

TUNISIA: PMR PROJECT IMPLEMENTATION STATUS REPORT (ISR) – APRIL 2019

1. SUMMARY INFORMATION

Implementing Country/Technical Partner:	<i>Tunisia / National Agency for Energy Conservation (ANME)</i>
Reporting Period:	<i>October 2018 – April 2019</i>
Report Date:	<i>April 2019</i>
Implementing Agency:	<i>United Nations Development Programme</i>
Contact Person:	<i>Jihene Touil, Team Leader (Climate, environment, energy & disaster risk reduction cluster)</i> Jihene.touil@undp.org <i>Nejib Osman, Technical coordinator of the PMR project:</i> Nejib.osman@undp.org

Grant Executed By:	<i>United Nations Development Programme</i>
Grant Effectiveness and Closing Dates:	<i>December 31, 2020</i>
Grant Amount (USD):	<i>3 100 000 US\$</i>
Funding Mobilized (USD):	<i>3 100 000 US\$</i>
Funding Committed (USD): this is what has been contracted to date (75%)	<i>NA</i>

2. OVERVIEW

In June 2018, the Partnership Assembly has approved the Tunisian Market Readiness Proposal (MRP) and granted the country with 3.1M\$ to design, manage and implement carbon pricing instruments.

The Tunisian MRP aims to support the Tunisian Government to enhance stakeholder capacities in order to foster the emergence of carbon pricing instruments and strengthening mitigation and decarbonisation policies of the Tunisian economy.

The MRP will focus on the implementation of thirteen activities, structured in an integrated, coherent and complementary way, to facilitate the understanding and the implementation of the concept of carbon pricing. The project activities will enhance the achievement of the NDC implementation vision through energy transition. These activities, developed in a participatory approach, are based on the following:

- Maximize the coverage of the NDC's objectives and the alignment with the sectorial strategies and priorities related to low-carbon, including the 2030 energy strategy;
- Support the existing financial instruments that will play a crucial role in the development of carbon pricing, particularly the Energy Transition Fund;
- The design of various instruments adapted to the targeted sectors and to the Tunisian context specificities (carbon tax, results-based payments, etc.);

- Cross-cutting support to identify carbon pricing instruments (update of mitigation scenarios and impact assessment, MRV system, capacity building, etc.);

3. IMPLEMENTATION REPORT BY COMPONENT

Differences between the Objectives/Activities in the Market Readiness Proposal and the Grant Agreement

NA

Implementation Progress by Component

A. Component: <i>Impact assessments of energy subsidies removal on socio-economic development</i>	
Status:	<p>On-going.</p> <p>After a competitive process launched in July 2018, UNDP has selected the consortium "OFCE - CIRED - Alcor" to carry out this activity. The contract was signed in January 2019 after receiving the payment transfer from WB. The kick-off meeting was held on February 22, 2019 and focused on:</p> <ul style="list-style-type: none"> - Presentation of the study methodology and implementation schedule; - Discussion on the choice of the macroeconomic evaluation model "ThreeMe", that was jointly developed by ADEM and OFCE; - Discussion of the data collection process; - Discussion of the official launch of the study with all the stakeholders. <p>Following the kick-off meeting, the methodological note was submitted by the consortium and validated. The payment of this first deliverable is being processed.</p> <p>After the exchanges with the consortium, it was agreed to:</p> <ul style="list-style-type: none"> - Continue the work on the data collection according to the choice of the baseline year which is 2015 (the energy balance, the input-output table, the simulation results of the energy demand, etc.); - Discuss the possibility of setting up a structure within the ANME in charge of using the "ThreeMe" model in collaboration with suitable stakeholder and research institutions/universities; - Present the MED-PRO model and the results of the last simulation NDC exercise by ANME. <p>To date of this report, the next steps have been agreed as following:</p> <ul style="list-style-type: none"> - 11 June 2019: Bilateral meeting between the consortium and the main stakeholders (Tunisian Electricity and Gas Company, Ministry of Finance, Ministry of Development, investment and International Cooperation, Ministry in charge of the Energy) to present the methodology and validate the planning and work process; - June 12, 2019: Capacity Building Workshop on the methodological aspects of energy subsidies;

	<ul style="list-style-type: none"> - June 13, 2019: Official national kick off workshop with stakeholders where it is expected to present the methodology of work during the whole mission and the first two deliverables related to the international experiences on energy subsidies
Comments:	<p>In order to accelerate the MRP implementation it was agreed with the ANME to launch under the same tender the Component A and the Component G. Indeed, the two study are closely linked and removing energy subsidy represents the preliminary step before introducing a carbon tax. In addition, the same macroeconomic model that will be used in component A and G will be used to assess the macroeconomic impact of lifting the energy subsidies and the introduction of the carbon tax.</p> <p>This process will ensure a better monitoring of the activity as well as the best value of money.</p>
B. Component: <i>Impact assessments of carbon-pricing on socio-economic development</i>	
Status:	<p>Under preparation. The terms of reference are under development. It is planned to launch the process of expertise recruitment to carry out this activity at the end of May 2019. The start of the study is scheduled for July 2019.</p>
Comments:	Na
C. Component: <i>Updating of the mitigation target in the energy sector</i>	
Status:	<p>Under preparation. The terms of reference are under development. It is planned to launch the process of expertise recruitment to carry out this activity at the beginning of May 2019. The start of the study is scheduled for July 2019.</p>
Comments:	Na
D. Component: <i>Updating of the mitigation target in the electricity sector</i>	
Status:	<p>Under preparation. The terms of reference are under development. It is planned to launch the process of expertise recruitment to carry out this activity on June 2019. The start of the study is scheduled for September 2019.</p>
Comments:	Na
E. Component: <i>Improvement of Ener-info database</i>	
Status:	<p>Under preparation. The terms of reference are under development. It is planned to launch the process of expertise recruitment to carry out this activity on September 2019. The start of the study is scheduled for November 2019.</p>
Comments:	Na
F. Component: <i>Design and implementation of an electricity generation MRV system</i>	
Status:	<p>Under preparation. The terms of reference are under development. It is planned to launch the process of expertise recruitment to carry out this activity on September 2019. The start of the study is scheduled for November 2019.</p>

Comments:	Na
G. Component: <i>Introduction of a carbon tax to support the Energy Transition Funds</i>	
Status:	<p>After a competitive process launched in July 2018, UNDP has selected the consortium "OFCE - CIRED - Alcor" to carry out this activity. The contract was signed in January 2019 after receiving the payment transfer from WB. The kick-off meeting was held on February 22, 2019 and focused on:</p> <ul style="list-style-type: none"> - Presentation of the study methodology and implementation schedule; - Discussion on the choice of the macroeconomic evaluation model "ThreeMe", that was jointly developed by ADEM and OFCE; - Discussion of the data collection process; - Discussion of the official launch of the study with all the stakeholders. <p>Following the kick-off meeting, the methodological note was submitted by the consortium and validated. The payment of this first deliverable is being processed. After the exchanges with the consortium, it was agreed to:</p> <ul style="list-style-type: none"> - Continue the work on the data collection according to the choice of the baseline year which is 2015 (the energy balance, the input-output table, the simulation results of the energy demand, etc.); - Discuss the possibility of setting up a structure within the ANME in charge of using the "ThreeMe" model in collaboration with suitable stakeholder and research institutions/universities; - Present the MED-PRO model and the results of the last simulation NDC exercise by ANME To date of this report, the next steps have been agreed as following: - 11 June 2019: Bilateral meeting between the consortium and the main stakeholders (Tunisian Electricity and Gas Company, Ministry of Finance, Ministry of Development, investment and International Cooperation, Ministry in charge of the Energy) to present the methodology and validate the planning and work process; - June 12, 2019: Capacity Building Workshop on the methodological aspects of energy subsidies; - June 13, 2019: Official national kick off workshop with stakeholders where it is expected to present the methodology of work during the whole mission and the first two deliverables related to the international experiences on energy subsidies
Comments:	same as comment of the component A
H. Component: <i>Introduction of a results-based payments system to support development of renewable electricity</i>	
Status:	<p>Under preparation.</p> <p>The terms of reference are under development. It is planned to launch the process of expertise recruitment to carry out this activity on June 2019. The start of the study is scheduled for September 2019.</p>
Comments:	Na
I. Component: <i>Experimentation and training on how to use an emission trading system under the voluntary agreement framework of the cement sector</i>	

Status:	Under preparation. The terms of reference are under development. It is planned to launch the process of expertise recruitment to carry out this activity at the end of May 2019. The start of the study is scheduled for July 2019.
Comments:	Na
J. Component: <i>Establishment of a Project Management Unit (PMU)</i>	
Status:	Under preparation. To date the technical coordinator of the project has been recruited. The recruitment process is undergoing for the following positions : <ul style="list-style-type: none"> - Expert in carbon pricing - Expert in MRV and Foresight - Expert in communication and capacity building It is expected that the recruitment will be finalized by beginning of May. The terms of reference to recruit the project management positions have been developed and effective recruitments of the following positions is planned for June 2019: <ul style="list-style-type: none"> - Project associate - Reporting and M&E specialist - Logistics and Admin assistant Meanwhile, UNDP is providing support to the project through its Climate, environment, energy and disaster risk reduction program and its operational services. The PMU office has been identified, the contract should be signed in early May, after the completion of rehabilitation and guaranty the minimum of security and safety as per UN procedures. The needs for IT equipments, audiovisual and furniture for the PMU were identified and should be received in May 2019.
Comments:	Na
K. Component: <i>Introduction of new assessment criteria standards by financial organizations, based on climate impacts</i>	
Status:	Under preparation. The terms of reference are under development. It is planned to launch the process of expertise recruitment in September 2019. The start of the study and capacity building is scheduled for November 2019.
Comments:	Na
L. Component: <i>Capacity building to support the implementation of the activities outlined in the MRP</i>	
Status:	Under preparation. The terms of reference to recruit expertise that will implement capacity building activities in line with the MRP will be launched in June 2019. Their mission will begin in September 2019 and will continue throughout the project.
Comments:	Na

M. Component: <i>Communication, advocacy and involvement of the stakeholders</i>	
Status:	Under preparation. The terms of reference to recruit a communication agency to support the PMU in the development and implementation of the project communication strategy will be launched in June 2019. Their mission will begin in September 2019 and will continue throughout the project.
Comments:	Na

4. PROGRESS, CHALLENGES, AND LESSONS LEARNED

<p>Important policy or regulatory developments related to the Grant’s objectives and activities:</p> <p>Progress:</p> <p>The Tunisian government has adopted two important decisions in 2018:</p> <ul style="list-style-type: none"> • The removal of energy subsidies by 2022; • The introduction of energy tax to support the energy transition funds in the budget law of 2019. • An amendment of the renewable energy law #12-2015 that permits henceforth to any local authority or public or private establishment operating in the sectors of industry, agriculture or the tertiary sector to produce electricity from renewable energy on an individual basis for the purpose of self-consumption and they have the possibility to create an anonymous or limited liability company for the production and sale of electricity produced from renewable energies, <p>Challenges:</p> <p>The political context is quite challenging, indeed, since the cancellation of the ministry of energy in August 2018, this thematic area was merged under the Ministry of industry and small and medium enterprises (MIPME), and so the ANME, which is since then under the supervision of the MIPME. In addition, in 2019 the presidential and legislative elections will take place in the last quarter (October/November). This constitutes a big challenge as we expect an institutional change after the elections that might affect the project implementation and ownership. For this reason, UNDP and ANME are keen to work on raising awareness of all key stakeholders about the opportunities that present the project. The project is keen to build on the successful involvement of the stakeholders and the strong steering committee of the first phase of the MRP as this will enhance national ownership and mitigate the risk of the institutional change after the elections.</p> <p>Lessons learned</p> <p>MRP activities should be carried out in relation with the updating of the NDC and the implementation of the low carbon development strategy. These two key activities are under elaboration with UNDP support as following:</p> <ul style="list-style-type: none"> - The elaboration of the low emission development strategy by 2050 for the energy sector. Indeed, the first phase of the strategy elaboration focused on the socioeconomic and energy scenarios by 2050; - The review of the Tunisian climate ambition in the energy sector in 2030 in the framework of the UNDP NDC support Programme and NDC Partnership initiative. This activity will start in July 2019 and will be coordinated with the relevant PMR components.
<p>Important changes in the technical design or approach related to the Grant’s activities:</p>

Developments: NA, *no technical changes were made for the project design.*

Challenges: NA

Lessons learned: NA

Key capacity issues (implementation, technical, financial management, procurement) related to the Grant's activities:

Challenges:

For the upcoming activities to launch the project is expecting to face some challenges and is working on mitigating them:

- The limited specific expertise (exp: on macroeconomic and energy modeling), which could slow down competitive processes;
- The simultaneous mobilization of national or international expertise on many parallel ongoing activities and its scarcity, exposes also the project to the risk of delay in launching some activities;
- Stakeholders should be involved in each activity. These stakeholders are almost the same who will participate in most of the planned activities. This may lead to a lack of ownership, and delay in approving some activities deliverables.

In addition, the project had some challenges to accelerate the kick off due to the following reasons:

- Difficulties in identifying good profiles for the technical positions to be hired within the project management unit. Indeed, the project thematic area is very specific, and UNDP did not receive relevant applications and was constraints to report the request for application twice;
- As the payment transfer was done to UNDP in February 2019 it was not possible to commit some activities like the kick off of the component A & G implementation, the purchase of the IT equipment's for the PMU use and the recruitment of the PMU members before that date;

Lessons learned:

UNDP started preparing for the implementation of the project right after the PA approval of the MRP. Indeed, even though the transfer agreement was under discussion, UNDP consulted with ANME on the preparation of priority TORs as per the national context (components A & G) and for the recruitment of the project management unit to facilitate the beginning of the implementation upon receiving the payment. That decision helped at least absorbing the time-consuming for the recruitment of quite complex expertise.

The planning and procurement approach adopted so far is quite satisfactory. Indeed, to face the issues of limited time for the implementation and the lack of specific expertise the project adopted an approach that group the activities/components that are interrelated (e.g component A & G). This will save time in terms of procurement process and the monitoring of the activities during the implementation. In addition, as key stakeholders have limited human capacity, which is also very solicited for many other ongoing activities, this approach will strengthen national ownership as the approach will enhance the coherence in the implementation while the national partners will not have to follow many activities.

Coordination with other carbon pricing initiatives, including those funded by other donors:

Developments: NA

The project is intervening in a very fluctuant but also in a multi-initiative and multipartites context. Coordination between all the initiatives is highly crucial so that we avoid duplication. The example of lifting the subsidies is important and UNDP and ANME are coordinating the study with the presidency of the government as there is another study conducted on the subsidies in energy sector with the support of world bank. Complementarity is ensured with this study thanks to the coordination of ANME with the presidency of the government.

Another ongoing initiative between UNDP and ANME, which is relevant to the current project. Indeed, the operationalization of the energy transit fund including new design and sizing of the energy transition fund will facilitate later the work on integrating the carbon tax through this fund.

Stakeholder engagement related to the Grant's activities:

Developments:

The ANME, is the body responsible for implementing the state energy policy and coordinating works on climate change in the energy sector. They have the necessary capacities to technically pilot the project and mobilize the various stakeholders.

Challenges:

In the framework of the current political context, with the upcoming elections and expected change of the government after this process, ANME is key player for national ownership. However, it needs more political support and capacity building for the implementation of this complex project. The role of the project is crucial in this process of high level political mobilization to can guarantee the sustainability of the results.

Lessons learned:

large consultation with decision maker, technical staff from all stakeholders is crucial in order to keep up the continuous commitment around the PMR project priorities before and after the upcoming election.

Other issues related to the Grant's activities

NA

5. ADDITIONAL INFORMATION

- A project document has been developed as per the UNDP template and procedures and will be signed with ANME in June alongside the official kick off workshop for the project.
- The 2019 annual work plan has been developed.
- The first steering comity will be held on May 2019.