H. E. Riadh Bettaïeb
Minister of Investment and International Cooperation
Ministry of Investment and International Cooperation
98, Avenue Mohamed V
1002 Tunis Belvédère
Republic of Tunisia

Re: Tunisia: JSDF Grant for Community Works and Local Participation Project;
Grant No. TF012412

Excellency:

In response to the request for financial assistance made on behalf of the Republic of Tunisia (the Recipient), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), as administrator of grant funds provided by Japan ("Donor") under the Japan Social Development Fund, proposes to extend to the Recipient a grant in an amount not to exceed two million eight hundred and seventy thousand United States Dollars (U.S. $2,870,000) ("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 Donor. 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 Donor 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 with 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. Upon receipt by the World Bank of this countersigned copy, this Agreement
shall become effective as of the date specified by the World Bank in accordance with Section 4.02 of the Annex to this Agreement.

Very truly yours,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By [Signature]
Eileen Murray
Country Manager for the Republic of Tunisia
Authorized Representative

AGREED:

REPUBLIC OF TUNISIA

By: [Signature]
Authorized Representative
Minister of Investment and International Coopération

Name: 
Title: 
Date: 16 Juin 2012

Enclosures:
(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated February 15, 2012 ("Standard Conditions") constitute an integral part of this Agreement.

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.

(a) "Beneficiaries" means low-skilled and long-term unemployed Tunisian individuals charged with implementing the Sub-projects and skilled Tunisian individuals charged with supervising the implementation of the Sub-Projects, who have met the eligibility criteria specified in the Project Operational Manual, and for whose benefit a grant is made or proposed to be made for such Beneficiaries to participate in the carrying out of Sub-Projects under Part I of the Project;

(b) "Environmental Management Framework" means the Environmental Management Framework of the Recipient dated March 2012, and disclosed in the territory of the Recipient on May 4, 2012 and at the World Bank’s Infoshop on May 7, 2012, which includes the EMP and gives details of ineligible activities and a program of actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, along with the procedural and institutional measures needed to implement such actions, measures and policies, as the said framework may be amended and/or supplemented from time to time with the prior written consent of the World Bank;

(c) "Environmental Management Plan" means the Environmental Management Plan included in the EMF, dated March 2012 and disclosed at the World Bank’s Infoshop on May 7, 2012 prepared by the Ministry of Vocational Training and Employment of the Recipient for the purposes of the Project, setting forth a list of ineligible activities and a set of mitigation, monitoring, and institutional measures to be taken during Project implementation and operation to eliminate adverse environmental impacts, offset them, or reduce them to acceptable levels, as such Environmental Management Plan may be updated, revised or amended from time to time with the prior written agreement of the World Bank;

(d) "Incremental Operating Costs" means costs incurred by the Recipient under the Project on account of project implementation, consisting of: (i) domestic transportation and travel, including per diem allowances for Project staff in travel status; (ii) office rent, office supplies, utilities and office administration cost including translation, printing and advertising; (iii) fuel costs; and (iv) communication and mass media costs;
(e) "MVTE" means the Ministry of Vocational Training and Employment of the Recipient;

(f) "NGO" means non-governmental organization established and operating under the laws of the Republic of Tunisia;

(g) "Project Coordination Unit" or "PCU" means the unit at MVTE responsible for the day-to-day implementation of the Project;

(h) "Project Operational Manual" or "POM" means the manual to be adopted by the Recipient, in form and substance satisfactory to the World Bank, setting forth the: (i) institutional and organizational aspects, the interrelationships and the responsibilities of each party, including all the criteria and procedures for the selection of Sub-Projects and the selection of the NGOs and the Beneficiaries who will benefit from the relevant Sub-Grants and training under the Project; (ii) flow of information and specific transmission of financial reporting procedures between the regional and central level; (iii) monitoring and evaluation activities, including supervision and quality control of Sub-Projects; (iv) procurement, financial management, and disbursement arrangements for the Project; (v) safeguards screening process for Sub-Projects; and (vi) model form for Sub-Grant Agreements;

(i) "Selection Committee" means a committee consisting of representatives from various NGOs, government agencies, and civil society to be established by the Recipient to ensure transparency and accountability in the selection of the Sub-Projects under Part 1 of the Project;

(j) "Sub-Grants" means a grant made by the Recipient to an eligible NGO under Part 1 of the Project, pursuant to the provisions of a Sub-Grant Agreement and in accordance with the criteria and procedures set forth in the Project Operational Manual;

(k) "Sub-Grant Agreement" means an agreement entered into between the Recipient and an eligible NGO on the terms and conditions set forth in the Project Operational Manual for the purpose of providing a Sub-Grant for the financing of a Sub-Project;

(l) "Sub-Projects" means labor-intensive community driven development sub-projects to be identified (jointly with local communities) and implemented by NGOs under Part 1 of the Project and approved by the Selection Committee in accordance with the criteria and procedures set forth in the POM; and

(m) "Training" means training courses, workshops, conferences, seminars and outreach activities carried out under the Project in the territory of the Recipient, including costs of purchase and publication of training materials, rental of facilities and equipment, travel expenditures and subsistence of trainees.
Article II
Project Execution

2.01. Project Objectives and Description. The objective of the Project is to provide direct income support to low-skilled and long-term unemployed citizens through their participation in labor-intensive community works, to be selected and implemented in a highly participatory manner by civil society associations in Jendouba.

The Project consists of the following parts:

Part 1. Community-based Public Works and Local Participation

Provision of Sub-Grants to NGOs, in accordance with the criteria and procedures set forth in the POM, for: (1) identifying (jointly with local communities) and implementing Sub-Projects; (2) providing salaries to Beneficiaries in connection with the implementation of the Sub-Projects approved by the Selection Committee; (3) providing on the job Training to Beneficiaries; and (4) providing goods and equipment necessary for the implementation of the Sub-Projects.

Part 2. Project Management, Monitoring and Evaluation, and Dissemination of Knowledge

1. Provision of consultants’ services, goods and equipment, as well as training to MVTE in connection with the implementation, management, monitoring and evaluation of the Project.

2. Carrying out of audits for the Project and financing of the Incremental Operating Costs.

3. Provision of Training to NGOs for strengthening management capacity.

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 through the Ministry of Vocational Training and Employment (“MVTE”) in accordance with: (a) the provisions of 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 (“Arti-Corruption Guidelines”); (c) this Article II; and (d) the POM.

2.03. Institutional and Other Arrangements.

(a) Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Project Operational Manual or any provision thereof.

(b) The Recipient shall maintain the Selection Committee, with terms of reference, composition and resources satisfactory to the World Bank throughout the implementation of the Project.

(c) The Recipient shall maintain the Project Coordination Unit at MVTE, with terms of reference, composition and resources satisfactory to the World Bank throughout the implementation of the Project.
(d) The Recipient shall make each Sub-Grant available to each eligible NGO under a Sub-Grant Agreement between the Recipient and the eligible NGO under terms and conditions approved by the World Bank and reflected in the POM. The Recipient shall exercise its rights under the Sub-Grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Sub-Grant Agreement or any of its provisions.

(e) The Recipient shall: (i) carry out the Project in accordance with the guidelines, procedures, timetables and other specifications set forth in the Environmental Management Plan and the Environmental Management Framework; and (ii) not amend, suspend, abrogate, repeal or waive any provision of the Environmental Management Plan or the Environmental Management Framework without the prior written approval of the World Bank.

(f) The Recipient shall ensure that data collection regarding Project execution shall be collected by the NGOs in charge of implementing the Sub-Projects on a monthly basis and shall be made publicly available through the Project’s labor market information system.

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 set forth below in paragraph (b) of this Section. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) The performance indicators referred to above in paragraph (a) consist of the following:

(i) By the end of the Project, 90% of Beneficiaries have received temporary income support through their participation in Sub-Projects.

(ii) By the end of the Project, 30% of individuals having benefited from the Project are women.

(iii) By the end of Project, 80% of all Sub-Projects should be satisfactorily completed.

(c) 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 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 for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. **Procurement**

(a) **General.** All goods, non-consulting services and 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) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) 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 (“Consultant Guidelines”), in the case of consultants’ services; and

(iii) 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 1.18 of the Procurement Guidelines and 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 and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of National Competitive Bidding subject to the following additional procedures:

a. The bidding document clearly explains the bid evaluation, award criteria and bidder qualification criteria;

b. Any bidder registered in an eligible country, as defined in paragraphs 1.8 to 1.10 of the Procurement Guidelines will be eligible to bid; therefore no restriction based on nationality of bidders or origin of goods shall apply and foreign bidders shall not be subject to any unjustified requirement which will affect their ability to bid;
c. Government-owned enterprises in the Borrower's country may participate only if they can establish that they (i) are legally and financially autonomous; (ii) operate under commercial law, and (iii) are independent from contracting entity;

d. Bidders will be allowed to deliver their bids by mail or by hand before the expiration of the deadline for submitting bids;

e. Procedures would include the publication of the evaluation results, the contract award and provision for bidders to protest;

f. If foreign firms wish to participate, they would be allowed to do so and no provision for preferential treatment of national firms or mandatory association with a national firm or prior registration in the country of the Borrower would be applied;

g. Prior to issuing the first call for bids, a draft standard bidding document to be used under National Competitive Bidding procurement must be submitted to and found acceptable by the Bank; and

h. Each bidding document and contract for goods and works to be financed from the proceeds of the future Loan/Grant would provide that the supplier, contractor and subcontractor would permit the Bank, at its request, to inspect their accounts and records relating to the bid submission and performance of the contract, and to have said accounts and records audited by auditors appointed by the Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan: (A) Shopping; (B) Direct Contracting; and (C) Community Participation procedures which have been found acceptable to the World Bank.

(d) Particular Methods of Procurement of Consultants' Services

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

(ii) The following methods may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Selection under a Fixed Budget; (B) Least Cost Selection; (C) Selection based on Consultants’ Qualifications; (D) Single-source Selection of consulting firms; (E) Selection of Individual Consultants; and (F) 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) Article III of 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 U.S.D)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods under Part 2 of the Project</td>
<td>24,000</td>
<td>100%</td>
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<tr>
<td>(2) Consultants’ Services, including Audits, under Part 2 of the Project</td>
<td>208,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Training and workshops under Part 2 of the Project</td>
<td>115,140</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Incremental Operating Costs</td>
<td>55,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Sub-Grants under Part 1 of the Project</td>
<td>2,467,860</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>2,870,000</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 countersignature of this Agreement by the Recipient.
3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is four years after the date of countersignature of this Agreement by the Recipient.

**Article IV**

**Effectiveness**

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.

(a) The Project Operational Manual, in a form and substance satisfactory to the World Bank, has been adopted by the Recipient.

(b) The Selection Committee has been established by the Recipient with terms of reference, composition and resources satisfactory to the World Bank.

(c) The Project Coordination Unit has been established at MVTE by the Recipient with terms of reference, composition and resources satisfactory to the World Bank.

4.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

**Article V**

**Recipient’s Representative; Addresses**

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Investment and International Cooperation.

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

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

**Facsimile:**

216-71-799 845  
216-71-799-069

5.03. **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

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<th>Cable:</th>
<th>Telex:</th>
<th>Facsimile:</th>
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<tbody>
<tr>
<td>INTRAFRAD</td>
<td>248423 (MCI) or</td>
<td>1-202-477-6391</td>
</tr>
<tr>
<td>Washington, D.C.</td>
<td>64145 (MCI)</td>
<td></td>
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