

**DOCUMENT OF THE EUROPEAN BANK
FOR RECONSTRUCTION AND DEVELOPMENT**

Approved by the Board of Directors on 24 July 2024¹

TUNISIA

PROJECT HANNIBAL

[Redacted in line with the EBRD's Access to Information Policy]

[Information considered confidential has been removed from this document in accordance with the EBRD's Access to Information Policy (AIP). Such removed information is considered confidential because it falls under one of the provisions of Section III, paragraph 2 of the AIP]

¹ As per section 1.4.8 of EBRD's Directive on Access to Information (2019), the Bank shall disclose Board reports for State Sector Projects within 30 calendar days of approval of the relevant Project by the Board of Directors. Confidential information has been removed from the Board report.

For the avoidance of any doubt, the information set out here was accurate as at the date of preparation of this document, prior to consideration and approval of the project.

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ABBREVIATIONS / CURRENCY CONVERSIONS

2G, 3G, 4G, 5G	Second/ third / fourth / fifth-generation technology standards for mobile services
ADSL	Asymmetric Digital Subscriber Line
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ARPU	Average Revenue Per User
B2B	Business-to-Business
B2C	Business-to-Consumer
BMP	Best Management Practices
C.	Circa (approximately / close to / around)
CAGR	Compound Annual Growth Rate
CCG	Corporate Climate Governance
CFO	Chief Financial Officer
CP	Condition Precedent
DD	Due Diligence
DFI	Development Finance Institutions
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EFSD	European Fund for Sustainable Development
EIB	European Investment Bank
EIT	Emirates International Telecommunications
ESAP	Environmental and Social Action Plan
ESMS	Environmental and Social Management System
EU	European Union
FATF	Financial Action Task Force
FTTH	Fibre To The Home
FWA	Fixed Wireless Access
FY	Fiscal Year
GBVH	Gender Based Violence and Harassment
GHG	Greenhouse Gas
GIIP	Good International Industry Practice
GNI	Gross National Income
HP	Household Passed
HR	Human Resource
ICT	Information and Communications Technology
ILO	International Labour Organisation
INT	Instance Nationale des Telecommunications (Tunisian telecommunications regulator)
ISP	Internet Service Provider
LTE	Long-Term Evolution, a standard for mobile wireless broadband
LTM	Last Twelve Months
Mbps	Megabits per second
MCT	Ministry of Communication Technologies
MVNO	Mobile Virtual Network Operator
ND	Net Debt
NOSS	National Occupational Skills Standards
OHS	Occupational Health and Safety
p.a.	Per Annum
RAROC	Risk-Adjusted Return On Capital
R&D	Research and Development
SEMED	Southern and Eastern Mediterranean region
SEP	Stakeholder Engagement Plan
SOE	State-Owned Entity
TC	Technical Cooperation
TI	Transition Impact
TND	Tunisian Dinar
TT	Tunisie Telecom
UNDP	United Nations Development Program
VULA	Virtual Unbundled Local Access
WBG EHS	World Bank Group, Environmental, Health, and Safety
YE	Year-end

EUR/TND - 3.38 (as of 5 July 2024)

PRESIDENT'S RECOMMENDATION

This recommendation and the attached Report concerning an operation in favour of Tunisie Telecom S.A. (the “**Tunisie Telecom**”, “**Company**”), a limited liability company incorporated in Tunisia and the majority state-owned national telecommunications operator, are submitted for consideration by the Board of Directors.

The facility will consist of a development-linked loan (the “**EBRD Loan**”) to the Company in the amount of up to EUR 190 million, in four tranches, including a first committed tranche of EUR 50 million [REDACTED].

The EBRD Loan is supported by a first-loss risk cover provided by the European Union, under the EU-EBRD EFSD+ Digital Transformation programme, and complemented by an EUR 11 million grant from the European Union under the Neighbourhood Investment Platform, comprising an investment grant and a technical assistance grant.

The operation, which is the Bank’s first public sector project in Tunisia without the sovereign guarantee, will support, through the capital expenditures facility, the Company’s investments in the critical telecommunications and digital infrastructure, through (i) connecting [REDACTED] households to fibre (ii) upgrading fibre backbone network, (iii) transitioning from 3G to 4G and 4G+/5G compatible mobile networks, (iv) and improving international connectivity through a participation in the pan-European submarine cable Medusa, supported by the European Union [REDACTED].

The expected transition impact of the operation is (i) **competitive** based on a comprehensive Sector and Corporate Transformation Programme, designed to improve the operational and financial performance of the Company and boost private sector interest by addressing historically low investment levels in the sector; and (ii) **inclusive**, with the project enabling a landmark investment in human capital development [REDACTED].

The Project also supports Gender SMART goals through the Company’s commitment towards the promotion of a more diverse workforce, particularly in leadership positions where women remain underrepresented.

I am satisfied that the operation is consistent with the Bank’s Tunisia Country Strategy, the Bank’s ICT Sector Strategy 2020-2024, the Strategy for the Promotion of Gender Equality, the Equality of Opportunity Strategy for 2021 – 2025, the Green Economy Transition Approach 2021-2025, the Approach to Accelerating the Digital Transition 2021-2025 and with the Agreement Establishing the Bank.

I recommend that the Board approve the proposed loan substantially on the terms of the attached Report.

Odile Renaud-Basso

BOARD DECISION SHEET

TUNISIA – PROJECT HANNIBAL - DTM 54140	
Transaction / Board Decision	<p>Board approval² is sought for a comprehensive financing and transformation assistance package to Tunisie Telecom S.A. (the “Company”, the “Borrower”), a limited liability company incorporated in Tunisia and the majority State-owned national telecommunications operator.</p> <p>The EBRD package entails an up to EUR 190 million long-term senior development-linked loan (the “EBRD Loan”), without a sovereign guarantee [REDACTED]. The EBRD Loan is complemented with an investment grant to be provided by the European Union. The EBRD loan is supported by a first-loss risk cover [REDACTED], under the EU-EBRD EFSD+ Digital Transformation programme (the “EFSD guarantee”).</p> <p>In addition, the EBRD package entails a substantial Sector and Corporate Transformation Programme, which aims to transform Tunisie Telecom from a traditional state-owned enterprise, [REDACTED] into a modern, efficient, and competitive entity. Four strategic issues [REDACTED] will be addressed post-signing of the EBRD Loan, through a technical assistance grant to be provided by the EU. The Programme also entails technical support for the Tunisian telecommunications regulator to implement tangible competitive measures within the sector [REDACTED].</p>
Client	<p>Tunisie Telecom is the incumbent integrated telecommunications operator in Tunisia and the main investor in and provider of the country’s telecommunications infrastructure. The Company is 65 per cent owned by the Tunisian State and 35 per cent owned by Emirates International Telecommunications (EIT), Dubai Holding’s telecom subsidiary. The Company owns controlling stakes in telecom operators in Malta (Go plc) and Mauritania (Mattel).</p>
Main Elements of the Proposal	<p>Transition impact: <i>Primary quality: Competitive</i> – By financing the upgrade of the company’s network and supporting its operational transformation, the Bank will help Tunisie Telecom to improve its operational efficiency close to regional standards, improve the quality of service in Tunisia, and foster competition on the fixed broadband segment. The Bank will also undertake a policy dialogue engagement with the regulator to foster more competition.</p> <p><i>Secondary quality: Inclusive</i> – The Company will make a significant investment in human capital [REDACTED] focusing on several key areas [REDACTED]. Tunisie Telecom will also contribute to policy-level outcomes by supporting the development of national occupational skills standards (NOSS) in the ICT sector in Tunisia.</p> <p>Additionality: - <i>Financing structure:</i> the EBRD Loan is designed as a Development Linked Loan [REDACTED]. - <i>Enhancement of practices at the sector and country levels:</i> Project Hannibal entails post-signing engagements with the Company, the telecom regulator and the Ministry of ICT to unlock strategic change for both the Company and the country. - <i>Green additionality:</i> the Bank supports the green transformation of the Company - <i>Gender SMART:</i> The Company will take meaningful steps to promote gender inclusion within its workforce [REDACTED].</p> <p>Sound banking: Tunisie Telecom holds a strong position in the Tunisian telecom market as a longstanding retail operator and infrastructure provider. Additional rollouts and increasing demand for high-speed broadband [REDACTED] will enable the Company to achieve higher EBITDA margins and operating cash flows. [REDACTED]</p>
Key Risks	<p>Key risks: (i) <i>Competition</i>, in a context of pressure exerted by competitors in Tunisia and decreasing ARPUs. (ii) <i>FX mismatch</i>, between the Company’s TND-labelled cash generated and the EUR loan.</p> <p>Mitigants: (i) Tunisie Telecom is resilient, leveraging on its infrastructure, of national criticality in Tunisia, and being a regional Group, with several activity and geographical revenue segments. (ii) [REDACTED].</p>
Strategic Fit Summary	<p>The Project is aligned with the Bank’s <i>Strategic Capital Framework 2021-2025, Approach to Accelerating the Digital Transition 2021-2025, ICT Sector Strategy 2020-2024, Strategy for the Promotion of Gender Equality for 2021-2025, Equality of Opportunity Strategy for 2021-2025, Green Economy Transition Approach 2021-2025</i> and priorities 1, 2 and 4 of the Bank’s <i>Tunisia Country Strategy</i>.</p>

² Article 27 of the AEB provides the basis for this decision.

ADDITIONAL SUMMARY TERMS FACTSHEET

EBRD Transaction	<p>Board approval is sought for a comprehensive financing and transformation assistance package to Tunisie Telecom S.A. (the “Company”, the “Borrower”), a limited liability company incorporated in Tunisia and the majority State-owned national telecommunications operator.</p> <p>The EBRD package entails an up to EUR 190 million long-term senior development-linked loan (the “EBRD Loan”), without a sovereign guarantee [REDACTED]. The EBRD Loan is complemented with an investment grant to be provided by the European Union (EU). The EBRD loan is supported by a first-loss risk cover under the EU-EBRD EFSD+ Digital Transformation programme (the “EFSD guarantee”).</p> <p>In addition, the EBRD package entails a substantial Sector and Corporate Transformation Programme, which aims to transform Tunisie Telecom from a traditional state-owned enterprise [REDACTED] into a modern, efficient, and competitive entity. Strategic issues, related to human capital, sustainability, digitalisation and cybersecurity, and strategic transformations, will be addressed post-signing of the EBRD Loan, through a technical assistance grant provided by the EU. The Programme also entails technical support for the Tunisian telecommunications regulator to implement tangible competitive measures within the sector. [REDACTED]</p>
Existing Exposure	None
Maturity / Repayment	[REDACTED]
AMI eligible financing	None
Use of Proceeds	[REDACTED]
Investment and Financing Plan	[REDACTED]
Key Parties Involved	<p><i>Borrower and beneficiary of the Corporate Development Plan:</i> Tunisie Telecom S.A.</p> <p><i>Counterparties for the Policy Dialogue:</i> Instance Nationale des Télécommunications, Ministry of Information and Communication Technologies</p> <p><i>Legal counsel:</i> Allen & Overy, MKK</p>
Conditions to subscription / disbursement	[REDACTED]
Key Covenants	[REDACTED]
Security / Guarantees	Unsecured. [REDACTED]
Other material agreements	None.
Associated Donor Funded TC and Blended Concessional Finance	<p>The transformation programme of Tunisie Telecom is funded by the grant from the EU under the Neighbourhood Investment Platform.</p> <p>The policy engagement with the Instance Nationale des Telecommunications is funded from the EBRD Shareholders' Special Fund ("SSF").</p>
[REDACTED]	

INVESTMENT PROPOSAL SUMMARY

1. STRATEGIC FIT AND KEY ISSUES

1.1 STRATEGIC CONTEXT

Tunisia has faced significant challenges in advancing its digital transformation over the past decade. [REDACTED]. Specifically, Tunisia holds the 104th position globally for mobile internet speeds and the 167th position for fixed broadband speeds.

To overcome the challenges of the past decade, the Tunisian Government has launched the National Digital Strategy 2021-2025, which focuses on several key objectives:

- **Infrastructure Development:** One of the primary goals is to upgrade and expand Tunisia's telecommunications infrastructure, including in rural areas. This includes the deployment of advanced broadband networks, enhancement of mobile connectivity, and the expansion of fibre-optic networks to improve internet speed and reliability across the country.
- **Digital Inclusion:** Ensuring that all segments of the population, including those in remote and underserved areas, have access to affordable and reliable internet services is a central aim. This is crucial for bridging the digital divide and promoting equitable access to digital resources and opportunities.
- **Regulatory Reform:** The programme involves comprehensive reforms to the regulatory framework governing the telecoms sector. By modernising regulations, Tunisia aims to create a more competitive environment that encourages investment, innovation, and the entry of new players into the market.
- **Private Sector Engagement:** Recognising the importance of private sector participation, the programme seeks to attract domestic and international investment in the telecoms sector. This includes public-private partnerships and incentives designed to stimulate growth and innovation.
- **Sustainability:** Ensuring that the growth of the telecoms sector is environmentally sustainable is another key objective. The programme emphasises the adoption of green technologies and practices to minimise the environmental impact of telecoms infrastructure and operations.

To meet the targets set in the Tunisia's Digital 2025 national strategy, significant investments are required to modernise and increase the reliability of the country's telecom infrastructure, including 5G, fibre and modern subsea cables. These investments are key to develop a private sector-led digital economy.

In this respect, the EBRD has engaged with the Tunisian Ministry of Information and Communication Technologies (MCT) on two major initiatives:

(i) Interoperability and e-government services: Since 2022, EBRD, together with Estonia's e-Governance Academy, has supported and funded the MCT, in developing a modern and necessary infrastructure to provide e-government services.

(ii) Project Hannibal:

Owing its historical status as the incumbent national operator and its direct access to the country's fixed national and international network, Tunisie Telecom has been the

most significant investor in the country's telecommunications infrastructure [REDACTED].

Furthermore, Tunisie Telecom has a mission of public interest to bridge the digital divide and provide affordable and equal connectivity access across the country, leading the operator to invest in rural and white zones, roll-out high-quality technology (FTTH) and connect customers with low available incomes (schools, public administrations).

Tunisie Telecom plays a crucial role in Tunisia's digital transformation and telecom sector revitalisation. By enabling shared infrastructure access, it lowers digital connectivity costs, especially in underserved areas. The upcoming introduction of 5G offers a significant opportunity for Tunisie Telecom to innovate, benefiting users and businesses alike. To lead this transformation, Tunisie Telecom needs a comprehensive reform and modernisation program, supported by EBRD financing. [REDACTED]

To address Tunisie Telecom's investment needs, EBRD is providing an up to EUR 190 million long-term unsecured senior Development-linked Loan [REDACTED] to finance multi-year capital expenditures, including:

- connection to the EU-supported MEDUSA submarine cable ;
- fibre roll-out, as part of the national plan to ramp up fibre penetration [REDACTED] and backbone modernisation;
- upgrade of mobile network from 3G to 4G and from legacy 4G to 4G+/5G ;
- investments into energy-efficient telecom equipment and off-grid electricity production capacity based on solar panels ;

[REDACTED]. Key strategic issues identified during due diligence [REDACTED] - human capital, sustainability, digitalization and cybersecurity, and strategic transformations - will be tackled through a Sector and Corporate Transformation Programme, supported by a EU grant.

Especially, with respect to human capital development, a significant HR transformation is paramount to support the change that the Project entails and will focus on addressing skills mismatches in the Company and the wider sector³, through strategic workforce management and by addressing major risks due to the loss of key personnel and expertise. [REDACTED]

The Project will also promote gender equality by engaging more women in leadership roles. The Company aims to [REDACTED] introduce coaching, mentorship programmes, and new gender KPIs at the senior management level, fostering career progression and retention of female staff.

The Sector and Corporate Transformation Programme also entails the first policy dialogue engagement with the Tunisian telecommunications regulator, the Instance Nationale des Télécommunications ("INT"), to implement tangible competitive measures within the sector. The INT, an independent regulator, aims to modernise Tunisia's telecom sector. [REDACTED]. The INT seeks to reform the sector and enforce pro-competitive measures to boost investment. Tunisie Telecom needs to modernise and embrace new technologies to stay competitive. EBRD support focuses on enhancing Tunisie Telecom's operational and financial performance, alongside strengthening the INT's capacity. This collaboration aims to reform the telecom sector, fostering growth opportunities for new private sector entrants.

³ Tunisia's youth unemployment stands at 25 per cent whereas the demand from employers remains very high with over 18,000 unfilled vacancies in ICT-related fields, o/w 12,000 for engineer positions.

Overall, the Sector and Corporate Transformation Programme will significantly enhance Tunisie Telecom by improving the quality of its workforce, strengthening its sustainability, and reducing its carbon emissions. This Programme aims to transform the national operator into a digital, leaner organisation, freeing up capital and resources to invest further in the country's infrastructure. It also seeks to inject [REDACTED] dynamism into the entire telecom sector. Ultimately, the project is expected to improve Tunisia's connectivity with Europe and generate positive spillovers for the entire Tunisian economy.

The Project is aligned with the Bank's Strategic Capital Framework 2021-2025, Approach to Accelerating the Digital Transition 2021-2025, ICT Sector Strategy 2020-2024, Strategy for the Promotion of Gender Equality for 2021-2025, Equality of Opportunity Strategy for 2021-2025, Green Economy Transition Approach 2021-2025 and priorities 1, 2 and 4 of the Bank's Tunisia Country Strategy.

1.2 TRANSITION IMPACT

Primary Quality: Competitive

Obj. No.	Objective	Details
1.1	<i>The project supports operational changes leading to competitiveness improvements which will enable the company's operational performance to be in line with prevailing standards in the country/region.</i>	[REDACTED]
1.2	<i>The project will improve the capacity or quality of existing ICT infrastructure, products, or services to go beyond the prevalent standards in the country.</i>	The EBRD Loan will improve Tunisia's connectivity network, from international connectivity to last-mile access: <ol style="list-style-type: none"> 1. Link Tunisie Telecom to MEDUSA, a modern submarine cable connecting the EU to SEMED. This will improve Tunisia's international bandwidth capacity from 1.95 Tbit/s in 2022 to 10 Tbit/s in 4 years (vs SEMED average of 6.98 Tbit/s). 2. Modernise [REDACTED] backbone fibre cables across Tunisia, increasing reliability. 3. Upgrade [REDACTED] mobile [REDACTED] network 4. Connect [REDACTED] households [REDACTED] with FTTH, [REDACTED] in underserved areas [REDACTED]. FTTH is nascent in Tunisia and only accounts for 4 per cent of fixed subscription (2024 Q1). [REDACTED]
1.3	<i>The client/sponsor will engage in a policy dialogue initiative that is highly relevant or innovative, addressing a key competitiveness challenge in the country or sector, and take a leading role in the envisaged activities (e.g. a company supporting a new or particularly challenging initiative, taking an active role by</i>	Owning most of the copper network, Tunisie Telecom still dominates the fixed broadband market (50 per cent market share) but this position is increasingly challenged (<i>Annex 2</i>). [REDACTED] The Bank has engaged in policy dialogue with the telecom regulator (INT) over a year during DD and developed a comprehensive Sector Reform TC to support tangible competition measures. [REDACTED].

	<i>mobilising other stakeholders, providing substantial contributions to activities etc.).</i>	
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Secondary Quality: Inclusive

Obj. No.	Objective	Details
2.1	<i>EMPLOYABILITY: The Project broadens access to market-relevant skills and training opportunities, boosting the supply of human capital with demonstrably moderate need and robust effectiveness.</i>	The Project will support a large-scale training programme focused on emerging digital fields, delivering critical skills to address Tunisie Telecom's challenges in finding and retaining local talents. [REDACTED]
2.2	<i>EMPLOYABILITY: The Project delivers inclusive business policies, practices or standards at the client level with verifiable commitment within 3 distinct behavioural change areas.</i>	[REDACTED]
2.3	<i>EMPLOYABILITY: The Project encompasses sizeable impact on a policy, regional or sectoral scale with measurable policy-level outcomes.</i>	National Occupational Skills Standards (NOSS): Tunisie Telecom will identify key professions/skills impacted by industry trends; formulate job descriptions for priority occupations; and integrate these new standards into national qualifications frameworks leading to the development of new nationally accredited standards, in collaboration with the Ministry of Education and other relevant agencies. The Company will also endeavour to pilot the implementation of these NOSS through the development of training programmes and curricula. This will address gaps in Tunisia's reference system and training provision, particularly for tech jobs, enhancing the quality and relevance of education. [REDACTED].

Delivery risks: [REDACTED].

Digital Approach: The project is aligned to the Foundation area of intervention outlined in the EBRD Approach to Accelerating the Digital Transition 2021-2025. The digital components of the Project are expected to be in support of the Competitive Transition Quality as outlined above.

1.3 ADDITIONALITY

Additionality sources	Description
Financing structure: EBRD offers financing that is not available in the market from commercial sources on reasonable terms and conditions, e.g., a longer grace period. Such financing	The banking industry remains fragile in Tunisia, where state-owned banks face high levels of non-performing loans, and all banks have high exposure to the sovereign, and are under tight capital controls. Providing a large EUR loan to Tunisie Telecom would be challenging for local banks. EBRD's contemplated loan structure is designed to solve Tunisie Telecom's particular needs, with: <ul style="list-style-type: none"> - Loan in EUR to fund imported equipment required for capex.

is necessary to structure the project	- Long maturities fitting Tunisie Telecom's investment needs. [REDACTED]
EBRD's involvement in a project is considered additional when it is designed to trigger a change in the policy, sector, institutional or regulatory framework, or enhance practices at the sector or country level	[REDACTED]Project Hannibal includes: - Financing for infrastructure upgrade works and green and energy efficient investments. [REDACTED]
Client seeks/makes use of EBRD expertise over energy and resource efficiency and climate resilience financing via provision of energy and climate audits, minimum performance standards of technologies, climate-related strategies and policies, MRV systems etc.	Natural gas represents 95 per cent of electricity generation sources in Tunisia, and GHG emissions from the telecom sector mainly come from electricity consumption. Tunisie Telecom has prepared an energy-efficiency investment plan, that EBRD will finance, including [REDACTED]: investment into energy-efficient equipment, and off-grid electricity production using solar panels [REDACTED].
Gender SMART: Client seeks/makes use of EBRD expertise on higher inclusion, gender standards and/or equal opportunities action plans (Gender SMART)	Women represent in 2024 47 per cent of Tunisie Telecom's staff, but only 20 per cent of senior management positions. Tunisie Telecom will [REDACTED] better support career progression pathways for its female staff, including via new coaching and mentorship programmes, and the introduction a new gender KPI [REDACTED]. The Client will also use its size and stature in the ICT industry to foster women's representation in STEM occupations through advocacy and community outreach initiatives. Tunisie Telecom's commitments in this area are aligned with EBRD's Gender SMART approach and will be monitored accordingly.
Green additionality	Tunisie Telecom has a substantial [REDACTED] electricity consumption, and early-stage sustainability/climate practices with significant room for improvements. Tunisie Telecom will address this through its Sustainability Transformation and Energy Efficiency Improvements initiative, incl.: 1. Energy Efficiency Improvements: Reducing energy consumption, lowering carbon footprint, and incorporating ESG practices into daily operations. 2. Corporate Climate Governance: Capacity building to identify and assess climate-related risks and opportunities, adopting best practice GHG emissions calculation methodologies to identify a baseline and set targets for carbon footprint reduction. The project will support the Tunisie Telecom to disclose climate-related information.

1.4 SOUND BANKING - KEY RISKS

Risks	Probability / Effect	Comments
Country and macroeconomic risks	MEDIUM / MEDIUM	Tunisia is rated Caa2 with stable outlook (vs B2 in 2020) by Moody's (March 2024) and has 7.0 internal PD (vs 5.7 in early 2020). [REDACTED] <i>Mitigants:</i> Macroeconomic outlook has recently improved although growth is not expected to exceed 2% p.a. in the medium term. Furthermore, Tunisie Telecom demonstrated resilience and stable financial performance in time macroeconomic uncertainty, as telecom services have nowadays become a low-elasticity commodity. Lastly, despite challenging operating environment, the Company is well equipped to deliver on its branch network expansion.
Competitive environment	MEDIUM / MEDIUM	The Tunisian mobile market is competitive with 3 major operators: Tunisie Telecom, Ooredoo and Orange. Before the pandemic, the mobile market

		<p>has been driven by the two foreign players and has experienced a considerable decrease in ARPU due to competitive pressures.</p> <p>Despite strong mobile penetration c. 135 per cent, the Tunisian mobile market is limited by a strong preference for prepaid services (c. 87 per cent of total subscribers), which could include inactive SIMs and lead to deactivation efforts in the future.</p> <p><i>Mitigants:</i> The incumbent operator has started to promote its converged service plans and experienced very good uptake.</p> <p>Tunisie Telecom has proved very resistant to competitive pressure. On the mobile data segment, it was able to attract new subscribers, increasing its market share [REDACTED]. On the mobile voice segment, its market share has remained stable [REDACTED].</p> <p>Tunisie Telecom is well-positioned, owing to its large, fixed broadband network, to provide customers with the best value for converged packages, which is expected to be an increasingly important trend in the local market in the upcoming years.</p>
FX and interest rate risks	MEDIUM / HIGH	<p>The loan will be denominated in EUR, while most of the Group's revenues and cash flows are in TND.</p> <p><i>Mitigants:</i> The EUR-denominated cash flows from Maltese subsidiary Go Malta are a natural hedge against such risk. [REDACTED]</p>

2. MEASURING / MONITORING SUCCESS

Transition Impact Monitoring Indicators

Primary Quality:

Obj. No.	Monitoring indicator	Details	Baseline	Target	Due date
1.1	Client engages in policy dialogue: providing substantial contributions to activities	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.2	Number of firms with improved access to ICT related services	New Households Passed (HPs): This represents the number of homes that have fibre optic cables running past them, making it possible to connect them to the high-speed internet service provided by the fibre network. It does not necessarily mean that these homes are actively using the service, but rather that the infrastructure is in place to allow for connection.	[REDACTED]	[REDACTED]	[REDACTED]
1.3	Client engages in policy dialogue: other	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.4	Legal, institutional or regulatory frameworks in target areas improved [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
1.5	Operational modernisation completed	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Secondary Quality:

<i>Obj. No.</i>	<i>Monitoring indicator</i>	<i>Details</i>	<i>Baseline</i>	<i>Target</i>	<i>Due date</i>
2.1	Training programme developed and implemented	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.2	Number of individuals enhancing their skills as a result of training	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.3	Practices of the relevant stakeholder improved (skills development)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.4	Practices of the relevant stakeholder improved (skills development)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.5	Practices of the relevant stakeholder improved (skills development)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.6	Partnership between private sector and education providers [REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.7	Legal, institutional or regulatory frameworks in target areas improved	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.8	Recommended policy or strategy or regulatory framework/ standard agreed by relevant stakeholder(s)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Additional Indicators:

<i>Indicator type</i>	<i>Monitoring indicator</i>	<i>Details</i>	<i>Baseline</i>	<i>Target</i>	<i>Due date</i>
Advisory & Policy Indicators	Share of women represented on decision-making bodies: C-Suite or Board (or comparable management/executive roles)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Advisory & Policy Indicators	CO2e emissions reduced (tonnes/year)	Reduction in GHG emissions as a result of the energy efficiency measures, in tnCO2eq/y	[REDACTED]	[REDACTED]	[REDACTED]
Advisory & Policy Indicators	Number of new/improved ICT service(s) connections	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Advisory & Policy Indicators	Number of households with improved access to ICT related services	Number of new households passed with FTTH in white and underserved zones.	[REDACTED]	[REDACTED]	[REDACTED]
Advisory & Policy Indicators	Number of new/improved ICT service(s) connections	International bandwidth capacity (Tbps) surpasses SEMED average of 6.98 Tbps. Base level corresponds to 2022, source: ITU	[REDACTED]	[REDACTED]	[REDACTED]

3. KEY PARTIES

Established in 1995, **Tunisie Telecom** is the incumbent telecommunications operator in Tunisia and the main provider of and investor in the country's telecommunications infrastructure. The Company is majority-owned by the Tunisian State (65 per cent stake) with the remaining 35 per cent owned by Emirates International Telecommunications (EIT), Dubai Holding's telecom subsidiary⁴. The Company is headquartered in Tunis [REDACTED].

- *An integrated operator:* Tunisie Telecom covers the wide spectrum of B2B/B2C telecom services. On the fixed side, as a legacy, the Company owns the country's backbone fibre network, the national legacy fixed-line copper network for telephony (PSTN), an ADSL network built on top of the PSTN and most of the existing last-mile fixed networks in the country. The main technology used remains xDSL and fibre is still nascent. The Company sells its B2C fixed broadband services through its subsidiary Topnet.
- *A group with regional footprint:* Tunisie Telecom owns controlling stakes in foreign telecom operators in Mauritania (*Mauritano-Tunisienne des Télécommunications, Mattel*), Malta (*Go Malta plc*), and Cyprus (indirectly, through Go Malta, in *Cablenet*).

4. MARKET CONTEXT

The Tunisian telecommunication sector is expanding steadily, with 5-10 per cent yearly growth rates. Nearly two-thirds of turnover originates in the retail market, while over one-third originates in the wholesale market.

Mobile voice and text, mobile data, and fixed data represent 30 per cent, 33 per cent, and 28 per cent of total revenues respectively. While the fixed and mobile data segments are growing (an increase of 35 per cent and an increase 13 per cent in 2 years respectively), the fixed and mobile telephone segments are slowly shrinking.

Tunisie Telecom dominates the traditional landline segment and the fixed broadband market. In the mobile phone and data segments, privately-owned Ooredoo as well as Orange challenge Tunisie Telecom [REDACTED]. Overall, Ooredoo and Tunisie Telecom each occupy 38 per cent of the total telecom market, with Orange holding the remaining 23 per cent.

⁴ In 2006, the State run a competitive process to find a strategic partner to modernise the Company and sold a 35 per cent stake to EIT.

Fixed broadband market

Fixed broadband penetration in Tunisia reached 49 per cent in 2022, one of the highest in the SEMED region. Internet access is relatively affordable at 2.6 per cent of GNI per capita, but the speed is the slowest in the region, averaging 9.7 Mbps. Fixed broadband revenues reached TND 1.1 billion in 2023 (an increase of 12 per cent yoy, an increase of 84 per cent vs 2019). However, investment by the 3 operators has stagnated at c.16 per cent of revenues. ADSL is losing market share to VDSL and Fixed Wireless Access (FWA) technologies.

Tunisie Telecom leads the wired retail market segments, holding a significant share through its subsidiary Topnet. Despite Tunisie Telecom's legacy position, the market is dynamic. Orange and Ooredoo exert pressure on Tunisie Telecom through their wireless fixed services and have successfully leveraged their mobile infrastructure to compete with Box Data and LTE-TDD offers. Fixed-wireless services have grown to reach 30 per cent of the overall fixed broadband market, and the upcoming deployment of 5G will further increase the attractiveness of FWA offers (expected for 2025). Ooredoo is quickly gaining market share in the fibre market (to reach 19 per cent in 2024), following important investments to increase its FTTx coverage.

Mobile market

Tunisia's mobile market is highly competitive, with high mobile penetration rate (138 per cent in 2023) and steady revenue growth driven by mobile data usage. The mobile voice and data segments generate similar revenues despite higher voice subscriber numbers. Most mobile data subscriptions use 4G, with 5G expected by late 2024 (expected to boost ARPUs).

Total revenues reached TND 2.3 billion in 2023, up from TND 2.0 billion in 2017. This growth was primarily driven by the strong expansion of the mobile data segment, which contribution increased from 29 per cent (TND 560 million) in 2017 to 51 per cent (TND 1.2 billion) in 2023, driven by expanding smartphone adoption and enhanced network capabilities.

There are five players in the telecom market in Tunisia: Ooredoo, Orange, Tunisie Telecom, and small MVNOs Lycamobile, and Asel Mobile. Ooredoo leads both voice and data segments, but Tunisie Telecom has been gaining subscribers. Lycamobile's low prices intensify competition, particularly in the prepaid segment, affecting ARPUs.

5. FINANCIAL / ECONOMIC ANALYSIS

5.1 HISTORICAL FINANCIALS

[REDACTED]

[REDACTED]

5.2 FINANCIAL PROJECTIONS

[REDACTED]

5.3 PROJECTED PROFITABILITY FOR THE BANK

[REDACTED]

6. OTHER KEY CONSIDERATIONS

6.1 ENVIRONMENT

Categorised B (2019 ESP). The project involves a senior loan to Tunisie Telecom to expand broadband infrastructure through mobile towers, fibre rollout in 13

governorates, and energy-efficient solutions such as small-scale solar generation. The project does not involve land acquisitions.

Environmental and social due diligence, conducted in 2024 by an independent consultant and which included a site visit, confirmed environmental and social compliance with national legislation, with no requirement for a full environmental impact assessment, and all necessary construction and telecom authorisations are in place.

A number of gaps to EBRD's performance requirements under its Environmental and Social Policy were identified at corporate level and will be addressed in the Environmental and Social Action Plan ("ESAP") part of the legal documentation. These relate to the development of a centralised environmental and social management system, improvements of the company's social policies, development of a sustainability and climate strategy to reduce greenhouse gas emissions and integrate climate considerations into operations, introduction of a formal occupational health and safety procedure covering hazard identification, training, incident reporting, specific protections for female workers, and management of aging infrastructure (notably in relation to the potential presence of hazardous materials), as well as implementation of a stakeholder engagement plan and setting-up of formal internal and external grievance mechanisms.

The implementation of the ESAP will be supported by the Bank through a post-signing technical assistance, part of the transformation programme. The EBRD will monitor compliance through annual reporting, ESAP implementation tracking, and site visits.

6.2 INTEGRITY

In conjunction with OCCO, integrity due diligence was undertaken on the Borrower, Tunisie Telecom, its shareholders (65 per cent state-owned, 35 per cent owned by Emirates International Telecommunications or "EIT") and senior management. [REDACTED] All actions required by applicable EBRD procedures relevant to the prevention of money laundering, terrorist financing and other integrity issues have been taken with respect to the Project, and the Project files contain the integrity checklists and other required documentation which have been properly and accurately completed to proceed with the Project.

6.3 OTHER ISSUES – [REDACTED]

[REDACTED]

6.4 OTHER ISSUES – CONCESSIONAL FINANCE

A European Fund for Sustainable Development + ("EFSD+") guarantee will be applied to the EBRD Loan. The EFSD+ Digital Guarantee Programme (the "Programme") is a risk mitigation instrument provided by the EU and approved by the Bank's Risk Committee on 7 October 2022 (Ref. RC22-070). The Programme [REDACTED] has been designed as an integrated approach with a view to achieving access to the digital economy for the broader population, and enabling the transition to digital economies. It is available to support loans for projects that are concerned with either (i) broadband access infrastructure or (2) development of digital solutions.

The Project is fully aligned with the targets of the Programme, as it supports the deployment of telecom infrastructure in Tunisia to broaden mobile access across the

country. The EFSD+ guarantee will function as a first loss guarantee and will cover the risk of non-payment of principal and interest under the Loan. [REDACTED]

In addition, the Project is expected to receive EUR 11 million funding support from the EU, under the EU Neighbourhood Investment Platform (NIP) programme, composed of an investment grant, and a technical assistance grant, to support the Sector and Corporate Transformation Programme.

ANNEXES TO OPERATION REPORT

ANNEX 1	SHAREHOLDING STRUCTURE
ANNEX 2	MARKET INFORMATION
ANNEX 3	COMPANY INFORMATION
ANNEX 4	TRANSFORMATION ACTION PLAN
ANNEX 5	DETAIL OF TC ARRANGEMENTS
ANNEX 6	TRANSITION IMPACT SCORING CHART
ANNEX 7	GREEN ASSESSMENT SUMMARY
ANNEX 8	PROJECT IMPLEMENTATION (PROCUREMENT PLAN)

ANNEX 1 – SHAREHOLDING STRUCTURE

[REDACTED]

ANNEX 2 – MARKET INFORMATION

[REDACTED]

ANNEX 3 – COMPANY INFORMATION

[REDACTED]

ANNEX 4 – TRANSFORMATION ACTION PLAN

Tunisia Telecommunications: Sector and Corporate Transformation Programme *Description of the Programme*

I. Summary

EBRD is providing a EUR 190 million loan investment for Tunisie Telecom to upgrade its network. The transaction will be accompanied by a comprehensive reform package aimed at reforming the sector and the company. The reform package [REDACTED] **to transform Tunisie Telecom into a modern, and competitive operator**. EBRD's assistance will enhance Tunisie Telecom's operations and create growth opportunities for the private sector. The programme also includes capacity building for the telecom regulator to seize the opportunities created by Tunisie Telecom's modernisation agenda and improve competitive outcomes for the sector.

II. Programme Overview

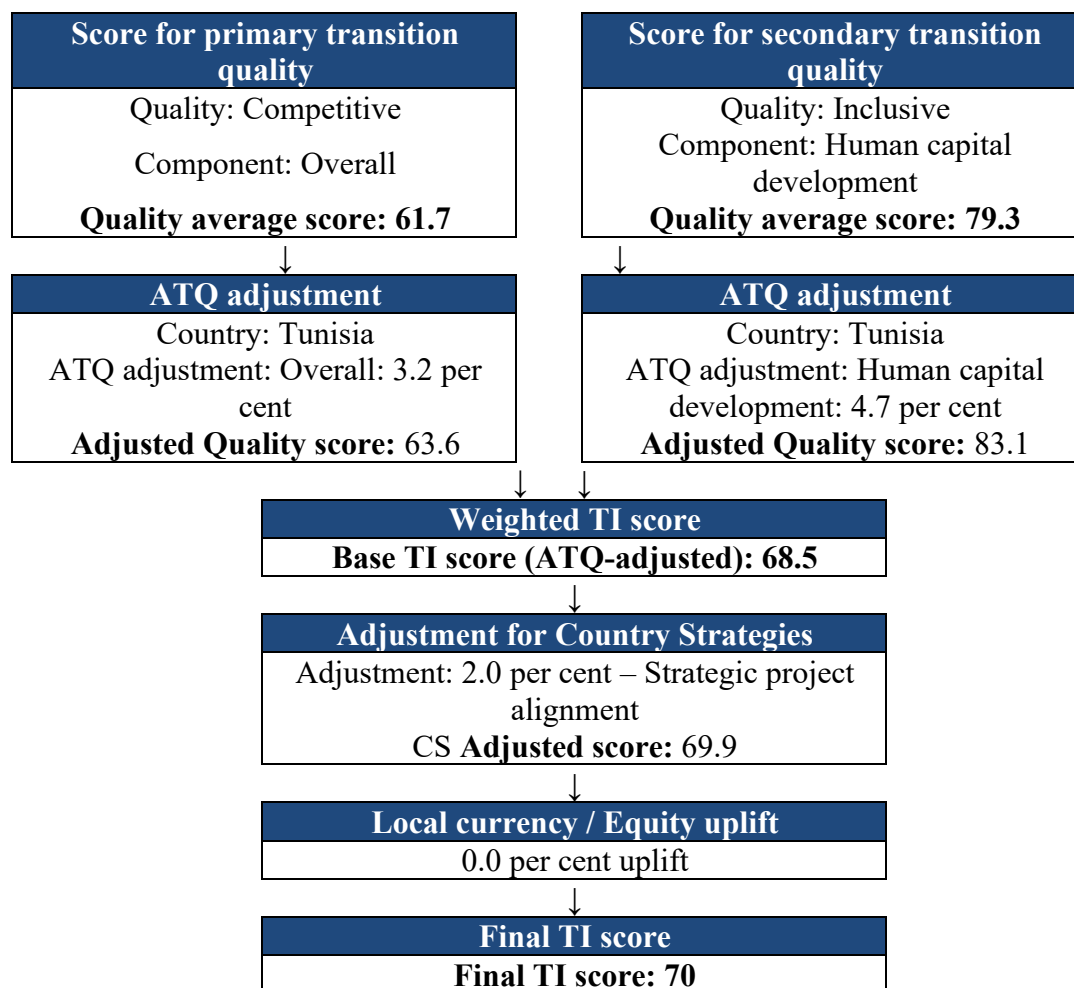
EBRD is providing a comprehensive Sector and Corporate Transformation Programme that will be implemented through a series of interconnected assignments, which terms have been agreed with Tunisie Telecom's Management and with the telecommunications regulator (INT). The programme will be funded by a combination of bilateral EU funds (NIP and EFSD+) and the Bank's own resources. [REDACTED]

[REDACTED]

ANNEX 5 – DETAIL OF TC ARRANGEMENTS

[REDACTED]

ANNEX 6 – TRANSITION IMPACT SCORING CHART



ANNEX 7 – GREEN ASSESSMENT

SUMMARY

- The Project will finance a comprehensive energy efficiency and renewable energy plan of Tunisie Telecom, including investment in fixed telecommunications infrastructure, in mobile networks, in a state-of-the-art submarine data cable, in targeted energy efficiency improvement actions in technical centres, as well as in PVs for renewable energy to off-set part of the company’s electricity consumption.
- The Project is determined **aligned with both mitigation and adaptation goals of the Paris Agreement**.
- The Project is attributed 52 per cent **GET**.
- [REDACTED].

PARIS ALIGNMENT ASSESSMENT

For Direct finance projects

Alignment with the mitigation goals of Paris Agreement - General screening

The project is determined as aligned with the mitigation goals of the Paris Agreement based on the application of the Bank’s Paris alignment approach for direct finance.

- The projects activity is included in the 'MDBs’ aligned list' under the category “Information and Communications Technology (ICT) and Digital Technologies”.
- There are no activities included in the 'non-aligned list'.
- Applicable additional or specific conditions associated with the ‘aligned’ project/economic activity are not available.

Alignment with the adaptation goals of Paris Agreement

The project is determined as aligned with the adaptation goals of the Paris Agreement as it satisfies all three steps of the assessment. No material physical climate risks have been identified.

GET ATTRIBUTION

The Project is attributed 52 per cent GET. This share has been calculated in line with Table 9 of the GET Handbook Annex. The project can demonstrate a substantial reduction in net CO₂e emissions and carbon intensity, following replacement of copper infrastructure with FTTB/H and upgrade of 3G to 4G+/5G RAN. Targeted energy efficiency improvement actions also reduce energy intensity of the operations. Renewable energy projects meet the criteria for low lifecycle GHG emissions as per Table 1: Energy of the GET Handbook.

The expected impacts of the transaction are:

- Primary energy consumption reduction: [REDACTED]
- GHG emissions reduction: [REDACTED]
- Renewable energy production: [REDACTED]

[REDACTED]

ANNEX 8 – PROJECT IMPLEMENTATION (PROCUREMENT PLAN)

Procurement classification – *Private*

Procurement arrangements:

The project was initiated identifying the project as a public sector operation on the grounds that the client, Tunisie Telecom is owned by public funds. Still, with a close review of the criteria listed in PPR 3.3, the Bank can confirm that:

a) Tunisie Telecom is not required to apply national procurement laws: as per Article 4 of Decree n°2006-1555 (New): “*The provisions of the regulations relating to public contracts do not apply to the national telecommunications company. The company's Board of Directors shall draw up internal regulations setting out the conditions for the preparation, conclusion and performance of its contracts taking into account the specific nature of its activity and in accordance with the principles of equality, competition and transparency and the rules of efficiency and good governance*”. Tunisie Telecom have their own Rules (*Règlement intérieur*);

b) Tunisie Telecom procurement Rules (*Règlement intérieur*) are based on international best practices and does follow sound procurement policies and practices. The Bank assessed the Rules and found them compliant with EBRD requirements.

c) Tunisie Telecom does cooperate competitively, meaning it:

a. operate autonomously in a competitive market environment: while Tunisie Telecom does have a dominant presence in the fixed market due to its historical legacy, it's worth emphasizing that Tunisia has become predominantly a mobile-oriented market. The per capita penetration rate stands at 121 per cent, making it one of the most competitive markets in the region. This competition is effectively divided among the three major telecom operators: Ooredoo, Tunisie Telecom, and Orange, with market shares of 44 per cent, 30 per cent, and 24 per cent, respectively; and

b. are subject to bankruptcy and insolvency laws, OGC and the Bank external legal counsel confirmed that Tunisie Telecom is subject to restructuring and liquidation provisions applicable to public enterprises, according to the Tunisian Law 89-9 about public enterprises.

Based on the above, the Bank qualifies from a procurement perspective the project as a private sector operation.

The procurement arrangements to be applied to the specific goods and works to be financed under the project have been reviewed by the Bank and have been determined to be consistent with Article 4: Procurement Rules for a Private Sector Operation of the Bank's PPR. The Bank is satisfied that Tunisie Telecom uses appropriate procurement arrangements which ensure a sound selection of goods, works and services at fair market prices and achieve value for money.

[REDACTED]