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8 JUIL. 2019

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

Re: Tunisia Governance, Financial Sector and Local Governments Multi Donor Trust Fund Grant No. TF0B0363 for the Tunisia Governance, Financial Sector and Local Governments Project
Letter Agreement

Your 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 administrator of grant funds provided by the Donor(s) under the Tunisia Governance, Financial Sector and Local Governments Trust Fund, proposes to extend to the Recipient a grant in an amount not to exceed two million one hundred twenty eight thousand United States Dollars (USD 2,128,000) ("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(s). 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 administrator of grant funds provided by the Donor(s) under the Tunisia Governance, Financial Sector and Local Governments Trust Fund

By _____
Marie Françoise Marie-Nelly
Director of Operations, Maghreb Department
Middle East and North Africa Region

AGREED:
REPUBLIC OF TUNISIA

By _____
Minister of Development, Investment and International Cooperation
Authorized Representative

Name Signé Zied LADHARI

Title _____

Date 1- 8 JUIL 2019

Enclosures:

(1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012
(2) Disbursement Letter of the same date as this Agreement, together with the "Disbursement Guidelines for Investment Project Financing", dated February 2017

Grant No. TF0B0363
ANNEX

Article I
Standard Conditions; Definitions

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.

1. "*Caisse des Prêts et de Soutien des Collectivités Locales*" or "CPSCL" means the Recipient's Municipal Development Fund established within the Borrower's Ministry of Local Affairs and Environment pursuant to Law No. 75-37, dated May 14, 1975, or any successor thereto acceptable to the Bank.

2. "CDC" means *Cours des Comptes*, the Recipient's Court of Auditors.

3. "CGSP" means *Controleur Général des Services Publics*, the Recipient's Public Services Controlling Agency.

4. « MALE » means *Ministère des Affaires Locales et de l'Environnement*, the Recipient's Ministry of Local Affairs and Environment

5. "Selected Local Governments" means any of the Recipient's municipalities.

6. "Sub-Grant" means a grant to be provided by the Recipient, through the CPSCL, to each Selected Local Government from the proceeds of the Grant for the purchase of basic supplies listed in the Procurement Plan.

7. "Sub-Grant Agreement" means the agreement to be entered into between the Recipient, through the CPSCL, and each Selected Local Government for the provision of a Sub-Grant and referred to in Section 2.03 of this Agreement.

Article II
Project Execution

2.01. ***Project Objective and Description.*** The objective of the Project is to strengthen the operational capacity of the Recipient's relevant central and local authorities responsible for moving forward the decentralization agenda. The Project consists of the following part, namely, the provision of equipment supplies (including desks, hardware, telephone and fax, heating and air conditioning) to the MALE, the CPSCL, the CGSP, the CDC and to Selected Local Governments.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through the *Caisse des Prêts et de Soutien des Collectivités Locales* (CPSCL) 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 and as of July 1, 2016 ("Anti-Corruption Guidelines"); and (c) this Article II.

2.03. ***Institutional and Other Arrangements.*** For purposes of providing basic equipment supplies to Selected Local Governments under the Project, the Recipient, through the CPSCL, shall enter into a sub-grant agreement with each Selected Local Government under terms and conditions acceptable to the World Bank (Sub-Grant Agreement) which shall include, *inter alia*:

(a) the amount to be provided in the form of a Sub-Grant to the Selected Local Government, its terms and conditions;

(b) the obligation of the Selected Local Government to procure the expenditures to be financed under the Sub-Grant Agreement in accordance with the procedures set forth in the Procurement Plan;

(c) the obligation of the Selected Local Government to carry out its activities in compliance with the Anti-Corruption Guidelines;

(d) the obligation of the Selected Local Government to report to the Recipient, through the CPSCL, on the progress of the implementation of the activity financed with the Sub-Grant and to enable the Recipient and the World Bank, if the World Bank shall so request, to visit the facilities where the activities are implemented and administered;

(e) the obligation of the Selected Local Government to maintain records and accounts for expenditures incurred and financed with the Sub-Grant, and make available such documentation to the Recipient, through the CPSCL, and the World Bank, if the World Bank shall so request; and

(f) the right of the Recipient, through CPSCL, to suspend, cancel or request a refund of the Sub-Grant or a portion thereof in case of the failure of the Selected Local Government to perform any of its obligations under the Sub-Grant Agreement.

2.04. ***Donor Visibility and Visit.*** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor's support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, take all measures required on its part to enable the representatives of the Donor(s) to visit any part of the Recipient's territory for purposes related to the Project.

2.05. ***Documents; Records.***

In addition, and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

(a) all records evidencing expenditures under the Project are retained for seven (7) years and six (6) months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient's financial and narrative progress reports submitted to the World Bank; (iii) the Recipient's financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient's implementation

documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

(b) the representatives of the World Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donor.

2.06. ***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.

2.07. ***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, through the CPSCL, 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, through the CPSCL, 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.

2.08. ***Procurement***

All goods 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 the "World Bank Procurement Regulations for IPF Borrowers" dated July 2016, revised November 2017 and August 2018 ("Procurement Regulations"), and the provisions of the Recipient's procurement plan for the Project ("Procurement Plan") dated November 29, 2018 provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with 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

"Disbursement Guidelines for Investment Project Financing", dated February 2017, 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:

Category	Amount of the Grant Allocated (expressed in USD)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods and Sub-Grants under the Project	2,128,000	100%
TOTAL AMOUNT	2,128,000	

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, except that withdrawals up to an aggregate amount not to exceed $425,000 equivalent may be made for payments made prior to this date but on or after the date falling twelve (12) months prior to the date of this Agreement, for Eligible Expenditures.

3.03. ***Withdrawal Period.*** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2020.

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 its Minister of Development, Investment 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, Investment 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:	Facsimile:
248423 (MCI) or 64145 (MCI)	1-202-477-6391