**SUGGESTED WAYS FORWARD INCLUDE:**

- Consider forms of PSP in the water sector in light of past experience, the local and international private sector examples, and the improvement of framework conditions.
- Involve small private operators to support the GDAs in rural areas by identifying specific appropriate cases.
- Scale up efforts to develop the operational phase of a PSP project.
- Establish a competent team for project management and project evaluation.
- Strengthen the government capabilities in the area of PSP, and PPP in particular.
- Maintain a close link between the budget and planning processes and, on the basis of the PPP law and its application decrees, establish the procedures for tendering PPP contracts and introduce methodologies for assessing value for money.
- Establish a list of water and sanitation investment projects, according to the order of priority.
- Define eligible rules of the game for selecting potential players in a PSP project.
- Establish a competent team in master projects and manage the engagement with the private partner during the operational phase of a PSP project.
- Scale up efforts to develop performance indicators and see that the results are published.
- Update and complete the existing water information system and check its consistency with the various information producers.
- Strengthen the capacities of the communication divisions of SNHSD and SDHSA.
- Define the target population groups for community participation purposes.
- Strengthen the GDAs as a forum for participation and sharing of experience.
- Strengthen the role of NGOs and the participation of vulnerable groups (young people/women).
- Improve the representation of governors and municipalities on the National Water Board.
- Strengthen communication and co-operation among public agencies.

They are briefly presented below in the form of a checklist for actions while more detailed information can be found in the Report.

**KEY AREAS FOR IMPROVEMENT**

- Enhancing financial sustainability through inspired budgetary processes
- Developing the regulatory framework
- Enhancing stakeholders’ engagement

**THE PRESENT DOCUMENT WAS DEVELOPED WITHIN THE FRAMEWORK OF THE PROJECT:**

**Governance & Financing for the Mediterranean Water Sector**

**PROJECT LABELLED UNDER:**

- Governance & Financing for the Mediterranean Water Sector
- The Governance Challenges to Private Sector Participation

**THE PROJECT IS ENABLED BY:**

- Global Water Partnership
- OECD

**WITH THE SUPPORT OF:**

- Governance & Financing for the Mediterranean Water Sector
- Governance & Financing for the Mediterranean Water Sector
- The Governance Challenges to Private Sector Participation

The present document is based on the outcomes of the Tunisian Water Policy Dialogue (2013-2014) carried out jointly by the Global Water Partnership - Mediterranean (GWP-Med) and the Organisation for Economic Co-operation and Development (OECD) and in close cooperation with the Planning and Hydraulic Balance Department (DPEH) at the Tunisian Ministry of Agriculture, Water Resources and Fishery (INRH). The Dialogue allowed building a shared consensus among key stakeholders on the main areas for improvement towards the sustainable financing of the Tunisian water sector, including with private sector involvement, and specific actions to achieve this. These were described in an analytical country Report and are based on best practices and internationally recognised tools. The Dialogue was carried out in the framework of the Union for the Mediterranean (UfM) labelled project Governance & Financing for the Mediterranean Water Sector, with the support of the FEMIP Trust Fund of the European Investment Bank (EIB), the Swedish International Development Cooperation Agency (SIDA), the GEF-UNEP/MAP MedPartnership and the Mediterranean Component of the EU Water Initiative (MED EUWI).
Although it has performed remarkably well in the past, the water sector in Tunisia is now faced with deteriorating infrastructure and declining service quality, as well as increasingly severe financing difficulties. These problems are exacerbated by the increasing scarcity of water resources and the fact that they are already heavily exploited, which makes further investments more costly. The technological solutions to which the country might turn, such as exploiting environmental unsustainability sources and carrying out major maintenance works has signs of exhaustion and are facing significant financial challenges because of rising costs, low tariff levels, and the increased demand for high-quality service. Governance of the sector, which is based on highly centralised responsibilities and decision-making procedures, could also become worse if PSP was undertaken in the absence of a clear perspective on cost recovery. Furthermore, a successful sharing of responsibilities and decision-making procedures could discourage private partners from becoming involved in the Tunisian water sector. They could also become worse if PSP was undertaken without a clear perspective on cost recovery. These problems could discourage private partners from becoming involved in the Tunisian water sector. They could also become worse if PSP was undertaken without a clear perspective on cost recovery.

The post-revolution reconstruction now underway, however, offers a unique opportunity to reform the water governance framework and the potential role of private sector participation (PSP) in supporting the water sector, before choices are made. With the inception of the legislative framework, now important in the adoption of a “right to a water” clause in the new Constitution, the country is in transition from a centrally managed, top-down development model for the country, based on state and private sector involvement in the water sector, to a model that allows for flexibility and financing water projects with the private sector, and the engagement of end-users and other stakeholders. This is particularly important as the question of PSP is now receiving greater attention in the country, as the Tunisian economy is transitioning from an export-driven model to a more domestic-oriented development one relevant to PSP will complement each other.

The national water policy dialogue: What for?

The GWP-Med / OECD Policy Dialogue on Water Governance and Financing in Tunisia (2012-2015) identified important gaps and challenges in the governance and financing of the Water Sector, including through Private Sector Participation, and ways to move towards a more financially sustainable water sector while sustaining the current reform process.

More than 160 Tunisian actors were engaged in the Policy Dialogue that explored multiple stakeholders consultations to gain insight into the technical work carried out in parallel. They included government bodies, agencies and operators, universities, research and training institutions, academics, international organisations, donors, as well as civil society and users.

All key findings of the dialog were compiled in a tangible outcomes, the Report entitled “Water Governance in Tunisia: Overcoming the challenges to Private Sector Participation” that aims to be utilised as a tool in the hands of policy-makers.

A sound understanding of the different forms of PSP, their objectives and their potential benefits (given the sector’s specific conditions and performance), their modes of application, their challenges and the conditions for their success would allow the water sector to make informed and targeted choices that the country will have to make once the political conditions are in place.

Specifically, issues with the sector’s financial sustainability have recently emerged, and if not addressed they could jeopardise future investments. These problems could discourage private partners from becoming involved in the Tunisian water sector. They could also become worse if PSP was undertaken without a clear perspective on cost recovery. Furthermore, a successful strategy that relies on multi-stakeholder consultations to guide and validate the technical work carried out in parallel. They included government bodies, agencies and operators, universities, research and training institutions, academics, international organisations, donors, as well as civil society and users.

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