February 16th, 2025

Support to Economic Recovery and Job Creation in the Agri-Food Sector and Rural Space – Tunisia (The World Bank). Part of the Tunisian Rural and Agricultural Chains of Employment Program (TRACE).

Project Brief

I. INTRODUCTION

The Support to Economic Recovery and Job Creation in the Agri-Food Sector and Rural Space in Tunisia – Project ID P174017 – is a Project that is part of the Tunisian Rural and Agricultural Chains of Employment Program (TRACE)[1]. The World Bank is funding this project through an initial USD 1 million loan that has been augmented to a USD 5 million loan[2].

The Project was approved in October 2020 and is currently being implemented. The estimated closing date of this project is in December 2026.

II. THE PROJECT

The objective of the Project is "To help restore and promote job creation and strengthen smallholder producer participation in the agri-food sector and rural entrepreneurship."

The Project adopts a private-sector driven orientation, and uses the private sector as the primary source of job creation in the agri-food sector. Primary beneficiaries are Producers' Organizations (POs), Small and Medium Enterprises and agri-entrepreneurs particularly women and youths.

The Project uses Producers' Organizations as the key entry point to improve the competitiveness of smallholders and to foster cooperation in the agricultural sectors. POs in the form of *Groupements de Developpement Agricole* (GDAs), which are the equivalent of primary level producer association (not-for-profit), and *Societes Mutuelles de Services Agricoles* (SMSA) which is the cooperative-equivalent to deliver services to members.

The Project covers the lagging regions with highest poverty rate in the North West, Center West and East and South, namely the Governorates of Jendouba, Kairouan and Gabes.

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[1] TRACE is a hybrid Trust Fund established by the Government of Netherlands and the World Bank, with a Dutch contribution of 13.5 million Euros.

[2] Implementation and Status Report, 17th July, 2024

The Project has been complemented by two additional World Bank Loans: in the North West (Project ID P175641) and in the South (Project ID P175645). These loans have already been closed.

The *Union Tunisienne de Solidarite Sociale* (UTSS) has been chosen as the implementing agency of the Project, to provide technical assistance and deliver grants to POs, SMEs and agri-entrepreneurs.

The Project revolves around grants to be given to beneficiaries and has the following 3 Components:

- **Component 1 – Technical Assistance to POs, SMEs and agri-entrepreneurs**
    - This component includes all the activities necessary to facilitate access to funding for all potential beneficiaries.
    - A quick analytical exercise will be prepared for each of the governorates. This note presents a clear diagnosis of the needs and constraints in the agribusiness and rural development sector for each of the governorates. As part of this exercise, there should be an active outreach campaign to engage with local stakeholders, inform them and engage them in the Project.
    - Technical support to beneficiaries: the implementing agency will help POs and SMEs develop technically sound and commercially viable business proposals.
        - <u>Selection of first stage participants and needs assessment:</u> The call for proposals will require applicants to present a brief description of the subproject objectives, characteristics of the applicant, and a set of questions concerning the background of the company. A first pre-selection will conclude with a list of subprojects for which proponents will receive technical assistance to improve their business proposal prior to the presentation to the regional Technical Committee.
        - <u>Selection of participants:</u> Based on the first pre-selected proposals, participants will be supported, trained and coached to mature and improve their proposals ensuring sustainability, technical robustness and commercial viability.
        - <u>Monitoring and coaching matching grants[3] beneficiaries:</u> After awarding of financial support, this phase includes the technical support, guidance and coaching to selected beneficiaries. The implementing agency will help beneficiaries gain knowledge on trade, marketing, productivity, packaging, certification, business management, etc.

[3] Matching grants are grants that require the grantee to "match" some portion or all of the grant, in addition to the grant award.

- **Component 2 – Grants for agri-food and rural job creation**

  This component will finance matching grants to support investment subprojects submitted by POs, SMEs and agri-entrepreneurs, engaged in agri-business activities with the objective to help business growth and job creation. Subprojects and beneficiary selection will follow the following criteria and procedures:

  - **Subprojects:** The matching grant facility will provide financing to POs and SMEs based on subprojects selected.
  - **Eligible activities:**
    - Farm production: covering crop and livestock intensification[4] and diversification[5], including technical capacity building and small equipment investments in water use efficiency improvement and climate-smart agriculture;
    - Post-harvest operations: including technical capacity building investments, small equipment acquisitions and small-scale works for the storage, packing and processing of produce;
    - Cultural and natural resources valorization through handy craft and rural tourism;
    - Marketing;
    - Advisory services, including support to individual coaches and advisors to establish consulting firms.
  - **Ineligible activities:** Purchase, use, or maintenance of cars, private houses/residences, religious buildings, civil servants salaries, purchase or rental of buildings or existing land, fines and sanctions, second hand equipment, banks' fees, amortization expenses, loans payments, loans/credits to third parties.
  - **Beneficiary selection criteria:**
    - For POs:
      - Active for at least five years
      - Have minimum 40 percent of female members
      - Confirm at least 2 years of agri-business activities
    - For SMEs:
      - It operates in Tunisia
      - At least 60 percent Tunisian ownership
      - It is registered with Tunisian tax authorities
    - Agri-entrepreneurs:
      - Individual entrepreneurs should confirm any agri-business activity continuity and minimum growth for at least 2 years.
      - New entrepreneurs with new activities should have been previously supported by incubator/accelerator/coaching program.

[4] The process of modifying production practices to increase output per animal, per unit of land and per unit of labour.
[5] The production of one or more crops and livestock on available resources.

- **Selection process:** A first call for proposals will be followed by the selection of the subprojects that will benefit from specific support and capacity building (under component 1) to improve the proposal which will be later submitted to the technical committee. The objective of this two-stage approach is to have a broad set of expressions of interest submitted without requiring excessive preparation from the candidates.
- **Rewarding principle:** POs can benefit from the financial support of the matching grant facility for a second subproject without going through the competitive selection process when 70 percent of the objectives of the first project are achieved.
- **Technical Committee:**
  - Initial proposals will be submitted to the Technical Committee (TC).
  - Members of the TC will include representatives from commercial and microfinance institutions, civil society organizations, agri-food and rural development experts, rural development/tourism, and agro-industries.
  - The TC will be responsible for the selection of preliminary proposals and the final selection (financing).
- **Ceiling for subsidies:** The Matching Grants will cover seventy percent of the subproject cost for eligible expenditures and for each category of beneficiaries there will be a financing ceiling and financing options, under the three windows described below:
  - Individual – Entrepreneurs: 70 percent grant (the remaining 30 percent as own contribution) with a maximum financing of TND 70000
  - Producers' Organizations: 70 percent grant (the remaining 30 percent as own contribution) with a maximum financing of TND 150000
  - SMEs: 70 percent grant (the remaining 30 percent as own contribution) with a maximum financing of TND 150000

- **Component 3 – Project Management and Coordination**

  This component will provide resources to the implementing agency, the Union Tunisienne de Solidarite Sociale (UTSS) for Project management and coordination, including compliance with the World Bank's fiduciary and safeguards requirements.

  Within UTSS, a Project Management Unit (PMU) is responsible for the coordination and implementation of the project, including preparing work plans and budgets, M&E and reporting.

Finally, Key results will include:

1- Number of POs and SMEs with a supported plan to invest, trade or provide services.
2- Number of people assisted to develop economic income generating activities.
3- Number of small-scale producers that have improved their productivity and incomes.
4- Number of jobs created in beneficiaries' businesses.

As of the date of this brief, and per the World Bank, here are the current results[6]:

- Direct and indirect jobs created in the three Governorates: 604
- Female jobs created: 20%
- Matching grants approved and signed: 167
- Females among members of beneficiaries (members of GDAs/ SMSAs and individual entrepreneurs): 53%
- Project beneficiaries that have recorded improved productivity level in their targeted business activity: 41%
- Project beneficiaries that have recorded increased profit in their targeted business activity: 45%
- Beneficiary satisfied with Project information and support: 70%

III. DOCUMENTS

As of the date of this brief, several documents have been released. These documents include, but are not limited to, the Project Paper, the Stakeholders Engagement Plan (SEP), and the Environmental and Social Review Summary (ESRS).

The SEP, a document produced by the government, lists the Project's stakeholders and mentions the actions to engage them in its preparation. The SEP also mentions how the Stakeholders listed are to be engaged throughout the implementation of the Project and after its conclusion. Per the Bank's policies, it is required to have consultations with different stakeholders including impacted communities and thus relevant documents should be translated into the local language. Therefore, the SEP should also be posted in Arabic; however, the Arabic translation hasn't yet been posted.

According to the SEP, two consultation meetings with only internal stakeholders have been done so far (September 3rd and 4th, 2020). In the SEP, there is mention of plans to have consultation meetings with external stakeholders such as Civil Society Organizations in end of September 2020, however there is no mention if these consultations actually happened.

The ESRS is a document produced by the Bank at the early stage of the project's preparation to identify the environmental and social potential risks that might be associated with the project implementation. Throughout the preparation phase, the client (the government) assesses each of these identified issues and develops mitigation plans. Accordingly, different documents are produced by the government throughout this phase.

You can keep checking for new posted documents by visiting the main project page and clicking on "DOCUMENTS" at the top of the page.

[6] Implementation and Status Report, 17th July, 2024