Loan Agreement

(Youth Economic Inclusion Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated October 14, 2017
LOAN AGREEMENT

AGREEMENT dated October 14, 2017, between REPUBLIC OF TUNISIA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank"). The Borrower and the Bank hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of fifty-two million seven hundred thousand Euros, (€52,700,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.08 of this Agreement ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.

2.04. The Commitment Charge payable by the Borrower shall be equal to one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.05. The interest payable by the Borrower for each Interest Period shall be at a rate equal to the Reference Rate for the Loan Currency plus the Variable Spread; provided, however, that the interest payable shall in no event be less than zero percent (0%) per annum; and provided furthermore that, upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (e) of the General Conditions.

2.06. The Payment Dates are March 15 and September 15 in each year.
2.07. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

2.08. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management: (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency; (ii) a change of the interest rate basis applicable to: (A) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa; or (B) all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Reference Rate and the Variable Spread to a Variable Rate based on a Fixed Reference Rate and the Variable Spread, or vice versa; or (C) all of the principal amount of the Loan withdrawn and outstanding from a Variable Rate based on a Variable Spread to a Variable Rate based on a Fixed Spread; and (iii) the setting of limits on the Variable Rate or the Reference Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on the Variable Rate or the Reference Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III — PROJECT

3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out Parts I, II.2 and III of the Project through MFPE and Part II.1 of the Project through MFPE and CEPEX, in accordance with the provisions of Article V of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) MFPE has issued the Order (Arrêté) creating the National Strategic Steering Committee, in form and substance satisfactory to the Bank, and the National Strategic Steering Committee has been established with mandate, composition, staff and resources satisfactory to the Bank.

(b) MFPE has issued the Order (Arrêté) creating the National Technical Committee, in form and substance satisfactory to the Bank, and the National Technical Committee has been established with mandate, composition, staff and resources satisfactory to the Bank.
(c) MFPE has issued the Decree creating the UGO, in form and substance satisfactory to the Bank, and the UGO has been established with mandate, composition, staff and resources satisfactory to the Bank.

(d) The National Technical Committee and the Borrower have adopted the POM, in form and substance satisfactory to the Bank.

4.02. The Effectiveness Deadline is the date one hundred and twenty (120) days after the date of this Agreement.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

5.01. The Borrower’s Representative is the Minister of Development, Investment and International Cooperation.

5.02. The Borrower’s Address is:

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

Facsimile:
216 71 799 069

5.03. The Bank’s Address is:

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

Telex: Facsimile:
248423(MCI) or 64145(MCI)
1-202-477-6391
AGREED at Washington D.C., United States of America, as of the day and year first above written.

REPUBLIC OF TUNISIA

By

Authorized Representative

Name: Zied Lachedri

Title: Minister of Development, Investment and International Cooperation

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: Marie-Francoise Marie Nelly

Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve economic opportunities for targeted disadvantaged youth in the Selected Governorates of the Borrower.

The Project consists of the following parts:

Part I: Identifying and Connecting Target Youth to Jobs

1. **Carrying out of program intake and profiling of target youth.** Implementation of activities designed to identify, register, select, and profile Target Youth, including:

   (a) design and implementation of targeted outreach and awareness-raising activities to identify and motivate Target Youth to register and to inform applicants about the procedures and requirements for accessing the services provided;

   (b) development and implementation of a statistically assisted job profiling system for the selected Target Youth; and

   (c) financing of Incremental Operating Costs incurred by selected Government agencies involved in the carrying out of activities under (a) and (b) above.

2. **Providing tailored services for connecting Target Youth to jobs.** Implementation of activities to improve labor participation and employability of selected Target Youth and help such selected Target Youth to access jobs or move from low to higher quality jobs, including:

   (a) performance-based provision of set of tailored support services to increase the access of the selected Target Youth to job opportunities, including, *inter alia*, soft and/or technical training, counselling and/or job search assistance;

   (b) training of trainers to build capacity in designing and conducting the above tailored support services;

   (c) provision of specialized capacity-building to selected Government agencies to ensure gradual appropriation by such agencies of the new service provision model; and

   (d) provision of Stipends to selected Target Youth.

Part II: Supporting Job Creation

1. **Supporting the development of value chains with high job creation potential.** Implementation of activities designed to promote sustainable and quality private sector job creation within relevant value chains, including:
(a) provision of technical assistance to various stakeholders to conduct analytically underpinned public private dialogues to identify the main bottlenecks preventing targeted value chains from achieving their full potential, and to prepare Investment Action Plans;

(b) provision of technical assistance to various stakeholders to implement the Investment Action Plans;

(c) carrying out Public Investments to unlock value chain growth potential;

(d) provision of MSME Competitive Matching Sub-Grants to selected MSMEs to support their firm-level investments for the development of value chains; and

(e) financing of the Incremental Operating Costs incurred by CEPEX for the supervision of the technical assistance under (a) and (b) above.

2. **Supporting the creation of micro enterprises.** Implementation of activities designed to foster entrepreneurship among Target Youth with potential to create economically viable projects, including:

(a) provision of a comprehensive set of business development services to selected Target Youth covering both pre-creation and post-creation of the relevant projects;

(b) training of the selected providers of business development services to address gender gaps in business creation by women;

(c) provision of Youth Sub-Grants to selected Target Youth to cover the initial investment cost and working capital of their business plans; and

(d) provision of Stipends to selected Target Youth.

**Part III: Building Effective and Accountable Program Delivery**

1. **Developing a management information system (MIS) and other information and communication technologies (ICT) solutions for data-sharing and accountability.** Implementation of activities designed to create the MIS and other ICT solutions for a coordinated, agile and transparent implementation of Project activities, including:

(a) creation of a database hosting information regarding, and profiles of, the selected Target Youth;

(b) creation of a portal to facilitate interactions among selected Target Youth and selected MSMEs, service providers and relevant agencies;

(c) set-up of various channels using information and technology solutions, for Project-related communication activities;
(d) design and implementation of information and technology modules for a simplified selected Target Youth report card and of a grievance and redress mechanism; and

(e) acquisition of information and technology equipment.

2. Creating capacity-building and communications with stakeholders. Implementation of activities designed to ensure Project implementation readiness and stakeholder engagement, including:

(a) provision of capacity-building services, training in Tunisia or abroad, and technical assistance to various stakeholders at central and local levels;

(b) design and implementation of a communication strategy for the Project; and

(c) carrying out of dedicated communication and awareness-raising activities to boost women’s labor force participation and engagement in wage employment and entrepreneurship.

3. Building results-orientation and service delivery accountability. Implementation of activities designed to ensure results-orientation and accountability of service providers to selected Target Youth and selected MSMEs, including:

(a) design and implementation of a monitoring and evaluation plan including inter alia mid-term process evaluation, impact evaluations and beneficiary survey;

(b) provision of capacity-building services to stakeholders at central and local levels for Project’s results management;

(c) provision of technical assistance for the design and implementation of the report card for selected Target Youth and selected MSMEs, as well as of the grievance and redress mechanism; and

(d) monitoring of implementation of the Safeguard Instruments.

4. Project implementation support. Provision of technical advisory services and financing of Incremental Operating Costs for the establishment and operations of UGO in the management and coordination of the Project, and handling of technical, administrative, fiduciary, and safeguard-related matters.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Borrower shall carry out Parts I, II.2 and III of the Project through MFPE and Part II.1 through MFPE and CEPEX. The Borrower shall cause CEPEX to carry out Part II.1 of the Project with MFPE in accordance with the provisions of the POM and the MFPE/CEPEX Interagency Agreement. The Borrower shall ensure that all ministries and shall cause all Government agencies (including, inter alia, CEPEX and ANPE) whose involvement will be necessary for the implementation of the Project, shall collaborate with MFPE as necessary and in accordance with the provisions of the POM.

2. The National Strategic Steering Committee, chaired by the Minister of MFPE and comprising other concerned ministers or their representatives, and the concerned Governors or their representatives, shall oversee and validate the Project’s overall strategic directions and ensure coherence and synergy with priorities of both the Borrower and the Selected Governorates.

3. The National Technical Committee, chaired by a representative of MFPE and comprising representatives of concerned ministries, shall validate the POM and any modification to be made to the POM, closely monitor the implementation of the Project in compliance with the provisions of the POM, and resolve any issue regarding the implementation of the Project, including, inter alia, issues of inter-ministerial or inter-agency coordination.

4. The Regional Committees, chaired by the head of the relevant regional MFPE management office and comprising the governorate-level technical focal points of concerned ministries and Government agencies, shall support UGO by ensuring local appropriation, relevance and adaptation of Project activities, developing roadmaps for Project implementation, and being responsible for following Project implementation progress and resolving bottlenecks. Not later than three (3) months after the Effective Date, MFPE shall issue the Decision(s) establishing the Regional Committee for each of the Governorates of Jendouba, Kasserine, Kairouan, Manouba and Sfax, in form and substance satisfactory to the Bank, and such Regional Committees shall be established with mandate, composition, staff and resources satisfactory to the Bank. Not later than thirty (30) months after the Effective Date, MFPE shall issue the Decision(s) establishing the Regional Committee for each of the Governorates of Siliana and Kebili, in form and substance satisfactory to the Bank, and such Regional Committees shall be established with mandate, composition, staff and resources satisfactory to the Bank.

5. The UGO shall be responsible for day-to-day Project implementation and coordination at central and local levels, technical supervision, fiduciary management and procurement, communications, matters regarding the implementation of the Safeguard Instruments, grievance and redress mechanism, and monitoring and evaluation. The UGO shall be headed by a Director General and comprise, inter alia, a financial management specialist,
two (2) procurement specialists, an accountant, a monitoring and evaluation specialist, a communications and grievance and redress specialist, a safeguards specialist, and a team in each of the Selected Governorates, as further detailed in the POM.

6. The MSME Sub-Project Selection Committee, co-chaired by one representative of the MFPE and one representative of the ministry(ies) in charge of industry and commerce, and comprising representatives from the ministry in charge of finance, the UGO, private sector associations and qualified experts with strong experience in evaluating business plans, shall be responsible for the selection of the MSME Sub-Projects. The Youth Sub-Project Selection Committee, chaired by the Director of the UGO or its designated representative, and comprising representatives of selected Government agencies and/or stakeholders as defined in the POM, and business development service providers involved in the implementation of Part II.2(b) of the Project, shall be responsible for the selection of Youth Sub-Projects.

7. The Borrower shall at all times through the implementation of the Project, maintain the National Strategic Steering Committee, the National Technical Committee, the seven (7) Regional Committees, the UGO, the MSME Sub-Project Selection Committee and the Youth Sub-Project Selection Committee, with mandate, composition, staff and resources satisfactory to the Bank. The Borrower shall at all times through the implementation of the Project, cause CEPEX to be maintained with mandate, composition, staff and resources satisfactory to the Bank.

8. The Borrower shall insure that MFPE and CEPEX will comply with the provisions of the MFPE/CEPEX Interagency Agreement. The MFPE/CEPEX Interagency Agreement, in form and substance satisfactory to the Bank, shall be entered into by MFPE and CEPEX not later than three (3) months after the Effective Date.

9. The Borrower shall insure that MFPE and ANPE will comply with the provisions of the MFPE/ANPE Interagency Agreement. The MFPE/ANPE Interagency Agreement, in form and substance satisfactory to the Bank, shall be entered into by MFPE and ANPE not later than three (3) months after the Effective Date.

10. The Borrower shall cause CEPEX, not later than three (3) months after the Effective Date, to establish a VCD platform, consisting of a team of suitably qualified and experienced VCD specialists, whose mandate, composition and terms of reference shall be acceptable to the Bank, capable of providing and/or supervising, on terms and conditions acceptable to the Bank, a package of VCD-related support services required under Part II.1 (a) and (b) of the Project, as more fully described in the POM, including: (a) identification of higher value added market segments for the targeted products, and/or higher job creation potential, (b) identification of constraints and market-failures that hinder access to such markets, (c) elaboration and preparation of a strategy and program of actions and measures to address such constraints and market-failures, and (d) identification of champions and actors involved or to be involved in the implementation of such strategy and program of actions.
B. Project Operational Manual; Midterm Review

1. The Borrower shall carry out the Project in accordance with procedures set forth in the POM, and except as the Bank shall otherwise agree, shall not amend or waive any provision thereof, if such amendment or waiver may, in the opinion of the Bank, materially or adversely affect the implementation of the Project.

2. The Borrower shall:

   (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objective thereof;

   (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, thirty four (34) months after the Effective Date, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objective thereof during the period following such date; and

   (c) review with the Bank, thirty six (36) months after the Effective Date, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report, and the Bank’s views on the matter.

C. Anti-Corruption

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Sub-Projects

1. The Borrower shall make MSME Competitive Matching Sub-Grants to eligible MSMEs in accordance with eligibility criteria and procedures acceptable to the Bank, and set forth in the POM which shall include the following: no MSME Sub-Project shall be considered for financing under the Project unless it has been duly screened and appraised, and deemed financially sound, economically viable and technically feasible, and in full compliance with all relevant social and environmental standards, and other eligibility criteria set forth in the POM.

2. The Borrower shall make Youth Sub-Grants to eligible Target Youth in accordance with eligibility criteria and procedures acceptable to the Bank, and set forth in the POM which shall include the following: no Youth Sub-Project shall be considered for financing under the Project unless it has been duly screened and appraised, and deemed financially sound, economically viable and technically feasible, and in full compliance with all relevant social and environmental standards, and other eligibility criteria set forth in the POM;
3. The Borrower shall make each Sub-Grant under a Sub-Grant Agreement with the respective Sub-Project Beneficiary on terms and conditions approved by the Bank, which shall include the following:

(a) The Sub-Grant shall be made on a non-reimbursable basis.

(b) The Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to: (i) suspend or terminate the right of the Sub-Project Beneficiary to use the proceeds of the Sub-Grant, or obtain a refund of all or any part of the amount of the Sub-Grant then withdrawn, upon the Sub-Project Beneficiary’s failure to perform any of its obligations under the Sub-Grant Agreement; and (ii) require each Sub-Project Beneficiary to: (A) carry out its Sub-Project with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the POM and the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Borrower; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Sub-Grant in accordance with the provisions of this Agreement; (D) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Sub-Project and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Sub-Project; and (2) at the Bank’s or the Borrower’s request, have such financial statements audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank, and promptly furnish the statements as so audited to the Borrower and the Bank; (F) enable the Borrower and the Bank to inspect the Sub-Project, its operation and any relevant records and documents; and (G) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

4. The Borrower shall exercise its rights under each Sub-Grant Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Sub-Grant Agreement or any of its provisions.

E. Public Investments

1. The Borrower shall make Public Investments to the benefit of eligible Public Investment Beneficiaries, included in Investment Action Plans, in accordance with eligibility criteria and procedures acceptable to the Bank, and set forth in the POM which shall include the following: no Public Investment shall be considered for financing under the Project unless it has been duly screened and appraised, and deemed financially sound, economically viable and technically feasible, and in full compliance with all relevant social and environmental standards, and other eligibility criteria set forth in the POM.
2. The Borrower shall enter into a Public Investment Agreement with the relevant Public Investment Beneficiary on terms and conditions approved by the Bank, which shall include the following:

(a) The Borrower shall not charge any cost to the relevant Public Investment Beneficiary for making the Public investment.

(b) The Borrower shall obtain rights adequate to protect its interests and those of the Bank, including the right to: (i) suspend the implementation of the Public Investment upon the failure by the relevant Public Investment Beneficiary to perform any of its obligations under the Public Investment Agreement; and (ii) require each relevant Public Investment Beneficiary to: (A) maintain the Public Investment with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Bank, including in accordance with the provisions of the POM; (B) provide, promptly as needed, the resources required for the purpose; (C) maintain policies and procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Bank, the progress of the Public Investment and the achievement of its objectives; (D) enable the Borrower and the Bank to inspect the Public Investment, its operation and any relevant records and documents; and (E) prepare and furnish to the Borrower and the Bank all such information as the Borrower or the Bank shall reasonably request relating to the foregoing.

3. The Borrower shall exercise its rights under each Public Investment Agreement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate or waive any Public Investment Agreement or any of its provisions.

F. Safeguards.

1. The Borrower shall take steps to monitor on a continuing basis the implementation of the Safeguard Instruments and ensure that the Project is executed in strict accordance with such Safeguard Instruments, and, upon the occurrence of any event or condition likely to interrupt or interfere with the smooth implementation of the Safeguard Instruments, the Borrower shall act promptly to deal with or address such event or condition, and to inform the Bank accordingly.

2. For the purposes of any Sub-Project or other activity under the Project, and prior to implementation thereof, the Borrower shall ensure that any plan, action plan, fact sheet or other instrument required in terms of any one or more of the Safeguard Instruments, shall have been duly:

(a) prepared in form and substance satisfactory to the Bank, and, except as otherwise agreed with the Bank, submitted to the Bank for review and approval; and

(b) thereafter adopted and publicly disclosed.
3. The Borrower shall take all measures necessary on its part to regularly collect, compile, and submit to the Bank, as part of the Project Reports referred to in Section II.A below, reports on the status of compliance with the Safeguard Instruments, giving details of:

(a) measures taken in furtherance of such Safeguard Instruments;

(b) any event or condition which interferes or threatens to interfere with the smooth implementation of such Safeguard Instruments; and

(c) remedial measures taken or required to be taken to address such event or condition.

4. Except as the Bank shall otherwise agree in writing, the Borrower shall not amend, waive or abrogate, or cause to be amended, waived or abrogated, any provision of the Safeguard Instruments.

5. The Borrower shall ensure that all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the Bank Policies, as well as the Borrower’s own laws relating to environment and social aspects.

6. No activity that would trigger the application of the Bank Resettlement Policy, shall be financed under this Project.

G. Annual Work Program and Budget

1. Beginning in the Fiscal Year during which the Loan becomes effective, the Borrower shall, not later than November 30 in each Fiscal Year, prepare and furnish to the Bank, a proposed annual work program and budget ("Annual Work Program and Budget") for the next following Fiscal Year, giving details of: (a) a time table of programs and activities scheduled for implementation in the course of that next following Fiscal Year; and (b) the estimated cost of each such program or activity, along with the budget line item and source of funding corresponding to each program or activity.

2. The Borrower shall exchange views with the Bank on each such proposed Annual Work Program and Budget, and proceed thereafter to carry out the Annual Work Program and Budget, taking into consideration any comments that shall have been made thereon by the Bank.

3. No program or activity shall be supported under the Project or funded out of the proceeds of the Loan other than those which are included in the Annual Work Program and Budget. Except with the prior and written concurrence of the Bank, the Annual Work Program and Budget shall not be waived, amended or otherwise modified, whether in whole or in part, so as to limit or exclude any of the mutually agreed programs or activities, or to introduce new programs or activities.
Section II. Project Monitoring Reporting and Evaluation

A. Project Reports

The Borrower shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of indicators acceptable to the Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank not later than forty-five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. The Borrower shall prepare and furnish to the Bank not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank.

3. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

Section III. Procurement

All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the provisions of the Procurement Plan.

Section IV. Withdrawal of Loan Proceeds

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the “Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan (“Category”), the allocation of the amounts of the Loan 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 Loan Allocated (expressed in Euro)</th>
<th>Percentage of Expenditures to be financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services, Incremental Operating Costs and Public Investments under Part I.1, Part I.2 (a), (b) and (c), Part II.1 (a), (b), (c) and (e), Part II.2 (a) and (b), and Part III of the Project</td>
<td>21,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Stipends under Part I.2(d) and Part II.2(d) of the Project</td>
<td>10,500,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(3) MSME Competitive Matching Sub-Grants under Part II.1(d) of the Project</td>
<td>11,500,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(4) Youth Sub-Grants under Part II.2(c) of the Project</td>
<td>6,600,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>(5) Front-end Fee</td>
<td>131,750</td>
<td>Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions</td>
</tr>
<tr>
<td>(6) Unallocated</td>
<td>2,968,250</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>52,700,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed Euro 5,000,000 may be made for payments made prior to this date but on or after September 1, 2017, for Eligible Expenditures under Category (1);

   (b) under Category (3) unless the MSME Sub-Project Selection Committee has been created under a Decision issued by MFPE, in form and substance satisfactory to the Bank, and the MSME Sub-Project Selection Committee has been established with mandate, composition, staff and resources satisfactory to the Bank; or
(c) under Category (4) unless the Youth Sub-Project Selection Committee has been created under a Decision issued by MFPE, in form and substance satisfactory to the Bank, and the Youth Sub-Project Selection Committee has been established with mandate, composition, staff and resources satisfactory to the Bank.

2. The Closing Date is January 31, 2024.
SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share"). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying:
   (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share (Expressed as a Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 15, 2023</td>
<td>2.00%</td>
</tr>
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<td>September 15, 2023</td>
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2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

   (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.

   (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date ("Original Installment Share") and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

   (b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on
or after the respective Principal Payment Date, the provisions of such subparagraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (a) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the Withdrawn Loan Balance is denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.
APPENDIX

Section I. Definitions

1. "ANPE" means the Borrower's National Agency of Environment Protection (*Agence Nationale de Protection de l'Environnement*), an industrial and commercial public enterprise with industrial and commercial character established and operating according to the rules and regulations of the Borrower including under Law No. 88-91 of August 2, 1988, and such term includes any successor thereto satisfactory to the Bank.


3. "Bank Policies" means the World Bank's operational policies as set forth on the following website:

4. "Bank Resettlement Policy" means the World Bank's operational policy OP/BP 4.12 as set forth on the following website:

5. "CEPEX" means the Borrower's Center for Export Promotion (*Centre de Promotion des Exportations*), an industrial and commercial public enterprise with industrial and commercial character established and operating according to the rules and regulations of the Borrower including under the law establishing the CEPEX and Decree No. 2005-3282 of December 19, 2005, fixing the organization of CEPEX, and such term includes any successor thereto satisfactory to the Bank.

6. "Environmental and Social Diagnostic Fact Sheet" or "ESDFS" means an environmental and social diagnostic fact sheet, in form and substance satisfactory to the Bank, prepared by the Borrower, in respect of one or more Sub-Projects or Public Investments, as the case may be, assessing the nature and the scale of potential environmental and social impacts on the human and biophysical environment associated with one or more Sub-Projects, and defining the most appropriate environmental and social management tool (i.e., ESIFS for Sub-Projects or Public Investments, as the case may be, with low adverse impact and ESMP for Sub-Projects or Public Investments, as the case may be, with moderate adverse impact).

7. "Environmental and Social Impact Assessment" or "ESIA" means an environmental and social impact assessment, in form and substance satisfactory to the Bank, prepared by the Borrower in line with its own legal arrangements and procedures, assessing, evaluating and measuring the direct and indirect effects in the short, medium and long term of one or more
Sub-Projects or Public Investments, as the case may be, on the human and biophysical environment.

8. "Environmental and Social Information Fact Sheet" or "ESIFS" means an environmental and social information fact sheet, in form and substance satisfactory to the Bank, prepared by the Borrower, providing adequate information on one or more Sub-Projects or Public Investments, as the case may be, whose social and environmental impact, as a result of the ESDFS, has been defined low, together with appropriate institutional, monitoring and reporting arrangements, to be eventually included in the contractual requirements of potential contractors/operators, required to ensure proper implementation of, and regular feedback on compliance with, the ESMP.

9. "Environmental and Social Management Framework" or "ESMF" means the environmental and social management framework, dated May 17, 2017, issued by the Borrower and thereafter publicly disclosed, providing a systematic analysis of potential impacts on the human and biophysical environment associated with the Project; an assessment of the risks and likelihood of potential adverse social and environmental impacts; and measures designed to prevent, manage or mitigate such potential adverse impacts.

10. "Environmental and Social Management Plan" or "ESMP" means an environmental and social management plan, in form and substance satisfactory to the Bank, adopted by the Borrower in respect of one or more Sub-Projects or Public Investments, as the case may be, giving details of measures consistent with the ESMF, and designed to prevent, manage or mitigate potential adverse moderate social and environmental impacts associated with the Project, together with particulars of proposed institutional, monitoring and reporting arrangements to be eventually included in the contractual requirements of potential contractors/operators, required to ensure proper implementation of, and regular feedback on compliance with, the ESMP.

11. "Fiscal Year" means the Borrower’s fiscal year.

12. "General Conditions" means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated March 12, 2012, with the modifications set forth in Section II of this Appendix.

13. "Governorate" means an administrative subdivision of the Borrower’s territory.

14. "Incremental Operating Costs" means the incremental operating costs arising under the Project and incurred by MFPE and CEPEX on account of local contractual support staff salaries, travel expenditures and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance, materials and supplies; and utilities, media information and communications’ expenses; excluding the salaries of the Borrower’s civil servants.

15. "Investment Action Plan" means an investment action plan approved by the UGO and CEPEX, prepared for a specific value chain in compliance with the MOP and setting forth the actions necessary for the development and growth of such value chain.
16. "MFPE" means Ministère de la Formation Professionnelle et de l'Emploi, the Ministry of Vocational Training and Employment of the Borrower, or any successor thereto.

17. "MFPE/ANPE Interagency Agreement" means the agreement to be entered into between MFPE and ANPE to clarify mutual roles and responsibilities, including the responsibility of ANPE to inter alia: (a) provide training and capacity building to UGO and relevant stakeholders regarding the implementation of the Safeguard Instruments; (b) monitor the implementation of the Safeguard Instruments; and (c) contribute to the preparation of the reports on the status of compliance with the Safeguard Instruments; and referenced in Section I.A.9 of Schedule 2 to this Agreement.

18. "MFPE/CEPEX Interagency Agreement" means the agreement to be entered into between MFPE and CEPEX to clarify mutual roles and responsibilities, including the responsibility of CEPEX to inter alia: to supervise, through its VCD platform, the provision of technical assistance to be carried out under Part II.1 of the Project, and referenced in Section I.A.8 of Schedule 2 to this Agreement.

19. "MSME" means micro, small and medium enterprise.

20. "MSME Competitive Matching Sub-Grant" means a grant made or proposed to be made by the Borrower out of the proceeds of the Loan to a MSME in order to support the development of a specific value chain relevant to any of the Selected Governorates, for financing a MSME Sub-Project through a Sub-Grant Agreement under Part II.1(d) of the Project, in accordance with the provisions of Section I.D.1 of Schedule 2 to this Agreement.

21. "MSME Sub-Project" means a specific project to be carried out by a MSME meeting the eligibility criteria set forth in the POM, covering, inter alia, and utilizing the proceeds of a MSME Competitive Matching Sub-Grant.

22. "MSME Sub-Project Selection Committee" means the committee responsible for the selection of the MSME Sub-Projects, referenced in Section I.A.6 of Schedule 2 to this Agreement and established in accordance with Section IV.B.1(b) of Schedule 2 to this Agreement.

23. "National Strategic Steering Committee" means the national strategic steering committee for the Project referenced in Section I.A.2 of Schedule 2 to this Agreement and established in accordance with Section 4.01(a) of this Agreement.

24. "National Technical Committee" means the national technical coordination committee for the Project referenced in Section I.A.3 of Schedule 2 to this Agreement and established in accordance with Section 4.01(b) of this Agreement.

25. "Procurement Plan" means the Borrower's procurement plan for the Project, dated July 21, 2017, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Bank.

27. "Project Operational Manual or "POM" means the manual, to be adopted by the National Technical Committee and the Borrower in accordance with Section 4.01(d) of this Agreement, at all times in form and substance satisfactory to the Bank, setting forth the details of all operational arrangements for the implementation, monitoring and supervision of the Project, including: (a) the respective roles and responsibilities for the implementation of the Project; (b) the accounting, financial management, auditing and reporting arrangements; (c) the procurement arrangements, including the Procurement Plan; (d) the monitoring and evaluation procedures including the selected indicators for measuring Project performance; (e) the procedures and eligibility criteria governing the financing of Sub-Projects; (f) the details of Safeguard Instruments, as and when they become available; and (g) all other relevant arrangements necessary for the carrying out of the Project.

28. "Public Investment" means a specific investment included in an Investment Action Plan and meeting the eligibility criteria set forth in the POM, which will help unlock the development of a specific value chain and which can consist of equipment and/or small works provided that such small works will not trigger the application of the Bank Resettlement Policy.

29. "Public Investment Agreement" means an agreement entered into or to be entered into between the Borrower and a Public Investment Beneficiary, for the implementation by MFPE of a specific Public Investment to the benefit of such Public Investment Beneficiary, and/or on a piece of land or property owned by such Public Investment Beneficiary, on terms and conditions satisfactory to the Bank in accordance with the provisions of Section I.E.2 of Schedule 2 to this Agreement.

30. "Public Investment Beneficiary" means a specific Ministry or Government agency of the Borrower, as mentioned in an Investment Action Plan and eligible to benefit from a Public Investment to be carried out under Part II.1(c) of the Project.

31. "Regional Committee" means the regional committee for the Project, to be established in each of the Selected Governorates, referenced in Section I.A.4 of Schedule 2 to this Agreement.

32. "Safeguard Instruments" means any or all of the ESDFS, ESIA, ESIA, ESIFS, ESMF ESMP, and other safeguard instruments derived therefrom or adopted pursuant thereto.

33. "Selected Governorates" means the Governorates of Jendouba, Siliana, Kasserine, Kairouan, Manouba, Kibili and Sfax.

34. "Stipends" means a monthly payment to each selected Target Youth to finance the daily expenses (including transportation and meal) incurred by the selected Target Youth in connection with his/her participation in the tailored support services under Part I.2(a) of the Project, or in the business development services under Part II.2(a) of the Project, in accordance with the provisions of the POM.
35. "Sub-Grant" means a MSME Competitive Matching Sub-Grant or a Youth Sub-Grant.

36. "Sub-Project" means a MSME Sub-Project or a Youth Sub-Project.

37. "Sub-Project Beneficiary" means either a MSME or a Target Youth eligible to receive, as the case may be, a MSME Competitive Matching Sub-Grant or a Youth Sub-Grant for a Sub-Project to be carried out under Part II.1(d) or Part II.2(c) of the Project, respectively.

38. "Sub-Grant Agreement" means a grant agreement entered into or to be entered into between the Borrower and a Sub-Project Beneficiary, providing for a MSME Competitive Matching Sub-Grant or a Youth Sub-Grant, on terms and conditions satisfactory to the Bank in accordance with the provisions of Section I.D.3 of Schedule 2 to this Agreement.

39. "Target Youth" means disadvantaged youth aged 18-35 in the Selected Governorates.

40. "UGO" means Unité de Gestion par Objectif, the Project Management Unit by Objective located within MFPE and established in accordance with Section 4.01(c) of this Agreement.

41. "VCD" means value chain development.

42. "Youth Sub-Grant" means a grant made or proposed to be made by the Borrower out of the proceeds of the Loan to a Target Youth in the Selected Governorates, for financing a Youth Sub-Project through a Sub-Grant Agreement under Part II.2(c) of the Project, in accordance with the provisions of Section I.D.2 of Schedule 2 to this Agreement.

43. "Youth Sub-Project" means a specific project to be carried out by a Target Youth meeting the eligibility criteria set forth in the POM, and utilizing the proceeds of a Youth Sub-Grant.

44. "Youth Sub-Project Selection Committee" means the committee responsible for the selection of the Youth Sub-Projects, referenced in Section I.A.6 of schedule 2 to this Agreement and established in accordance with Section IV.B.1(c) of Schedule 2 to this Agreement.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the modifications set forth in the paragraphs below.

2. Section 3.01. (Front-end Fee) is modified to read as follows:

   "Section 3.01. Front-end Fee; Commitment Charge

   (a) The Borrower shall pay the Bank a front-end fee on the Loan amount at the rate specified in the Loan Agreement (the "Front-end Fee")."
(b) The Borrower shall pay the Bank a commitment charge on the Unwithdrawn Loan Balance at the rate specified in the Loan Agreement (the “Commitment Charge”). The Commitment Charge shall accrue from a date sixty days after the date of the Loan Agreement to the respective dates on which amounts are withdrawn by the Borrower from the Loan Account or cancelled. The Commitment Charge shall be payable semi-annually in arrears on each Payment Date.”

3. In the Appendix, Definitions, all relevant references to Section numbers and paragraphs are modified, as necessary, to reflect the modification set forth in paragraph 2 above.

4. The Appendix is modified by inserting a new paragraph 19 with the following definition of “Commitment Charge”, and renumbering the subsequent paragraphs accordingly:

“19. “Commitment Charge” means the commitment charge specified in the Loan Agreement for the purpose of Section 3.01(b).”

5. In the renumbered paragraph 49 (originally paragraph 48) of the Appendix, the definition of “Front-end Fee” is modified by replacing the reference to Section 3.01 with Section 3.01 (a).

6. In the renumbered paragraph 68 (originally paragraph 67) of the Appendix, the definition of the term “Loan Payment” is modified to read as follows:

“68. “Loan Payment” means any amount payable by the Loan Parties to the Bank pursuant to the Legal Agreements or these General Conditions, including (but not limited to) any amount of the Withdrawn Loan Balance, interest, the Front-end Fee, the Commitment Charge, interest at the Default Interest Rate (if any), any prepayment premium, any transaction fee for a Conversion or early termination of a Conversion, the Variable Spread Fixing Charge (if any), any premium payable upon the establishment of an Interest Rate Cap or Interest Rate Collar, and any Unwinding Amount payable by the Borrower.”

7. In the renumbered paragraph 73 (originally paragraph 72) of the Appendix, the definition of “Payment Date” is modified by deleting the word “is” and inserting the words “and Commitment Charge are” after the word “interest”.