in key institutions, policies, and individuals so that Tunisia has the tools necessary to deliver the opportunities, services, and responsiveness that all Tunisians desire and deserve.

USAID/TUNISIA CDCS 2022-2027 RESULTS FRAMEWORK DIAGRAM

GOAL: Foundations for a resilient, prosperous, and democratic Tunisia developed



COUNTRY CONTEXT

Since the January 2011 overthrow of President Zine El Abidine Ben Ali, who had ruled for 23 years, Tunisia, its institutions, and its people have been in a dynamic state of change. Despite high citizen expectations emerging from the revolution, Tunisia has been unable to establish a state that inspires confidence in public leaders, allows private businesses to thrive, and provides the public services Tunisians need to live with dignity. Since the Revolution, Tunisians have held six legislative and two presidential elections, held almost a dozen by-elections to replace municipal councils, approved a new constitution in January 2014, and through a constitutional referendum, voted to adopt a new constitution in July 2022. The new constitution outlines a strong presidential system under which the government would answer to the President rather than to Parliament. Growing citizen frustration and disappointment with the lack of social reforms and worsening economic conditions led to protests across the country in 2021, culminating in July 2021, with President Saied freezing (and eventually dissolving) Parliament and ruling by decree.

Although unexpected and a troubling setback to progress made over the last decade to consolidate democratic ideals and improve the economy, the 2021 political crisis was not an isolated event, but the culmination of Tunisians' frustration with successive governments' inability to find sustainable or stable solutions to a long series of economic and social crises since the Revolution. Those crises include: governance systems that cannot adapt or reform adequately to meet citizen needs; citizens and businesses that do not get the support that they need to thrive; and growing citizen distrust and dismay in their government. The resulting instability leaves Tunisia vulnerable to a range of emerging threats (such as COVID-19 and climate change), global competitors whose interests may not align with Tunisia's self-interests, and conflict.

KEY FACTORS

Governance and Social Stability: Hailed as the democratic success story following the Arab Spring, Tunisia has undoubtedly made some progress on democracy and governance, navigated political crises, and organized successful elections over the past decade. This progression, though, has been stymied by Tunisia's reliance on consensus politics to form governments and parliamentary majorities. This prioritization of political consensus over reforms has failed to address some of the key economic grievances and stability issues that date back to the revolution and its immediate aftermath.⁵ International indices confirm this, demonstrating

⁵ Maher Al-Qudura. "[Consensus Politics and Democracy in Tunisia: Challenges for Political Reform](#)," Washington Institute for Near East Policy, March 2, 2020.

Tunisian progress on open governance,⁶ all the while identifying gaps in political stability,⁷ participation,⁸ and trust in government,⁹ many of which are key factors that have led to Tunisia's current political crisis.

Poor service provision, citizen dissatisfaction and lack of trust, and perceived corruption also remain rampant. Public opinion polls over the past decade consistently demonstrate Tunisians' dissatisfaction with the direction of the country (outside of major elections), with more than half of Tunisians stating that the government is handling all critical issues and basic services fairly badly or very badly¹⁰ and that forms of government other than democracy could be better for Tunisia.¹¹ Indices measuring government effectiveness confirm this perception, showing severe decline in Tunisia over the last 15 years¹² and a slowing rate of poverty reduction due to COVID-19 impacts, with recovery estimated to last several years.¹³

With the adoption of a new constitution and pending legislative elections in 2022, and the potential of upcoming social and economic reforms related to a potential International Monetary Fund (IMF) loan package, Tunisia's current political context will likely have impacts on governance and stability for years to come.

Economic Opportunity: While Tunisia is relatively well integrated into the global economy from a trade standpoint, with exports consistently amounting to close to 50 percent of gross domestic product (GDP) over time, macroeconomic vulnerabilities (deficit as a percent of GDP, current account deficit, external debt stocks, non-diversified export market) have increased in recent years and left Tunisia open to external shocks.¹⁴ Tunisians report being substantially worse off economically in 2020 than they were in 2010, prior to the revolution.¹⁵ Tunisia has experienced a steady decline in investment in the last decade, tilting the country towards a consumption-based economy financed through debt rather than investment.¹⁶ High levels of bureaucracy, ill-adapted policies, and an entrenched private sector elite stifle growth, undermine competition, and stall innovation, especially for small businesses and entrepreneurs who experience limited investment opportunities and lines of credit. Tunisia lags behind the global

⁶ World Justice Project. [Rule of Law Index 2021](#). 2021

⁷ Daniel Kaufmann, Aart Kraay, & Massimo Mastruzzi, "The worldwide governance indicators : methodology and analytical issues," Policy Research Working Paper Series 5430, 2010, accessed at <https://databank.worldbank.org/> on July 1, 2022.

⁸ Coppedge, Michael et al. [V-Dem \[Country-Year/Country-Date\] Dataset v11](#). Varieties of Democracy Project. 2021.

⁹ International Republican Institute, "[Public Opinion Survey: Residents of Tunisia September 24 – October 11, 2020](#)." Center for Insights in Survey Research, 2020, available at www.iri.org.

¹⁰ Afrobarometer Data, [Tunisia](#), Round 8, 2021, available at <http://www.afrobarometer.org>.

¹¹ International Republican Institute, "[Public Opinion Survey: Residents of Tunisia September 24 – October 11, 2020](#)." Center for Insights in Survey Research, 2020, available at www.iri.org.

¹² Daniel Kaufmann, Aart Kraay, & Massimo Mastruzzi, "The worldwide governance indicators : methodology and analytical issues," Policy Research Working Paper Series 5430, 2010, accessed at <https://databank.worldbank.org/> on July 1, 2022.

¹³ World Bank, [Tunisia's Economic Update](#). April 2022.

¹⁴ UN DESA, World Bank, [World Development Indicators](#), 2021.

¹⁵ Jihad Fakhreddine and RJ Reinhart, "[Tunisia's Revolution Failed to Deliver on Economic Promises](#)," Gallup, March 12, 2021.

¹⁶ World Bank, [2019/2020 Tunisia Enterprise Survey](#).

median on labor market flexibility, labor force engagement, fiscal sustainability and other areas.¹⁷ Large parts of the economy are dominated by well-connected families and bureaucracy at all levels has increased since 2011, costing the country \$830 million and 2 to 4 GDP points every year.¹⁸

Class, age, gender, and geographic inequalities hinder sustainable economic growth in Tunisia. Subsidies on staples like fuel, food, and transport, which are aimed at addressing poverty, instead drain government finances, encourage corruption, and exacerbate inequality¹⁹. It is estimated that 30 to 45 percent of the workforce is employed in the informal sector, including as many as 60 percent of graduates.²⁰ In addition to these domestic factors, emerging international events, such as Russia's invasion of Ukraine and COVID-19, have significantly affected economic recovery and food security in Tunisia, and created impetus for an IMF agreement to provide short-term stopgap measures.

Climate Change: Tunisia is one of the most vulnerable countries to climate change in the Mediterranean²¹ and is expected to experience adverse impacts from increased temperatures, reduced precipitation, more serious water shortages,²² rising sea levels, and escalating extreme weather phenomena (floods and droughts). The country is particularly vulnerable in regards to water security, agriculture, and livestock health, as well as to adverse conditions for health, human settlements, and the country's energy sector. Tunisia's economy is expected to suffer a loss of \$2-\$2.7 billion between 2000 and 2030 due to decreased crop yields and rising global food prices caused by climate change.²³ Combined with population growth, climate change is expected to reduce Tunisia's water supply by 28 percent before 2030.²⁴ Tunisia is already one of 14 severely water-stressed countries worldwide.²⁵ Increased drought will severely affect rain-fed cereal farming, contributing to a 30 percent reduction in agricultural land area by 2030. As one of few Arab countries that still produces most of its own meat, dairy, and produce, changes in agricultural output will severely impact food supply.²⁶ Climate change will disproportionately affect vulnerable groups such as women, the poor, and those in rural areas, exacerbating existing inequalities. These populations are most reliant on industries such as tourism and agriculture that will be disrupted by climate change and are less able to adapt or migrate.²⁷ As

¹⁷ [Tunisia Country Profile](#), 2021 Legatum Prosperity Index™ (www.prosperity.com).

¹⁸ Riadh Bouazza, "[Bureaucracy Is Killing Tunisia's Economy](#)," The Arab Weekly, August 17, 2019.

¹⁹ Paolo Mauro, "[Why worry about corruption](#)". International Monetary Fund, February 1997.

²⁰ OECD, "[OECD Economic Surveys: Tunisia](#)," Economic Survey, OECD, March 2018.

²¹ World Bank, "[Tunisia Climate Change Knowledge Portal](#)," accessed April 20, 2021.

²² USAID, 2022, FAA 119 Biodiversity Analysis (annex F of CDCS).

²³ USAID, "[Tunisia Climate Risk Profile](#)," Fact Sheet, 2018.

²⁴ USAID, "[Tunisia Climate Risk Profile](#)," Fact Sheet, 2018.

²⁵ U.N. Food and Agriculture Organization, [AQUASTAT](#), 2021, online.

²⁶ [Climate Risk Profile: Tunisia](#) (2021): The World Bank Group.

²⁷ UNFCCC, "[Tunisia's Third National Communication as Part of the United Nations Framework Convention on Climate Change](#)," 2019.

Tunisia's single largest contributor to greenhouse gas emissions (58 percent), Tunisia's energy sector is inefficient and unsustainable, with natural gas accounting for 97 percent of power generation,²⁸ and shortages predicted by 2023.²⁹

COVID-19/Health Security: Prior to the COVID-19 pandemic, Tunisia was rated as relatively well-prepared for a pandemic and health security.³⁰ This rating held true during the first wave of the pandemic when strict lockdowns were enforced, and infection rates and deaths were limited, making Tunisia one of the world's best pandemic performers. However, when economic pressures led to reopening in June 2020, rates of infection skyrocketed, overburdening the health system and revealing systemic weaknesses stemming largely from underfunding public health. When sufficient vaccines were acquired in 2021 with the assistance of the USG and other international donors, Tunisia was able to mobilize its health system to vaccinate a large portion of the population, controlling the virus. Leading up to and following the uneven vaccine roll out, many Tunisians were unsatisfied with the government's performance regarding COVID-19, which in part contributed to the mass protests that led to the dissolution of Parliament and political crisis in July 2021. The weaknesses that led to the collapse of the health system, such as poor data and surveillance systems, inadequate universal healthcare coverage, and poor service provision in remote areas, remain unaddressed and require significant investment to reinforce health security in the future. These areas are also crucial to foresee and address upcoming health threats, such as Tunisia's significant rise in non-communicable disease.

GOVERNMENT OF TUNISIA DEVELOPMENT PRIORITIES

Despite the current transition of the Government of Tunisia (GOT) and the absence of Parliament and the Constitutional Court, a new government socio-economic strategy is under development. It may include elements from previous strategies, such as good governance (including improved economic policy), transition to a more robust and green economy, human development and social inclusion, and pandemic preparedness and response.

While still under negotiation, an IMF loan agreement will also stipulate key GOT reforms for the near future, such as: sustainable public finances, social assistance spending, and investment (especially health, education, and infrastructure); state owned enterprises (SOE) reforms, arrears, and risks; monetary policy framework and financial sector resilience; private sector-led growth; governance and transparency. The social impact of reforms can be limited if gradually implemented with accompanying measures to create economic opportunities, improve governance, and provide adequate social protection mechanisms.

²⁸ [“Energy Production in Tunisia Gets a Boost From New Projects and Diversification of the Upstream Energy Mix”](#) (Oxford Business Group, September 17, 2019).

²⁹ [“International Bank for Reconstruction and Development Project Appraisal Document on a Proposed Loan in the Amount of US\\$151 Million to the Societe Tunisienne de l'Électricité et Du Gaz for an Energy Sector Improvement Project,”](#) Project Appraisal (World Bank, June 3, 2019).

³⁰ [International Health Regulations IHR Capacity Self-Assessment Score](#) (2020). Geneva: World Health Organization, 2021.

GEOPOLITICAL CONSIDERATIONS

Several countries consider Tunisia of great geopolitical importance, especially for stability and prosperity in the North African and Mediterranean regions. Many European Union (EU) countries, including France, Italy, Greece, and Malta, have invested heavily in coastal borders to stem illegal and unsafe migration across the Mediterranean.

The myriad of international actors present in Tunisia influences how country resources and decisions are made regarding development. Resource envelopes committed by the top nine donor entities (Germany, EU, Switzerland, European Bank for Reconstruction and Development, World Bank, European Investment Bank, African Development Bank, France, and the United Nations) in the top sectors (democracy and governance, economic growth, environment, clean energy, and tourism) totals over \$6.5 billion. Despite this outpouring of development assistance, over \$2 billion of funding is considered “frozen” due to implementation problems and institutional capacity, even before the events of July 25, 2021. Moreover, Tunisia continues to request additional assistance to meet its current needs, especially financial transaction assistance from international banks and bilateral lenders to secure payment liquidity.

Tunisia has a high level of government debt, nearing 100 percent of GDP, and has been downgraded to “significant risk” for future borrowing.³¹ These factors make Tunisia susceptible to influence from self-interested external forces for finance, trade deals, and other arrangements that may include disadvantageous terms. In addition, the war in Ukraine and its impact on food and energy security in the region exacerbate vulnerabilities and needs in Tunisia. With the EU focused on emerging global priorities, the GOT may increasingly look to other actors to help mitigate global economic hardships and uncertainties, despite potentially unfavorable terms, making it all the more important to strengthen democratic and economic foundations, reduce vulnerabilities, and strengthen informed choice in Tunisia.

VISION FOR COUNTRY TRANSITION

This strategy is built upon the need to address certain fundamental aspects of the development model in Tunisia so as to build a solid foundation that reinforces progress. Major milestones for Tunisia’s transition include: a return to constitutional rule and re-establishment of Parliament, establishment of a Constitutional Court, adequate public service provision, and an increase in Tunisians’ trust of government and democracy; and a successfully negotiated and implemented IMF package, with reforms implemented in macroeconomic policy, the business-enabling environment, and adequate social safety nets for all Tunisians. By supporting these high-level efforts, Tunisia will set in motion the ideals espoused in the revolution that sought to improve the dignity and livelihoods of all Tunisians.

³¹ Fitch Ratings. [Fitch Downgrades Tunisia to 'CCC'](#). [online] Fitch Ratings. 2022.

STRATEGIC APPROACH

This CDCS identifies key areas needed to build the foundations for Tunisia's future. It aligns with the GOT's emerging development strategy, economic reform priorities, and the USG's highest foreign policy priorities (democracy, COVID-19, strategic competition, conflict, climate change, and diversity/equity/inclusion/accessibility). To guide implementation, this CDCS identifies two strategic approaches or themes that are fundamental and cross-cutting to USAID operations in Tunisia: Localization and Progress Beyond Programs.

LOCALIZATION

Localization refers to shifting leadership, ownership, decision making, and implementation to the local people and institutions who drive change in their own communities. USAID/Tunisia fully adheres to and observes the USAID localization agenda that supports locally-led development, strengthens local systems, and builds local capacity, leveraging this approach to strengthen the quality and impact of development interventions.

Locally-led development: Throughout the CDCS, development objectives (DOs) and intermediate results (IRs) explicitly and implicitly reference the needs to work with a broad range of local actors to set their own development agenda, design solutions, and bring about equitable change. Whether working with government officials on policy reform, or small and medium enterprises to grow and strengthen their businesses, or youth to demonstrate how they can participate in their community's development, USAID/Tunisia recognizes the value of incorporating local voices in the design and implementation of development interventions, and the role that individual citizens play in advancing change.

Local systems: Structurally, this CDCS recognizes that individuals, communities, and institutions all play a substantial role in shaping the design, implementation, and impact of development interventions. By deliberately using a systems approach, this CDCS will be more responsive to windows of opportunities across the landscape of actors and stakeholders within local systems, allowing USAID/Tunisia to shift resources and prioritize interventions where there is the greatest potential for impact and eventually using that foothold to leverage additional interventions within the system. Given the dynamic country context, this flexibility is a strength, allowing USAID/Tunisia to gauge receptivity and commitment from GOT stakeholders and interlocutors, collaborative development partners (bilateral and multilateral donors), businesses, civil society, and citizens, before selecting development interventions.

Local capacity: Integrated across the CDCS are opportunities to strengthen local capacity among government, civil society, business, and individuals to be better able to respond to local challenges, to learn and adapt, and to innovate solutions over time. In particular, USAID/Tunisia will engage with a wide range of citizen groups and civil society to reinforce their ability to contribute to stability and progress, and respond to emerging needs, both

internal/human-driven (such as policies and reforms) and external/nature-driven (such as disasters, international events, and climate change). Furthermore, as governmental institutions (including parliament, courts, constitution) continue to shift, citizens and civil society will play an increasingly important role in shaping those institutions and holding them accountable.

PROGRESS BEYOND PROGRAMS

In just two years, the global landscape has shifted - COVID-19, the growing rise of authoritarianism, the impacts of Russia's invasion of Ukraine, climate disasters - calling for a reprioritization of resources to be responsive to those most in need. This CDCS recognizes that development resources are finite, scarce, and subject to reprioritization, making it necessary to seek out ways to have USAID investments, collaboration and coordination efforts, and convening power add up to more than the sum of their individual parts. In 2022, USAID Administrator Samantha Powers described the need for USAID to focus on country progress, rather than just the outcomes of USAID programs. This approach recognizes that domestic resource mobilization, private sector engagement, leveraging of USG relationships and expertise, and engagement across all development partners are all crucial to bring development impact to scale in Tunisia. In addition, those USAID resources must be targeted so as to bring about catalytic change and the greatest possible return on investment.

Country resources: This CDCS recognizes that despite economic hardships in Tunisia, there is space for the GOT to more effectively mobilize and orient its resources at both the local and national level. By furthering USAID's public financial management efforts and building citizen-responsive budgeting, GOT resources can go further than they previously have and complement development partner investments in many sectors. In particular, this CDCS supports the reform conditions of the anticipated IMF loan package, which will ultimately improve Tunisia's long term economic stability and sustainability, and reduce its dependence on outside actors for financial support.

Private sector engagement: The private sector is an essential stakeholder, partner, and beneficiary of USAID assistance in Tunisia. This CDCS recognizes that USAID must engage the private sector directly in order to remove roadblocks to private sector development and indirectly so that private sector resources can be mobilized and harnessed to advance development goals, especially in key sectors (tourism, energy, public service delivery, and health). In addition to mobilizing resources from the private sector, private sector collaboration, innovation, and know-how will be essential to overcome difficult issues such as social instability (potentially due to economic reforms that generate a period of austerity), climate change, impacts due to COVID-19, or others.

USG-GOT relationship: The United States was the first major partner to recognize Tunisian sovereignty and established diplomatic relations with Tunisia in 1956, following its independence

from France. The USG formally established a bilateral agreement with Tunisia in 1957 and started its first economic and technical assistance programs. After 35 years of cooperation, USAID paused its assistance to Tunisia in 1995, returning only in 2015 along with a host of other USG agencies to resume programming in the wake of the Arab Spring and the new Tunisian constitution. Since that time, USAID (in partnership with other USG agencies such as the Department of State, Department of Treasury, Department of Defense, Development Finance Corporation, and Department of Energy) continues to rebuild its relationships in Tunisia with bilateral development objective assistance agreements (DOAG) and close partnership on private sector employment and democracy programming. This CDCS builds on those foundations by reinforcing the shared commitment for effective development partnership and clearly defining common goals that are reviewed and embraced by local actors. By using inclusive, demand-driven, and community-based program design and implementation approaches, this CDCS will: emphasize local voice and agency from Tunisian civil society organizations (CSOs), the private sector, and academic institutions; reinforce commitment among all stakeholders for policy reforms; mobilize high-quality technical expertise; and effectively use USAID and domestic resources to those ends.

To implement the above-mentioned relationship, strategic engagement with the GOT may include: the Prime Minister's Office, Ministry of Tourism and Handicrafts; Ministry of Economy and Planning (the designated GOT representative for the DOAG); Ministry of Finance; Ministry of Industry; the Central Bank; Ministry of Trade; Ministry of Agriculture; Ministry of Social Affairs; Ministry of Culture; Ministry of Employment and Vocational Training; Ministry of Youth and Sports, and the Tunisian Company of Electricity and Gas (STEG).

Donor landscape: Despite a high number of donors present in Tunisia, donor coordination and collaboration across development partners could be improved. To mitigate challenges, a current GOT effort is underway to set up a coordinating body that focuses on the areas of a potential IMF agreement. In addition, as one of the top five "grant" donors to Tunisia, the USG also has the ability and convening authority to make up for this coordination deficit and collaborate closely with the EU, Germany, France, Japan, and other partners to support complementary development efforts through regular exchanges, coordination meetings, and other fora, especially in sectors of USG interest. In addition, USAID/Tunisia will work closely with the IMF to harmonize USAID assistance on loan package reform implementation. Where possible, USAID will match technical assistance to strengthen the GOT's capacity to access and utilize existing donor pipelines to achieve shared development objectives.

Intervention targeting: As Tunisia's country context and needs continue to evolve, USAID/Tunisia has developed illustrative criteria in order to determine how best to target its programming to generate the greatest return on investment. This criterion allows USAID/Tunisia to remain opportunistic and flexible.

Criteria 1: Vulnerability

Vulnerability refers to the exposure of an individual or individuals to a range of possible harms, and their ability to deal with those harms adequately. Vulnerability can refer to socio-economic status (poverty), human development (education/health status), or other factors that make a person or persons more susceptible to the negative impacts of shocks, disasters, or other harms.

Criteria 2: Marginalization

While similar to Criteria 1, marginalization refers to the social exclusion of certain groups due to or resulting in a lack of access to rights, resources, and opportunities. This criterion takes a more critical look at the interplay between geographies, policy, and persons to identify who and where this exclusion happens. While marginalization can play a big role in shaping vulnerability, the two can manifest differently and therefore are considered separately. (For example: Individuals living in coastal regions are not necessarily marginalized, however they are vulnerable to coastal erosion that threatens their livelihoods.)

Criteria 3: Potential for Change

This criterion refers to the potential return on USAID's investment in or to certain areas, organizations, or individuals. This potential return on investment could be an economic impact, advocacy impact, or systemic change generated by USAID's assistance, framed by the capacity or commitment of certain areas, organizations, or individuals to partner with USAID in pursuit of common objectives. (For example: to what extent can a specific group partner with USAID and what effect/impact will that partnership bring?)

RESULTS FRAMEWORK

GOAL STATEMENT AND NARRATIVE

“Foundations for a resilient, prosperous, and democratic Tunisia developed” is USAID/Tunisia's 2022-2027 CDCS goal, highlighting two elements that are key to the long-term development vision in Tunisia. First, the terms “resilient, prosperous, and democratic” refer to three high level outcomes or goals that Tunisia is aiming for over the medium to long term.

“Resilient” is particularly important given recent social instability, the effects of climate change, rising food insecurity, the uncertain COVID-19 outlook, and a host of other emerging issues that threaten the hard-won progress that Tunisia has achieved over decades since independence. This progress must be protected by highlighting resilience as a crucial element of social reforms and economic growth efforts.

Despite its small size and limited natural resources, Tunisia has the human capital to propel itself forward in various economic sectors. USAID/Tunisia defines “prosperity” not just in absolute

GDP growth, but also in the improvement of living standards for Tunisians, especially those that are most marginalized, and the potential for average Tunisians to create and manage their own businesses, or to seek education and employment opportunities.

While the events following July 25, 2021, continue to unfold and shift Tunisia's political landscape, they can also be viewed as Tunisia's desire to respond to internal demands to deliver on citizen expectations. In particular, citizen participation, institutional responsiveness, and transparency will support the Government and people in good governance and strengthen a new generation of leaders.

Second, the term "foundations" is crucial in this goal statement as it signifies that before Tunisia can have resilience, prosperity, and democracy, it must first strengthen the building blocks upon which these concepts will develop. While each country's development trajectory is different, by reinforcing the foundations for development in Tunisia, USAID, the GOT, and other development partners and stakeholders can ensure that development investments reinforce the fundamental principles, capacity, and commitment needed to carry Tunisia through the next decade and beyond.

To make progress towards this goal, the CDCS' two DOs - **DO 1: Inclusive, private sector-led economic growth accelerated and sustained**; and **DO 2: Social contract between citizens and government strengthened** - aspire to strengthen the key economic, political, and social systems required to build citizen trust and confidence in the state. These two DOs respond to the most pressing challenges for Tunisia over the next decade and will require a concerted effort across all development partners and stakeholders in order to make lasting progress and create opportunities to develop a resilient, prosperous, and democratic Tunisia that benefits all Tunisians.

DO 1: INCLUSIVE ECONOMIC GROWTH ACCELERATED AND SUSTAINED

Development Hypothesis Statement: Despite economic crises, structural problems, restrictions that hinder private sector growth, and emerging threats like COVID-19 and climate change, Tunisia's economy has the potential to bring prosperity to its people...

...if USAID/Tunisia contributes towards macroeconomic stability, in conjunction with and in support of a potential IMF package, that will address key structural business enabling, policy, and workforce constraints...

...and if USAID/Tunisia contributes to strengthening the private sector so that it is more competitive, better able to trade, accesses finance and investment, and employs the skilled labor (especially among marginalized groups) that it needs to thrive...

...and if USAID/Tunisia collaborates on climate resilience so that the economy has the planning, clean energy infrastructure, resources, and adaptability that it needs to weather climate shocks

in the years to come...

...then it will lead to shifts in the business environment, investment, and economic planning needed to bring about inclusive, private sector-led economic growth that is accelerated over the short term and sustained over the long term...

...which will ultimately help to lay the foundations for a more resilient and prosperous Tunisia.

Development Hypothesis Narrative: Eleven years since the revolution, little has changed to remove the structural and business constraints to equitable and sustainable economic growth in Tunisia.³² Moreover, with each additional year, bureaucracy, emerging issues, and shocks (such as extremism, COVID-19, and climate change) have continued to erode Tunisia's economic foundations, provoking one economic crisis after another that, left unaddressed, will plunge Tunisia into long-term economic instability.³³ At the macroeconomic level, the pandemic and its economic effects, a reliance on tourism, the external shocks caused by Russia's invasion of Ukraine, as well as a struggling and rigid economic system, have hindered Tunisia's economic performance on all levels. Without major structural reforms, Tunisia will be unable to "spend" its way out of debt amidst growing inflation, potential energy and food shortages, and continued political instability.³⁴ "Decisive structural reforms and an improved business climate are essential to put Tunisia's economy on a more sustainable path, create jobs for the growing youth population and better manage the country's debt burden."³⁵

In addition to a rigid business climate, Tunisian firms have experienced a steady decline in investment in the last decade due to frequent changes of government and slow progress in implementing structural reforms. Overall, private investment as a share of GDP has fallen from an average 17.4 percent of GDP in 2000-2010 to 14.9 percent of GDP in 2011-2019. The percentage of firms investing in fixed assets fell from 44 percent in 2013 to 31 percent in 2019, with the decline being registered across all sectors. This signals reduced dynamism at the firm level with stark differences between Tunisia's regions. Due to COVID-19, Tunisia's economic recovery was slow in 2021, adding over three percentage points to an already high unemployment rate, now totaling 18 percent; only modest growth is projected for 2022.³⁶

Similarly, other emerging threats such as climate change may also increase economic instability. Tunisia is one of the most vulnerable countries to climate change in the Mediterranean.³⁷ Most notable stressors include a decrease in overall precipitation, more frequent and longer-lasting droughts, and rising temperatures and sea levels. Energy, tourism, and governance, key sectors identified by the GOT as priorities for climate change considerations, are particularly vulnerable

³² World Bank, Tunisie: Bulletin de conjoncture. [Réformes économiques pour sortir de la crise](#). The World Bank Group. 2021.

³³ Mourad Teyeb. "Analysis: How Tunisia reached financial meltdown." Al Jazeera English. October 24, 2021.

³⁴ World Bank, Tunisie: Bulletin de conjoncture. [Réformes économiques pour sortir de la crise](#). The World Bank Group. 2021.

³⁵ World Bank, Tunisie: Bulletin de conjoncture. [Réformes économiques pour sortir de la crise](#). The World Bank Group. 2021.

³⁶ World Bank, Tunisie: Bulletin de conjoncture. [Réformes économiques pour sortir de la crise](#). The World Bank Group. 2021.

³⁷ USAID, [Tunisia Climate Resilience, Adaptation and Mitigation Opportunities Memo](#). 2021

to these changing climate conditions, and will face socio-economic and environmental impacts. The energy sector is also a major contributor to Tunisia's greenhouse gas (GHG) emissions (which have increased 73 percent since 1990), comprising 69 percent of total GHG emissions.

Nevertheless, Tunisia has the potential to bring prosperity to all Tunisians. The Tunisian economy has diversified and improved the complexity of its export market over the past decade,³⁸ Tunisia's tax system is considered one of the most effective for the region,³⁹ and Tunisia is considered relatively well integrated in the global economy.⁴⁰

Entitled **“Inclusive, private sector-led economic growth accelerated and sustained,”** this DO aspires to develop the foundations for a prosperous and resilient Tunisia where all are able to participate and reap the benefits of the Tunisian economy. Using three different lenses - the macroeconomic (the economic framework), the micro-economic or firm level (the actors), and emerging stressors (the threats, such as climate change) - this DO will address the major constraints to economic growth as outlined above, while building resilience of the Tunisian economy to withstand shocks from future stressors, particularly climate change. By addressing structural problems (IR 1.1), impediments to private sector growth (IR 1.2), and emerging threats like climate change (IR 1.3), this DO will make contributions towards the business enabling environment, investment, and economic planning - all of which are needed to bring about inclusive, private sector-led economic growth, and potentially lay the foundations for a more resilient and prosperous Tunisia. DO I takes a holistic and well-documented approach to private sector-led growth, considering a large range of economic policies for reform, shoring up private sector competitiveness, and directly addressing the economic opportunities and challenges related to climate change. Additionally, DO I makes every effort to integrate gender, age, and geographic inequity considerations and sensitivities when working with local partners, including opportunities to reduce gender-related biases or risks embedded in economic development. For instance, support to the business enabling environment promotes gender-responsive tax policy by integrating gender considerations at every level of tax research, policy, and advocacy.

DO I, while responsive to USG policy priorities (such as expanding economic prosperity and opportunity), is also aligned to support implementation of the pending IMF loan package (further expanding the USG relationship with international institutions). Tunisia's ability to implement structural reforms vigorously and without delay, as specified in the potential IMF loan package, will determine Tunisia's ability to maintain investor confidence and macroeconomic

³⁸ The Growth Lab at Harvard University. The Atlas of Economic Complexity. <http://www.atlas.cid.harvard.edu>. Accessed on May 25, 2021.

³⁹ IMF, [World Revenue Longitudinal Database \(WoRLD\)](#). Accessed on May 25, 2021.

⁴⁰ World Bank, [World Development Indicators](#). 2021.

stability.⁴¹ USAID can play a pivotal role in assisting Tunisia to implement reforms dictated in an IMF package, and shore up social protections and firm-level support to weather the economic austerity measures that will make up much of the structural reforms. Furthermore, USAID/Tunisia will implement DO 1 to strategically leverage the financing and technical assistance investments of European and multilateral donors active in economic growth and climate change, growing the momentum and support for high level policy change and action. While independent from DO 2, there is a pressing need to accompany economic reforms with governance reforms so that citizens understand and express themselves constructively during the reform period as opposed to social unrest or instability.

ASSUMPTIONS
<ul style="list-style-type: none"> • The Government of Tunisia completes the prerequisites for an IMF program. • The Government of Tunisia will proceed with the most needed reforms to improve the business climate and to unlock the country's potential growth. • Internal security and regional stability do not deteriorate to the extent that they limit demand for Tunisian goods among traditional foreign trading partners or affect social stability. • USAID has the capacities, budget, and personnel to pursue investments in new areas such as climate change, policy reform, and support to the IMF reform program.
RISKS
<ul style="list-style-type: none"> • Failure to address required economic and political reforms could result in unsustainable public debt and increased social instability. • Failure to increase private sector competitiveness could lead to even higher unemployment, continued growth of the bloated public sector to accommodate jobseekers, and/or increased risk of political instability due to economic discontent. • Economic instability and the political crisis have increased the risks of not providing basic services to and not meeting opportunities for Tunisians. • Credit scores continue to drop, creating greater economic instability.

IR STATEMENTS AND NARRATIVES

IR 1.1: MACROECONOMIC STABILITY IMPROVED

IR 1.1 “Macroeconomic stability improved” contributes to DO 1 by addressing the multiple structural impediments to economic growth in Tunisia, that, if left unaddressed, will not provide an adequate economic framework for the private sector to thrive in Tunisia. IR 1.1 will provide technical assistance in the implementation of reforms (highly linked to the conditions of an IMF agreement) designed to improve competition, remove policy barriers, and rationalize regulations that are essential to creating a suitable business enabling environment.⁴² “Addressing

⁴¹World Bank. Tunisia: Bulletin de conjoncture. [Réformes économiques pour sortir de la crise](#). The World Bank Group. 2021.

⁴²World Bank, Tunisia: Bulletin de conjoncture. [Réformes économiques pour sortir de la crise](#). The World Bank Group. 2021.

barriers to competition and weak enforcement would be essential to help the Tunisian economy emerge from the crisis, return to a sustainable path and benefit households with higher employment and lower prices.”⁴³ Areas for significant reform include public spending, labor policy, subsidies, SOEs, monetary policy, public financial management, and education curricula reform. In enacting these reforms, USAID will assist Tunisia to create a sound macroeconomic environment for private sector-led growth, and address key concerns of both local and international business for further investment and growth in Tunisia. Further, USAID will apply critical analysis to identify and address what the most predominant constraints of public policy change are in Tunisia, and integrate solutions to address those constraints throughout programming.

Should an IMF agreement not materialize, USAID/Tunisia will prioritize certain reforms that coincide with and leverage other USAID programs in private sector strengthening (IR 1.2), climate change resilience (IR 1.3), or institutional accountability (IR 2.3). While an IMF agreement will increase the ability of USAID and other development partners to coordinate their economic reform programs, the lack of an agreement does not change the need to address the reform areas described throughout this DO. The lack of an IMF agreement will, however, require that USAID/Tunisia examine closely the breadth of potential reforms that USAID can address on its own, their entry points, and the required partnerships within the GOT and with other development partners to implement change. USAID/Tunisia will closely monitor developments in this area and regularly review as part of the performance management plan.

Localization: Given the scale of the structural adjustments needed to implement macroeconomic reforms across several sectors, USAID/Tunisia will collaborate with a myriad of partners to support this IR, particularly those at the local level, including the GOT and relevant line ministries, private sector, and business associations (chambers of commerce and industry). Involving local voices in the design, implementation, and roll out of structural reforms will not only increase buy-in to those reforms, but it will also help to determine where USAID and other actors can mitigate and address unintended consequences due to reforms, particularly through the shore up of social safety nets and other welfare programs.

Progress Beyond Programs: As stated, this IR will require that USAID work closely with the IMF and the donor community to support reforms identified in a potential IMF agreement and to identify potential donor leads in certain subject areas. USAID is well placed to invest in several reform areas - SOEs, social spending, public financial management, trade/customs, etc. - but will remain flexible to concentrate in areas where USAID involvement can also yield dividends in other sectors (such as those considered under IR 1.2). Beyond investment capabilities, USAID/Tunisia and all USG actors present in Tunisia will use their convening power

⁴³ World Bank, Tunisia: Bulletin de conjoncture. [Réformes économiques pour sortir de la crise](#). The World Bank Group. 2021.

to drive the donor and GOT collaboration and commitment needed to implement difficult macroeconomic reforms that will set Tunisia on the right track to accomplish its long-term economic goals.

IR 1.2: PRIVATE SECTOR STRENGTHENED

IR 1.2 “Private sector strengthened” contributes to DO 1 by addressing the capacity of the private sector actors that are necessary to drive sustainable and inclusive economic growth. Using the microeconomic lens, this IR supports three non-policy components necessary for private sector economic growth, mainly viable firms, accessible capital, and a well-equipped workforce. While this IR has close ties with policy and will clearly benefit from policy reform in several areas, it will not work directly on policy reform, but rather strengthen the competitiveness and economic opportunity of actors to take advantage of the reforms that are accomplished in IR 1.1. By addressing constraints to economic growth such as improved firm competitiveness and trade, increased workforce skills and entrepreneurship (especially among marginalized groups), and increased use of innovative and sustainable finance and investment, this IR will strengthen the private sector to lead as an engine of economic growth in Tunisia, as opposed to relying on the public sector. First, USAID will take a locally-driven and opportunistic approach to this IR, regularly assessing and selecting firms to support in various key sectors to improve their competitiveness and performance so that they can take advantage of improved macroeconomic conditions and weather the austerity measures that will accompany structural reform. Second, Tunisian firms consistently and overwhelmingly cite access to finance as the greatest challenge to doing business in Tunisia.⁴⁴ USAID will increase access to finance and investment through innovative, market-based approaches that will afford the private sector the freedom to grow. Lastly, to drive these economic engines, this IR will also increase the misalignment between workforce skill sets and private sector workforce needs. In 2019, Tunisia ranked 108th out of 141 covered countries for “skillsets of graduates,” well below the global median and 6th lowest among 15 MENA economies.⁴⁵ In particular, workforce development and entrepreneurship support will focus interventions on people who have been left out of the formal Tunisian economy, including women, youth, and other traditionally marginalized groups.

Localization: This IR will strengthen the capacity of the private sector to thrive, convening a broad range of stakeholders to identify and resolve business challenges, all the while focusing on certain partners to build their technical capacity to grow and take advantage of markets. Stakeholders include: specific firms, entrepreneurs, business/trade associations, civil society, academia, and other relevant actors. By including the voices of these local actors and working directly with them to design and implement solutions to private sector competitiveness

⁴⁴ World Bank, [Tunisia Enterprise Survey](#). The World Bank Group. 2021.

⁴⁵ World Economic Forum. [Global Competitiveness Report](#). 2019.

challenges, USAID will grow the capacity and commitment of the private sector to drive economic growth in Tunisia.

Progress Beyond Programs: Similar to IR 1.1, IR 1.2 will require close coordination and alignment within the donor community to ensure that USAID/Tunisia’s support dovetails with reforms and that any austerity measures due to those reforms are met with adequate social safety net support for entrepreneurs and small business. USAID/Tunisia will also partner with the private sector and relevant local stakeholders to help mobilize private investment for locally driven and sustainable development solutions. To achieve this progress, USAID will work with diverse partners - host country government, civil society, businesses, universities, and diaspora groups - to identify local development priorities, align with business interests, and enhance effective partnership/commitment among partners for local development solutions. Where possible, USAID/Tunisia will employ innovative and transformative partners and mechanisms, such as local microfinance organizations and grant-loan financing facilities to counter economic uncertainty.

IR 1.3: CLIMATE RESILIENCE EXPANDED

IR 1.3 “Climate resilience expanded” contributes to DO 1 by addressing the potential future risks to economic growth and reinforcing the economic gains made to ensure Tunisia’s prosperity. Among the many potential risks to economic growth in Tunisia, climate change - both directly occurring in Tunisia (ex. drought) and indirectly (ex. drought in wheat producing countries that impact Tunisian imports) - has the ability to trigger national instability.⁴⁶ Weather shocks have an important impact on the Tunisian economy, and spillover effects from the agricultural sector to the rest of the economy generate large fluctuations in business.⁴⁷ Since the revolution, the GOT has put into place many policies to adapt to and mitigate climate change. The GOT cooperates with international donors to put into place additional action plans for climate adaptation and has highlighted the need for investment in a “green economy” in prior national development plans. Implementation of those policies, however, remains uneven across the country.

By strengthening the awareness, policy, planning, and asset management for climate resilience, accelerating innovations for climate adaptation, reducing greenhouse gas, and promoting private sector resilience, this IR will position the Tunisian economy to respond to climate change, reducing the potential effects of climate-related or other economic stressors on sustained economic growth.⁴⁸ In particular, this IR will target energy sector reform, environmental advocacy, and resource management and conservation as the primary vectors to integrate

⁴⁶ Hanne Knaepen, [Climate risks in Tunisia: Challenges to adaptation in the agri-food system](#). *Cascades*. 2021.

⁴⁷ Hager Ben Romdhane and Rached Bouaziz. [Climate Change and Business Cycle: Case of Tunisia](#). Central Bank of Tunisia: Working Paper Series No.1, 2021.

⁴⁸ USAID. [Tunisia Climate Resilience, Adaptation and Mitigation Opportunities Memo](#). 2021.

climate risk management into programming across the USAID/Tunisia portfolio. Energy sector reform efforts will expand Tunisia's energy diversity and reduce greenhouse gas emissions by supporting regulatory reforms for renewables, improving management of public sector institutions, and increasing the capacity to generate renewable and sustainable electricity, ultimately expanding Tunisia's resilience to the effects of climate change. Environmental conservation and management efforts will promote low-impact ecotourism - expanding interest in and conservation of Tunisia's rich biodiversity and incorporating renewable energy and water conservation solutions, where feasible - and eco-advocacy within local civil society capacity building and strengthening programs. Advocacy programs will increase stakeholder awareness about the implications of climate change for community stability, increase understanding of how these implications may impact women and marginalized populations disproportionately, and engage civil society groups in local planning for climate adaptation and mitigation measures. Where possible, water resource management and conservation solutions will be fully integrated into climate risk management and other USAID/Tunisia programming.

Localization: This IR will strengthen the ability of local actors - civil society, private sector, and public institutions - to understand, address, and potentially mitigate climate change risks. Capacity building for civil society groups will strengthen their ability to advocate for community issues, including climate change risks and impacts, creating greater awareness and action.⁴⁹ Support to private sector-led and similar investment initiatives will help prevent pollution and environmental degradation through compliance with environmental standards, sustainable use of biodiversity, and green economy promotion. Technical assistance to national and local public institutions and SOEs will play a key role in addressing climate risk through the adoption of renewable energy infrastructure and conservation-based management practices.

Progress Beyond Programs: Similar to other IRs, progress on climate risk management will require a sustained and concerted effort among multiple partners for the foreseeable future. Success in this IR will require that USAID/Tunisia forge linkages with other development partners - especially Tunisia's National Agency for Environmental Protection and National Agency for Energy Management - working on climate issues to effectively capture lessons learned from current and past interventions and integrate them into Mission programming. Public-private partnerships will be crucial to help Tunisia leverage the resources and expertise needed to support clean energy and promote a green economy. With international, regional, and local organizations - including CSOs - USAID/Tunisia will advocate for a sustained climate agenda in Tunisia that remains focused on pressing environmental challenges (natural resource management, desertification, biodiversity and climate change) that threaten Tunisia's economic prosperity.

⁴⁹ Note: Civil society programming under this IR will be fully integrated with other civil society programming in IRs 2.1 and 2.2.

DO 2: SOCIAL CONTRACT BETWEEN CITIZENS AND GOVERNMENT STRENGTHENED

Development Hypothesis Statement: Tunisia’s inability to fulfill the aspirations espoused in the 2011 revolution and meet citizen’s needs since the revolution has triggered substantial political disenchantment, loss of trust in governance, institutions, and public officials, and public disaffection from elected political representatives, however...

...if USAID/Tunisia strengthens citizen engagement to press for government reforms and accountability, especially for those most marginalized in society, giving them the capacity to understand and advocate for democratic institutions...

...and if USAID/Tunisia empowers all actors within local communities with the tools to engage one another, represent and respond to citizen needs, and uphold the commitment to democracy...

...and if USAID/Tunisia reinforces the transparency, effectiveness, accountability of Tunisian institutions to uphold key fundamental ideals of democracy, and boost public confidence in the electoral system...

...then it will lead to shifts in the formation and strengthening of Tunisia’s democratic social contract between the state and citizens...

...ultimately developing the foundations for a resilient and democratic Tunisia.

Development Hypothesis Narrative: The 2011 revolution fueled a desire for economic well-being among many Tunisians who believed that political freedom would deliver the responsiveness, accountability, and effectiveness that their country had lacked since independence. Despite this desire, large groups of society were still left marginalized and cut off from many basic resources throughout the country, and as a result were left with a feeling of resentment towards the central government. This led to a significant political crisis in 2021 marked by massive political disenchantment and loss of confidence in political systems, institutions, and public officials, as well as growing public disaffection from elected political representatives.⁵⁰ Many Tunisians, especially those from historically and traditionally marginalized communities and social groups (including youth, women, ethnic/religious/gender/sexual minorities, persons with disabilities), do not feel that their voices are heard or that they even have opportunities to participate in the decisions that affect their lives.^{51,52}

Moreover, public service delivery, especially at the local level remains broken despite a decentralization process that was meant to bring government and services closer to the citizenry it serves. Public service provision varies by geographic location with inland regions

⁵⁰ USAID. Tunisia Democracy, Human Rights, and Governance Assessment. 2019.

⁵¹ World Bank, [Tunisia: Breaking the Barriers to Youth Inclusion](#), The World Bank Group. 2014.

⁵² USAID. [Tunisia Gender Assessment](#). 2022.

receiving far fewer and less adequate services than coastal regions. Those most vulnerable and in need of public services are those least likely to be able to access them, which translates into grievances. Within communities, there is a vast disconnect between citizens and elected officials, stemming from uneven capacity, poor commitment to the roles and responsibilities of local democracy, and a lack of constructive engagement.⁵³ Similarly, Tunisian institutions (both physical - ministries, courts, parliament - as well as ideological - human rights, democratic values) have yet to take root, establish themselves fully, and provide the transparency and effectiveness necessary to instill public confidence.⁵⁴

Entitled “**Social Contract Between Citizens and Government Strengthened,**” this DO seeks to address the key gaps in the foundational democratic values and systems needed to define the formal and informal interactions between citizens and the state (social contract) in Tunisia. By strengthening the social contract in Tunisia, USAID aspires to create equilibria in state-society relationships, increase predictability in the governance system, and reinforce social stability, ultimately building trust.⁵⁵ Additionally, by strengthening the social contract, this DO will mitigate some of the key drivers of conflict in Tunisia, particularly exclusion, lack of citizen-government dialogue, distrust, and disaffection.

This DO narrows its proposed interventions to three IRs that comprise three major levels or systems of the social contract - the individual, the community, and the state. By increasing the ability for individuals, particularly those from disenfranchised and marginalized groups, to participate in society (IR 2.1), by empowering communities - citizens, civil society, local government, and others - to work together to support democracy (IR 2.2), and by improving the accountability of Tunisian institutions (IR 2.3), citizens and society will better define the rules of the game, understand their roles and responsibilities to one another, and be more confident in political outcomes, ultimately strengthening the social contract. Each of these systems, while interlinked and mutually reinforcing, represents distinct windows of opportunity to expand democratic principles and practices that contribute to the CDCS Goal. Depending upon the evolving country context, however, one IR may provide more opportunities for advancement than another at any given moment. The overwhelming public distrust of and disaffection with politics and the system of governance, and worsening economic conditions require a fundamental approach to rebuild the connection between the public and government. These areas represent both the greatest areas of need and areas in which USAID’s comparative advantage can bear significant returns on investment.

This DO is also highly responsive to USG foreign policy priorities and influenced by major

⁵³ OECD. [Open Government at the Local Level in Tunisia](#). 2016.

⁵⁴ USAID. Tunisia Democracy, Human Rights, and Governance Assessment. 2019.

⁵⁵ Markus Loewe, Tina Zintl, Annabelle Houdret, [The social contract as a tool of analysis](#): Introduction to the special issue on “Framing the evolution of new social contracts in Middle Eastern and North African countries”, *World Development*, Volume 145, 2021.

third-party research from international organizations, think tanks, private sector, community-based organizations, language and culture institutes, and academia. In addition, by supporting the social contract, this DO strengthens the ability of citizens, communities, and government to withstand outside attempts to exploit social divisions through violent extremism or corruption/opaque transactions.

Across all of these efforts, USAID will empower CSOs to better inform the public throughout Tunisia regarding equitable resource distribution, basic freedoms and rights, and gender empowerment. Furthermore, to ensure that the social contract fully includes women as equals, this DO will include national and community campaigns to increase voter/civic education on women’s political participation, reduce gender-based violence, and support men and boys as gender allies and champions. At the national and local institutional level, this DO will support gender-based budgeting for all levels of government, policies and access to social services that reduce household/caregiving burdens, and the full participation of women in local government.

ASSUMPTIONS
<ul style="list-style-type: none"> • Tunisian civil society organizations remain committed to advocating for positive changes, raising awareness among citizens, and promoting democratic ideals. • Structural reforms within the education system support local communities' empowerment by fostering civic education for civic engagement, the positive work culture and the community service approach. • Access to reliable information, knowledge and learning opportunities is promoted within a stable and interconnected regional and global environment. • USAID/Tunisia has the capacities and resources to manage the ambitious development objective set for DO 2. • USAID/Tunisia programs are implemented within a stable environment and in partnership with donors, other development agencies and local actors.
RISKS
<ul style="list-style-type: none"> • The weakening of democratic institutions and the persistence of an economic crisis might hinder the ability of local communities and citizens to engage in democratic processes and adhere to democratic values. • A more constrained legal and enabling environment may impede the ability of civil society organizations and actors to operate.

IR STATEMENTS AND NARRATIVES

IR 2.1: INCLUSIVE CITIZEN ENGAGEMENT IN TUNISIA’S DEMOCRATIC PROCESS INCREASED

IR 2.1 “Inclusive citizen engagement in Tunisia’s democratic process increased”

advances DO 2 by targeting one of the key foundational elements of the social contract and of democracy in general - citizen engagement and inclusion. While other elements of democracy in

Tunisia have fluctuated over the past decade since the revolution, citizen participation has “underperformed” compared to all other elements and remains the lowest scoring element of democracy in Tunisia.⁵⁶ Tunisians confirm this assessment - about half of Tunisians feel that ordinary citizens are unable to influence the decisions that are made in Tunisia, despite a large majority believing that it is important for all citizens to participate in decision making.⁵⁷ To address this fundamental public grievance that drives mistrust and instability and build a solid foundation for democracy in Tunisia, in which the social contract reflects the aspirations of the people, there needs to be more quality engagement of a range of population types in society. Historically, the perceived inability of Tunisians to influence political decision making is rooted in vast social inequities across Tunisia, resulting in large parts of the population unemployed, underserved by public services, and disaffected from the political system. The GOT has taken great steps to enact laws and policies to reduce inequity and inequality, however long standing social, cultural, and other factors inhibit certain Tunisians from taking part in democratic processes. Similarly, there are also some structural issues with how government entities seek to engage with Tunisians, as is evident in the constant political instability/turnover and recourse to social movements (strikes, protests) as opposed to dialogue. Through this IR, USAID will ensure that Tunisia’s diversity (including, but not limited to youth, women, ethnic/religious/gender/sexual minorities, persons with disabilities) is recognized in public discourse, diverse groups have the agency to express their voice and participate in society, and that they have access to the public services necessary to express their full potential, thereby improving inclusive engagement in Tunisia’s public life and reducing public disaffection with the political system.⁵⁸

Localization: Given the focus on citizens and marginalized groups, and the need to address deeply rooted ideas of distrust, this IR employs an explicitly localized and systemic approach to strengthening the social contract that involves an array of actors. Youth, community-based, and CSOs (particularly in underserved regions such as the interior) will serve as beneficiaries, interlocutors, and implementers, tailoring programs to contextual circumstances, building awareness, and enacting change. Educational and cultural entities, the private sector, local authorities, and national government will play a key role in institutionalizing that change and reaffirming progress.

Progress Beyond Programs: To combat entrenched distrust, this IR will seek to mobilize and leverage an array of partnerships. To create a strong and unified approach, USAID/Tunisia will collaborate with the donor community and international organizations, such as UNESCO, UNICEF, and the World Bank, to harmonize donor efforts and ensure adequate country

⁵⁶ Michael Coppedge et al. 2021. '[V-Dem \[Country-Year/Country-Date\] Dataset v11](#)' Varieties of Democracy Project.

⁵⁷ International Republican Institute, "[Public Opinion Survey: Residents of Tunisia September 24 – October 11, 2020](#)." Center for Insights in Survey Research, 2020, available at www.iri.org.

⁵⁸ World Bank. "[Social Inclusion](#)." Understanding Poverty: Social Inclusion. 2022.

coverage of programs. USAID/Tunisia will also help unite USG entities and partners working with local CSOs, marginalized groups, and the private sector to support equitable citizen access to social, health, and education services. Additionally, USAID/Tunisia will facilitate networking among CSOs - particularly between rural areas and Tunis - to share approaches and best practices on enhancing citizen participation and increasing inclusion.

IR 2.2: LOCAL COMMUNITIES EMPOWERED

Local communities are the locus for tangible citizen-government engagement and change. Communities are an important foundational building block in the social contract, modeling responsible democratic behavior and actions, and an essential actor for improving the resilience of citizens to emerging threats. **IR 2.2 “Local Communities Empowered”** contributes to DO 2 by recognizing the immense power and opportunity that the local context, including local government, holds in shaping citizens’ perceptions of government and society as a whole, including how citizens engage and participate.⁵⁹ However, local governments in Tunisia are under-resourced, under-capacitated, and unsure of how to improve their effectiveness. The GOT and development partners have worked in the past to address some of the challenges related to community empowerment, namely decentralization reform. While decentralization reform could be a vital policy tool in terms of empowering communities, decentralization reform, even in the most stable of political contexts, is complex; USAID therefore, does not envision necessarily investing heavily in this policy space, but rather engaging where discreet opportunities exist to support democratic practices at the local level. For example, through capacity building and practical relationship building between local government and citizens (such as information gathering, consultation, and direct engagement), local governments can enhance their institutional and social capital, eventually building trust among citizens. Conversely, citizens also must play their role in local communities. While citizen participation has increased somewhat since the revolution, its scope is limited by the lack of coordination and human capital, especially among CSOs. The lack of financial and human resources, a relatively limited experience in dealing with civic engagement, and a missing local political framework that could inform the debate about needs and opportunities of a given community have hindered CSOs from building a strategic long-term dialogue with local institutions.⁶⁰

Localization: IR 2.2 supports a range of actions to further the localization agenda. Given the essential role of CSOs in facilitating dialogue between citizens and local government, IR 2.2 will support capacity and relationship building to help CSOs play their fundamental role at the local community level. In order to equip Tunisian democracy with the tools it will need at the community level, this IR will also improve local commitment to democratic values, which has long been seen as a philosophical exercise, rather than a practical reality. By facilitating discussion on democratic values and seeking opportunities to make those democratic values

⁵⁹ OECD. [Open Government at the Local Level in Tunisia](#). 2016.

⁶⁰ OECD. [Open Government at the Local Level in Tunisia](#). 2016.

come to life in the community, this IR will further a local system of balanced participation and responsibility among all stakeholders, promoting positive democratic processes in local communities and maintaining momentum for democratic transitions occurring nationwide.⁶¹ Where possible, IR 2.2 will also engage the private sector to ensure that all local actors understand the role that responsible and predictable local communities provide as an environment for successful and vibrant local business.

Progress Beyond Programs: Similar to IR 2.1, this IR will seek to build momentum and progress by facilitating cooperation among a multitude of partners. This IR will help unite a diverse group of stakeholders which may include donors, local government, CSOs, and the private sector to mobilize the resources needed to enhance local capacities, demonstrate improved responsiveness to citizen needs, and support positive collective action. Partnerships with education/cultural institutions and the private sector will promote civic engagement, foster a positive work culture with mentoring and leadership development, and expand opportunities for community service and volunteering.

IR 2.3: ACCOUNTABILITY OF TUNISIAN INSTITUTIONS REINFORCED

Accountability - the inherent understanding of one's roles and responsibilities, including the potential repercussions for abiding or not abiding them - is an essential part of the social contract. **IR 2.3 "Accountability of Tunisian institutions reinforced"** strengthens the social norm that institutions have roles and responsibilities and are required to deliver on those on behalf of their citizens as agreed upon in the social contract. IR 2.3 addresses the widespread Tunisian view that national institutions and political parties are ineffective at addressing the challenges of Tunisia and Tunisians, and that a lack of government control and oversight are at the core of corruption in Tunisia.⁶² Institutional reforms will be crucial to moving the country forward and reversing the current trend of public disillusionment.⁶³ Key elements of reform and good governance, such as transparency, accountability, and trusted leadership will address governance gaps and institutional weaknesses,⁶⁴ especially as the government seeks to reinstate parliament and return to more normalized governance following the political events of July 2021.

Under this IR, USAID will improve the transparency and effectiveness of national, regional, or local institutions to citizens, build respect for democratic values and human rights, and help

⁶¹ Ezzeddine Saidi, [Rethinking Civic Education in Tunisia: A Focus on School Curricula and Teacher Training](#). *Journal of Education and Training* 7, no. 1, (2019).

⁶² International Republican Institute, "[Public Opinion Survey: Residents of Tunisia September 24 – October 11, 2020](#)." Center for Insights in Survey Research, 2020, available at www.iri.org.

⁶³ Sarah Yerkes and Zeineb Ben Yahmed. [Tunisia's Political System: From Stagnation to Competition](#). Carnegie Endowment. 2019.

⁶⁴ Ali Hamid and Shahjahan Bhuiyan, "Institutional Reforms, Governance, and Services Delivery in the Global South" In *Institutional Reforms, Governance, and Services Delivery in the Global South*. ed. Hamid and Bhuiyan, (Palgrave Macmillan, Cham.) 2022.

restore confidence in elected officials and the electoral process, thereby improving accountability of Tunisian institutions to citizens and ultimately restoring trust in national democratic systems. By improving the transparency and effectiveness of select state institutions, this IR will demonstrate commitment to accountable governance in areas that are significant for public opinion and that can build momentum for reforms in other institutions. For example, USAID may address the need for strengthened public health systems and pandemic preparedness, as public health is a key national institution and tangible public service. During the COVID-19 pandemic, loss of confidence in the government's response and lack of appropriate services directly contributed to civil and political instability. Restoring public confidence in the public health system and ensuring capacity for a prompt and effective response to future health shocks will strengthen the social contract and build a crucial foundation for a resilient, prosperous, and democratic Tunisia.

With approximately three quarters of Tunisians lacking trust in parliament and political parties,⁶⁵ this IR will also build stronger, more responsive political parties, support free and fair elections, and foster a better governed and more transparent parliament, instilling public trust and confidence in the electoral and representational system.^{66,67} Integrated throughout this IR, USAID will improve democratic values and respect for human rights, instilling these key intangible institutions into USAID's approach and engagement with local actors.

Localization: USAID/Tunisia expects to engage with a variety of Tunisian institutions throughout implementation of this IR. While the localized engagement approach will vary according to each institution, USAID/Tunisia will consistently apply the use of citizen perceptions/voice, institutional capacity building, and local systems analysis to effectively tailor its approaches, seek out local involvement, and strengthen local capabilities. Potential actors that will support this IR include: CSOs and activists, the Tunisian Bar Association, the National Medical Council, Parliament, municipal councils, delegates, governors, political parties, and select ministries (such as the Ministry of Finance, the Ministry of Communication and Technologies, the Ministry of Justice, and the Presidency of the Government).

Progress Beyond Programs: Given the tremendously important role that institutions play in Tunisians' perceptions of trust, USAID/Tunisia will use its convening power to create and maintain momentum within the donor community to address issues of institutional accountability and effectiveness, especially among those donors assisting with the possible IMF loan agreement reform agenda and implementation (as described in IR I.1). In addition to the IMF arrangement, USAID/Tunisia will also seek to leverage its technical assistance under this IR

⁶⁵ International Republican Institute, "[Public Opinion Survey: Residents of Tunisia September 24 – October 11, 2020](#)." Center for Insights in Survey Research, 2020, available at www.iri.org.

⁶⁶ USAID. Tunisia Democracy, Human Rights, and Governance Assessment. 2019.

⁶⁷ Sarah Yerkes and Zeineb Ben Yahmed. [Tunisia's Political System: From Stagnation to Competition](#). Carnegie Endowment. 2019.

with budget support provided by other donors (particularly the EU), magnifying each other's individual impact.

MONITORING, EVALUATION, AND LEARNING

MONITORING

USAID/Tunisia's approach to monitoring CDCS progress will focus on the DO level and below through a tailored suite of performance and context indicators designed to assess Tunisia's operational environment and other external factors that may directly or indirectly affect USAID programming. Concretized in a Performance Management Plan (PMP), monitoring efforts include: performance indicator baselines and targets established on a rolling basis and updated when new activities are added; performance indicator data that is collected and aggregated; and context indicator data derived from a variety of independent sources and regularly updated as data becomes available. Special attention will be given to the dimensions of inclusion and localization, understanding that they are crucial to the various learning questions that will make up the PMP's learning priorities. Monitoring will also serve to build a body of evidence for collaborating, learning and adapting so that USAID/Tunisia can fully understand progress towards the CDCS goal, DOs, and IRs, and assess the validity of its development hypotheses.

EVALUATION

Evaluation serves to improve the effectiveness of USAID/Tunisia programming and to inform decisions related to CDCS mid-course corrections, activity extensions, follow-on programming, and other strategic and programmatic decisions. As learning questions and learning priorities are identified and prioritized within the PMP, USAID/Tunisia will determine which types of evaluations will provide the greatest added value in advancing learning, programmatic aims, and country progress. Integrating the localization agenda into evaluations will be crucial under this CDCS, not only so that local capacity is used and built to implement evaluations, but also so that local voices and stakeholders are used as critical data points in gathering evaluation data. Following each evaluation, USAID/Tunisia activity managers will implement a post-evaluation action plan to ensure that evaluation findings and recommendations are actively considered in the implementation of ongoing and planned activities.

LEARNING

Given the complexity of the Tunisian operating environment and the range of events that could unfold over the course of the CDCS, USAID/Tunisia incorporates learning as a key part of its adaptation strategy. Learning will inform CDCS course corrections, as well as to help USAID/Tunisia assess the optimal layering, integration, and sequencing of activities to achieve CDCD goals in Tunisia's complex and dynamic environment. USAID/Tunisia outlines its learning approach within the PMP through the description and implementation of learning priorities and learning questions. Cutting across all learning priorities and questions, USAID/Tunisia's learning approach values the: (1) identification and engagement of key stakeholders on multiple levels; (2) establishment of systems for continual learning and assessment through periodic use of

sectoral and cross-cutting analytic tools, and more informal dialogue-based inquiry and peer learning approaches; and (3) reflection and adaptive management processes on both a large and small scale that will allow joint and coordinated responses to changes in contextual realities. Within this learning approach, USAID/Tunisia plans to undertake the following:

Strategic Collaboration: Ongoing work with the G7+EU-Tunisia Partners Group provides a ready forum to facilitate GOT, donor, and other stakeholders' participation in designing, planning, and conducting Monitoring, Evaluation, and Learning (MEL) activities. USAID/Tunisia also convenes partners for learning sessions, evaluation findings, roundtables, and other reflection opportunities.

Reflection Opportunities: USAID/Tunisia uses stages in the strategy and program cycle to reflect on lessons and make adjustments. Key opportunities that USAID/Tunisia utilizes for learning purposes include twice-yearly portfolio reviews; quarterly internal DO team data review; biannual implementing partner meetings; annual review and revision of the PMP; mid-course CDCS stocktaking; and routine consultation with stakeholders.

Knowledge Gaps: USAID/Tunisia dedicates time to acquire country and sector knowledge as part of designing and implementing its strategy, projects, and activities. USAID/Tunisia fills remaining knowledge gaps through a range of means, including experience gained through the implementation of learning priorities; pilots; information and data acquired through MEL; and in-depth and iterative dialogues with local partners. The learning questions identified in the CDCS reflect prioritized knowledge gaps, and will be incorporated as learning priorities in the PMP.

ILLUSTRATIVE LEARNING QUESTIONS

- What are the most impactful policy-level interventions for USAID to promote private sector-led growth, increase trade, attract investment, reduce unemployment, expand economic opportunities, and advance a time and cost efficient delivery of government services to small and medium enterprises, firms, entrepreneurs and other relevant private economic actors?
- What is the viability and effectiveness of private sector-led interventions to accelerate employment and economic opportunities for underserved groups (e.g., women and youth) in geographical areas with the highest rates of unemployment and poverty?
- What cost effective, commercially sustainable, and market-driven interventions can we introduce or scale to ensure that women, youth, and underserved households have an increased use of skills, financing, and market opportunities?
- What are the best tools and channels to ensure more citizen engagement in public life?
- How does the media influence citizens' opinions and direct their areas of interest?
- How successful have the open government partnership and participatory democracy been?
- How can USAID best support advocacy and citizen watchdog groups?
- How can programs best support a bloated NGO sector with NGOs having different levels of capacity in larger coastal areas and internal marginalized areas?

CLIMATE CHANGE ANNEX

USAID/TUNISIA FY 2023-2027 CDCS CLIMATE CHANGE CONSIDERATIONS

June 2022

I INTRODUCTION

I.1 PURPOSE OF THE ASSESSMENT

USAID/Tunisia requested a Climate Risk Assessment (CRA) - also referred to as a climate risk screening or analysis - be conducted to feed into the development of its 2023-2027 Country Development Cooperation Strategy (CDCS). This assessment will help determine the sectors where the risks posed by Tunisia's climate are highest in order to allow the Mission to properly address them at the project and activity levels, and adaptively manage its interventions.

I.2 METHODOLOGY

This CRA was completed by the Regional Environmental Advisor from USAID/MERP, with the support of USAID/Tunisia Mission staff. It draws upon relevant information from [USAID's 2021 Tunisia Climate Risk Profile](#) and [Greenhouse Gas Emissions Factsheet](#), the [USAID/Tunisia Climate Resilience Adaptation and Mitigation Opportunities Memo](#), as well as other regional climate reports and analyses. A full list of resources can be found at the end of this document in Section 5: Key Resources.

As per the Mandatory Reference for ADS 201 "Climate Change in USAID Country/Regional Strategies" guidance, a climate risk screening was conducted that provided the necessary information to identify and categorize Tunisia's climate risks as low, moderate, or high depending on the impact that each risk poses on the Mission's objectives for each sector. Findings from the analysis were compiled into Parts 1 and 2 of the [USAID/Tunisia Climate Risk Screening and Management Tool/Matrix for Strategy Design](#) and then adapted into this Annex.

The findings of this assessment will help inform the development of the CDCS FY 2023-2027.

I.3 STRUCTURE

This report first provides an introduction in **Section 1** that details the purpose and methods used to complete the analysis. **Section 2** then presents an overview of Tunisia and its climate, as well as a summary of its climate risks and vulnerabilities. **Section 3** presents a discussion of the findings from the climate risk screening and analysis, as well as opportunities for the Mission to integrate climate action into its programming. **Section 4** discusses greenhouse gas emissions and mitigation strategies, and **Section 5** is a consolidated list of the key resources used to compile this report.

2 TUNISIA CLIMATE RISK PROFILE

2.1 COUNTRY OVERVIEW

Tunisia, a lower-middle income country located in North Africa on the southern Mediterranean, is vulnerable to climate variability and change in numerous ways. Stressors such as rising temperatures and varied precipitation levels coupled with the potential for increased frequency of extreme events, such as floods and droughts, could threaten agriculture, economic development, and availability of water resources throughout the country. Tunisia's susceptibility to climate variability and change is also tied to its reliance on agriculture and tourism; agriculture accounts for 10 to 14% of the country's gross domestic product (GDP) and employs approximately 16% of the workforce, while tourism accounts for 6.5% of GDP and directly supports 6% of Tunisia's workforce. The southern and western parts of the country have the highest poverty rates, as much as four times higher than the resource rich coastal region. Tunisia's coastal region, by contrast, harbors 80% of the country's economic activity and is home to two-thirds of the country's 11.6 million people. However, the nearly 1,150 kilometers of coast is significantly threatened by sea level rise. Without adaptation measures, and under a high emissions scenario, 78,700 Tunisians could be affected annually between 2070 and 2100 by sea level rise and flooding. Sea level rise also threatens the water scarce low-lying islands off Tunisia's coast, where climate change will likely exacerbate existing water security challenges and may also result in coastal erosion and increased evapotranspiration due to rising temperatures. The Government of Tunisia recognizes the threat that climate change poses, with climate change explicitly discussed in the country's constitution. However, the country still faces numerous technical, financial, and institutional challenges in effectively responding and adapting to the impacts of climate variability and change.

2.2 WATER SCARCITY

Water withdrawal intensity is Sustainable Development Goal (SDG) Indicator 6.4.2. The level of water stress—freshwater withdrawal as a proportion of available freshwater resources—is the ratio between total freshwater withdrawn by major economic sectors and total renewable freshwater resources, after taking into account environmental water requirements. Countries above 70% (highlighted in dark red in the figure below) are considered to be seriously stressed. Based on these latest estimates, Tunisia is one of 14 developing countries above the 70% threshold and considered by FAO to be seriously stressed.



Source: U.N. Food and Agriculture Organization, [AQUASTAT](#) (2021, online).

According to the World Bank’s latest Tunisia climate risk profile, Tunisia is a water-scarce country and substantial imbalances exist in water resource distribution between the better endowed north and the semi-arid south in regards to water balance, storage, and water distribution. Already, the country has a 90% mobilization rate of water resources through dams, whereas groundwater resources are overexploited. While the country has made significant progress in regards to its water supply, sanitation, and water-related health services, significant imbalances and lack of access still remain high. Inequalities persist in regards to service availability, water quality and access, particularly across different geographies and between urban and rural populations.

Climate change-induced temperature and sea level rises, and decreased precipitation will exacerbate existing water resource challenges, directly impacting the agricultural sector, which utilizes approximately 80% of Tunisia’s water supply. Changes in land use could also lead to migration, although the most vulnerable people, including those with limited resources and childcare responsibility, usually women, will be less likely to migrate away from unsuitable agricultural land.

2.3 CLIMATE SUMMARY

Tunisia’s climate varies due to the country’s diverse geography, which can be divided into three regions. The northern mountainous region has a Mediterranean climate with mild, rainy winters and hot, dry summers. The south has a hot, dry, and semiarid climate as it enters the Sahara Desert, while the eastern coastal border has an arid steppe climate. Rainfall also varies by region, with average annual

rainfall at 158 millimeters (mm) per year for the whole country, but less than 100 mm annually in the south and over 700mm annually in the north. Historically, average temperatures likewise vary seasonally and regionally; in the northern coastal region temperature ranges from a low of 10°C in the winter months (December to February) to a high of 27°C in the summer months (June-August), while in the central, western, and southern regions temperature ranges from a winter low of 11°C to a summer high of 32°C. In the southern semi-arid to arid areas, drought can be frequent, while the coastal region experiences floods. Although information on the rate of sea level rise varies, coastal areas are already experiencing salinization from sea level rise.

Historical Climate

Observations include:

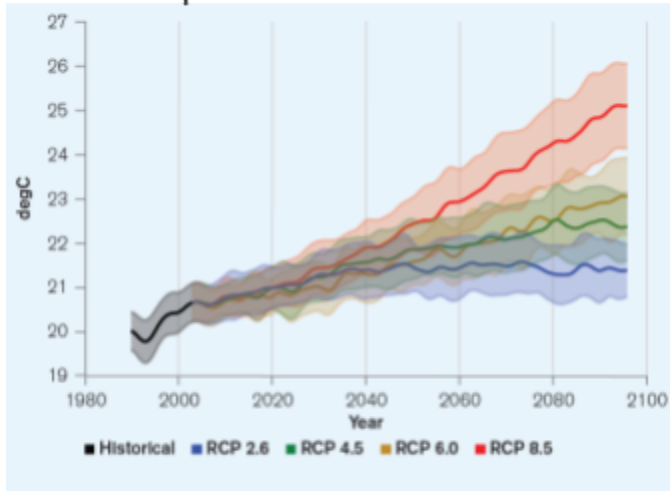
- During the last 30 years temperature increased by an average of 0.4°C per decade; the mean average temperature rose by 1.4°C in the 20th century.
- Over the past 30 years average annual precipitation has decreased by about 3%.
- Sea level rise across the Mediterranean Basin averaged roughly 3.1 mm per year between 1992 and 2011, while sea levels in the western Mediterranean averaged an increase of approximately 1 mm per year between 1945 and 2000.

Future Climate

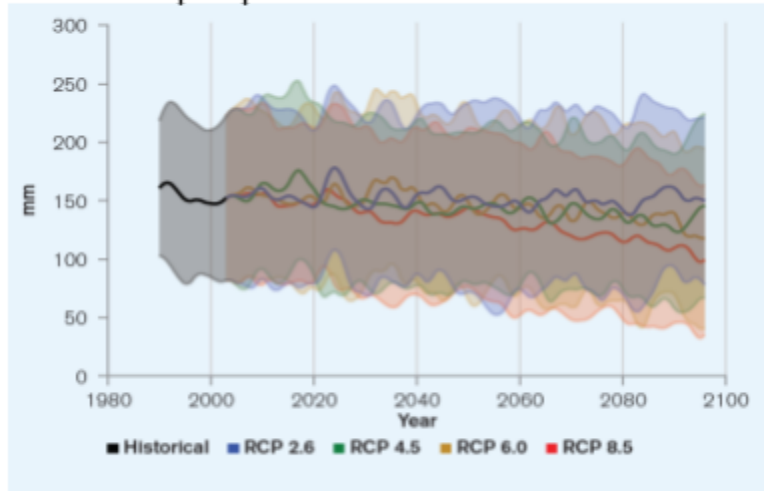
Projected changes include:

- Annual maximum temperature is likely to increase by 1.5°C to 2.5°C by 2030 and 1.9°C to 3.8°C by 2050, while annual minimum temperature is likely to rise from 0.9°C to 1.5°C by 2030 and from 1.2°C to 2.3°C by 2050.
- The number of hot days is projected to increase by about 1.3 days per year between 2020 and 2039 and the duration of heatwaves is likely to increase by 4 to 9 days by 2030 and by 6 to 18 days by 2050.
- All models project a likely decrease in overall precipitation by 2050, with most projecting a minimum decrease of around 4% and maximum decrease by as high as 22%, and the duration of dry spells is likely to increase by as much as 21 days by 2030 and by as much as 30 days by 2050.
- The decrease in precipitation is accompanied by an anticipated increase in the frequency and intensity and droughts and flooding.
- By 2090, sea level near Tunis is likely to rise between 0.2 meters (m) to 0.5 m under a low Greenhouse Gas (GHG) emission scenario, and 0.4 m to 0.8 m under a high emission scenario.

Historical and projected average temperature from 1986 to 2099



Historical and projected average precipitation from 1986 to 2099



Source: World Bank, [2021 Climate Risk Profile: Tunisia](#)

2.4 SECTOR RISKS, VULNERABILITIES, AND NEEDS

Tunisia is one of the most vulnerable countries to climate change in the Mediterranean. Most notable stressors include a decrease in overall precipitation, more frequent and longer-lasting droughts, and rising temperatures and sea levels. Energy, tourism, and governance, key sectors identified by the Government of Tunisia (GOT) as priorities for climate change considerations, are particularly vulnerable to these changing climate conditions, and will face socio-economic and environmental impacts.



Energy

CLIMATE RISKS & VULNERABILITIES

- Erosion due to sea level rise and coastal flooding may threaten energy infrastructure.
- Power generation and distribution may be disrupted by coastal and inland flooding in desert and urban areas.
- Hydropower provides a small percentage of Tunisia's electricity production which may be reduced due to decreased precipitation and reduced flow of rivers to the point where it could no longer be a viable power source.
- Electricity demand is expected to increase due to rising temperatures and increased demand for scarce water resources.
- Power outages, decreased worker productivity, and reduced industrial output due to increased heat.

CLIMATE MITIGATION & RESILIENCE/ADAPTATION NEEDS

- Investment in improved infrastructure, including electricity distribution.
- Diversified renewable electricity sources and energy efficiency to improve the energy balance deficit and resilience to fluctuations in global energy prices.
- Develop local capacity for sustainable energy efficient, renewable energy, and energy infrastructure projects.

Sources: Green Climate Fund ([GCF](#)); [Arab Barometer Country Report 2019](#); [Tunisia's NDC 2015](#); [Tunisia's Third National Communication UNFCCC](#).



Tourism

CLIMATE RISKS & VULNERABILITIES

- Beach erosion is expected to result in a 5% annual revenue loss in the tourism sector (90% of tourism activities occur in coastal zones).
- Temperature rise will continue contributing to water scarcity.
- Salinization of coastal aquifers could amplify water shortages in tourism hotspots.
- Climate stressors could damage water supply and distribution infrastructure, coastal structures including hotels and all major urban centers, and transportation infrastructure and roads.
- Increased desertification is causing deterioration of natural habitats and ecosystems of high tourism value. It also exacerbates soil erosion and increases the frequency of dust and sandstorms.
- Increased water demand/consumption driven by economic growth combine with decreased water availability due to climate change to intensify water scarcity problem (further limiting availability of drinking water)

CLIMATE MITIGATION & RESILIENCE/ADAPTATION NEEDS

- Improved water quality and accessibility through enhanced drought monitoring and proactive design, management, and engineering.
- Improved solid waste management. According to the Arab Barometer, 77% of Tunisians consider trash a very serious problem. Reduced pollution from waste and chemical mismanagement.
- Cross-sectoral coastal erosion programs within an integrated coastal zone management framework.
- Increased protections to biodiversity and ecosystems, both inland and on the coast, targeting most vulnerable populations (women, youth, the elderly) and regions (agricultural lands, West and South).

Sources: Green Climate Fund ([GCF](#)); [Arab Barometer Country Report 2019](#); [Tunisia's NDC 2015](#); [Tunisia's Third National Communication UNFCCC](#).



Democracy and Governance

CLIMATE RISKS & VULNERABILITIES

- Stresses and economic impacts caused by drought may destabilize nascent local governments.
- Climate-related transportation infrastructure damage may strain governance resources.
- Climate-related extreme events may decrease the ability of local and national governments to deliver public services and respond to citizen needs.
- Climate change impacts women, youth, the elderly, and other marginalized populations more severely, which may also limit the extent to which they participate in local governance.
- Strained public health budgets and access to health services due to increasing incidence of vector-borne and waterborne diseases from higher temperatures.
- Increased expenditures for coastal infrastructure due to sea level rise, saltwater intrusion, and more frequent and/or intense coastal storms.
- Reduced national tax base, increased deficit spending or inflation, increased unemployment, and other important macroeconomic effects due to extreme weather events and more gradual climate changes.

CLIMATE MITIGATION & RESILIENCE/ADAPTATION NEEDS

- Improved adaptive capacities of rural communities by:
 - a) increasing knowledge on climate change;
 - b) ensuring existence of clearly defined, organized, and funded decision-making entities across all levels;
 - c) and, cross-sectoral government structure, inclusive of local participation and decision-making.
- Improved capacity of local government to adapt to and mitigate climate change.

Sources: Green Climate Fund ([GCF](#)); [Arab Barometer Country Report 2019](#); [Tunisia's NDC 2015](#); [Tunisia's Third National Communication UNFCCC](#).

3 ASSESSMENT CONCLUSIONS AND OPPORTUNITIES

This section includes conclusions from the Climate Risk Assessment (CRA) as they pertain to Tunisia's CDCS for the years 2023-2027. The information presented below is adapted from Columns 5, 6.1, and 6.2 in [Part I of the Tunisia Climate Risk Screening and Management Tool for Strategy Design](#) (Source #1 from Section 5: Key Resources).

The CRA identified **Energy Sector Reform** in the Economic Growth (EG) sector and **Environmental Advocacy** in the Democracy and Governance (DG) sector, as the two primary avenues to integrate climate risk management into the USAID/Tunisia strategy through both new and existing programming. Additionally, the CRA identified increased water scarcity as one of the major projected climate change impacts that Tunisia will face in the coming years. Because USAID/Tunisia is not expected to have the staff or budget resources during implementation timeframe for this CDCS, creating

a standalone water program is not feasible. Instead, to address the anticipated impacts of water scarcity, several potential opportunities were identified to incorporate **Water Resource Management and Conservation** efforts into both new and existing EG and DG programming.

The sections below provide a discussion of how USAID/Tunisia can integrate energy sector reform and environmental advocacy into programming within the sectors where it currently operates. Also provided is a discussion of water resource management and conservation opportunities, as well as additional actions that the Mission could explore as a means for expanding climate change adaptation and mitigation action within each of these three areas.

3.1 ECONOMIC GROWTH (EG)

USAID/Tunisia's energy and tourism programs serve as viable mechanisms for implementing opportunities that will address energy-related climate risks and vulnerabilities. Energy programs are expected to include activities that will support efforts to expand Tunisia's energy diversity by increasing capacity to generate electricity using renewable and sustainable resources, and by making investments in improved infrastructure which will result in a net reduction of greenhouse gasses. Additionally, the programs intend to promote energy efficiency and energy conservation through training and education, provide technical assistance to improve management of public and private utilities, and support regulatory reform to encourage increased adoption of renewable energy solutions and more effectively manage Tunisia's power utilities, which will increase their resilience to the effects of climate change.

Tourism programs focus on strengthening and expanding Tunisia's tourism industry. Activities focus on developing a tourism industry in non-coastal areas with undiversified economies, and providing investment and technical support to pilot projects and innovative ideas through subawards. The Mission intends to use these programs as a mechanism for exploring opportunities to promote low-impact eco-tourism, leverage interest in and conservation of Tunisia's rich biodiversity, and incorporate renewable energy and water conservation solutions, where feasible.

Additional Opportunities within the Energy Sector:

- Demonstrate cost savings associated with the installation of energy efficient technology and behavior to encourage private sector participation. Provide private sector companies with technical support, on-site evaluation that identifies areas for improvement, and/or financial support like incentives or subsidies to assist the private sector with the purchase and transition.
- Consider opportunities for piloting programs that support the installation of localized and small/medium-scale renewable power generation projects, energy storage systems, or microgrids to decrease dependency on the national grid. Ideas include: installing solar panels, localized wind turbines, or floating PV.
- Implement cross-sectoral energy efficient and renewable energy projects in support of tourism, agriculture, and youth engagement programs.
- According to the Arab Barometer, 77% of Tunisians consider trash a very serious problem. USAID/Tunisia economic growth programs can consider exploring opportunities to collect certain types of waste (such as hotel food waste) on a large scale and then harvest and utilize

biogas from the consolidated decaying waste both as a way to reduce operating costs and generate additional revenue.

Additional Opportunities within the Tourism Sector:

- Utilize nature-based solutions to build community resilience to the effects of Climate Change (increased temperatures, coastal erosion, etc.): Green Infrastructure/Low Impact Development (Stormwater Management), Natural Infrastructure (managed wetlands, beach nourishment, dune reinforcement), Engineering with Nature, Bioengineering, Gray infrastructure. Ideas like rainwater capture (where appropriate), storage, and recycling as well as greywater systems that reuse non-potable water can help offset the water demands from plumbing fixtures and systems that require non-potable water.
- Consider promoting climate-sensitive architectural design (aka "Vernacular Architecture") when constructing new or retrofitting existing facilities. This form of architecture combines traditional and local designs with modern materials and methods to produce infrastructure that is climate-resilient (Consider alternative materials and architectural features that don't absorb, retain, and reflect heat). Consider future cooling requirements and how projects can employ tactics to minimize associated expenses.
- Provide subsidies and/or establish incentive programs that reward tourism related businesses for implementing climate resilient and GHG-reducing technologies and approaches. Potential ideas include: retrofitting buildings to reduce cooling needs (installing sloped roofs, planting shade trees around houses, avoiding building materials that absorb/retain heat, etc), installing solar panels or small scale wind turbines, installing greywater systems, etc.
- Expand National Park and Nature Preserves, establish new protected areas, and promote replanting efforts to grow the population of native tree species that act as carbon sinks and offset carbon emissions resulting from new development.
- Production of cement (the primary ingredient in concrete) has an enormous annual carbon footprint. It accounts for approximately 7% of global emissions, or four times more than the airline industry. That's both because of the energy used to make cement—a process that involves heating up crushed rocks to as much as 2,800 degrees Fahrenheit—and because limestone, the main material, also releases CO₂ when it's heated. Limestone is made mostly from calcium carbonate, and breaks down into lime (which is then used to make cement) and carbon dioxide. Construction activities should consider exploring opportunities to reduce and/or offset emissions associated with cement production. Examples include: Coordinating with organizations/startups that make cement alternatives like "biocement" made with microbes; utilizing concrete that can capture/sequester CO₂; and utilizing cement produced using alternatives to limestone (like calcium silicate) that don't release the same emissions.

3.2 DEMOCRACY AND GOVERNANCE (DG)

USAID/Tunisia's DG team currently integrates environmental advocacy into existing programming through capacity building and strengthening of local civil society groups. A standalone DG environmental advocacy activity is currently being planned which will offer a mechanism to incorporate the options recommended in the CRA for managing climate risk in the DG sector. These potential interventions

include increasing stakeholder awareness about implications of climate change for community stability, increasing understanding of how these implications may impact women and marginalized populations disproportionately, and engaging civil society groups to increase their awareness as well as involvement in planning and local government for climate adaptation and mitigation measures.

The CRA revealed additional opportunities to address climate risk across the DG portfolio that can be considered by USAID/Tunisia. These opportunities are listed below.

Additional Opportunities within the DG Sector:

- Integrate democracy-oriented practices into climate sensitization programming (ie. surveys that track climate awareness, prioritization of climate change as a voting issue, or concerns related to prospective impacts of climate change), encouraging elected officials that prioritize climate.
- Establish partnerships with government entities/organizations with climate adaptation activities to bolster effectiveness, provide capacity building, close gaps/weaknesses in institutions (e.g. Energy Transition Fund, Ministry of Local Affairs and Environment, Ministry of Tourism, Agency for Coastal Protection and Planning, the management unit (Unité de Gestion Par Objectif - UGPO) charged with managing activities related to the Paris Agreement, and the Ministry of Development, Investments, and International Cooperation).
- Consider climate change adaptation planning as an activity in demand-side local governance programming.
- Apply critical analysis to identify and address what the most predominant constraints of public policy change are in Tunisia, and integrate solutions to address those constraints throughout programming.
- Support Tunisia's ability to implement vigorous governmental structural reforms related to climate change in a timely manner, especially those in line with a potential IMF loan package. This will determine Tunisia's ability to maintain investor confidence and macroeconomic stability.
- Explore youth engagement opportunities to increase awareness, normalize climate concerns, and reinforce buy-in from the next generation/those that will be impacted most by long-term effects of climate. Ideas include: Increase climate messaging, incorporate educational programs in schools, establish junior governance programs that provide youth representation at partner Ministries, etc.
- Engage youth through educational programming in schools and youth centers; engage community members through interpretive messaging within the community (interpretive signs that highlight energy efficiency and GHG-reducing solutions already being utilized through communities like shade trees, efficient light bulbs, storage systems, innovative construction practices, passive cooling techniques, etc.).
- Advocate for national and municipal governments to establish new protected areas, and promote replanting efforts to grow the population of native tree species that act as carbon sync and offset carbon emissions resulting from new development.

3.3 CROSS-SECTORAL WATER RESOURCE MANAGEMENT AND CONSERVATION

The CRA identified Water Scarcity as a major cross-cutting risk affecting both Economic Growth and Democracy and Governance in Tunisia. Impacts from water scarcity issues are already being felt across all sectors within Tunisia, and will continue to be exacerbated by climate change. The Mission does not have and does not plan to initiate any standalone programs to address water scarcity, but both current and planned programming provides ample opportunity for integration of water resource management and water conservation solutions across both the EG and DG sectors.

The CRA identified a number of specific opportunities for integrating water resource management and conservation into the Mission's anticipated programming. These ideas are meant to serve as a starting point for planning purposes and should be tailored for specific applications. Identified opportunities are listed below.

Additional Opportunities for Water Resource Management and Conservation within USAID/Tunisia Programming:

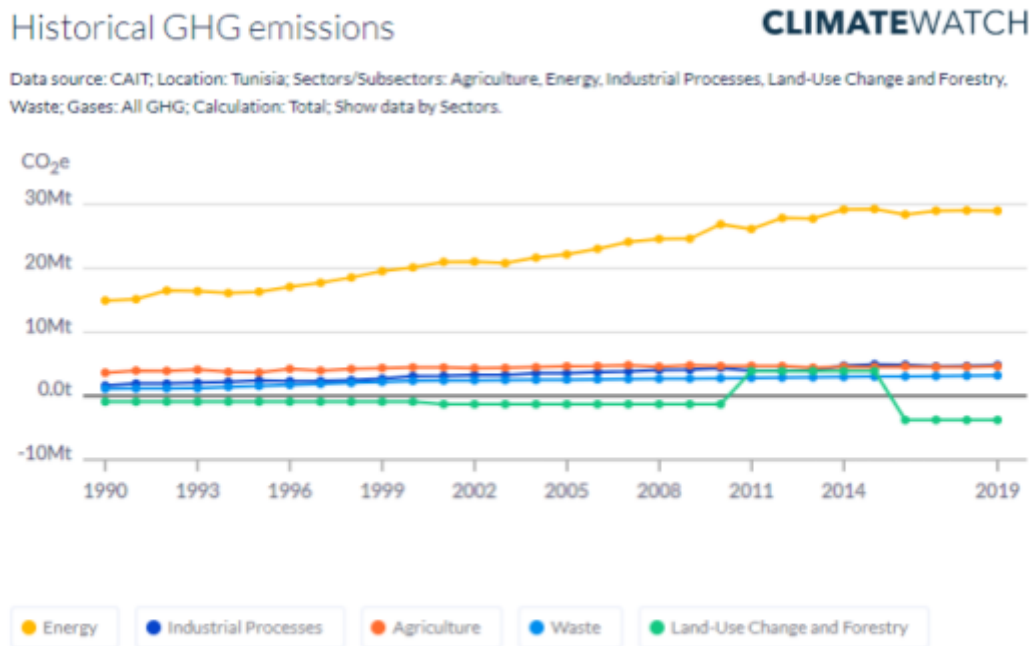
- Support design competitions that award sub-grants to apply new technology or behaviors that reduce operating expenses and increase business revenue through more sustainable and efficient use of water (For example: water efficient fixtures/toilets, drip irrigation systems, testing greywater systems, composting toilets, etc.).
- Encourage use of drought-tolerant, native vegetation for landscaped areas (for example: at hotels, community centers, or municipal buildings). Avoid vegetation that requires copious amounts of water beyond the establishment phase.
- Promote awareness of alternative water conserving technologies like drip irrigation systems, desert fog catchment systems, greywater recycling systems, and others that fit the country/cultural context.
- Promote research and invest in piloting new ideas for sustainable extraction from water resources where water supply is a component of another intervention. Consider cross-sectoral and circular economy opportunities like applying power or renewable energy solutions from USAID/Tunisia's energy programs to provide power to pumps for boreholes or desalination plants.
- Consider managed aquifer recharge options where USAID interventions result in excess usable waste water, such as treated industrial process water or condensate from large cooling units. Adoption of new technologies can be combined with capacity building activities that promote use of methods for capturing water and storing it underground, safe from evaporation, so that it can later be used as a water supply.
- Promote companies that help households and industry conserve water.
- Conduct water use assessments to bring awareness to wasteful behavior/practices and identify areas for improvement, conservation, or re-use (such as treating and recirculating water used in processing/cooling).
- Other potential opportunities can be found in the [USAID Water SEG](#): Reference Table 9 in Section 5.1.

4 GREENHOUSE GAS EMISSIONS

This section includes detailed information on the greenhouse gas (GHG) emissions, and mitigation strategies in Tunisia as they pertain to Tunisia’s CDCS for the years 2023-2027. The information presented below is adapted from [Part 2 of the Tunisia Climate Risk Screening and Management Tool for Strategy Design](#) (Source #1 from Section 5: Key Resources) and covers the major sources of greenhouse gasses, changing rates through time, sources, and effects on objectives and mitigation strategies. Further information can be found within Tunisia’s Greenhouse Gas Emissions posted on [ClimateLinks](#).

What are the major sources of greenhouse gas (GHG) emissions? How has the distribution and composition of the GHG emissions profile changed over time historically, and how is the profile expected to change in the future considering the major emitting sectors and/or sources?

Historic emissions overview. According to the World Resources Institute Climate Analysis Indicators Tool (WRI CAIT), GHG emissions in Tunisia increased 115% between 1990 and 2018, from 19.9 million metric tonnes of carbon dioxide equivalent (MtCO₂e) in 1990 to 41.4 MtCO₂e in 2018 (not accounting for emissions contributions or mitigating sequestration from land-use change and forestry activities). This equates to per capita GHG emissions rising from 2.3 tCO₂e in 1990 to 3.6 tCO₂e in 2018, accounting for population growth. Tunisia’s total GHG emissions contribute 0.08% of total world emissions [[WRI 2020](#)].



Historical GHG emissions in Tunisia by sector. [WRI 2020]

The energy sector is by far the largest contributor of GHG emissions in Tunisia. Absolute emissions from the energy sector rose from 13.5 MtCO₂e in 1990 to 28.3 MtCO₂e in 2018. These figures indicate that the energy sector contributed a relatively constant percent of total emissions over that time period

(approximately 70%). Within the energy sector, in 2018, electricity and heat production accounted for the greatest share of emissions (34%), followed by transportation (27%), manufacturing and construction (17%), building (10%), other fuel combustion (9%), and fugitive emissions (3%) [VRI 2020].

The fuel sources of energy generation and consumption in Tunisia. In 1990, oil was the most significant energy supply source for Tunisia, contributing 60% (2,989 kilotons of oil equivalent (ktoe)), while natural gas contributed 25% (1,234 ktoe); however, by 2018, natural gas had become the most significant energy supply source, contributing 48% (5,500 ktoe), with oil contributing 41% (4,664 ktoe). Nearly 60% of natural gas is imported and natural gas accounts for 97% of total electricity generation in Tunisia, at 19,667 GWh. The third largest energy supply source for the country is biofuels and waste. As with oil, its relative contribution to the energy supply fell between 1990 and 2018 (from 13% to 9%) though its absolute contribution rose (from 638 ktoe to 1,090 ktoe) [IEA 2020].

As of 2017, renewable energy accounted for 1.3% of Tunisia's total consumption and 5.7% of energy production capacity, increasing significantly from 0.1% of total consumption in 2008 [IEA 2020; OBG 2021]. Tunisia has significant potential to increase renewable energy generation, and biomass, due in part to its agriculture sector [IEA 2020].

- Hydropower has been the longest-running contributor to Tunisia's low-carbon electricity generation. In 1990, hydropower generated 46 GWh, and grew to generate 66 GWh to electricity in 2019 [IEA 2020].
- Wind has been an electricity source for Tunisia since 2000, growing rapidly since 2014. Now the largest source of renewable energy capacity, at 245 MW, wind accounts for 4% of total electricity capacity, or 66% of renewable capacity in 2019 [IRENA 2020]. Wind is also the largest renewable source contribution to electricity generation, rising from 129 GWh in 2010 to 500 GWh in 2019 [IEA 2020]. Tunisia's Renewable Energy Plan calls for installed wind capacity to reach 940 MW by 2030 [UNDP 2018].
- Solar PV has grown rapidly in recent years, increasing from 1 GWh in 2010 to 174 GWh in 2019 [IEA 2020; IRENA 2020]. Tunisia's Renewable Energy Plan calls for installed solar PV to reach 835 MW by 2030 [UNDP 2018].

The industrial processes sector is the second largest GHG-emitting sector, growing from 1.6 MtCO₂e in 1990 (8% of total emissions) to 5 MtCO₂e in 2018 (12% of total emissions) [VRI 2020].

Agriculture sector emissions have increased from 3.6 MtCO₂e in 1990 to 4.6 MtCO₂e in 2018. Agriculture is now the third largest GHG-emitting sector, its relative share of emissions decreased from 18% in 1990 to 11% in 2018. The largest contributors to emissions from the agriculture sector are livestock emissions (around 63%), manure management, livestock supply chain energy use, and feed production [Ammar 2020].

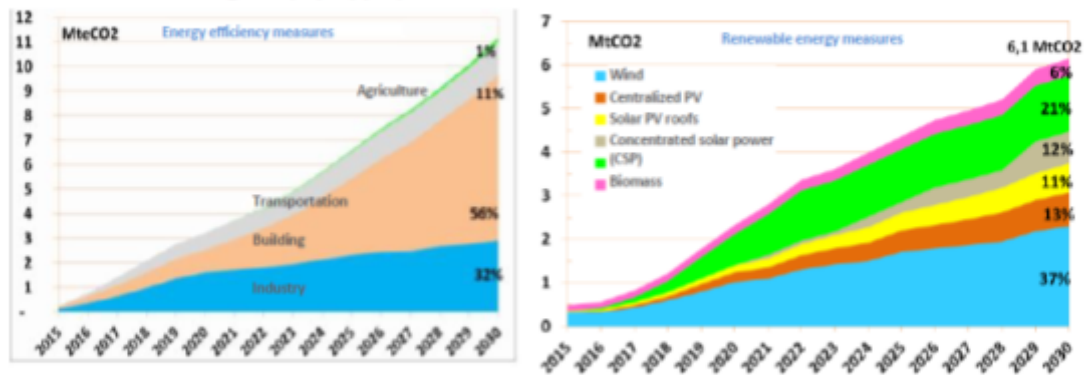
Waste sector emissions grew from 1 MtCO₂e in 1990 to 3 MtCO₂e in 2018. Emissions from the waste sector have slightly increased as a percentage of total emissions, from 6% to 8% [WRI 2020].

The land-use change and forestry sector has experienced a significant increase in carbon sequestration in the past several years. In 1990, acting as a carbon sink, the sector sequestered 0.9 MtCO₂e. Between 2011 and 2015, this sector contributed GHG emissions (3.8 MtCO₂e each year). However, by 2016, the sector was sequestering 3.8 MtCO₂e, and has retained that level of sequestration since [WRI 2020]. Urban growth in coastal areas with agricultural production may threaten conservation of agricultural and forest land.

Projected emissions. According to Tunisia’s Intended Nationally Determined Contribution (INDC) to the United Nations Framework Convention on Climate Change (UNFCCC), GHG emissions are projected to increase from 2018’s 41.4 MtCO₂e to 68 MtCO₂e by 2030 under a Business-as-usual scenario [INDC 2015]. Emissions per capita are expected to increase 68% from 2008 levels by 2030 under a Business-as-usual scenario [JRC 2017].

The energy sector is expected to remain the largest emitting sector through 2030, and as such has been a focus of Tunisia’s development plans. A proposed alternative development scenario that includes energy diversification programs is expected to increase renewable energy growth and decrease Business-as-usual-scenario GHG emissions. Wind is projected to lead to a 37% reduction in GHG emissions, solar PV (including centralized and rooftop solar) projected to lead to a 24% reduction, and biomass projected to lead to a 6% reduction [INDC 2015].

The two graphs below respectively show the reductions in greenhouse gas emissions due to energy efficiency measures (by sector) and due to renewable energies (by type).



Reductions in greenhouse gas emissions due to energy efficiency and renewable energies

Projected GHG emission reductions. [INDC 2015]

How are the sectors and sources that contribute to GHG emissions contributing to the growth and development of the economy and to meeting development objectives?

Tunisia's **National Development Plan (NDP) (2016–2020)** aimed to increase economic growth to an average of 4% per year, compared to a less than 2% average annual growth over the 2011–2015 period. The NDP, aligned with Tunisia's **Sustainable Development Strategy (2014–2020)**, further established a goal to create 400,000 new jobs and reduce poverty rates from 4.6% to 2% [UNEP 2021].

The COVID-19 pandemic has greatly impacted Tunisia's economic growth, leading to a 20% decrease in the second quarter of 2020, in part due to a reduction of some of the country's top growth drivers: tourism and foreign investments. While GDP is projected to rebound to a 2% growth in 2021 and 3.9% in 2022 [AfDB 2021], sustainable growth to the tourism sector and the European economy will be critical to this rebound. The services sector accounts for 62% of the country's GDP, while industry accounts for 23%, the manufacturing sector accounts for 15%, and agriculture accounts for 10% [World Bank 2021]. Within the services sector, government services accounts for 21%, internal trade for 10%, transport for 7%, and financial services for 25% [Trading Economics 2020]. **CO2 emissions per unit of GDP (PPP)** have declined to 0.19 (kg CO2/2015 USD) in 2018 from 0.25 (kg CO2/2015 USD) in 1990 [IEA, 2018].

What is Tunisia CO2 emissions intensity?



Tunisia's CO2 emissions intensity over time. [Knoema 2019] (<https://knoema.com/atlas/Tunisia/CO2-emissions-intensity>)

The energy sector is Tunisia's largest GHG-emitting sector, as noted in Question 1 above. As of 2016, Tunisian energy intensity, or primary energy consumption per unit of gross domestic product, was 0.98 kWh per 2011\$ (PPP), down from 1.2 kWh per 2011\$ (PPP) in 2000 [OWD, 2016].

Three of the nine strategies outlined in Tunisia's **National Strategy for the Green Economy (2016–2036)** directly implicate Tunisia's energy transition (see Question 3 below). Primarily, Tunisia aims to reduce dependence on fossil fuels; advance the industrial sector through investment in clean energy and technology; and promote energy efficiency.

Currently, 97% of Tunisia's domestic energy is powered by fossil fuels, largely natural gas, 60% of which is supplied by imports from Algeria [ITA, 2020]. Tunisian domestic production of oil and natural gas are

insufficient to meet domestic demand, and have been declining since peak production of 120,000 barrels per day (bbl/d) in the 1980s to 100,400 bbl/d in 2019 [[EIA, 2014](#); [Reuters, 2019](#); [Statistica, 2019](#)]. Thirty-five percent of consumed natural gas came from domestic production in 2018, down from 38% in 2017 [OBG, 2019]. According to the African Development Bank, oil and gas extraction accounted for 2.6% of GDP in 2017, down from 7.3% in 2008 [OBG, 2019]. Nonetheless, petroleum products were the second highest export and the highest import in 2017, making up 6% of traded commodities [[WITS, 2017](#)]. Demand for local electricity is growing rapidly, at a rate of 5% annually, and is expected to double over the next 15 years, providing a window of opportunity during which added renewable energy capacity can increasingly fill the gap between existing supply and growing demand [[ITA, 2020](#)]. There is significant abundance in renewable energy resources in Tunisia with potential to advance renewable electricity generation. Furthermore, continued investment in developing the renewable energy industry domestically is directly linked to an increase in employment.

Tunisia's domestic wind and solar power generation has increased since 2014 and installed capacity for wind, solar, and hydroelectric increased from 3% of national energy production capacity in 2016 to 5.7% in 2018 [OBG 2021]. The Tunisian Solar Plan, and other strategies aimed at increasing the renewable energy and energy efficiency capacity in Tunisia, note that Tunisia's continued energy transition offers opportunities for the generation of additional employment for between 7,000 and 20,000 people through 2030 [[GIZ 2012](#)]. Tunisia's INDC has aligned goals with two of five of the "sustainable and affordable clean energy" Sustainable Development Goals (SDGs). The reform and diversification of the energy sector will continue to be vital in contributing to sustainable economic growth.

The industrial processes sector, defined by the World Resources Institute as processing of non-ferrous metals, chemicals, petrochemicals, cement, electronics, and other industry, made up 12% of Tunisia's overall GHG emissions in 2018 (discussed in Question 1). Tunisia's main outputs in this sector include plastics, phosphate, and building materials production. Plastics manufacturing in Tunisia is made up of about 500 companies, employing 15,000 people, and contributed approximately 3% to Tunisia's GDP in 2017 [[OBG, 2017](#)]. Phosphate production, which contributes to the fertilizer and chemicals industries, contributed approximately 2% of Tunisia's GDP in 2018, and employs about 27,000 people. Cement makes up the largest segment of Tunisia's building materials production, with nine companies, and contributing to 10% of Tunisia's domestic energy utilization. The growth in Tunisia's industrial processes sector can be attributed to a strong export market and proximity to Europe, investor-friendly legislation, and investment in infrastructure. [[OBR, 2017](#)].

The agriculture sector is the third largest GHG-contributing sector in the country, and is central to Tunisia's development. Agriculture accounts for around 12% of the workforce, 10% of GDP, and close to two-thirds of the country's land. The main agricultural exports are olive oil, cereals (wheat and barley), dates, and fruits and vegetables. Growth in this sector is projected at a Compound Annual Growth Rate (CAGR) of 5.2% between 2020 and 2025, and can be attributed in part to modernization of transport and storage and European interest in organic cultivation [[OBG Agriculture 2021](#); [OBG Industry 2021](#); [Mordor 2020](#)].

What climate change mitigation or low-emission development plans, targets, commitments and priorities has the government (national, state, and local) articulated?

Tunisia was one of the first countries to integrate climate change directly into its constitution. The country relies primarily on four national institutions to support the coordination of the country's climate change agendas and adaptation efforts: the Ministry of Local Affairs and Environment, the National Agency for Energy Management, the Ministry of Agriculture, and the Ministry of Water Resources and Fisheries [[World Bank, 2021](#)]. Tunisia's climate change mitigation and low-emissions goals, targets, commitments, plans, and priorities include the following:

Tunisia's **Intended Nationally Determined Contribution (INDC) to the UNFCCC (2016)**. The targets enumerated therein were largely built on existing national strategies, such as Tunisia's National Climate Change Strategy (2012), the Energy Efficiency Strategy, and the Tunisian Solar Plan. Tunisia's INDC pledges to reduce its carbon output by 41% in 2030 relative to 2010 levels. These GHG mitigation efforts focus on the energy sector, which accounts for 75% of the proposed emissions reductions. The Management Unit for Climate Change within the Ministry of Local Affairs and Environment is responsible for stakeholder coordination to implement Tunisia's INDC [[World Bank, 2021](#); [UNDP, 2018](#); [INDC, 2015](#)].

Tunisia's Renewable Energy Action Plan 2030 (2016–2030), the first of two action plans developed in conjunction with UNDP Tunisia, was created to support the implementation of Law No. 2015-12 relating to electricity generation from renewable energies. The Action Plan presents short- and medium-term action items for overcoming barriers to the development of renewable energy projects [[UNDP, 2018](#)]. **Tunisia's Energy-Saving Action Plan (2017–2030)** is the second of the two action plans developed to support the acceleration of Tunisia's energy transition to more energy efficient technologies. This plan was adopted in 2018, and includes a USD 11 billion investment cost to scale energy efficiency and renewable energy for industry, tertiary and residential buildings, transportation, public lighting, agriculture, and fisheries sectors [[3rd National Communication to UNFCCC, 2019](#)].

Tunisia has a **National GHG Inventory System**, developed under the supervision of the Ministry of Local Affairs and Environment and in coordination with the National Agency for Energy Conservation (ANME), which led to the elaboration of the 1st and 2nd Biennial Update Reports and the 1st, 2nd, and 3rd National Communications to UNFCCC [[UNDP, 2018](#)].

Tunisian Solar Programme (PROSOL), is one of six Nationally Appropriate Mitigation Actions (NAMAs) developed by the Government of Tunisia [[3rd National Communication to UNFCCC, 2019](#)]. Initiated in 2005, PROSOL is a joint initiative of the UNEP, the Tunisian National Agency for Energy Conservation (ANME) and the Societe Tunisienne de l'Electricite et de Gaz (STEG). The program supports the development of the domestic solar thermal market. Over 50,000 Tunisian families now heat their water using solar water heaters procured through the established loan faculty [[UN, 2006](#)]. The other five NAMAs address national mitigation plans and priorities for the cement, buildings, forests, sanitation, and transportation sectors [[3rd National Communication to UNFCCC, 2019](#)].

Tunisia’s National Strategy for the Green Economy (2016–2036) is a unified national strategy to stimulate green economic growth. The four core principles of the strategy include: “development of strong, inclusive, innovative green economy; reduction of unsustainable use of natural resources and overuse of systems that have a negative impact on climate change; adoption of integrated, decentralized, participatory governance of green growth; and the promotion of resilience and improved quality of life for citizens.” The strategy is oriented around nine “strategic axes” including 1) Elimination of waste through improved recycling programs to reduce greenhouse gas emissions; 2) Safeguard forests and pastoral resources to counter the effects of climate change; 3) Reduce economy’s dependence on fossil fuels; 4) Advancement of the industrial sector through investment in clean energy and technology; and 5) Promotion of energy efficiency, which all tie directly to climate change mitigation and GHG reduction [[USAID, 2021](#); [Strategie Nationale Economie Verte, 2016](#)].

In addition to those enumerated national strategies, Tunisia has adopted multiple laws related to its INDC GHG emissions reduction targets. Notably, the 2015 **Renewable Energy Law for Electricity Production**, seeks to encourage investment in renewable energy [IEA 2016]. Other laws related to renewable energy integration include the 2013 **Decree on connection and access of renewable electricity to the national grid**, the 2010 **Decree on Tax exemptions for the import of renewable energy and energy efficiency equipment materials**, and **Law 2005-82 on Energy Efficiency Fund** [[IEA, 2016](#); [FAO 2021](#)].

Which of these sectors is USAID planning to program in? What opportunities exist to reduce emissions in each DO, IR, or sector? What opportunities exist to reduce emissions associated with USAID activities?

USAID/Tunisia has large ongoing and planned programs in the Tourism and Energy sectors. USAID/Tunisia currently supports some small-scale agriculture through ongoing Economic Growth programming which is scheduled to end in 2024.

Under IR 1.3 Climate Resilience Expanded, there are anticipated opportunities to reduce GHG emissions by conversion of diesel generator based electricity production to renewable energy systems as a component of the planned USAID/Tunisia’s energy programs. Under IR 1.2 Private Sector Strengthened, and the ongoing USAID/Tunisia’s tourism programs, there are opportunities to reduce GHG through implementation of renewable energy solutions and development of sustainable business plans to strengthen existing tourism enterprises and new business development, such as ecotourism. DO 2 also offers the opportunity to promote more sustainable water management and conservation practices to address water scarcity pressures in targeted regions as part of IR 2.2 Local Communities Empowered in targeted geographic areas.

Where feasible and appropriate virtual meeting technology and other IT solutions can be utilized to minimize unnecessary air and land travel to attend meetings. Opportunities to invest in carbon offsetting should also be considered as part of USAID programming and operations.

Does the strategy incorporate ways to reduce GHGs? Reference the page number in the strategy. Note in particular if the Goal, a DO, an IR, or sub-IR specifically incorporates mitigation.

Sub-IR 1.3.3: “GHG Reduction Infrastructure and Services Improved” from USAID/Tunisia’s 2023-2027 CDCS is intended to specifically incorporate interventions for GHG mitigation. These interventions for ways to reduce and mitigate GHG emissions are incorporated into the suggested opportunities provided in Section 3 of this Climate Annex.

What are the next steps in project and/or activity design to reduce GHGs?

Next steps include recognition of climate stressors and GHG-producing behaviors among stakeholders and the general public, and then advocating for implementation of opportunities for GHG-reduction and mitigation measures into existing and newly proposed programming.

Targets Summary Table

Climate Strategy High-level Target	Related R/CDCS/Strategy Framework component (DO, IR, sub-IR, etc)	Expected Contribution through 2024 and Indicator(s)⁶⁸
Mitigation: CO ₂ reduced	IR 1.3 “Climate resilience expanded”, IR 1.2 “Private sector strengthened”	To Be Determined following Mission PMP Update in 2023
Finance: Public and private finance mobilized	IR 1.3 “Climate resilience expanded”, IR 1.1 “Macroeconomic stability improved”	To Be Determined following Mission PMP Update in 2023
Adaptation: People supported to be climate resilient	IR 1.3 “Climate resilience expanded”, IR 2.2 “Local Communities Empowered”	To Be Determined following Mission PMP Update in 2023
Country Support: NDCs/NAPs supported	IR 1.3 “Climate resilience expanded”	To Be Determined following Mission PMP Update in 2023

⁶⁸

https://www.climatelinks.org/sites/default/files/asset/document/2020_USAID_GCC-Indicator-Handbook-August-2020-Update.pdf

Land Use: Hectares protected, restored, or managed	N/A	N/A
Critical Populations: Increase equitable engagement	IR 1.3 “Climate resilience expanded”, IR 2.1 “Inclusive citizen engagement in Tunisia’s democratic process increased”, IR 2.2 “Local Communities Empowered”	To Be Determined following Mission PMP Update in 2023

5 KEY RESOURCES

1. [USAID/Tunisia Climate Risk Screening and Management Tool for Strategy Design](#)
 - a. Note that this Matrix was used in the early stages of the Climate Risk Assessment to collect and organize information. It was then adapted into this Climate Annex. Updates in the Annex were not translated back into the matrix, and thus the Matrix is now out of date.
2. [USAID ClimateLinks’ Climate Risk Profile: Tunisia](#)
3. [USAID ClimateLink’ Greenhouse Gas Emissions Factsheet: Tunisia](#)
4. [USAID/Tunisia Climate Resilience Adaptation and Mitigation Opportunities Memo](#)
5. [USAID/Tunisia Country Development Cooperation Strategy-Level Climate Greenhouse Gas Analysis](#)
6. [USAID/Tunisia 2016 CDCS Climate Annex](#)
7. [USAID/Tunisia FAA I19 Biodiversity Analysis](#)