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Report No: PP2776

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT PAPER

ON A

PROPOSED GRANT

IN THE AMOUNT OF
US\$ 2.128 MILLION EQUIVALENT

TO THE

REPUBLIC OF TUNISIA

FOR A

TUNISIA GOVERNANCE, FINANCIAL SECTOR AND LOCAL GOVERNMENTS TRUST FUND
{DATE}

{Social, Urban, Rural And Resilience Global Practice}

{Middle East And North Africa Region}

CURRENCY EQUIVALENTS

(Exchange Rate Effective {Jan 08, 2019})

Currency Unit =

= US\$1

FISCAL YEAR

January 1 - December 31

Regional Vice President: Ferid Belhaj

Country Director: Marie Françoise Marie-Nelly

Senior Global Practice Director: Ede Jorge Ijjasz-Vasquez

Practice Manager: Ellen Hamilton

Task Team Leader(s): Salim Rouhana, Ayah Mahgoub

ABBREVIATIONS AND ACRONYMS

ANC	The National Constitutional Assembly
BETF	Bank Executed Trust Fund
CDC	Cour des Comptes (Court of Auditors)
CGSP	Contrôleur Général des Services Publics (Public Services Controlling Agency)
CPF	Country Partnership Strategy
CPSCF	Municipal Development Fund
GRS	Grievance Redress Service
MALE	Ministry of Local Affairs and Environment
MDTF	Multi Donor Trust Fund
MENA	Middle East and North Africa
O&M	Operation and Maintenance
PDO	Program Development Objective
RETF	Recipient Executed Trust fund
SCD	Systematic Country Diagnostic
UDLGP	Urban Development and Local Program



BASIC INFORMATION

Is this a regionally tagged project? No	Country (ies)	
Financing Instrument Investment Project Financing	Classification Small Grants	
<input type="checkbox"/> Situations of Urgent Need or Assistance/or Capacity Constraints <input type="checkbox"/> Financial Intermediaries (FI) <input type="checkbox"/> Series of Projects (SOP)		
Approval Date 04-Mar-2019	Closing Date 30-Jun-2020	Environmental Assessment Category C-Not Required
Approval Authority CD Decision	Bank/IFC Collaboration No	
Please Explain		

Proposed Development Objective(s)

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.

Components

Component Name	Cost (USD Million)
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Organizations

Borrower : MINISTRY OF DEVELOPMENT, INVESTMENT AND INTERNATIONAL COOPERATION



Implementing Agency : Caisse des Prêts et de Soutien aux Collectivités Locales (CPSCL)

PROJECT FINANCING DATA (US\$, Millions)

SUMMARY

Total Project Cost	2.13
Total Financing	2.13
Financing Gap	0.00

DETAILS

Non-World Bank Group Financing

Trust Funds	2.13
Miscellaneous 1	2.13

Expected Disbursements (in USD Million)

Fiscal Year	2019	2020
Annual	0.15	1.98
Cumulative	0.15	2.13

INSTITUTIONAL DATA

Practice Area (Lead)

Social, Urban, Rural and Resilience Global Practice

Contributing Practice Areas

Private Capital Mobilized

No



Gender Tag

Does the project plan to undertake any of the following?

a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF

Yes

b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment

No

c. Include Indicators in results framework to monitor outcomes from actions identified in (b)

No

OVERALL RISK RATING

Risk Category

Rating

Overall

● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

Yes No

Does the project require any waivers of Bank policies?

Yes No

Safeguard Policies Triggered by the Project

Yes

No

Legal Covenants

Sections and Description

Section 2.03 of the Annex to the Grant Agreement:

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).

Conditions**PROJECT TEAM****Bank Staff**

Name	Role	Specialization	Unit
Salim Rouhana	Team Leader(ADM Responsible)		GSU11
Ayah Mahgoub	Team Leader		GSU11
Blandine Marie Wu Chebili	Procurement Specialist(ADM Responsible)		GGOSC
Kolie Ousmane Maurice Megnan	Financial Management Specialist(ADM Responsible)		GGOMN
Mohamed Adnene Bezzaouia	Environmental Specialist(ADM Responsible)	Environmental Safeguards	GENME
Claire Florence Marie Joseph Azzabi	Team Member		GSU11
Eka Zarmen Putra	Team Member	Trust Fund Advice	DFTPR
Helen Z. Shahriari	Social Specialist		GSU05
Marie Roger Augustin	Counsel		LEGAM
Markus Friedrich Vorpahl	Social Specialist	Social Safeguards	GSU05
Mehdi El Batti	Team Member	Financial Management	GGOMN
Steve W. Wan Yan Lun	Team Member	Trust Fund Advice	GFCMW
Victoria Ahlonkoba Bruce-Goga	Team Member		GSU05
Wahid Kraiem	Team Member		GSU19

Extended Team

Name	Title	Organization	Location
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TUNISIA
TUNISIA GOVERNANCE, FINANCIAL SECTOR AND LOCAL GOVERNMENTS TRUST FUND

TABLE OF CONTENTS

I. STRATEGIC CONTEXT	7
A. Country Context	7
B. Sectoral and Institutional Context	7
C. Higher Level Objectives to which the Project Contributes	8
II. PROJECT DEVELOPMENT OBJECTIVES.....	9
A. PDO.....	9
B. Project Beneficiaries.....	9
C. PDO-Level Results Indicators.....	9
III. PROJECT DESCRIPTION.....	9
A. Project Components.....	9
B. Project Cost and Financing.....	9
IV. IMPLEMENTATION.....	10
A. Institutional and Implementation Arrangements.....	10
B. Results Monitoring and Evaluation	11
C. Sustainability	11
V. KEY RISKS	12
A. Overall Risk Rating and Explanation of Key Risks.....	12
VI. APPRAISAL SUMMARY	12
A. Other Safeguard Policies (if applicable)	13
B. World Bank Grievance Redress.....	13
VII. RESULTS FRAMEWORK AND MONITORING	14



I. STRATEGIC CONTEXT

A. Country Context

1. Tunisia is a beacon of hope for democracy in the MENA region. In a context of deep turmoil in most of the MENA region, Tunisia stands as an exception where a change of regime following the so-called Arab Spring has been translated into a democratic transition. The National Constitutional Assembly (ANC) elected in October 2011 adopted a new Constitution that entered into force on January 27, 2014. The ensuing parliamentary and presidential elections led to the constitution of a government which took office in January 2015. The new constitution profoundly modified Tunisia's governance framework by strengthening the checks and balances between the executive, the legislative and the judicial powers, by empowering the government and local governments and fostering more open and participatory democracy based on the principles of transparency, accountability and participation. The Government has sought the support from its development partners to implement these deep and comprehensive constitutional reforms across the public sector.
2. The proposed activity is fully in line with Tunisia's Country Partnership Framework (CPF) 2016-2020. Increasing transparency, accountability and performance of the public sector is a priority for renewing the social contract and improving service delivery. Addressing public sector governance and public financial management is identified as a key priority in the Tunisian government's Plan stratégique de développement économique 2016-2020. This priority has been reflected in the Tunisia CPF.

B. Sectoral and Institutional Context

3. Marginalization of the interior regions was at the heart of the Tunisian revolution in 2011. One of the root causes of the Tunisian revolution was the profound disparities in development – according to many indicators including revenues, unemployment, literacy, access to healthcare etc. – between the leading coastal regions and the lagging interior regions, reinforced by a perception of deep inequity in their treatment by public institutions. Through a highly centralized political system, the interior regions did not have the institutional means to have their voices heard by the authorities, which created a sentiment of injustice among these regions' populations. It is thus not a surprise that the protests that eventually led to the overthrow of President Ben Ali and his administration started in the Center-west governorates of Sidi Bouzid and Kasserine.
4. Decentralization is a core principle of the new Tunisian Constitution. To address these issues and provide Tunisia with a modern representative political system, the ANC included in the new Constitution an entire chapter on "Local Authorities" (Chapter VII), establishing very ambitious principles in terms of decentralization and setting up a new institutional landscape for local governance. These principles have been materialized by the adoption of the Code of Local Governments in April 2018, and the first post-revolution local elections in May 2018.
5. There are, however, several challenges in implementing decentralization in Tunisia. Implementing Chapter



VII of the Constitution entails many challenges for Tunisia. The Constitutional requirement of a fully “communalized” country – meaning that the country’s whole territory and population are administered by municipal entities and administrations – is currently fulfilled over only 10 percent of the territory representing two-thirds of the population. Consequently, many new municipalities have been created and about 70 percent of the existing ones have been territorially extended. These municipalities will face the important challenge of integrating in the municipal system 90 percent of the Tunisian territory and about one-third of the country’s population. New municipalities will have to start from scratch but will yet quickly have to be able to provide services to populations whose expectations towards their “communalization” are high. Existing municipalities will have to manage territories significantly larger, with rural population having different needs from their current constituents and will have to provide new types of services that they have little experience in. These extended municipalities will have to create arrondissements (municipalities subdivision) including offices in their new territories to be able to provide services to population that are far from the local government headquarters. In addition, most existing Tunisian municipalities are facing important difficulties, including equipment, staffing numbers and staff skills, roles and responsibilities, governance and financial and revenue management (most of them being in chronic budget deficit). Decentralization is also a challenge for the various central-state agencies which are entrusted with new responsibilities with very limited human and financial resources. For example, the Court of Auditors (French acronym CDC), the Controller General of Public Services (French acronym CGSP), the Administrative Tribunal and the Ministry of Local Affairs and Environment (MALE) have all expressed specific needs to enable them to undertake their new responsibilities under a decentralized system. Indeed, international experience shows that, for local governments to be effective, a range of reforms, investments and capacity building is required to strengthen: central-local oversight and co-ordination, inter-governmental transfers, local administration and human resource management, accountability mechanisms, revenue management, inclusive economic planning and investment, and outreach/engagement of citizens. These challenges need to be overcome if decentralization is to be successful, with more competences devolved to municipalities. Supporting municipalities on these fronts is therefore considered a pre-requisite for the success of Tunisia’s decentralization process and for improving development outcomes, in both urban and rural areas.

6. The proposed grant comprises only the Recipient-executed trust fund (RETF) of the Multi Donor Trust Fund (MDTF), which emerged through the restructuring of the original Tunisia MDTF ('Support to Local Governments and Decentralization', TF072287), adding a third TF sector on local government and changing the original MDTF name to the new name: "Tunisia Governance, Financial Sector and Local Governments Trust Fund" (TF072692). This RETF under the new local government window is accompanied by a separate Bank-executed TF (BETF).

C. Higher Level Objectives to which the Project Contributes

7. The activity contributes to supporting the Republic of Tunisia with implementing its decentralization efforts, to strengthening the social contract between local governments and its constituents, and to improving development outcomes, in both urban and rural areas of Tunisia.



II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

Note to Task Teams: The PDO has been pre-populated from the datasheet for the first time for your convenience. Please keep it up to date whenever it is changed in the datasheet.

8. 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.

B. Project Beneficiaries

9. Direct project beneficiaries are local governments across Tunisia, and MALE, CPSCL, CGSP and CDC. Indirect project beneficiaries are Tunisian citizens.

C. PDO-Level Results Indicators

10. Key results indicators are:

Improved work equipment of beneficiary local and central government organizations through the acquisition of all supplies indicated in the procurement plan

11. Achievement is measured through

- a. Desks, computers, printers/scanners, chairs, telephone, fax, air conditioning, etc have been supplied to local and central governments entities

III. PROJECT DESCRIPTION

A. Project Components

12. Component 1: Strengthening of operational capacities through provision of basic equipment (US\$ 2.128 million)

The component will finance the provision of basic equipment supplies, e.g. desks, computers, telephones and fax, heating and air-conditioning, for MALE, CPSCL, CGSP, CDC, and local governments. All 86 new municipalities and a selection of previously existing ones will receive equipment. MALE, CPSCL, CGSP and CDC will receive equipment relevant to their missions pertaining to local governance.

It is expected that the supplied basic equipment will provide the beneficiaries with the physical ability to perform their function and to provide expected services to citizens.

B. Project Cost and Financing



Project Components	Project cost	Trust Funds	Counterpart Funding
Component 1: Strengthening of operational capacities through provision of basic equipment	2,128,000.00	2,128,000.00	0
Total Costs	2,128,000.00	2,128,000.00	0
Total Project Costs	2,128,000.00	2,128,000.00	0
Total Financing Required	2,128,000.00	2,128,000.00	0

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

13. This RETF will be implemented by the Caisse des Prêts et de Soutien aux Collectivités Locales (CPSCL), which operates under the Ministry of Local Affairs and Environment, and is the implementing entity of the Urban Development and Local Governance Program (P130637). As a result, the CPSCL will be fully responsible for project implementation, in compliance with the procurement, financial management, and disbursement procedures of the Bank. While recipient of the grant and responsible for the operations mentioned above, the CPSCL will only be directly in charge of procurement related to acquisition of equipment for central agencies (MALE, CPSCL, CGSP, CDC). For local governments' equipment, the local governments will receive grants from CPSCL on the basis of their expressed needs for eligible equipment. The eligible materials have been categorized and standardized by type of equipment by the CPSCL, to ensure consistency in the purchasing.

14. Local governments will carry out the purchasing themselves in compliance with the Bank Procurement Regulations for Investment Project Financing Borrowers. Nevertheless, when approaching the national market, as agreed in the Procurement Plan, the country's own procurement procedures may be used. Requirements for national open competitive procurement include the following:

- a. open advertising of the procurement opportunity at the national level;
- b. the procurement is open to eligible firms from any country;
- c. the request for bids/request for proposals document shall require that Bidders/Proposers submitting Bids/Proposals present a signed acceptance at the time of bidding, to be incorporated in any resulting contracts, confirming application of, and compliance with, the Bank's Anti-Corruption Guidelines, including without limitation the Bank's right to sanction and the Bank's inspection and audit rights;
- d. contracts with an appropriate allocation of responsibilities, risks, and liabilities;
- e. publication of contract award information;
- f. rights for the Bank to review procurement documentation and activities;
- g. an effective complaints mechanism; and
- h. maintenance of records of the Procurement Process.



15. Other national procurement arrangements (other than national open competitive procurement), that may be applied by the Borrower (such as limited/restricted competitive bidding, request for quotations/shopping, direct contracting), shall be consistent with the Bank's Core Procurement Principles and ensure that the Bank's Anti-Corruption Guidelines and Sanctions Framework and contractual remedies set out in its Legal Agreement apply. In all cases, the national procurement procedures to be used shall give due attention to quality aspects. CPSCCL will release the funds to the beneficiary LGs based on the procedures set forth in the POM

16. Procurement capacity assessment: This preliminary (desk) assessment is based on our knowledge of the CPSCCL's and beneficiary LGs procurement experience under previous and ongoing Bank-funded projects. The main objectives of this capacity assessment are to determine whether the implementing agency has the capacity to adequately carry out the procurement function of the Project. This evaluation took into account the entire contracting process, which encompasses: (i) planning; (ii) preparing bidding documents; (iii) receiving and evaluating bids or proposals; (iv) finalizing and signing the contract; (v) monitoring the implementation; and (vi) filing and archiving documents for audit and post review. The CPSCCL has staff with good experience in procurement management under multilateral and bilateral projects; however, given that the beneficiary LGs are newly established, their capacity is assessed to be low. The procurement risk is assessed to be **substantial**.

17. Retroactive financing: As provided under Bank's Directive on Investment Project Financing, at the request of the Recipient, the Bank may provide retroactive financing under this Grant. Retroactive financing may only be provided when: (a) the activities financed by retroactive financing are related to the Development Objectives and are included in the Project description; (b) the payments are for items eligible under this Project and procured in accordance with the procurement rules applicable to this Project; (c) the total amount of retroactive financing is 20 percent or less of the total grant amount; and (d) the payments are made by the Recipient/local governments not more than 12 months before the expected date of the signing of the Grant agreement.

B. Results Monitoring and Evaluation

18. The CPSCCL will implement the project and will be responsible for the overall financial management. The CPSCCL will rely on its financial directorate that will dedicate a FMS to the project implementing unit to handle the project. A simplified Project Operational Manual (POM) will be developed to describe the roles and responsibilities including the financial management procedures. The project's activities will be annually budgeted in the implementing entity's budget and subject to the World Bank no objection. The CPSCCL will maintain a separate accounting book using their current financial information management systems. A Designated Account will be opened at the Central Bank of Tunisia for the project activities. The Interim Financial Reporting (IFR) will be produced separately and submitted to the World Bank not later than 45 days after the end of the semester. The CPSCCL will hire an external auditor who will produce a separate audit report on the project's activities under its responsibilities for the total duration of the project. The report will be submitted not later than 6 months after the closing date of the grant.

C. Sustainability

19. Sustainability of the supplied basic equipment will be ensured by (a) rendering O&M of supplied equipment a condition of beneficiary selection; and (b) monitoring of O&M responsibility through the regular implementation activities of the CPSCCL under its implementing mandate of the UDLGP (P130637). CPSCCL is closely



supervising local governments activities, notably through its technical assistance mandate, and CPSCl's 8 regional offices will verify appropriate use of the equipment as part of their frequent visits to each municipalities.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

20. The overall risk rating is Moderate, as the project is simple, focusing on the supply of basic equipment to Tunisia's local governments. A possible risk that may emerge is the delay of project implementation due slow procurement processes. This will be mitigated through (i) the fact that the CPSCl have long experience in procurement, often for much larger acquisitions (ii) the fact that local governments have now at their disposal a digitalized tool for procurement that will facilitate the procurement process

21. The financial management risk is assessed as Moderate. The project's will be fully managed by CPSCl which have some experience with the World Bank procedures for Program for Results and Investment Project Financing. The CPSCl has also a long track record for developmental project management, adequate financial management arrangements and good experience with donors' funded projects on a wide range of municipal infrastructure and equipment projects. The main risk relates to the financial reporting system which requires some improvements

22. To mitigate the identified risk and the following measures have been identified: (i) The elaboration of IFR each semester and a single project financial statements covering the whole duration of the project (ii) The development of a simplified POM describing the roles and responsibilities between involved departments and the financial management procedures. (iii) The extension of the scope of the TOR of the CPSCl statutory auditor to cover the project funds. (v) The Financial Management Specialist (FMS) of the project would receive a training on World Bank' Fiduciary procedures (i.e: Procurement, Financial Management and Disbursements).

23. While no financial management issues are expected, the key issues for procurement are considered to be the fact that the Recipient will not be procuring the goods to the local governments but will supervise local governments who will be the ones carrying out the procurements. Given the small amounts involved and the digital tools (TUNEPS) at the disposal of communes, the risk remains limited.

VI. APPRAISAL SUMMARY

Note to Task Teams: Please provide a summary description of the main economic benefits and costs of the project, and a summary of the key FM, procurement and safeguard issues.

24. The main economic benefits of the projects is to provide a set of minimum equipment for new and existing local governments, MALE, CPSCl, CGSP and CDC to have a minimal material configuration to function normally under the new decentralized institutional framework. The new and expanded parts of expanded communes are covering the entirety of the population previously non covered by the municipal institution. By providing equipment in priority to these local governments, the project supports the provision of municipal services to



3,5m people previously outside the municipal system. MALE, CPSC, CGSP and CDC are key actors supporting local governments to achieve higher management standards; supporting their functioning indirectly supports the municipal services received by the population.

No significant costs can be attributed to the project due to its simplicity and straightforwardness.

A. Other Safeguard Policies (if applicable)

25. As the project's Environmental Assessment Category is confirmed as Category C, without involvement of any physical or civil works, no safeguards issues are expected.

B. World Bank Grievance Redress

Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Tunisia

Tunisia Governance, Financial Sector and Local Governments Trust Fund

Project Development Objectives

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.

Project Development Objective Indicators

Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Name: All items included in the procurement plan have been acquired before 31-March-2020		Yes/No	N	Y			
Description:							



Intermediate Results Indicators

Indicator Name	Corporate	Unit of Measure	Baseline	End Target	Frequency	Data Source / Methodology	Responsibility for Data Collection
Name: % of items indicated in the procurement plan for which purchasing contracts have been signed before 31-Aug-2019		Percentage	0.00	100.00			
Description:							



Target Values

Project Development Objective Indicators

Indicator Name	Baseline	End Target
All items included in the procurement plan have been acquired before 31-March-2020	N	Y

Intermediate Results Indicators

Indicator Name	End Target
% of items indicated in the procurement plan for which purchasing contracts have been signed before 31-Aug-2019	100.00

Note to Task Teams: End of system generated content, document is editable from here.