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Report No: PAD2221

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF

EUR52.7 MILLION

(US\$60 MILLION EQUIVALENT)

TO THE

REPUBLIC OF TUNISIA

FOR A

YOUTH ECONOMIC INCLUSION PROJECT

August 21, 2017

Social Protection & Jobs Global Practice, Trade & Competitiveness Global Practice
Middle East and North Africa Region

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CURRENCY EQUIVALENTS

(Exchange Rate Effective June 30, 2017)

Currency Unit = Tunisian Dinar (TND)

TND 2.470 = US\$1

EUR 1 = US\$0.877

FISCAL YEAR

January 1 - December 31

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Task Team Leader(s): Carine Clert and Mohamed Hisham El-Shiaty

ABBREVIATIONS AND ACRONYMS

ADEB	System for Budget Decision assistance (<i>Système d'Aide à la Décision Budgétaire</i>)
AFD	French Agency for Development (<i>Agence française de développement</i>)
AfDB	African Development Bank
ALMPs	Active Labor Market Programs
AMG	Subsidized Health Cards (<i>Assistance Médicale Gratuite</i>)
ANETI	National Agency for Employment and Independent Work (<i>Agence Nationale de l'Emploi et du Travail Indépendant</i>)
ANPE	National Agency for Environment Protection (<i>Agence Nationale de Protection de l'Environnement</i>)
APIA	Agency for the Promotion of Agricultural Investments (<i>Agence de Promotion des Investissements agricoles</i>)
APII	Agency for the Promotion of Industry and Innovations (<i>Agence de Promotion de l'Industrie et de l'Innovation</i>)
BCT	Central Bank of Tunisia (<i>Banque Centrale de Tunisie</i>)
BDS	Business Development Services
BTS	Tunisian Solidarity Bank (<i>Banque Tunisienne de Solidarité</i>)
CCP	Postal Bank Account (<i>Compte Courant Postal</i>)
CEPEX	Exports Promotion Centre (<i>Centre de Promotion des Exportations</i>)
CERES	Center for Studies and Socio-Economic Research (<i>Centre d'Etudes et de Recherches Economiques et Sociales</i>)
CNI	National Information Center (<i>Centre National Informatique</i>)
CPF	Country Partnership Framework
CRES	Center for Research and Social Studies (<i>Centre de Recherches et d'Etudes Sociales</i>)
CSI	Core Sector Indicator
CSO	Civil society organization
DA	Designated Account
DAF	Administrative and Financial Directorate (<i>Direction Administrative et Financière</i>)
EOI	Expression of Interest
ERR	Economic Rate of Return
ESDFS	Environmental and Social Diagnostic Fact Sheet
ESIFS	Environmental and Social Information Fact Sheet
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
FM	Financial Management
FMA	Financial Management Assessment
FTE	Full-Time Equivalent
GDA	Agricultural Development Groups (<i>Groupements de Développement Agricole</i>)
GDEP	General Directorate for Employment Promotion
GDP	Gross Domestic Product
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
GoT	Government of Tunisia
GRM	Grievance and Redress Mechanism
HH	Household
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communication Technology
IDR	Regional Development Index (<i>Indice de Développement Régional</i>)
IEG	Independent Evaluation Group
IFC	International Finance Corporation

IFR	Interim Financial Report
IIS	Integration Information System
ILO	International Labor Organization
INS	National Institute of Statistics (<i>Institut National de la Statistique</i>)
IPF	Investment Project Financing
IRR	Internal Rate of Return
IT	Information Technology
IUFR	Interim Unaudited Financial Report
JSDF	Japanese Social Development Fund
M&E	Monitoring and Evaluation
MDICC	Ministry of Development, Investment and International Cooperation
MENA	Middle East and North Africa
MFI	Macro-Finance Institution
MFPE	Ministry of Vocational Training and Employment (<i>Ministère de la Formation Professionnelle et de l'Emploi</i>)
MIS	Management Information System
MoIC	Ministry of Industry and Commerce
MoSA	Ministry of Social Affairs
MOU	Memorandum of Understanding
MoWFC	Ministry of Women, Family and Childhood
MoYAS	Ministry of Youths Affairs and Sports
MSMEs	Micro, Small and Medium Enterprises
MTR	Mid-Term Review
NEET	Not in Employment, Education or Training
NGO	Non-Governmental Organization
NPV	Net Present Value
ODCO	Authority for the Development of Center-West (<i>Office de Développement du Centre Ouest</i>)
ODESYPARNO	Authority for Silvopastoral Development of North West (<i>Office de Développement Sylvopastoral du Nord-Ouest</i>)
ODNO	Authority for the Development of North-West (<i>Office de Développement du Nord Ouest</i>)
ONEQ	National Observatory for Employment and Qualifications (<i>L'Observatoire National de l'Emploi et des Qualifications</i>)
PAD	Project Appraisal Document
PDO	Project Development Objective
PNAFN	Program for Needy Families (<i>Programme National d'Aide aux Familles Nécessiteuses</i>)
POM	Project Operational Manual
PPD	Public Private Dialogue
PPSD	Project Procurement Strategy for Development
SBD	Standard Bidding Document
SCD	Systematic Country Diagnostic
SIADDE	Debt Management System (<i>Système Informatisé d'Aide à la Dette Extérieure</i>)
SMS	Short Message Service
SMSA	Mutual Society for Agricultural Services (<i>Société mutuelle des Service agricole</i>)
SOE	Statement of Expenditure
SORT	Systematic Operation Risk-Rating Tool
SSN	Social Safety Net
SSR	Social Rate of Return
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
TND	Tunisian Dinar
TOR	Terms of Reference

TOT	Training of Trainers
UGO	Project Management Unit by Objectives (<i>Unité de Gestion par Objectifs</i>)
UGTT	Union of Tunisian Workers (<i>Union Générale des Travailleurs Tunisiens</i>)
UNDP	United Nations Development Program
UNICEF	United Nations Children's Emergency Fund
USD	United States Dollar
UTICA	Tunisian Union for Industry, Trade and Handicrafts (<i>Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat</i>)
UTSS	Tunisian Union for Social Solidarity (<i>Union Tunisienne de la Solidarité Sociale</i>)
VCD	Value Chain Development
WBG	World Bank Group

**BASIC INFORMATION**

Is this a regionally tagged project?	Country(ies)	Financing Instrument
No		Investment Project Financing

- ☐ Situations of Urgent Need of Assistance or Capacity Constraints
- ☐ Financial Intermediaries
- ☐ Series of Projects

Approval Date	Closing Date	Environmental Assessment Category
11-Sep-2017	31-Jan-2024	B - Partial Assessment

Bank/IFC Collaboration	Joint Level
Yes	Complementary or Interdependent project requiring active coordination

Proposed Development Objective(s)

The Project Development Objective is to improve economic opportunities for targeted disadvantaged youth in the selected Governorates of the Borrower.

In the context of this project, “economic opportunities” are defined as the chance to improve (a) earnings of target youth, and (b) access to wage or self-employment for target youth. The reduction of gaps between male and female beneficiaries for accessing key economic opportunities is an integral part of the project.

Components

Component Name	Cost (US\$, millions)
Component 1: Identifying and Connecting Target Youth to Jobs	17.47
Component 2: Supporting Job Creation	32.70
Component 3: Building Effective and Accountable Program Delivery	6.33

**Organizations**

Borrower : Ministry of Development and International Cooperation

Implementing Agency : Ministry of Professional Training and Employment

PROJECT FINANCING DATA (US\$, Millions)

<input type="checkbox"/> Counterpart Funding	<input checked="" type="checkbox"/> IBRD	<input type="checkbox"/> IDA Credit	<input type="checkbox"/> IDA Grant	<input type="checkbox"/> Trust Funds	<input type="checkbox"/> Parallel Financing
Total Project Cost: 60.00	Total Financing: 60.00		Financing Gap: 0.00		
	Of Which Bank Financing (IBRD/IDA): 60.00				

Financing (in US\$, millions)

Financing Source	Amount
International Bank for Reconstruction and Development	60.00
Total	60.00

Expected Disbursements (in US\$, millions)

Fiscal Year	2018	2019	2020	2021	2022	2023	2024
Annual	1.64	3.95	5.78	10.60	15.82	19.50	2.71
Cumulative	1.64	5.60	11.38	21.98	37.80	57.29	60.00



INSTITUTIONAL DATA

Practice Area (Lead)

Social Protection & Labor

Contributing Practice Areas

Trade & Competitiveness

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

Yes

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

Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	● High
2. Macroeconomic	● High
3. Sector Strategies and Policies	● Substantial
4. Technical Design of Project or Program	● Substantial
5. Institutional Capacity for Implementation and Sustainability	● High
6. Fiduciary	● Substantial
7. Environment and Social	● Moderate
8. Stakeholders	● High
9. Other	● High
10. Overall	● High



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

Environmental Assessment OP/BP 4.01

✓

Natural Habitats OP/BP 4.04

✓

Forests OP/BP 4.36

✓

Pest Management OP 4.09

✓

Physical Cultural Resources OP/BP 4.11

✓

Indigenous Peoples OP/BP 4.10

✓

Involuntary Resettlement OP/BP 4.12

✓

Safety of Dams OP/BP 4.37

✓

Projects on International Waterways OP/BP 7.50

✓

Projects in Disputed Areas OP/BP 7.60

✓

Legal Covenants

Sections and Description

Schedule 2, Section I, Part. A.4

Description

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.

Sections and Description

Schedule 2, Section I, Part. A.4

Description



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.

Sections and Description

Schedule 2, Section I, Part. A.8

Description

The Borrower shall ensure 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 3 months after the Effective Date.

Sections and Description

Schedule 2, Section I, Part. A.9

Description

The Borrower shall ensure 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.

Sections and Description

Schedule 2, Section I, Part. A.10

Description

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 with high potential of job creation, (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.

Sections and Description

Schedule 2, Section I, Part. B. 2(b)

Description



The Borrower shall 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.

Sections and Description

Schedule 2, Section I, Part. B. 2(c)

Description

The Borrower shall 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.

Conditions

Type

Effectiveness

Description

Article IV, Section 4.01(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.

Type

Effectiveness

Description

Article IV, Section 4.01(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.

Type

Effectiveness

Description

Article IV, Section 4.01(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.

Type

Effectiveness

Description

Article IV, Section 4.01(d)

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



Type Disbursement	Description Schedule 2, Section IV.B1(b) Notwithstanding the provisions of Part A of Section IV, no withdrawal shall be made 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.
Type Disbursement	Description Schedule 2, Section IV.B1(c) Notwithstanding the provisions of Part A of Section IV, no withdrawal shall be made 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.

PROJECT TEAM

Bank Staff

Name	Role	Specialization	Unit
Carine Clert	Team Leader(ADM Responsible)	Youth Employment and Gender	GSP05
Mohamed Hisham El-Shiaty	Team Leader	Value Chain & Job Creation	GTCME
Moustapha Ould El Bechir	Procurement Specialist(ADM Responsible)	Procurement	GGO05
Blandine Marie Wu Chebili	Procurement Specialist	Procurement	GGO05
Mehdi El Batti	Financial Management Specialist	Financial Management	GGO23
Amadou Dem	Team Member	Support to job creation	GTC05
Andrianirina Michel Eric Ranjeva	Team Member	Disbursement	WFALN
Angela Elzir	Team Member	Access to jobs and profiling	GSP05
Fatiha Amar	Team Member	Operations	GSP05
Jade Salhab	Team Member	Value Chains development	GTC05
Jean-Charles Marie De Daruvar	Counsel	Legal Advice	LEGAM



Johanne Buba	Team Member	Access to Jobs and Profiling	GPSJB
Jose Romero	Team Member	Jobs, M&E, Results	GPSJB
Kolie Ousmane Maurice Megnan	Team Member	Financial Management	GGO23
Marie Agnes Ndour Huchard	Team Member	Administrative support	GSP05
Markus Friedrich Vorpahl	Social Safeguards Specialist	Social Safeguards	GSU05
Mohamed Adnene Bezzaouia	Environmental Safeguards Specialist	Environmental safeguards	GEN05
Nermeen Abdel Latif	Team Member	Monitoring and Evaluation	CSECR
Raphaela Beatrice Karlen	Team Member	Jobs, M&E, Results	GPSJB
Rekaya Ben Mahmoud	Team Member	Administrative Support	MNCTN
Siddhartha Raja	Team Member	Jobs and ICT	GTI09
Simon Carl O'Meally	Team Member	Governance	GGO17
Siv Elin Tokle	Team Member	Jobs, M&E, Results	GSPJB
Thomas Walker	Team Member	Social Protection and Labor	GSP06
Yuko Okamura	Team Member	Social protection and Labor	GSP05

Extended Team

Name	Title	Organization	Location
Akrem Haddad	Consultant		
Khaled Nsiri	Consultant		
Malek Garbouj	Consultant		
Mayalen Iron	Consultant		
Mouna Hamden	Consultant		
Rania Dourai	Consultant		
Wassim Turki	Financial Management Consultant		Tunisia



**TUNISIA
YOUTH ECONOMIC INCLUSION PROJECT**

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I. STRATEGIC CONTEXT

A. Country Context

1. Since the 2011 Revolution, the Government of Tunisia (GoT) has remained under tremendous pressure to deliver on the promised social contract with its citizens and demonstrate the tangible socio-economic dividends of democracy. While poverty incidence was halved between 2000 and 2010 (from 32 percent to 15.5 percent), considerable disparities exist among regions and age groups (World Bank Group (WBG) Country Partnership Framework (CPF) for Tunisia (Report No. 104123-TN) discussed by the Executive Directors on May 17, 2016. This pattern has persisted since the Revolution and has worsened in some regions. The National Institute of Statistics (*Institut National de la Statistique*, INS) estimates that the regional poverty rate may be at 20 percent. Household vulnerability to poverty also remains considerable (Tunisia Systematic Country Diagnostic (SCD)), 2015). Social Safety Nets (SSNs) such as the Program for Needy Families (*Programme National d'Aide aux Familles Nécessiteuses*, PNAFN) and Subsidized Health Cards (*Assistance Médicale Gratuite*, AMG2)¹ exist but they lack adequate coverage and targeting accuracy. Social and economic exclusion is increasing for certain groups, especially youth. This exclusion of large segments of Tunisia's youth population from the country's social and economic mainstream has created a breeding ground for radicalization. At the core of public dissatisfaction is unemployment, particularly among the poor, youth and residents of lagging regions or marginalized peri-urban areas (Table 1).

Table 1. Tunisia: Key Labor Market Indicators by Age, Gender and Education Attainment in 2013

	15-24	25-34	35-44	45-54	55-64
Labor force participation	33.2%	67.0%	62.0%	55.8%	31.8%
Male	44.5%	90.4%	95.6%	91.6%	55.8%
Female	21.3%	44.4%	31.9%	21.5%	8.6%
Unemployment	34.8%	25.2%	6.1%	2.4%	2%
Male	33.4%	20.5%	5.6%	2.5%	2.2%
Female	37.7%	34.5%	7.3%	2.2%	1%
Employment	65.2%	74.8%	93.9%	97.6%	98%
Salaried	76.4%	77.5%	73.0%	68.9%	59.0%
Male	70.9%	73.6%	70.7%	67.9%	58.8%
Female	89.3%	86.8%	79.2%	73%	60.3%
Self-employed	8.4%	13.2%	16.7%	19.7%	27.8%
Male	10.6%	16.1%	18.9%	21.1%	29.0%
Female	3.2%	6.4%	10.7%	14.0%	19.9%
Employer	2.3%	5.1%	8.3%	9.5%	10.7%
Male	2.8%	6.2%	9.8%	10.7%	11.9%
Female	1.2%	2.6%	4.1%	4.2%	3.5%
Unpaid family worker	11.7%	4.0%	2.0%	1.8%	2.4%
Male	14.5%	4.0%	0.5%	0.1%	1.0%
Female	5.2%	4.0%	6.0%	8.7%	16.3%
Education attainment					

¹ These SSN programs are currently under discussion to be consolidated under one single program.



None	2.5%	6.5%	14.6%	24.8%	38.3%
Primary	17.3%	29.7%	41.6%	43.4%	35.3%
Secondary	60.2%	38.6%	31.6%	24.6%	20.1%
University	19.4%	25.0%	12.1%	7.1%	6.2%
Not declared	0.6%	0.2%	0.1%	0.1%	0.1%

Source: Authors' calculation using 2013 LFS

Note: LF stands for Labor force

2. A large share of the working age population is either idle, unemployed, or working in low-quality jobs (Figure 1).

- *Regarding inactivity*, there are low levels of labor participation, especially among women (under 26 percent compared to 71 percent for men) and youth (15-24 years old). In 2014, out of all youth population, one third were categorized as Not in Employment, Education or Training (NEET), another 40 percent (approximately) were students, while the remaining (around 30 percent) were working. NEET rates are higher among young women (38 percent compared to 25 percent among young men). Lastly, education also matters since almost two thirds of the NEET did not complete secondary education.
- *With respect to unemployment*, the overall average rate declined from 18.9 percent in 2011 to 15 percent as of late 2014, but this decrease was primarily driven by persistent increases in public sector recruitment.² In addition, there are marked differences in the unemployment rates across income deciles and age groups. Among workers living in households in the poorest decile, for instance, the average unemployment rate is more than 30 percent, while among workers living in the richest households, this proportion falls below 15 percent. Among youth (15-24 years old), the unemployment rate is 2.5-3 times higher than that of adults; 2 out of 3 young people with tertiary education are unemployed.³
- *With respect to employment*, the majority of those who do work are in *low-productivity and low-quality jobs*. As much as 77 percent of Tunisia's workforce are employed in low-productivity sectors⁴, while high productivity service sectors absorbed only 7.7 percent of total employment.⁵ Overall, 41 percent of the labor force are employed in low-quality jobs, i.e. self-employed (in agriculture or non-farm activities), unpaid work, or informal wage employees. There are important variations in labor market outcomes across regions, for example, in Jendouba, Kebili and Sidi Bouzid a higher share of the workers is engaged in unpaid work or self-employment in agriculture, whereas Tunis, Ariana, Manouba, Ben Arous and Sousse, most workers are wage-employed (either in the public or private sector) (Figure 2).

3. The gender gap in economic opportunities represents a serious and multifaceted problem in Tunisia. As outlined above, there are significant gaps between women and men in both labor force participation, employment, and unemployment rates. Despite a history of promoting gender equality

² World Bank (2015). *Consolidating Social Protection and Labor Policy in Tunisia: Building Systems, Connecting to Jobs*. Maghreb Department, Middle East and North Africa Region.

³ World Bank (2015). *Towards a Jobs Strategy in Tunisia*.

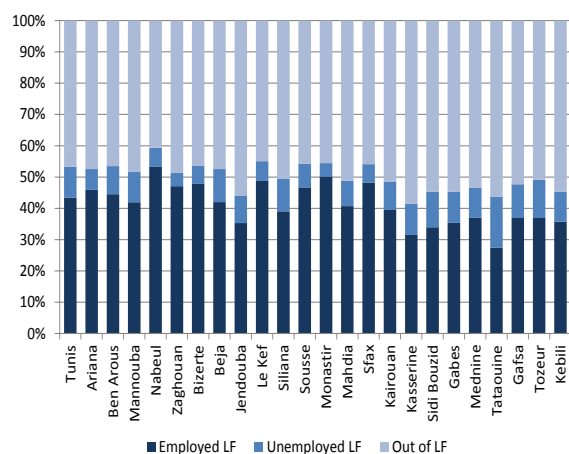
⁴ Low productivity sectors refer to those with below-average productivity (e.g. agriculture, textile, construction, public infrastructure, commerce, and manufacturing (see World Bank (2015), "Labor Policy to Promote Good Jobs in Tunisia: Revisiting Labor Regulation, Social Security, and Active Labor Market Programs." Directions in Development. Human Development)

⁵ See World Bank (2015), "Labor Policy to Promote Good Jobs in Tunisia: Revisiting Labor Regulation, Social Security, and Active Labor Market Programs." Directions in Development. Human Development.



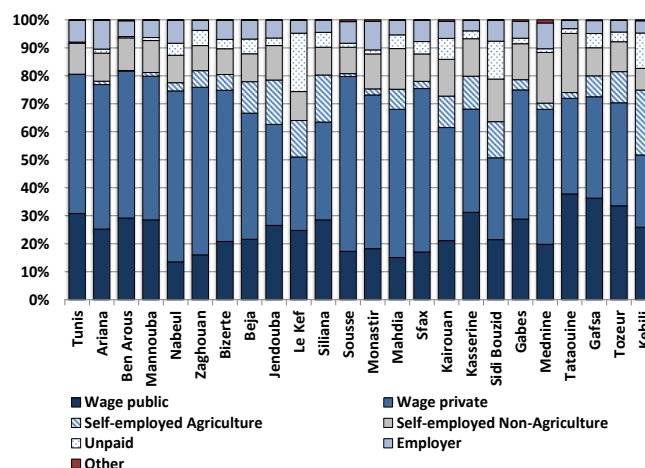
dating back to the 1960s, women are less likely to participate in the labor force than men and those that do participate experience higher unemployment rates than men. A recent study on Gender and Labor markets (Hanmer et al, forthcoming) found that female youth participation rates are similar across all regions while more male youth from lagging regions participate in labor markets than their counterparts. In rural areas in lagging regions, women (especially above 30 years old) are likely to be engaged in unpaid family work on farms while many young educated women in the same regions are trapped, unable to find a job and with little options for moving to places with better prospects. Existing analysis points to a wide set of barriers behind these trends. On the supply side, the same study indicates that being married increases the probability of being employed for men but decreases it for women, which suggests strong social norms surrounding women's labor force participation. This may be linked to women's empowerment in the household, cultural factors and/or time preferences regarding domestic work and child care. As found in other countries like Turkey, women are not only charged with taking care of small children but also dependent adults like elderly or members with disabilities. Women also face specific challenges to start entrepreneurship projects including mobility barriers, social norms, balancing family commitments, and harassment (see Section III C). With respect to financing, even though women in Tunisia have equal ownership rights to property, in practice, few women own land or other material assets, and most assets are registered in the husband's or father's name. These property issues make access to finance more difficult for new ventures.

Figure 1: Composition of the Working Age Population, 2013



Source: Authors' calculation using 2013 LFS

Figure 2: Employment by Region and Type of Job, 2013



4. **These challenges are exacerbated by slow economic growth which plunged after the Revolution and has recovered only modestly since.** Because of delays in reform implementation, and security-related incidents, social unrest, and regional instability (including in neighboring Libya), economic growth has averaged only 1.4 percent post-revolution (compared to 4.4 percent during the five years before the revolution); the gross investment rate averaged 22.5 percent of gross domestic product (compared to 24.6 percent); export growth averaged 2.2 percent per annum (compared to 5.1 percent). This weak economic growth resulted in limited job creation which in turn was too low to absorb new entrants to the labor market, particularly young educated workers. Entry rates for young/small firms that create formal sector jobs have been low, and among those created only a few have managed to survive and grow.



B. Sectoral and Institutional Context

5. **The proposed project is aligned with the GoT's vision and priorities.** The GoT has expressed its commitment to promoting access to jobs for these large vulnerable segments of the population. Examples of these are the 2013 Social Contract and ongoing national dialogue with trade and employers' unions (*Union Générale des Travailleurs Tunisiens* (UGTT) and *Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat* (UTICA)), the January 2016 emergency employment measures, the Government's Strategic Orientation Note, and the Five-Year Plan (Tunisia 2020).

6. **In this vein, different ministries (and their respective agencies) have adopted specific actions to combat poverty, reduce unemployment and/or promote job creation albeit in an uncoordinated manner:**

- The Ministry of Employment and Vocational Training (MFPE) has launched various employment programs with state and/or donor funding,⁶ which it implements through its Regional Employment offices and the National Agency for Employment and Independent Work (ANETI). However, the MFPE is keen to increase the overall performance of its programs and link them to interventions that promote job creation. It also recognizes the need for partnerships with other ministries to reach out to and benefit disadvantaged segments such as poor youth and women in general and promote social cohesion.
- The Ministry of Social Affairs (MoSA) would like to improve jobs and earning opportunities for the SSN Program beneficiaries, especially younger beneficiaries who are able to work, but it also recognizes the need to reach out to disadvantaged youth who are not served by SSN initiatives due to delays in the targeting reform and persisting exclusion errors.
- The Ministry of Industry and Commerce (MoIC) has provided services to exporters, and business development services to support start-up opportunities (through Export Promotion Centers (CEPEX) and the Agency for the Promotion of Industry and Innovations (APII) while the Ministry of Agriculture offers services from the Agricultural Investment Promotion Agency (APIA), which is important for the economic development of the lagging regions.
- The Ministry of Youth's Affairs and Sports (MoYAS) has piloted investments in youth entrepreneurship and is keen on promoting the inclusion of young people who may be discouraged by lack of prospects or proper coaching, and who are neither in training nor actively searching for jobs or entrepreneurship opportunities, the "NEETs."
- Finally, the Ministry of Women, Family and Childhood (MoWFC) is focusing on female entrepreneurship and "*autonomisation*" (empowerment) through its Raida female entrepreneurship program and its commitment to increasing employment and activity outcomes for women in future years.

7. **Addressing the economic exclusion of disadvantaged youth in a sustainable manner requires an integrated/multi-sector jobs strategy.** At the macro-level, there are pending structural reforms to improve incentives to create and grow business – the main engine of job creation. These include reforms to improve governance, simplify business and labor regulations, promote competition, improve access to finance, reduce distortions that affect the allocations of private investments, and improve the

⁶ One of its recent programs is Forsati ("my chance"), which provides individual coaching cycle for vulnerable and long-time job seekers, starting from defining a professional project and ending at its implementation.



quality and relevance of education and training systems (The 2014 WBG Investment Climate Assessment indicates that the level of workers' skills and education are the second leading constraints perceived by employers). But while these reforms are fundamental they are unlikely to be sufficient, particularly over the short-term, to internalize the social externalities created by connecting youth to jobs and to address market and government failures that operate at the local/regional level. Macro policies need to be complemented by targeted interventions in specific regions that aim to remove constraints for investments and job creation in specific sub-sectors/value chains, while helping workers transit from inactivity or unemployment to wage or self-employment, or from low to higher productivity jobs.

8. **Until today, the main response to the jobs challenges has been through active labor markets programs (ALMPs) and most of these programs have limited impact, in part, due to design and/or implementation problems.** ALMPs in Tunisia are poorly targeted and fragmented. Priority has been given to highly educated youth, given that they have a very high unemployment rate, at the expense of the majority of the unemployed who have secondary education and below. Priority has been given to highly educated youth, given that they have a very high unemployment rate, at the expense of the majority of the unemployed who have secondary education and below. Programs have provided equal opportunities to both young men and women. However, they have failed to recognize and address the multiple barriers that women in low-income households face to access jobs, from childcare constraints to socio-cultural norms. In general, current government arrangements and payment systems do not create the right incentives to respond to the needs of job seekers and employers. As a result, only a small fraction of unemployed that benefit from an ALMP receives a contract once the intervention stops. Moreover, the programs lack proper targeting and profiling systems to better assess the constraints facing beneficiaries and the types of support needed to help them access wage or self-employment. The Bank provided Technical Assistance (TA) in this area and has raised interest in developing the approach. Finally, the Government also recognizes the need to outsource support services to access jobs - originally provided by ANETI - to non-governmental service providers, as reflected in the current design of its *Forsati* program ("my chance").

9. **The impacts of ALMP globally, including in Tunisia, have been limited by the absence of an integrated approach with the demand side.** It is broadly recognized that stand-alone supply interventions are unlikely to increase employment when firms are not creating more job opportunities. In Tunisia, ALMPs, including wage subsidies, have had low retention rates given that firms are not growing enough to employ additional workers. Indeed, the formal private sector has significantly contributed to job creation over the last decade 2000-2010 but is currently stagnating (Figure 1). The number of jobs only increased by 0.1 percent annually over 2010-2015 (versus 1.8 percent over the period 2000-2005, and 3.6 percent over 2005-2010). While construction and services were the main contributors to job creation between 2000 and 2010, these two sectors are now experiencing a strong decline (-5.8 percent per year and -2.2 percent for construction and services respectively). Large firms provide most formal private sector jobs. In 2015, firms with more than 100 employees account for 55 percent of formal employment (INS). However, in recent years, this category of firms seems to have been drastically more affected by the recent turmoil - with a negative employment growth rate - in comparison to small and medium firms (below 50 employees). Lastly, there are wide disparities across governorates. Employment in the private sector is larger in the North East (Tunis, Ariana, Ben Arous, Nabeul and Bizerte) and Centre-East (Sousse, Monastir and Sfax) of the country.



Figure 1: Number of Employees in the Formal Sector



Source : INS (2016), Statistiques du répertoire national des entreprises

10. **The growth of the private sector is hampered by a wide range of constraints and the lack of systematic and strategic investments focusing on job creation.** After political instability, large (above 100 employees) and medium firms (between 20 and 99 employees), which are the main employers of the Tunisian workforce, report access to finance and an inadequately educated workforce, as the second and third barriers to operations.⁷ Total Factor Productivity of Tunisian firms lags behind peer economies (Enterprise Surveys, in 2012). So far, the contribution of structural change to the productivity of the economy has been very low. While some sectors (like manufacturing, transport, and communication) have experienced an increase in productivity growth since 1995, the reallocation of labor to these more productive sectors has been limited.⁸ In addition, Tunisian manufacturers are by far the most capital-intensive firms in the Middle East and North Africa (MENA) region.

11. **A value chain approach can foster the development of a vibrant private sector while creating opportunities for job creation and/or improving the quality of existing jobs.** This can happen by: (a) giving priority to value chains with high job potential, (b) addressing the key constraints faced by firms at the sectoral/regional level, (c) ensuring coordination among key players/investors within the value chains, and (d) introducing incentives and signals to boost job creation. The development of value chains can improve jobs and earnings opportunities in three ways: (a) by promoting investment and job creation; (b) by empowering small firms/farms/workers to capture more value; and (c) by integrating small firms/farms/marginalized people with established markets with potential for demand growth. In this context, if well integrated, an ALM program coupled with a Value Chain Development (VCD) Program can deliver larger impacts in terms of labor market outcomes for the target population than two stand-alone programs. This is one of the innovations under the proposed project.

⁷ European Bank for Reconstruction and Development, European Investment Bank and the World Bank (2016), *What's Holding Back the Private Sector in MENA? Lessons from the Enterprise Survey*. Washington, DC: The World Bank.

⁸ Marouani M. and Mouelhi R. (2016), "Contribution of Structural Change to Productivity Growth: Evidence from Tunisia," *Journal of African Economies*, Vol. 25, number 1, 110-132.



12. **Lastly, entrepreneurship programs for vulnerable youth have a critical role to play both from the demand side - through the creation of new enterprises - and from the supply side - through the support to income-generating activities.** On the one hand, new firms have historically played an important role in job creation in Tunisia; without start-ups, net job creation would have been negative in Tunisia from 1997-2010⁹. The needs of entrepreneurs and the gaps in the entrepreneurship ecosystem are wide and start at the “feasibility” stage of the enterprise development lifecycle, arguably even earlier. Critical gaps identified include integrated support programs that offer targeted support in the form of coaching and mentoring pre-and post-firm creation, training and technical support, support with all aspects of marketing, and access to affordable early-stage finance. On the other hand, entrepreneurship programs can also be a way of putting unemployed youth back to work and into labor activities. While multiple programs have focused on high-end entrepreneurs, lower-income groups including disadvantaged youth tend to be less covered, and cannot meet the requirements of Microfinance Institutions (MFIs) to get financing (collateral, guarantors, years of experience, etc.). Lessons from graduation programs and/or entrepreneurship programs targeted towards vulnerable populations highlight the substantial increase in earnings for the beneficiaries and the positive change in terms of optimism and life satisfaction.¹⁰ International experiences suggest that these programs can set beneficiaries on a sustainable path out of poverty and vulnerability.

13. **Going forward, an important challenge for the implementation of a comprehensive job strategy will be building capacity at the central and local levels and addressing pervasive coordination failures across line ministries.** Effective Government performance on an inclusive jobs strategy requires tackling institutional fragmentation within and among relevant ministries at national and subnational levels. Innovative initiatives on jobs, including partnerships with non-governmental organizations and the private sector, do exist in Tunisia but have remained on a relatively small scale (International Labor Organization (ILO) Youth Employment Inventory, 2015). These initiatives would need to be harnessed around common, coherent policy platforms at the national and local levels, taking into account local specifics and allowing for flexible and adaptive changes in implementation. Strong and robust information systems (targeting, registration, profiling, monitoring, and evaluation) take time to be set up but are needed to better inform labor market interventions and foster greater convergence of government partners and supporting donors’ interventions. Finally, engaging a broad base of stakeholders and building informed civic oversight helps to ease tensions and enhance performance. Performance report cards on service delivery have been tested in Tunisia, but there is scope for improvement.¹¹

14. **In this context, the GoT has acknowledged the need for a multi-sectoral, better-coordinated approach to promote more and better job opportunities for youth, especially for the most disadvantaged and for young women.** At the Government’s request, the proposed operation will

⁹ Tunisia Job Diagnostic Report, World Bank, 2016.

¹⁰ Bandiera, O.; Burgess, R.; Das, N.; Gulesci, S.; Rasul, I. & Sulaiman, M., Can basic entrepreneurship transform the economic lives of the poor? 2013 and Sulaiman, M., Making Sustainable Reduction in Extreme Poverty: A Comparative Meta-Analysis of Livelihood, Cash Transfer and Graduation Approaches, *Washington, DC: CGAP*, 2016

¹¹ In the context of the WBG DPL Reform II, Bank TA supported the implementation of citizen monitoring in various sectors, including employment services. Different tools were developed and tested including rapid community-level report cards and larger, quantitative surveys. Results showed that employment services often (i) have lower rates of perceived quality of service delivery among the bottom 40 percent, and (ii) have extremely low rates of responses to complaints/grievances.



gradually help create new systems to integrate supply- and demand-side interventions, finance catalytic investments, and promote institutional coordination across different government agencies. The GoT would like to see this program as a flagship intervention (*“programme phare”*) that could have an important demonstrative effect.

C. Higher Level Objectives to which the Project Contributes

15. **The proposed project is fully consistent with the 2016-2020 CPF for Tunisia.** It contributes to the objectives of the following CPF Pillars: (a) Pillar I (“Restoring Environment Conducive to Sustainable Economic Growth and Private Sector-Led Job Creation”) by supporting private sector-led job creation initiatives; (b) Pillar II (“Reducing Regional Disparities”), by enhancing economic opportunities in lagging regions; (c) Pillar III (“Promoting Increased Social Inclusion”), by improving policies and programs to connect work-able young members of SSN household beneficiaries and disadvantaged youth not currently served by these programs to economic opportunities (see Section II). Specifically, the CPF Sub-Objective III.2 (“Increasing opportunities for young men and women”) is addressed by enhancing employability and entrepreneurship for youth, with a concentration on youth living in lagging regions and peri-urban marginalized areas. At GoT’s request, the proposed project also contributes to Sub-Objective III.3 (“Improved and more equitable social programs”) by promoting a productive approach to safety nets and linking work-able youth from SSN households to better economic opportunities. Finally, the CPF foundational issues of gender and governance are integral to project design. Interventions include, among others, providers’ incentives and social accountability mechanisms. Specific inventions are designed to remove constraints that prevent women from accessing jobs (Box 1, Section II).

16. **The proposed project is fully aligned with the WBG MENA Strategy (October 2015) and contributes particularly to its pillar on “renewing the social contract” and restoring trust between citizens and the state.** The project supports fundamental shifts in policy-making on jobs in Tunisia, in a way that promotes “more effective protection of the poor and vulnerable; inclusive and accountable service delivery and a stronger private sector that can create jobs and opportunities for youth.” Specifically, this project supports four fundamental shifts in approaches: (i) from large untargeted jobs programs to ones specifically targeted to poor and disadvantaged segments of youth; (ii) from a heavy reliance on supply-side job interventions (focused on skills) to a more demand-driven, private sector-led approach focused on job creation potential; (iii) from public sector delivery of services to increased reliance on performance-based, competitively recruited service providers (private sector and/or associations); and (iv) from a centralized, top-down approach to policy making, to stronger citizen engagement and accountability in service delivery.

17. **The project contributes to the World Bank Group’s (WBG) strategic goals of ending extreme poverty and boosting shared prosperity in a sustainable manner.** It is also fully consistent with global WBG strategies including the Social Protection and Labor Strategy, the Trade and Competitiveness Roadmap (2016), and the updated WBG Gender Strategy (Fiscal Years 2016-2023).

18. **The proposed operation seeks to maximize synergies with WBG interventions and other partners’ initiatives.** Among others, it will complement the policy-level interventions to support private-sector-led to job creation by improving the investment climate and boosting entrepreneurship under the Tunisia Business Environment and Entrepreneurship Development Policy Financing (P158111). It will also complement the Tertiary Education and Employability Project (P151059), which focuses on students



and universities as beneficiaries, and the 2013-2017 Micro, Small and Medium Enterprise (MSME) facility (P124341) by providing much-needed financing to segments that are not currently served by banks or MFIs. The operation would also provide continuity for Bank's current support to the strengthening of the SSN system after the closing of the Transition Fund Project on Support to Social Protection Reforms Support (P144674). The operation will also strive to capitalize on potential market opportunities in the road sector for target youth micro entrepreneurs, exploring synergies with ongoing Bank projects (Tunisia Road Transport Corridors Project (P146502)). The proposed operation provides synergies and complementarities with IFC activities in Tunisia, especially those aiming at improving youth employability, sector competitiveness and financial inclusion. More details on complementarities with the International Finance Cooperation (IFC) activities and partnerships with other donors are discussed in Section IV.D.

19. **Furthermore, the proposed operation is well aligned with the Government's objective of improving the efficiency of VCD, leveraging synergies and boosting the job creation potential of public investments in this area.** The project will help achieve a joint approach to VCD activities in targeted lagging regions in Tunisia. In December 2016, an inter-ministerial decision was made to address the coordination problems faced in VCD by establishing a common platform composed of members from different government agencies, and hosted in CEPEX, to reduce transaction costs and ensure close synergies and coordination. The platform will eventually be beneficial for all work related to VCD. In its initial stages, the platform will assist with the implementation of this project as well as three IBRD operations: The Integrated Landscapes Management in Lagging Regions Project (P151030); the Irrigated Agriculture Intensification Project (P160245); and finally, the ongoing Tunisia Third Export Development Project (P132381). To that effect, the inter-ministerial decision also confirmed the need to include the North West and Center West regions of Tunisia as core geographic areas of intervention common to all projects.

II. PROJECT DEVELOPMENT OBJECTIVES

A. PDO

20. The Project Development Objective is to improve economic opportunities for targeted disadvantaged youth in the selected Governorates¹² of the Borrower.

21. In the context of this project, "economic opportunities" are defined as the chance to improve (a) earnings of target youth, and (b) access to wage or self-employment for target youth. The reduction of gaps between male and female beneficiaries for accessing key economic opportunities is an integral part of the project.

22. **The project aims to achieve this objective using an integrated approach that leverages synergies between the different components.** This will ensure the linkages between the interventions on the supply side (targeting the individuals-Component 1) with those on the demand side (targeting MSMEs- Component 2) to ensure that those project beneficiaries (selected target youth) have access to the jobs created at the firm level. The systems and capacity-building activities (Component 3) will ensure those synergies and linkages are maximized.

¹² See Section B below for the definition of these governorates.



B. Project Beneficiaries

23. **Consistent with the PDO and the integrated approach to economic opportunities, the project will target two main categories of beneficiaries:**

- *The first category includes disadvantaged youth ages 18-35* residing in select governorates (hereinafter referred to as “selected target youth”): this group will benefit from tailored support to access wage or self-employment opportunities, under Components 1 and 2.2. For the purposes of this project, the notion of “disadvantaged” responds to the Government’s request to ensure that intensive assistance be provided to young population segments facing special economic and/or social barriers to job access. These barriers may include poverty (limiting mobility), education levels, place of residence (living in lagging regions or marginalized peri-urban areas) and/or gender-specific obstacles. Given the gender gaps highlighted in Section I, the project will finance specific interventions to help address those gaps and boost women’s economic opportunities (Box 1 below). Regarding the targeting mechanism, “disadvantaged youth” will not only include work-able youth from SSN beneficiary households but also others who may not be served by SSN programs. Selection and prioritization methods will be based on objective criteria and clearly communicated. The following plan was developed to target project interventions: (i) a targeted, inclusive outreach; (ii) a simple application process; (iii) a scoring system to prioritize vulnerable applicants and fill the quota for each gender group and governorate. These processes are summarized in Annexes 1 and 4 and described in the Project’s Operational Manual (POM).
- *The second category includes firms in selected value chains, mainly private MSMEs* (hereinafter referred to as “selected MSMEs”): This group will benefit from advisory services and investments in selected value chains (Component 2.1) while offering on-the-job training for targeted disadvantaged youth and contributing to overall job creation in selected governorates.

24. **Selected governorates and phased approach.** The project will focus on a diversified set of seven governorates¹³ (hereinafter referred to as “selected governorates”): (i) four (Jendouba, Siliana, Kasserine and Kairouan) located in the 2 lagging regions of the Center West and North West (common as well to the World Bank Integrated Landscapes Management in Lagging Regions Project (ILMP, P151030); (ii) one in a poor peri-urban area of the Great Tunis region, Manouba; (iii) one in the lagging Region of the South West, Kibili, given its geographical location, socio-economic situation and the scarcity of donors’ projects; and (iv) Sfax, for its diversified economic potential and its proximity to North and Center West lagging regions (see map in Annex 7). Overall, the combined selection criteria included a balance between: (i) presence in lagging regions (using the Regional Development Index); (ii) diversity of socioeconomic exclusion and jobs challenges; (iii) absolute numbers of SSN beneficiaries (PNAFN/Subsidized Health Card); and (iv) potential synergies and complementarity with donor interventions. To facilitate project implementation and learning, a phased approach will be adopted. The project will start in five governorates (Jendouba, Kasserine, Kairouan, Manouba, and Sfax) during its first three years, while Siliana and Kibili will be added during the next three years. Key regional public actors

¹³ Tunisia is currently organized into 24 governorates that can be aggregated into seven administrative regions. Greater Tunis, North East and Centre East are considered “leading regions.” North West, Centre West, South East and South West are considered “lagging regions.”



will be provided with the opportunity to participate in all capacity-building opportunities, regardless of the phasing approach.

25. **As explained in the economic analysis (Section VI.A), the integrated approach of the project is likely to yield a wide range of benefits, and the total number of potential project beneficiaries may well exceed the direct youth beneficiaries (selected target youth).** The 10,000 selected target youth presented in the project description below and in the Results Framework (Section VI) only refer to the direct beneficiaries benefiting from support services to connect to skills and jobs (Component 1.2), as well as microenterprise creation (Component 2.2). However, the project will also connect eligible youth who applied to the project but were not selected (as the quota would have been reached) to other economic opportunities in selected governorates (e.g. opportunities created by other donor projects). This institutional strengthening will also help job creation in the future beyond the project's duration. Finally, the project will also directly support about 250 Small and Medium Enterprises through matching grants and technical support, in addition to other firms that are active in the related value chains covered by the project (which cannot be captured in the Results Framework due to attribution issues). These firm-level investments and the approach to job creation is expected to reach all youth residents of selected regions. Based on the economic analysis, the creation of 9,700 direct or indirect jobs is expected by the end of the project.

Box 1: Addressing Gender Gaps to boost Young Women's Economic Opportunities: Project Summary Approach

As outlined in Section I, there are significant gaps between women and men in labor force participation, employment, and unemployment rates. Behind these trends lie multiple barriers. Existing analysis points to social norms and caregiving responsibilities as some of the key reasons.

What are the project's specific interventions to address some of these gender-based constraints?

- *Outreach activities will be targeted to boost labor force participation and motivate young women to enroll in the Program.* These activities will include gender-sensitive approaches (times, locations) and will engage with families and influential male relatives when appropriate (Component 1.1). To further address challenges due to social norms and to inspire young women, Component 3 will finance dedicated communication and awareness-raising activities for the duration of the project. Communications will target young women, their families, and potential employers. The project will also leverage and capitalize on innovative experiences like the Empower Her Hackathon, and promote partnerships with other international and national players in the field.
- *Address information gaps.* Post-enrollment orientation sessions will include, to the extent possible, information on existing job opportunities, including both wage and self-employment opportunities. These should encourage women to engage in non-traditional jobs and/or build the confidence needed to create their own microenterprise (to be supported under Component 2.2).
- *The job profiling system* (Component 1.1) will guide program design for women with children and adult dependents and will help capture various profiles of beneficiaries, considering gender, the level of education, isolation, etc.
- *Incentives.* As part of their performance-based contracts, providers of tailored support services for wage employment will be required to dedicate resources to boost opportunities for hard-to-serve youth, including discouraged adult men or women facing resistance at home and at risk of dropping out. Close follow-up will be encouraged. When applicable, the regional implementation team will



develop strategies to engage with women and their family environments. Similar incentives will be provided for Business Development Service providers for the Microenterprise Program.

- *Stipends to offset income and mobility barriers will be higher for women with children under 6 and adult dependents.* These are designed to address social care constraints faced by women (under Sub-component 1.2).
- Partnerships with businesses to create internships will include awareness-raising for employers and staff assigned to coach women interns regarding the appropriate treatment of women in the workplace.
- *Capacity building on gender-awareness and smart strategies* as defined above will be provided to all national and local government staff, as well as service providers (Component 3).
- *Building feedback opportunities and social capital.* Social accountability tools such as report cards (Component 3) will incorporate questions on perceived treatment of young women by coaches or fellow workers during internships. Young women who opt to create their own microenterprise will be encouraged to form support groups during learning opportunities and connect with female business associations and others to reap the benefits of mentoring and networking.

Results. Results of the above activities will be closely monitored, ensuring the flexibility to allow corrections during implementation. The project's Impact Evaluation will pay close attention to gender outcomes. In terms of demand-side issues linked to employer attitudes, the Project will collaborate closely with the team working on the Umbrella Facility for Gender Equality Trust Fund Research Grant on Tunisia Female Employment. Results will be built into the implementation of the project.

Sources: World Bank (mimeo) Tunisia Country Gender Portfolio Assessment. Hanmer, L Tebaldi A and Verner, D (forthcoming) "Gender and Labor Markets in Tunisia's Lagging Regions." ILO (forthcoming) Tunisia Study on Female Entrepreneurship. Broadmann et al, Impact Evaluation, ANETI Program, Transforming a thesis into a business.

C. PDO-Level Results Indicators

The PDO indicators of the proposed project are:

26. The PDO level indicators of the proposed project are:

- Increase in share of supported youth with wage or self-employment (percentage point)
-Increase in share of supported youth with wage or self-employment (percentage point) - Female
- Share of supported youth with a job at intake who increased their monthly earnings by at least 20 percent
- Share of supported youth with a job at intake who increased their monthly earnings by at least 20 percent - Female
- Number of full-time equivalent (FTE) direct jobs created among businesses supported by the project
- Reduction of employment gender gap among project beneficiaries (percentage point)



III. PROJECT DESCRIPTION

A. Project Components

27. **The Government will test a new integrated approach to economic opportunities through an initiative entitled “Initiative for Youth Economic Inclusion”- “Moubadiroun” (Initiator), supported by this project.** Three inter-related components are proposed: Component 1 will support the shift from large untargeted ALMP programs to tailored support services that address barriers youth face to accessing jobs. It will also improve Government’s results by relying on private providers that are paid for performance to connect selected target youth to wage and self-employment opportunities (some of which will be created by the private sector in targeted value chains under Component 2). On the demand side, Component 2 will support private sector development within specific value chains to create jobs and improve the quality of existing jobs, while encouraging youth – especially targeted disadvantaged youth – to develop economically viable businesses. Recognizing the multi-sectoral and experimental nature of the initiative, Component 3 will strengthen the capacity of the MFPE and other partner ministries involved in project implementation in the selected governorates, in cooperation with the private sector, stakeholders, and beneficiaries. This Component will also finance implementation costs, along with a coordinated communications strategy, a shared Management Information System (MIS), and results and accountability mechanisms.

28. **Key to the added value of this project are linkages and synergies among these interventions by offering appropriate incentives for beneficiaries and service providers.** This will *ensure that employability and entrepreneurship support packages respond to existing or future market demand.* Incentives in payment mechanisms for competitively selected service providers (including business development service providers) are key to project success. Specific mechanisms for linking selected target youth to VCD investments are outlined as part of the component descriptions, graphs 1 and 2, and summarized in Box 2, Annex 1. The key to implementation success will also be the proper sequencing of interventions over the project’s six years’ duration. For example, the implementation schedule was designed to ensure that critical activities to support youth and firms are carried out in parallel (i.e. interventions on outreach, profiling, and enrollment of targeted youth, as well as the selection of value chains and design of investment action plans).

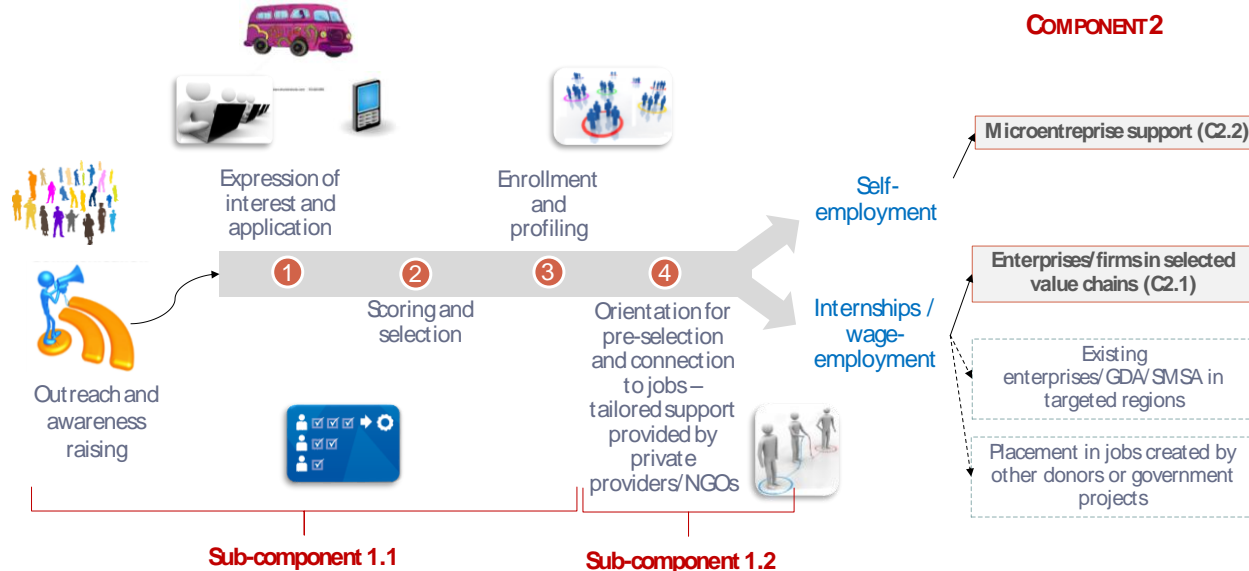
Component 1: Identifying and Connecting Target Youth to Jobs (US\$17.47 million)

29. **This component aims to identify and provide tailored services to selected target youth to facilitate their transitions from unemployment/inactivity into wage or self-employment, or to help them move from low to higher quality jobs (including from informal to formal).** The MFPE will deliver these services through performance-based contracts with the private sector/Non-Governmental Organizations (NGOs) service providers who will be accountable for delivering results. This component will be implemented by the MFPE, through the project management unit (*Unité de Gestion par Objectifs*, UGO), with strong involvement of social ministries for outreach to potential beneficiaries: MoSA, MoYAS, and MoWFC (Section 2.A; Annex 2). MFPE Regional Directorates will carry program intake with assistance from regional teams of the UGO. Roles and responsibilities are clearly defined in the POM.



30. The process of identification and connection of beneficiaries is a continuum of activities as illustrated in Graph 1, divided into two sub-components: (i) program intake and profiling; (ii) tailored performance-based services for connection to jobs. Activities under this component will be implemented in two cycles: (i) the first cycle will start in Year 1 (with an estimated maximum targeted number of 5,000 individual beneficiaries); (ii) the second cycle (another 5,000) will start in Year 4.

Graph 1: Identifying and Connecting Disadvantaged Youth to Job Opportunities



Sub-component 1.1 Carrying out of Program Intake and Profiling of Target Youth

31. This sub-component will identify, register, select and profile project beneficiaries. Specifically, this sub-component will finance a series of activities for:

- (i) *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.* The activities will adopt a consistent and tailored approach for different categories of target youth and governorates and will be gender-sensitive. Specifically, the project will finance (a) the design and implementation of this outreach by contracting a local firm or NGO which will work under the guidance of the Project's Regional Committees; (b) operating costs for public mobile units to be made available by the MoYAS (*Clubs mobiles des établissements de jeunesse*); transportation costs;
- (ii) *Development and implementation of a statistically assisted job profiling system for the selected target youth,* which will enable categorization of beneficiaries into homogeneous groups facing similar labor market barriers¹⁴ and help estimate the scope of jobs services (and costs) that will be expected from service providers. Given the innovative aspect of a statistically based profiling system and the lack of necessary data on beneficiaries, a phased approach is envisaged. Rules-

¹⁴ Such model would aim to quantitatively assess the nature and intensity of the barriers each project beneficiary faces in accessing a new job – either from inactivity or unemployment - or to move to higher earning employment.



based profiling (or segmentation) will be applied in the first cycle based on the result of a recently conducted study on the jobs profiling of SSN beneficiaries.¹⁵ The statistically based profiling system will be applied for the second cycle. The project will finance: (a) services of a local firm to design, pilot and adapt the profiling questionnaire; (b) operational costs for the set-up of a jobs profiling unit in the National Observatory for Employment and Qualifications (*L'Observatoire National de l'Emploi et des Qualifications* (ONEQ)); (c) services of a specialized international firm to ensure specialized training, awareness-raising at all levels, to ONEQ staff/unit, as well as ANETI central and local officials in the project selected governorates to ensure broad-based ownership, staff from social ministries will also be targeted; and,

- (iii) *Financing of Incremental Operating Costs* incurred by selected Government agencies involved in the carrying out of activities (i) and (ii) above.

32. Cost implications for the phases of identification and registration of selected target youth to the project will be associated with the candidates' application. These will include the associated costs of text messages for mobile phone application; online application in the Program's MIS; as well as the establishment of a program's hotline, all of which will be regrouped and financed as part of the Information and Communications Technology (ICT) contracts under Component 3.1. (see Annex 4 for more details on the operational processes and scoring criteria).

Sub-component 1.2 Providing Tailored Services for Connecting Target Youth to Jobs

33. This sub-component aims to improve labor participation and employability of selected target youth to help them access jobs or move from low quality to better jobs (including from informal to formal). Those jobs could consist of: (a) existing vacancies for wage employment or internships/on-the-job training in local firms and/or farms (Agricultural Development Groups or GDA /Mutual Society for Agricultural Services- SMSA); (b) wage-employment opportunities or internships/on-the-job training created through Component 2 (in supported enterprises in selected value chains); and c) self-employment opportunities under Component 2 (Microenterprise Support Package). To this end, this sub-component will finance:

- (i) *Performance-based provision of a 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, counseling, and/or job search assistance.* Following a public-private partnership approach, the MFPE, through the UGO, will outsource these services to competitively recruited local private sector/NGOs service providers. The latter will be the sole entities responsible for the implementation of the services. The intensity and scope of services required (and therefore estimated cost) will be informed by the results of the jobs profiling – i.e. those harder to place and facing multiple and severe constraints (and thus are far from the labor market) will receive a higher unit cost than those easier to place (see Annex 4 for more details). The selected providers will offer a personalized and tailored bundle of services based on the constraints faced by each individual in accessing jobs, using a “case management approach.” The provision of those services should be offered to ultimately ensure that beneficiary youth find an internship/wage employment jobs, thus the selected providers will also be responsible for identifying those

¹⁵ As part of the SPL System & Socio-Economic Inclusion TA (P158129), a profiling note has been developed entitled: “Tunisia: Profiling Social Safety Net Beneficiaries” building on available data from a random survey conducted by CRES with MSA SSN beneficiaries.



opportunities in the selected governorates' local firms including MSMEs supported under sub-component 2.1 Value Chains Development. Subject to presence and availability in selected governorates, the project will hire two types of providers: (a) for profit or non-profit private providers (firms, NGOs); and/or, (b) individual local consultants who will be regrouped in "connection teams" and will receive intensive training (see Training of Trainers (TOT) below) and certification to ensure the adequacy and quality of services provided. Recruitment will be based on a competitive and transparent process, based on specific criteria detailed in the POM. The payment system will include built-in incentives, while accommodating costs and payment incentives for successful connection of hard to serve groups (Annexes 1 and 4).

- (ii) *TOT to build capacity in designing and conducting the above tailored support services.* Conducted by a competitively recruited specialized and experienced international provider, this activity will target in priority the locally recruited private providers/NGOs under activity as well as public employment agencies.
- (iii) *Provision of specialized capacity building to selected government agencies to ensure gradual appropriation by such agencies of the new service provision model.* The following agencies have been identified to date: employment and ANETI offices, staff of partnering agencies (MoSA, Youth, Women). Focused on the performance-based service provision to help youth accessing jobs, this activity will be key to build gradual appropriation) of the new service provision model and build sustainability.
- (iv) *Provision of stipends to selected target youth,* which will be offered as monthly payments to beneficiaries to address income and/or mobility barriers and/or social care constraints, and which will be conditional on their participation in the activities described in this sub-component 1.2. To address care constraints and boost women's labor participation, this stipend will be 50 percent higher for young mothers with children under 6 years old and/or with dependents such as the elderly and members with disabilities.

Component 2: Supporting Job Creation (US\$32.7 million)

34. **This component aims to help the private sector realize its potential in creating jobs by: (a) supporting the development of value chains that have a high potential of job creation (Subcomponent 2.1), and (b) supporting selected target youth in the creation and development of their micro-projects (Sub-component 2.2).** This component will be implemented by the MFPE through the UGO. For sub-component 2.1, supervision of value chain technical services will be provided by the CEPEX under an interagency agreement to be signed no later than 3 months after effectiveness.¹⁶ Services under Sub-component 2.2 will be provided through competitively selected, performance-based Business Development Service (BDS) Providers. Specific arrangements and further details about the selection committees of the MSME competitive matching sub-grants and youth sub-grants are provided in Section IV, Annex 2, and Annex 5.

Sub-component 2.1. Supporting the Development of Value Chains with High Job Creation Potential

¹⁶ An inter-agency platform (described in more details in Annex 5) will provide technical services that support the development of value chains. The MFPE/CEPEX inter-agency agreement to be entered between MFPE and CEPEX clarifies mutual roles and responsibilities, including the responsibility of CEPEX to supervise, through its VDC platform, the provision of technical assistance to be carried out under Component 2.1 of the project. All mention of CEPEX in this document are made in reference to the aforementioned responsibilities and role(s).



35. **This sub-component aims to promote sustainable and quality private sector job creation within relevant value chains by addressing coordination failures and lack of information about potential markets, and internalizing social externalities related to jobs.** Specifically, it will finance the following specific activities:

- (i) *Provision of TA to various stakeholders¹⁷ to conduct analytically underpinned public private dialogues (PPDs) to identify the main bottlenecks preventing targeted value chains from achieving their full potential* (hereafter called ‘technical services’); and accordingly propose value chain specific development plans/strategies (hereafter called ‘Investment Action Plan’). These Investment Action Plans may include: (i) changes in regulations or policies at the macro or sectoral/industry level; (ii) industry-level solutions (such as training programs, awareness campaigns, etc.); (iii) strategic investments in common services or goods; and (iv) matching grants to MSMEs to catalyze investments in line with the Investment Action Plan.
- (ii) *Provision of TA to various stakeholders to implement the Investment Action Plans.* This assistance can include advocacy in regulatory reforms when needed, promoting vocational training to provide relevant skills to an industry and awareness campaigns to link producers to potential buyers.
- (iii) *Carrying out public investments* to unlock the value chain growth potential. Public investments could include: (i) equipment (including ICT); and/or (ii) small works (mainly rehabilitation of existing installations/equipment, new infrastructure allowed provided it complies with the Environmental and Social Management Framework (ESMF), and does not imply involuntary resettlement). The new or improved assets under public investments may belong to MFPE or other public entities that are relevant to the value chain. The maximum amount per public investment is specified in the POM¹⁸.
- (iv) *Provision of MSME competitive matching sub-grants to selected MSMEs to support their firm-level investments for the development of value chains* (for strategic investments, i.e. underdeveloped or missing nodes within the value chains). Matching grants could finance: (a) equipment (including ICT); (b) small works (mainly rehabilitation of existing installations/equipment, new infrastructure allowed provided it complies with ESMF framework, and does not imply involuntary resettlement); and/or (c) subsidies related to the provision of services (training, packaging, transport, electronic payments, etc.). The maximum amount per matching grant and the contribution of the firm are specified in the POM¹⁹.
- (v) *Financing of the incremental operating costs incurred by CEPEX for the supervision of the TA under (a) and (b) above* (office rent, office equipment, field visit costs, etc.). Operating expenses covered by the project will not cover the salaries of government employees involved in the supervision.

36. **The choice of value chains will depend on local density/specificity of economic activity and potential for creating jobs for the project’s selected target youth.** They will be chosen in close

¹⁷ The TA will be requested by MFPE and CEPEX as host of the VCD Platform detailed hereafter in Section IV and Annex 5; the TA will be useful to multiple stakeholders: Government agencies involved in the value, business associations and the private sector at large.

¹⁸ The maximum amount per public investment currently specified in the POM is US\$100,000. The amount may vary from one value chain to the other, hence the need to adjust the amount in the POM during the six-year period of the project.

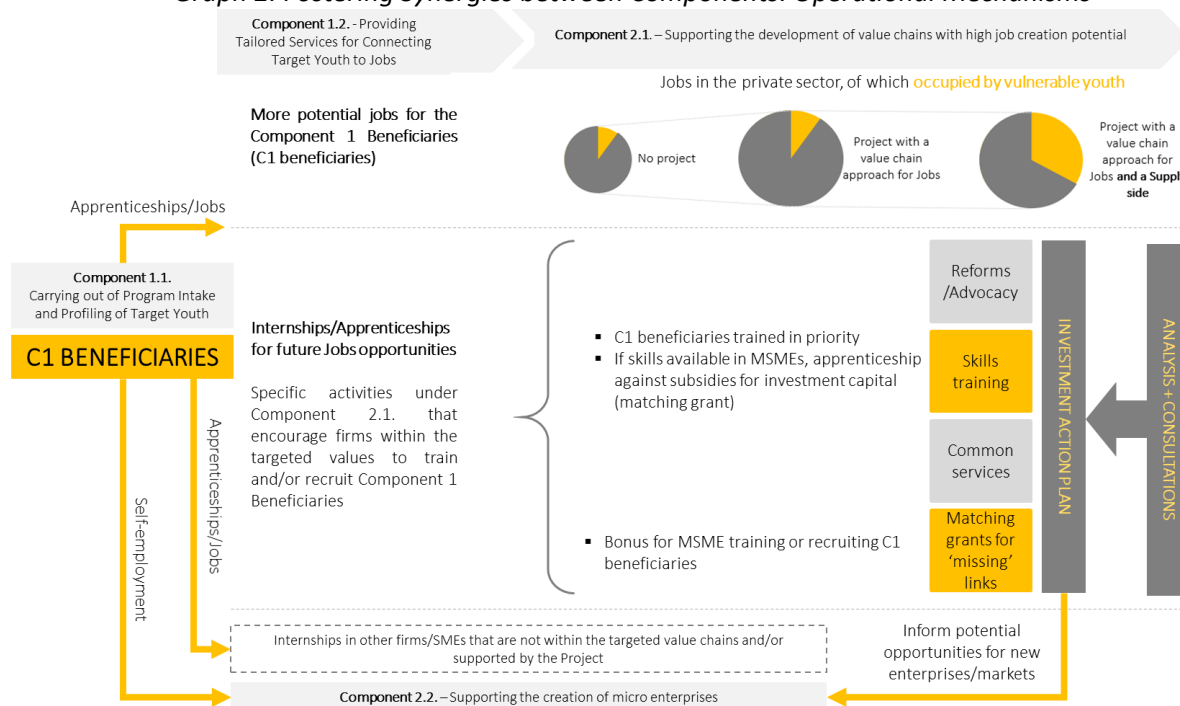
¹⁹ The maximum amount per competitive matching grant currently specified in the POM is US\$50,000. The amount may vary from one value chain to the other, hence the need to adjust the amount in the POM during the six-year period of the project.



consultation with relevant stakeholders (government, private sector and civil society) and in coordination with other related WBG/donor investments in this area.

37. **The Investment Action Plans will help inform the training and connection services provided to the selected target youth of Component 1, and inform entrepreneurial opportunities for beneficiaries of Sub-component 2.2.** To this end, service providers under Component 1 will be given information about the Investment Action Plans and job creation potential and be encouraged to reach out to firms that received support under Component 2.1 to better tailor training programs and support services. On the other hand, the technical work will help showcase opportunities that potential micro entrepreneurs can fill, and thus improve the chances of success of the beneficiaries of Sub-component 2.2. The link between Component 2.1 and the rest of the sub-components are highlighted in Graph 2 below.

Graph 2: Fostering Synergies between Components: Operational Mechanisms



38. **Once the Investment Action Plan is developed, and the strategic investments are identified, firm beneficiaries for MSME competitive matching sub-grants will be selected through a competitive process and a series of calls for proposals.** More details are provided in Annexes 1 and 2 and operationalization of the activities will be defined in the POM. For matching grants, specifically, eligible firms are:

- Firms in underdeveloped or 'missing' links of the value chains* (matching grants for strategic investments) based on a sound viable and very detailed business plan. Eligible sub-projects will not be restricted to value chains prioritized under this project, but also to other candidates resulting from other value chains work that prove to be aligned with the project development objective (job creation for disadvantaged youth in the designated regions), including a wider



number of value chains in agribusiness targeted by other World Bank projects. Incentives to train selected target youth from Component 1 on-the-job will be encouraged.

- (ii) *MSMEs operating within the value chains that have the potential to grow and can provide on-the-job training for a specific set of skills that is in line with the needs of the targeted value chains* could apply for a matching grant. However, the funding will subsidize an investment capital for an expansion strategy. Firms will apply for funding with a business plan and evidence that they can provide the required on-the-job training.

39. **The matching grant mechanism is needed for multiple reasons:** (i) to reduce the risk for MSMEs (and the financial sector) in covering new production modes or venturing into new markets; and (ii) to internalize social externalities and encourage more firms to generate jobs. More details on the rationale behind choosing the matching grant mechanism are provided in Annex 1.

40. **Some Investment Action Plans may indicate the need for public investment to unlock VCD** (for example the rehabilitation of existing public training center of carpet weaving). Public investments, financed by this project, will be subject to the World Bank prior review and must be clearly indicated as a priority in the Investment Action Plan adopted by the UGO and the entity in charge of the platform. As part of the “technical services” provided by this entity, public investments will be clearly defined in terms of the expected outcome and impact, including through the elaboration of TORs when relevant. The economic and technical feasibility of these sub-projects will be vetted through dedicated TA foreseen under Component 2.1. In accordance with the loan agreement, no public investment will be financed unless in full compliance with the relevant safeguard instruments as set forth in the POM.

41. **If the public investment falls under MFPE’s competence, MFPE will be responsible for the overall implementation through its UGO.** If the public investment does not fall under MFPE’s competence, and if this public investment was not already planned for and/or financed by another source, another agreement between MFPE and the relevant public entity that will benefit from the equipment or small works will be signed, whereby MFPE will be responsible for launching the procurement process and paying the contract, and the relevant public entity will be responsible for developing the terms of reference (TOR), evaluating technical offers, following-up on progress of activities, adhering to the world Bank policies and procedures and ensuring that the public investment will achieve its objective. A standard agreement template between MFPE and the relevant public entity will be provided in the POM and can be adjusted per the nature of the public investment.

Sub-component 2.2: Supporting the Creation of Micro Enterprises

42. **This sub-component aims at fostering entrepreneurship among selected target youth that were identified under Component 1 with the potential to create economically viable projects.** The estimated number of the intake will be 3,000 selected target youth (of the total 10,000 program selected target youth), divided into two batches during (tentatively the first and fourth years of the project). This sub-component aims to address multiple constraints that the hard-to-serve youth face in terms of lack of startup financing, lack of entrepreneurial skills among youth, limited information and capacity to take advantage of government programs.

43. **To this end, this sub-component will finance:**



- (i) *The provision of a comprehensive set BDS to selected target youth covering both pre-creation and post-creation of the relevant projects.* The BDS will encompass both pre-creation and post-creation phases and will cover: basic package of business and entrepreneurship training (simplified version of the curriculum of IFC Business Edge or that of the ILO for example adapted to the target segment), as well as mentoring, specific consulting, advisory services for marketing or technical issues, and modules for financial inclusion (saving, opening a bank account, etc.). The duration, intensity and delivery mechanism of BDS will be tailored to respond to the specific needs of each type of beneficiaries. Following a similar public-private partnership approach as in sub-component 1.2, the MFPE will outsource these BDS to competitively recruited private sector/NGOs service providers who will be solely responsible for the implementation.
- (ii) *Training of the selected BDS providers to address gender gaps in business creation by women,* including dedicated mentoring addressing pervasive social barriers and boosting self-confidence and addressing mobility constraints. Connections with Women Federations of Entrepreneurs are also envisaged.
- (iii) *Provision of youth sub-grants to selected target youth to cover the initial investment cost and working capital of their business plans.* The maximum amount per small-sized grants and the possibility of re-applying in case of successful projects will be indicated in the POM.²⁰ The selection of the grant will be conducted by an independent committee, whose members will be selected by the UGO after no objection from the World Bank. And
- (iv) *Provision of stipends for Selected target youth,* which will be the same as for those beneficiaries opting for the wage employment track, addressing income, mobility and/or social care constraints (See Sub-component 1.2) and will be conditional on their participation in the activities described in this Sub-component 2.2. Beneficiaries will be encouraged to open bank accounts and save part of the stipend which can act as a contribution to the investment cost that will complement the youth sub-grant provided by the project.

44. **Identification of selected target youth for the microenterprise creation track.** Once admitted into the program as described above (Component 1), target youth will participate in an orientation workshop offered by the private services provider/NGO, which will help them decide what track they would prefer. This workshop includes personal development training and awareness of entrepreneurship as well as design thinking. Selected target youth who express a preference for the entrepreneurship track will participate in an orientation using multiple tools (individual preference, entrepreneurship aptitude tests, conduct/level of engagement during the orientation period, potential to come up and implement economically viable ideas, etc.) and co-led by the BDS provider and the private sector provider/NGO. The process will be adjusted depending on the number of selected target youth interested in this track.

45. **The provision of small-sized youth sub-grants is based on international experience from graduation programs.** Graduation programs are aimed at the ultra-poor, provide a range of services (life skills coaching, access to savings accounts, health information and training and small-sized grants) and have been successfully tested in 38 countries. Based on empirical evidence, these programs have a return on investment ranging from 7 to 24 percent with significant benefits in terms of consumption index, food security, and financial inclusion. Nevertheless, increase in monetary income of the participants after these programs is limited to 65 percent, after one to two years following completion.

²⁰ The maximum amount per youth sub-grant currently specified in the POM is US\$5,000.



Thus, even though these programs allow young people to emerge from a situation of extreme poverty, they are likely to remain in a situation of fragility, at least for a time, and hence the preferred financial instrument is a grant.



Component 3: Building Effective and Accountable Program Delivery (US\$6.33 million)

46. Component 3 will support the articulation of different interventions on the ground and gradual appropriation by central and regional public agencies and stakeholders through four sub-components.

Sub-component 3.1 Developing a Management Information System and other Information and Communications Technology solutions for data-sharing and accountability

47. This sub-component will finance the development of an MIS and other ICT solutions for a coordinated, agile and transparent implementation of the project activities along two dimensions: (i) supporting data exchange and increasing access to information, finances, and services among the project target youth, and (ii) supporting monitoring and beneficiary engagement, from the initial outreach phase to the capturing of user feedback during implementation (beneficiary report card). Specifically, the following activities will be financed:

- (i) *Creation of a database hosting beneficiary information regarding, and profiles of the selected Target youth* (resulting from the jobs profiling), linked with tracking of their activities, progress, and outcomes;
- (ii) *Creation of a portal to facilitate interactions among selected target youth and selected MSMEs (under Sub-component 2.1), service providers, and relevant agencies* at both central and regional levels. This online portal will act as a “one stop shop” and will be made accessible through PCs or smart phones;
- (iii) *Set-up of various channels using Information and Technology (IT) solutions, for project-related communication activities.* These include Short Message Service (SMS) or interactive voice response for unconnected beneficiaries (which will need agreements with mobile network operators), social media (e.g. Facebook, Twitter), and the portal itself. The project will consider the use of existing call centers – especially during the outreach, registration, and enrollment stage (See Sub-component 1.1 above);
- (iv) *Design and implementation of IT modules for a simplified selected target youth report card and of a Grievance and Redress Mechanism (GRM).*²¹ This sub-component will finance the ICT aspects of these social accountability tools while Sub-component 2.3 will finance TA and training for these activities. Overall, these tools will aim to support the accountability of the UGO and service providers to beneficiaries; and,
- (v) *Acquisition of IT equipment*, which includes computers, software, and the servers, to support the development and the operationalization of the MIS.

Sub-component 3.2 Creating Capacity-building and Communications with Stakeholders

48. This sub-component will support project implementation and stakeholder engagement. It will help anticipate and manage potential tensions through adequate communications. It will also provide the necessary capacity building, policy development or institutional strengthening to ensure gradual appropriation and institutionalization of innovative project business processes (coordinated approach to

²¹ Following international good practice, the GRM mechanism will involve multiple channels and not just be limited to ICT, but also to face-to-face mechanisms where appropriate (e.g. notice box or submission of written complaints). The financial viability – including staffing of GRM officers and systems – of the GRM system will also be ensured.



jobs, performance-based service delivery, enhanced targeting mechanisms to reach disadvantaged youth, gender approach, etc.). To this end, the project will finance:

- (i) *Provision of capacity-building services, training in Tunisia or abroad and TA to various stakeholders at the central and local levels.*
- (ii) *Design and implementation of a communication strategy for the project.* Communication activities will ensure harmonization of messages across ministries; transparent dissemination of operation rules facilitate users' orientation through accessible means of information, and gradually build adequate stakeholders' commitment and stakeholders' management. The project will finance inter alia, TA, capacity building, goods, and operating costs incurred by relevant public agencies including (a) international and local firms contract; (b) other communication-related expenditures including hotline, newspapers' add, flyers, radio talk shows; (c) mobile and transportation costs for local public officials for site visits; and (d) bi-annual workshops of project's national and regional committees to take stock of progress and benchmark good practices across governorates; and,
- (iii) *Carrying out of dedicated communication and awareness-raising activities to boost women's labor force participation and engagement in wage employment and entrepreneurship.*

Sub-component 3.3. Building Results-Orientation and Service Delivery Accountability

49. This sub-component will finance the implementation of activities to ensure results orientation and accountability of service providers to selected target youth and selected MSMEs, including: (i) *design and implementation of a monitoring and evaluation activities including inter alia mid-term process evaluation, impact evaluations, and beneficiary survey* to detect and help correct implementation bottlenecks (See Section IV.B); (ii) *provision of capacity building services to stakeholders at the central and local levels for the project's results management*; and (iii) *provision of TA for the design and the implementation of the report card for selected target youth and selected MSMEs, as well as of the GRM* (except ICT costs financed under Sub-component 3.1 above), including the recruitment of a local firm for technical design, allowing independent facilitators to identify solutions and submit action plans for conflict resolution of the Regional Project committee and UGO; and (iv) *monitoring of implementation of the safeguard instruments*, that is the monitoring of the implementation of the ESMF through the different plans and tools considered in the ESMF and POM, in accordance with the loan agreement (Schedule 2, Section I.F).

Sub-component 3.4. Project Implementation Support

50. This sub-component will finance *the provision of technical advisory services and financing of Incremental Operating Costs for the establishment and operations of the Project Management Unit by UGO in the management and coordination of the project, and handling of technical, administrative, fiduciary, and safeguard-related matters.* Given the existing workload of public sector staff and the project's innovative multisector approach, the UGO will be an adequately staffed unit. The proposed composition of the unit is presented under institutional arrangements (Schedule 2, Section I, Part. A(5)). The following key positions will be staffed by consultants, including among others: local regional teams, two technical specialists for each selected governorate; technical specialist for value chains development; one procurement specialist; one monitoring and evaluation specialist, one communications specialist, one accountant, one person responsible for communication and GRM; and, one person for managing and providing due diligence for safeguard instruments including the ESMF.



B. Project Cost and Financing

51. The proposed operation is an IBRD loan in the amount of US\$60 million.

Project Components	Project cost	IBRD or IDA Financing	Trust Funds	Counterpart Funding
		60	0.00	0.00
Total Costs				
Total Project Costs	56.5			
Front End Fees	0.2			
Unallocated	3.3			
Total Financing Required	60.00			

C. Lessons Learned and Reflected in the Project Design

52. The project design benefited from a wide range of existing analytical work including the ILO 2015 Youth Employment Inventory and the WBG Jobs Diagnostic (WBG 2015 SCD), Implementation Completion Reports (ICRs) from World Bank recent projects in Tunisia, Stakeholders Workshops on Youth Employment and Women's Access to Jobs (Including Entrepreneurship). Key lessons learned from international and country experience, as reflected in the project design, are summarized below.

53. This project aims to target youth segments who tend to have been neglected by existing programs, including young women (Section I). Section II, Box 1 summarizes how project design will bridge key gender gaps to boost women's labor force participation and access to job opportunities, including entrepreneurship.

54. Interventions under Component 1 address several limitations of most ALMPs in Tunisia, which were highlighted in (Section I). They also conform with the latest reviews of Youth Employment programs and good practices²²:

- (i) An inclusive outreach strategy will help mobilize youth that are hard to reach, who tend to be discouraged, inactive youth, especially NEETs and the specific actions to engage young women will help address some of the hidden barriers for female labor participation and employment (Section I, Section II-Box 1).

²² See for example, Kluve, J, Puerto, S, Robalino, D, Romero, J.R, Rother, F, Stöterau, J, Weidenkaff, F, Witte, W. 2016. *Do Youth Employment Programs Improve Labor Market Outcomes? A Systematic Review*. And Elzir, A, Robalino, D. 2016. *Youth Employment Programs: What have we learned and the way forward*. Jobs Group. Short note (unpublished).



- (ii) Once youth are enrolled, the jobs profiling system will help address the current lack of tools to assign appropriate resources and services based on youth's different constraints.
- (iii) The flexible combination of services (technical and socio-economic skills, financial stipends) will enhance the likelihood of success by addressing youth's multiple constraints for accessing jobs.
- (iv) The lack of linkages with labor demand will be partially addressed by built-in incentives for connection with private employers' existing needs, which will be reflected in performance-based contracts of competitively selected service providers. and,
- (v) A strong monitoring system financed under Component 3 will be key to regularly track the performance of beneficiaries (and providers) and provide feedback on whether adjustments are needed in the composition and the intensity of the services.

55. **On the demand side, previous projects such as the Export Development Project (EDP-I (P071115) and the Export Development Project EDP-II (P055814), as well as 4th Northwest Mountainous & Forested Areas Development Project (PNO4) (P119140) and Second Natural Resources Management Project (PGRN2) (P086660) (for micro-farmers/entrepreneurs) were based on individual support to MSMEs, without a clear sectoral strategy.** Activities undertaken by these operations had limited success and did not lead to clear positive externalities on the rest of the economy (local or national). Moreover, the impact of the investment, though positive, remained moderate in scope and magnitude. Feedback through various PPDs and TA carried out by the WBG in recent years confirms this observation and highlights the need for an approach that goes beyond individual beneficiaries and covers a sectoral approach. The approach will focus on the various linkages in the value chain (instead of silos/fragmentation in support services for farmers, industry, services, exporters, etc.) and address market failures and constraints that prevent MSMEs in targeted value chains from reaching higher value-added markets, hence the need for technical services before Investment Action Plans are implemented, and individual support to MSMEs take place.

56. **On entrepreneurship support, the main constraints identified in recent reports¹⁷** highlight: (i) a lack of coordination among public structures providing business development services; (ii) support provided to enterprises only up to the enterprise creation phase, with almost no support for the phase of "post-creation," thus contributing to the high mortality rate of new enterprises; (iii) limited access to finance, with some disadvantaged segments not covered by MFIs, and very limited offerings in the TND 20-100K bracket, only covered by the highly subsidized BTS (Tunisian Solidarity Bank "*Banque Tunisienne de Solidarité*"); and (vi) lack of social capital (network, associations, etc.). The project is addressing these constraints in the project design.

57. **Project design builds on the recognition that involving and building the capacity of non-public service providers, including NGOs, could have positive effects if the activities and roles of the different stakeholder are properly designed.** The Youth Inventory, the TN-JSDF Emergency Support for Youth in Kasserine and Siliana (P120233) found that NGOs can often better reach disadvantaged, isolated segments. The Tunisia Community Works and Local Participation Project (ICR00003968) and the Transition Fund Project Participatory Service Delivery for Reintegration Project (ICR00003568; Tataouine, Medenine) have pointed to strong promise for public private partnerships at local levels for reaching those groups. These projects have also shown the importance of the participatory approach for the success of activities and attainment of better results. However, some of these initiatives have remained small-scale and with short-term benefits for beneficiaries (public works' programs).



IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

58. The implementation arrangements are as follows:

- (i) A National Strategic Steering Committee, chaired by the Minister of MFPE and comprising the concerned ministers or their representatives as well as 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 GoT and the selected governorates. This committee will be formally created at project effectiveness, and the frequency of its meetings were defined in the POM.
- (ii) A National Technical Committee chaired by a representative of the MFPE and comprising representatives of concerned ministries, will 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 issues regarding the implementation of the project, including *inter alia*, issues of interministerial or inter-agency coordination. In this context, the Committee will be composed of members with an adequate level of responsibility which will be required to accomplish the above-mentioned tasks. As described in the POM, those members will be issued from relevant Technical Directorates in MFPE and its Employment Agency ANETI; Social Affairs; Women and Family; Youth's Affairs and Sports; and, Industry and Commerce represented by its agencies APII and CEPEX; Finance; and, Investment and International Cooperation. To advance on technical and operational themes related to specific interventions, the National Technical Committee will be able, on an ad-hoc basis, to call on technical experts whose presence will be deemed relevant. This committee will be formally created at project effectiveness.
- (iii) Regional Committees will be instituted at the governorate level. Chaired by the heads of regional MFPE offices and comprising governorate-level technical focal points of concerned ministries and government agencies. Those committees will support the UGO by ensuring local appropriation, relevance, and adaptation of project activities²³, developing roadmaps for the project implementation, and being responsible for following the project implementation progress and resolving bottlenecks. Given the phased geographic approach of the project (Section II), the Regional Committees for the governorates of Jendouba, Kasserine, Kairouan, Manouba and Sfax will be formally established by MFPE Decree no later than three months after effectiveness while those Committees for the Governorates of Kebili and Siliana will be formally established no later than thirty months after effectiveness. Finally, the Regional Committees will have a set of designated core members but will be free to associate all relevant representatives and important stakeholders for the success of project implementation (including, among others, public and private sector, civil society, etc.). As such, these regional committees can act as public-private platforms.
- (iv) An adequately staffed Project Management Unit (UGO), as described below.

²³ Examples of contributions, as defined in the POM, include *inter alia* inputs for value chains activities, adaptation of outreach and communication activities, data sharing; and synergies with other Government and donors' programs.



59. **The MFPE will host the project UGO with presence at both the central and regional levels.** The UGO will be legally created at project effectiveness. The UGO will be responsible for day-to-day project implementation, and coordination at the central and local levels, technical supervision, fiduciary management and procurement, communications, safeguards-related matters, grievance redress mechanism, and monitoring and evaluation. The UGO's Director and its members will be competitively selected and work full-time. To mitigate fiduciary risks, experienced and dedicated full-time procurement and financial management staff (including accountants) will be hired. Staff will be selected on the basis of TOR agreed with the Bank. The UGO staff could either be seconded by the government or hired by the project. The UGO will include: one General Director, one Financial Management Specialist, two Procurement Specialists, one accountant, seven regional teams (one coordinator and one additional local Technical Specialist with division of labor by project activities and planning), one Lead Technical Specialist for overseeing Component 1, two Lead Technical Specialists for Component 2, one person responsible for communications, one person responsible for the Integrated MIS, Monitoring and Evaluation, and GRM, and one full-time Safeguards Specialist for managing and providing due diligence for the ESMF.

60. MFPE shall issue the decision(s) establishing the committees described in (i), (ii) and (iii) in paragraph above and the UGO detailed below in form and substance satisfactory to the Bank, and such committees and UGO will be established with mandate, composition, staff and resources satisfactory to the Bank.

61. **Given the forthcoming decentralization process and the project's duration (six years), the local framework implementation will remain flexible in order to adapt to potential new responsibilities of local authorities.**

62. **Specific implementation arrangements by components. The Borrower will carry out the implementation of Component 1, Component 2.2, and Component 3 through the MFPE and Component 2.1 (on Value Chains Development) through the MFPE and CEPEX.** Annexes 1, 2 and 4, as well as the POM highlight more specifics on the roles and responsibilities including those of different ministries at the central and regional levels including areas and modes of collaboration. A summary is provided below.

63. **Component 1.** Component 1 will be implemented by the MFPE (program enrollment, profiling, sub-contracted, tailored support services for connecting selected target youth to jobs) through the UGO with the support of the relevant Social Ministries for targeted outreach and enrollment of disadvantaged youth. These Social Ministries are the MoYAS, MoSA, and MoWFC. Given their proximity to potential beneficiaries, the three ministries will have an important role to play during the targeted outreach and awareness-raising activities as well as in the enrollment of potential beneficiaries. Some of their responsibilities will entail: (i) share the database of their beneficiaries to the MFPE, to create a compiled list of potential beneficiaries which will inform the implementation of the outreach (e.g. specific areas in the governorate to target the outreach where a high concentration of potential beneficiaries is located); (ii) participate in the local outreach activities conducted through the public mobile units to be made available by the MoYAS (see component 1.1); (iii) provide support to potential beneficiaries when enrolling in the program (e.g. helping them access and apply online or by text, supplying additional information, etc.). They will also participate in the monitoring of selected target youth when allocated to the private providers/NGOs and address any concerns they might have (see



sub-component 1.2). Annex 4 offers a summary of key phases and operational processes for Component 1 from outreach to intake and connection. Concerning the transfers of stipends to selected target youth, this will be done through La Poste²⁴, based on the terms described in the POM. La Poste will act as a financial service provider that will be responsible for the transfers of stipends to the accounts opened for the selected target youth. The MFPE, through the UGO, will provide the necessary information to La Poste, including the monitoring of the attendance of youth beneficiaries to the services provided in this component. Similar institutional arrangements apply for the transfers of stipends under sub-component 2.2.

64. **Component 2. Sub-component 2.1 Value Chain Development.** This sub-component will be implemented through the MFPE and CEPEX. The supervision of the TA will be provided by CEPEX. In accordance with the loan agreement, the Borrower will ensure that an interagency agreement, defining mutual roles and responsibilities, and in form and substance satisfactory to the Bank, will be signed between MFPE and CEPEX no later than three months after the project's effective date. CEPEX will be expected to build a team of suitably qualified and experienced VCD specialists, capable of providing and/or supervising a package of VCD-related support services required under the Sub-component 2.1, as more fully described in the POM, including: (i) identification of higher value added market segments for the targeted products and/or with high potential for job creation, (ii) identification of constraints and market failures that hinder access to such markets, (iii) elaboration and preparation of a strategy and program of actions and measures to address such constraints and market failures, and (iv) identification of champions and actors involved or to be involved in the implementation of such strategy and program of actions. CEPEX will be hosting such a single inter-agency VCD platform (hereafter referred to as 'the platform'). The platform will be used by four World Bank projects that include VCD activities and have complementary development objectives as described in Section I.C. It is composed of a multidisciplinary team of civil servants selected competitively from various existing technical MSME development agencies (The APIA, APII, and CEPEX, etc.) as well as regional development agencies (the Office of Development of the North West "ODNO," the Office of Development of the Center West "ODCO," etc.). The platform maximizes synergies between specialized MSME support agencies (the fragmentation of their support to the private sector currently being one of the factors allowing coordination failures to persist in the lagging regions), as well as across WBG projects. The composition, governance, and mission of the platform are fully described in Annex 5.

65. **Selection Committee.** The MSME Sub-Project Selection Committee, co-chaired by one representative of the MFPE and one representative of the ministries 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 under this Sub-component. The MSME Sub-Project Selection Committee will be established under a Decision issued by MFPE, in form and substance satisfactory to the Bank, and will be established with mandate, composition, staff and resources satisfactory to the Bank. In accordance with the loan agreement (Schedule 2, Section IV.B.1(b)), the creation of MSME Sub-Project Selection Committee is a disbursement condition for MSME Competitive Matching Sub-Grants.

²⁴ The selection of La Poste was justified by its financial and operational capacities, its geographical presence with a large network even in lagging regions, its experience in small amount of money transfers for other social projects, and the low transaction costs supported by end beneficiaries.



66. **Sub-component 2.2. Support to Microenterprise creation.** ANETI's "Entrepreneurial Space/*Espace Entreprendre*" will provide inputs in the TOR preparation and provide guidance for the monitoring/follow-up the performance of the BDS providers. An important feature of the implementation arrangements for this sub-component is the selection process for youth sub-grants to selected target youth to cover the initial investment cost and working capital of their business plans and of subprojects. The Youth Sub-Project Committee will be created under a Decision issued by MFPE, in form and substance satisfactory to the Bank and will be established with a mandate, composition, staff and resources satisfactory to the Bank. In accordance with the loan agreement (Schedule 2, Section IV.B.1(c)), the creation of Youth Sub-Project Selection Committee is a disbursement condition of the youth sub-grants. The Youth Sub-Project Selection Committee, chaired by the UGO Director 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 this sub-component, will be responsible for the selection of youth sub-projects. Further specifics are provided in the POM and in Annex 2.

B. Results Monitoring and Evaluation

67. **A Monitoring and Evaluation (M&E) system will be established to support the implementation and assessment of the project and serve as a management tool.** It will be based on the MIS that captures selected youth and MSMEs. It will also be closely linked to the project job profiling system financed under Component 1. At intake and registration, the selected youth (or selected MSME) will provide information on a simple set of data to constitute a baseline that will be repeated at mid-term and end through simple tracer surveys.²⁵ The M&E system will also incorporate reporting and data from the performance-based service providers who will provide data on support to each beneficiary/firm and status, linked to the performance contracts and subject to quality control by the UGO.

68. **In accordance with the loan agreement, the Borrower will monitor and evaluate the progress of the project and prepare project reports on the basis of indicators acceptable to the Bank (see Section VII).** Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Bank no later than forty-five (45) days after the end of the period covered by such report. The UGO will be responsible for the preparation of the project reports.

69. **In terms of roles and responsibilities, the National and Regional Technical Committees will review M&E information to provide guidance and recommendation to improve implementation.** The UGO, through its dedicated M&E Specialist, will ensure that data and information from the seven governorates and institutions is produced and collected on time and is of sufficient quality as required. The Regional teams of the UGO will lead data collection at the local level, in conjunction with respective departmental ministries and relevant stakeholders. Capacity building assistance will be provided to local actors for such monitoring (Component 3). M&E responsibilities will be described in the POM and will benefit from a toolkit on jobs indicators developed by the Bank. The UGO will develop a project M&E plan funded by Component 3. The UGO Communications Specialist will ensure a stakeholder feedback loop on M&E for communication of results and lessons learned. Citizen engagement and feedback will be sought through the report card mechanism for selected youth and selected MSMEs.

²⁵ Alternatively, every two years, reflecting when the two waves will take place.



70. **The Project will undertake a Mid-Term Review (MTR) to assess implementation, identify potential bottlenecks and propose corrective measures.** This process evaluation will form part of the overall report that the UGO will be required to prepare for the project MTR, in accordance with the loan agreement (Schedule 2, Section I.B.2(b)). Specifically, the UGO will be required to furnish to the Bank, thirty-four months after the project effective date, a report integrating the results of the monitoring and evaluation activities 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 PDO. The UGO will also, in accordance with the loan agreement (Schedule 2, Section I.B.2(c)), review with the Bank, thirty-six months after the effective date, or such later date as the Bank request, take all measures required to ensure efficient completion of the project and the achievement of the objective, based on the conclusions and recommendations of the said report, and the Bank's review on the matter. A rigorous impact evaluation will also be an integral part of the project. The survey design and management of the impact evaluation will be the responsibility of the UGO, in collaboration with ONEQ. Overall technical support for the impact evaluation will be provided by the World Bank. The evaluation will focus on the innovative aspects of the project and features that offer the potential to select a suitable control group to enable rigorous analysis. The impact evaluation team will work closely with various stakeholders to develop research designs that will outline in detail the selection of appropriate counterfactuals. The impact in terms of employability and increase of revenues will be disaggregated by gender. The scope of the different questions to be considered is summarized in Annex 2.

C. Sustainability

71. **The government's commitment and ownership of the project are clear from the high level of involvement during the preparation stage across ministries and relevant public agencies.** Following a participatory workshop with all regional focal points from selected governorates in January 2017, commitment and readiness to engage were also expressed at the regional level. While multisector engagement is always challenging to maintain, lessons learned show that multisector engagement on the ground at the local level happens more easily than at the central level. In addition, continuous engagement will be encouraged by increased visibility of different agencies and partners involved (through appropriate communications channels), clear roles and responsibilities defined in the POM, regional action roadmaps and pressure from beneficiaries on providers to perform. With regard to continuous private sector involvement and public/private partnerships for job creation, service providers will be incentivized to foster partnerships with firms to secure internships (as part of Component 1) and/or job placement through the contract payment system. Private sector actors will be involved as part of the regional and technical discussions on value chains and other interventions.

72. **Institutional sustainability.** While complex, the proposed institutional arrangements anchor project implementation in ministries and agencies with legal mandates, national budget plans, and regional presence and programs that have a direct bearing on the project's activities and financing. This is expected to enhance the likelihood of intervention continuity after project closing. MFPE is the natural host for testing a different way of providing tailored job services. It has successfully managed to implement the Tunisia Community works and Local Participation Project (P128427) that involved sub-contracting of associations. CEPEX's role in supervising the VCD is in line with the overall new strategy of the Government of Tunisia. Supervision of such activities is anchored by staff currently trained to



undertake and oversee VCD activities well beyond the project scope. Relevant social Ministries have the comparative advantage and incentives to help with outreach to potential beneficiaries and future follow-up. The MoSA has a unique responsibility for managing the SSN Programs and is interested in linking beneficiaries to job opportunities. As part of the Government National Five-Year Plan (Section I), the MoWFC and has already several local staff dedicated to boosting women's access to entrepreneurship and empowerment with expected results. The MoYAS has a long-term commitment to provide Youth with the Government *Carte Jeunes* (Multiservice Youth Card) and reach out to discouraged youth and NEETs. Based on an assessment of capacity gaps, the Project will provide capacity building and appropriate TA to these different players to ensure gradual appropriation over the six years' project duration (Component 3). The MTR will serve as an opportunity for all stakeholders to agree on a scenario for maintaining long-term institutional sustainability.

73. **In terms of financial sustainability, the GoT has allocated a large amount of funding for youth employment programs and is expected to continue doing so.** This project is intended to provide a demonstrative, gradual approach to address binding constraints in labor supply, demand, and overall inter-institutional collaboration. Component 3 is designed to help prepare for the scaling up and institutionalization of mechanisms through strong evaluation, communication of results and learning, and institutional development as needed. In parallel, the WBG will continue to provide TA and policy dialogue on jobs policy and social inclusion and foster strong synergies with donor partners.

D. Role of Partners

74. **The proposed operation provides synergies and complementarities with IFC activities in Tunisia:**

- (i) Through its "Business Edge" program (592887), the IFC provides packages of business and entrepreneurship training aimed at improving youth employability and skills to better match private sector needs. The modules of the training can be simplified, translated into Arabic, and adjusted to better suit the target audience of the project. Some NGOs that are certified Business Edge providers have expressed their interest in participating in the project once calls for proposals are launched;
- (ii) With the aim to improve sector competitiveness, the IFC has recently approved a concept note for the project "Value Chains for Growth and Job Creation" (601701) with a strong complementary role to the value chain work under this operation. The project will move to the implementation stage once funding availability from donors is confirmed;
- (iii) Improving financial inclusion is key to the IFC agenda, as demonstrated in the multiple IFC investment and advisory projects in Tunisia. The Youth Economic Inclusion project encourages participants to open bank accounts and to save. It will provide support to the ultra-poor segment that is not currently served by MFIs. Associations linked to MFIs have expressed their interest in participating in the project. Business development service providers will be encouraged to partner with MFIs, giving the latter the possibility to bridge any financing gap, thus linking beneficiaries to the microfinance industry. This will help build the pipeline of future clients for MFIs, and contribute to the overall financial inclusion strategy in Tunisia.

75. **The World Bank is working closely with various multilateral and bilateral organizations supporting Tunisia in implementing its jobs, employability and private sector development agendas,**



notably:

- (i) African Development Bank (AfDB): The Bank is liaising closely with the team leading “Souk At-Tanmiya” (SAT) Project for entrepreneurship support. SAT coverage is at the national level with specific attention to the 14 governorates of the interior. However, the target segment is different, and the ticket size is significantly larger. SAT has already started capacity building activities for NGOs and public business development service providers, which will be beneficial for the Project. The teams have agreed to exchange databases to avoid duplication of efforts. The project will also provide referrals to SAT for beneficiaries whose business plans exceed TND 20,000.
- (ii) French Development Agency/Agence française de développement (AFD): The Project team will continue the dialogue with AFD to explore areas of cooperation with the “Programme d’Appui à la Formation et à l’Insertion Professionnelle (PAFIP)” in terms of referrals of Bank Project beneficiaries to relevant specialized training in the upgraded training centers, as well as AFD programs supporting MFIs in Tunisia.
- (iii) International Labor Organization (ILO): The Bank is also coordinating with ILO on overall policy dialogue with the Government, UTICA, and UGTT. The Bank is benefiting from lessons learned from ILO ongoing projects that started after the Revolution; namely: (i) “Jeunes et Employabilité” (JEMP) – Support to the FORSATI program, (ii) “Promotion Emploi Jeunes en Tunisie” (PEJTUN), and (iii) Program to Support Underdeveloped Zones. Collaboration will continue at the central and regional levels to exchange information and liaise activities.
- (iv) Furthermore, the project is building on lessons learned from past and ongoing activities conducted by Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), United Nations Development Program (UNDP) and Mercy Corps with respect to employability, insertion and entrepreneurship support; most notably: The Youth Employment Training and Promotion Fund; Innovation, Employment and Economic Development of the Regions; and Special Initiative for Economic Stabilization and Youth Employment.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

76. **The overall project risk rating is High.** Some of the key risks identified in the SORT includes the following: (i) high and/or substantial risks linked to political and governance aspects, macroeconomic issues, and relevant sector strategies and policies; (ii) substantial risks related to the project’s technical design linked to the integrated approach to jobs; (iii) high risks related to institutional and implementation capacity aspects including low implementation capacity in lagging regions; (iv) substantial fiduciary risks, (iv) high stakeholders’ risks; and, (vii) high security risk. At the same time, this is a potentially high-reward project with expected positive social impacts for youth, especially the most disadvantaged including young women. It also presents an opportunity for a gradual shift in jobs strategies and social protection through concrete action on the ground.

77. **Risk mitigation is integral to the project design and implementation and considered an iterative process.** In summary, the project is adhering to a principle of strong risk management as evidenced by its commitment to:



- (i) ensure implementation readiness, by including in the POM specific UGO composition and developing TOR for main contracts to be implemented in the first 18 months of Project implementation;
- (ii) ensure appropriate technical staffing of the UGO;
- (iii) consider a phased approach for various activities (from simple profiling and ICT tools to more sophisticated arrangements);
- (iv) ensure gradual appropriation of technical design features by central and regional agencies as well as stakeholders through TA and institutional development;
- (v) anchor institutional arrangements for implementation in Ministries and agencies with legal mandates, programming and regional presence that are aligned with project activities;
- (vi) ensure flexibility to allow for changes and adaptation during the project;
- (vii) support various means to maintain the coalition and coordination across different stakeholders and administration levels (adequate visibility of different partners, regional roadmaps for project implementation agreed with the Regional Committees including necessary financial and operational support); and
- (viii) ensure transparency and selection criteria for project benefits and implement the users' feedback mechanisms to minimize interference and/or elite capture.

78. **In addition, from a political economy and governance standpoint, the project will aim for:** (i) provide adequate implementation arrangements at the governorate level and alignment of incentives, including- as needed- regular stakeholder mapping/analysis of the delivery chain; (ii) put in place mechanisms to monitor for risks of elite capture in selection processes are implemented according to the POM; (iii) help with design of workable and Tunisia-sensitive GRM; and (iv) provide assistance thinking through aligning incentives during the implementation of performance-based contracts for service providers, report cards and gradual buy-in of local public officials and local stakeholders.

79. **The table below summarizes key sources of risk as identified in the SORT system along with mitigation measures.**

Risks (as identified in SORT)	Risk Mitigation Measures
Political and Governance risks (H) <ul style="list-style-type: none"> Political: Fragile, multi-party coalition that could lead to Government changes and evolving leadership support for the operation. Risk of low accountability to the project's potential beneficiaries. Risks of capture (by bureaucracy and/or local elites). 	<ul style="list-style-type: none"> Project's participatory design leading to broad-based Government and stakeholders at central and regional levels, leading to broad-based ownership and support. Mechanisms to maintain a strong coalition for integrated approach through National and Regional Committees, adequate internal and external communication, etc. Transparent process for selection of youth and MSME beneficiaries and building in incentives to ensure the selection is as per procedures. Accountability mechanisms including report card, and GRM in place. Regular monitoring/diagnostics of emerging governance risks and adjustments in project



	implementation as necessary.
Macroeconomic risks (H) <ul style="list-style-type: none"> Poor macroeconomic conditions with a large fiscal deficit, a spiraling wage bill, an increase in fiscal risks and the possibility of slippage in implementation of macroeconomic reforms, all of which could constrain public investment spending during the project's implementation. 	<ul style="list-style-type: none"> Public Financing for youth employment expected to remain high. Thorough monitoring of macroeconomic and fiscal risks and strong involvement of World Bank in policy dialogue to address these risks. GoT and the World Bank to ensure complementarity of this operation with Development Policy Financing (DPF) operations.
Sector Strategies and Policies (S) <ul style="list-style-type: none"> Strong project alignment with sector strategies and Five-Year Plan but risk of weak collaboration across some ministries (Employment-Industry, for example). 	<ul style="list-style-type: none"> Strong Government commitment to job creation and youth employment Upcoming National Strategy on Jobs expected to include a wide range of stakeholders, ministries, and regions.
Technical Design <ul style="list-style-type: none"> Project's technical complexity linked to the integrated approach to jobs. Provider's capacity number and quality of NGO and private sector service providers available at the local level is insufficient, and/or below expectations (for Components 1 and 2). MFPE challenged by other government entities on its ability to manage activities that support job creation via VCD (beyond its classic mandate). 	<ul style="list-style-type: none"> Phased approach for more complex activities like jobs profiling and shared MIS and common project portal. Experienced fiduciary and technical UGO with strong regional presence. TA and capacity to key central and regional officials to build gradual appropriation of new systems such as the profiling for jobs approach, value chains. TOT and other specific activities to build capacity of local players. Procurement plan includes the recruitment of reputable international service providers to help build capacity and bring best practices. Final selection of beneficiaries to be ratified by a designated selection committee co-chaired by MFPE and the ministry(ies) in charge of industry and commerce, with members from the ministries in charge of finance, and representatives of private sector associations and experts known for their experience in evaluating business plans. Following the selection, a sub-grant agreement will be entered into with the beneficiaries, providing for an MSME competitive matching sub-grant on terms and conditions satisfactory to the Bank.



<ul style="list-style-type: none"> • <i>Youth sub-grants for the Microenterprise sub-component.</i> The grant may go to the beneficiaries who do not deserve it the most, or may be considered as a non-binding donation by the beneficiaries and may not be adequately used for the intended purpose to implement their business plan with the aim to grow their business and create jobs. • <i>“Double dipping”</i> by some youth sub-grant beneficiaries who already benefit from other types of support by MFIs or other donors. 	<ul style="list-style-type: none"> • <i>Youth sub-grants.</i> Grant beneficiaries will be rigorously selected by an independent selection committee, and will be supported by consultants who will monitor the implementation of their plan and will authorize the disbursement of funds (to be done in 3-4 tranches) based on progress in implementation. A sub-grant agreement between the project and the beneficiaries will spell out the terms and conditions to access the grant as well as the sanctions in case of violations of the terms of the agreement. • Before communicating acceptance, strong coordination with “Centrale des Risques” and the database of other donors.
<p>Institutional Capacity for Implementation and Sustainability (H)</p> <ul style="list-style-type: none"> • Fragmentation risks related to the number of government entities involved in project implementation, which is linked the multisector approach • Lack of or poor experience in implementing WB IPF projects. • Weak capacity at the local/regional level. • <i>Value Chains Development:</i> creation of the value chain platform takes longer than expected, or is functioning below expectations. • Number of private sector jobs created that are suitable for targeted disadvantaged youth ends up below expectations. 	<ul style="list-style-type: none"> • Phased geographic coverage. • Strong capacity-building activities for government staff at all levels (Component 3) and private and/or NGO providers (see technical design above). • Strong competitively recruited technical staff in UGO. • Project and parallel TA (in coordination with donor partners) for gradual Government appropriation of approaches and systems including targeting, jobs profiling, value chain diagnostics. • Value chains: project UGO will contract private sector providers directly for TA. Continuous TA and policy dialogue will be provided to foster platform creation to ensure sustainability and ownership. • Profiling and referral system to allow connection to other Government and/or donor-supported opportunities (e.g. IRADA European Union Project).
<p>Fiduciary (S)</p>	



<ul style="list-style-type: none"> • MFPE staff not familiarized with Bank FM, disbursement and procurement procedures. • Lack of full time dedicated and experienced fiduciary staff (FM & Procurement). • Lack of an integrated information system that supports the project physical and financial implementation, including accounting, financial reporting, contracting and M&E. 	<ul style="list-style-type: none"> • Collaboration and synergies with other WBG projects developing similar contracting approaches to this project, such as TEEP contracting and partnerships around market-based education. • Training on Bank fiduciary aspects for UGO and relevant staff. • Sections of POM including detailed accounting, disbursement, financial reporting and procurement procedures. • Use of the Monitoring, Evaluation and Implementation of Public projects system (<i>Système de Suivi et d'Evaluation de l'Exécution des Projets Publics</i>) developed by the National Computing Center (<i>Centre National d'Informatique (CNI)</i>) (See Annex 2).
<p>Environment and Social (M)</p> <ul style="list-style-type: none"> • Expected positive social impacts high • Income and mobility barriers faced by disadvantaged youth, limiting their access to project's opportunities <p><i>Gender:</i></p> <ul style="list-style-type: none"> • Risks of young women not being reached and benefiting; risks of socio-cultural barriers especially for married women or mothers. • Government institutions' capacity in and awareness of inclusiveness gender approach limited. • Component 2 Lack of interest in entrepreneurship/cultural attitude. • <i>Environmental risks.</i> Component 2 the project with its Sub-component 2.1 (Support for VCD) and Sub-component 2.2 (Support to Microenterprise Creation) entails the building of small civil works that have the potential to generate site-specific environmental impacts that will be minimal and easily mitigated. 	<ul style="list-style-type: none"> • Stipends transferred to selected target youth conditional on their participation in the activities described under sub-components 1.2 and 2.2. • <i>Gender:</i> Appropriate inclusive and gender-smart mechanisms throughout project interventions (Box 1, Section 2). • Inspiration and motivation activities as part of targeted outreach and communication (Component 1.1). • ESMF prepared and disclosed, recommending a negative list of projects excluded from support as well as a positive list of sectors to be financed by public investments or MSME matching grants, based on the Bank's due diligence and assessment of environmental and social risks, potential impacts of various sectors, and capacity for managing those risks and impacts.
<p>Stakeholders (H)</p> <ul style="list-style-type: none"> • Possible difficulties of collaboration among stakeholders at national and 	<ul style="list-style-type: none"> • Broad-based stakeholder involvement during preparation and implementation stages at both central and local levels.



<p>local levels.</p> <ul style="list-style-type: none"> The program will provide stipends to selected target youth to partially compensate direct and indirect costs to participate in the program, and the program aims to increase the income of beneficiaries in the medium to long term. In this context, there is a risk that current beneficiaries of social safety programs (notably, the PNAFN and AMG2) or young members of beneficiary households would be reluctant to participate in this program, being afraid of losing the social safety net benefits. 	<ul style="list-style-type: none"> Communications strategy (internal and external). Stakeholder analysis' included in project activities and implementation This risk will be mitigated through a moratorium on eligibility rules of PNAFN and AMG2 programs for beneficiaries of the Youth Economic Inclusion project "Moubadiroun." In addition, the project's communication strategy will ensure that potential applicants to the program be clearly informed that they will be able to stay in SSN program and that they are encouraged to apply: selected target youth receiving the stipends in the context of the project as well as the households they are members of whom are receiving social assistance from PNAFN or AMG2, will continue to benefit from that assistance as long as their social and economic situations did not improve in a considerable manner that would guarantee their autonomy.
<p>Other: Security (H)</p> <ul style="list-style-type: none"> Project targeted in governorates in lagging regions that could be exposed to social tensions and volatile security situations. Adequate project preparation (field presence) and implementation likely to be affected. 	<ul style="list-style-type: none"> WBG security procedures will be followed. The situation will be closely monitored during implementation. If tensions arise or security situation deteriorates, WBG task team and security staff will discuss and agree with the Government on how to proceed in affected regions and whether to temporarily postpone operations.

VI. APPRAISAL SUMMARY

A. Economic and Financial (if applicable) Analysis

Expected project's development impact in terms of expected benefits and costs

80. An economic analysis was carried out for the project as detailed in Annex 6. The analysis is mainly based on expected benefits of Components 1 and 2, with the understanding that Component 3 will improve the performance of these benefits. The economic analysis is a cost/benefit analysis.



Expected benefits of Component 1 include the following: (i) increase in employability and productivity, and hence in earnings, for the target group in the selected governorates, (ii) re-engagement in the labor market –as employers or entrepreneurs-and (iii) in medium and long term, reduction of public “financial” contributions to vulnerable households that includes social safety net payments and public health care expenses. The last two benefits are difficult to quantify and can be bundled under a term called positive *social externalities*²⁶. The expected benefits of Component 2 are: (iv) job creation linked to investment in selected value chains and hence increase in earnings; (v) generation of new activities and micro businesses, hence increase in earnings; and (vi) leveraging new investments. The main types of costs generated by Components 1 and 2 are associated with outreach activities, the development of a youth profiling system, the delivery of tailored support services for selected target youth, payments of conditional stipends to selected target youth, the funding of value chain’s TA and related public investments and matching grants for selected MSMEs, micro entrepreneurship grants (youth sub-grants) and business development services (see description of the project) as well as private investment leveraged.

Rationale for Public Sector Provision/Financing If Applicable

81. **Strong economic rationale justifies public financing of this project.** The public sector’s provision of support for the vulnerable youth population is vital because the private sector working through the market alone will not provide the necessary solutions. First, the project is justified on equity grounds by boosting economic opportunities of disadvantaged youth, including young women. Addressing youth socio-economic exclusion is essential for boosting the country’s path to inclusive growth and stability. Second, public financing is justified by the existence of market failures. The market failures include imperfections in the functioning of labor markets, but also coordination failures and hampered access to finance for start-ups. Third, the private sector is driven by a maximization of profits but does not internalize the positive externalities linked to integrating or re-integrating disadvantaged youth to the labor market. Public incentives signal opportunities in terms of job creation or social upgrading and encourage firms to invest in job-rich segments of the value chains where they would not have engaged without public interventions.

Value Added of Bank’s Support

82. **Beyond financing, the technical value added of the WBG’s support stems from both global experience and close collaboration with Tunisia in all three key thematic areas of this project:** (i) social protection, with support to improvements in the SSN system; (ii) youth employment and jobs, with comprehensive job diagnostics, dialogue on policy reforms, and pilot targeted interventions in disadvantaged regions with the MFPE, the MoSA, and the MoYAS and three ministries; and private sector-led job creation, with advisory services and operations focusing on improving the business environment, access to finance and support to VCD (Section 3.C).

Methodology

²⁶ In some contexts, in similar programs, the positive social externalities can be countered by negative ones, such as lower health outcomes in manufacturing. However, since the objective of this project is to create quality employment in the formal sector, it is suspected that negative externalities will be negligible compared to the positive ones.



83. **The economic analysis presents the Economic Rate of Return (ERR) for the proposed public financing and hence the rationale for the loan.** The economic analysis is articulated around key questions. First, the Internal Rate of Return (IRR) is computed for each component independently and then for the overall project. The results indicate a strong rationale for developing projects that combine both supply and demand-related interventions. Indeed, projects that solely focus on supporting the labor market are undermined by the low number of vacancies and hence long-term job opportunities. The likelihood of being employed after support (training and/or on-the-job training) is increased by Component 2. Moreover, this economic analysis suggests a way to quantify the level of subsidy. Indeed, the analysis first presents the IRR for the private sector and shows that it is too low to encourage firms to invest in the economy. However, when the social externalities accrued to a re-entry on the labor market for disadvantaged youth are internalized in the calculation, the return on investment is higher. The optimal level of subsidy is derived from the difference between the IRR from the private sector and the IRR with positive social externalities (also called social rate of return (SRR)).

Results from the Economic Analysis

84. **The economic analysis provides a strong rationale for the project as the ERR equals to 20.8 percent.** The estimated rates of return and net present values are shown below in Table 1²⁷. By considering the complementarities between the supply and the demand sides, the SRR for each component increases, in particular for the supply-side component that rises from 26 percent to about 31 percent. Overall, the SRR for the project without complementarities is equal to 18 percent while it reaches 21 percent by designing an integrated approach. The economic analysis indicates that the optimal level of subsidy ranges between 40 and 50 percent.

Table 1: SRR for a 50 percent matching

SRR for...	Without complementarities	With complementarities
Supply side only	26.3	30.8
Demand side only	10.7	11.2
Total project	18.1	20.8

B. Technical

85. **The project design is supported by strong technical and analytical underpinnings.** *First*, it emerged from technical inputs from a multisectoral team on both the World Bank side (a joint effort among the Social Protection and Jobs and Trade and Competitiveness Practices) and the country side (a technical preparation committee involving the MFPE, social ministries, and the MIC responsible for private sector and value chains). It has also benefited from insights from key stakeholders at national and regional levels, including youth, employers' associations and workers' associations (UGTT), as well as women's associations. *Second*, key project interventions build on lessons learned from international and country experience as documented in several studies and impact evaluations cited in this PAD, adapted to the Tunisian context. The project pioneers and experiments with an integrated approach to constraints in labor supply and demand, including a value chain approach. As such, the whole set of interventions has not benefited from international impact evaluations worldwide. However, the specific

²⁷ Because of the wide span of possible costs per job we report the average of the results for \$15, \$30, and \$45 thousand USD per job for NPV and rates of return results. For other results, we use the benchmark assumption of \$30 thousand USD per job.



interventions in the first two main components are in line with good practices. These lessons learned, as reflected in the technical design, are summarized in Section III.C.

86. Project design introduces different mechanisms to ensure sound integration across interventions so that results can be more significant in terms of economic opportunities for the target population than stand-alone programs would produce. Integration of the demand and supply sides at various levels using different instruments is key by: (i) prioritizing value chains that will maximize job creation in the selected governorates for the target group (acknowledging that all value chains are critical for the country's competitiveness); (ii) ensuring that the target population has or acquires the 'right' skills to meet the demand for firms in the value chain and the necessary support from employment services providers; and (iii) providing specific incentive mechanisms to encourage firms to train and possibly recruit among the target population. These mechanisms are described in the project Description (Section III, Annex 1) and in the POM.

C. Financial Management

87. A Financial Management Assessment (FMA) was carried out in accordance with the FM Manual for World Bank Investment Project Financing and OP/BP 10.00 to evaluate adequacy of FM arrangements for project implementation. This assessment reflects the FM arrangements proposed for the General Directorate for Employment Promotion (GDEP). The GDEP is located within the Ministry of Vocational Training and Employment (MFPE) and will be responsible for implementing and carrying out the project's fiduciary activities.

88. Proposed FM arrangements are generally acceptable while areas for improvement exist. Therefore, several mitigating measures will be put in place to ensure a smooth implementation.

89. The MFPE, through the UGO, will implement the project and be responsible for the overall fiduciary oversight, which includes FM, disbursement and procurement arrangements. The assessment revealed that current practices for budgeting, accounting, internal controls, funds flow, financial reporting and external verification within the MFPE are generally acceptable to support this operation because they broadly allow for: (i) recording project transactions, (ii) preparing financial statements, (iii) safeguarding the implementing entity's assets, and (iv) external verification of project accounts. Nevertheless, a few significant weaknesses and risks need to be addressed in order to ensure a solid fiduciary environment for smooth project implementation namely: (i) GDEP staff lacks experience in handling World Bank-financed investment operations including FM, disbursement and procurement procedures; (ii) no FM person able to handle FM activities for this specific operation currently exists; (iii) there is a lack of a computerized information system to support project accounting and reporting in order to ensure proper tracking of project funds and timely production of consolidated financial reporting for timely decision-making for project management, and (iv) project annual audit reports might be submitted with considerable delay.

90. To mitigate risks and weaknesses, the following measures will be taken:

- (i) The creation of a dedicated project implementation unit (UGO), including a fully dedicated FM Specialist either to be seconded by the government or recruited on a competitive basis according to acceptable TORs;



- (ii) An MIS to monitor project activities. This system will include a financial module and will allow for the production of single and consolidated annual and semi-annual project financial reports. It is intended that the project will use the Monitoring, Evaluation and Implementation of Public Projects System (*Système de Suivi et d'Évaluation de l'Exécution des Projets Publics*) developed by the CNI;
- (iii) Section of the POM including detailed accounting, disbursement and financial reporting procedures, responsibilities and deadlines. The POM will also describe in detail responsibilities and interactions between the UGO and other participating entities if any; and
- (iv) Training on Bank's FM and disbursements matters to be delivered to the members of the UGO, including the fiduciary staff, on a periodic basis; and,
- (v) An independent auditor, acceptable to the Bank, will audit the project financial statements including the Designated Account (DA).

D. Procurement

91. **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 World Bank Procurement Regulations for Borrowers under Investment Project Financing dated July 1, 2016, and the provisions of the procurement plan for the project dated July 21, 2017.** The project will be 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. When approaching the national market, and as agreed between the Bank and the Borrower, Tunisian national public procurement procedures may be used. In all cases, national procurement procedures to be used will be acceptable to the Bank and give due attention to issues of quality.

92. **For complex and large contracts at the national and regional levels, the World Bank's procurement procedures will be followed.** This includes the use of Bank's standard bidding documents. For small value contracts, Tunisian Public Procurement regulations issued in Decree 1039 dated March 2014 will be applied if they are in compliance with Bank procedures.

93. **The UGO will oversee the day-to-day procurement activities at the central and regional levels.** Therefore, the UGO will be responsible for coordinating all stakeholders and activities including (i) formulating and updating the procurement plan; (ii) preparing TORs and bidding documents; (iii) ensuring the procurement process remains in conformity with applicable rules and procedures; (iv) awarding, signing and monitoring contracts of high value or on the national scale; (v) payment of each contract; and (vi) consolidating periodic progress reports on procurement activities. To assume these roles and responsibilities, the UGO shall have at least two experienced, dedicated full-time procurement specialists from the time of project launch through completion of the project. They will work permanently with the other members of the UGO and all technical teams at the regional level. As necessary and approved by the Bank, the project will hire procurement consultants to ensure successful implementation of the project.

94. **To determine the optimum procurement approach to yield the appropriate response from the market, a project Procurement Strategy for Development (PPSD) was prepared.** Among other things, the strategy took into consideration the market situation, operational context, previous experience, and



risks. The PPSD was prepared by the Borrower with Bank support during the preparation phase of the project and has assisted in the elaboration of the Procurement Plan. In addition, the POM is defining principal administrative arrangements, information flow, applicable procurement procedures and bidding documents templates. The PPSD also foresees coordination mechanisms that ensure synergies between projects in terms of procurement, as explained in more details under Annex 2.

95. **Capacity Assessment.** The UGO will not be formally created prior to project effectiveness. However, a procurement capacity assessment has started with existing staff of MFPE's Directorate for Employment Promotion. This Directorate has contributed to the Government's Preparation Committee for the project and has developed the PPSD with support from the Bank, and has prepared a detailed procurement plan and the bidding documents to be used for the initial 18 months of project implementation. The procurement capacity assessment was carried out to: (i) evaluate the UGO's knowledge and procurement experience in implementing Bank and non-Bank projects, taking into account anticipated expenditures and the likely size of contracts to be procured; (ii) determine whether the implementing agencies have the capacity to carry out procurement activities of the project adequately; and (iii) recommend appropriate mitigation measures. This assessment also takes into consideration the performance of the Tunisian public procurement system and overall implementation rate of the Bank's portfolio in Tunisia.

96. **Key results of the assessment are as follows:**

- Fiduciary Staff within the General Directorate for Employment Promotion of the MFPE where the UGO will be hosted have experience with bilateral and multilateral development institutions such as the African Development Bank (AfDB) and the French Cooperation Agency (AFD). Some of these staff have successfully managed a small grant from the World Bank for the Tunisia Community Works and local Participation Project (P128427) which has provided some familiarity with Bank procurement rules and procedures. However, the new procurement framework adopted by the Bank will require those responsible for public procurement to be fully conversant with the new procedures. They also have to learn the Bank's new tool for Systematic Tracking of Exchanges in Procurement (STEP).
- There is a lack of resources – currently available staff is already overloaded implementing all other projects funded by other international financial institutions (IFI) and by the national budget. Staffing turnover, scarcity, and delays in appointing or recruiting personnel dedicated to project could impact implementation performance of the project.
- The drafting of certain bidding documents will require coordination and close collaboration with several technical experts from different institutional entities.
- The implementation of some project sub-components (such as the platform for VCD) depends on additional factors external to the project.

97. **The procurement risk is rated High.** The preparation of the PPSD helped the Borrower to optimize the process and to minimize the risk of lack of ownership. Indeed, the GDEP and other implementing agencies of the project, have collaborated to identify and list for each contract in the procurement plan: (i) entities in charge of all administrative and procurement processes (preparation of bidding documents, publication, signature of contracts, payment, etc.) and (ii) entities involved in the technical works (definition of TOR and contribution to the bid evaluation processes) for each market.



TOR for contracts to be signed during the first 18 months of the project implementation were submitted to the Bank for review.

98. **To mitigate risks, in addition to the above, the Bank's procurement implementation support will include:** (i) providing sufficient training to members of the Executing Agencies who will be involved in **procurement**; (ii) reviewing the POM and standard bidding documents; (iii) providing timely feedback to the implementing agencies (iv) providing detailed guidance on Bank new procurement framework; and (v) monitoring procurement progress against the detailed Procurement Plan.

E. Social (including Safeguards)

99. **The project intends to enhance access of targeted disadvantaged youth in the age bracket of 18 to 35 years (as defined in Section II) to wage- and self-employment opportunities in selected governorates.** The project includes interventions to (i) tackle supply-side barriers linked to poverty, social status, and gender that prevent those selected target youths from access to jobs; and (ii) to boost investments at the firm level to generate job creation in promising sectors. Under Component 1, the selection of an estimated total of 10,000 selected target youth will be undertaken by MFPE (centrally) with support from the UGO. Eligibility criteria will be kept simple, mostly based on the age bracket, vulnerability criteria and that the recipients are currently not benefiting from other public employment programs. Gender quotas will be defined in the first six months after effectiveness for each participating governorate. Those selected target youths having successfully completed the orientation and training will then be connected to wage or self-employment opportunities. Targeted incentives to the training and orientation service providers will ensure all profiles of beneficiaries are equally supported, including those considered hard to place on the labor market. Those selected target youths who come up with potential for entrepreneurship and development of a business proposal will also have the option to benefit from the full-fledge package of BDS and financing services under Sub-component 2.2.

100. **Gender aspects.** The project identified major gaps in labor market outcomes for women and the underlying multiple barriers behind these trends (Section I). A set of key project interventions was included in project design and financing to address some of these gaps including care constraints, mobility and sociocultural norms (Section II, Box 1).

101. **Consultations, accountability and GRM.** The project design is based on wide national and regional consultations. The project intends to bring together diverse stakeholders and beneficiaries, linking disadvantaged youth beneficiaries and MSMEs/business owners with diverse interests. Accountability mechanisms are built into Component 3 through an innovative report card mechanism (Section III). A project-level Grievance Redress Mechanism will be put in place and formalized as part of the ESMF to ensure that grievances are properly addressed and resolved.

102. **Safeguards.** Components 1, 2 and 3 of the project primarily offer process improvement, institutional development, TA, skills building, stipends for youth beneficiaries. The social impacts of the project are therefore expected to be positive, without negative impacts that would trigger social safeguards. Since the exact activities to be financed under Component 2.2 are not yet defined, an ESMF was developed and includes a safeguard screening mechanism (see below). All activities with major or irreversible impacts on the environment or populations, including land acquisition, restriction of access



to a livelihood, or loss of shelter, will be excluded. The ESMF will be included in the POM, and in project management and regular project monitoring.

F. Environment (including Safeguards)

103. **With reference to the World Bank's OP/BP 4.01 on Environmental Assessment, given the fact that the effects of the proposed project and its investments will be limited, easily controllable/manageable and not irreversible, the project is classified as Environmental Category B (a partial assessment).**

104. **Component 2 of the project with its Sub-component 2.1 (Support for Value Chain Development) and Sub-component 2.2 (Support to Microenterprise Creation) entails the building of small civil works that have the potential to generate site-specific environmental impacts.** It is anticipated that these will be minimal and easily mitigated. The project could target value chain investments in potentially high-risk sectors, such as agriculture, that pose significant risks related to child and forced labor, occupational health and safety, and biodiversity impacts/land-use changes, as well as management, use and disposal of hazardous materials. Investments in small, newly created microenterprises can also generate potential adverse impacts. These risks will also be considered. All the other project components are primarily concerned with institutional development, TA and capacity building.

105. **The MFPE has prepared an ESMF since the exact activities and locations to be financed under Component 2 are not known yet.** This ESMF recommends a negative list of projects excluded from support as well as a positive list of sectors to be financed by the MSME matching grant fund, based on the World Bank's due diligence and assessment of environmental and social risks, potential impacts of various sectors, and capacity for managing those risks and impacts. Project stakeholders and representatives and key national institutions were notified on March 1, 2017. The ESMF was approved after a public consultation on March 7, 2017 with the participation of representatives of key national institutions who will be involved in implementation, as well as representatives of the private sector and CSOs. The ESMF was posted on the MFPE's Website and the Bank's external website on March 17, 2017.

106. **Sub-projects and/or public investments involving potentially negative impacts on:** (i) natural habitats, (ii) archaeological and historical heritage sites, and (iii) forest resources are considered ineligible. Similarly ineligible are subprojects and/or public investments that might (iv) involve the use of pesticides or (v) impact international water resources.

107. **Safeguard Instruments.** Activities to be financed by the project will follow the environmental screening process by means of an Environmental and Social Diagnostic Fact Sheet (ESDFS) that will determine the magnitude of negative impacts of sub-projects and/or public investments on the human and biophysical environment, and any required safeguard tools. Based on the information included in the ESDFS, it will be possible to determine if a complete Environmental and Social Impact Assessment (ESIA)/Management Plan (ESMP) or a simple Environmental and Social Information Fact Sheet (ESIFS) will be required to identify expected risks and related measures to reduce and/or avoid them. Mitigation measures identified in these safeguard tools will be included in the Terms and Specifications



documents (Cahiers des charges) for operators and entrepreneurs. At the implementation stage and as dictated by the screening checklist, site-specific ESMPs will be prepared, reviewed, approved and disclosed in-country prior to the commencement of any civil works. Overall, and in accordance with the loan agreement, the Borrower will take steps to monitor on a continuous basis the implementation of all safeguard instruments and ensure that the project is executed in strict accordance with such safeguard instruments. In the context of this project, 'safeguard instruments' means any or all the ESDFS, ESIA, ESIA, ESIFS, ESMF ESMP, and other safeguard instruments derived therefrom or adopted pursuant thereto.

108. **Implementation arrangements.** In accordance with the loan agreement, the UGO will be responsible for all matters regarding the management and the coordination of the implementation of the Safeguard instruments, including ESMF-related activities. The UGO through its safeguards full-time expert will carry out this mission in close partnership with the ANPE, which is the leading national institution in charge of pollution control and environmental protection, as well as environmental impact assessments. The Borrower will ensure that an interagency agreement, defining mutual roles and responsibilities, and in form and substance satisfactory to the Bank, will be signed between MFPE and ANPE no later than 3 months after the project's effective date. Further details are provided in Annex 2.

G. World Bank Grievance Redress

109. **Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level GRMs or the WB's Grievance Redress Service (GRS).** The GRS ensures that complaints received are promptly reviewed 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 GRS, please visit <http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service>.



VII. RESULTS FRAMEWORK AND MONITORING

Results Framework

COUNTRY : Tunisia

Youth Economic Inclusion Project

Project Development Objectives

The Project Development Objective is to improve economic opportunities for targeted disadvantaged youth in the selected Governorates of the Borrower.

In the context of this project, “economic opportunities” are defined as the chance to improve (a) earnings of target youth, and (b) access to wage or self-employment for target youth. The reduction of gaps between male and female beneficiaries for accessing key economic opportunities is an integral part of the project.

Project Development Objective Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Increase in share of supported youth with wage or self-employment (percentage point)		Percentage	0.00	20.00	Yearly, starting year 3	Beneficiary intake: data collection form to be administered by interviewer or self-reported and entered into MIS to establish a baseline on employment status. Reports of service providers will update status based on	MFPE via UGO ANETI and ONEQ technical advice



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
						<p>the data collection form for beneficiaries ('tracer survey'). Spot check validation by independent contractors and by government administrative data (employer contribution, tax, etc.). Percentage point change selected because beneficiary cohort baseline is only available after intake.</p> <p>To disaggregate for purpose of analysis only, for all relevant indicators related to youth: Age (18-24, 25-35); if household is in SSN such as PNAFN.</p>	
Increase in share of supported youth with wage or self-employment (percentage point) - Female		Percentage	0.00	25.00	Yearly, starting year 3	Beneficiary intake: data collection form to be administered by interviewer or self-reported and entered into MIS to establish baseline on	MFPE via UGO ANETI and ONEQ



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
						<p>employment status.</p> <p>Reports of service providers will update status based on the data collection form for beneficiaries ('tracer survey'). Spot check validation by independent contractors and by government administrative data (employer contribution, tax, etc.). Percentage point change selected because beneficiary cohort baseline is only available after intake.</p> <p>To disaggregate for purpose of analysis only, for all relevant indicators related to youth: Age (18-24, 25-35); if household is in SSN such as PNAFN.</p>	
<p>Description: Indicator measuring (Number of supported youth with wage or self-employment) / (Total Number of supported youth). Denominator will be fixed (i.e. drop outs will not lead to lower denominator and thus higher overall share).</p> <p>Person with employment: person of working age who during a specified period such as one week or one day, either:</p> <p>(a) performed work for wage or salary in cash or in kind, or</p>							



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<p>(b) performed work for profit or family gain in cash or in kind, or (c) performs work on a regular basis, but was temporarily absent from work during the reference period. Self-employment jobs are those jobs where the remuneration is directly dependent upon the profits derived from the goods or services produced (where own consumption is part of profits). (Source: Jobs M&E Toolkit). The survey used to collect data will take into account the length of continuous activity to the beneficiary.</p>							
Name: Share of supported youth with a job at intake who increased their monthly earnings by at least 20%		Percentage	0.00	40.00	To be collected every 6 months for 3 years.	As above, beneficiary intake/MIS will establish baseline; reports of service providers; Spot check validation by independent contractors and by government administrative data (CNSS etc.). Indicator relates to cohort of beneficiaries that has a job at intake (self-employment) as per ILO definition; a job will be low quality informal or income-generating activities.	MFPE via UGO ANETI and ONEQ technical advice
Share of supported youth with a job at intake who increase their monthly earnings by at least 20% - Female		Percentage	0.00	40.00	To be collected every 6 months for 3 years	As above, beneficiary intake/MIS will establish baseline; reports of service providers; spot check validation by independent contractors and by government administrative data (CNSS etc.). Indicator relates to cohort of	MFPE via UGO ANETI and ONEQ technical advice



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
						beneficiaries that has a job at intake (self-employment) as per ILO definition; a job will be low quality informal or income-generating activities.	
Description: Earnings are defined as remuneration that project beneficiary youth obtains from his or her work, in cash or in kind. A 'Job' is defined as "activities that generate actual income, monetary or in kind, and that do not violate fundamental rights and principles at work" (WDR 2013). Jobs therefore include informal wage employment, farm-related work, own-account work, or informal income generating activities.							
Name: Number of full-time equivalent (FTE) direct jobs created among businesses supported by the project (number)		Number	0.00	750.00	Yearly.	Firm application/MIS/Platform; reports of service providers; MSME survey. Spot check validation by independent contractors and by administrative data. Estimate 3 jobs per firm.	MFPE via UGO
Description: This indicator tracks the increase in the number of net FTE jobs in supported businesses (those participating in the project component 2.1 receiving matching grants) since the onset of the project. Jobs are defined as "activities that generate income, monetary or in kind, without violating human rights" (WDR on Jobs, 2013). An FTE job is defined as 8 or more hours a day (or 40 hours a week); at least 26 weeks in a year. (Source and information on calculation: Jobs M&E Toolkit).							
Name: Reduction of employment gender gap among project beneficiaries		Percentage	0.00	5.00	Yearly	As above. For estimate of employment status: beneficiary intake/MIS;	MFPE via UGO



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
(percentage point)						reports of service providers; spot check validation by independent contractors.	ANETI and ONEQ technical advice
Description: Indicator comparing the employment gender gap (difference between male and female employment rate) for beneficiary youth of the project: (employment rate among male beneficiaries) – (employment rate among female beneficiaries). Includes both wage- and self-employment.							

Intermediate Results Indicators

Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Name: Beneficiaries of job-focused interventions	✓	Number	0.00	10500.00	Yearly	Intake/registration/platform , and project administrative data from service providers. Methodology described in corporate results indicator guidance. Estimate 10,000 youth (component 1), 250 MSMEs (component 2), 250 persons trained (component 3).	MFPE via UGO
Beneficiaries of job-focused interventions -	✓	Number	0.00	5000.00	Yearly	Intake/registration/Platform , and project administrative	MFPE via UGO



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Female						<p>data from service providers. Methodology described in Corporate Results Indicator guidance.</p> <p>Estimate 10,000 youth (component 1), 250 MSME (component 2), 250 persons trained (component 3).</p>	
Description:							
Name: Youths who completed internships or training (number)		Number	0.00	7000.00	Yearly	MIS. Reports of service providers will provide status, linked to performance contracts. Spot check validation by independent contractors.	MFPE via UGO
Youths who completed internships or training- Female (number)		Number	0.00	3000.00	Yearly	MIS. Reports of service providers will provide status, linked to performance contracts. Spot check validation by independent contractors.	MFPE via UGO



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
Description: Training in technical, life/soft, vocational or other relevant skills; completing internships/on the job training.							
Name: Increase in share of female supported youth who indicate feeling confident about running their own business (Percentage point)		Percentage	0.00	10.00	At entry and completion of training	Beneficiary intake: data collection form to be administered by interviewer or self-reported and entered into MIS to establish baseline, for all young women registered. Beneficiary survey; reports of service providers (component 2) will provide status, linked to performance contracts. Rating on fixed scale: 1- Very true; 2-Somewhat true; 3-Somewhat false; 4- Completely false. Adapted from Index under Adolescent Girls Initiative (AGI) impact evaluations for Entrepreneurial Self-Confidence, and WB Africa Gender Innovation Lab questionnaire). As part of impact evaluation and counterfactual, both those who completed BDS and business plan financing, and those who dropped out would be surveyed.	MFPE via UGO ONEQ survey advice



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
<p>Description: Indicator measuring change in social norms and perception; increase in entrepreneurship self-confidence in managing their own business, for female beneficiaries who receive support for the entrepreneurship (component 2.2).</p>							
Name: Number of supported youth placed in businesses supported by the project		Number	0.00	1000.00	Yearly	MIS. Reports of Service Providers (component 1) will provide status, linked to performance contracts. Spot check validation and verification with employers, by independent contractors.	MFPE via UGO
<p>Description: Indicator measuring beneficiary youth placed in internships and/or jobs in firms supported through matching grants.</p>							
Name: Increase in average yearly sales for the MSMEs receiving matching grants (percentage)		Percentage	0.00	20.00	Yearly	MSME registration with project provide baseline, through business plan. Reports of service providers will update status based on the data collection form for firms ('tracer survey'). Spot check validation by independent contractors and by government administrative data. Based on standard T&C	MFPE via UGO with technical support from CEPEX



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
						indicator methodology. (Add the sales of the supported MSMEs) / (Total number of supported MSMEs).	
Description: This indicator tracks the incremental sales revenue of existing MSMEs supported through matching grants.							
Name: Investment generated through the matching grant scheme (US\$ in million)		Amount(US D)	0.00	10.00	Yearly	Administrative data/MIS. Based on standard T&C indicator methodology. Based on estimate of 250 MSMEs in value chains supported through matching grants.	UGO M&E /FM team
Description: Investment funds provided by the supported businesses to match the grants provided by the project (counterpart funds).							
Name: Newly established micro-enterprises (number) by project beneficiaries		Number	0.00	2200.00	Yearly	Administrative data/MIS. Reports of Service Providers (component 2) will provide status, linked to performance contracts.	UGO, ANETI/Entreprendre
Newly established micro-enterprise by project		Number	0.00	660.00	Yearly	Administrative data/MIS. Reports of Service Providers	UGO, ANETI/Espace



Indicator Name	Core	Unit of Measure	Baseline	End Target	Frequency	Data Source/Methodology	Responsibility for Data Collection
beneficiaries - Female						(component 2) will provide status, linked to performance contracts. Spot check validation and verification with employers, by independent contractors.	Entrepreneurs
Description: Newly created firm, i.e. Formal or informal firms that were created as a result of the intervention. Beneficiaries who have received funding after business plan approval, preferably creation of legal status or “patentee” (permit).							
Name: Management Information System developed and operational		Yes/No	N	Y	Yearly	Assessment by UGO/reports	UGO M&E function
Description: This indicator tracks establishment of system modules: initial modules (for example, in sequence, applications by beneficiaries, scoring, registration, profiling), administrative modules (payment, monitoring); and enterprises modules.							
Name: Number of staff trained (public and private)		Number	0.00	250.00	Yearly	Administrative data/MIS. Reports of Service Providers for training, spot check validation.	UGO M&E function
Description: This indicator tracks capacity building training in the new approaches developed by the project, and includes government staff, NGO and associations, service providers, and partners at local/national level.							



Target Values

Project Development Objective Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	YR6	End Target
Increase in share of supported youth with wage or self-employment (percentage point)	0.00	0.00	0.00	10.00	15.00	18.00	20.00	20.00
Increase in share of supported youth with wage or self-employment (percentage point) - Female	0.00	0.00	0.00	12.00	16.00	20.00	25.00	25.00
Share of supported youth with a job at intake who increased their monthly earnings by at least 20%	0.00	0.00	0.00	20.00	25.00	30.00	40.00	40.00
Share of supported youth with a job at intake who increase their monthly earnings by at least 20% - Female	0.00	0.00	0.00	20.00	25.00	30.00	40.00	40.00
Number of full-time equivalent (FTE) direct jobs created among businesses supported by the project (number)	0.00	0.00	0.00	150.00	300.00	450.00	750.00	750.00
Reduction of employment gender gap among project beneficiaries (percentage point)	0.00	0.00	0.00	2.00	3.00	4.00	5.00	5.00



Intermediate Results Indicators

Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	YR6	End Target
Beneficiaries of job-focused interventions	0.00	50.00	5100.00	5250.00	10250.00	10500.00	10500.00	10500.00
Beneficiaries of job-focused interventions - Female	0.00	0.00	2500.00	2500.00	5000.00	5000.00	5000.00	5000.00
Youths who completed internships or training (number)	0.00	0.00	3500.00	3500.00			7000.00	7000.00
Youths who completed internships or training-Female (number)	0.00	0.00	1500.00	1500.00	3000.00	3000.00	3000.00	3000.00
Increase in share of female supported youth who indicate feeling confident about running their own business (Percentage point)	0.00	0.00	0.00	5.00	7.00	8.00	10.00	10.00
Number of supported youth placed in businesses supported by the project	0.00	0.00	0.00	200.00	500.00	700.00	1000.00	1000.00
Increase in average yearly sales for the MSMEs receiving matching grants (percentage)	0.00	0.00	0.00	0.00	10.00	15.00	20.00	20.00
Investment generated through the matching grant scheme (US\$ in million)	0.00	0.00	0.00	4.00	6.00	8.00	10.00	10.00
Newly established micro-enterprises	0.00	0.00	0.00	1100.00	1100.00	1100.00	2200.00	2200.00



Indicator Name	Baseline	YR1	YR2	YR3	YR4	YR5	YR6	End Target
(number) by project beneficiaries								
Newly established micro-enterprise by project beneficiaries - Female	0.00	0.00	0.00	330.00	330.00	330.00	660.00	660.00
Management Information System developed and operational	N	N	Y	Y	Y	Y	Y	Y
Number of staff trained (public and private)	0.00	50.00	100.00	150.00	200.00	250.00	250.00	250.00



ANNEX 1: DETAILED PROJECT DESCRIPTION

COUNTRY: Tunisia

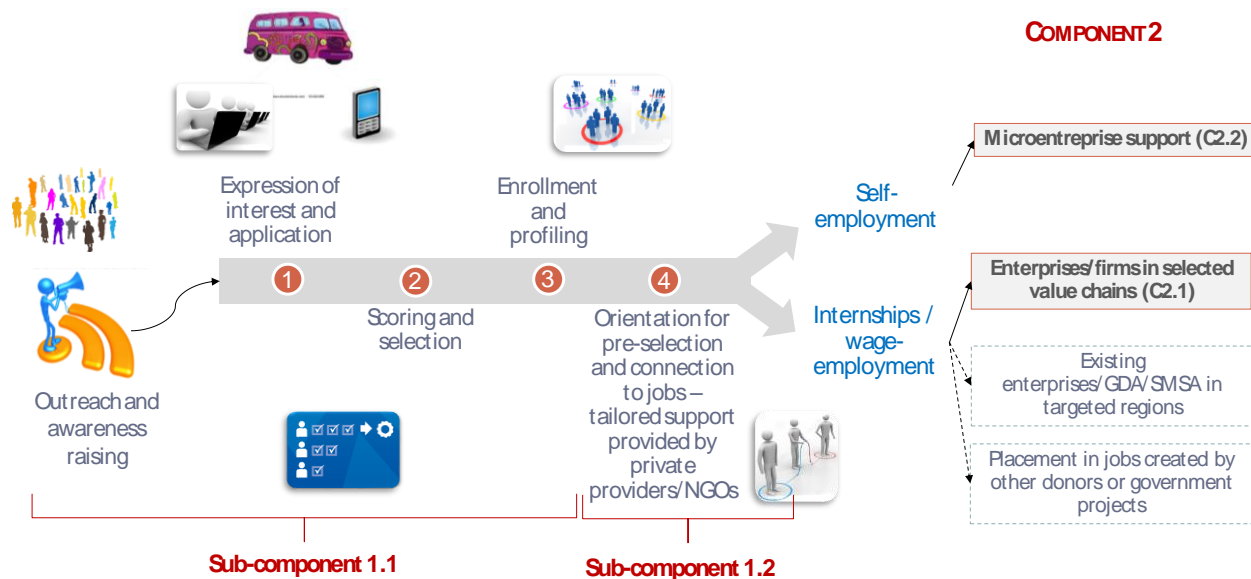
Youth Economic Inclusion

1. **The Project Development Objective is to improve economic opportunities for targeted disadvantaged youth in the selected Governorates of the Borrower.**
2. **Three inter-related components are proposed, as outlined below. Synergy mechanisms among these interventions are illustrated in Graph 1 below (opportunities for targeted youth across components 1 and 2) and summarized in Box 2 at the end of this Annex.** Key phases and operational processes for components 1 and 2 – as currently elaborated by the client for the POM – are described in Annex 4, and more details on the value chains platform are described in Annex 5.

Component 1: Identifying and Connecting Target Youth to Jobs (US\$ 17.47 million)

3. **This component aims to identify and provide tailored services to selected target youth to facilitate their transitions from unemployment/inactivity to wage or self-employment, or to help them move from low to higher quality jobs (including from informal to formal jobs).** The MFPE will deliver these services through performance-based contracts with the private sector/NGOs service providers who will be accountable for delivering results. This component will be implemented by the MFPE, through the UGO, with strong involvement of social ministries for outreach to potential beneficiaries: MoSA, MoYAS; MoWFC (Section 2.A; Annex 2). The MFPE Regional Employment Offices (*Directions Générales de l'Emploi et de la Formation Professionnelle*) will carry out program intake with assistance from regional teams of the UGO. Roles and responsibilities are clearly defined in the POM.
4. **The process of identification and connection of selected target youth is a continuum of activities, as illustrated in Graph 1, divided into two sub-components:** (i) program intake and profiling; and (ii) tailored performance-based services for connection to jobs. Activities under this component will be implemented in two cycles: (i) the first cycle will start in Year 1 (with an estimated maximal targeted number of 5,000 individual youth beneficiaries; and (ii) the second cycle (another 5,000) will start in Year 4.

Graph 1: Identifying and Connecting Disadvantaged Youth to Job Opportunities



Sub-component 1.1 Carrying out of Program Intake and Profiling of Target Youth

5. This sub-component will identify, register, select, and profile target youth. To reach this objective, **this sub-component will finance the implementation of the following activities, which are outlined in more detail below:**

- (i) 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.
- (ii) Development and implementation of a statistically assisted job profiling system for the selected target youth.
- (iii) Financing of Incremental Operating Costs incurred by selected Government agencies involved in the carrying out of activities (i) and (ii) above.

(i) Design and implementation of targeted outreach and awareness-raising activities. The sub-component will identify and motivate target youth to register and inform applicants about the procedures and requirements for accessing the services provided. Activities will adopt a consistent but tailored approach for different target groups and governorates and will be gender sensitive in terms of the messages and mechanisms used. As described in the POM, this outreach will be complemented by activities coordinated by an inter-ministerial government team at the local level²⁸ (social workers at MoSA, the staff at the employment offices of ANETI, staff from the Ministries of Youth and Women, local business incubators, etc.). The outreach process will leverage the existing mobile units run by the Ministry of Youth's Affairs and Sport to reach potential beneficiaries in remote and underserved areas, with female representatives available to interact with young women. Specifically, the project will finance: (a) design and implementation of this outreach by contracting a local firm or an NGO which will work under the guidance of the project's Regional Committees and (b) operating costs for public mobile units to be made available by the MoYAS (*Clubs mobiles des établissements de jeunesse*); transportation costs.

²⁸ An initial target population for the program will be the beneficiaries of various programs for vulnerable youth. These include PNAFN, AMG-2 programs run by MoSA, recent participants in Centres Intégrés de la Jeunesse and Centres de Défense et d'Intégration Sociale, mothers of children attending Centres Intégrés de l'Enfance and participants in business incubators. Officials related to each of these programs would assist in informing their beneficiaries.



6. **While key operational processes are summarized in Annex 4, key elements regarding enrollment of beneficiaries and required processes are as follows:** (a) Participants will be encouraged to register during the outreach activities, to maximize the chances of reaching those who are most motivated and to accelerate the application process. Beneficiaries will be able to enroll in the project using their national ID which will also be used for tracking them during the implementation of project activities; (b) *Expression of Interest (EOI) and application*. The application process will be conducted in two stages. The first stage will be an EOI to ensure individuals fulfill the basic eligibility criteria (aged 18-35, Tunisia, reside in one of the targeted governorates). The EOI can be filled either online or by mobile phone (SMS). Only applicants determined to be eligible for the EOI process will advance to the second stage when more information required for selection will be provided (see next step); (c) *Scoring and selection*. In order to prioritize vulnerable applicants, a scoring system described in the POM will be used to fill the quota for each gender group and governorate. Once the scoring has been done, individuals with the highest score (i.e. most vulnerable) will be selected until the quota is reached.

7. **The cost implications for the phases of identification and registration of project selected target youth will relate to the candidates' application.** These will include the associated cost of text messages for mobile phone application; online application in the Program's MIS; as well as the establishment of a program's hotline, all of which will be regrouped and financed as part of ICT contracts under Component 3.1. The process of selecting beneficiaries out of all those who register in the program will not incur any cost (see Annex 4 for more details on the operational processes and scoring criteria).

(ii) Development and implementation of a statistically assisted job profiling system for the selected target youth. This will enable the categorization of beneficiaries into homogeneous groups facing similar labor market barriers²⁹ and help estimate the scope (and thus cost) of jobs services that will be expected from service providers.³⁰ At the time of registration (i.e. those selected in the program), selected target youth will be required to fill out a questionnaire to be used for the profiling model. The results of this job profiling exercise will help tailor services for target youth, depending on the type of labor market or social barriers, and provide more inclusive and effective support (see below and detailed description in Annex 4). Given the innovative aspect of a statistically based profiling system and the lack of necessary data on potential beneficiaries, a phased approach is envisaged. Rules-based profiling (or segmentation) will be applied in the first cycle based on results from a recently conducted study on job profiling of SSN Beneficiaries³¹. The statistically based profiling system will then be applied for the second cycle based on data collected from the first cycle and its outcome. Similarly, the jobs profiling model will first be integrated into the project MIS system centrally and then be made accessible at the local employment offices of ANETI after the mid-term evaluation. Given the potential of the system for a broader use beyond project needs, MFPE will benefit from the collaboration of ONEQ and the ANETI.

8. **In order to carry out activities linked to the job profiling system, the project will finance:** (a) the services of a local firm to design, pilot and adapt the profiling questionnaire; (b) operational costs for setting up a job profiling unit in the ONEQ to anchor the tool and foster sustainability); and (c) the services of a specialized international firm to

²⁹ Such model would aim to quantitatively assess the nature and intensity of the barriers each project beneficiary faces in accessing a new job – either from inactivity or unemployment - or to move to higher earning employment.

³⁰ Such a model would facilitate a quantitative assessment of the nature and intensity of barriers each project beneficiary faces to accessing a new job – either from inactivity or unemployment - or to moving to higher-earning employment.

³¹ As part of the SPL System & Socio-Economic Inclusion TA (P158129), a profiling note has been developed entitled: "Tunisia: Profiling Social Safety Net Beneficiaries" building on available data from a random survey conducted by CRES with MSA SSN beneficiaries.



ensure specialized training, awareness-raising at all levels to ONEQ staff/unit, as well as ANETI central and local officials in the project selected governorates to ensure broad-based ownership – staff from social ministries will also be targeted.

(iii) Financing of Incremental Operating Costs incurred by selected Government agencies involved in the carrying out of activities (i) and (ii) above.

Subcomponent 1.2 Providing Tailored Services for Connecting Target Youth to Jobs

9. This subcomponent will aim to improve labor participation and employability of selected target youth and help them access jobs or move from low to higher quality jobs (including from informal to formal jobs). Those job opportunities could consist of: (a) existing vacancies for wage employment or internships/on-the-job training in local firms and/or farms (GDA/SMSA), (b) wage opportunities or internships/on-the-job training created through Component 2 (in supported enterprises in selected value chains), and (c) self-employment opportunities Component 2 (Microenterprise Support Package). To meet this objective, this sub-component is designed to address three challenges: (i) low capacity and availability of adequate and good quality case management at the local level; (ii) constraints faced by beneficiaries, including low technical and soft skills, limited mobility and/or financial resources, gender-specific barriers such as social norms or care constraints; and (iii) improved governance of the overall process and adequate ownership of ANETI offices of new methods of service provision. To address these constraints, this sub-component will finance four main sets of activities:

(i) Performance-based provision of a set of tailored support services to increase the access of selected target youth to job opportunities, including inter-alia soft and/or technical training, counseling and/or job search assistance. Following a public-private partnership approach, the MFPE, through the UGO, will outsource these services to competitively recruited local private sector/NGOs service providers³². The latter will be the sole responsible for the implementation of the services.

10. The intensity and scope of services required (and therefore estimated costs) will be informed by the results of the jobs profiling – i.e. those harder to place and facing multiple and severe constraints (and thus are far from the labor market) will receive a higher unit cost than those easier to place (see Annex 4 for more details). The selected providers will provide a personalized and tailored bundle of services based on the constraints faced by each individual in accessing jobs, using a “case-management approach.” The provision of those services should be offered to ultimately place selected target youth on internships/wage employment jobs. Thus the selected providers will also be responsible for identifying those opportunities in the selected governorates’ local firms including MSMEs supported under Sub-component 2.1 Value Chains Development. Depending on beneficiaries’ profiles, these services can be designed to boost labor force participation (sensitization and counseling to address low motivation or low trust); to provide technical skills in determined sectors with skills mismatch with a focus on those identified in the Skills Gap Assessment in Supported Value Chains; or to quickly link beneficiaries to available vacancies (job fairs, access to information; preparing for interviews). The POM will leave enough flexibility to allow for a wide range of activities that can be covered in the proposals submitted by providers.

11. In governorates where several qualified providers exist, the project will use profit or non-profit private providers (firms, NGOs), following a competitive and transparent process, based on specific criteria detailed in the

³² The selection process will be conducted at the national level, with the condition that providers have local representations in at least one of the governorates covered by the program. This selection process will be launched for each of the two cycles of registration



POM. An indicator to measure the aggregate performance of each provider (including a beneficiary satisfaction assessment) will be constructed. The better the provider performs; the higher likelihood it will have of being selected in the second cycle.³³

12. In governorates where such qualified providers do not exist in sufficient numbers, individual local consultants will be hired, through a competitive process, as “connection teams” (*accompagnement de proximité* as coined by MFPE). These individuals will be grouped in teams. They will receive intensive training to ensure the adequacy and quality of services provided. Since they will be equipped with the tools necessary to provide those services, this would also lead to wage-employment creation for youth. Recruitment will be based on a competitive and transparent process, based on specific criteria detailed in the POM.

13. Built-in incentives will be inserted into the payment system (See Annex 4 for details) while carefully accommodating costs and payment incentives for successful connection of hard-to-serve groups to skills-building and job opportunities (Payments in the form of a bonus once the beneficiary finds an internship and/or a job with the highest bonuses for “hardest to place” categories to avoid “cherry-picking” or “parking”).³⁴

(ii) TOT to build capacity in designing and conducting the above tailored support services. Conducted by a competitively recruited specialized and experienced international provider, this activity will target in priority the locally recruited private providers/NGOs under activity (ii) as well as public employment agencies.

(iii) Provision of specialized capacity building to selected government agencies to ensure gradual appropriation by such agencies of the new service provision model (case management). At this stage, the following agencies have been identified: Employment and ANETI offices, staff of partnering agencies (MoSA, Youth’s Affairs and Sport, Women). Focused on the performance-based service provision to help youth accessing jobs, this activity will be key to build gradual appropriation of the new service provision model and build sustainability. This is line with the GoT’s long-term commitment to improve the national system in providing tailored counseling and professional orientation services for the unemployed. This is also consistent with the Five-Year Development Plan 2016-2020 (*“Plan de Développement Quinquennal 2016-2020”*).

(iv) Provision of stipends to selected target youth. Stipends will be provided to selected target youth, which will be offered as monthly payments to beneficiaries to address income and/or mobility barriers and/or social care constraints, and which will be conditional on their participation in the activities described in this Sub-component 1.2. To address care constraints and boost women’s labor participation, this stipend will be 50 percent higher for young mothers with children under 6 years old and/or with dependents such as the elderly and members with disabilities.

Component 2: Supporting Job Creation (US\$32.7 million)

14. This Component aims at helping the private sector realize its potential in creating jobs by (a) supporting the development of value chains that have a high potential of job creation (Sub-component 2.1), and (b) helping selected target youth in the creation and development of their micro-projects (Sub-component 2.2). The

³³ For example, the provider with the highest number of youth whom found internships and/or wage-employment opportunities will be retained for the second cycle, whereas the least-performing provider (one that performs below a pre-identified minimum “floor” result) may not express interest in the second round of call for proposals.

³⁴ This happens when providers prioritize or invest more time on more “favorable” participants as they are likely to meet specific targets and outcomes faster. In the case of wage employment programs, providers may select or “cherry pick” jobseekers who are easier to place or train (“more job ready”) while “parking” those who are harder to place. See Koning, P.; Heinrich C. J. (2010) Cream-Skimming, Parking and Other Intended and Unintended Effects of Performance-Based Contracting in Social Welfare Services. IZA Discussion Paper No. 4801.



implementation of Component 1, Component 2.2, and Component 3 will be carried out through the MFPE and Component 2.1 through MFPE and CEPEX. For Sub-component 2.1, supervision of value chain technical services will be provided by the CEPEX under an interagency agreement to be signed no later than 3 months after effectiveness.³⁵ The selection committee for MSME competitive matching sub-grants will be chaired by a representative of the ministry (ies) in charge of industry and commerce, with members from the ministry (ies) in charge of finance, MFPE, and representatives of private sector associations. Services under Sub-component 2.2 will be provided through competitively selected, performance-based BDS providers. Specific arrangements and further details about the selection committees of the MSME competitive matching sub-grants and youth sub-grants are provided in Section IV, Annex 2, and Annex 5.

Sub-component 2.1. Supporting the Development of Value Chains with High Job Creation Potential

15. This sub-component aims to promote sustainable and quality private sector job creation within relevant value chains by addressing coordination failures and lack of information about potential markets and internalizing social externalities related to jobs.

16. The sub-component will finance the following activities:

- (i) *Provision of TA to various stakeholders³⁶ to conduct analytically underpinned PPDs to identify the main bottlenecks preventing targeted value chains from achieving their full potential (hereafter called 'technical services'); and accordingly, propose value chain specific development plans/strategies (hereafter called 'Investment Action Plan').* These development plans may include: (i) changes in regulations or policies at the macro or sectoral/industry level; (ii) industry-level solutions (such as training programs, awareness campaigns, etc.); (iii) strategic investments in common services or goods; and (iv) matching grants to MSMEs to catalyze investments in line with the Investment Action Plan.
- (ii) *Provision of TA to various stakeholders to implement the Investment Action Plans.* This assistance can, therefore, include advocacy in regulatory reforms when needed, promoting vocational training to provide relevant skills to an industry, awareness campaigns to link producers to potential buyers.
- (iii) *Carrying out of public investments necessary to unlock value chain growth potential.* Public investments could be (i) equipment (including ICT); and/or (ii) small works (mainly rehabilitation of existing installations/equipment, new infrastructure allowed provided it complies with the ESMF, and does not imply involuntary resettlement). The new or improved assets under public investments may belong to MFPE or other public entities that are relevant to the value chain. The maximum amount per public investment is stated in the POM.³⁷
- (iv) *Provision of MSME competitive matching sub-grants to selected MSMEs to support their firm-level investments for the development of value chains (for strategic investments, i.e. underdeveloped or missing nodes within the value chains).* Matching grants could finance: (i) equipment (including ICT); (ii) small works (mainly rehabilitation of existing installations/equipment, new infrastructure allowed provided it complies with ESMF

³⁵ The MFPE/CEPEX inter-agency agreement to be entered between MFPE and CEPEX clarifies mutual roles and responsibilities, including the responsibility of CEPEX to supervise, through its VDC platform, the provision of technical assistance to be carried out under Component 2.1 of the project. All mention of CEPEX in this document are made in reference to the aforementioned responsibilities and role(s).

³⁶ The TA will be requested by MPFE and CEPEX as host of the VCD Platform detailed hereafter in Section IV and Annex 5; the TA will be useful to multiple stakeholders: Government agencies involved in the value chains, business associations and the private sector at large.

³⁷ The maximum amount per public investment currently specified in the POM is US\$100,000. The amount may vary from one value chain to the other, hence the need to adjust the amount in the POM during the six-year period of the project.



framework, and does not imply involuntary resettlement); and/or (iii) subsidies related to the provision of services (training, packaging, transport, electronic payments, etc.). The maximum amount per matching grant and the contribution of the beneficiary MSMEs are indicated in the POM.³⁸

- (v) *Financing of the incremental operating costs incurred by CEPEX to cover the supervision of the TA under (i) and (ii) above* (office rent, office equipment, the cost of field visits, etc.). Operating costs covered by the project will not cover the salaries of government employees.

17. The choice of value chains will depend on local density/specificity of economic activity and potential for creating jobs for the project's selected target youth. They will be chosen in close consultation with relevant stakeholders (Government, the private sector, and civil society) and in coordination with other related WBG/donor investments in this area.

18. The Investment Action Plans will help inform the training and connection services provided to the selected target youth of Component 1 and inform entrepreneurial opportunities for beneficiaries of Sub-component 2.2 (detailed later). Hands-on dialogue with the local private sector players for each value chain will provide concrete jobs/internship opportunities that can be channeled back to the private providers/NGOs selected under Sub-component 1.2 responsible for connecting beneficiaries on wage employment or internships. In addition, the analytical work and the dialogue with the private sector will provide a clearer assessment of the skills needed by enterprises, which will be shared by those same private providers/NGOs to inform the training required for beneficiaries and help them adapt their offering to satisfy concrete skill gaps. On the other hand, the technical work will help showcase opportunities that potential micro entrepreneurs can fill, and thus improve the chances of success of the beneficiaries of Sub-component 2.2.

19. Once the Investment Action Plan is developed, and the strategic investments are identified, MSME beneficiaries for MSME competitive matching sub-grants will be selected through a competitive process and a series of calls for proposals. Specifically, on the matching grants mentioned above, the beneficiaries could be:

- (i) Firms in value chains with direct impact on targeted regions. Beneficiaries will be identified through a competitive process open to applicants using clear eligibility criteria as detailed in the POM, and selection will be made based on viable business plans. Incentives to train beneficiaries from Component 1 on-the-job will be encouraged. Eligible sub-projects will not be restricted to value chains prioritized under this project, but also to other candidates resulting from other value chains work that prove to be aligned with the project development objective (job creation for disadvantaged youth in the designated regions), including a wider number of value chains in agribusiness targeted by other World Bank projects.
- (ii) Selected MSMEs that can provide on-the-job training for a specific set of skills that is in line with the needs of the targeted value chains. The skills shortage is likely to be identified as one of the main constraints of VCD. According to the Enterprise Survey (2013), lack of adequate skills appears as one of the three main constraints faced by the firms in Tunisia. The training will be done through: (a) matching grants to firms that can address a skills shortage as per defined in the Investment Action Plan and could train beneficiaries of Component 1 on-the-job and (b) training firms, universities, or technical and vocational training institutes. If skills training can be provided by MSMEs, the funding could subsidize investment capital rather than wage subsidies. Firms will apply for funding with a business plan and evidence that they can provide the required on-the-job training.

³⁸ The maximum amount per competitive matching grants currently specified in the POM is US\$50,000. The amount may vary from one value chain to the other, hence the need to adjust the amount in the POM during the six-year period of the project.



Pre-selected business plans will be submitted to a consulting firm that will help the MSMEs develop a more thorough business plan and strategy as well as milestones for a disbursement in tranches. This service will be a requirement for the MSME to be eligible for funding and only partially subsidized by the project. By doing so, the project ensures a stronger commitment from the MSMEs and a solid strategy for growth. The disbursement of the subsequent tranches will be subject to meeting the milestones and reporting from the private service providers/NGOs selected under Sub-component 1.2 on the satisfaction and improvement of the interns. MSMEs will not be required to recruit the interns.

20. Rationale behind matching grant mechanism under Sub-component 2.1. The main reason for subsidizing a strategic investment is to catalyze private investment. First, MSMEs tend to hesitate when facing the higher risk of changing production mode or venturing into new and less familiar markets. These production costs may be higher than expected and the first mover may fail and bear the loss alone. This usually justifies public intervention in research and development. Second, financial markets (particularly in Tunisia) are risk averse and on top of requiring prohibitive collateral and/or interest rates in normal lines of business, also tend to exclude small farmers and micro enterprises, especially when these intend to undertake economic activities that involve new markets or new production modes (higher risk). The matching grant mechanism addresses this market failure by reducing the risk for both actors (the financier and the financed) while mitigating for moral hazards by requiring an in-cash contribution to the investment by MSMEs. Third, the private sector only takes into account the maximization of its profits to make investment decisions. Hence it does not take into account economy-wide benefits, such as the reduction of un/under-employment and its social positive externalities. As the private sector is the main engine for job creation in the country, there is a need for the government to encourage firms in investing in segments that will lead to more jobs or better jobs for vulnerable youth by providing subsidies that will lower private contribution and hence increase the IRR for the MSME. A public contribution makes the investment profitable and hence interesting for the MSME.

21. Some Investment Action Plans may indicate the need for public investment to unlock VCD (for example the rehabilitation of existing public training center of carpet weaving). Public investments will be subject to the World Bank prior review and must be clearly indicated as a priority in the Investment Action Plan adopted by the UGO and the entity in charge of the platform. As part of the “technical services” provided by CEPEX, public investments will be clearly defined in terms of the expected outcome and impact, including through the elaboration of TORs when relevant. The economic and technical feasibility of these sub-projects will be vetted through dedicated TA foreseen under Component 2.1. No public investment will be financed unless in full compliance with the relevant social and environmental standards as set forth in the POM.

22. If the public investment falls under MFPE competence, MFPE will be responsible for the overall implementation through its UGO. If the public investment does not fall under MFPE competence, and if this public investment was not already planned for and/or financed by another source, an agreement between MFPE and the relevant public entity that will benefit from the equipment or small works will be signed, whereby MFPE will be responsible for launching the procurement process and paying the contract, and the relevant public entity will be responsible for developing the TORs, evaluating technical offers, following-up on progress of activities, adhering to the Bank policies and procedures and ensuring that the public investment will achieve its objective. A model form of the Public Investment Agreement between MFPE and the relevant public entity will be provided in the POM and can be adjusted according to the nature of the public investment.



Sub-component 2.2: Supporting the Creation of Micro Enterprises

23. The activities of this sub-component are designed to foster entrepreneurship among selected target youth (that were identified under Component 1) with the potential to create economically viable projects. The estimated number of the intake will be 3,000 selected target youth (of the total 10,000 program beneficiaries), divided into two batches. This sub-component aims to address multiple constraints that the hard-to-serve youth face in terms of lack of startup financing, lack of entrepreneurial skills among youth, limited information and capacity to take advantage of government programs.

24. To this end, this sub-component will finance the following series of activities:

- (i) *The provision of a comprehensive set of BDS to selected target youth covering both pre-creation and post-creation of the relevant projects.* The BDS will cover: basic package of business and entrepreneurship training (simplified version of the curriculum of IFC Business Edge or that of the ILO for example adapted to the target segment), as well as mentoring, specific consulting, advisory services for marketing or technical issues, and modules for financial inclusion (saving, opening a Bank account, etc.). The duration, intensity and delivery mechanism of BDS will be tailored to respond to the specific needs of each type of beneficiaries.
- (ii) *Training of selected providers of business development services to specifically address gender gaps in business creation by women,* including dedicated mentoring addressing pervasive social barriers and boosting self-confidence and addressing mobility constraints. Connections with Women Federations of Entrepreneurs are also envisaged.
- (iii) *Provision of youth sub-grants to selected target youth to cover the initial investment cost and working capital of their business plans.* The maximum amount per small-sized sub-grants and the possibility of re-applying in case of successful projects will be indicated in the POM.³⁹ The selection of the sub-grant will be conducted by an independent committee, whose members will be selected by the UGO after no objection from the Bank team.
- (iv) *Provision of stipends for selected target youth,* which will be the same as for those beneficiaries opting for the wage employment track, addressing income, mobility and/or social care constraints (See Sub-component 1.2) and will be conditional on their participation in the activities described in this Sub-component 2.2. Beneficiaries will be encouraged to open bank accounts and save part of the stipend which can act as a contribution to the investment cost that will complement the youth sub-grant provided by the project.

25. Identification of target youth. Once admitted to the Program as described above (Component 1), target youth will participate in an orientation workshop, which will help them decide what track they would prefer with the support of the private service provider/NGO. This workshop will entail personal development training and awareness of entrepreneurship as well as design thinking. Target youth who express a preference for the entrepreneurship track will participate in a pre-selection / screening process using multiple tools (individual preference, entrepreneurship aptitude tests, conduct/level of engagement during the orientation period, potential to come up and implement economically viable ideas, etc.) and co-led by the BDS provider and the private sector provider/NGO.

26. BDS providers who can apply in a consortium with MFIs will be in charge of selecting and training new micro-entrepreneurs. This will improve the chances that more of them graduate to regular, unsubsidized credit provided by

³⁹ The maximum amount per youth sub-grant currently specified in the POM is US\$5,000.



Tunisia's MFIs. There is a risk that some micro-enterprises developed by the project will nevertheless graduate to the heavily subsidized and state-owned BTS. The detailed procedures in the POM and teaming up with MFIs partially mitigate this risk.

27. Mechanisms for youth sub-grants. In accordance with the loan agreement (Schedule 2, Section I, Part D.3), youth sub-grant agreement will be made between the Borrower and beneficiaries of the youth sub-grant, on terms and conditions satisfactory to the Bank. The selection of grant beneficiaries will be conducted by the Youth Sub-Project Selection Committee (See Schedule 1, Section I, Part A(6)). Its members will be selected by the UGO after no objection from the Bank. Eligibility criteria will be described in the POM which will also describe the governance structure, the selection process as well as the grant mechanisms. Given the nature of the target group, typical criteria for loans such as income levels and collateral will not be considered.

28. Basic Process. The BDS provider will communicate with the private service provider/NGO that will be in charge of following the progress of the beneficiary or provide the UGO with regular signals in case of absenteeism or drop-out (to feed into the continuation/disruption of stipends received during that period). The BDS provider will assist the beneficiaries in the development of a simple business plan, and the necessary application to apply for the grant. The application should indicate clear milestones that should be achieved for the tranches of the grant to be disbursed. For the post-creation period, the BDS provider will provide the necessary mentoring and advisory services for marketing or technical issues that the beneficiaries will need over a set period of months. Once the grant is approved, the BDS provider will monitor the progress of activities according to the milestone schedule of the grant, and notify the UGO once each milestone is achieved. The duration and delivery mechanism of pre / post creation support will be tailored to respond to this target segment but is estimated to be 9 months' pre-creation and 15 months (Exact duration will be detailed in the POM).

29. The rationale behind the entrepreneurship program for the vulnerable population is based on the international experience from graduation programs. Graduation programs are aimed at the ultra-poor, provide a range of services (life skills coaching, access to savings accounts, health information and more importantly training and small-sized grants) and have been successfully tested in 38 countries. Based on empirical evidence,⁴⁰ these programs have a return on investment ranging from 7 to 24 percent with significant benefits in terms of consumption index, food security and financial inclusion. Nevertheless, the increase in monetary income after these programs is limited to 65 percent, after one to two years. Thus, if these programs allow young people to emerge from a situation of extreme poverty, they are likely to remain in a situation of fragility, at least for a time.

Component 3: Building Effective and Accountable Program Delivery (US\$6.33 million)

30. The last component will support the articulation of different interventions on the ground and gradual appropriation by central and regional relevant public agencies and stakeholders through (i) developing an MIS; (ii) creating capacity and ensuring effective communications with Stakeholders; (iii) developing a strong monitoring and evaluation system and users' feedback mechanisms; and (iv) providing adequate implementation support. Four sub-components are envisaged.

⁴⁰ Banerjee, A.; Duflo, E.; Goldberg, N.; Karlan, D.; Osei, R.; Parienté, W.; Shapiro, J.; Thuysbaert, B. & Udry, C., A multifaceted program causes lasting progress for the very poor: Evidence from six countries, *Science, American Association for the Advancement of Science*, 2015, 348, 1260799; and Sulaiman, M., Making Sustainable Reduction in Extreme Poverty: A Comparative Meta-Analysis of Livelihood, Cash Transfer and Graduation Approaches, *Washington, DC: CGAP*, 2016



Sub-component 3.1 Developing a Management Information System and other ICT solutions for data-sharing and accountability

31. This sub-component will finance the development of an MIS and other information, communication and telecommunication solutions for a coordinated, agile and transparent implementation of the project activities, along two dimensions: (i) supporting data exchange and increasing access to information, finances, and services among the project beneficiaries, and (ii) supporting monitoring and beneficiary engagement, from the initial outreach phase to the capturing of user feedback during implementation (beneficiary report card). The implementation of this sub-component will be led by the IT Directorate at MFPE (*Direction of Informatique*) through the assistance of a Technical IT Working Group (as part of the project's National Technical Committee) including all IT directors of the project's partner ministries and agencies. The following activities will be financed:

- (i) *The creation of a database hosting beneficiary information regarding, and profiles of the selected target youth* (resulting from the jobs profiling), linked with tracking of their activities, progress, and outcomes. Such a database will be hosted at the UGO-with a gradual move to the IT Directorate of ANETI/MFPE.
- (ii) *The creation of a portal to facilitate interactions among selected target youth and selected MSMEs under Component 2, service providers, and relevant agencies.* This online portal will serve as the 'one stop shop' for all parties, accessible through Personal Computers or smart phones: beneficiaries will be able to learn about the project activities, register, engage in profiling exercises, get guidance on services, provide feedback, and possibly access some e-services if these would be developed in the future. A job search application developed by the MFPE with ILO's assistance already exists. The forthcoming Bank-supported Hackathon exercise for boosting women's access to jobs will lead to innovations that could be replicated and/or scaled up. Beneficiaries unable to access the Internet could access aspects of the portal via SMS (which can facilitate simple information services); this would need to be agreed upon with Tunisia's mobile phone networks or appropriate intermediaries. Their interactions with the portal would need to be mediated by officials or service providers. Service providers will provide information on their services, update beneficiary profiles to reflect services or benefits received, provide feedback on beneficiaries' attendance and trajectories through the portal. They can also input their performance indicators and exchange information with each other and the Government agencies. The portal will also serve Component 2 beneficiaries (supported MSMEs and entrepreneurs), in similar ways – provide information on services offered through the project, collect data, and track progress.
- (iii) *Set-up of various channels using IT solutions, for project-related communication activities.* These channels include SMS or interactive voice response for unconnected beneficiaries (which will require agreements with mobile network operators), social media (e.g. Facebook, Twitter), and the portal itself. The project will consider the use of existing call centers – especially during the outreach, registration, and enrollment stage (See sub-component 1.1 above).



(iv) *Design and implementation of IT modules for a simplified selected target youth report card and of a GRM.*⁴¹

This sub-component will finance the ICT aspects of these social accountability tools while sub-component 2.3 will finance TA and training for these activities. Overall, these tools will aim to support accountability of the UGO and service providers to beneficiaries. Following good international experience, beneficiaries connecting to economic opportunities (Component 1) will be assessed timeliness and quality of services provided by private and public actors involved in the program by simple questions sent by SMS. Similar report cards will be envisaged for MSME's beneficiaries and their satisfaction with enterprise support services (Sub-component 2.1). Similarly, relevant service providers will be able assessed the availability of inputs/ funding delivered by the UGO and implementing agencies to deliver their service effectively. And,

(v) *Acquisition of IT equipment*, in support of the development and the operationalization of the MIS, including computers, software, and servers.

32. Phased approach for the database and MIS. The MIS will be hosted at the UGO located in MFPE under the coordination of a fully dedicated UGO staff, with the mid-term possibility of data exchange with various organizations across the Government. MFPE and ANETI are currently implementing the development of an IT roadmap, including the creation of a 'data warehouse' that will collect and exchange data with a planned 13 sources across the government. At the end of the project, deeper integration of the ANETI database with other databases and systems across the Government will be expected to permit automation of applicant scoring and jobs profiling, among other benefits. As a first step, however, the project will finance the creation of this Information System to make sure it can function on a standalone basis, permitting registration, scoring, engagement, and activity management for the first cycle of beneficiaries. Simultaneously, the various projects' Government's partners will —through the National Technical Committee- start to negotiate and develop a charter or MOU that puts in place the policies around data exchange. TA will be provided to encourage simple and feasible data exchange, taking into account sensitivity. Once this charter is in place, a technical committee composed of representatives of the IT departments of various organizations, will define and set up the required technical systems.

Sub-component 3.2 Creating Capacity-Building and Communications with Stakeholders

33. This sub-component will help ensure the project implementation readiness and stakeholders' engagement. It will help anticipate and manage potential tensions through adequate communications. It will also provide the necessary capacity building, policy development or institutional strengthening to ensure gradual appropriation and institutionalization of innovative project business processes (coordinated approach to jobs, performance-based service delivery, enhanced targeting mechanisms to reach disadvantaged youth, gender approach, etc.). To this end, the project will finance:

- (i) *Provision of capacity-building services, training in Tunisia or abroad and TA to various stakeholders at the central and local levels.* At this stage, selected Government agencies include members of the project Regional Committees who will key for coordination and implementation support. In addition, private sector and other civil society actors will also be targeted as needed for implementation success;
- (ii) *The design and implementation of a communication strategy* for the project. Communication activities will

⁴¹ Following international good practice, the GRM mechanism will involve multiple channels and not just be limited to ICT, but also to face-to-face mechanisms where appropriate (e.g. notice box or submission of written complaints). The financial viability – including staffing of GRM officers and systems – of the GRM system will also be ensured.



strive to ensure harmonization of messages across ministries; transparent dissemination of operation rules facilitate users' orientation through accessible means of information, and gradually build adequate stakeholders' commitment and stakeholders' management. Specifically, the project will finance, inter alia, TA, capacity building, goods, and operating costs incurred by relevant public agencies including specifically (i) international and local firms contract; (ii) other communication-related expenditures including hotline, newspapers' add, flyers, radio talk shows; (iii) mobile and transportation costs for local public officials for site visits; (iv) bi-annual workshops of the project's Central and Technical committees to take stock of progress and benchmark good practices across governorates;

- (iii) *The carrying out of a dedicated communication and awareness-raising activities to boost women's labor force participation and engagement in wage employment and entrepreneurship.* Focused on persisting challenges with socio-cultural norms, activities will be wide-ranging and designed by international/local firm with sensitivity to Tunisian context with good relevant international experience.

Sub-component 3.3. Building Results-Orientation and Service Delivery Accountability

34. This sub-component will finance the implementation of activities to ensure results orientation and accountability of service providers to selected target youth and selected MSMEs. Specifically, three main sets of activities will be financed:

- (i) *Design and implementation of a monitoring and evaluation plan including inter alia mid-term process evaluation, impact evaluations, and beneficiary surveys,* to detect and help correct implementation bottlenecks (See Section IV.B);
- (ii) *Provision of capacity-building services to stakeholders at the central and local levels for the project's results management;*
- (iii) *Provision of TA for the design and the implementation of the report card for selected target youth and selected MSMEs, as well as of the GRM (except ICT costs financed under Sub-component 3.1 above):* recruitment of a local firm for technical design, allowing independent facilitators to identify solutions and submit action plans for conflict resolution to the project's Regional Committees and UGO. This will be based on successful lessons learned from international experience such as the community report card mechanisms in the Dominican Republic and will build on lessons learned from emerging Tunisia's post-Revolution civic engagement experiments;
- (iv) *Monitoring of the implementation of safeguard instruments* mainly the monitoring of the implementation of the ESMF through the different plans and tools considered in the ESMF and the POM, in accordance with the loan agreement (Section VI F).

Sub-component 3.4. Project Implementation Support

35. This last sub-component will finance the 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. Given the existing workload of public sector staff and the project's innovative multisector approach, the UGO will be an adequately staffed unit. The proposed composition of the unit is presented under the Institutional arrangements (Schedule 2, Section I, Part A(5)). The following key positions will be offered for consultants (among others): local regional teams, two technical specialists for each selected governorate; technical specialist for value chains development; one procurement specialist; one monitoring and evaluation specialist, one communications specialist, one accountant, one person responsible for communication and GRM; and, one person for managing and providing due diligence for safeguard instruments including the ESMF. In addition, this sub-component will finance eligible operating costs incurred by UGO



members and all necessary expenses for the implementation of the actions specified in the safeguard instruments including the ESMF. This sub-component will also finance eligible operating expenses (transportation to and within governorates) all necessary expenses for the implementation of the actions specified in the ESMF document.

Box 2 Synergy Mechanisms across Interventions - Some Illustrations

Targeted Disadvantaged Youth under Component 1 will be connected to VCD under Component 2 through various mechanisms. Service providers sub-contracted by MFPE under Component 1 will play an important role. Regarding wage employment, they will be (i) required to integrate technical skills packages based on needs assessment identified in supported firms (Component 2); and (ii) encouraged to secure on-the-job training in these firms. Supported firms (MSMEs) under selected value chains will receive additional bonuses for welcoming interns from beneficiary target groups and additional ones for offering one-year job contracts and grounding partnerships. Regarding self-employment opportunities under the entrepreneurship track (support to microenterprise creation), competitively selected BDS providers will be encouraged to include value chains perspectives.

Beyond specific value chains supported by the project, service providers will be encouraged to identify overall job opportunities and vacancies in selected governorates and boost employability and placement towards these opportunities.



ANNEX 2: IMPLEMENTATION ARRANGEMENTS

COUNTRY: Tunisia

Youth Economic Inclusion Project

Project Institutional and Implementation Arrangements

1. **This Annex outlines key arrangements for: (i) the overall governance and institutional structure; (ii) FM and disbursement; (iii) procurement; (iv) monitoring and evaluation; and (v) safeguards.**

Overall Arrangements

2. **The project institutional arrangements aim to maximize coordination while ensuring agile and timely implementation at both the central and local levels. Overall arrangements include:**

- As presented in Section IV A, a National Strategic Steering Committee; a National Technical Committee, and 7 Regional Committees; and,
- A project implementation unit or UGO, as detailed below.

3. **The MFPE will host the project UGO with presence at the central and regional levels.** The UGO will be legally created at project effectiveness. The UGO will be responsible for the day-to-day project implementation, and the coordination at the central and local levels, technical supervision, fiduciary management and procurement, communications, safeguards-related matters, GRM, and monitoring and evaluation. The UGO's directors and its members will be competitively selected and dedicated full-time. To mitigate fiduciary risks, experienced and dedicated full-time procurement and FM staff (including accountants) will be hired. The UGO will be made up of qualified staff selected on the basis of TOR agreed with the Bank. UGO staff could either be seconded by government staff or hired by the project. The UGO will include: one general director, one FM specialist, two procurement specialists, one accountant, seven regional teams (one coordinator and one additional local technical specialist with division of labor by project activities and planning); one lead technical specialist for overseeing Component 1, two lead technical specialists for Component 2, one person responsible for communications, one person responsible for the Integrated MIS, Monitoring and Evaluation, and GRM, and one full-time person for managing and providing due diligence for the ESMF.

4. **Given the forthcoming decentralization process and the project's duration (6 years), the local framework implementation will remain flexible in order to adapt to potential new responsibilities of local authorities.**

5. **Specific arrangements by components are summarized below and in the POM.** The Borrower will carry out the implementation of Component 1, Component 2.2, and Component 3 through the MFPE and Component 2.1 (on Value Chain Development) through the MFPE and CEPEX. Annexes 1, 2 and 4, as well as the POM highlight more specifics on the roles and responsibilities including roles of different ministries at the central and regional levels including areas and modes of collaboration.



6. **Component 1: Identifying and Connecting Target Youth to Jobs.** This Component 1 will be implemented by the MFPE (program enrollment, profiling, sub-contracted, tailored support services for connecting selected target youth to jobs) through the UGO with the support of the relevant Social Ministries for targeted outreach and enrollment of disadvantaged youth. These Social Ministries are the MoYAS, MoSA, and MoWFC. Given their local proximity to potential beneficiaries, the three ministries will have an important role to play during the targeted outreach and awareness-raising activities as well as in the enrollment of potential beneficiaries. Some of their responsibilities will entail: (i) share the database of their beneficiaries with the MFPE to create a compiled list of potential beneficiaries which will inform the implementation of the outreach (e.g. specific areas in the governorate to target the outreach where a high concentration of potential beneficiaries is located); (ii) participate in the local outreach activities conducted through the public mobile units to be made available by the MoYAS (see Component 1.1); (iii) provide support to potential beneficiaries when enrolling in the program (e.g. helping them access and apply online or by text, supplying additional information, etc.). They will also participate in the monitoring of selected target youth when allocated to the private providers/NGOs and address any concerns they might have (see sub-component 1.2). Annex 4 offers a summary of key phases and operational processes for Component 1 from outreach to intake and connection. Concerning the transfers of stipends to selected target youth, this will be done through La Poste, based on the terms described in the POM. La Poste will act as a financial service provider that will be responsible for the transfers of stipends to the accounts opened for the selected target youth. The MFPE, through the UGO, will provide the necessary information to La Poste, including the monitoring of the attendance of youth beneficiaries to the services provided in this component. Similar institutional arrangements apply for the transfers of stipends under Sub-component 2.2.

7. **Arrangements for Sub-component 1.2. Providing Tailored Services for Connecting Target Youth to Jobs.** Employment services provided under this sub-component will be outsourced to competitively selected private providers. The selection process will be launched at the national level and will be transparent, accountable and fair. This process will be conducted by the MFPE, with local coordination support from the regional committee and with fiduciary support from the UGO.

8. **Sub-component 2.1 Supporting the Development of Value Chains with High Job Creation Potential.** This subcomponent will be implemented by MFPE and CEPEX that will include a full-time member who will ensure technical leadership of the activities related to the development of value chains. Technical support will be provided by the MoIC and its affiliated agencies (CEPEX and APII) in different capacities described below.

9. **In accordance with the loan agreement, the Borrower will ensure that an interagency agreement, defining mutual roles and responsibilities, and in form and substance satisfactory to the Bank, will be signed between MFPE and CEPEX no later than 3 months after the project's effective date.** CEPEX will be expected to build a team of suitably qualified and experienced VCD specialists, capable of providing and/or supervising a package of VCD-related support services required under the Sub-component 2.1, as more fully described in the POM, including: (a) identification of higher value added market segments for the targeted products and/or with high potential of job creation, (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. CEPEX will be hosting such a single inter-agency VCD platform (hereafter referred to as 'the Platform'). The Platform will be used by four World Bank projects that include VCD activities and have complementary development objectives (as described in Section I.C). It will be composed of a multidisciplinary team of civil servants selected competitively from various existing technical MSME development agencies (APIA, APII, and



CEPEX, etc.) as well as regional development agencies (the ODNO and the ODCO, etc.). The Platform will maximize synergies between specialized MSME support agencies (the fragmentation of their support to the private sector currently being one of the factors allowing coordination failures to persist in the lagging regions), as well as across WBG projects. The composition, governance, and mission of the Platform are fully described in Annex 5.

10. **The implementation of the Investment Action Plans (list of potential activities) will require the provision of advisory services (necessary to achieve policy-related solutions, advocacy efforts and/or legal reforms), training services (deemed relevant to the VCD), and tender process for specific public investments and/or calls for proposals for matching grants (for strategic investment and/or training services).** The Platform will support the UGO in developing the necessary TOR for such services/investments in liaison with the relevant public entities in case of specific public investments. The UGO will ensure the overall procurement process, with the help of a procurement selection committee including representatives from relevant ministries (e.g. MoIC, etc.). The UGO will have the responsibility for supervision of the implementation of the sub-projects. The UGO may hire local experts to help in the supervision of the activities.

11. **For some value chains, the Investment Action Plan will entail a matching grant scheme to MSMEs.** The UGO will hire a firm (or several individual consultants depending on the expected number of proposals) that will screen out the business plans that are not financially and technically viable. The MSME Sub-Project Selection Committee will be established under a Decision issued by MFPE, in form and substance satisfactory to the Bank, and will be established with mandate, composition, staff and resources satisfactory to the Bank. In accordance with the loan agreement (Schedule 2, Section IV.B.1(b)), the creation of the MSME Sub-Project Selection Committee is a disbursement condition for the MSME Matching Sub-Grants. 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 under this sub-component. The Committee will also review the requests for the disbursement of subsequent tranches. This UGO will be responsible for ensuring: (i) proper implementation of the matching grant scheme in accordance with the POM; (ii) supervising the grantees and making sure the grant is used in accordance with the grant agreement; (iii) analyzing annual reports, implementation plans and budget before they are submitted to the UGO. More details about the size, conditions and selection criteria of the MSME competitive matching sub-grants will be specified in the POM.

12. **Sub-component 2.2 Supporting the creation of microenterprises will be implemented by MFPE via the UGO that will include a full-time staff who will ensure technical leadership of the activities related to the support of micro enterprise creation and one regional staff dedicated to this sub-component.** ANETI-Espace *Entreprendre* will provide inputs in the TOR preparation and provide guidance for the monitoring /follow-up the performance of the BDS providers.

13. **A call for proposals will be launched for the provision of BDS.** NGOs, associations and private sector service providers with experience in micro enterprise development will be encouraged to partner with MFIs. Anchoring the implementation of this activity with a consortium that includes an MFI has multiple benefits: (i) it can support larger projects in size if MFIs can leverage the grant with credit, and possess know-how in terms of following up with beneficiaries; (ii) a comprehensive package of services will be easier to manage from an implementation standpoint, and most importantly (iii) it will directly connect beneficiaries to the financial system and ensure the sustainability of projects and job creation. The latter is in line with the Government's approach to financial inclusion, which is endorsed by the Ministry of Finance and the Microfinance Control Authority. Clear eligibility criteria will be set for



associations / private sector providers wishing to participate, including but not limited to: disclosure of audited financial statements, the level of staff experience and ability to provide services in close proximity to beneficiaries.

14. **In addition to the activities described above, the BDS providers will provide regular reporting to the UGO on the progress of the different activities, and ensure adhesion to the environmental and social management framework set by the Government/Bank.** The UGO will monitor progress through MIS, beneficiary assessments and visits, and measurement of the satisfaction of beneficiaries. Part of the payment to the BDS providers will be linked to performance metrics agreed from the onset.

15. **For the grant provision, the selection of grant beneficiaries will be conducted by the Youth Sub-Project Selection Committee.** The Youth Sub-Project Selection Committee will be created under a Decision issue by MFPE, in form and substance satisfactory to the Bank and will be established with a mandate, composition, staff and resources satisfactory to the Bank. In accordance with the loan agreement (Schedule 2, Section IV.B.1(c)), the creation of the Youth Sub-Project Selection Committee is a disbursement condition for the youth sub-grants. **The Youth Sub-Project Selection Committee will be chaired by the director of the UGO or its designated representative and will comprise representatives of selected Government agencies and/or stakeholders as defined in the POM, and business development service providers involved in the implementation of this sub-component of the project.** Eligibility criteria will be outlined in the POM which will also describe the governance structure, the selection process as well as the grant mechanisms. If the business plan requires a financing that is larger than the allowance amount, the BDS provider should help the beneficiaries by linking them to other sources of financing provided by the Government or other donor programs, or by helping them apply to an MFI credit. An applicant submitting a business plan for an amount exceeding these ceilings will need to demonstrate how she/he will close the financing gap prior to being granted the allowance.

16. **The UGO will sign an agreement with a financial institution to help with the disbursement of the grant according to the agreed milestones which are part of the agreement signed between the UGO and each respective beneficiary once the grant decision is made.** The BDS provider will monitor the progress of activities according to the milestone schedule of the grant, notify the UGO and update the MIS program once each milestone is achieved. The MIS program will then generate the lists of beneficiaries who expect the payment of part of the grant, which will be sent to the financial intermediary, to make transfers to the beneficiaries' accounts previously entered in MIS program during the contracting phase.

Financial Management

17. **A FMA was carried out in accordance with the FM Manual for World Bank Investment Project Financing and OP/BP 10.00 to evaluate adequacy of FM arrangements for the implementation of the "Youth Economic Inclusion Project."** This assessment reflects the FM arrangements proposed for the project UGO, within the MFPE, responsible for implementing and carrying out the fiduciary activities of the project.

18. **The MFPE, through the UGO, will implement the project and will be responsible for the overall fiduciary oversight including FM, disbursement and procurement arrangements.** The assessment revealed that current practices for budgeting, accounting, internal controls, funds flow, financial reporting and external verification within the MFPE are generally acceptable to support this operation because they broadly allow for: (i) record project transactions; (ii) prepare financial statements; (iii) safeguard the entity's assets; and (iv) ensure the external verification of project accounts. Nevertheless, there are a few significant weaknesses and risks that need to be addressed in order to ensure a solid fiduciary environment for a smooth project implementation, namely: (i) UGO's



staff lack of experience in handling World Bank-financed investment operations and lack of familiarity with bank FM, disbursement and procurement procedures; (ii) currently there is no FM person that could handle FM activities for this specific operation; (iii) there is a lack of a computerized information system to support project accounting and reporting in order to ensure proper tracking of project funds and timely production of consolidated financial reporting for timely decision-making for the project management; and, vi) the project annual audit reports might be submitted with considerable delay.

19. To mitigate the identified risks and weaknesses, the following mitigating measures have been identified.

Broadly, the measures include:

- (i) The creation of a dedicated UGO hosted at the MFPE. This UGO will include a fully dedicated FM Specialist who will be either seconded by the government or recruited on a competitive basis and according to acceptable TORs, the FM Specialist has already been identified and designated through an official letter from the MFPE dated July 17, 2017;
- (ii) The implementation of an MIS to monitor the project activities and FM. This system will include a financial module and must allow for the production of single and consolidated annual and semi-annual project financial reports. It is intended that the project uses the Monitoring, Evaluation and Implementation of Public Projects System (*Système de Suivi et d'Évaluation de l'Exécution des Projets Publics*) named "INJAZ" and developed by the CNI in accordance with the decree of the prime minister number 13 of May 2017 and in line with the framework convention awaiting the signature between the CNI and the MFPE;
- (iii) The incorporation in the POM of sections on the detailed accounting, disbursement and financial reporting procedures, responsibilities and deadlines. The POM will also describe in detail the responsibilities and interactions between the UGO at MFPE and other participating entities if any;
- (iv) A ring-fenced training on Bank's FM and disbursements matters will be delivered to the members of the UGO, including the fiduciary staff, on a periodic basis; and,
- (v) An independent auditor, acceptable to the Bank, will audit the project financial statements including the DA.

20. Country Analysis. The 2016 Public Expenditure and Financial Accountability assessment concluded that the legal and administrative framework for public FM offers a suitable level of assurance regarding reliability of information, predictability and control in budget execution and a strong control environment; however, the report also identified that there is still room for improvement particularly with regards to budget comprehensiveness, transparency and accountability. The Tunisian system is based on the principle, typical of francophone Public FM systems, of segregating the responsibilities and separating the roles between the payment authorizer (*ordonnateur*) and public accountant (*comptable public*), as well as on the principles governing ex ante expenditure control and internal and external audits. The project will make wide use of the Tunisian public FM country systems particularly, the procedures for budget preparation, execution, control and monitoring; the use of the national budget system ADEB (*System for budget decision assistance - Système d'Aide à la Décision budgétaire*); the use of the treasury single account system; and ex-post review controls such audits performed by government independent entities.

21. Project FM Arrangements. Subject to the implementation of a number of actions intended to strengthen the system, the FM arrangements proposed by the Borrower are acceptable. Overall, these arrangements are capable of: (i) recording correctly all transactions and balances; (ii) supporting the preparation of regular and reliable financial statements; (iii) safeguarding the entity's assets; and (iv) being subject to auditing arrangements acceptable to the Bank.

22. Organizational arrangements and staffing. UGO fiduciary staff will include a full time dedicated FM Specialist and an Accountant to handle project FM matters. The UGO will also benefit from the support of the Administrative



and Financial Directorate (*Direction Administrative et Financière* - DAF) within the MFPE. The DAF will help handle and consolidate all FM matters related to the project. In this regard, the FM Specialist has already been identified and designated through an official letter from the MFPE dated July 17, 2017.

23. **Annual work program and budget.** In accordance with the loan agreement, and beginning in the fiscal year during which the loan becomes effective, the UGO will, no later than November 30 in each fiscal year, prepare and furnish to the Bank, a proposed annual work program and budget for the next following fiscal year, giving details of: (i) a timetable of programs and activities scheduled for the implementation in the course of that next following fiscal year; and (ii) the estimated cost of each such program or activity, along with the budget line item and source of funding corresponding to each program or no later. The UGO will 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 Bank's comments.

24. **Additional responsibilities of the FM team within the UGO will include:** (i) project transaction recording and accounting; (ii) review of requests for payments and related supporting documentation submitted by technical implementers to the UGO for payment processing; (iii) preparation of compiled project financial information including annual project financial statements and bi-annual Interim Unaudited Financial Reports (IUFR); (iv) preparation of payment orders ("*dossier des paiements*") to be addressed to the Central Bank of Tunisia for payment of eligible expenditures from the DA; (v) performing periodic reconciliation of project DA account and operational accounts; (vi) review of reports on the stipends to selected target beneficiaries issued by the service provider of the payment platform; (vii) provision of advice to other technical implementing entities on FM and disbursement related aspects; (viii) the maintenance of adequate records of the project.

25. **While MFPE has qualified and experienced FM staff with broad knowledge on governmental accounting and budgeting processes, they have little experience implementing multilateral financed operations.** To strengthen project's FM staff fiduciary skill, the MFPE, with the support of the Bank, will train the UGO staff on specific Bank FM, procurement and disbursement policies and practices.

26. **Planning and budgeting.** Overall, the Government of Tunisia has a well-developed budget process. The procedures for preparation, execution and control are clearly established in the National Budget Organic Law (*Loi organique du budget*). Line ministries, including the MFPE, are fully responsible for budgeting and managing their appropriations, including funds allocated for programs and projects. The MEPE has procedures in place to plan project activities, collect information from the units in charge of the different components, and prepare the budgets.

27. **The proposed project will be embedded in the annual budget of the Government of Tunisia.** There will be a specific budget line for the project under the budget allocation head for the MFPE. Once the loan is endorsed by Parliament, the total amount of the project will be written and published under the Government Budget Law (*Loi de Finances*) and annual indicative allocations will be budgeted at MFPE level for project execution. The system used to register budget appropriations is ADEB. This is the computerized budget system that allows for the proper record of commitments and payments, and for adequate budget monitoring and control as it offers a sound control environment and segregation of duties. The ADEB system has an official budgetary classification which is the basis for the preparation of consolidated budget execution information of all government expenses (budget). Moreover, for all expenditures financed under the Loan the UGO will make use of the SIADE ((Debt Management System (*Système Informatisé d'Aide à la Dette Extérieure*)) system to maintain separate accounts related to external funding management. Information from both, ADEB and SIADE on project annual budget will be consistently used for monitoring and reconciliation purposes.



28. **Accounting and Information System.** In Tunisia, all financial and accounting operations of the government are carried out, controlled and accounted for according to the public-sector accounting standards laid down in the Public Accounting Code (*“Code de la Comptabilité Publique”*). This code was promulgated by Law No. 73-81 of December 31, 1973. The project accounting will be held using the public-sector accounting standards stated in the public accounting code.

29. **With respect to the budgeting/treasury system, the project will primarily use ADEB (budgeting) and SIADÉ (treasury) to gather, record and summarize project’s financial transactions.** To generate the financial statement, the project will also use the Monitoring, Evaluation and Implementation of Public Projects System “INJAZ” developed by the CNI. This system has a financial module which allows for appropriate record of project transaction on a periodic basis (daily or weekly) as well as to produce specific reports. This system can be installed at both the central and regional levels. To enhance the project accounting and reduce any system risk in registering financial information, the project will design a set of special complementary controls beyond the system embedded controls and will describe procedures to be followed by the staff in capturing and processing the financial information and include them into the POM. The Monitoring, Evaluation and Implementation of Public Projects System allows for the external interfacing with the ADEB and SIADÉ systems that will enable automated balance reconciliation.

30. **Internal Controls.** The Tunisian PFM system relies on the principle of the strict separation of duties as there are different layers of approval at each stage of the spending process. At the commitment stage (*engagement*) there is a dual control over commitment: administrative control via the line ministry and financial control by the ministry of finance (contract signed or order placed); at the verification stage (liquidation), the line ministry making the purchase has the financial and the administrative responsibility to check the bill and verify that the supply has been received in full compliance with contract’s terms and conditions. The bill is then recognized as a liability of the public sector; at the payment authorization stage (*ordonnancement*), the budget holder (in this case the project Coordinator) makes the request for payment through the public accountant who belongs to the public accounting directorate, a part of the Ministry of Finance. The budget authorized (*ordonnateur*) processes the payment orders which are later transmitted to the central payer or regional one (*“payeur général or payeur régional”*) who issues checks. In Tunisia, budget expenditures financed under external resources follow different procedures at the “payment authorization stage.” Once the bill is recognized and the supply has been received, the budget holder (project coordinator) prepares and submits a request for payment, along with all relevant supporting documentation, to the Central Bank of Tunisia (CBT). The CBT verifies before proceeding to the payments to the providers that the related payment requests from the UGO are comprehensive with duly authorized signature, then process the request and execute the payments.

31. **The project will utilize the existing internal control system in place within the MFPE.** This system conforms to the Government system and is deemed satisfactory by the Bank. This system encompasses: (i) appropriate guidelines for annual budget preparation and implementation; (ii) clear segregation of duties; (iii) different layers of approval; (iv) regular reconciliations of bank accounts that provide reasonable assurance of the accuracy of financial records; and (v) acceptable procedures for documentation and record retention.

32. **Additionally the POM provides for:** (i) clear definition of roles and responsibilities for the UGO, Regional Employment Offices and MFPE’s line units, including coordination mechanisms among them; (ii) rationalized and streamlined procedures, mainly for payment approval and authorization for expenditures financed under the Loan; (iii) specific procedures for targeting, selection and intake of selected target youth under Component 1; (iv) referral processes for selected beneficiaries to the Microenterprise Entrepreneurship Support under Component 2; (v) strengthened internal controls for the recording, control and reporting of attendance of selected target youth for



payment of stipends; (vi) detailed procedures for the flow of funds, flow of information, reporting requirements and roles and responsibilities for the operation of the payment platform for the payment of stipends and grants; vii) Specific criteria for the recruitment of performance-based provision of “case management services”, including a payment system with a built-in incentive structure. The POM also includes detailed procedures for the flow of information and reporting requirements (i.e.: beneficiaries’ attendance) from the selected providers necessary for processing cash transfers to the selected target youth.

Financial Management Arrangements by Specific Components

33. **MSME Competitive Matching Sub-Grants under Sub-component 2.1.** Each subproject will maintain a FM system, including records and accounts, to reflect its operations, resources, and expenditures. The FM system must clearly identify all the subproject’s receipts and expenditures and distinguish them from other receipts and expenditures. Financial records should include all the resources received as part of the grant as well as the expenditures, supported by the appropriate documentation (such as purchase orders, invoices, receipts, or justifications for selecting a specific vendor) to substantiate all costs incurred by the grant recipient in carrying out the subproject. The subproject is expected to prepare financial statements as specified in the grant agreement. Financial books, records, financial statements, any substantiating documents, and other records related to the subproject should be retained by the sub-grant recipient, for at least one year after the audit report is made. The grant agreement will establish duties and responsibilities for both parties, including procurement, accounting, FM, and payment schedule and audit requirements. The UGO (or a service provider delegated by the UGO will make regular on-site visits to grant recipients, to supervise and monitor technical management of subprojects, physical progress and financial situation.

34. As part of the annual audit work, the auditor will examine a representative sample of subprojects financed under the project to determine whether the grant funds are used by the recipient only for the purposes for which the grant was made. Unsatisfactory or incomplete audit may derive on cancelation of the subproject.

35. **FM arrangements for the VCD Platform under Sub-component 2.1:** The Platform will be hosted by CEPEX and constitutes the technical counterpart for the VCD activity of the project. While the platform coordinates and supervises the VCD work, the main work related to this sub-component will be outsourced to a private sector firm selected on a competitive basis. The project will finance incremental operating costs to CEPEX for the functioning of the VCD Platform. The MFPE will make available the funds to CEPEX based on a quarterly forecast to finance incremental operating costs for the functioning of the VCD Platform.

Disbursement Arrangement and Flow of Funds

36. **Project disbursement arrangements and flow of funds.** The Bank will disburse proceeds from the loan account to the project using three disbursement methods: (i) direct payments, (ii) reimbursements; and (iii) advances to the DA. The DA method will prevail over the others to ensure timely funding of project eligible expenditures. To that end, the project will open a segregated DA in the currency specified in the loan agreement at the CBT where loan proceeds will be deposited. These funds cannot be commingled with other funds. Matters related to eligible project expenditures, disbursement percentage, withdrawal and reporting on the use of the loan proceeds, minimum value of withdrawal applications, supporting documentation, frequency of reporting eligible expenditures under the DA, and other important disbursement information are described in the project Disbursement Letter.

37. **Disbursement arrangements for the payment of stipends under Sub-component 1.2 and youth sub-grants**



and stipends under Component 2.2: Payment of youth sub-grants and stipends to project beneficiaries will be made through a payment platform system involving the national post office. A service provider contract will be signed between MFPE and La Poste to establish, among others, the operation rules of the platform, features of the operating account that will receive project funds and from which the payments of stipends and grants will be done, the pricing of banking services provided through the platform, and the roles and responsibilities of MFPE and La Poste, i.e.: reporting requirements, daily reconciliation of the operating account, etc.

38. **For the payment of stipends, the process will be initiated with the issuance of a payroll generated by each participating performance-based contractor and each BDS provider containing evidence of selected target youth's attendance to respective training.** This payroll will be first verified by MEPE Regional Offices and then submitted to the UGO for approval and payment processing. The so approved payrolls will be uploaded in the payment platform, and it will become the basis for La Poste/the financial intermediary to process the payment of stipends to the selected target youth. Daily reports on payments made by La Poste/financial intermediary through the platform will be available to the UGO online. Additionally, on a monthly basis, La Poste/financial intermediary will submit to MFPE-UGO a detailed report on payments made and payments failed, as the basis for the UGO to record payments in the project accounting and to follow up on advances made to the operating accounts. Finally, UGO will perform monthly reconciliations of the estimated amount requested for payment of stipends and the actual stipend paid to beneficiaries. There will be customized statement of expenditures (SOEs) to report and document eligible expenditures related to stipends.

39. **Disbursement arrangements for the payment of MSME competitive matching sub-grants under Sub-component 2.1.** Funds will be disbursed in tranches specified in the grant agreement among MFPE and the beneficiary, following the achievement of agreed milestones (indicators of progress) and expenditures. The number of tranches and the amount of each tranche will be determined case by case, depending upon the amount of the sub-grant and the nature of the subproject. The sub-grant recipient will establish a separate account, solely for the purpose of the grant, with the required matching funds. Depending on the grant agreement, counterpart funding from beneficiaries can be provided either at the start of the subproject or when the tranches of the grant are paid by MFPE. Payments out of the subproject bank account should be made exclusively for eligible subproject expenditures specified in the grant agreement. There will be customized SOEs to report and document eligible expenditures related to stipends.

40. **Disbursement arrangements to finance incremental operational costs by CEPEX.** The MFPE will make the funds available to CEPEX based on quarterly forecasts for the financing of incremental operational costs related to Component 2.1. The MFPE will transfer the funds from its DA bank account held at the CBT to an operating account in local currency opened by CEPEX.

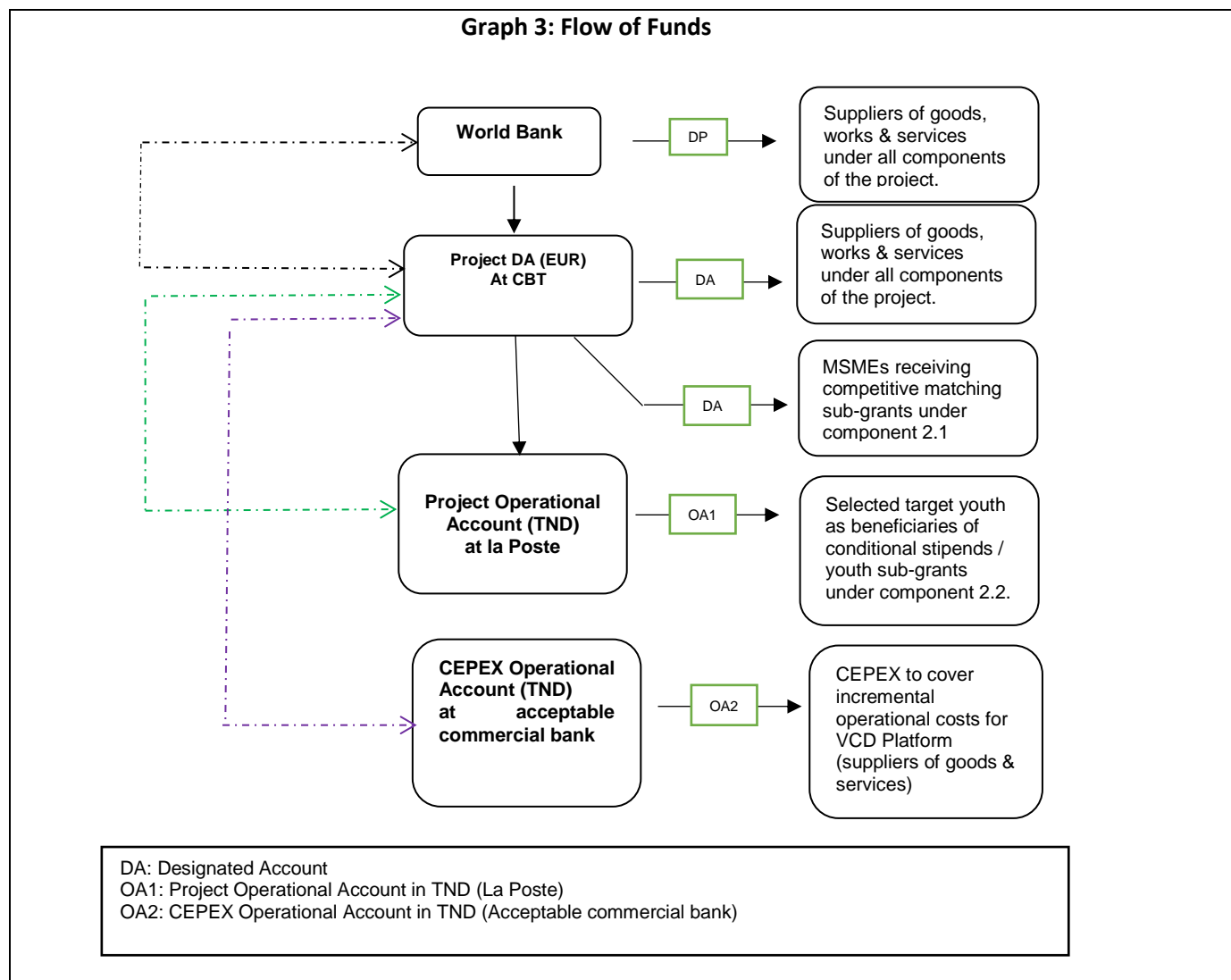
41. **Arrangements for the flow of funds for the project.** The project will make use of the Tunisian Treasury Single Account system. Project funds will be centrally managed by the MFPE, through the UGO. The Bank will disburse loan proceeds mainly through the "Advance to the DA" method which allows for providing funds to the project well in advance so that it may finance expected project expenditures as they are incurred. To that end, a Designated Account in foreign currency will be opened at the Central Bank under project's name.

42. **Following the country FM system for the management of external funds, the CBT will operate the DA on behalf of the project and thus will be the one in charge of processing disbursement requirements, including withdrawal of loan proceeds and documentation of project eligible expenditures.** Although the CBT will operate the project DA, the responsibility on the proper use of the funds advanced by the Bank to finance eligible project



expenditures remains with the MFPE. In the event that the Bank determines that an ineligible expenditure has been financed by loan proceeds, the Bank may require MFPE to whether refund the amount to the DA, or in exceptional circumstances, as provided in the Bank disbursement policies, provide substitute documentation.

43. The description of flow of funds is presented below:



44. **Flow of funds for payments of suppliers of goods, works and services.** Upon UGO instruction, advances from the Bank will be deposited into the project DA opened at the CBT.

45. **Following national practice, whenever there is a need to pay to suppliers for goods, works and services under any component of the operation, UGO will instruct the CBT to make such payments directly to the supplier**



or consultant.

46. **Further advances to the project's DA account will be made upon reporting on the use of a prior advance.** UGO/GDEP (through the CBT) will, on a quarterly basis, report on the use of loan proceeds advanced to the project's DA in accordance with the Disbursement Letter. The project's total eligible expenditures will be summarized in the SOEs prepared by CBT and will be submitted to the Bank for processing.

47. **Flow of funds for stipends and youth sub-grants.** Upon UGO/GDEP instruction, advances from the project DA will be deposited into the Operating Account (*Compte Courant Postal* – CCP) held in local currency by La Poste as part of the project.

48. **Once the payrolls issued by PBCs and BDS providers are approved by the UGO, La Poste makes direct deposits to either "La Poste card accounts" for stipends or to CCP for grants.**

49. **Further advances to the operating account will be made upon reporting by La Poste on the use of a prior advance.**

50. **Flow of funds for MSME competitive matching sub-grants under Component 2.1.** Whenever there is a need to make payments related to such sub-grants, the UGO with the support of the CEPEX/VCD Platform team, and after having reviewed the payment schedule and matching grant schema for a given beneficiary, will instruct the CBT to make such payments from the Project DA account directly to the selected MSME (beneficiary) bank account. This bank account must be segregated in local currency.

51. **Flow of funds to finance incremental operational costs of CEPEX.** The MFPE will make the funds available to CEPEX based on quarterly forecasts for the financing of incremental operational costs related to C2.1. The MFPE will transfer funds from its DA bank account held at the CBT to an operating account in local currency opened by CEPEX. Further advances to the operating account will be made once CEPEX reports to MFPE/UGO eligible expenditures paid from the operating account with prior advance. The operating account is a segregated bank account in local currency that is open solely for the purpose of managing project funds aiming to finance incremental operating costs of the Value Chain Platform. Periodic bank reconciliations and bank statements of the operating account will be transmitted to UGO.

52. **Project financial reporting.** The UGO, with the support of the DAF and inputs from the project's technical agencies involved in the implementation, will prepare consolidated IUFs every calendar semester and will submit them to the bank within 45 days of the agreed reporting period. The report will reflect all project activities, financing and expenditures as described in the PAD and in the legal agreements, including counterpart funds and in kind contributions if any. Specifically, the IUF will include: (i) sources and uses of funds statement showing for the period and cumulatively (year to date) actual receipts and payments by main income and expenditure classifications; (ii) beginning and ending cash balances of the project; (iii) supporting schedules comparing actual and planned expenditures by component and by category of disbursements; (iii) a bank account reconciliation statement, and (iv) the bank statement. The UGO will use the cumulative IUF over the project year as the project's annual financial statements and will complement the information with a statement on the accounting policies adopted, explanatory notes and a management assertion.



53. **The UGO will use financial information generated from the Project Information System “INJAZ” developed by CNI to prepare project financial reports.** This information must be reconciled and double-checked with the financial information generated from the public debt management system (SIADÉ), the government budgetary system (ADEB), and from any subsidiary accounting information held in spreadsheets in excel. During appraisal, the FM team and the client will discuss and agree upon the IUFR template.

54. **Audit arrangements.** An independent auditor, acceptable to the bank, will audit the project financial statements including the DA. The financial statements should be prepared in accordance with acceptable accounting standards and audited in accordance with acceptable international public sector auditing standards. To that end, the MFPE, through the UGO, will prepare the TOR for the audit work to be submitted to the Bank for its acceptance. The TOR should encompass both the audit of the financial transactions and an assessment of the internal control and should cover all the operations implemented under the project as well as all sources of financing including in kind contributions, if any. As a minimum requirement, the auditor will produce (i) an annual audit report including his/her opinion on the project annual financial statements and (ii) a management letter on internal controls. The MFPE, through the UGO should submit the audit report to the Bank within six months after the end of the fiscal year audited.

Procurement

55. **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 World Bank Procurement Regulations for Borrowers under Investment Project Financing dated July 1, 2016, and the provisions of the procurement plan for the project dated July 21, 2017.** The project will be 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. When approaching the national market, and as agreed between the Bank and the Borrower, Tunisian national public procurement procedures may be used. In all cases, national procurement procedures to be used will be acceptable to the Bank and give due attention to issues of quality.

56. **The UGO within the MFPE will oversee the day-to-day procurement activities at the central and regional level.** The UGO will be responsible for the coordination of all stakeholders and all activities including (i) the preparation and update of the procurement plan, (ii) the preparation of TOR and bidding documents, (iii) the procurement process in conformity with applicable rules and procedures, (iv) the awarding, signing and monitoring of contracts with large amount or with national scale, (v) the payment of each contract, and (vi) the consolidation of periodic progress reports on procurement activities. In order to assume such roles and responsibilities, the UGO shall maintain from project launch till the end of the project, at least two experienced and dedicated full-time procurement specialists. They will work permanently with the other members of the UGO and all technical teams at regional level. The project will hire, when necessary and approved by the Bank, consultants in procurement to ensure the successful implementation of the project.

57. **To determine the optimum procurement approach that will yield a positive response from the market, a PPSD was developed to consider, among other things, the market situation, the operational context, previous experience and risks.** The PPSD was prepared by the Borrower with Bank support and was used for the elaboration and validation of the procurement plan. In addition, the POM defines the main aspects of administrative arrangements, information flow, procurement applicable procedures and models of bidding



documents.

58. **The PPSD also foresees coordination mechanisms that ensure synergies between projects in terms of procurement.** A case worth highlighting is the contract(s) concerning technical services for VCD, which will be procured by the four different UGOs of four different lending operations that cover this same activity (VCD): (i) the Tunisia Third Export Development Project (P132381); (ii) the Integrated Landscapes Management in Lagging Regions Project (P151030); (iii) this project (the Tunisia Youth Economic Inclusion Project (P158138)); and (iv) the Irrigated Agriculture Intensification Project (P160245). In this case, the government (through the CEPEX, who will host the common platform created for coordination purposes) will use the “framework agreement” method to hire consulting firms to conduct this activity in compliance with article 7.33 and annex XV of the procurement regulations for IPF Borrowers (July 2016). This project will then sign direct call-off contracts with the selected firms hired through the framework agreement. As indicated in Article 3.2 of Annex XV of the World Bank Procurement Regulations for Borrowers (edition of July 2016), the CEPEX (Implementation agency in the third export development project, currently effective) will be assigned as the “lead entity” for that framework agreement.

Capacity Assessment

59. **The UGO will not be formally created prior to project effectiveness. However, a procurement capacity assessment has been carried out with the existing staff of MFPE’s Directorate for Employment Promotion that will host the UGO.** Indeed, this directorate has contributed to the Government’s Preparation Committee for the project, has elaborated the PPSD with the support from the Bank, and has prepared the detailed procurement plan and the first bidding documents to be used for the first 18 months of the project implementation. The assessment is based on this Directorate knowledge and procurement experience in the implementation of Bank and non-Bank projects, taking into account the foreseen nature of the expenditures and the likely size of the contracts to be procured.

60. **The main objectives of this assessment were to determine whether the implementing agencies have the capacity to adequately carry out the procurement activities of the project.** This evaluation took into account the entire procurement process, which encompasses: (i) planning; (ii) preparation of ToRs and bidding documents; (iii) receipt and evaluation of bids or proposals; (iv) finalization and signing of the contract or agreement; (v) monitoring the execution; and (vi) filing and archiving of documents for audit and post review.

61. **This assessment also took into consideration the performance of the Tunisian public procurement system and the overall implementation rate of the Bank’s portfolio in Tunisia.** Potential procurement risks identified during the assessment are also analyzed to recommend adequate mitigation measures. The procurement risk is rated High.

62. **Procurement implementation support will include:** (i) providing training to members of the EAs who are involved in procurement; (ii) reviewing the POM and standard bidding documents, (iii) providing timely feedback to the implementing agencies; (iv) providing detailed guidance on the Bank new procurement framework; and (v) monitoring procurement progress against the detailed procurement plan. For complex and large amount contracts at national and regional level, World Bank’s procurement procedures including Bank’s standard bidding documents will be used. For small value contracts, the Tunisian Public Procurement that is regulated by the Decree 1039, dated March 2014 will be applied.



Thresholds by Methods and for Prior Review

63. **The applicable thresholds by method and for prior review, in conformity with the NPF, are meant to be used for the procurement planning at the beginning of the project implementation.** They may be revised during the implementation depending on the findings and recommendations of the Bank's procurement specialist supervising the activities in view of the project performance, procurement implementation the subsequent risk assessment.

Table 2: Procurement Prior Review Thresholds (US\$ thousands)

Type of procurement	For competitive bidding	For direct contracting
Works (including turnkey, supply & installation of plant and equipment, and PPP)	5,000	1,250
Goods, information technology and non-consulting services	1,500	500
Consultants: firms	500	250
Consultants: individuals	200	100

Table 3: Thresholds for Procurement Approaches and Methods (US\$ thousands)

Type of procurement	Open international \geq	Open national <	RfQ \leq
Works (including turnkey, supply & installation of plant and equipment, and PPP)	5,000	5,000	300
Goods, information technology and non-consulting services	1,500	1,500	200
Shortlist of national consulting firms	300,000	300,000	

64. **The project does not include high-value contracts, but services which may be highly specialized in the case of certain activities.** As such, some contracts will have to be awarded at the international level, while TA and monitoring of local initiatives may be carried out by national providers.

65. **Post review of contracts will be carried out regularly by the Bank or a third party accepted by the Bank such as the supreme audit institution.** In addition to the prior and post reviews of contracts, the Bank will supervise globally the project implementation at least twice a year.

Procurement Categories and Methods

66. Goods, non-consulting services and consulting services will be procured by the UGO. Three main procurement methods are expected: International competitive bidding, national competitive bidding and direct contracting.

1) Contracts Requiring International Competitive Bidding:



67. The World Bank's procurement procedures will be used. All international competitive bidding will be carried out using the Bank's Standard Bidding Documents (SBD) and models of contracts.

Goods

68. No good contracts are planned under this project.

Works

69. No works contracts are planned under this project.

Non-consulting services

70. No non-consulting services contracts are planned under this project.

Consulting services

- TOT on the statistical model for profiling by a consulting firm (Sub-component 1.1)
- Capacity development of local services providers and public entities in charge of orientation and case management by a consulting firm (Sub-component 1.2)
- DDP analysis and development of strategic investment plans by a consulting firm (Sub-component 2.1)
- Training and advice for enterprises by a consulting firm (Sub-component 2.2)
- Specific training for SDE trainers by a consulting firm (Sub-component 2.2)
- Design and implementation of grievance redress mechanism by a consulting firm

2) Contracts Requiring National Competitive Bidding

71. Markets listed below will be carried out using the national public procurement procedures including the use of documents based on the standard national bidding documents that will be approved by the Bank and annexed to the POM.

Goods

- Supplies and equipment for the value chains platform (Sub-component 2.1)
- IT equipment, software, and servers (Sub-component 3.1)

Works

-No works contract is planned in this project for the first 18 months, but the project retains the flexibility to include small works if needed as per the Investment Action Plan of specific value chains.

Non-consulting services

- Development of an MIS for data-sharing and accountability (Sub-component 3.1)
- Telecom services (Sub-component 3.1)
- Creation of a portal to facilitate interactions among stakeholders (Sub-component 3.1)

Consulting services

- Design and implementation of targeted outreach and awareness-raising activities by a consulting firm



(Sub-component 1.1)

- Development and implementation of the questionnaire and statistical analysis for profiling by a consulting firm (Sub-component 1.1)
- TA to ONEQ for the profiling with multiple individual consultants (Sub-component 1.1)
- Orientation and soft skills training by a consulting firm (Sub-component 1.2)
- Local service providers for case management and placement of beneficiaries by a consulting firm (Sub-component 1.2)
- Value chains identification and regional consultation by an individual consultant Sub-component 2.1)
- TA for the implementation of strategic investment plans by a consulting firm (Sub-component 2.1)
- Support for pre-and post-creation of small enterprises by several consulting firms (Sub-component 2.2)
- TA in designing an MIS by a consulting firm (Sub-component 3.1)
- Technical design and development of a management system and other ICT solutions by a consulting firm (Sub-component 3.1)
- Spot checks, mid-term and final evaluation of processes by several consulting firms (Sub-component 3.3)
- Impact evaluation and data collection by a consulting firm (Sub-component 3.3)
- Planning and monitoring environmental aspects by an individual consultant (Sub-component 3.3)
- Implementation support to UGO staff with multiple individual consultants (Sub-component 3.4)

3) Contracts through direct selection

72. **As recommended in the Bank's procurement regulations, direct selection method should be used under exceptional circumstances.** This method may be appropriate when there is only one suitable firm or there is justification to use a preferred firm. For this project, the single contract to be signed without a competitive bidding process is related to the Sub-components 1.2 and 2.2. Indeed, the probability to sign a contract directly with La Poste as a financial service provider will ensure the transfers of the stipends under Sub-components 1.2 and 2.2 is justified by the financial and operational capacity of La Poste, its geographical presence with a large network even in lagging regions, its experience in small amount of money transfers for other social projects, and the low transaction costs supported by end beneficiaries.

73. **The following provisions will be applied whatever the category and method of procurement:**

- An open and competitive approach to market provides all eligible prospective firms or individual consultants with timely and adequate advertisement requirements, is the default approach for any contract to be financed by the Bank. Any exception to this approach will require the Bank's approval;
- The eligibility of bidders shall be as defined under Section III of the Procurement Regulations. Provisions mentioned in that chapter on sanction or debarment related to fraud and corruption, will be applicable;
- No foreign bidder shall be required to submit a bid in association with domestic firms as a condition for bidding;
- Each bidding document shall clearly set out the bid evaluation process, the bidders' qualification criteria and the contract award conditions;
- Technical and financial bids will always publicly opened, and such public bid opening shall take place immediately or closely after the deadline for submission of bids. No evaluation of bids shall take place at the bid public opening session; and;
- Any contract to be financed by the Bank, but awarded without respect and conformity to the procurement procedures and SBDs as detailed in the POM will be taken in charge and financed by the Borrower.



74. **MFPE has proposed in the PSD the use of the new online procurement national platform (TUNEPS) to the extent possible.** This e-procurement system will provide more transparency and efficiency. Publication of open competitive bids and electronic bid submissions can be done locally through TUNEPS.

75. **Any contract to be financed by the Bank will be detailed in the procurement plan that will be updated regularly and approved by the Bank.** The validated procurement plan will be recorded in the Bank STEP system and published on the ONMP's website (<http://www.marchespublics.gov.tn/onmp/programmeannuel/liste-prgannuel.php?lang=fr>).

Advance Contracting and Retroactive Financing

76. **Provisions detailed in Section V, 5.1 and 5.2 of the Bank's Procurement Regulations will be applicable.** The Borrower has indicated the possibility of carrying out advance contracting to speed up the project implementation. If the Borrower will confirm willingness to proceed with this option before signing the legal agreement, bidding process for identified eligible contracts can start in conformity with Sections I, II and III of these procurement regulations.

77. **The Borrower undertakes such advance procurement at its own risk, and any concurrence by the Bank on the procedures, documentation, or proposal for contract award, does not commit the Bank to finance the project in question.**

Procurement Plan

78. **The Borrower developed a detailed procurement plan for the entire project implementation with all contracts to be procured, the type of expenditures (goods or services), the most appropriate procurement methods, estimated amounts and the estimated contract start date.** Both global and detailed procurement plans were approved by the Borrower and the Bank. The procurement plan agreed upon will be inserted in the World Bank STEP. Once approved (through STEP, the procurement plan will be published in the relevant websites (dgMarket, UNDB, Bank's external website, national observatory of public procurement, etc.). All procurement activities will be processed by the Borrower through STEP and Bank reviews and no objection will be completed through the same platform. The procurement plan will be updated in agreement with the UGO annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

79. **The preparation of the PSD helped the Borrower to optimize the process and to minimize the risk of lack of ownership.** Indeed, the MFPE and other implementing agencies have collaborated to identify and list for each contract: (i) entities in charge of all administrative and procurement processes (preparation of the bidding documents, publication, signature of contracts, payment, etc.); and (ii) entities involved in the technical works (definition of TOR and contribution to the bid evaluation processes) for each market. In case of multiple entities involved in each action, the lead entity has been also identified. TOR for the main contracts to be signed during the first 18 months of the project implementation were submitted to the Bank for review. Bidding documents of contracts to be signed for the first 18 months of the project implementation were prepared by the UGO and will be validated by the Bank in case of prior review, before project launch.

80. **Specific components' aspects regarding Sub-component 2.1 Supporting the development of value chains with high job creation potential.** Procurement activities will mainly consist of consulting services as



follows:

- Competitive selection of a consulting firm to provide technical services to partaking actors, who will then carry out agreed actions as detailed in Project Description Section of Sub-component 2.1. The PPSD foresees coordination mechanisms that ensure synergies between projects in terms of procurement as described in Section V.D. Competitive selection of a consulting firm for training services or to support in legal reforms as described in the Investment Action Plans respective to each value chain.
- Competitive selection of some local experts or individual consultants to follow up on MSMEs subprojects and support the Matching Grant Selection Committee as described in Annex 2 which describes specific implementation arrangements for Sub-component 2.1.
- The selection of the consulting firm in charge of the technical and advisory services, estimated at USD2 million, will take place during the first 18 months of the project implementation. The three other services will be planned at the beginning of the second year of the project.
- If investment action plans require a public investment, competitive selection of goods or works will be needed depending on the nature of the public investment.
- MSMEs selected by the UGO will apply, for their projects, the commercial legislation in force for the private sector for procurement activities that will include request for quotations, local competitive bidding inviting prospective bidders for Goods and Works located in and around the local community; direct contracting for small-value Goods, Works, and non-consulting Services; and the use of community labor and resources. The proposed arrangements and the procurement activities to be carried out by selected MSMEs will be outlined in the project operation manual approved by the Bank.

81. With regard to Sub-component 2.2, Supporting the creation of microenterprises, UGO will competitively select BDS providers that will provide training, monitoring and advisory services as described in Annex 1 above. This contract will be signed during the first 18 months of the project implementation.

Environmental and Social (including safeguards)

82. Roles and Responsibilities. In accordance with the loan agreement, the UGO will be responsible for all matters regarding the management and the coordination of the implementation of the safeguard instruments, including ESMF-related activities. The UGO through its full-time safeguards expert will work in close partnership with the ANPE, which is the leading national institution in charge of pollution control and environmental protection, as well as environmental impact assessments. The Borrower will ensure that an interagency agreement, defining mutual roles and responsibilities, and in form and substance satisfactory to the Bank, will be signed between MFPE and ANPE no later than 3 months after the project's effective date. Mutual roles and responsibilities will include the responsibility of ANPE, to inter alia: (i) provide training and capacity building to UGO and relevant stakeholders regarding the implementation of the safeguard instruments, (ii) monitor the implementation of the safeguard instruments, and (iii) contribute to the preparation of the reports on the status of compliance with the safeguard instruments. Examples of activities include, among others, capacity building in the areas of environmental policies, practices and procedures for UGO members and key stakeholders; participation in regional monitoring activities (collaboration between ANPE regional representatives and UGO regional managers, on the basis of an annual periodicity and a random sample of sub-projects); and participation in the preparation and validation of comprehensive reports related to the implementation of planned environmental mitigation measures. The MFPE, through the UGO, for its part, will provide adequate and timely logistic support to ANPE to fulfill its tasks at national and-regional levels.

83. Monitoring and evaluation reports on the implementation of safeguard instruments will be prepared



by the UGO (through its safeguards full-time expert) and included in annual project reports (see below M&E arrangements), in accordance with the loan agreement.

Monitoring and Evaluation

84. **A M&E system will be established to support the implementation and the assessment of the project and serve as a management tool.** The M&E system will serve as a management tool to: (i) monitor project progress and results; (ii) generate and disseminate key lessons to stakeholders; and (iii) provide routine reporting to the Project Committees and the WBG. The M&E function will analyze and aggregate data generated at the local and regional levels to inform the Results Framework's key performance indicators.

85. **Data sources.** The M&E system will be based on the MIS that captures selected target youth and MSMEs, and closely linked to the Project Profiling system financed under Component 1. It will also make full use of the IT systems for citizen engagement and GRM, and data from the project's online communications, and from the Portal (one stop shop). The MIS design will take account of the lessons learned from the successful use of an online MIS by the Community Works and Local Participation Project (P128427) implemented by MPFE. The M&E system will incorporate reporting and data from the performance-based service providers for beneficiary individuals and firms. The providers will be expected to provide follow-up and periodic reporting and data on support to each beneficiary/firm and status, such as training or BDS provided to each beneficiary, beneficiary placement in firms, and hire and retention, etc. Payment of the performance contract will be conditional upon such periodic reporting, with conditions detailed in the TOR of these contracts.

86. **Data.** The Profiling System will generate categories of beneficiaries with parameters that will be used to disaggregate and analyze the results indicators. The key performance indicators will be disaggregated by gender, age group, location, and profiling segment. The MIS should also include: (i) basic information on beneficiary youth/firms, (ii) details on business plans and support provided, (iii) sub-project information, such as physical and financial progress, and (v) project management information for progress reports to be submitted semi-annually. At intake and registration, the beneficiary (or firm) will provide information on a simple set of data to constitute a baseline that will be repeated at mid-term and end through simple tracer surveys. By the project mid-point, the initial intake of beneficiaries would have completed the cycle of support and matching or placement in jobs. As part of the M&E system, citizen engagement and feedback will be sought through a report card mechanism for beneficiary assessments, which could include quantitative results of the report card mechanism (Component 3.3), and qualitative methods (focus groups, semi-structured interviews). Staff surveys among government institutions and agencies will be conducted to assess relevance and satisfaction of capacity-building activities.

87. **Project reports.** In accordance with the loan agreement, the Borrower will monitor and evaluate the progress of the project and prepare project reports 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. The UGO will be responsible to prepare the project reports.

88. **Roles and responsibilities.** The National and Regional Technical Committees will review M&E information to provide guidance and recommendation to improve implementation. The UGO, through its dedicated M&E specialist, at the national level, will lead all aspects of monitoring and evaluation and provide operational tools and instruments for data collection at governorate levels. The UGO will be responsible for the M&E system, including the elaboration of project reports (mentioned in the previous paragraph) and assessment of key performance indicators in accordance with Bank requirements, and validation and quality control with spot checks of results reported by service providers. The UGO will have a dedicated M&E specialist who will ensure that data and information from the seven governorates and institutions is produced and collected on time and is of sufficient quality as required. The regional teams of the UGO will lead data collection at the local level, in conjunction with respective departmental ministries and relevant stakeholders. Capacity building assistance will be provided to local actors for such monitoring (Component 3). The M&E responsibilities will be described in the POM, and benefit from a toolkit on jobs indicators developed by the Bank. The UGO will develop a project M&E plan, which will be funded by Component 3. A dedicated Communications Specialist in the UGO will develop a comprehensive Communications Strategy to ensure proper coordination, dissemination and a stakeholder feedback loop, including support on M&E for communication of results and lessons learned. Citizen engagement and feedback will be sought through the report card mechanism for selected youth and selected MSMEs.

89. **Process evaluation and MTR.** The Project will undertake a process evaluation at mid-point, which will independently assess the project implementation, identify potential bottlenecks and propose corrective measures. It will help draw lessons from the first cohorts of beneficiary support and performance contracting, making use of simple tracer surveys for beneficiary youth and firms, to enhance the design and implementation of support for subsequent cohorts of beneficiary youth including entrepreneurship. This process evaluation will form part of the overall report that the UGO will be required to prepare for the project MTR. Specifically, the UGO will be required furnish to the Bank, thirty-four (34) months after the project effective date, a report integrating the results of the monitoring and evaluation activities 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 project development objective.

90. **Impact evaluation.** A rigorous impact evaluation will be made an integral part of the project. The primary aim of this analytical work is to measure, investigate and explain intended and unintended benefits of the interventions carried out within the scope of this project. The impact evaluation will allow for a review of specific project achievements, such as job creation, or determining whether pre-identified constraints limiting the project beneficiaries' ability to realize their commercial and professional potential were effectively lifted by the project's activities. In particular, the impact evaluation will disaggregate the impacts in terms of employability and increase in revenues by gender. The scope of the different questions to be considered is summarized below.

91. **The survey design and management of the impact evaluations will be the responsibility of the UGO, in collaboration with ONEQ.** Overall technical support for the impact evaluation will be provided by the World Bank. The impact evaluation team will work closely with various stakeholders to develop research designs that will outline in detail the selection of appropriate counterfactuals. Data collection will necessarily be contracted out to an organization/firm with extensive experience and local capacity in administering surveys. In addition,



the impact evaluations will integrate other data sources such as the administrative records compiled through the M&E system at the various entities implementing the project.

92. **For this purpose and if feasible, the impact evaluation will be based to a large extent on the quantitative comparison of a treatment group with an adequate control group.** By definition, access to all or a pre-specified subset of the project activities will be provided to the treatment group only. It is crucial to tailor the selection of the treatment and control groups to the activities of interest. This step is elementary to guaranteeing statistical identification of changes that can be causally linked to the project's activities and these activities only. The main challenge will typically lie in identifying project features that offer the potential to select a suitable control group to enable such rigorous analysis. These features can include but are not restricted to capacity constraints, phase-in stages, treatment status randomization and cut-off rules. The impact evaluation team will work closely with the UGO and other project stakeholders, through an initial impact evaluation workshop and regular consultations, to develop research designs that will outline in detail the selection of appropriate counterfactuals.

93. **Scope Impact Evaluation.** During the project preparation phase, a number of possible areas for impact evaluation that sparked the interest of project stakeholders were identified. To complement existing knowledge from impact evaluations in Tunisia, the evaluation could focus on proving the validity of the innovative aspects of the Project:

- Existence of male-dominated value chains and female-dominated value chains.* The surveys could inform whether particular value chains have a preference with regards to recruitment and/or on-the-job training for women or men. An impact evaluation could also inform about crossover opportunities for women, i.e. possible better prospects in male-dominant sectors. Specific constraints could be identified during the project, and specific interventions could be implemented to lower entry barriers for women and assessed. For instance, a recent study on Gender and Labor markets in Tunisia indicates that being married increases the probability of being employed for men but decreases it for women, which suggests strong social norms surrounding women's labor force participation. This may be linked to women empowerment in the household, cultural factors and/or time preferences regarding domestic work and child care.

- Comparison of wage subsidies versus investment capital subsidies to foster job creation and retention in supported firms.

- Comparison of a performance-based system for service providers and a standard contract.



ANNEX 3: IMPLEMENTATION SUPPORT PLAN

COUNTRY: Tunisia

Youth Economic Inclusion Project

Strategy and Approach for Implementation Support

1. The strategy for implementation support aims to provide the necessary technical advice to meet the expected results of this multi-sectoral operation, which is shared between Social Protection and Jobs Global Practice, as well as Trade and Competitiveness Global Practice. It also aims at mitigating the risks identified in Section V (SORT), including fiduciary risks.
2. Specific areas of focus and inputs as summarized below:
 - **Technical.** A joint team leadership between the two Global Practices will need to be maintained. The project innovations, capacity challenges and the risks related to the volatile environment will require intensive supervision, especially in the first three years of the project. To this effect, the SPJ will select a locally based co-task leader or team member. An international senior private sector specialist is already field-based. Supervision will include regular formal supervision visits, including field visits to the targeted regions. Support will be given to the UGO, as well as to the National and Regional Technical Committees. To manage stakeholder risks, a proactive communication and consultation strategy will be implemented, supporting as needed the Government's communication activities that will be financed under the project. Regarding governance risks, an international senior governance specialist is already field-based.
 - **FM.** The FM implementation support plan will be risk-based, and will include review of: (i) the project's FM system, including but not limited to accounting, reporting and internal controls; (ii) beneficiary institutions; (iii) quarterly SOEs; and (iv) annual audited financial statements, as well as timely follow up on issues arising from the audit.
 - **Procurement.** Procurement implementation support will include: (i) providing sufficient training to members of the implementing agencies who are involved in procurement; (ii) reviewing the POM and standard bidding documents, (iii) providing timely feedback to the implementing agencies; (iv) providing detailed guidance on Bank new procurement framework; and (v) monitoring procurement progress against the detailed procurement plan.
 - **Environmental and Social Safeguards.** Implementation support will include supervision of the Social and



Environmental Safeguards management at national and local levels, including the implementation of the ESMF as well as provision of training and guidance to UGO, National and Regional Committees, and the project beneficiaries (especially MSME and newly created businesses). A senior environmental specialist is already field-based.

Implementation Support Plan

TIME	FOCUS	SKILLS NEEDED	RESOURCE ESTIMATE
<i>First 12 months</i>	Project start-up, procurement of key activities launched in year 1, identification of any problems early in the life of the project	Shared team leadership across GPs, Technical expertise: access to jobs, especially for disadvantaged groups, jobs creation through value chains and entrepreneurship, gender, governance, safeguards, financial and procurement expertise	Multi-GP supervision norm 200,000
<i>12-48 months</i>	Continued support to the UGO and National/Regional committees, review of the continued adequacy of financial, procurement, and safeguard arrangements, and other implementation requirements	<i>Same as above</i>	800,000
<i>Remainder of the project</i>	As above plus impact evaluation at the end of project	<i>Same as above</i>	200,000 annually



ANNEX 4: KEY PHASES AND OPERATIONAL PROCESSES: TARGETING, INTAKE, SELECTION PROCESSES

COUNTRY: Tunisia

Youth Economic Inclusion Project

1. This Annex provides detailed information on key operational processes that were agreed with the Government counterparts during the pre-appraisal mission and in the context of the preparation of the POM.

COMPONENT 1

2. **Key Processes for targeting, selection and intake of disadvantaged youth beneficiaries (18-35 years old) for Component 1.** Selection of candidates will be done by MFPE Regional Employment Offices with assistance from UGP local coordinators and facilitators. Component activities will be implemented in two cycles, each one lasting approximately 24 months: (i) the first cycle will start in Year 1 (with an estimated maximal targeted number of 5,000 individual beneficiaries; and (ii) the second cycle (another 5,000) will start in Year 4 (total project duration is 6 years). Basic eligibility criteria will be kept simple.

3. **The qualifying eligible beneficiaries for Component 1 will be Tunisian citizens, aged 18-35 who are residents of one of the seven selected governorates and are not currently benefiting from other public employment programs.** Gender-based quotas will be defined in each governorate, as appropriate, within the first 6 months after effectiveness.

4. **The following plan was agreed to target interventions while managing expectations:**
 - Targeted, inclusive outreach* (versus mass communication); ensuring that information about the program effectively reaches the potential target population and does not raise expectations among people outside this target group (which would have been the case in mass communication);
 - Simple application process (EOI)*. Participants will be encouraged to register during the outreach activities, to maximize the chances of reaching the most motivated among them and facilitate a speedy application process. The application process will be conducted in two stages. The first stage will be an EOI conducted either: (i) online; or (ii) by mobile phone (SMS). Following a review of the received applications, only the eligible applicants will be invited to proceed to the second stage and provide more information required for final selection (see below).



-A scoring system to prioritize disadvantaged/vulnerable applicants. There will be a set application period and deadline, after which selection decisions will be made. To prioritize vulnerable applicants, a scoring system will be used to fill the quota for each gender group and governorate. Once the scoring has been done, those individuals with the highest score will be selected until the quota has been reached. Higher weights will be given to work-able members from beneficiary households of social safety nets programs PNAFN and AMG2; women with dependents (e.g. young children, disabled or elderly) and facing potential care constraints requiring higher stipends; long-term unemployed and discouraged job seekers who have become inactive due to not finding employment; individuals from disadvantaged areas within governorates; parents whose children are enrolled in *Centres Intégrés de l'Enfance* and who benefit from those centers when children are considered at risk; and recent participants in *Centres Intégrés de la Jeunesse* and *Centres de Défense et d'Intégration Sociale*. The distribution of points for the scoring is being finalized by the Government Preparation Committee and was presented as part of the draft manual of procedures prior to appraisal. Based on lessons learned and possible improvements in the targeting system, the Government will be able to adapt and revise the scoring approach for the second cycle.

-Final selection. Based on recommended technical decision by the UGO, the National Technical Committee will validate final decision within an established deadline. Once the final number of candidates has been reached, individual interviews and post checks will take place to ensure that candidates provided accurate data.

-Admission and final enrollment.

5. **Referral process for selected beneficiaries to the microenterprise entrepreneurship support under Component 2.** After the enrollment and the profiling, orientation and counseling services will be provided by competitively recruited service providers, leading to the development of a “Professional Plan” and adequate connection to skills-building packages for either wage employment or self-employment paths. During the initial orientation, all beneficiaries will have access to a structured training designed to foster their interest in entrepreneurial routes. These services will include success stories, entrepreneurial tips and tricks, and motivational information with the objective of addressing the pervasive lack of entrepreneurial culture among youth and the feeling of disenchantment among them. Only those successfully completing this targeted training (ending by a test) will be referred to the full-fledged microenterprise support path described under Component 2.

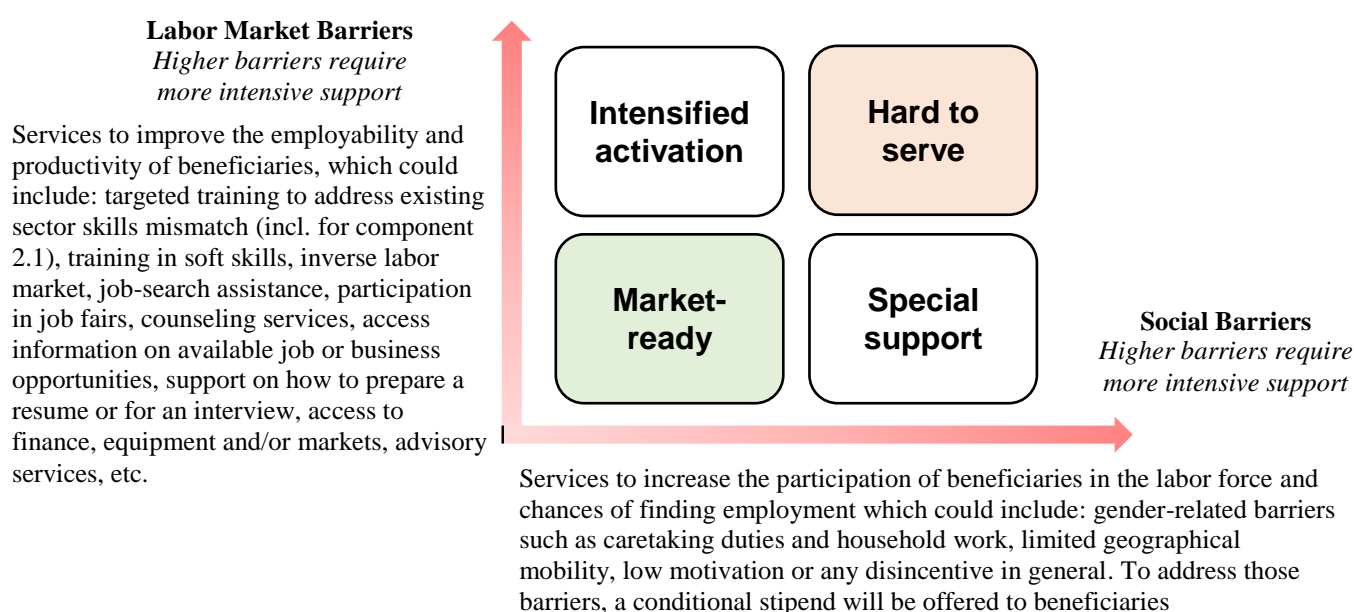
6. **Processes for the jobs profiling (“Typologie”).** To expedite the process, at the time of enrollment, selected beneficiaries will be required to fill in a questionnaire that will be used for the job profiling model⁴² - a jobs profiling system that will enable MFPE to categorize program beneficiaries in homogeneous groups facing similar labor market barriers. Profiling results will guide project planning and inform the tailored set of services that will be offered by the program through service providers for each main type of beneficiary. Responsibility for the overall jobs profiling work will fall under the ONEQ.

7. **Provision of Performance-based, Tailored Connection Services.** Successful connection services for program beneficiaries will require a personalized combination of services, based on the results of the profiling model (see previous section) that would address the complex set of barriers to employment faced. Those barriers can be categorized in two sets: (i) labor market barriers; and (ii) social barriers. The higher those barriers faced, the higher the intensity of services provided to address those barriers (see Figure below). The tailored combinations packages are categorized in four types of packages, and will be gender sensitive:

⁴² Such model would aim to quantitatively assess the nature and intensity of the barriers each project beneficiary faces in accessing a new job – either from inactivity or unemployment - or to move to higher earning employment.



- **Market-ready.** Easily activated individuals, facing low labor market and social barriers relative to the other groups.
- **Intensified activation.** Those in this category face high labor market barriers due to their low employability (e.g. could be mostly due to the lack of experience and relatively low levels of education) but low social barriers.
- **Special support.** Profiles in this category not only require services to improve their employability but also services to address their high social barriers that could be preventing them from participating in the labor force.
- **Hard to serve.** Profiles in this quadrant are composed of individuals with high labor market barriers as well as high social barriers. There are the hardest to place and therefore would require the highest intensity of services provided.



8. **The contracting and payment system will create incentives for the selected services providers to respond to the needs of beneficiaries and employers, and adapt the package of services they offer accordingly.** The payment mechanism will be divided into three types and for each beneficiary: (i) payment 1 will be provided to cover the cost of the services provided; (ii) payment 2 will be in the form of a bonus once the beneficiary finds an internship or OJT; and (iii) payment 3 will be in the form of a second bonus provided the beneficiary finds a job (wage employment). The labor market outcomes of the hardest-to-place individuals are inherently harder to achieve than those easier-to-place. To avoid “cherry-picking” or “parking,”⁴³ the amount of the first and second bonus will increase as the barriers faced become more important. The highest bonuses will be provided for the “hardest to place” categories.

9. **The selected providers will monitor the beneficiaries’ attendance and report to the UGO who will process**

⁴³ This happens when providers prioritize or invest more time on the more “favorable” participants as they are likely to meet specific targets and outcomes faster. In the case of wage employment programs, providers may select or “cherry pick” jobseekers that are easier to place or train (“more job ready”) while “parking” those that are harder-to-place. See Koning, P.; Heinrich C. J. (2010) Cream-Skimming, Parking and Other Intended and Unintended Effects of Performance-Based Contracting in Social Welfare Services. IZA Discussion Paper No. 4801.



cash transfers to the beneficiaries.



ANNEX 5: THE VALUE CHAIN DEVELOPMENT PLATFORM

COUNTRY: Tunisia

Youth Economic Inclusion Project

CONTEXT

1. **The main beneficiaries of Component 2.1 are MSMEs pertaining to labor intensive value chains with high job creation potential in targeted regions.** These are typically unable to access higher value added markets, or achieve higher productivity, due to persistent coordination and market failures. The component provides public investments (and leverages private sector investment through matching grants) to secure common services and facilities, encourage coordinated investments, or implement solutions that would not be possible without the facilitation and support of the public sector.

2. **In order to maximize the impact of these investments and mitigate political economy and capture risks, key preparatory outputs are needed:** (i) identification of higher value added market segments for targeted products and services; (ii) identification of the constraints and market failures that hinder the access by the beneficiary group to these markets (i.e. prevent the ideal value chain from functioning competitively); (iii) elaboration and preparation of value chain specific Investment Action Plans containing strategies and detailed actions/solutions to address these constraints and unleash growth and job creation. Solutions may be categorized into: (i) policy-related solutions; (ii) industry-level solutions; (iii) strategic investments in common services or goods - that require public investments or matching grants to MSMEs to catalyze investments in line with the Investment Action Plan.

3. **The project will support an analytically rigorous and strongly participatory approach that looks at both, market trends and local comparative advantages.** The participatory part provides for a transparent and dynamic exchange between local and/or relevant actors (key relevant actors could be local or not- e.g. market actors, service providers, etc.) from the various segments of the value chain. The combination of the two aspects (fact-based analytics and participatory) not only provides a more reliable source of information on what investments are most likely to have positive externalities on the local economy, but also provides a potent mitigation measure for capture and/or the unintended reinforcement of local power structures and dominance in the existing economic landscape.

4. **Four World Bank projects focused on complementary development objectives in the North West and Center West of Tunisia now include such VCD components (each) and adopt a similar approach combining analytically robust sector competitiveness diagnostics and PPDs.** These projects are:

- The Third Export Development Project (EDP-III) (P132381) - effective since September 2015;
- The Integrated Landscapes Management in Lagging Regions Project (P151030) - approved by the World Bank board in March 2017, and by the Tunisian Parliament in June 2017;
- The Youth Economic Inclusion Project (P158138) (this project);
- The Irrigated Agriculture Intensification Project (P160245) – currently under preparation.



5. **To ensure synergies between these projects and maximize economies of scale, the Tunisian government will set up an inter-agency “Platform” that will conduct - with the help of specialized private sector firms - all VCD work in all four projects.** The Platform will bring together a trained team of specialists and dedicated civil servants representing three key Tunisian MSME support agencies (APIA, APII, and CEPEX) as well as two (sub) regional development ones (ODNO and ODCO). The Platform will be hosted by the CEPEX, which is an implementation agency of the Third Export Development Project (EDP-III) (P132381). Operating costs covered by the World Bank projects will cover fixed and variable costs like office rent, office equipment, costs of field visits and workshop preparation, but will not cover salaries of public sector employees which will be borne by the Government. The team of civil servants will supervise and manage all private sector firm contracts related to this activity. The team will benefit from a strong capacity building program (financed by the project) and will engage as proactively as possible with the teams of the hired firms to ensure maximum transfer of knowledge and on-the-job capacity building. As such, the Platform will maximize synergies between MSME support agencies to help reduce coordination failures that persist in the lagging regions, while also building multidisciplinary and inter-ministerial capacity to later reproduce these activities across the country and the economy.

Mission of the Platform

6. **The VCD Platform - with private sector support - will not only act as an inter-agency one-stop-shop for relevant services currently offered by participating agencies; it will also provide a package of support services (detailed in the POM) that include:**

- Identifying and analyzing higher value added markets for targeted products and services; based on which intelligence and advisory services to beneficiaries on higher value added markets and their requirements will be provided;
- Facilitating (PPDs that allow champions and motivated players to develop market-based strategies and competitive advantages; mobilizing relevant economic and institutional actors, and promoting collaboration across the value chain; business-to-business networking and cluster development activities;
- Identifying investments and common services (e.g. cold chain services, packaging and marketing services, etc.) needed to tackle value chain level market failures, decreasing intermediation costs on local MSMEs and increasing their access to strategic market segments with higher value added and returns. Facilitating and coordinating the preparation of key actions to that effect, and submitting these to adequate sources of funding and implementation;
- With the support of specialized service providers, assisting (private sector) participants to the PPDs in the preparation of applications to grants and matching grants, or access to finance (through the banking sector);
- Identifying policies (via PPD) that can strengthen the competitiveness of the chain or improve the business climate for the targeted value chains or regions.

Composition

7. **The Platform’s operations manual is an integral part of the operations manual of the Third Export Development Project (EDP-III) (P132381) and will define all the management and operation procedures for the Platform, including:**

- An ad-hoc Steering Committee at the level of the Chief Executive Officers of participating agencies. The Steering Committee will play a role similar to the one of a board of directors, namely: the



definition of strategic orientations, and high-level decision-making regarding administrative and management affairs. The chairmanship of this Steering Committee would be rotating between its members.

-A Managing Director who would be recruited to lead the Platform, through a transparent and competitive call for applications. The successful candidate should demonstrate qualities as a proven manager capable of federating all skills around the Platform project, as well as technical skills in VCD.

-A multidisciplinary and multi-agency taskforce from MSME support and regional development agencies such as the APIA, APII, CEPEX, ODNO, and ODCO.

8. **To ensure proximity to beneficiaries, a large part of the team will be decentralized, based in local offices in targeted lagging regions.** All recruitments will comply with World Bank procurement rules and procedures.

Relation between the Platform and the Various World Bank Projects Involved

9. **Although the Platform will be launched under the Third Export Development Project (EDP-III) (P132381), as indicated above, its incremental operating costs will also be co-financed by at least two other World Bank projects (potentially three).** Each project will finance the incremental operating costs of the Platform in proportion to the number of value chains it chooses to target (based on each project's own criteria). An interagency agreement will be signed between the CEPEX (as institutional host for the Platform) and the respective leading ministry of each project (here: MFPE), to be signed three months after effectiveness, with clear scope and roles and responsibilities based on which the Platform will conduct the supervision of "technical services" described in CP.2.1.

10. **The Platform incremental operating costs (excluding contracts with specialized firms) are divided into two categories: fixed costs (amortized), and variable costs related to the development work of each targeted value chain.** A unitary cost per value chain will be fixed by the Platform taking into account all anticipated expenses (including equipment, organization of workshops and participatory meetings, etc.). The MFPE/CEPEX interagency agreement to be entered into between MFPE and CEPEX will define with precision the associated costs and specific conditions. Each participating WB project mentioned may start benefiting from the services of the Platform after signature of such interagency arrangement. For all four World Bank projects, unit costs per value chain will be standardized, with a limited variation depending on the technical specificities of each value chain (such as number of players in the chain, diversity of markets, degree of complexity of the activities of the chain, the geographical dispersion of the actors, etc.).

11. **The value chains to be targeted in each interinstitutional arrangement is set by the project that finances the services of the Platform (i.e. the client) and will depend on the priorities of that project (e.g. forest products, youth employment, exports, irrigated agriculture, etc.).** Once the Platform delivers its investment plans and services, the projects (respective UGOs) will be responsible for co-financing the implementation of the identified investment. The final decision on which investments to co-finance (in a competitive selection approach) belongs to the respective UGOs – as per their POM, and based on the alignment of the submitted proposals with each project's PDO as described in more details under Annex 2 Institutional Arrangements. The UGOs are also responsible for



implementation and the supervision of co-financed projects, but can also sub-contract the supervision and the facilitation to the Platform, as an additional task in the interinstitutional arrangement.

ANNEX 6: FINANCIAL AND ECONOMIC ANALYSIS

COUNTRY: Tunisia

Youth Economic Inclusion Project

1. **The methodology** is a cost/benefit analysis which is a technique used for assessing the viability of new investments or expenditure programs; it can be narrow in scope (i.e. limited to direct project results) and/or it could include indirect impacts such as indirect environmental effects. It is based on a summary of measures of performance; the ERR and the Net Present Value (NPV), calculated on the incremental benefits and costs to the project as a whole. Presented below are the main benefits and costs, underlying assumptions made.

2. In addition, this methodology is grounded on two other themes: (1) assessing the benefits of designing an integrated approach combining a supply and a demand-side project and (2) measuring the levels of subsidies given to the private sector to encourage private investment in job-rich segments. Indeed, the IRR captures monetary benefits from an investment, and this is based on the IRR that the private sector makes the decision to invest. On the other hand, the SRR measures the *economic costs and economic benefits* for the society and hence requires introducing in the equations opportunities costs, and *social externalities*.

3. The NPV can be written as follows with NPV being the net present value of the project, r being the discount rate and *Benefit Cost Flows* at time t being the net benefits at time t accrued to the project. The SRR and/or IRR is the discount rate for which the NPV is equal to zero:

$$(1) \quad NPV = \sum_{t=1}^T \frac{\text{Benefit Cost Flows}_t}{(1+r)^t}$$

ANALYSIS FOR THE SUPPLY SIDE

4. The analysis is capturing two aspects: (a) the project will increase the employability of the targeted population and hence increase earnings whether this is through income-generating activities or through higher employment rate ⁴⁴ and (b) positive social externalities linked to the reduction of inactivity and underemployment (which are called positive *job externalities*). The economic benefits in each period for both the self-employed and wage tracks are adjusted for a social externality δ , where $0 < \delta < 1$. The supply-side SRR is given in equation (2). The variable c_i is the cost per beneficiary and N_1 is the total number of beneficiaries that entered the program at the start (including those that dropped out prior to finishing), $N_{1,w}$ and $N_{1,se}$ are the number beneficiaries that went through the wage and entrepreneurship tracks of Component 1, respectively, $\Delta \hat{y}_{w,i}$ and $\Delta \hat{y}_{se,i}$ the economic benefits per beneficiary for the wage and entrepreneurship tracks (increase in earnings), respectively. The increase in

⁴⁴ In this program, microentrepreneurs who go through Component 1 are considered as being on the supply side since they are anticipated to mostly be self-employed and not generate a significant number of new jobs in addition to their own activities.



earnings is the difference between the incomes of beneficiaries that are supported by the project and their incomes if there was no project (opportunity cost).

$$(2) \ 0 = \sum_{t=1}^T \frac{(\sum_{i=1}^{N_{1,w}} \Delta \hat{y}_{w,i} + \sum_{i=1}^{N_{1,se}} \Delta \hat{y}_{se,i})(1+\delta) - \sum_{i=1}^{N_1} c_i}{(1+SRR)^t}$$

The assumptions for the calculation are as follows:

Parameters	Value	Source/Explanation
$N_{1,w}$	7,000	About two thirds of the 10,000 beneficiaries will go to the wage work track
$N_{1,se}$	2,200	A third of the 10,000 beneficiaries will go the self-employment track, though the project expects that only 2,200 will manage to generate incomes from their business.
$\Delta \hat{y}_{w,i}$, increase in earnings for wage work track	about USD490 per year on average	The project increases their chance of being employed by 20 percent (compared to an initial 65 percent). In addition, youth is earning about USD3,111 in the formal sector compared to USD2,763 on average if they are employed (regardless of whether they are employed in the formal or informal sector). Hence, the project has two impacts: an increase of the probability of being employed and an increase of salary for those that are employed in the formal sector.
$\Delta \hat{y}_{se,i}$, increase in earnings for self-employment track	about USD490 per year on average	Similarly, and for simplification, the increase in earnings for self-employment is the difference between wage in the formal sector and the opportunity cost (i.e. earnings for those employed in the formal or informal sector).
δ , social externality	0.2	There are no studies that estimate the value of social externalities from creating employment in developing countries. The best example of calculating these types of externalities is "Investing in All the People" (1994) by Lawrence Summers. For India and Kenya, he estimated the cost of educating girls for one additional year and how the cost to produce similar health and fertility benefits and estimated social rates of return of 63% for India and 14% percent for Kenya. The analysis uses a value in this range (0.2 or 20%).
Costs	USD35.8 million	This includes Component 1 and Component 2.2. plus, part of Component 3.

5. Based on a 10 percent discount rate, the NPV over a 20-year period is equal to USD27 million and the SRR is equal to 26.3 percent.

ANALYSIS FOR THE DEMAND SIDE

6. **Setting the optimal subsidy level for private investments.** For the demand-side analysis, the focus is on the value chain investments made under Component 2. On the demand-side components of



the program, there is a subsidy to investments in value chains. The objective behind subsidizing is to leverage investments that the private sector would not otherwise make because it is not able to capture the positive externalities generated through job creation. For clarity, we begin with a one period scenario. From the private sector's perspective in a scenario where no investment subsidies provided we define the value of the production for a firm the expression $AP_L L(I_{tot})$ which is the average product of labor (i.e. labor productivity in value added per worker) AP_L multiplied by the increase in labor used in production $L(I_{tot})$ for an additional investment I_{tot} . Based on empirical analysis, $L(x)$ is an increasing function of x . From the firm's point of view, an additional investment translates into an additional output $AP_L L(I_{tot})$ but also additional costs, namely the investment I_{tot} and an increase in wage bills that corresponds to the increase in labor $L(I_{tot})$. The private sector's return is based on added value of production minus wage bill and investment costs, expressed by:

$$(3) \text{ DS Benefits (priv., no subsidies) } = AP_L L(I_{tot}) - w_f L(I_{tot}) - I_{tot} = (AP_L - w_f) L(I_{tot}) - I_{tot}$$

Where I_{tot} represents the total investment in the firm and w_f the formal sector wage rate.

7. However, from a society's points of view, there are other benefits to hiring new workers in the formal sector. For the SRR we add the social externalities from the earnings made by the workers in new jobs hired and adjust for the opportunities costs using the average wage and employment rate. The social benefits are:

$$(4) \text{ DS Economic Benefits (social) } = [(AP_L - w_f) L(I_{tot}) - I_{tot}] + [(w_f - E w_{avg}) L(I_{tot})] (1 + \delta)$$

Where w_{avg} is the average salary irrespectively of whether the worker is in the formal or informal sector and E is the share of people that are employed (formal or informal sector).

8. The optimal level of subsidy is computed by equalizing the IRR of the firm with the social intern rate of return (i.e. that takes into account the impacts on society). Please note that there is a difference in the benefits of the firm presented in equation (3) and here, i.e. the investment in the firm is I_{tot} while the cost of the investment for the firm is only $I_{private}$, the difference being the subsidy.

$$(AP_L - w_f) \cdot L(I_{tot}) - I_{private} = [(AP_L - w_f) \cdot L(I_{tot}) - I_{tot}] + [(w_f - E \cdot w_{avg}) L(I_{tot})] (1 + \delta)$$

9. The assumptions of the calculation are as follows:

Parameters	Value	Source/Explanation
$L(I_{tot})$, labor function	one job created for USD30,000 investment	One of the most recent estimates was produced by the World Bank Jobs group for the diagnostic report of Tunisia (forthcoming) which, using a computable general equilibrium (CGE) model, reports the costs to create a job in a span from \$29 thousand (US) in wood working to the extreme of \$200 thousand in chemicals. Another estimate for investments on Tunisia estimated in a 2012 IFC report ⁴⁵ used input-output tables to estimate costs per job

⁴⁵ "Modeling the Socio-Economic Impact of Potential IFC Investments in Tunisia" by Ethan Kapstein, Rene Kim, and Hedda Eggeling in 2012.



		spanning from \$1,530 (US) in agriculture to \$27 thousand (US) in communications.
AP_L , labor productivity	USD6,058 per worker	We proxy for the average product of labor with data on value added per worker, which is more readily available. We use the benchmark assumption \$6,058 (US), which corresponds to the average of the value added per worker estimated the CGE model mentioned above.
E	65 %	The analysis only considers the youth population that is (1) not in education and (2) not economic active and searching for employment and (3) economically active. For this group, the analysis estimates the employment rate (number employed over total number of youth in this group). The analysis is also adjusted for the youth employment having decreased over time. These steps result in an employment rate is 65% (weighted average by gender) based on the youth employment survey.
w_f	USD3,116 per year	From the youth employment survey, this is the wage for youth working in the formal sector.
w_{avg}	USD2,763 per year	From the youth employment survey, this is the earnings for youth whether they are working in the formal or informal sector.
Costs	20.2 million	This includes component 2.1. and part of Component 3.

10. The government will support the private sector with 15 million dollars (as per the allocation to Component 2.1.). **The results indicate that the optimal subsidy is about 40-50 percent contribution from the government.** In that case, the SRR and the IRR are equal to 14 percent, while the IRR without subsidy is equal to 7 percent.

11. **Calculating the ERR for the demand side.** Here we assume that benefits from the demand side are the following: (1) additional outputs, and (2) additional jobs that result in additional earnings. The total cost is USD20.2m if we include the costs linked to Component 3 for the operationalization on this component. When considering a matching of 40 percent from the government, the Component 2.1. creates 1,250 jobs and leads to an NPV of USD2.6m and an SRR of 11.2 percent. When considering a matching of 50 percent, the number of jobs goes down to 1,000 and the SRR to 10.7 percent.

ANALYSIS FOR THE INTEGRATED APPROACH

12. **Complementarities between the demand and supply sides of the program.** To capture that supply and demand-side components combined should have an impact greater than the sum of its disparate parts. The analysis makes adjustments to the equations above to capture complementarities between the demand and supply-side components. The two sides are connected through the number of trained workers going into wage employment that is hired in jobs created as a result of the value chain investments. From the supply-side benefit calculation, the youth that is headed towards the firms involved in the value chain investments are separated out as having an assured job, and with the rest of beneficiaries, the benefits are accrued from the supply-side component as if they were the complete group. From the demand side, the positive spillovers are captured by considering that workers that originated in Component 1 were trained to meet specific sector-relevant skills demands which leads to a higher average product of labor as compared to workers not originating in Component 1. To avoid



double-counting, we keep all opportunity costs the same as in the original calculations (with no complementarities).

13. Equations (3) and (4) are applied to the rate of return calculation⁴⁶ shown in equation (1) for the IRR and SRR, respectively.

14. **The estimated rates of return and net present values are shown in Table 1 below.**⁴⁷ By considering the complementarities between the supply and the demand sides, the SRR for each component increases. For the supply-side component, it rises from 19 percent to about 24 percent. Overall, the SRR for the project without complementarities is equal to 17.6 percent while it reaches about 20 percent by designing an integrated approach.

Table 1: SRR for a 40 percent matching

SRR for...	Without complementarities	With complementarities
Supply side only	26.3	30.9
Demand side only	11.2	11.7
Total project	17.6	20.2

Table 2: SRR for a 50 percent matching

SRR for...	Without complementarities	With complementarities
Supply side only	26.3	30.8
Demand side only	10.7	11.2
Total project	18.1	20.8

⁴⁶ As the numerator on the right-hand side of the equation.

⁴⁷ Because of the wide span of possible costs per job we report the average of the results for \$15, \$30, and \$45 thousand USD per job for NPV and rates of return results. For other results, we use the benchmark assumption of \$30 thousand USD per job.



ANNEX 7: MAP OF TARGETED REGIONS BY THE PROJECT (IBRD 43051)

COUNTRY: Tunisia

Youth Economic Inclusion Project

