REPORT NO.: RES31968

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

TUNISIA TERTIARY EDUCATION FOR EMPLOYABILITY PROJECT

APPROVED ON FEBRUARY 25, 2016

TO

MINISTRY OF DEVELOPMENT, INVESTMENT AND INTERNATIONAL COOPERATION

EDUCATION

MIDDLE EAST AND NORTH AFRICA

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I. BASIC DATA

Product Information

<table>
<thead>
<tr>
<th>Project ID</th>
<th>Financing Instrument</th>
</tr>
</thead>
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<tr>
<td>P151059</td>
<td>Investment Project Financing</td>
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</table>

<table>
<thead>
<tr>
<th>Original EA Category</th>
<th>Current EA Category</th>
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<tr>
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<table>
<thead>
<tr>
<th>Approval Date</th>
<th>Current Closing Date</th>
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</thead>
<tbody>
<tr>
<td>25-Feb-2016</td>
<td>31-Dec-2021</td>
</tr>
</tbody>
</table>

Organizations

Borrower
Ministry of Development, Investment and International Cooperation

Responsible Agency
Ministry of Higher Education and Scientific Research

Project Development Objective (PDO)

Original PDO

The objective of the Tertiary Education for Employability Project (TEEP) is to improve the employability of tertiary education graduates and to strengthen the management of higher education.

Summary Status of Financing

<table>
<thead>
<tr>
<th>Ln/Cr/Tf</th>
<th>Approval</th>
<th>Signing</th>
<th>Effectiveness</th>
<th>Closing</th>
<th>Commitment</th>
<th>Disbursed</th>
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<td>IBRD-85900</td>
<td>25-Feb-2016</td>
<td>03-Mar-2016</td>
<td>30-Nov-2016</td>
<td>31-Dec-2021</td>
<td>70.00</td>
<td>4.45</td>
<td>65.45</td>
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</table>

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?
No

II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES
Purpose of Project. The Tertiary Education for Employability Project seeks to improve the employability of tertiary education graduates and to strengthen the management of higher education.

Project Structure. Approximately two-thirds of the loan amount finances activities delivered by individual tertiary education institutions (TEIs) through a competitive fund mechanism (Programme d’appui à la qualité (PAQ)). The remaining third of the loan amount finances specific technical assistance activities to strengthen the higher education system by enhancing autonomy, accountability, and innovation.

Project Approval and Loan Effectiveness. The Project was approved by the World Bank Board of Executive Directors on February 25, 2016. However, due to a ministerial reshuffle at the Ministry of Higher Education and Scientific Research (MHESR) shortly after negotiations, there were delays in meeting some conditions for effectiveness that required ministerial approval, and the Project only became effective on November 30, 2016.

Implementation Status. The Project’s disbursement rate has remained low, with only US$4.45 million—or 6.4 percent of the loan amount—disbursed after 16 months of implementation, and the Project Development Objective (PDO) and Implementation Performance ratings were downgraded to "moderately unsatisfactory" on the June 29, 2017 Implementation Status Report.

The Project’s initial implementation was delayed as the result of the newly appointed Minister of Higher Education and Scientific Research wishing to first hold a National Higher Education Summit (Assises nationales). The Summit was aimed at ensuring all stakeholders were engaged in the on-going higher education reform program, especially the heads of universities who play an instrumental role as Project implementers. The Summit was held in December 2017 with a large collective effort from both the MHESR and its Project Management Unit (PMU).

Slow processing further delayed implementation: (1) It takes six months for PAQ competitive funds to move from concept development to grant signing; (2) PAQ payments are made in tranches, not as a single upfront disbursement; and (3) the procurement plan included many small individual technical assistance contracts.

The Project has nevertheless successfully launched the first round of several PAQ windows. Over fifty proposals have been awarded for a total of US$ 3.54 million. These first PAQ rounds generated a high level of participation from universities across the country, including “young” universities (those from the center of the country) and TEIs. Moreover, about half of the students submitting institution-sponsored proposals for PAQ funding were female. In support of this process, the MHESR developed terms of reference for each PAQ window, with the assistance of a World Bank-financed specialist in quality assurance, and delivered a series of workshops aimed at helping applicants improve the quality of their proposals before final evaluation.

Proposal for Project Restructuring. The PDO remains achievable and no modification is proposed. While the Project shows progress, and some actions are being taken to address procurement bottlenecks, the MHESR and World Bank teams agreed to take a proactive approach by restructuring the Project in order to simplify procurement arrangements and improve efficiency. This restructuring could also increase the project’s impact on graduate employability and the higher education system in general by aligning activities with the outcomes of the National Higher Education Summit and thereby ensuring greater stakeholder engagement.

Based on the agreement during the restructuring mission that visited Tunisia on April 9–13, 2018, and on the formal request sent by the Government of Tunisia on April 24, 2018, the proposal for the Project restructuring is to:
1. Simplify the Project design by cancelling technical assistance activities that are no longer priority actions. This would mean merging other technical assistance activities into larger single contracts.

2. Merge PAQ windows related to TEIs’ management capacity into a single “mega-PAQ” to maximize the coherence and impact of these funds on TEIs. This will increase the attractiveness of these PAQs by increasing their budget envelope.

3. Adapt the performance-based contract scheme such that the MHESR, alongside the PAQ awards, would provide additional financial incentives linked to a set of agreed indicators.

Taken together, these modifications should significantly reduce procurement and contract management for the MHESR in general and its PMU in particular, and thereby improve the disbursement rate. More broadly, moving funds from centrally managed technical assistance activities to “front line” TEI-managed PAQ activities would likely accelerate the rate at which the Project’s indicator target values may be achieved; the 2019 Mid-Term Review will provide an opportunity to check on this hypothesis.

Reallocating Funds between Categories. The abovementioned proposed actions will not affect the scope nor the objectives of the project. However, a restructuring of the Project will require:

1. Decreasing the allocation in Category 3 of the Loan Agreement “Goods, non-consulting services, and consultants’ services” from EUR 12,239,250 to EUR 7,639,250 (or a 38 percent decrease). This decrease would result from merging or cancelling technical assistance activities that are completed internally by MEHSR.

2. Reallocation funds from Category 3 to be split between Category 1 “Competitive Sub grants for Subprojects under Parts 1.1 and 2.1 of the Project” and Category 2 “Performance Sub grants for Subprojects under Part 2.2” to meet the financial needs of the revised PAQ competitive funds budget allocations, as well as to provide additional financial incentives through the performance-based contract scheme.

Based on this proposal, the restructuring will also require a formal revision of disbursement estimates.

Financial Management and Audit. There are no outstanding audit reports or overdue financial reports for this Project.

### III. DETAILED CHANGES

### REALLOCATION BETWEEN DISBURSEMENT CATEGORIES

<table>
<thead>
<tr>
<th>Ln/Cr/TF</th>
<th>Current Expenditure Category</th>
<th>Current Allocation</th>
<th>Actuals + Committed</th>
<th>Proposed Allocation</th>
<th>Disbursement % (Type Total)</th>
</tr>
</thead>
</table>

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| IBRD-85900-001 | Competitive Sub-Grants Parts 1.1 & 1.2 | 39,900,000.00 | 0.00 | 44,000,000.00 | 90.00 | 90.00 |
| IBRD-85900-001 | Performance Sub-Grants Part 2.2 (ii) | 12,000,000.00 | 0.00 | 12,500,000.00 | 100.00 | 100.00 |
| GD; WRK; NCS; CS | 12,239,250.00 | 18,309.87 | 7,639,250.00 | 100.00 | 100.00 |
| **Total** | **64,139,250.00** | **18,309.87** | **64,139,250.00** |