H. E. Yassine Brahim  
Minister of Development, Investment and International Cooperation  
Ministry of Development, Investment and International Cooperation  
98 Avenue Mohamed V  
1002 Tunis  
Republic of Tunisia

Re: SCF-FIP Grant No. TF0A1931  
Republic of Tunisia: Forest Investment Program Preparation Project

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Tunisia ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as Implementing Entity for the Forest Investment Program ("FIP") under the Strategic Climate Fund ("SCF"), proposes to extend to the Recipient a grant in an amount not to exceed two hundred fifty thousand United States Dollars (US $250,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donors under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.
Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
acting as an Implementing Entity of the Forest Investment Program under the Strategic Climate Fund

[Signature]
Eileen Murray
Country Manager for Tunisia
Middle East and North Africa Region

AGREED:
REPUBLIC OF TUNISIA

[Signature]
Authorized Representative

Name: YASSINE BRAHIM
Title: Minister of Development, Investment and International Cooperation
Date: March 10, 2016

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
(3) “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement and the following additional terms shall have the following meanings:

   (a) "CIF" means the Climate Investment Funds established by the World Bank, in consultation with other multilateral development banks.

   (b) "FIP" means the Forest Investment Program established under the SCF in accordance with the Governance Framework for the SCF.

   (c) "GHG" means greenhouse gas.

   (d) "General Directorate of Forestry" means the unit within the Recipient’s ministry in charge of agriculture as referred to in Section 2.03(a) of this Annex.

   (e) "Governance Framework Document of the SCF" means the governance framework document of the SCF adopted by the governing body of the SCF on November 18, 2008, as amended.

   (f) "IP" means an investment plan for the Recipient, to be endorsed by the governing body of FIP.

   (g) "Operating Costs" means the incremental recurrent expenditures incurred on account of Project implementation, including the reasonable costs for utilities and supplies, bank charges, communications, vehicle operation, maintenance, and insurance, office space rental, building and equipment maintenance, public awareness-related media expenses, travel and supervision, and salaries of contractual and temporary staff, but excluding salaries, fees, honoraria, and bonuses of members of the Recipient’s civil service.

   (h) "REDD+" means reducing emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks.

   (i) "SCF" means the Strategic Climate Fund established under the framework of CIF.

   (j) "Training" means the costs associated with training and workshop participation of personnel involved in the implementation of the Project, including travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of
training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to support the preparation of the Recipient's FIP investment plan. The Project consists of the following:

**Preparation of the FIP/IP**

Carrying out a program of activities aimed at establishing the various steps toward the preparation of the FIP/IP, including:

1. The description of the national and sectorial context of the forest and rangeland sector in the Recipient's territory by: (a) identifying the main sources of national emissions of greenhouse gases related to forests and rangelands ecosystems and anticipated trends; (b) carrying out an analysis of the Recipient's forests and rangelands resources situation and trends; (c) establishing the economic importance of forestry and rangelands sector and other sectors impacting them; (d) carrying out of an analysis of the drivers and causes of deforestation and degradation of forests and rangelands; (e) creating an institutional mapping to identify the main actors involved in the sector, their roles, potentials and constraints; and (f) identifying key forest governance mechanisms in the Recipient's territory.

2. The identification of opportunities for reducing greenhouse emissions by pinpointing: (a) the main opportunities for reducing emission from deforestation or degradation of forests and rangelands; and (b) the possibilities for conservation and enhancement of forests' and rangelands' carbon stocks.

3. The description of the enabling environment in terms of policies and regulations by outlining: (a) the institutional and legal framework for the management of forests and rangelands as well as their resources; (b) the fiscal and regulatory framework, land use policies, mechanisms of social and environmental safeguards, the market structure, other incentives and the medium-term expenditures frameworks adopted in the forest and rangeland sector; (c) the impact of the regulatory framework on the objective of the program; and (d) existing barriers and potential effects of interventions in the public and private sectors in the event of removal of such barriers.

4. The description of expected benefits related to FIP investment by: (a) identifying such benefits; (b) improving people's resilience to climate shocks; (c) promoting gender equality and social sustainability; and providing support to the integration of young adults into working life.

5. The identification of synergies and collaboration with other partners to obtain financial and technical resources to improve the implementation of the investment plan and make it more complete.

6. The identification and description of a range of projects aimed at translating the FIP investment plan into concrete activities with specific measures, indicative allocation of FIP resources and other funding resources.

7. An analysis of the complementarities between FIP/IP and REDD+ to support REDD+ process in the Recipient's territory beyond the current initiatives by: (a) resuming the programs,
REDD+, national strategies currently underway for the management of forests, woodlands and rangelands landscapes, including their funding sources; and (b) specifying the terms of the Recipient to benefit from the FIP support to finance the preparation of the REDD+ program.

8. An analysis of possibilities for implementation including risk assessment to evaluate the possibility of implementation of other GHG reduction options in the investment plan.

9. A general outline of the investment plan and funding instruments to provide first indications of: (a) FIP co-financing; (b) the total funding for each intervention; (c) the possible sources of public and private financing; and (d) the FIP leverage ratios and types of financial instruments.

10. The preparation of the proposed FIP investment project concept notes, including specific sections on safeguard and other documents as requested by the FIP sub-committee, in close collaboration with the Recipient's FIF focal point.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”); and (c) this Article II.

2.03. **Institutional and Other Arrangements.** Without limitation upon the provisions of Section 2.02 above:

   (a) The Recipient shall maintain, throughout the implementation of the Project, the General Directorate of Forestry, with functions, composition and organization satisfactory to the World Bank, supported with qualified and experienced staff in adequate numbers to be responsible for the overall implementation of the Project, including financial management and disbursement arrangements.

   (b) The Recipient shall ensure that all (i) terms of reference for any technical assistance or analyses carried out under the Project pursuant to Section 2.01 of this Annex are consistent with, and pay due attention to, the World Bank’s environmental and social safeguard policies, as well as the Recipient’s own laws relating to the environment and social aspects.

   (c) The Recipient shall ensure that in drafting laws or regulations under the Project, due attention is given to said policies and laws.

2.04. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

   (b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.
2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Such audit of the Financial Statements shall cover the entire period during which withdrawals from the Grant Account were made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

2.06. **Procurement**

(a) **General.** All consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014) (“Consultant Guidelines”) in the case of consultants’ services; and

(ii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-source procedures for the Selection of Individual Consultants.

(e) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Consultants’ services, Operating Costs and Training under the Project</td>
<td>250,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>250,000</td>
<td></td>
</tr>
</tbody>
</table>

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of this Agreement.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2017.

Article IV
Recipient’s Representative; Addresses

4.01. Recipient’s Representative. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Recipient’s ministry in charge of development and international cooperation.

4.02. Recipient’s Address. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Development and International Cooperation
98, Avenue Mohamed V
1002 Tunis
Republic of Tunisia

Facsimile:
216-71-799-069
4.03. *World Bank's Address.* The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391