MIDDLE EAST AND NORTH AFRICA TRANSITION FUND

Grant Agreement

(Social Protection Reforms Support Project)

between

REPUBLIC OF TUNISIA

and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AND INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Implementation Support Agency of the Transition Fund

Dated November 5, 2013
GRANT NUMBER TF015956

TRANSITION FUND

GRANT AGREEMENT

AGREEMENT dated NOVEMBER 5, 2013, entered into between:

Republic of Tunisia ("Recipient"); and

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
and INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as an Implementation Agency (ISA) for the Trust Fund (TF072021) for the Transition Fund (the "Trust Fund").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012 ("Standard Conditions"), with the modifications set forth in Appendix 2 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 Standard Conditions or in this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through MOF in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.
3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to four million seven hundred thousand United States Dollars ($4,700,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the above-mentioned Trust Fund for which the World Bank receives periodic contributions from the Trustee of the Trust Fund, in accordance with the Financial Procedures Arrangement (FPA) between the International Bank for Reconstruction and Development and International Development Association, as Implementation Support Agency (ISA), and the International Bank for Reconstruction and Development, as Trustee, dated November 21, 2012, concerning the Trust Fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Trustee under the abovementioned Trust Fund, in accordance with the FPA, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.
Article IV
Recipient's Representative; Addresses

4.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister responsible for development and international cooperation.

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

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

Facsimile:
216-71-799-069

4.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at Tunis, Tunisia, as of the day and year first above written.

REPUBLIC OF TUNISIA

By

[Signature]

Authorized Representative

Name: MR. LAMINE DOGHRI

Title: MINISTER, MINISTRY OF DEVELOPMENT AND INTERNATIONAL COOPERATION

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Implementation Agency for the Transition Fund

By

[Signature]

Authorized Representative

Name: MR. SIMON GRAY

Title: DIRECTOR, MAGHRUB DEPARTMENT
SCHEDULE 1
Project Description

The objective of the Project is to strengthen institutional capacity to design social protection reforms and improve targeting of safety net programs.

The Project consists of the following parts:

Part A: Subsidy and Safety Net Reform Support

1. Providing technical advisory services and capacity-building to the Inter-Ministerial Working Group for:

   (a) Evaluation of economic and social impact of potential reforms for energy and food subsidies;
   (b) Evaluation of reform options for automatic fuel price adjustment mechanisms; and
   (c) Development of an implementation plan and operational manual for a subsidy-compensation program for households.

2. Providing technical advisory services to the Inter-Ministerial Working Group for the creation of a unified population database with a UIN for all social transfer programs including:

   (a) Development of proxy-means testing formula and questionnaire for targeting compensation;
   (b) Assessment of various payment options for delivering household cash transfers under the subsidy-compensation program;
   (c) Assessment of options for implementing a UIN based on an evaluation of identification systems currently used by other programs;
   (d) Information technology support for the creation of a national MIS for the unified database; and
   (e) Enhancement of the MOSA MIS for managing current social protection programs.

3. Providing technical advisory services to the Inter-Ministerial Working Group for consensus-building and communication including the following:

   (a) Evaluation of the economic and social implications for different stakeholders;
(b) Improving access to information on subsidy and social protection expenditure analyses;

(c) Development of a public consultation mechanism on reform options in advance of reforms; and

(d) Enhancement of existing grievance redress mechanisms for social protection beneficiaries.

Part B: Strengthening Social Security Analysis and Planning

Providing technical advisory services to build the institutional capacity of the Inter-Ministerial Working Group to analyze and develop consensus on an integrated reform plan for pensions and health insurance through: (i) Training of Recipient’s staff on policy analysis of pension and health insurance reform options; (ii) Training on economic and social impact analysis of various scenarios for social contributions and protection for workers who become unemployed; (iii) Training on policy analysis of labor legislation in relation to social security; and (iv) preparation, coordination and dissemination of information policy reform options among social dialogue partners.

Part C: Project Management and Monitoring

Providing technical advisory services to the PIU for the implementation, monitoring and evaluation, and audits for the Project.
SCHEDULE 2
Project Execution

Section I. Institutional and Other Arrangements

A. General

1. The Recipient shall maintain, within the MOF, throughout Project implementation, the PIU with qualified staff and adequate resources including a Project director, a technical specialist, a procurement specialist and a financial management specialist, to be responsible for managing the day-to-day implementation of the Project.

2. The Recipient shall maintain, throughout Project implementation, the Technical Steering Committee (“TSC”) to be responsible for providing overall guidance to the PIU and supervision of Project activities.

3. The Recipient shall maintain, throughout Project implementation, the Inter-Ministerial Working Group responsible for designing subsidy and social security reform plans through consensus-building among key stakeholders of civil society.

B. Implementation Arrangements

1. The Recipient shall take all necessary measures to implement the Project in accordance with the Project Implementation Manual (“PIM”). The Recipient shall not amend, suspend, abrogate, repeal or waive any provision of the Project Implementation Manual without prior approval of the World Bank.

2. Without any limitation to the provisions of Section 3.06 of the Standard Conditions, the Recipient shall take appropriate measures to utilize the Grant funds exclusively for their intended purposes and in a manner that enables the World Bank to fulfill its obligations under the FPA, in particular under Section 4 of the FPA.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 (“Anti-Corruption Guidelines”).
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. 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.

2. 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.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. 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.

3. 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 such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

C. Other Reports

Without any limitation to the provisions of Section II.A and Section II.B of this Schedule 2, the Recipient shall, promptly upon request from the World Bank, provide all information and reports relating to the Project and the use of the proceeds of the Grant, in order to enable the World Bank to fulfill its obligations under the FPA.
Section III. **Procurement**

A. **General**

1. **Procurement and Consultant Guidelines.** All goods 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:

   (a) 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, and 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

   (b) the provisions of this Section III, 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”).

2. **Definitions.** The capitalized terms used below in 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.

B. **Particular Methods of Procurement of Goods**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods.** The following methods, other than International Competitive Bidding, may be used for procurement of goods and non-consulting services for those contracts specified in the Procurement Plan:

   (a) National Competitive Building, subject to the following additional provisions:

      (i) the bidding document clearly explains the bid evaluation, award criteria and bidder qualification criteria;
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;

government-owned enterprises in the Recipient's country may participate only if they can establish that they: (A) are legally and financially autonomous; (B) operate under commercial law, and (C) are independent from contracting entity;

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

technical and financial envelopes are submitted together and opened in public, simultaneously during a unique session open to the public for goods, works and non-consulting services; amounts shall be read aloud during the public session; bidders or their representatives are authorized to attend the bid opening session. The date, time and place for bid opening shall be announced in the invitation to bid; this date and time shall be the same as for the deadline for receipt of bids or immediately thereafter;

bids are evaluated on price and any other criteria disclosed in the bidding documents and quantified in monetary terms and contracts are awarded to the qualified bidder having submitted the lowest evaluated responsive bid, and price shall not be negotiated with the lowest evaluated bidder except under the provisions stated in paragraph 2.63 of the Procurement Guidelines;

procedures will include the publication of the evaluation results, the contract award and provision for bidders to protest;

if foreign firms wish to participate, they shall 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 Recipient shall be applied;

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 World Bank; and
(x) Each bidding document and contract for goods, works and non-consulting services to be financed from the proceeds of the Grant shall provide that the supplier, contractor and subcontractor shall permit the World 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 World Bank. The deliberate and material violation by the supplier, contractor or subcontractor of such provision may amount to obstructive practice.

(b) Shopping; and

(c) Direct Contracting.

C. Particular Methods of Procurement of Consultants’ Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants’ Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

D. 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.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) 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 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 Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants’ services, Training and Incremental Operating Costs</td>
<td>4,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>4,700,000</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 for payments made prior to the date of this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2017.
APPENDIX 1

Definitions

(a) "Incremental Operating Costs" means the incremental operating costs under the Project incurred by the Recipient for purposes of Project management and implementation, of communication, translation and interpretation, printing, procurement-related advertising, office supplies, banking charges, and local transportation, and salaries of contractual and temporary staff, but excluding salaries of the Recipient's civil servants excluding salaries of the Recipient's civil servants, and other miscellaneous costs directly associated with Project implementation subject to the prior written approval by the World Bank.

(b) "Inter-Ministerial Working Group" means the working group established by the Recipient comprising representatives from the Head of the Government, the Ministry of Development and International Cooperation, MOSA, the Center of Social Research and Studies (MOSA), the Ministry of Finance, the Ministry of Commerce, the Ministry of Industry, the Ministry of Health, the Ministry of Transportation, the Ministry of Vocational Training and Employment, and the Ministry of Agriculture, as referred to in Section I.A. of Schedule 2 to this Agreement.

(c) "Ministry of Finance" and "MOF" each means the Recipient's ministry in charge of finance.

(d) "MIS" means management information system.

(e) "MOSA" means the Recipient's ministry of social affairs.

(f) "Procurement Plan" means the Borrower's procurement plan for the Project, dated September 18, 2013, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

(g) "Project Implementation Unit" and "PIU" each means the unit established by the Recipient within the MOF, as referred to in Section I.A. of Schedule 2 to this Agreement.

(h) "Project Implementation Manual" or "PIM" means the manual describing the implementation, financial management, procurement, disbursement, monitoring and evaluation, and reporting arrangements for the Project, including standard bidding documents, as adopted by the Recipient and referred to in Section I.B of Schedule 2 to this Agreement.

(i) "Steering Committee" or "SC" means the Trust Fund's decision making body as described in the Transition Fund Operations Manual.
(j) "Technical Steering Committee and "TSC" each means the steering committee for the Project established by the Recipient comprising representatives from the Head of the Government, the Ministry of Development and International Cooperation, MOSA, the Center of Social Research and Studies (MOSA), the Ministry of Finance, the Ministry of Commerce and the Ministry of Industry as referred to in Section I.A. of Schedule 2 to this Agreement.

(k) "Training" means the cost of training and workshops financed under the Project, attributable to in-country seminars, study tours, and training workshops, along with the cost of domestic travel and subsistence for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to training preparation and implementation, including fees of educational or other institutions providing training.

(l) "Transition Fund Operations Manual" means the Manual approved by the Steering Committee, which sets out the detailed procedures applicable to the operation of the Transition Fund, as said Manual may be amended from time to time by the Steering Committee in accordance with procedures set out in the said Manual.

(m) "Trustee" means the International Bank for Reconstruction and Development in its capacity as trustee of the Trust Fund.

(n) "UIN" means a unique identification number identifying every household under the social transfer programs.
APPENDIX 2

Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

The first sentence of Section 4.05(a) of the Standard Conditions has been revised as follows: "If the World Bank or the SC (as defined in the Grant Agreement) determines or an audit conducted under the FPA (as defined in the Grant Agreement) indicates that an amount of the Grant has been used in a manner inconsistent with any provision of the Grant Agreement, the Standard Conditions, or the FPA, the Recipient shall, upon notice by the World Bank to the Recipient, promptly refund such amount to the World Bank."