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Report No: PAD1445

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED LOAN

IN THE AMOUNT OF 64.3 MILLION EUROS
(US\$70.0 MILLION EQUIVALENT)

TO THE

REPUBLIC OF TUNISIA

FOR A

TERTIARY EDUCATION FOR EMPLOYABILITY PROJECT

FEBRUARY 3, 2016

Education Global Practice
Middle East and North Africa

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CURRENCY EQUIVALENTS

(Exchange Rate Effective: December 2015)

Currency Unit	=	Tunisian Dinar (TND)
TND 1	=	US\$0.49
US\$1	=	TND2.03
US\$1	=	EUR0.91

FISCAL YEAR

January 1 – December 31

ABBREVIATIONS AND ACRONYMS

ADEB	System for budget decision-making (<i>Aide à la Décision Budgétaire</i>)
AFD	French Agency for Development (<i>Agence Française de Développement</i>)
AUF	Francophone University Association (<i>Agence Universitaire de la Francophonie</i>)
BCT	Central Bank of Tunisia (<i>Banque Centrale de Tunisie</i>)
BEPP	Bureau for Studies, Planning and Policy (<i>Bureau des Etudes, de la Planification et de la Programmation</i>)
CeIPFE	Externally-financed projects (<i>Cellule de gestion des projets financés par des fonds externes</i>)
CGF	General auditor of the Ministry of Finance (<i>Contrôle général des Finances</i>)
CNI	National Center for Computer Science (<i>Centre National de l'Informatique</i>)
CPF	Country Partnership Framework
DA	Designated Account
DGAE	Department of Student Affairs (<i>Direction Générale des Affaires Estudiantines</i>)
DGES	Department of Higher Education (<i>Direction Générale de l'Enseignement Supérieur</i>)
DGET	Department of Technological Studies (<i>Direction Générale des Etudes Technologiques</i>)
DGRU	Department of University Reform (<i>Direction Générale de la Rénovation Universitaire</i>)
DGSC	Department of Public Services (<i>Direction Générale des Services Communs</i>)
E4E	Education for Employment
ECTS	European Credit Transfer and Accumulation System
EOU	Bureau of Student Services (<i>Etablissement des Oeuvres Universitaires</i>)
EPST	Public establishment of scientific and technological nature (<i>Etablissement à caractère scientifique et technologique</i>)
ESG	European Standards and guidelines for quality assurance in the European Higher Education Area
EU	European Union
FM	Financial Management
GBO	Program-Based Budgeting (<i>Gestion du Budget par Objectif</i>)
GER	Gross Enrollment Rate
GIZ	German Corporation for International Cooperation (<i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i>)
GRS	Grievance Redress Service
HEDA	Association for the Development of Higher Education
HEI	Higher Education Institution
HIC	High Income Country
IBRD	International Bank for Reconstruction and Development
ICT	Information and Communications Technology
IDA	International Development Association

IEAQA	National Authority for Evaluation, Quality Assurance and Accreditation (<i>Instance Nationale d'Evaluation, d'Accréditation et d'Assurance Qualité</i>)
IEG	Independent Evaluation Group
IEP	Institutional Evaluation Program
IFC	International Finance Corporation
INS	National Institute for Statistics (<i>Institut National de la Statistique</i>)
IPF	Investment Project Financing
ISET	Higher Institute of Technology (<i>Institut Supérieur d'Etudes Technologiques</i>)
ISN	Interim Strategy Note
IUFR	Interim Unaudited Financial Reports
LMD	Bachelor-Master-PhD (<i>Licence-Mastère-Doctorat</i>)
MDICI	Ministry of Development, Investment and International Cooperation
M&E	Monitoring and Evaluation
MENA	Middle East and North Africa
MIC	Middle Income Country
MOF	Ministry of Finance
MoHESR	Ministry of Higher Education and Scientific Research
OECD	Organization for Economic Cooperation and Development
OPM	Operational Procedures Manual
PAQ	Competitive Fund Scheme for Quality Support Program (<i>Programme d'Appui à la Qualité</i>)
PARES	Higher Education Reform project (<i>Projet d'Appui à la Réforme de l'Enseignement Supérieur</i>)
PbF	Performance-based Financing
PDO	Project Development Objective
PfR	Program for Results
PMU	Project Management Unit (<i>Unité de Gestion des Projets</i>)
QA	Quality assurance
QF	Qualification Framework
SBD	Standard Bidding Document
SC	Steering Committee
TEEP	Tertiary Education for Employability project
TND	Tunisian Dinar
UGBO	Unit for Program-based budgeting (<i>Unité de Gestion du Budget par Objectifs</i>)
UTICA	Union of Industry, Trade and Handicraft (<i>Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat</i>)
UVT	Virtual University of Tunis (<i>Université Virtuelle de Tunis</i>)
WB	World Bank

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TUNISIA
Tertiary Education for Employability Project

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PAD DATA SHEET*Tunisia**Tunisia Tertiary Education for Employability Project (P151059)***PROJECT APPRAISAL DOCUMENT***MIDDLE EAST AND NORTH AFRICA**0000009254*

Report No.: PAD1445

Basic Information			
Project ID P151059	EA Category C - Not Required	Team Leader(s) Nina Arnhold, Karine M. Pezzani	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints []		
	Financial Intermediaries []		
	Series of Projects []		
Project Implementation Start Date 25-Feb-2016	Project Implementation End Date 30-Jun-2021		
Expected Effectiveness Date 01-Jul-2016	Expected Closing Date 31-Dec-2021		
Joint IFC No			
Practice Manager/Manager Safaa El Tayeb El-Kogali	Senior Global Practice Director Claudia Maria Costin	Country Director Marie Francoise Marie-Nelly	Regional Vice President Hafez M. H. Ghanem
Borrower: Republic of Tunisia			
Responsible Agency: Ministry of Higher Education and Scientific Research			
Contact: Telephone No.: 21658478177	Mme Najla Romdhane	Title: Director, Project Management Unit	Email: najlaromdhane@hotmail.fr
Project Financing Data(in USD Million)			
[X] Loan	[] IDA Grant	[] Guarantee	
[] Credit	[] Grant	[] Other	
Total Project Cost:	75.0	Total Bank Financing:	70.0
Financing Gap:	0.0		
Financing Source		Amount	
Borrower		5.0	

International Bank for Reconstruction and Development	70.0
Total	75.0

Expected Disbursements (in USD Million)

Fiscal Year	2017	2018	2019	2020	2021	2022			
Annual	5.00	8.00	15.50	17.50	17.00	7.00			
Cumulative	5.00	13.00	28.50	46.00	63.00	70.00			

Institutional Data

Practice Area (Lead)

Education

Contributing Practice Areas

Cross Cutting Topics

- Climate Change
- Fragile, Conflict & Violence
- Gender
- Jobs
- Public Private Partnership

Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Education	Tertiary education	80		
Education	Vocational training	10		
Health and other social services	Other social services	10		
Total		100		

I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.

Themes

Theme (Maximum 5 and total % must equal 100)

Major theme	Theme	%
Human development	Education for the knowledge economy	80
Social protection and risk management	Improving labor markets	20
Total		100

Proposed Development Objective(s)		
The objective of the Tertiary Education for Employability Project (TEEP) is to improve the employability of tertiary education graduates and to strengthen the management of higher education.		
Components		
Component Name	Cost (USD Millions)	
Improving employability of tertiary education graduates	36.00	
Strengthening the management of higher education	34.00	
Systematic Operations Risk- Rating Tool (SORT)		
Risk Category	Rating	
1. Political and Governance	Substantial	
2. Macroeconomic	Moderate	
3. Sector Strategies and Policies	Substantial	
4. Technical Design of Project or Program	Substantial	
5. Institutional Capacity for Implementation and Sustainability	Substantial	
6. Fiduciary	Substantial	
7. Environment and Social	Moderate	
8. Stakeholders	Moderate	
9. Other		
OVERALL	Substantial	
Compliance		
Policy		
Does the project depart from the CAS in content or in other significant respects?	Yes []	No [X]
Does the project require any waivers of Bank policies?	Yes []	No [X]
Have these been approved by Bank management?	Yes []	No [X]
Is approval for any policy waiver sought from the Board?	Yes []	No [X]
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No []
Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01		X
Natural Habitats OP/BP 4.04		X
Forests OP/BP 4.36		X
Pest Management OP 4.09		X
Physical Cultural Resources OP/BP 4.11		X
Indigenous Peoples OP/BP 4.10		X

Involuntary Resettlement OP/BP 4.12				X
Safety of Dams OP/BP 4.37				X
Projects on International Waterways OP/BP 7.50				X
Projects in Disputed Areas OP/BP 7.60				X
Legal Covenants				
Name	Recurrent	Due Date	Frequency	
Institutional Arrangements	X		CONTINUOUS	
Description of Covenant				
The Borrower shall ensure overall Project Coordination through MoHESR, the Project Management Unit (PMU), the Steering Committee and the PAQ Committee. The Borrower shall, at all times, maintain the PMU, the Steering Committee and the PAQ Committee under terms of reference, composition and institutional arrangements satisfactory to the Bank.				
Conditions				
Source Of Fund	Name	Type		
IBRD	Institutional arrangements	Effectiveness		
Description of Condition				
The Borrower has adopted the Institutional Documents for the Project in form and substance acceptable to the Bank, and established the Steering Committee, the PAQ Committee and the PMU with the mandates, compositions, staff and resources satisfactory to the Bank, as further set out in Section I.A of Schedule 2 to the Loan Agreement.				
Source Of Fund	Name	Type		
IBRD	Withdrawal conditions	Disbursement		
Description of Condition				
No withdrawal shall be made under Category (2) for Performance Sub-grants for performance-based contracts under Part 2.2. (ii) of the Project until (i) the Performance Agreement Guidelines have been adopted by the Borrower in form and substance satisfactory to the Bank; and (ii) the Verification Agent has been hired by the Borrower pursuant to terms of reference satisfactory to the Bank.				
Team Composition				
Bank Staff				
Name	Role	Title	Specialization	Unit
Nina Arnhold	Team Leader (ADM Responsible)	Senior Education Specialist	Higher Education	GED03
Karine M. Pezzani	Team Leader	Operations Officer	Operations - Education	GED05
Walid Dhouibi	Procurement Specialist (ADM Responsible)		Procurement	GGODR

Shirley Foronda	Financial Management Specialist	Financial Management Specialist	Financial Management	GGO23
Andrianirina Michel Eric Ranjeva	Team Member	Finance Officer	Finance Officer	WFALA
Emma Paulette Etori	Team Member	Senior Program Assistant	Administration	GED05
Fabio Isoldi	Team Member	Jr Professional Officer	Procurement	GGO05
Fabrice Guy Christian Henard	Team Member	Consultant	Education	GED05
Jean-Charles Marie De Daruvar	Team Member	Senior Counsel		LEGAM
Joost de Laat	Team Member	Education Economist	Education	GEDDR
Kamel Braham	Program Manager	Program Leader	Program Coordination	MNC01
Markus Friedrich Vorpahl	Safeguards Specialist	Senior Social Development Specialist	Social Safeguards	GSU05
Moez Makhoulouf	Team Member	Consultant	Finance	GED05
Mohamed Adnene Bezzaouia	Environmental Specialist	Environmental Specialist	Environmental Safeguards	GENDR
Nathalie S. Munzberg	Counsel	Senior Counsel	Legal	LEGEN
Robin Audy	Team Member	Consultant	Education	GSPDR

Extended Team

Name	Title	Office Phone	Location

Locations

Country	First Administrative Division	Location	Planned	Actual	Comments

I. STRATEGIC CONTEXT

A. Country Context

1. ***Tunisia has embarked on a democratic transition since January 2011, starting with an unprecedented revolution which triggered the “Arab Spring”*** with the election of a Constituent Assembly in October 2011, and the adoption of a new, inclusive Constitution on January 26, 2014. The new constitution protects basic freedoms such as religious beliefs, gender equality in rights and responsibilities, and commits to decentralization and empowerment of local governments. In December 2014, Tunisia completed another important step towards a fully developed democracy by electing its first President followed in February 2015 by the nomination of a new government.

2. ***Despite these important achievements, the country continues to face unprecedented challenges. In the aftermath of the revolution, Tunisia's economic performance deteriorated severely*** just as it started recovering in late 2010 from the global financial, fuel and food price crisis. Unemployment, in particular among the young educated population, remains a major challenge for the country. The Organization for Economic Cooperation and Development (OECD) (2014) estimates the average length of school-to-work transition (the time it takes young people to find work after leaving educational institutions)¹ to be six years, with considerable variation by region and with the shortest in Greater Tunis (four years). Unemployment, a major aspect of youth frustration that led to the January 2011 revolution, increased in 2011 and is particularly elevated among the young educated. Generally, unemployment results in a precarious situation of youth which affects their livelihoods and future careers.

3. ***Many higher education graduates fare poorly in the labor market.*** The unemployment rate for tertiary graduates in 2011 was 29.2 percent, higher than that of any other education attainment group, and up from 13.3 percent in 2005. Further, long-term unemployment particularly affects those with tertiary education: 46.4 percent of the long-term unemployed had tertiary education in 2011². While growth is expected to recover gradually in 2016, it will not be sufficiently strong to absorb the existing and rapid rise in formally qualified labor supply.

4. ***Underneath the high unemployment rate are large regional disparities*** with higher unemployment rates in the northwest and the southeast than the national average. For example, while the unemployment rate stood at 13.3 percent for the country as a whole in 2013, the jobless rate was as high as 37 percent in the governorate of Tataouine³. Similarly, average poverty rates remained four times as high in the interior of the country, compared to the richer coastal areas⁴. Regional disparities have fanned the flames of political protest, with the 2011 revolution having begun in the disadvantaged cities and governorates and those hit hardest by unemployment⁵.

5. ***Despite these challenges, the political transition has created opportunities for the country to develop a new vision for the economy and prioritize critical reforms.*** The new Tunisian Government is aware of the urgency to promote economic recovery and shared growth as well as to address the demands of youth in terms of more political, social and economic inclusion. The high

¹ According to the data from the National Institute for Statistics (INS) of 2012, 8.1 per cent of the unemployed graduates remain unemployed for 3 years and more.

² *Labor Policy to Promote Good Jobs in Tunisia*, World Bank, 2015.

³ *Tunisia: A Reform Agenda to Support Competitiveness and Inclusive Growth*, OECD, 2015.

⁴ *The Unfinished Revolution Bringing Opportunity, Good Jobs and Greater Wealth to All Tunisians*, World Bank, 2014.

⁵ *Tunisia: A Reform Agenda to Support Competitiveness and Inclusive Growth*, OECD, 2015.

rate of youth unemployment in particular clearly emphasizes the need to take bold steps in order to accelerate and deepen the on-going educational reforms. One of these measures includes closer partnership with the private sector, which is needed in order to ensure that the curricula correspond to the demands in the jobs market, with an emphasis on those sectors that have high potential to generate human capital intensive employment. For example, a recent World Bank (2014) study highlights how Tunisia has a comparative advantage to successfully boost high-value added segments in certain service sectors such as information and communications technology (ICT) and offshoring, professional services, telecommunications, transport and logistics, tourism, health services, as well as certain manufacturing sectors such as textile and garment, leather and footwear, electrical industry, chemical industry, glass, iron, metal materials for construction and mechanical industry, and home furniture and sanitary⁶. In order to move into high-value added segments, Tunisia will need to develop adequate and highly-skilled human capital.

B. Sectoral and Institutional Context

B.1 Tunisia Has Seen a Rapid Expansion of Higher Education

6. ***Tunisia has seen a rapid expansion of higher education.*** Education represents one of the main pillars of Tunisia's development strategy since independence in the late 1950s. Tunisia achieved universal access to primary education in the 1990s and the Gross Enrollment Rate (GER) in secondary education reached 78.8 percent in 2011⁷ from 52 percent at the beginning of the 1990s. The student population in higher education public institutions also expanded rapidly between 1995 and 2005, from 102,000 to 330,000, and as a result the GER at the tertiary level increased from 8 percent in the early 1990s to 29 percent in 2004 and to 35 percent in 2011. Starting in 2006, the rapid increase in the student population began to slow down to an average of 2 percent per year over 2006-2009; enrollments as well as the number of graduates has dropped since 2009 due to the demographic decline, among other factors⁸. In summary and looking at educational attainment more generally, Tunisia has an increasingly well-educated young population with higher education aspirations. While the need for reform extends beyond higher education, however, other educational sub-sector have seen increasing support by international and multi-lateral organizations like the European Union (EU), the German Corporation for International Cooperation (*Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ)) and the French Agency for Development (*Agence française de développement* (AFD)).

7. ***Women, in particular, have been entering university at high rates, and those with a tertiary education degree have joined the labor force at much higher rates than less educated women.*** In 2011, 60.2 percent of university graduates were females⁹. Furthermore, labor force participation among women with a university degree is 53 percent, only slightly below that in richer developed countries, and much higher than that of women without university degrees; average female labor force participation was 27 percent across all education groups¹⁰. However, 40.8 percent of these female graduates are unemployed, nearly double the unemployment rate of male graduates (21.2).¹¹ These drastic differences between the unemployment rates of female and male

⁶ *The Unfinished Revolution Bringing Opportunity, Good Jobs and Greater Wealth to All Tunisians*, World Bank, 2014.

⁷ Data from MoHESR.

⁸ Tunisia Country Program Evaluation, FY05-13, Volume II: Appendixes, Independent Evaluation Group (IEG) & World Bank, 2014, p.77.

⁹ Brookings, 2013.

¹⁰ *Labor Policy to Promote Good Jobs in Tunisia*, World Bank, 2015.

¹¹ National Statistical Institute, INS, 2014.

university graduates raise questions which extend beyond tertiary education supply side issues and might include labor supply side issues and cultural factors¹². The issue of high unemployment of female graduates might further be connected to a more wide-spread phenomenon in the Tunisian labor market: graduates' preference for a job in the public sector.

8. ***Tunisia's social contract's implicit promise of good quality public sector jobs seems to divert the flow of talent away from the private sector.*** Data from a national survey on employment reveal that around 45 percent of youth with tertiary education would prefer to have a job in the public sector. Along the same line, only around 10 percent of youth would prefer to have a private sector job and the gap in preferences is higher amongst young people than amongst their parents. Indeed, 55 percent of those workers with post-secondary education were employed in the public sector in 2012 (57 percent in 2010; 61 percent in 2008)¹³. Thus, while the majority of workers with post-secondary education are in the public sector, this share is declining. The private sector was, accordingly, employing 45 percent of the post-secondary workers in 2012. Recent analysis by the World Bank¹⁴ shows that the private sector (hotels, financial services, and transport/communications) has created more jobs for high-skilled workers (nominally) than the public sector. The majority of the private sector workers with post-secondary education were employed in services (67 percent) followed by industry (24 percent). While the (still) strong role of the public sector as employer appears primarily as a labor demand side issue, education institutions will need to help overcome this situation by fostering an entrepreneurial culture and mindset amongst youth and by developing skills which are attractive for the private sector.

9. ***The sharp increase in higher education enrollments during the 1990s and 2000s was accompanied by the creation of new institutions and related structures.*** Priority was initially given to studies that were less costly and easier to expand,¹⁵ but the situation was later reversed. Currently, the higher education system comprises a total of thirteen public universities (including one for distance learning), 198 public tertiary institutions, including 25 higher institutes of technology (*Instituts Supérieurs d'Etudes Technologiques* (ISETs) under the direct supervision of the Ministry of Higher Education and Scientific Research (MoHESR). The expansion of enrollment in public universities increased gradually after 1986, however, since 2010, enrollments in public universities began to decline at an average annual rate of 3.8 percent; in 2015 total enrollment in public universities was 262,320 down from 315,513 in 2012-2013. Similarly, enrollments in the ISETs, created in 1992, increased rapidly until 2009 when the total number of ISET students started decreasing and reached 27,559 students in 2012-2013. On the other hand, private tertiary education institutions are growing fast. In 2014-2015, the 44 private establishments enrolled 9.4 percent of the approximately 340,000 students enrolled in Tunisian universities, compared to only 1 percent in 2006.

10. ***Legislation supporting the introduction of a degree structure of higher education modelled on the Bologna Process¹⁶ has been adopted, but implementation is far from complete.***

¹² *Gender and Development in the Middle East and North Africa – Women in the Public Sphere*, World Bank, 2004.

¹³ National survey on employment (*Enquête nationale sur l'emploi* (ENPE)) 2008, 2010, 2012.

¹⁴ World Bank Group Systematic Country Diagnostic (SCD) for Tunisia, 2015.

¹⁵ The same can be observed in other higher education systems which have witnessed as a rapid expansion, like Poland in the first 20 years of post-communist transition.

¹⁶ The Bologna Process is a collective effort of public authorities, universities, teachers, and students, together with stakeholder associations, employers, quality assurance agencies, international organizations, and institutions. focusing on i) the introduction of the three cycle system (bachelor/master/doctorate); ii) strengthened quality assurance and iii) easier recognition of qualifications and periods of study (http://ec.europa.eu/education/policy/higher-education/bologna-process_en.htm).

While not being itself a signatory of the Bologna Process, Tunisia has nevertheless adopted the *Licence* (equivalent to Bachelor), Master, and Doctorate (LMD) model, with Bachelor degrees consisting of 180 European Credit Transfer and Accumulation System (ECTS) credits (equivalent to 3 academic full-time years) and Masters degrees of 120 ECTS credits (2 full-time years). Full implementation, however, is still far from complete. For example, ECTS is used in more than 75 percent of institutions and programs, but the credits are in practice mainly based on contact hours (hours spent by students on activities guided by teaching staff, that is according to a teacher-centered approach) or a combination of contact hours and student workload, rather than student learning outcomes as foreseen under the Bologna reforms¹⁷.

B.2 Concerns over Quality of Tertiary Education Degrees and their Alignment with Long-Term Labor Market Needs

11. *The quality of workers' skills was identified as a leading constraint to firm operations by 39 percent of employers interviewed in the 2012 Enterprise Survey*¹⁸. Many firms indicated that candidates do not meet their expectations with regard to required qualifications and in particular cross-disciplinary competences¹⁹. For example, 70 percent of respondents stated that the types of engineers and/or professionals available on the job market do not possess the adequate skills required for the position. Interviewed business leaders and entrepreneurs indicated that the labor force does not primarily suffer from lack of technicians, ICT, engineering and science specialists. The problem lies in the 'soft' skills, including languages, marketing and communications skills²⁰.

12. *Furthermore, the supply of graduate skills is not well aligned with labor market needs, particularly in a medium to longer-term perspective* as the Tunisian economy seeks to move up the value chain into higher value added activities. About 55 percent of all students enrolled in tertiary education institutions were in the fields of humanities, health, and social sciences in 2014-2015. However, the resulting subject-specific skills are not sufficiently attractive for those sectors where demand for skilled labor is highest, such as financial services and telecommunications²¹. Thus, in addition to providing better generic skills to graduates, institutions will need to better direct their offers to the (subject-specific) demands of the labor market.²²

B.3 Relatively Weak Incentives to Improve Quality and Align Skills with Labor Market Needs

13. *Higher education institutions have faced relatively weak incentives (including through financing) to improve quality and align skills of graduates with labor market needs.* There are several reasons, including:

(a) *First, there continues to be a high demand for tertiary education from students and their families, reducing incentives for institutions to compete on quality.* Despite the school-to-

¹⁷ http://ec.europa.eu/education/tools/docs/ects-guide_en.pdf.

¹⁸ *Tunisia Investment Climate Assessment*, World Bank, Washington, DC, 2014e.

¹⁹ The work of the Study Group on Engineers Training (*Groupe d'Etude sur la Formation d'Ingénieurs* (GEFI)) conducted in October 2015, which consolidated all information on the engineering sector, came to the same conclusion.

²⁰ *Tunisia Investment Climate Assessment*, World Bank, Washington, DC, 2014e, p. 44.

²¹ *The Unfinished Revolution*, World Bank, 2014, p. 173.

²² While private higher education institutions might provide some good examples for a better labor market connect (e.g. involvement of employers in governance structures, provision of internships and practical terms), applicability of these examples has certain limitations due to the particular size and profiles of private institutions (which is related to their income structure).

work challenges faced by graduates with very high rates of unemployment, the employment prospects are still better than for those who have completed upper secondary education only. Barouni and Broecke (2013) find that while only 52 percent of tertiary graduates were employed in 2010, even fewer upper secondary graduates were employed (41 percent). Coupled with higher wages, they estimate the Internal Rate of Return to tertiary education to be 27 percent when compared with upper academic secondary. Hence, the demand for tertiary is likely to continue, reducing incentives by higher education to compete on quality. However, the increasing demand for higher education also points to a pressing need for reforms in this sector. These reforms have been developed in the Strategic Plan of the Higher Education and Scientific Research Reform 2016-2021 for the decade 2015-2025.

(b) ***Second, independent external quality assurance of higher education is still not sufficiently developed in Tunisia and, in practice, higher education financing is still largely input-related.*** The 2008 Higher Education Law foresees the creation of an independent agency in charge of external quality assurance through national evaluation and accreditation. Such an agency called National Authority for Evaluation, Quality Assurance and Accreditation (*Instance Nationale de l'Evaluation, de l'Assurance Qualité et de l'Accréditation* (IEAQA)) was indeed created in 2013. However, much remains to be done to promote good international practice in higher education quality assurance²³. Given the nature and orientation of higher education reforms in Tunisia, namely vis-à-vis the European Bologna Process, it would be highly desirable if the new agency would operate in accordance with established good practice and the European Standards and Guidelines for Quality Assurance Agencies (ESG). In addition, institutions need to take increasingly charge of their own quality (see also *Berlin Communiqué, 2003* of the Bologna Process). This could for example be supported by establishing internal quality assurance units (and by reinvigorating the Quality Committees which were established in 2006 but are currently inactive).

(c) ***Third, there is little advance career guidance provided to students considering different tertiary degree options, further reducing incentives to align the tertiary education offers with labor market needs.*** There is no systematic approach to collecting information on the labor market prospects of different fields and levels of study and making this available to secondary school students. As highlighted in the *OECD Integrity Scan of Tunisia* (2013, p. 157):

“[Y]oung Tunisians who want to study at university have to go through a central student admission system which, on the basis of their grades in the final upper secondary school exam, proposes them a course of study. Only a minority of best-performing students can choose their preferred discipline. The majority of students in the middle and lower range of the performance spectrum has to consider taking a place in the (remaining) disciplines, which may be of little value in the labor market [...] These second best alternatives are numerous, given that for long study places have been opened independently of the needs of the labor market and in disciplines that cost less (philosophy is, for example, cheaper than engineering in terms of equipment requirements).”

14. ***Hence, overall there is little incentive for higher education institutions to realign with labor market needs.*** The centralized nature of the admission system and other rigidities of the system (for example constrains concerning student’ ability to change their study fields once they are enrolled)²⁴ along with limited labor market information that would allow students to take

²³ *The Unfinished Revolution*, World Bank, 2014, p. 26.

²⁴ “Students are not allowed to change fields during their course of study. This control reduces the type of expertise necessary to create successful businesses” (<https://mises.org/library/education-bubble-fuel-revolt>).

informed decisions concerning their field of study choice, means higher education institutions have few incentives to reduce the number of spaces in fields with poor employment prospects and increase spaces in fields with good employment prospects.

B.4 Ongoing Efforts to Improve Quality and Align Skills with Labor Market Needs

15. ***Since 2000, there have been attempts to improve the quality of higher education by decentralizing university governance with regard to academia, administration, and financial management.*** In 2008, the Law no.19-2008 emphasized higher education and research institutions' management. An important change concerned the introduction of a new kind of contractual relationship between MoHESR and Higher Education and Scientific Research Institutions (HEIs), which went beyond the previous administrative and financial supervision scheme (*"Manuel relatif à la conclusion de contrats de performance entre le Ministère de l'enseignement supérieur et les universités en Tunisie"*, World Bank, 2010). Initially, contract-based budgeting²⁵ via four-year performance contracts was introduced as a pilot and contracts were signed between the Ministry, all thirteen universities as well as the Department for Technological Studies (*"Direction Générale des Etudes Technologiques"* (DGET)) in 2010. After signing a contract with the Ministry, each university as well as the DGET engaged in a similar consultation activity internally with their respective higher education institutions, and by January 2010, more than 100 internal contracts had been signed.²⁶ However, implementation came to a standstill following the revolution which started in January 2011 and subsequently the pilot was not fully implemented.

16. ***The topic of contract-based budgeting was taken up again in 2014*** through, among others, a workshop co-hosted by the MoHESR and the World Bank that was held in October 2014. The World Bank subsequently supported an external assessment of the 2009 experience with performance contracts.²⁷ Stakeholders agreed that while performance contracts appear to be a useful tool in the context of a new and modernized steering relationship between the Government and universities (and potentially within universities), future contracts should take into account the diversity of HEI's missions and specific profiles rather than refer to a "one-size-fits-all" approach under the past framework (*Manuel relatif à la conclusion de contrats de performance entre le Ministère de l'enseignement supérieur et les universités en Tunisie*, World Bank, 2010).

17. ***The 2008 Higher Education Law also opens the way to greater autonomy of universities*** with the introduction of the "Public establishment of scientific and technological nature" status (*Etablissement à Caractère Scientifique et Technologique* (EPST)). This new status seeks to increase the autonomy of higher education institutes in managing financial resources, notably through the implementation of public private partnerships (Tunisia Country Program Evaluation, FY05-13, Volume II: Appendixes, IEG & WB, 2014, p.80). However, in practice, only one university (the Virtual University of Tunis (*"Université Virtuelle de Tunis"* (UVT)) was able to access this status²⁸ and further legislative reforms, practical measures and – imperatively – more capacity building will be needed in order to make university autonomy a reality.

18. In addition to decentralizing university governance, the 2008 Law also foresees the creation of the independent agency in charge of external quality assurance, which was established in 2013

²⁵ For further information, see Annex 5.

²⁶ *Assessment of the performance contract policy in Tunisian higher education initiated in 2009*, Don F. Westerheijden, World Bank, 2015).

²⁷ Idem.

²⁸ In December 2015.

but requires strengthening, as highlighted above. Finally, the measures taken after the revolution, notably the no. 31-2011 and no. 683-2011 Decrees which enabled the election of academic institutions' presidents and managers are a major step towards the recognition and endorsement of good governance principles in the Tunisian university. Universities, however, still suffer from a lack of autonomy in their daily management and continue to be an amalgamation of HEIs without strong institutional strategies.

19. ***Tunisia is also making some efforts to better align higher education degrees with labor market needs.*** For example, a new entrepreneurship track was mainstreamed into the applied undergraduate (“*licence appliquée*”) and master’s curriculum in 2009.²⁹ Increasingly, Government’s incentives and policies not only seek to help university graduates to create new businesses but also aim to develop the entrepreneurial leadership and the personal efficiency of students, for example through professionalized higher education (including the so-called “*licences co-construites*”) and develop entrepreneurial leadership and entrepreneurial culture through regional workshops, business plan and entrepreneurial ideas contests and the participation of universities in the Global Entrepreneurship Week³⁰. Initiatives are emerging to support small businesses, and the financial capacities of the banking sector to invest in small and medium size enterprises, as well as in very small businesses have improved. Universities would benefit from benchmarking good practice in this area amongst public as well as private universities in Tunisia and in the region. However, institutional and structural factors are still hampering entrepreneurship’s development and, overall, employability of students. Several conditions still have to be met in order for entrepreneurship to take off, including: improved governance, a better use of results of research innovation, and more generally, its application to serve regional development; and a better quality of teaching.

20. ***The World Bank has supported the creation and operationalization of a quality assurance mechanism and institutional autonomy through the IBRD-financed Second Higher Education Reform project (Second Projet d’Appui à la Réforme de l’Enseignement Supérieur (PARES II) and related technical assistance.*** First, the *Instance nationale de l’Evaluation, de l’Assurance-Qualité et de l’Accréditation* agency (IEAQA) created in 2013 has been supported through a series of workshops involving renowned European quality assurance experts and the preparation of study visits to European agencies. Second, PARES II also awarded competitive block grants directly to the investment budgets of universities and HEIs as part of the so-called Competitive Fund Scheme for Quality Support Program (*Programme d’Appui à la Qualité* (PAQ)). These grants led to a constructive new mentality of competition among institutions and programs that is likely to deliver longer-term benefits going beyond the financial support provided under the project³¹. Developments towards quality enhancement and quality assurance are perceivable but unevenly implemented across the institutions. A third measure developed under the PARES II to align curricula with the private sector demand have been so-called ‘co-constructed’ programs, with both

²⁹ A randomized control trial (RCT) impact evaluation of this entrepreneurship track provides the first experimental evidence on the effectiveness of entrepreneurship education targeted at university students, as well as the first evidence on entrepreneurship-support interventions in the MENA Region (Angel-Urdinola et al., 2010; Entrepreneurship training and self-employment among university graduates: Evidence from a randomized trial in Tunisia, World Bank, 2012, p. 2).

³⁰ *Promoting graduate entrepreneurship in Tunisian universities*, OECD & LEED, 2012, p. 57.

³¹ *Evaluation du Programme d’Appui à la Qualité (PAQ) développé en Tunisie de 2006 à 2014*, E. Froment and A. Sursock, World Bank, May 2015.

university and employer involvement in the development and execution of these programs. Initial information from the PARES II has not only shown higher graduation but also higher employment rates. However, more systematic data gathering and a full evaluation of the impact of these programs will be conducted under the TEEP.

21. ***PARES II and its PAQ component in particular have helped establish a foundation for modernized quality programs and their alignment with employers' expectations.*** Curricula have been revised in accordance with new market paradigms, certification of programs has expanded, enabling graduates to validate and apply their education and skills in the job market. Efforts to establish competence-based teaching have been made while pedagogical approaches have been renewed. Above all, a student-centered approach is gaining momentum and PARES II and PAQ have paved the way for the redesign of programs, the modernization of the learning environment, and upgrading of teaching skills of trainers. Consolidation and scaling up of these achievements will be instrumental to ensure better employability of future graduates. Recommendations from the internal and external evaluations of the PAQ are to pursue – and even scale up – the PAQ-type competitive fund mechanism to other sectors, such as research, innovation and services offered to students (environment and community life).

C. Higher Level Objectives to which the Project Contributes

22. ***The proposed Tertiary Education for Employability project (TEEP) is expected to have a long-term positive impact on the Tunisian economy by improving the employability of graduates*** through innovative programs that are aligned with labor market needs, and by contributing to improving linkages between the HEIs and the public/private sectors as well as supporting entrepreneurship. The project would also contribute to the World Bank Group's Interim Strategy Note (ISN) 2013/14 (dated May 27, 2012) which sets out the enhanced strategic engagement in Tunisia in support of the country's short and medium-term priorities. The three ISN strategic areas are: (a) laying the foundation for sustainable growth and job creation; (b) promoting social and economic inclusion; and (c) strengthening governance: voice, transparency and accountability.

23. ***In addition to better employability, the TEEP sets out to contribute to better service quality in tertiary education, with a significant percentage of youth being the main beneficiary.*** The competitive grant scheme, based on the model developed under the Quality Support Program (PAQ 2006-2012) and proposed under the project will provide opportunities for institutions of the higher education sector³² and students, including from deprived, interior regions, contributing to greater equity and inclusion. Through all of these measures, the TEEP will also contribute to more social cohesion in Tunisia.

24. While the new Country Partnership Framework (CPF) is currently under preparation, it is expected that the project will play an important role in contributing to the CPF outcomes related to skills building, youth employability and related education reforms.

25. **The project also directly addresses the first pillar “renewing the social contract” of the overarching Middle East and North Africa (MENA) Strategy** by aiming to strengthen the relationship between the higher education sector and actors from the socioeconomic environment, and to improve accountability and quality improvement of the higher education system. The project seeks to provide a greater number of graduates with skills that are relevant to the labor market by promoting partnerships between universities, HEIs and public and private entities through a

³² These include: universities, higher education and research institutions, ISETs, and student services.

competitive fund mechanism. It is further aligned with the goals of the MENA strategy by deepening in-country partnerships, including with non-state actors like employers' associations (including the Union of Industry, Trade and Handicraft (*Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat*, UTICA), the Tunisian Employers' Association and stakeholders (students in particular). It will trigger private sector contributions and participation of enterprises in public sector activities through jointly developed programs and other forms of support for a better tertiary education to work transition for youth. There is finally an important link to regional tertiary education work on governance facilitated by the World Bank – and thus to the second pillar (“regional cooperation”) of the new MENA strategy.

26. **By improving the employability of graduates, the project is expected to contribute to the creation of more job opportunities and improve the livelihoods of Tunisian youth and families**, which is fully in line with the World Bank Strategy of eliminating extreme poverty and boosting shared prosperity. Better tertiary education to work transition will not only benefit youth through more inclusion and economic participation, it will also make an important contribution to social cohesion and in turn peace and stability. The impact of the project might thus go well beyond Tunisia and have an important model function in a region where social peace and a perspective for youth cannot be taken for granted.

II. PROJECT DEVELOPMENT OBJECTIVES

A. Project Development Objective (PDO)

27. The objective of the proposed Tertiary Education for Employability project (TEEP) is to ***improve the employability of tertiary education graduates and to strengthen the management of higher education***. In particular, the project will support initiatives focusing on improving employability – defined as skills³³ of these tertiary education graduates applicable in the labor market – and on adapting the higher education system to local and global challenges, taking into account labor market considerations. Expected outcomes are thus also related to higher sector effectiveness through improved teaching and learning, and to sector efficiency through better quality assurance, appropriate governance structures and performance-based financing. The project will build on results and lessons learned from PARES II and will continue to support reform activities relevant for the future development of higher education – including the MoHESR Strategic Plan³⁴ and activities planned in the Government's Fifth-Year Plan 2016-2020 – by scaling them up to the country level through a set of systemic measures and competitive funds.

B. Project Beneficiaries

28. The primary beneficiaries of TEEP are students enrolled in tertiary education. The project will also benefit HEIs and employers more widely through systemic measures (i.e. activities at the system level applying to all HEIs) to reform tertiary education and gear it better towards the needs of the labor market. Further reaching benefits for tertiary education graduates and the economy will

³³ These include competences and skills generally associated with entrepreneurship, such as: business and customer awareness, problem solving, team-work, communication and literacy, application of numeracy and information technology, the capacity to demonstrate a ‘can-do’ approach, openness to new ideas and the drive to create value from these (A Guiding Framework for Entrepreneurial Universities, EC & OECD, 2012, p.2). Skills demand does thus not only relate to technical and professional profiles but also to generic (or transferable) skills.

³⁴ The Strategic Plan has five objectives to: (i) improve the quality of university programs and employability of graduates; (ii) promote research and innovation; (iii) promote governance and optimize the management of resources; (iv) revise the university mapping for a better regional balance; and (v) promote pedagogical training of teachers.

derive from the improvement of graduates' entrepreneurial skills. The project will also support secondary education graduates through better information on labor market outcomes and academic programs.

C. PDO Level Results Indicators

29. Proposed PDO indicators and related objectives are:

(i) ***Strengthened skills and competences that improve the employability of tertiary education graduates.*** This objective will be attained by:

- supporting activities that promote transferable and entrepreneurial skills and competences within curricula and through extra-curricular activities³⁵;
- supporting the development, implementation and evaluation of programs co-constructed with employers that promote private sector specific skills and competences within curricula.

Indicator #1: Share of higher education graduates from co-constructed programs (out of which share of female) that were employed 6 months after graduating, relative to appropriate comparison; and

Indicator #2: Number of tertiary education students who completed PAQ supported employability programs.

(ii) ***Strengthened management of higher education with 100 percent of public universities having strategic plans.*** This will be achieved through:

- measures to strengthen management, governance, and the system of internal and external quality assurance;
- measures to support performance-based management of the sector.

Indicator #3: Percentage of public universities that have strategic plans.

III. PROJECT DESCRIPTION

A. Project Components

30. The project consists of two components aimed at: (a) improving employability of tertiary education graduates in order to ensure better labor market integration; and (b) strengthening the management of higher education.

31. **Both components are closely linked** as innovative programs geared towards better employability need a modernized higher education system and HEIs with a strong labor market connection in order to be sustainable. For instance, **while employers play a significant role within the PAQ, in particular with regards to co-constructed programs, they also have an important role to play in terms of better governance, quality assurance, definition of**

³⁵ For instance, support to: social activities, valorization of academic work, scholarships for the mobility of PhD students within enterprises, certification of students' competences, trainers and HEIs.

learning outcomes and curriculum reforms, to name a few. Most actions described under both components will mutually support each other; for example, autonomy and better governance are important pre-conditions for performance-based financing. Under both components, there are actions related to the macro level ('systemic measures', or specific activities to be carried out to address cross-cutting issues at the system level) and to the micro (that is specific activities linked to the program and project) level. Again, macro level reforms will support micro-level changes while micro-level changes will become an important driver for institutional and further-reaching reforms.

32. **Component 1: "Improving employability of graduates"** (*estimated budget: US\$39.7 million total, out of which US\$36.1 million financed by IBRD*). This Component aims at improving the employability of future graduates by supporting supply side measures to better align graduates' skills and competences with labor market needs. This will be achieved through: (a) a set of incentive measures – delivered through the PAQ – to support programs that will help higher education institutions to better connect with the labor market, and instill and maintain a model of innovative university and entrepreneurial culture; and (b) systemic measures to support activities that will contribute to better linking universities to their socio-economic environment, and to provide systematic labor market information, students' career advice and guidance services. Component 1 will be divided in two Sub-Components as follows:

- *Sub-Component (1.1.)* supports a set of incentive measures, using the competitive grant scheme developed under the PARES II project ("PAQ"), to: (a) better link HEIs with the labor market, (b) support innovative and entrepreneurial initiatives in universities, and (c) improve student services for better employability. The three PAQ windows are further described in the project Description in Annex 2.
- *Sub-Component (1.2.)* includes a set of systemic and cross-cutting activities which will support the preparation or implementation of the PAQ grants foreseen under Sub-component 1.1. Specifically, the project will finance activities to: (a) strengthen university observatories to support end-of-secondary and tertiary education students (as well as measures on the national level to better connect and use the information generated at university level) to: (i) make more informed higher education study choices; and (ii) identify internship and job opportunities, and to support HEIs to make more informed choices about which fields of study to offer and which programs to improve (in order to measure results, the project will also finance tracer studies on the insertion of tertiary education graduates); (b) create a centrally managed publicly accessible online platform to be annexed to the existing MoHESR's career guidance website³⁶ (for details, see Annexes 2 and 7); (c) support innovative and entrepreneurial universities, *inter alia*, through innovative pedagogy and programs for a better insertion

³⁶ The word 'platform' stands for a mechanism but not for a distinct technical tool. Indeed, MoHESR already hosts a website which provides information on study programs for prospective and current students (<http://www.orientation.tn/orient/fr.jsp>). Under the project, this existing information is going to be complemented by information deriving from the tracer studies. University observatories in charge of collecting information on graduates (by 'tracing' them into the labor market including employment situation, status and possibly salaries) already exist; however, they are currently not fully functional. Their work, as well as the work of the BEPP – a unit which collects M&E information at the MoHESR will be supported under the TEEP and the results of tracer studies will be made accessible on university websites as well as the Ministry's website. Other observatories (e.g. under the Ministry of Employment and Vocational Training) do not have the same function as they rather provide information on jobs available but not on graduates.

to the labor market. Further, this sub-component could support the following activities: (d) the implementation of a national qualifications framework; (e) the certification and training activities for the improvement of competences; (f) student services; and (g) more labor market relevant doctoral programs. This Sub-Component will also include education innovation with additional and improved internationalization of the higher education sector (which, among others, could be fostered through easing access to regional programs and more twinning initiatives with foreign universities), as well as technical assistance.

33. Similar to PARES II, grants could also finance the provision of needed equipment and materials for labs and the renovation of obsolete installations with no additional impacts on the national budget.

34. **Component 2: “Strengthening the management of higher education”** (*estimated budget: US\$35.1 million total, out of which US\$33.7 million is financed by IBRD*). This Component will combine a set of PAQ incentives and systemic measures aimed at improving the management of the higher education system. In particular, this Component will support:

- (i) the full implementation of a university internal and external quality assurance system including a fully-developed Bologna-compatible³⁷ quality assurance agency and establishment of university-internal quality assurance units (or revitalization of the Quality Committees created in 2006 within HEIs and universities);
- (ii) increased autonomy and improved steering of universities, for example through the creation of external advisory boards to strengthen the relationship between employers and other external entities and HEIs³⁸ and through the development of strategic plans for each university; and
- (iii) the development of performance-based steering mechanisms for the higher education sector, e.g. through the reintroduction of performance contracts and development and piloting of performance-based financing (PbF) mechanisms (for details see Annex 5).

35. Accordingly, Component 2 will be organized in three subcomponents as follows:

- *Sub-Component (2.1.)* will support initiatives, using the PAQ competitive grant scheme developed under the PARES II project – in particular the PAQ-Management capacity window, to improve governance and management, quality assurance, including through support to young universities.
- *Sub-Component (2.2.)* will consist of a set of systemic measures (for example with regard to strategic planning, capacity building measures for better governance, quality assurance³⁹ and financial management, student admission

³⁷ <http://www.enqa.eu/index.php/home/esg/>

³⁸ One important function of external boards could be to not only better connect Tunisian universities to their socio-economic environment but also to international developments and bodies and thus foster international cooperation. Full internationalization remains an important goal for Tunisian universities.

³⁹ In European Union (EU) countries, quality assurance has been further strengthened through the clear definition of envisaged learning outcomes in the context of qualifications frameworks. Qualification frameworks (QFs) have also been under discussion in Tunisia and the World Bank's/IFC's Education for Employment (E4E) initiative currently

and a functioning higher education management and information system) to support the areas of governance and management, quality assurance and financing. This sub-component will also support the development of a performance-based financing model (described in detail in Annex 5).

- *Sub-Component (2.3.)* will assist the Project Management Unit (PMU) (*Unité de Gestion des Projets*) to reinforce its coordinating and managing capacity by recruiting - on a competitive basis - additional qualified and experienced technical staff to effectively coordinate, monitor, and evaluate activities carried out under each subcomponent. Other activities supported by the project will include the periodic revision of the operational manuals for the project and PAQ, project-related workshops and seminars, training and technical assistance, as well as incremental costs incurred to carryout project activities.

36. **While the project will place a strong emphasis on reforms and improvements at the level of higher education institutions, it will also involve the Government and employers as important actors as follows:** (i) the Government through legislative and other system-level reforms, and (ii) employers, through their elevated role, notably in contributing to: (a) an improved sector steering at the system (participation in MoHESR-coordinated PAQ Committee) and at institutional level governance; (b) an improved curricula under co-constructed and other programs and (c) an improved overall tertiary education to work transition through enhanced mechanisms like career advice, work placements and support to professionally-oriented education and training.

37. **The pronounced private sector involvement is only one aspect of the innovative features of the project.** Other aspects are the introduction of a performance-based financing scheme – an experience from which also other MENA countries are expected to profit and the transition of a matured competitive grant scheme (initially introduced under the PARES II) into a potential innovation ‘column’ of the performance-based financing system (for details see Annex 5) to ensure the sustainability of this important incentive mechanism. A performance-based financing scheme is planned to be piloted and would include the three following windows: (i) a basic funding which would cover essential activities of the institution; (ii) a funding column based on the institution’s performance which would be provided *ex post* once indicators –linked to specific activities and agreed upon through performance contracts - are attained; and (iii) innovation-related funding which could develop from today’s PAQ scheme (refer to Annex 5). The project design thus also marks a transition from piloting innovative financing scheme towards sustainability.

B. Project Financing

38. *Lending Instrument.* The Project will be financed through an Investment project Financing (IPF). The option of using the Program-for-Result (P4R) instrument was considered during preparation and a workshop was organized with MoHESR, Ministry of Finance (MOF) and Ministry of Development, Investment and International Cooperation (MDICI) staff to present the instrument and discuss its suitability for the new project. While it was commonly acknowledged

supports the design of a QF for the ICT sector. In this regard but also with regard to efficient support for the development of ‘soft skills’, the HEDA (Association for the Development of Higher Education) bringing together public and private partners and other aspects of the E4E Arab youth initiative (IFC Education for Employment, *Realizing Arab Youth Potential*, 2011), the project will need to closely liaise with the ongoing E4E initiative.

that the P4R instrument had some positive features, it was decided to use an IPF instead of a P4R for several reasons including: (a) clear allocation of funds to project activities (as opposed to earmarked funds); (b) given the highly technical nature of the project, there would be less risk of implementation delays in case one disbursement-linked indicator is not met.

Project Cost and Financing

39. The project will cost a total of US\$75.0 million equivalent out of which the Bank will finance US\$70.00 million and the Government of Tunisia US\$5.0 million equivalent. The Government's financial contribution would be mainly for the competitive fund mechanism (PAQ) up to 10 percent. The Government's contribution will then represent 6 percent of the total project cost.

Project Components	Project Cost (in US\$ million equivalent) (*)	IBRD Financing (in US\$ million equivalent)	% Financing
Component 1: Improving employability of tertiary education graduates	39.7	36.1	91
Sub-component 1.1. (Incentive measures to improve employability)	34.6	31.0	90
Sub-component 1.2.(Systemic measures to improve employability)	5.1	5.1	100
Component 2 : Strengthening the management of higher education	35.1	33.7	96
Sub-component 2.1. (Incentive measures to improve management and governance)	13.8	12.4	90
Sub-component 2.2. (Systemic measures to improve management and governance)			
2.2.1. (Systemic measures to improve management and governance)	6.5	6.5	100
2.2.2. (Performance-based contracts)	13.1	13.1	100
Sub-component 2.3.: Support to effective project management	1.7	1.7	100
Total Costs			
Total project Costs	74.8	69.9	94
Front-End Fees	0.2	0.2	0.18
Total Financing Required	75.0	70.0	94

(*) Exchange rate: US\$1 = TND2.03 (January 2016)

C. Lessons Learned and Reflected in the Project Design

40. The project design takes into account the following lessons learned from the implementation of PARES II and previous higher education projects in Tunisia:

41. ***Efforts to build ownership and implementation capacity during project preparation results in better implementation performance.*** Lessons learned from PARES II indicated that building ownership among key stakeholders from the onset led to successful implementation of the PAQ. This approach was used during the preparation of TEEP where MoHESR's departments, representatives of universities and HEIs were actively involved in the design of the new higher education strategy and project through several workshops organized by MoHESR. Project preparation builds on the Strategic Plan of the Higher Education and Scientific Research which defined priorities and objectives for 2025 (www.mes.tn) as well as on the recommendations of the

work done by the Study Group on Engineers' Training⁴⁰ (October 2015). In addition, international conferences and other major events involving worldwide renowned experts were organized in Tunisia in 2014 and 2015 on the topics of performance-based financing⁴¹, entrepreneurial university⁴², and competitive funds⁴³. These were instrumental in engaging the MoHESR and stakeholders in the design of TEEP.

42. ***The competitive fund mechanism (PAQ) has introduced a culture of quality and accountability within the higher education system. Given the high level of ownership of this instrument by universities and HEIs, it is now crucial to find ways to sustain this mechanism in the future.*** Taking into account the lessons learned and recommendations from the PAQ internal and external evaluations under PARES II, TEEP will finance activities to institutionalize the competitive fund mechanism through, among others, the piloting of a performance-based funding (PbF) mechanism which could serve as a future model for financing. The project will also support training activities to strengthen the capacity of universities and HEIs in project management, procurement and financial management.

43. ***Important lessons are also derived from the World Bank's Internal Evaluations Group's Country Performance Evaluation.*** The evaluation found that "Bank lending placed too much emphasis on the engineering dimension of reform (notably infrastructure) at the expense of policy measures to improve the education governance framework (notably the incentives framework and monitoring and evaluation [M&E])."⁴⁴ Accordingly, the TEEP will put more emphasis on the governance framework of the higher education sector (while infrastructure investment will not figure prominently under the project).

44. ***In order to ensure successful implementation of the project, it is critical that the implementing agency retains qualified and experienced project management staff.*** The fact that the Project Management Unit (PMU) at MoHESR does not appear as a "visible" structure in the organizational chart of the Ministry makes it challenging to attract and retain qualified staff. The MoHESR is currently in the process of getting approval to reinforce the PMU as a permanent structure with clear roles, functions and budget. In addition, the proposed project will support, based on identified needs, the recruitment on a competitive basis of additional part-time experts to assist the PMU with the implementation of the project fiduciary and technical aspects (in particular the different PAQ windows). The project will also include a number of activities to continue enhancing the capacity of staff from universities, HEIs and the central administration in procurement, financial management, planning and monitoring and evaluation, with a view of decentralizing management to universities.

IV. IMPLEMENTATION

A. Institutional and Implementation Arrangements

45. ***Role of the MoHESR:*** The MoHESR is the Government's responsible entity for implementing the project with the support of the Project Management Unit ("*Unité de Gestion des*

⁴⁰ « *Une nouvelle vision du système national de formations d'ingénieurs* », October 18, 2015, www.mes.tn.

⁴¹ « *Atelier sur les Contrats de Performance* », October 29, 2014, organized by the MoHESR and World Bank.

⁴² « *Conférence sur l'Université Entrepreneuriale* », January 23, 2015, organized by the MoHESR, World Bank, UTICA and British Council.

⁴³ « *Competitive Funding in Higher Education, What's Next?* », June 11, 2015, organized by the MoHESR, World Bank, UTICA, British Council and Institut Français de Tunisie.

⁴⁴ http://ieg.worldbank.org/Data/reports/chapters/tunisia_cpe_updated.pdf

Projets”) (PMU). The MoHESR is ultimately accountable for meeting the project objectives, and providing oversight, monitoring and evaluation, and technical support to implementing entities⁴⁵. In particular, the MoHESR will be responsible for: (i) coordinating, through the PMU, specific activities (“systemic measures”) addressing cross-cutting issues such as governance and management of the higher education system; (ii) ensuring that the necessary legislation is in place in order to efficiently implement these activities; and (iii) providing the necessary support, through the PMU, to help develop and implement the performance-based funding model (PbF).

46. ***Role of institutions of the higher education sector***⁴⁶. Institutions of the higher education sector will be responsible for ensuring, through activities financed through the competitive grant scheme (PAQ), that the goals of the project will be met which include, *inter alia*: (i) setting up an improved internal quality assurance system through the creation of quality assurance units or the revitalization of Quality Committees; (ii) the reinforcement of observatories to provide a better flow and quality of information to students, universities and HEIs; (iii) entering into a contractual framework with MoHESR by contributing to the development of performance-based contracts and by reaching the targets specified in these contracts.

47. ***Role of the private sector***. By partnering with universities and HEIs, the private sector will play a key role in the design of co-constructed programs under the PAQ, and thus in the development of curricula better aligned with labor market needs. As under PARES II, the private sector will continue to be an active member of the PAQ Committee (through employers’ associations) as well as a member of PAQ technical committees and review panel (one-third of the review panel is composed of private sector entities). The private sector is expected to play a critical role in the concept, implementation and evaluation of training programs through, notably, continuous advice and the provision of training and internships to students through partnership agreements with universities/HEIs who will benefit from PAQ projects. Moreover, a partnership agreement (“*Convention de Partenariat*”), updated in 2014, was established between MoHESR and UTICA in order to promote partnerships universities/HEIs and private sector entities, and formalize the role and responsibility of both universities/HEIs and the private sector in the design, implementation and evaluation of co-constructed programs. Under PARES II, this partnership agreement served as a legal basis to establish specific partnership agreements between universities/private sector entities. For more details, see Annex 8.

48. ***Project Coordination and Management***. The PMU, which has extensive experience in the coordination, and fiduciary management of the previous World Bank-financed projects will continue to play this role for the TEEP, but would be substantially reinforced, both as a structure within MoHESR and in terms human resources. The MoHESR is in the process of formalizing the transformation of the PMU into a permanent structure which would be within newly created externally-financed projects (“*Cellule de gestion des projets financés par des fonds externes* (CeLPFE)”) and would be responsible for the coordination and monitoring and evaluation of the project under the direct authority of the Minister. The establishment of this PMU is a condition of effectiveness. The PMU – which will be the direct focal point for the project - will be reinforced by full-time staff – either from within MoHESR or recruited on a competitive basis with a proven track record in donor-financed projects as well as in the areas of: procurement, financial management, monitoring and evaluation, communication and ICT. In addition, the PMU will recruit, on a competitive basis, external qualified experts to work on a part-time basis (to be financed

⁴⁵ Implementing entities include departments from the central administration at MoHESR, universities, HEIs, research institutions, student services and ISETs.

⁴⁶ Institutions of the higher education sector include: universities, HEIs, ISETs, student services, research institutions.

under TEEP) who would be responsible for the coordination of the different PAQ windows⁴⁷, as well as coordinators to ensure the smooth implementation of systemic measures related to employability, and governance and management of the higher education system.

49. ***Project Oversight.*** The Steering Committee (SC), headed by the Minister of Higher Education and Scientific Research, will be established. This will also be a condition for project effectiveness. The composition of the SC will be decided by the Minister and will be specified in the Project Operational Manual (for example representatives could be from the central administration at MoHESR as well as other ministries i.e. ministries in charge of finance, development, investment and international cooperation, health, agriculture, and ICTs). The role of the SC shall be, *inter alia*, to define the strategic orientation of the project as well as to provide guidance for the implementation of the project and oversee progress in its implementation. The SC shall meet at least twice a year. As under PARES II, the PMU will be responsible for preparing an annual implementation plan for the project, which will be reviewed and approved by the SC for the project.

50. A PAQ Committee, nominated by the Minister of MoHESR and chaired by one of the PAQ Committee members, will be established. This will be a condition for project effectiveness. The PAQ Committee will comprise representatives as defined in the PAQ Operational Procedures Manual (for example, representatives from the MoHESR, Prime Ministry, the ministries in charge of finance, development, investment and international cooperation, regional development, agriculture, employment and vocational training, public universities and the private sector). The PAQ Committee will be in charge of administering the PAQ process and initiating each round of the grant competition process with a call for proposals according to the strategic priorities communicated by MoHESR, through the Steering Committee. The PAQ Committee will be ultimately responsible for ensuring and monitoring the efficient implementation of PAQ sub-projects, performance indicators and report on the implementation progress of sub-projects through the production of regular reports.

51. Some experts may be convened by the PAQ Committee to review and rank the grant proposals. The proposal review process will ensure transparency by adhering to the principles of peer review and by engaging expert panelists from a cross-section of universities, private industry, and civil society. To enhance transparency, the panel may also include representatives from the administration and students.

52. Project units may be established in each university to assist with the supervision, monitoring and evaluation of PAQ sub-projects. These units would be attached to universities and to entities benefitting from PAQ funding, and will oversee the implementation and monitoring evaluation of PAQ sub-projects. Human and financial resources would be mobilized for these project units in order to ensure efficient implementation of sub-projects, training of staff, and recruitment of external expertise as needed.

53. ***Operational Procedures Manuals.*** Two operational procedures manuals (OPM) were developed, based on the experience and lessons learned from PARES II: (a) one OPM for the project describing guidelines and procedures to successfully carry out the annual implementation plan; and (b) one OPM for the PAQ (OPM-PAQ) which articulates the administrative, fiduciary and

⁴⁷ The PAQ windows are for: (a) employability; (b) valorization of research and innovation; (c) management and governance; (d) student services; and (e) quality assurance, program and HEIs accreditation.

management details of PAQ implementation. The content of both OPMs will be updated as necessary during project implementation.

54. *Performance-based Financing guidelines* will be elaborated as the performance-based financing model is developed, preferably during the first year of project. The guidelines will describe the procedures and processes to be followed for the performance-based scheme and will be validated by both the MoHESR and the Bank before implementation of the model.

B. Results Monitoring and Evaluation

55. The project Results Framework and Monitoring in Annex 1 will be used as the basis for monitoring and evaluation of the project. The PDO and intermediate outcome indicators will be monitored through official Government data, surveys, and progress reports produced by the PMU.

56. *At the Project Level.* The PMU will be responsible for preparing a semi-annual report on the technical, physical, and financial progress of the project, including indicators. As under PARES II, the PMU will work closely with the BEPP which is primarily responsible for collecting, analyzing, and reporting data at the central level. The BEPP will provide the data needed to assess the progress of the program and project against the indicators. The BEPP will report to the PMU to ensure smooth and transparent flow of information necessary to monitor and evaluate the progress of the project. This role will require further capacity enhancement of the BEPP.

57. *Monitoring and Evaluation of PAQ activities.* A separate monitoring and evaluation mechanism already exists for the PAQ (described in the PAQ Operation Manual used under PARES II) but will be reinforced under the new project with the recruitment, on a competitive basis, of seven PAQ coordinators each responsible for coordinating the different PAQ windows⁴⁸. They will focus more specifically on: (a) how effectively agreed procedures are being followed; (b) a public expenditure tracking survey and transaction cost analysis; (c) monitoring indicators of quality improvement for each PAQ window, including pedagogic quality; and (d) a qualitative analysis of changes in organizational behaviors emanating from the operation of the fund. Due to the importance of the PAQ as a tool for higher education innovation, there is support in the project budget to ensure the detailed monitoring and evaluation of the PAQ and to capture key lessons.

58. *At the institutional level.* The monitoring and evaluation system for the project will continue to support the overall monitoring and evaluation system for the entire higher education sector. The Government of Tunisia has developed, under PARES II, university information centers (“*observatoires*”) which function as data collection and analysis units to inform stakeholders on the environment, similar in function to the BEPP at the MoHESR. Both the BEPP and university observatories currently lack material and human resources to fully play their role. As part of its objective to improve the higher education system, the project will continue to support activities to enhance the capacity of BEPP and observatories through, among others, the training of staff in data collection and analysis, and the provision of necessary technological tools to produce reliable and usable data.

59. *Data collection.* Data to monitor the project will be drawn from three main sources: (a) statistical data from Government annual publications; (b) surveys; and (c) progress reports from the

⁴⁸ The PAQ windows are: (a) employability; (b) valorization of research and innovation; (c) management and governance; (d) student services; and (e) quality assurance, program and HEIs accreditation.

PMU. The BEPP will take the overall responsibility of providing the data needed to analyze the progress of the project, including the statistical data, surveys, and progress reports. The BEPP will be in charge of monitoring the quality of reports and surveys. In some cases, surveys will be used to assess the progress of indicators, such as employers and students surveys on skills.

C. Sustainability

60. The proposed project is closely aligned with the Government’s higher education strategic plan 2015-2025 (“*Plan stratégique de la Réforme de l’enseignement supérieur*”) validated by the Minister in January 2015 and currently under consultation by stakeholders, and complements the Government of Tunisia’s and other donor-financed activities. In addition, the project is fully aligned with the Government’s Five-year Plan 2016-2020 (*Plan Quinquennal*) – currently being finalized – which attributes an important role to education with regard to the development of advanced human capital, regional development and subsequently competitiveness and growth as well as social cohesion and which is currently being finalized. The objective and components of the project are the result of a continuous dialogue and close collaboration between the Government, the World Bank, stakeholders and other development partners. The project is expected to improve both sustainability and implementation of policies and strategies through the development of performance-based steering mechanisms for the sector which will help institutionalize the competitive fund mechanism (PAQ) and could serve as a model for financing such programs in the future.⁴⁹

61. Another important aspect of sustainability is capacity building at the central and at the institutional level. This will include, among other things, management training related to improved governance structures, strengthening of internal quality assurance mechanisms and data collection for strategic steering at both levels as well as enhancement of the university observatories and their capacity. Beyond these measures, the PAQ scheme also includes a strong capacity building aspect, as noted by previous PAQ internal and external evaluations.

V. KEY RISKS

A. Overall Risk Rating and Explanation of Key Risks

62. The overall risk for the project is “Substantial.” The three key risks are described as follows: (a) **Political and Governance**: even though the Government is keen to pursue higher education reforms and address issues related to the employability of graduates, the implementation of some reforms inherent to the project may be difficult⁵⁰; (b) **Strategies and Policies, Technical Design**: the proposed project focuses on entrepreneurship and quality of higher education, two elements that are intertwined and call for a stronger governance capacity and skills enhancement. Thus, the success of the project will depend on the careful planning of inter-related activities meant to complement each other; (c) **Institutional capacity and Fiduciary**: even though the new proposed project will not involve any new infrastructure – it will include the provision of equipment, material, and some minor renovation – there's still a significant risk that institutions of the higher education sector may face capacity issues in terms of procurement implementation, as was the case under

⁴⁹ In order to ensure this, the PAQ will be transformed into one pillar (“innovation funding”) under a three-pillar performance-based financing model. For details see Annex 5.

⁵⁰ While it would not be possible to fully mitigate these political risks under the project, in case of periods of increased political instability, the project could potentially focus on those activities related to the institutional level (such as institutional governance, university-internal quality assurance arrangements and institutional efficiency).

PARES II. During the preparation phase, an action plan was prepared to reinforce the capacity of institutions and the PMU in those areas.

VI. APPRAISAL SUMMARY

A. Economic Analysis

63. The expected impact of the project is to improve the employability of future graduates; this does not necessarily mean that it will directly result in a decrease of unemployment because of the economic context, which at this stage is a critical factor of unemployment of new graduates in Tunisia. However, in a stable economic environment ('all other things being equal'), improved employability generally translates into a decrease in unemployment. Simulations conducted for the economic analysis of the project show that any decrease in the unemployment rate of graduates by 3 points results in an improvement of the cost-efficiency rate of the sector by 1 percentage point. This is to say that the cost efficiency of the project will be conditioned by the capacity of the economy to not only gradually absorb the flow of graduates in terms of overall growth; but also to be capable of orienting its growth towards sectors that can generate high value-added jobs. This said, the economy also depends on the capacity of the higher education system to: (a) improve the employability of its graduates, (b) improve its relevance; and (c) find better complementarity with other education sub-sectors.

64. One important objective of the project is to improve the management of higher education. This would benefit the sector in two ways: (a) efficiency gains in terms of expenses: the project will support the implementation of a new performance-based system which is expected to improve management and performances of universities, higher education and research institutions and student services; (b) a rationalization of expenses and an improvement of the system's internal efficiency. The detailed Economic Analysis is in Annex 6.

B. Technical

65. The rationale for the technical design and focus of the TEEP is based on: (a) current developments in the higher education sector; (b) persistent challenges that the sector faces; and (c) lessons learned from previous World Bank engagement in the sector. As described above (as well as in Annex 3), Tunisia has seen a significant expansion of its higher education sector driven by considerations of regional equity as well as the desire to move up the value chain in terms of competitiveness and innovation and fueled by a strong population from secondary education. Quantitative expansion was supported by quality considerations and attempts to modernize the higher education sector as documented by the 2008 higher education legislation and related by-laws which provided the basis for important innovations with regard to teaching and learning, degree structure, governance, quality assurance and financing mechanisms.

66. The Tunisian Government has expressed the need for further support in order to scale up some of these initiatives, make them sustainable, addressing persisting problems with regard to governance and quality assurance and tackling the key problem of insufficient employability of graduates. The strategic basis will be provided by the new sectoral strategy developed in 2014/15. The project will thus place the issue of employability of graduates squarely at the center of the new higher education project with the intention to endow students and graduates with more labor market relevant skills, provide students at the secondary and tertiary education level with better information in order to help them make more informed decisions and support the Government in tackling persistent sectoral problems through a mix of competitive funding and technical assistance.

67. The project will, in addition, support the Government in the design of a performance-based higher education financing system (PbF) emphasizing strategic orientation towards employability, providing incentives to institutions for reform measures and making the competitive grant scheme (PAQ) introduced under the previous higher education project (PARES II) sustainable.

C. Financial Management

68. The PMU, through its accounting and financial department, will be responsible for managing the project's funds and financial transactions activities, including accounting and reporting. In order to ensure that loan funds are readily available for project implementation, the Government will open, maintain, and operate one designated account (DA) in Euros at the Central Bank of Tunisia ("*Banque Centrale de Tunisie*" (BCT)). The DA will finance the activities of the project. Withdrawals of loan amounts will be based on the Bank's disbursement methods and will be used to finance project activities by means of the disbursement procedures currently used, that is, requests for withdrawals for direct payments, requests for special commitments and/or requests for reimbursement, either with documentary evidence or expenditure statements, in accordance with the procedures described in the Bank's Disbursement Letter and Disbursements Manual. With regard to disbursements related to the PbF, an independent Verification Agent, with solid financial management/audit experience but also technical skills in higher education, would be recruited to verify: (i) the achievement of performance according to established criteria; and (ii) the amount to be financed by the PbF, including eligibility of expenditures. The PMU will be responsible for submitting the appropriate supporting documentation for services rendered or activities implemented under the project, either to the Central Bank of Tunisia, so that payments can be made from DA opened for that purpose, or to submit applications for direct payment to the Bank. More details on Financial Management are in Annex 3.

69. During project preparation, an assessment of the financial arrangements for the project was carried out in order to determine compliance with Bank's minimum requirements. The assessment was conducted among a representative sample of implementing entities including the MoHESR, PMU and eighteen HEIs. The assessment noted that financial management arrangements, as set out for this project, are satisfactory at the MoHESR level and provide with reasonable assurance accurate and timely information on the progress of project implementation for the components implemented directly by the MoHESR. However, financial management arrangements at the institutions (HEIs) level need to be reinforced in order to meet the Bank's minimum requirements. The assessment highlighted some primary risks which can be mitigated through a set of actions detailed in Annex 3. Overall, the main recommendations are to: (a) the project would be executed under the overall supervision of the PAQ Committee, which would ensure a proper selection of the institutions according to its operational manual and criteria's and approve grant requests; (b) reinforce the PMU by hiring a financial and accounting manager at the central level and by selecting experienced staff based at regional levels to support the institutions; (c) build the capacities of project staff members, especially for the potential institutions, with qualified executives and targeted training programs on project financial management procedures and hire part-time consultants to support these institutions; (d) use the new financial reporting system developed by the National Center for Computer Science (*Centre national de l'informatique*, CNI) to follow up the financial management of the project; and (e) other measures as described in Annex 3.

D. Procurement

70. Procurement for the proposed project will be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated January 2011 and revised July 2014; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011 and revised July 2014 and the provisions stipulated in the Loan Agreement.

71. The key implementing agency will be MoHESR, through its PMU. Over the past few years, the PMU has demonstrated strong commitment, and has acquired extensive experience in coordinating previous donor-financed projects (including World Bank-financed projects), such as the Higher Education Reform projects (PARES I and II). Lessons learned from PARES II – which closed in June 2014 – show that it will be critical for the success of the new project to retain highly qualified and experienced project management staff while at the same time reinforcing the capacity of the PMU by recruiting administrative and technical staff fully dedicated to the implementation of the project. The PAQ grants would be implemented by directorates and services under the authority of MoHESR in addition to universities, HEIs and student services. Some of these entities have already benefited – under PARES I and II – from intensive training in competitive funding mechanisms, and gained experience in evaluating, implementing, and administering grants under the oversight and guidance of the PAQ Committee. The same process and structures will be used for implementing the proposed project activities under TEEP while aiming at sound performance measurement mechanisms for the grants.

72. An assessment of the capacity of the MoHESR and other potential implementing agencies under MoHESR's authority which will be involved in procurement of the project was carried out during project preparation. This assessment (detailed in Annex 3) revealed that the executing agencies would have the capacity to carry out and manage the procurement under this financing, provided that the recommended actions are taken and that the PMU plays its coordination role. A set of actions have been proposed (see Annex 3) in order to mitigate the identified risks and weaknesses. The risk has been rated as "substantial".

73. "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 2006 and revised January 2011, shall apply to the project.

E. Social (including Safeguards)

74. The project aims to achieve the following social development outcomes: (a) improved employability of graduates through programs better aligned with labor market needs; and (b) improved equity which will be addressed by improving the quality of programs of young universities. During the identification and preparation stages of the project, conferences and consultations took place focusing on a series of key technical topics and policies: (a) Employability and the entrepreneurial university (event in January 2015; roundtable with employers, November 2014); (b) Performance-based Financing and competitive grants (events in October 2014 and June 2015); and (c) Governance and quality assurance (event in June 2014). These events were organized jointly with MoHESR and in collaboration with other partners, including UTICA (the employers' association) and the British Council, and joined by representatives of MoHESR and MDICI, the private sector, presidents, deans, HEIs directors, professors and academics, students and other HEIs representatives.

75. In addition to earlier technical consultations on key higher education reform topics, the MoHESR also organized during the World Bank mission of October 2015⁵¹ two more consultations on the new project with: (a) presidents and vice-presidents of universities, and (b) a representative sample of about fifty students from various universities/HEIs within the country, different backgrounds, fields of study, and so on, in order to discuss their primary concerns about higher education and employability, and solicit their feedback on the objectives of TEEP. This event provided an opportunity for the World Bank to collect and document useful feedback from stakeholders and to confirm that activities envisaged under the project are addressing priority issues raised by future beneficiaries. Further, MoHESR is currently leading a national consultation involving universities and other stakeholders in which it presents and consults on the new higher education strategy and projects.

76. Previous projects developed a Grievance Redress Mechanism beyond project-level grievance management, which is still in place. The MoHESR has set up a hotline for citizen grievance as well as an online platform that can be accessed from the Ministry's website (www.mes.tn). The same website includes a platform for students and teachers for grievances and comments. At university level, offices exist for student affairs and counselling which are in charge of grievance, advice and psychological support. These GRMs will be used to channel project level grievances to the right addressees.

F. Environment (including Safeguards)

77. This project is classified category C. The project will benefit all higher education institutions in Tunisia and will mostly focus on technical assistance and training. The project will only contain physical infrastructure activities if those are financed through the PAQ grant mechanism. Those will be limited to civil works for the renovation or modification of existing structures (such as upgrade of electrical installations, minor repairs to ensure minimum working conditions, etc.), which would not need land acquisition and therefore not trigger physical or economical displacement, or restriction of access to resources as described under OP4.12. Given the sensitivity of the intervention areas (HEIs) it is recommended that the bids include specific section of necessary environmental and social safeguards procedures related to civil work such as measures to respect safety, hygiene and health conditions of persons and workers. For more details, refer to Annex 3.

G. World Bank Grievance Redress

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

⁵¹ See Aide Memoire October 2015 mission for details.

Annex 1: Results Framework and Monitoring

Tunisia Tertiary Education for Employability Project

Results Framework

Project Development Objectives

PDO Statement

The objective of the Tertiary Education for Employability Project (TEEP) is to improve the employability of tertiary education graduates and to strengthen the management of higher education.

These results are at | Project Level

Project Development Objective Indicators

Indicator Name	Baseline	Cumulative Target Values					
		YR1	YR2	YR3	YR4	YR5	End Target
1. Share of higher education graduates from co-constructed programs (out of which share of female) that were employed 6 months after graduating, relative to appropriate comparison (Percentage)	0	-	-	0 (baseline)	-	20 (higher)	20 (higher)
2. Number of tertiary education students who completed PAQ supported employability programs (Number)	0	0	0	0	0	10,000	10,000
3. Percentage of public universities that have strategic plans (Percentage)	8 (UVT, since December 2015)	8	100	100	100	100	100

Intermediate Results Indicators

Indicator Name	Baseline	Cumulative Target Values					End Target
		YR1	YR2	YR3	YR4	YR5	
1. Number co-constructed programs that have been established under the project (Number)	0.00	0.00	10	25	50	50	50
2. Share of graduates from co-constructed programs that report being satisfied with their level of employable skills (Percentage)	-	-	-	0 (baseline)	0	25 (higher)	25
3. Number of newly introduced programs under PAQ with at least one module on entrepreneurship (Number)	0	0	0	25	50	75	75
4. Percentage of PAQ projects by young universities (Percentage)	0	0	10	15	20	20	20
5. Set up of an online information platform for the dissemination of tracer studies (Text)	No platform	Concept	Feasibility/ Pilot	Implementa- tion	Functioning	Functioning	Platform functioning
6. Percentage of university observatories that systematically publish the results of periodic tracer studies on their website (Percentage)	0	0	0	10	50	80	80
7. Share of secondary students (in their final year) that have been informed about higher education opportunities and subsequent labor market outcomes with information generated by the project's tracer studies. (Percentage)	0.00	-	-	0 (baseline)	50	50	50
8. Direct project beneficiaries (number)	0	-	-	0 (baseline)		150,000	150,000
9. Of which female beneficiaries (percentage)	0	-	-	0 (baseline)		75,000	75,000

10. Number of certifications for students in courses focusing on transferrable skills (IT, PM, language skills/communication, etc.) (Number)	0	2,000	9,500	13,000	17,000	21,500	21,500
11. Percentage of universities that have a functioning internal Quality Assurance (QA) unit (Percentage)	0	0	0	33	66	90	90
12. Establishment of a model for performance-based financing in higher education (Text)	No model	Preparation of draft model/pilot; consultations	Pilot implemented	Pilot ongoing	Pilot ongoing	Evaluation of pilot; final proposal for model and roadmap (report)	Pilot evaluated and final proposal for model and roadmap ready

Indicator Description

Project Development Objective Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
1. Share of higher education graduates from co-constructed programs that were employed 6 months after graduating, relative to appropriate comparison	Graduates who completed a co-constructed program under the project have acquired skills and competences that are better aligned with labor market and have a greater chance to find a job 6 months after graduation (20 percent higher than the comparison group with similar characteristics who did not enroll in a co-constructed program). For example, this could be a comparison of employment rates with students from the same university and field of study before the program became co-constructed, adjusted for overall economy wide trends in employment rates over the same period.	Years 3 and 5	Higher education graduate tracer survey (skills and employment questionnaire, fielded in years 3 and 5)	Data collected by PMU, through BEPP and university observatories
2. Number of tertiary education students who completed PAQ-supported employability programs	Number of students covered under the new co-constructed and specific programs focusing from tertiary to transition-to-work programs under TEEP.	Annually	Information provided by the PMU based on annual surveys from universities and HEIs benefitting from PAQ grants.	PMU
3. Percentage of universities that have a Strategic Plan	This indicator measures improved management as all public universities will need to prepare and implement their strategic plan. These strategic plans will be a key milestone for the strategic developments of universities and their improved governance.	Annually	Information provided by the PMU based on annual surveys from universities	PMU and Unit for Program-based budgeting (UGBO)

Intermediate Results Indicators

Indicator Name	Description (indicator definition etc.)	Frequency	Data Source / Methodology	Responsibility for Data Collection
1. Number co-constructed programs that have been established under the project	The indicator will measure the number (cumulative) of co-constructed program are established under the competitive fund (PAQ) that is: 10 programs in Year 2, 15 in Year 3, and 20 in Year 4 (reaching a total of 50 programs under the project). Universities and HEIs enter in a partnership with public/private sector enterprises to develop, implement, and evaluate a co-constructed program (a professional bachelor/master in a particular sector). To do this, universities/HEIs submit their proposal for a co-constructed program through the competitive fund (PAQ). Co-constructed programs are established to respond to a specific demand and their duration is usually limited to the student's duration of study. It is not necessarily re-conducted.	Annually	Information provided by the PMU based on annual survey of universities	PMU and Department of University Reform (DGRU)
2. Share of graduates from co-constructed programs that report being satisfied with their level of employable skills	Number of students covered under the new co-constructed and specific programs focusing from tertiary to transition-to- work programs under TEEP, as compared to comparison group (see PDO indicator # 1)	Years 3 and 5	Same higher education graduate tracer survey as the one conducted for PDO indicator #1 but with additional questions (skills and employment questionnaire, fielded in years 3 and 5).	PMU, through BEPP, observatories, with the support of DGRU
3. Number of newly introduced programs under PAQ with at least one module on entrepreneurship	Number of programs (financed under the competitive fund - PAQ) which contain at least one module on entrepreneurship.	Annually	Information provided by the PMU based on annual survey of universities	PMU/PAQ Secretariat

4. Percentage of PAQ projects by young universities	This indicator is to monitor the participation of young universities (usually located in the center of the country) in the PAQ scheme with a view to equity and ensuring that the issue of regional disparity is addressed. Young universities are: Gabès, Kairouan, Jendouba and Gafsa and represent about 17 percent of the student population.	Annually	Information provided by the PMU based on annual survey of universities	PMU through BEPP and Department of Student Affairs (DGAE)
5. Set up of an online information platform for the dissemination of tracer studies	The existing website of the Ministry (www.orientation.tn) will be extended/upgraded to ensure that the public has accessed to up-to-date information about different programs in different universities in a format as open as possible. The user should have at his/her disposal an online tool to compare the programs over the key indicators of insertion rates and median earning, along with other program information. This requires tracer studies to be in place at Year 3 and Year 5 of the project.	Annually	Successful completion of the higher education tracer surveys and confirmation of functioning online information platform by the MESRS.	PMU through BEPP
6. Percentage of university observatories that systematically publish the results of periodic tracer studies on their website	This indicator will measure how observatories have been strengthened to play their role in informing students and the public in general on program and job outcomes.	Annually, starting Year 3	Information provided by the PMU based on annual survey of universities	PMU
7. Share of secondary students (in their final year) that have been informed about higher education opportunities and subsequent labor market outcomes with information generated by the project's tracer studies	This will be done through a questionnaire to a representative group of students to evaluate their knowledge on education career choice, job outcomes, etc. Students will receive this information from the Ministry's website (www.orientation.tn) which will have integrated the platform with information about the tracer study. This indicator can only be measured if a survey is implemented to	Year 2 (survey developed) Year 4	Secondary education graduate survey (knowledge and education career choice) carried out in Year 4.	Information collected by PMU in collaboration with National Bureau for Statistics and BEPP

	measure this indicator. The survey will need to be implemented Year 4.			
8. Direct project beneficiaries	Direct beneficiaries are students who are beneficiaries of PAQ projects. All PAQ terms of reference will include an internal quality system, including satisfaction survey. The PAQ manual of procedures will include a special clause on how to carry-out such surveys.	Year 3 and Year 5	Survey will be conducted on Year 3 on the perception of beneficiaries (that is: students who are beneficiaries of PAQ projects).	PMU, through PAQ coordinators and Secretariat.
9. Of which female beneficiaries	Based on the assessment and definition of direct project beneficiaries, specify what percentage of the beneficiaries are female.			
10. Number of certifications for students in courses focusing on transferrable skills (IT, PM, language skills/communication, etc.)	Number of certifications delivered to students is about 21500 at the end of the project.	Annually	Information provided by the PMU based on annual survey of universities.	PMU through DGRU
11. Percentage of universities that have a functioning internal Quality Assurance (QA) unit	This indicator measures improved management and governance of the higher education system: 100 percent of universities have a functional internal QA unit that is a permanent structure with qualified fulltime staff and a budget.	Annually	Information provided by the PMU based on annual survey to universities.	Information provided by the PMU based on annual survey to universities.
12. Establishment of a model, pilot and roadmap towards performance-based financing in higher education	The preparation of a draft model/pilot would start on Year 1 through technical assistance and consultations. The pilot would be implemented on Year 2 and then ongoing during Years 3 and for an evaluation on Year 5, and a final proposal for model and roadmap (report).	Annually	Information provided by MoHESR	MoHESR through UGBO

Annex 2: Detailed Project Description

Tunisia Tertiary Education for Employability Project

1. The project will consist of two main Components to: (a) improve the employability of tertiary education graduates; and (b) strengthen the management of higher education.

2. Both Components are closely linked as innovative programs geared towards better employability need a modernized higher education system and HEIs with a strong labor market connect in order to be sustainable. For instance, while employers play a significant role within the competitive grant scheme (PAQ), in particular with regard to the co-constructed programs, they also have an important role to play in terms of better governance, quality assurance, definition of learning outcomes and curriculum reforms, to name a few. Most actions described under both Components will mutually support each other: For example, autonomy and better governance is an important pre-condition for performance-based financing. Under both Components, there are actions related to the macro level ('systemic measures') and to the micro (that is program and project) level. Again, macro level reforms will support micro-level changes while micro-level changes will become an important driver for institutional and further-reaching reforms.

3. More specifically, the Components are described as follows:

4. **Component 1: "Improving employability of graduates"** (*estimated budget: US\$39.7 million total out of which US\$36.1 financed by IBRD*). This Component will aim to improve the employability of future graduates by supporting measures to align graduates' skills and competences with labor market needs. This will be achieved through: (a) a set of *incentive measures* – delivered through PAQ grants – to institutions of the higher education sector – to develop and support programs that will help HEIs to better connect with the labor market, and instill and sustain a model of innovative and entrepreneurial university and improve student services for a university which will promote the development of competences, students' initiatives and academic success; and (b) *systemic measures* to support activities that will contribute to better linking universities to their socio-economic environment, to implement innovative programs better aligned with the labor market and to provide systematic labor market information, students' career advice and guidance services. Component 1 will be divided in two Sub-Components as follows:

5. **Sub-Component (1.1.)** (*estimated budget: US\$34.6 million total, out of which US\$31.0 financed by IBRD*) will finance sub-projects, selected on a competitive basis using the competitive grant scheme ("PAQ") developed under the PARES II. The PAQ will consist of three main windows to support initiatives to: (a) better link HEIs with the labor market, (b) support entrepreneurial initiatives in universities and promote an innovative and entrepreneurial university, and (c) improved student services for better employability. The three PAQ windows are further described below:

1.1.1. PAQ for a better labor market linkage: This window of competitive grants will support projects to: (i) reinforce co-constructed programs (prepared jointly with employers and HEIs) which were developed and piloted under the PARES II with the aim to align higher education with labor market needs and include more structured and co-constructed programs for doctoral studies; and (ii) to support innovative projects and programs for a

better absorption of graduates into the labor market; and (iii) to provide universities and HEIs with the relevant tools to pilot programs and to assist students with their job search and trace their professional career.

1.1.2. PAQ for an innovative and entrepreneurial university: Competitive grants under this window will support projects to enhance or introduce an entrepreneurial culture in universities, as well as education for entrepreneurship and start-ups, based on good practice examples from Tunisia and beyond.

1.1.3. Improvement of student services for better employability. A variety of student services and related measures exist to ease the transition to the labor market. Projects related to such measures will be supported under this PAQ window. Support to ‘young’ universities and HEIs contributing to regional development will be across-cutting theme and receive attention under all PAQ windows. Beyond the importance of regional development, universities which were established in recent years face particular challenges in ‘catching up’ with more established institutions and will thus receive targeted support.

6. ***Sub-Component (1.2.) (estimated budget: US\$5.1 million financed by IBRD)*** consists of a set of systemic and cross-cutting activities to complete the preparation or efficiently implement the PAQ grants under sub-component 1.1. Specifically, the project will finance activities to: (a) strengthen university observatories to support end-of-secondary and tertiary education students (as well as measures on the national level to better connect and use the information generated at university level) to: (i) make more informed higher education study choices; and (ii) identify internship and job opportunities, and to support HEIs to make more informed choices about which fields of study to offer and which programs to improve (in order to measure results, the project will also finance tracer studies on the insertion of tertiary education graduates); (b) create a centrally managed publicly accessible online platform to be annexed to the existing MoHESR’s career guidance website⁵² (for details, see Annexes 2 and 7); (c) support innovative and entrepreneurial universities, *inter alia*, through innovative pedagogy and programs for a better insertion to the labor market. Further, this sub-component could support the following activities: (d) the implementation of a national qualifications framework; (e) the certification and training activities for the improvement of competences; (f) student services; and (g) more labor market relevant doctoral programs. This Sub-Component will also include education innovation and more and better internationalization of the higher education sector (which, among others, could be fostered through easing access to regional programs and more twinning initiatives with foreign universities), as well as technical assistance to support, *inter alia*, the following activities and outcomes:

⁵² The word ‘platform’ stands here for a mechanism but not for a distinct technical tool. Indeed, MoHESR already hosts a website which provides information on study programs for prospective and current students (<http://www.orientation.tn/orient/fr.jsp>). Under the project, this existing information is going to be complemented by information deriving from the tracer studies. University observatories in charge of collecting information on graduates (by ‘tracing’ them into the labor market including employment situation, status and possibly salaries) already exist; however, they are currently not fully functional. Their work, as well as the work of the BEPP – a unit which collects M&E information at the MoHESR will be supported under the TEEP and the results of tracer studies will be made accessible on university websites as well as the Ministry’s website. Other observatories (e.g. under the Ministry of Employment and Vocational Training) do not have the same function as they rather provide information on jobs available but not on graduates.

- **Creation of an online higher education and labor market information platform⁵³ to support end-of-secondary and tertiary education students** to (a) make more informed higher education study choices and (b) identify internship and job opportunities. Further, it will support Higher Education institutions in making more informed choices about which field of study to offer and which programs to improve. This publicly available online platform⁵⁴, managed centrally by MoHESR, would make available information on labor market outcomes (for example, employment rate and possibly wages) of higher education graduates (for instance, 1 and 3 years after graduating) as well as feedback on the university experience itself, broken down by higher education institution, field of study, and gender. This platform will also provide links and information to other sources such as the “*Observatoire National de l'Emploi et des Qualifications*” (ONEQ) national survey data and the ICT Labor Market Information Systems (LMIS) developed by the ICT employers’ federation with support from the WB.

To collect this information, university observatories could share personal identifiers of graduates with the MoHESR to enable a survey of graduates (tracer study). This activity requires strengthening the existing University Observatories to systematically collect and identify information that enables tracing students, and requires strengthening their ability to analyze and disseminate the information being made available through the platform to prospective students, current students, as well as the leadership of the university. The measures at the level of individual universities will need to be supported by coordination measures at the Ministry level.

This activity also requires strengthening the ability and the resources of the MoHESR to design and implement the tracer study (which may also include a short employer survey), analyze the findings, disseminate these through the online platform, and use these to inform the Minister and Ministry staff. This also necessitates strengthening the system of career and studying counseling at the secondary level to ensure effective dissemination of the information to end-of-secondary students. Employers may be invited to use the online platform to advertise job and internship opportunities for recent graduates.

In addition, some countries have created dedicated services that assist in finding training places for learners in enterprises which would be another measure to ease school to work transition.

- **Guidance and counselling** for tertiary education students as part of student services. Beyond the systematic provision of labor market information through websites and other tools, individual guidance and counselling for secondary education students is needed to make sure that students are fully aware about labor market options and the possibilities and constraints of study programs and directions. An important aspect of the improvement of guidance and counselling is the professional development of the guidance and counselling staff: in order to better match skills and jobs, guidance staff and/or career guidance teachers (both at secondary and tertiary levels) will need to be supported at the national level, including through targeted trainings.
- **Psychological support** on campuses as part of student services: this area of support has been added as a result of the increase in psychological problems (sometimes with drastic consequences) in the Tunisian higher education sector. This sub-component will also include

⁵³ Here is again an important connection to ongoing E4E work which supports the Tunisian ICT federation in the design of a labor market information system for the ICT sector.

⁵⁴ Information will be provided via www.orientation.tn.

educational innovation and more and better internationalization of the higher education sector (which, among others, could be fostered through easing access to regional programs and more twinning initiatives with foreign universities).

- **Technical assistance for more structured and labor market relevant doctoral programs:** Issues of labor market relevance and tertiary education-to-work transition go beyond the second cycle (Master) and also affect doctoral students. In order to better connect academic research and private sector innovation, doctoral studies need to be geared towards increasingly diverse employers. However, too often doctoral studies are still exclusively geared towards a later academic career in the higher education sector. Programs such as “*Mobidoc*” have attempted to better connect doctoral students with industry and further measures in this area (like the introduction of specific internships or commissioned dissertations) will be supported under this component.

7. Generic or transferable (‘soft’) skills for employability (training, certification, systematize training offers for these skills) are a key theme under both sub-component⁵⁵. While technical skills are an important entry requirement for many sectors (and beyond regulated professions), employers often miss strong generic/transferable skills (e.g. communication, ability to manage own career or to work in teams, goal setting and persistence (grit)). Co-constructed programs financed under the project will be supported to develop such skills, easing the tertiary to work transition. Further activities by the applying universities could include, for example⁵⁶:

- **Work-based learning modules.** Offering credits for work-based learning encourages students to take part in this kind of experience; therefore, work-based learning elements could be introduced in curricula design along with guidelines providing for work-based learning.
- **Learning methods including simulated or real business experience** in programs and courses⁵⁷. Here and elsewhere, benchmarking with and learning from those public and private universities in Tunisia and the region enabling their students to get first hand work experience will be beneficial.

8. While co-constructed programs feature under Sub-Component 1.1 generic skills related activities (in this case training and certification) will also feature under Sub-component 1.2. As under PARES II, grants could also finance the provision of needed equipment and materials for labs and the renovation of obsolete installations.

9. **Component 2: “Strengthening the management of higher education”** (*estimated budget: US\$35.1 million total out of which US\$33.7 financed by IBRD*). This Component will combine a set of incentives and systemic measures aimed at improving the higher education system. In particular the component will support:

⁵⁵ Here is an important link to the World Bank’s/IFC’s Education for Employment Initiative that supports related providers, e.g. E4E Fast MENA.

⁵⁶ The selection of specific activities will be carried out by applying institutions.

⁵⁷ Estonia, for example, introduced entrepreneurship camps in some schools, where students put together a business plan in 12 hours. Poland introduced innovative entrepreneurship tools that include virtual business games (CEDEFOP, 2010, Trends in VET policy in Europe 2010-2012. Progress towards the Bruges Communiqué).

(i) the full implementation of a university internal and external quality assurance system including a fully-developed Bologna-compatible⁵⁸ quality assurance agency and creation of university-internal quality assurance units (or revitalization of the Quality Committees established in 2006 within HEIs and universities)⁵⁹;

(ii) increased autonomy and improved steering of universities through, among others, the creation of external advisory boards to reinforce the relationship between employers and other external entities and HEIs and support of legislative measures to allow universities to access the EPST status mentioned above⁶⁰; also, the development and implementation of strategic plans within universities; and

(iii) the development of performance-based steering mechanisms for the higher education sector, e.g. through the re-introduction of performance contracts and development and piloting of performance-based financing (PbF) mechanisms.

10. Component 2 will be organized in three Sub-Components as follows:

11. ***Subcomponent (2.1.) (estimated budget: US\$13.8 million total out of which US\$12.4 million financed by IBRD)*** would support incentives, through two additional windows in the competitive grant scheme, in particular the “PAQ-Management capacity” window developed under the PARES II project, to improve governance and quality assurance.

12. Again, support for young universities will be provided under both components.

13. ***Subcomponent (2.2.) (estimated budget: US\$19.6 million financed by IBRD)*** would consist of a set of systemic measures as follows:

2.2.1 Governance and management

- **Strategic planning** of universities and higher education institutions (including up to date strategic plans and standardized annual public reporting of key data including labor market outcomes) is an important pre-condition for successful sector and institutional steering and also for performance-based financing. This can be supported through workshops, trainings, technical assistance and other measures.

⁵⁸ <http://www.enqa.eu/index.php/home/esg/>

⁵⁹ In EU countries, quality assurance has been further strengthened through the clear definition of envisaged learning outcomes in the context of qualifications frameworks. Qualification frameworks (QFs) have also been under discussion in Tunisia and the World Bank’s/IFC’s Education for Employment (E4E) initiative currently supports the design of a QF for the ICT sector. In this regard but also with regard to efficient support for the development of ‘soft skills’, the HEDA (Association for the Development of Higher Education) bringing together public and private partners and other aspects of the E4E Arab youth initiative (IFC Education for Employment, *Realizing Arab Youth Potential*, 2011), the project will need to closely liaise with the ongoing E4E initiative.

⁶⁰ One important function of external boards could be to not only better connect Tunisian universities to their socio-economic environment but also to international developments and bodies and thus foster international cooperation. Full internationalization remains an important goal for Tunisian universities.

- There is no successful sector steering without good **quality data and its effective management**. While MoHESR has a unit in charge of collecting and providing data, the Bureau for Studies, Planning and Policy (BEPP), there is no functioning Higher Education Management Information System (HEMIS) and strengthening the BEPP could be an important step towards more evidence-based policies. This subcomponent therefore foresees technical assistance for the BEPP and universities with a view to annual reporting, including on labor market outcomes (insertion rates, and so on). A better information policy will also allow to revision of the – currently rather rigid – admission system and allow for more flexibility in terms of access and choice of studies.
- In addition, the sector needs a fully functioning higher education management and information system which will be developed under the new project.
- **Strengthening autonomy** of universities is not only a question of political will but also of capacity and an ‘enabling environment’. Consequently, issues of university autonomy will be further explored through workshops (at the central level and universities), capacity building measures, advice on further legislative reforms and university statutes.
- The question of university autonomy is strongly related to **institutional leadership and management**. The development of leadership and more effective management will be supported through workshops and training.

2.2.2 *Quality assurance*

- **Internal quality assurance:** As emphasized by the Ministers of Bologna signatory countries in 2003 in Berlin, higher education quality assurance is first and foremost the responsibility of universities themselves. Tunisia has been on a good way with the introduction of university-internal quality assurance commissions which, however, largely ceased to operate after the revolution. However, this initiative could be revitalized and possibly transformed into more permanent structures, for example through the establishment of quality assurance units linked to the central level of the university (possibly as part of/ or linked to main strategic unit/institutional research). Further, it would be supported by connecting institutional quality assurance actors and enable them to share and promote good practice. This commitment to quality should be reflected in the mission statement and set of core values of an institution and consequently institutions should adopt explicit objectives and operational planning regarding quality. A first step would therefore consist of defining an institutional policy on quality by first agreeing on a common definition of quality teaching, and developing a quality culture in the institution and aligning other policies accordingly.⁶¹

⁶¹ Fabrice Hénard, Mathieu Cros, & Julia Tran Thanh. (2014). Institutional Policies, a Key to Foster Quality Teaching. Leadership and Governance in Higher Education, Volume No. 4.

- **External quality assurance:** Despite the technical assistance provided by the World Bank in 2014, IEAQA, the Tunisian quality assurance agency is not fully operational. While further measures to enhance the efficiency of the agency should be explored, institutional peer reviews like those organized by the Francophone University Association (*Agence Universitaire de la Francophonie* (AUF)) or under the Institutional Evaluation Program (IEP) of the European University Association (EUA) might help institutions to better assess their strategic positioning and operations, among others, through guided self-evaluations. Technical assistance to make the agency fully operational and autonomous through the merge with the National Committee for Evaluation of Scientific Research Activities (“*Comité national d’Evaluation des Activités de Recherche Scientifique*” (CNEARS)) will be provided under the project. International accreditation will play a particular role for regulated professions; the associated costs could also be borne by the TEEP.
- The project will be able to support certification of facilities, like labs, also in an institutional safety context.

2.2.3 Financing mechanisms

- **Develop a model and roadmap towards performance-based financing:** Higher education funding can be a powerful tool to support sector steering towards agreed objectives. In order for financing systems to live up to this potential, they need to be developed in a consensual manner involving all major stakeholders and they need to be clear and transparent. The new system could also be used to reward (besides other aspects) better employability of graduates.
- **Pilot performance-based financing:** A model developed in accordance with above mentioned principles should not be rolled out immediately but first be piloted to gather relevant experience in the specific country-context. Project funds will be deployed to support the pilot and make the new approach sufficiently attractive (this will need to be reflected in the amount foreseen for the pilot). The World Bank has gathered significant experience with the developing and piloting of such systems in different regions of the world. For details on the planned work on performance-based financing, see Annex 5.
- **Workshops and consultations:** As mentioned above, the model will need to be developed through extensive stakeholder consultations and technical workshops bringing together the Ministry, universities and other stakeholders.

14. The envisaged activities will need to go hand in hand with a revision of the legislation, including the 2008 higher education law, including with a view to the (too restrictive) “EPST” status of universities and other aspects of transition to more institutional autonomy.

15. While the project will emphasize university level reforms and improvements, it will also involve the Government and employers as important actors: the Government through legislative and other system-level reforms and employers through their increasing role in curriculum

development, contribution to effective steering through a potential board function and other mechanisms to ensure a better connection of universities to their socio-economic environment.

16. ***Subcomponent (2.3.) (estimated budget: US\$1.72 million financed by IBRD)*** would assist the Project Management Unit (PMU) to reinforce its managing and coordinating capacity by recruiting – on a competitive basis, additional qualified and experienced technical staff to effectively coordinate, monitor, and evaluate activities carried out under each subcomponent. Other activities supported by the project would include the periodic revision of the operational manuals (for the project and competitive funds), the organization of project-related workshops and seminars, training and technical assistance as needed.

Annex 3: Implementation Arrangements

Tunisia Tertiary Education for Employability Project

Project Institutional and Implementation Arrangements

1. **Role of the MoHESR:** The MoHESR is the Government's responsible entity for implementing the project through its Project Management Unit ("*Unité de Gestion des Projets*") (PMU). The MoHESR is ultimately accountable for meeting the project objectives, and providing oversight, monitoring and evaluation, and technical support to implementing entities. In particular, the MoHESR will be responsible for: (i) coordinating, through the PMU, specific project activities ("*systemic measures*") addressing cross-cutting issues such as governance and management of the higher education system; (ii) ensuring that the necessary legislation is in place in order to efficiently implement these activities; and (iii) providing the necessary support, through the PMU, to help develop and implement the performance-based funding model (PbF).

2. **Role of institutions of the higher education sector**⁶². Institutions of the higher education sector will be responsible for ensuring, through activities financed through the competitive grant scheme ("PAQ") that the goals of the project will be met which include, *inter alia*: (i) setting up of an improved internal quality assurance system through the creation of quality assurance units or the revitalization of the Quality Committees; (ii) reinforcing observatories to provide a better flow and quality of information to students, universities and HEIs; (iii) entering into a contract with MoHESR by contributing to the development of performance-based contracts and by reaching the targets specified in these contracts.

3. **Role of the private sector.** By partnering with universities and HEIs, the private sector will play a key role in the design of co-constructed programs, thus contributing to the development of curricula better aligned with labor market needs. The private sector will also play a critical role in the concept, implementation (which includes providing training and internship to students) and monitoring and evaluation of co-constructed programs and other activities financed under the other PAQ windows, by being an active member of the PAQ Committee as well as part of the PAQ technical committees and Review Panel. In 2005, a partnership agreement ("*Convention de Partenariat*"), updated in 2014, was established between MoHESR and UTICA in order to promote partnerships universities/HEIs and private sector entities, and formalized the roles and responsibilities of both universities/HEIs and the private sector in the design, implementation and evaluation of co-constructed programs. This partnership agreement served as a legal framework for other individual partnership agreements made between universities/private sector entities under PARES II, and will continue to be used under TEEP. For more details, see Annex 8.

4. **Project coordination and management.** The PMU, which has extensive experience in the coordination and fiduciary management of the previous World Bank-financed projects will continue to play this role in TEEP, but would be reinforced both as a structure within MoHESR and in terms human resources. The MoHESR is in the process of formalizing the PMU into a structure within newly created externally-financed projects ("*Cellule de gestion des projets financés par des fonds externes*" (CeLPFE)), which would be would be responsible for the

⁶² Institutions of the higher education sector include: universities, HEIs, ISETs, student services, research institutions.

coordination and monitoring and evaluation of the project under the direct authority of the Minister. The establishment of this PMU is a condition of effectiveness. The PMU – which will be the focal point for the project – will be significantly reinforced by fulltime staff – either recruited internally or externally on a competitive basis – with proven track records in donor-financed projects and in areas such as: procurement, financial management, monitoring and evaluation, communication and ICT. In addition, the PMU would recruit, on a competitive basis, qualified experts to work on a part-time basis (to be financed under TEEP) who would be responsible for the coordination of the different PAQ windows⁶³, and for ensuring the smooth implementation of systemic measures related to employability on the one hand, and governance and management of the higher education system on the other hand.

5. ***Project oversight.*** A Steering Committee (SC), headed by the Minister of Higher Education and Scientific Research or his representative, will be established. This will also be a condition of project effectiveness. The composition of the SC will be decided by the Minister and will include those members specified in the project Operational Procedures Manuals (for example, representatives from the central administration of MoHESR involved in project implementation, as well as representatives from other ministries, i.e. ministries in charge of finance, development, investment and international cooperation, health, agriculture, and ICT). The role of the SC shall be, *inter alia*, to define the strategic orientation of the project as well as to provide guidance for the implementation of the project and oversee progress in its implementation. The SC shall meet at least twice a year. As under PARES II, the PMU will be responsible for preparing an annual implementation plan for the project, which will be reviewed and approved by the Steering Committee for the project on an annual basis.

6. The PAQ Committee, nominated by the Minister of Higher Education and Scientific Research and chaired by one of the PAQ Committee members will be established. This will be a condition of project effectiveness. The PAQ Committee shall comprise representatives as described in the PAQ operational procedures manual. The PAQ Committee will be responsible for administering the entire PAQ process and initiate each round of the grant competition process with a call for proposals according to the strategic priorities communicated by the MoHESR, through the Steering Committee. The PAQ Committee will be ultimately responsible for the efficient implementation and monitoring of PAQ grants and performance indicators, and for reporting on the progress of sub-projects financed through the PAQ grants through periodic reports.

7. Experts will be convened by the PAQ Committee to review and rank grant proposals. The proposal review process will ensure transparency by adhering to the principles of peer review and by engaging expert panelists from a cross-section of universities, private industry, and civil society. To enhance transparency, the panel may include representatives from the administration and students.

8. A project unit may be established in each university to assist with the supervision, monitoring and evaluation of PAQ sub-projects. These units would be attached to universities and entities benefitting from PAQ grants (i.e. MoHESR departments and institutions of the higher education sector) and would oversee the implementation and monitoring and evaluation of sub-

⁶³ The different PAQ windows are: (a) employability; (b) valorization of research and innovation; (c) management and governance; (d) student services; and (e) quality assurance and program and HEIs certification.

projects financed by the PAQ grants. The units would ensure that they mobilize the necessary human resources to implement projects and would have the financial resources for staff training and, if needed, to recruit external experts as needed. TEEP will also contribute to building the capacity of university and HEI staff in project, financial management and procurement in order to effectively execute project activities but also to institutionalize a project management culture in universities and HEIs.

9. ***Criteria Selection and Process.*** The PAQ grants will be awarded to the academic departments or administrative units of universities and HEIs presenting the strongest proposals with regard to project monitoring, financial management and procurement.

10. All public universities and HEIs, as well as institutions of the higher education sector including HEIs under the tutelage of the MoHESR and another ministry, are eligible for PAQ grants. The PAQ grants will be awarded to the academic departments or administrative units of universities and HEIs presenting the strongest proposals for the above-mentioned improvements or management capacity. To submit grant proposals, universities and HEIs must meet stated eligibility criteria. These include: the completion of an institutional self-study, the adoption of an institutional strategic plan, and demonstration of sufficient management capacity to administer the grant funds and to procure goods and services according to guidelines that ensure fairness and accountability. Within each grant window, competition will be stratified according to institutional capacity so that the process does not favor only the strongest institutions. “Young” universities⁶⁴ will benefit from a preference clause in order to encourage them to apply.

11. Proposals will be evaluated against a set of criteria which are detailed in the PAQ Operational Manual which will be revised for the new project. These criteria include:

- validity of analysis;
- clarity in exposing the issue;
- a clear link between the proposed investment and the identified problems;
- quantitative and qualitative indicators agreed upon to monitor implementation progress
- results indicators and impact;
- procurement plan covering 18 months;
- monitoring and evaluation plan;
- evidence that the university has the capacity to implement proposed activities.

12. For more details on the PAQ, see Annex 8.

13. ***Operational Procedures Manuals.*** Two operational procedures manuals (OPMs) were developed, taking into account the experience and lessons learned from PARES II: (a) one OPM for the project describing guidelines and procedures to carry out successfully the annual implementation plan; and (b) one OPM for the PAQ (OPM-PAQ) which articulates the administrative, fiduciary and management details of PAQ implementation by the different entities (i.e. MoHESR and beneficiary institutions). The content of both OPMs will be updated as needed during project implementation.

⁶⁴ The “young” universities are: Kairouan, Jendouba, Gafsa and Gabès.

14. **Performance-based Financing guidelines** will be elaborated as the performance-based financing model is developed, preferably during the first year of project. The guidelines will describe the procedures and processes to be followed for the performance-based scheme and will be validated by both MoHESR and the Bank before implementation of the model.

Financial Management, Disbursements and Procurement

15. The project's development objective is: "*to improve the employability of future tertiary education graduates and to strengthen the management of higher education*". The TEEP will be implemented by MoHESR, through the PMU, and other potential implementing agencies under MoHESR's authority (universities, HEIs, research institutions, student services ("*Etablissements des Oeuvres Universitaires*").

16. During project preparation, a financial management capacity assessment of the implementing agency (MoHESR) and eighteen high education institutions, corresponding to a representative sample, was carried out to determine if it complies with Bank requirements under OP/BP10.02 for project management. This involved: (a) field visits and work sessions with the potential implementing agency staff were held to gain an understanding of the current applicable financial management systems and to discuss and agree on the financial management arrangements which will be in place during project implementation; and (b) response to the Bank financial management questionnaire.

17. The financial management assessment covered the entities' organization, human resources, accounting system, internal control mechanism, external audit, information system, and capacity of the project reporting system of institutions. The assessment focused on ensuring that procedures and criteria are in place to ensure satisfactory financial management before any expenditure could take place and that mechanisms are in place to ensure adequate financial reporting as well as ex-post review after expenditures. The objective is to ensure that the funds are used for intended purposes.

18. The financial management assessment concluded that financial management arrangement as set out for this project, at the MoHESR level, satisfy the Bank's minimum requirements and that financial management arrangements in place can provide, with reasonable assurance, an accurate and timely information on the progress of project implementation for the components implemented directly by the MoHESR.

19. The following were the primary risks identified during evaluation:

- The main component of the project is the Competitive Grant Scheme ("*Programme d'Appui à la Qualité*" (PAQ)) under Component 1, and represents 76 percent of the total project cost. The PAQ will be implemented directly by HEIs, after a selection by the PAQ Committee.
- The grants use by HEIs for other purposes than those intended for competitive grant scheme (PAQ).
- Institutional and organizational aspects due to number of entities may result in coordination problems, flow of information bottlenecks and reporting delays.
- The information system which relies on public accounting and is based on retracing the

execution of public expenditures, does not allow for the production of project financial reports that the Bank requires. However, the National Center for Computer Science (*Centre National de l'Informatique - CNI*) under the Ministry of Communication Technology and Digital Economy, is in the process of developing a new software which will be used by the ministries to follow up the procurement, financial management and monitoring and evaluation of the projects funded by donors. This software will be linked to the public system (ADEB) to avoid the redundant recording of data. The CNI is testing this software on some projects and it should be operational by June 2016.

- Delay to produce and transmit financial statements and audit reports, due to the large number of agencies involved in the project.

20. Several actions have been planned to mitigate these risks, in particular:

- The project would be executed under the overall supervision of a PAQ Committee, which would ensure: (a) proper selection of the institutions according to its operational manual and criteria's; and (b) approve grant requests.
- Reinforce the PMU by hiring a financial and accounting manager at central level and by selecting experienced staff based at regional level to support the institutions.
- Building the capacities of project staff members, especially for the potential institutions, with qualified executives and targeted training programs on project financial management procedures and hire part-time consultants to support these institutions.
- Use the new financial reporting system developed by the CNI to follow up the financial management of the project and produce the interim unaudited financial reports (IUFRR).
- Two operational manuals for the project have been prepared, one for the project and one for the PAQ. The first manual clearly describes: (a) the interrelationships and the responsibilities of each party involved in the project; and (b) specific transmission of financial reporting procedures between the executing agencies and PMU. The second one articulates the administrative and management details of PAQ implementation. The content of both operational manuals was adapted and improved before project negotiations. The main control points should be:
 - A PAQ Committee will be in place to monitor that grants are used for the PAQ. A Verification Agent will be recruited to verify that activities carried out by the Bank are eligible for disbursement;
 - Follow-up of the payments of expenses under PAQ;
 - Transmission of documents and periodical financial reporting from the institutions to the PMU.
- During the test period of the CNI system, the IUFRRs will be produced on Excel sheet on the basis of some information extracted from the information system. A reconciliation should be carried out periodically with the procurement plan and the DA to ensure that the commitments and the disbursements are correct. Once the CNI system is approved by the Government, the IUFRRs will be directly produced by this system.
- Close monitoring by the PMU of transmission dates of financial statements and audit reports.
- Prepare terms of reference for the project's external audit of the project.

21. Given the set of measures that will be taken to mitigate identified risks and weaknesses, the financial management arrangements at the institutions under MoHESR, *satisfy the Bank's minimum requirements*.

22. The 2010 Public Expenditure and Financial Accountability (PEFA) concluded that the legal and administrative framework for Public Financial Management (PFM) is sound and offers reasonable assurance regarding the reliability of information and a strong control environment. However the report also identified transparency and accountability failures notably in the preparation of the budget, as well as in the progress report.

23. ***Past Experience in the Sector.*** This is the third project financed by the World Bank in the sector, following the Higher Education Reform project – PARES I (P05741) (1998 - 2004) and the Second Higher Education Reform project – PARES II (P075809) (2006 - 2013) and implemented by MoHESR. Consequently, MoHESR has acquired sufficient experience in managing projects implemented through external financing and this project will be able to capitalize upon its experience. However, most of the TEEP activities will be implemented by institutions with little or no experience in managing projects funded by the World Bank.

Detailed evaluation of financial management of the implementing agencies

24. The evaluation confirmed that the project will be implemented using the country-based system governed by the budgetary legislation, and will use the existing skills and human resources within the implementing agencies. The Project expenditures will be part of each agency budget.

Ministry of Higher Education and Scientific Research (MoHESR)

25. MoHESR will be the implementing agency, through the PMU. The financial management system in place at MoHESR is based on the principles and procedures defined by the legal framework applicable to the public sector and, more specifically, to Government institutions. The primary characteristics of this system are as follows:

26. **Budgeting System.** MoHESR presents an annual budget for financial commitments. In terms of funding sources, the overall budget relies on contributions from the National Government as well as on funds made available by various national and international donors in order to carry out specific projects. The budget is submitted to the Ministry of Finance, the entity responsible for rigorous control through its specialized services. The budget is approved each year before December 31. Budgetary control is implemented through an IT system (ADEB) for budget management of the public sector.

27. **Staffing.** The Project implementation will use the existing skills and human resources within the MoHESR. Most of them have been involved in the implementation of PARES I and PARES II.

28. **Internal control.** The internal control system in place within MoHESR conforms to the Government system and has been deemed satisfactory by the World Bank. MoHESR guarantees the separation of the duties through several levels of independent controls: (a) formal organizational structure, which clearly separates specific functions from independent control mechanisms; (b) the authorization by the General Manager of Common Services (*Directeur*

Général des Services Communs), who is the signatory of all payment orders; (c) the control carried out by the state controller; and (d) the Central Bank of Tunisia as payment department.

29. External audit. PARES II has been annually audited by the General auditor of the Ministry of Finance (*Contrôle général des Finances, CGF*) who has given an unqualified opinion of the project's financial statements. Audit arrangements for TEEP will be the same as for PARES II.

30. Information system. The Government information system (ADEB) which relies upon public accounting and based upon retracing the execution of the public expenditures, does not allow for the production of the project financial reports that the Bank requires. The financial reports of PARES II were prepared as Excel sheets.

31. The development of a new accounting software for all projects funded by international donors is now in progress, by the CNI under the Ministry of Communication Technology and Digital Economy. Once, this software is functional, it will be set up for TEEP at the PMU. In the meantime, the PMU will prepare the financial reports on using Excel on the basis of the information extracted from ADEB and those transmitted by the other institutions. A reconciliation will be carried out periodically with the procurement plan and the Designated Account to ensure that the commitments and the disbursements are accurately reflected.

Other potential institutions under MoHESR

32. Most of the other institutions of the higher education sector involved in the project financing under the PAQ component, are administrative public enterprises (*Etablissement Public à Caractère Administratif - EPA*), the same status as the MoHESR. They operate under the guidance of the MoHESR.

33. Staffing. The Project implementation will utilize the existing skills and human resources within these institutions. However, as most of the accounting and financial management staff in these institutions lack experience in Bank-financed projects, part-time consultants to support these institutions will be required to increase the capacity in these areas. These consultants would be recruited, as needed, and financed through the PAQ projects.

34. Management information system. The institutions use the same budgeting system (ADEB) as MoHESR. The information to produce IUFs of the project, which needs a cumulative statement on commitments and disbursements since the beginning of project implementation, will be prepared by each institution using an Excel sheet, and then transmitted to the PMU for the consolidation of the IUFs.

35. Internal Control. The internal control system within the institutions guarantees the separation of the duties through several levels of independent controls in accordance with the legislation and regulations. However, these institutions do not have internal audit departments, as they are not required by Tunisian legislation.

36. External audit. These institutions do not have an external auditor, as it is not required by the Tunisian legislation. However, the project will be audited by the General auditor of the Ministry of Finance (CGF).

37. The assessment of financial management arrangements including the accounting system and accounting policies and procedures, budgeting system, reporting, staffing, internal controls policies and procedures, internal auditing and external auditing arrangements of MoHESR and the potential implementing agencies reflected that these arrangements are satisfactory and meet the Bank's minimum requirements for MoHESR.

38. ***Risk Assessment and Mitigation Measures.*** Before mitigation measures, the overall Financial Management risk has been rated as "substantial".

39. Given the set of mitigation measures that will be taken to reduce the exposure level, to manage and to reduce identified risks and weaknesses, the financial management residual risk at this stage is deemed *moderate*.

40. ***Institutional and implementation arrangements.*** The project will be implemented over a period of five years starting in 2016. Regarding project management, implementation and coordination, the three following structures are foreseen:

✓ **Steering Committee (SC):** The project will be implemented under the supervision of a Steering Committee composed of representatives of all entities involved in the project, as specified in the project operational procedures manuals (these could be representatives from MoHESR central administration and other ministries, i.e. ministries in charge of finance, development, investment and international cooperation, health, agriculture and ICTs) and will be chaired by the Minister of HESR). The Steering Committee will meet twice a year or more often if necessary. The Steering Committee will facilitate implementation of the project by approving its annual report, implementation plans and budget.

✓ **Project Management Unit (PMU):** The PMU will have the overall responsibility for coordinating the project. It would be reinforced both as a structure within MoHESR and in terms of human resources. The new structure would have clear roles and responsibilities established by decree. The PMU would be composed of qualified experienced MoHESR staff as well as external experts.

41. It will be responsible for managing the project funds and related financial transactions. PMU accounting and financial department will be in charge of the project finances including the project accounting functions and reporting. In general, this unit is responsible for maintaining a financial management system acceptable to the Bank, fulfilling the World Bank procedures with respect to procurement, disbursements and financial monitoring.

42. In addition, the Borrower shall prepare and furnish to the Bank as part of the Project Report, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Bank. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six months after the end of such period.

43. The project operational manual includes a detailed description of PMU assignments and provides a detailed description of the flow of information.

44. The detailed institutional and implementation arrangements are presented at the beginning of this Annex.

45. **Flow of information.** The flow of accounting transactions will take place as follows:

- ✓ PMU is responsible for maintaining the accounting and the consolidation of the financial data of the project, and maintain supporting documents of the activities implemented by MoHESR, except those implemented by the other institutions.
- ✓ The other institutions will maintain relevant documents for different expenses under the project components. This includes the supporting documents related to funds received for the financing of these expenses.

46. **Project Accounting System.** The project general accounting principles are as follows:

- ✓ Project accounting will cover all the project sources and uses of funds, including payments made and incurred expenditures. All project-related transactions (whether they imply cash expenditures or not) will be included in the accounting system and reports. The disbursements made through the DA will also be included in the project accounting system. The counterpart funds will be indicated separately.
- ✓ The Project transactions and activities will be distinguished from implementing agencies other activities. Each of the implementing agencies will undertake the accounts bookkeeping for the activities under their responsibilities. Financial statements summing up the project commitments, receipts and expenditures will be settled quarterly by each implementing agency, according to relevant patterns and forwarded to the PMU, supported by documentary evidence. The PMU will consolidate all data and prepare (IUFRR every semester.
- ✓ The project chart of accounts will be compliant with the expenditure classification and sources of funds indicated in the project documents (project procedures manual, project evaluation document, COSTAB) and general budget breakdown. The chart of accounts should allow data entry in order to facilitate the project expenditures financial monitoring by component and sub-component, activity and category of disbursement.

47. **Disbursements.** The proceeds of the loan will be disbursed in accordance with the *World Bank Disbursement Guidelines for Projects*, dated May 1, 2006 and will be used to finance project activities through the disbursement procedures currently in use: i.e. withdrawal application for direct payment, for special commitments and/or reimbursement accompanied by appropriate supporting documentation or using Statement of Expenditures (SOEs) for amounts less than predefined thresholds for each expenditure category, in accordance with the procedures described in the Disbursement Letter and the World Bank's disbursement manual. Following World Bank standard disbursement procedures, disbursements will end four months after the project's closing date.

48. The implementing agency (MoHESR), through the PMU, will be responsible for submitting the appropriate supporting documentation for services rendered or activities implemented under its component, either to the BCT, so that payments can be made from the Designated Account (DA) opened for that purpose, or to submit applications for direct payment to the Bank.

49. **Designated Account (DA).** To ensure that loan funds are readily available for project implementation, the Government will open, maintain, and operate one designated account (DA) in Euros at the Central Bank of Tunisia (*Banque Centrale de Tunisie* (BCT)). The DA will finance the activities of the project.

50. The authorized ceiling of the DA would be EUR4,000,000 covering an estimated period of four months of eligible expenditures financed by the Loan. The BCT will be responsible for submitting replenishment requests on a monthly basis, accompanied by appropriate supporting documentation for expenditures made and reconciled bank statements.

51. **Statements of expenditures.** All requests for withdrawal of the loan funds will be fully documented, except for expenditures under contracts with an estimated value of (a) US\$500,000 equivalent or less for goods and non-consulting services; (b) US\$100,000 equivalent or less for consulting firms; and (c) US\$50,000 equivalent or less for individual consultants, which will be claimed on the basis of statement of expenditures.

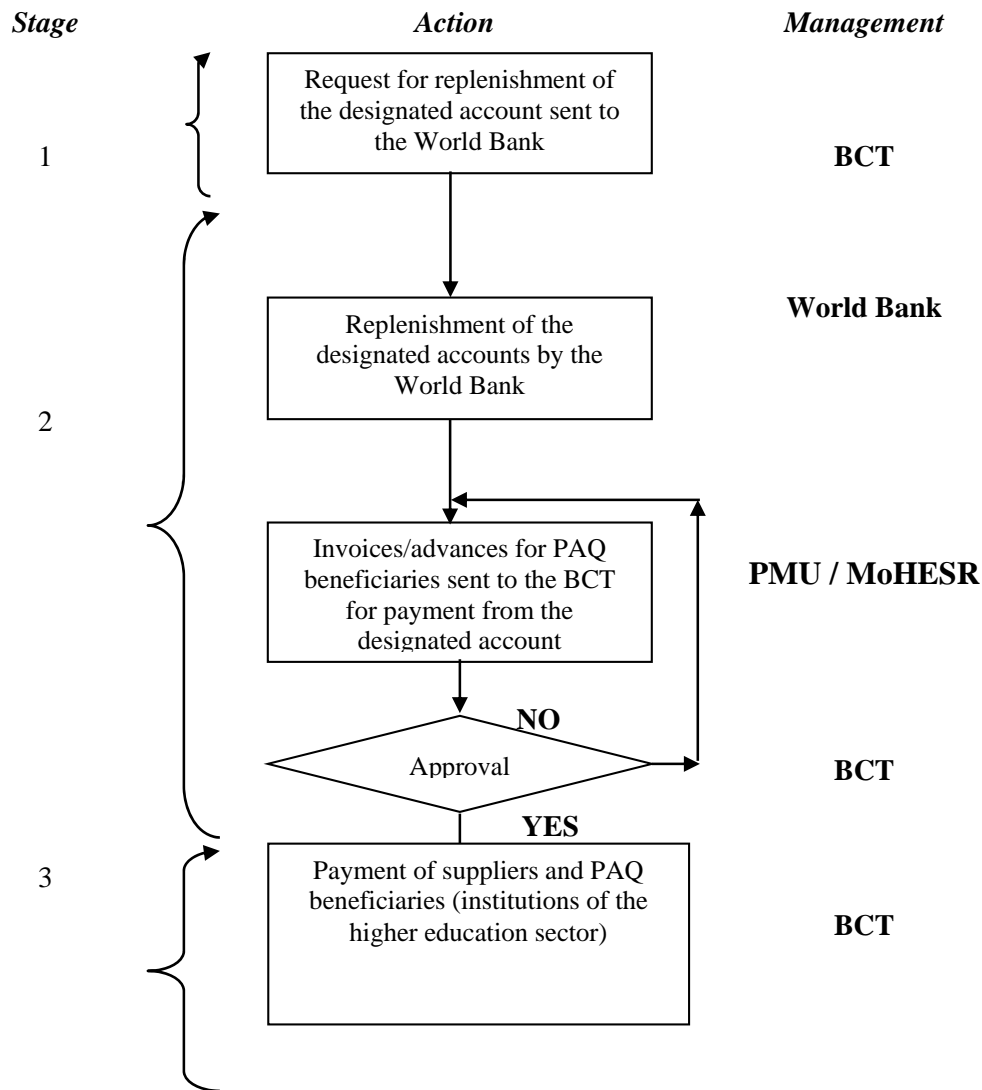
52. Documentation of the expenditures listed above will be maintained and will be made available for review by Bank supervision missions and by project auditors.

53. Counterpart funds will be available from the Government budget or autonomous implementing agencies budget. Payments from the budget will be made under the responsibility of the implementing agencies in accordance with the applicable Tunisian procedures and legislation; and in a timely manner so as to ensure appropriate execution of the project.

Allocation of IBRD Loan Proceeds

Disbursement Category	Proposed Allocation (in US\$ million)	Financing (%)
1. Competitive Grants (PAQ)	43.5	90%
2. Performance-Based Contracts (PbF)	13.1	100%
3. Goods, non-consulting services, and consultants' services	13.3	100%
4. Front-end fee	0.2	
Total	70.0	

Funds Flow Diagram



54. **Financing Reporting.** The PMU will be in charge of preparing the following financial reports:

- ✓ **Interim Unaudited Financial Reports (IUFs).** The project interim unaudited financial reports should include data on financial position. The reports will include: (a) statement on sources and uses of funds for the reporting period, and with cumulative figures including a statement on project balances of accounts; (b) a statement on use of funds by component and expenditure category; (c) reconciliation statement of DA, and (d) budget analysis indicating execution forecasts and discrepancies. These reports will be produced by the PMU accounting system relying upon the consolidation of the accounting and financial data emanating from the execution agencies. They will be prepared biannually and transmitted to the Bank 45 days after the end of each semester. The table templates are included in the project manual of procedures annex.
- ✓ **Project annual financial statements (PFS).** The project financial statements will be annually

produced by the PMU. The PFSs should include: (a) a statement on the sources and uses of loan funds, and notes of the financial statement, (b) consolidated financial statements, (c) a statement on DA transactions, (d) a statement of expenditures; (e) a statement indicating loan cumulated funds, closing balance, other loan assets and liabilities, and commitments, and (f) a list of loan fixed assets acquired or purchased under the loan.

✓ Accounting system. PMU uses Excel sheets to prepare these reports by extracting some information from the information system and from implementing agencies. When the CNI system is functional, these reports will be produced directly.

55. **External Audit.** The project’s financial statements, including the reconciliation of the designated account (DA) will be audited annually by an external auditor, acceptable to the Bank, in accordance with internationally accepted auditing standards. The audit will cover all project aspects, all operations implemented under TEEP and sources and uses of funds. It will also relate to financial operations and internal control, and financial management system.

56. The auditor will produce: (a) an annual audit report including his opinion on the project annual financial statements, and (b) a report on internal control weaknesses identified during his review. The reports will be addressed by the MDICI to the Bank within six months starting from closing date of each fiscal year subject to the audit. The auditors’ terms of reference (TORs) were prepared by the PMU and cleared by the Bank before project negotiations. TORs will include both the audit of the financial transactions and an assessment of the internal control.

57. **Conditionality.** No conditionality is proposed. The recommendations and action plan will be following up during the implementation of the project.

58. **List of Actions for Implementation or Continuation.** Project implementation support actions are summarized below:

Actions to be Taken	Responsible	Completion Date
Building the capacity of project staff with qualified executives and targeted training programs on project financial management procedures.	PMU / Bank	After the selection of the institutions by PAQ Committee
Recruitment of part-time consultants for some institutions.	PMU / Institutions	After the selection of the institutions by PAQ Committee
Reinforce the PMU by selecting experienced staff at regional level to support the institutions.	PMU and beneficiary institutions of the higher education sector	After the selection of the institutions by PAQ Committee

59. **Supervision Plan.** The frequency and scope of World Bank supervision missions will be adapted to the needs of the project. Supervision missions will take place every six months, but may be more frequent, if needed.

60. **Risk Assessment and Mitigation Measures (MM).** The evaluation identified the following risks:

Inherent Risks

Risk		Risk After MM	
Country level			
<p>The Tunisian public finance system is governed by an elaborate legal and regulatory framework that offers strong reliability and transparency safeguards.</p> <p>The Tunisian public expenditure system presents a low budgetary and financing risk factor.</p>	Low	Project's Financial management will use Tunisian public systems. These systems are based on Government laws and regulations.	Low
Project level			
<p>The grants use by institutions under the MoHESR for other purposes than those intended for competitive grant scheme (PAQ) component.</p>	Moderate	<ul style="list-style-type: none"> ➤ Two operational manuals for the project will be prepared, one for the project and one for PAQ. ➤ The sub-projects are selected by the PAQ Committee. ➤ The control of the account officer, who is under the Ministry of finance, before proceeding with the payment. ➤ The project would be executed under the overall supervision of a Steering Committee. 	Low
<p>Lack of capacity of financial staff in some implementing agencies (institutions).</p>	Substantial	<ul style="list-style-type: none"> ➤ Reinforce the PMU by recruiting experienced staff at regional level to support the institutions. ➤ Building the capacities of project teams, especially for the potential institutions, with qualified executives and targeted training programs on project FM procedures and hire part-time consultants to support these institutions. 	Moderate

Institutional and organizational aspects due to the complexity of the project, volume of transactions, and number of entities may result in coordination problems, flow of information bottlenecks and reporting delays.	Substantial	<ul style="list-style-type: none"> ➤ Two operational manuals for the project will be prepared, for the project and for the PAQ that describe: (i) the interrelationships and the responsibilities of each party; (ii) FM and disbursements procedures; and (iii) Specific transmission of financial reporting procedures between the implementing agencies and PMU. ➤ Central Monitoring based on the accounting system. ➤ Each executing agency will designate a financial management specialist for its components. These FMS will be responsible for sending financial reports to the PMU for consolidation purposes. ➤ Close Bank supervision will be planned and conducted at the project early stages of implementation. 	Moderate
Inherent Risk Before MM	Substantial	Inherent Risk after MM	Moderate

Control Risks

Risk	Risk before MM	Mitigating Measures (MM)	Risk After MM
Budgeting			
MoHESR and each executing agency are responsible for the preparation of their annual budget (operating and investment). Then, MoHESR submits the overall budget for approval by the Ministry of Finance, before its approval by the Assembly of the Representatives of the People.	Low		Low
Accounting			
Project accounting, based on the public accounting, is maintained at the central /regional level, but the system of public accounting does not allow for the systematic production of the project financial reports according to the model required by the Bank. The PMU will use the new software developed by CNI.	Substantial	While waiting for the accounting software to be operational, financial reports will be produced using Excel sheet on the basis of information extracted from the information system. A reconciliation will be carried out periodically with the procurement plan and the DA to ensure that the commitments and the disbursements are accurate.	Moderate
Financial Reporting			
Delay to produce and submit financial statements, due to the large number of agencies involved in the project.	Substantial	Specific transmission of financial reporting procedures between the implementing agencies and PMU.	Moderate

Risk	Risk before MM	Mitigating Measures (MM)	Risk After MM
Flow of funds Financial flows come from the World Bank, counterpart funds financed by the MoHESR and the implementing agencies budgets. Flow of funds from the World Bank are organized according the traditional disbursement procedures of the Bank.	Low	Opening one Designated Account in Euros at the Central Bank of Tunisia.	Low
Internal control			
Low risk both in MoHESR due to the experience in previous projects. The internal control system in place within the MoHESR and the implementing agencies conforms to the Government system and guarantees the separation of the duties through several levels of independent controls.	Moderate	Written procedures, and control processes will be included in the operational manual. Project external auditor will submit a management letter for internal controls.	Low
Auditing			
Due to the substantial number of implementing agencies involved in the project, delay to produce and transmit project audit report.	Substantial	Close and continuous monitoring by the PMU of transmission dates.	Moderate
Control Risk Before MM	Substantial	Control Risk after MM	Moderate

61. **Risk Rating.** Given the set of measures that will be taken to reduce exposure level, to manage and to reduce identified risks and weaknesses, the financial management residual risk at this stage is deemed “moderate”.

Procurement

62. Procurement for the proposed project will be carried out in accordance with the World Bank’s “Guidelines: Procurement under IBRD Loans and IDA Credits” dated January 2011 and revised July 2014; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated January 2011 and revised July 2014 and the provisions stipulated in the Loan Agreement.

63. **General.** A procurement assessment was conducted during project preparation, taking into account: (i) the foreseen nature of the expenditures (mostly PAQ grants) and (ii) the experience of MoHESR in implementing previous Bank’s projects (PARES I and II).

64. **Organization.** As the key implementing institution, MoHESR, through its PMU, has demonstrated a strong commitment, and has acquired extensive experience in coordinating previous donor-financed projects (including World Bank-financed projects). Lessons learned from the PARES II which closed in June 2014 demonstrate that it will be critical for the success of the new project to retain highly qualified and experienced project management staff while at the

same time reinforcing the capacity of the PMU by recruiting administrative and technical staff fully dedicated to the implementation of the project. The PAQ grants component would be implemented by other directorates and services under the authority of MoHESR in addition to universities and HEIs. Some of these entities – under PARES I and II – have largely benefited from intensive training in competitive funding mechanisms, and gained considerable experience in evaluating, implementing, and administering grant proposals under the oversight and guidance of the PAQ Committee. While the same process and structures will be used for implementing the proposed project activities under TEEP, the project will seek the possibility of introducing a sound performance measurement mechanism for the grants. In addition, in an effort to improve procurement performance, reduce cumbersome procurement processes, and enhance competitiveness, particularly with respect to large contracts, the project will use the procurement platform of the National Observatory for Public Contracts (“*Observatoire National des Marchés Publics*”, ONMP) and to an extent the Tunisian e-Procurement platform (TUNEPs), for publication of all specific procurement notices.

65. **Facilities, Staffing and Professional Experience.** Project implementation will involve, in addition to the PMU and beneficiary universities and departments under the authority of MoHESR, other structures of MoHESR: the CDM ministerial procurement committee, and HAICOP (the high tender board and the universities procurement committees). Previous experience under PARES I and II has shown that, while the implementing agencies have benefited from intensive training in competitive funding mechanisms, procurement oversight was too cumbersome and bureaucratic. Besides the PMU, most of the other implementing entities of the PAQ grants are institutions of the higher education sector (universities, HEIs, ISETs, research institutions, student services (*Etablissements des Oeuvres Universitaires*), etc.) that are classified as administrative public enterprises (*Etablissement Public à Caractère Administratif*, EPA) and enjoy the same status as the MoHESR. They operate under the supervision of MoHESR. As the previous Bank-financed projects have been well managed by some of these institutions, it is Bank’s understanding that this new project will make use of the same institutional arrangements for the project and these institutions will use the existing skills and human resources for the implementation of the project. However, for those institutions that will be benefiting from the PAQ grants and that do not have previous experience with other projects financed by the Bank, the assessment highlights the need for the PMU to oversee the PAQ grant’s implementation and for the institutions to hire a number of part-time consultants to support them in the execution of procurement. These consultants would be recruited, as needed, and financed through the PAQ projects. Overall, the PMU and other implementing agencies possess sufficient capacity to perform the project’s procurement in accordance with the Bank’s Guidelines, particularly as the project will make extensive use of simpler procurement methods⁶⁵. The project, for instance, will not finance works, except minor renovations, and the procurement plan mostly includes the selection of individual consultants and non-consulting services. Nevertheless, it is recommended to establish, under TEEP, a mechanism for measuring procurement performance that gives more responsibility, credibility and flexibility to the block grants implementing agencies while enhancing transparency and efficiency of the grants use. The World Bank team will provide the necessary technical assistance for the appropriate applicability of the performance system and the PMU will perform the coordination function for the implementation of the performance-based financing scheme.

⁶⁵ For the complete list of procurement methods to be used in the project, please refer to para. 73 and after.

66. **Record Keeping and Filing System.** Procurement records will be kept under the custody of the units responsible for each component, since they are responsible at the inception of each procurement process as well as at the following stages of procurement, including the evaluation and the monitoring of the contracts execution. While experience under PARES I and II showed that implementing agencies were keeping records in an adequate manner, it may prove more challenging to cope with the increased volume of transactions under the new project. It is therefore recommended that the necessary instructions and training are given by the PMU to ensure that project specific files are kept for all procurement related transactions and recorded contracts. This procedure is necessary to minimize the risk of losses, to improve contract management and avoid having to search for this information during procurement post reviews.

67. **Procurement Planning.** Procurement Plans (PP) have been prepared and will be updated by each implementing agency. A consolidated PP for the project was prepared and will be monitored by the PMU. The PP will be based on the project Implementation Plan and Budget drafted by MoHESR for each of the two components. Under PARES I and II, MoHESR institutions and universities were given the methodology and tools on how to finalize the Procurement Plan which will enable them to prepare a draft PP for the project. The PP and its updates will then receive vetting by the PMU and approval by the Bank to become part of the financing agreement annexes. The PP covering the first 18 months of the project was submitted to and approved by the Bank prior to negotiations.

68. **Monitoring/Control Systems.** The PMU will be responsible for the overall monitoring while the day-to-day monitoring will be the responsibility of the heads of the implementing entities, with the involvement of the relevant departments of MoHESR. In terms of procurement oversight, in addition to the Bank's Guidelines, MoHESR is following the Government regulations and controls system. Therefore, it is recommended to have an operational manual for the project, describing in a clear manner, *inter alia*, the adequate procurement procedures to follow for the implementation of the project and the respective roles.

69. **Capacity to meet Bank's Reporting Requirements.** It is expected that the implementing entities will have the capacity to meet this requirement and produce adequate reporting on the procurement processing as well as contract management. To ensure that this is done properly, it is recommended to assign one procurement specialist per implementing agency.

70. **Bank's Review of Procurement Processes.** The contracts financed through this loan will either be subject to Bank's prior review or post review. The Procurement Plan shall specify those contracts which shall be subject to the Bank's prior review. All other contracts shall be subject to Post Review by the Bank.

71. **Capacity Assessment Summary.** The detailed capacity assessment report will be uploaded to P-RAMS. The summary assessment and recommendations are demonstrated in the table below.

Analysis of Procurement Capacity	Issues/Risks	Mitigation Measures
<p>1. Record Keeping and Document Management System Procurement records will be kept under the custody of each implementing agency</p>	<p>The implementing agencies may not have sufficient to cope with the new project volume of transactions.</p>	<p>Adequate instructions and training are given to ensure that project specific files are maintained for all procurement and related transactions and recorded for each contract. This is will ensure that information is readily available during procurement post reviews. <i>(By project effectiveness)</i></p>
<p>2. Staffing</p>	<p>It will be critical for the success of the new project to retain highly qualified and experienced project management staff while at the same time reinforcing the capacity of the PMU by recruiting administrative and technical staff fully dedicated to the implementation of the project.</p>	<p>Ensure that MoHESR and other implementing agencies have the adequate staff to be assigned to the project. <i>(Before and throughout project implementation).</i></p>
<p>3. Procurement Planning</p>	<p>While there is no concern about MoHESR's experience in procurement planning (based on MoHESR's experience under PARES I and II), there is doubt about the capacity of universities and other new implementing entities (e.g.: student services).</p>	<p>The Bank will provide MoHESR with the required TA on procurement planning and procurement performance measurement (namely for the PAQ grants). <i>(Throughout project implementation)</i></p>
<p>4. Advertisement, Pre-bid/proposal conference and Bid/Proposal submission</p>	<p>There is no concern about transparent advertisement of procurement opportunities by MoHESR and other key implementing agencies.</p>	<p>Procurement notices will be published on the Tunisian Procurement portal of the <i>Observatoire National des Marchés Publics (ONMP)</i>. Ensure that project's staff involved in project's procurement are trained on how to advertise procurement notices on ONMP and client-connections. <i>(By project effectiveness)</i></p>
<p>5. Evaluation and award Contract.</p>	<p>Based on previous experience under PARES I and II, the assessment could not ascertain whether MoHESR would be able to award the contract, within the period of the validity of bids, to relevant bidder.</p>	<p>Ensure project staff are involved in project's procurement have access to relevant training. <i>(By project effectiveness/ throughout project implementation)</i></p>
<p>6. Review of procurement Decision.</p>	<p>Review of procurement decision by HAICOP or Ministerial</p>	<p>Sensitize the relevant procurement committees and controllers on</p>

	committee could be too slow, cumbersome and bureaucratic resulting in bottlenecks.	procurement rules that apply to the project. Provide ad-hoc training on bank procurement procedures. <i>(Throughout project implementation)</i>
7. Contract management and administration.	While MoHESR is quite experienced in this field, there is a doubt about capacity of universities and other implementing agencies in this field especially under the competitive grants.	Ensure timely assistance to new implementing agencies, when needed. <i>(Throughout project implementation)</i>
8. Procurement oversight For MoHESR, procurement oversight is the competent procurement committees and the expenditure controllers. The process may be slow, cumbersome and bureaucratic resulting in bottlenecks.	Excessive prior control by procurement committees will slow down the project implementation.	Sensitize MoHESR Controller and involved procurement committees on the need for simplification of prior review control. <i>(Before and throughout project implementation)</i>

72. **Risk Rating.** The executing agencies have the capacity to carry out and manage the procurement under this project, provided that the recommended actions are taken. This does not apply to the Procurement Plan which should be provided before the approval of the financing. The risk has been rated as “Substantial”.

73. **Procurement Methods**

- **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines.
- **Consultants’ Services.** All consultants’ services required for the Project shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines.

74. ***Particular Methods of Procurement of Goods, Works and Non-consulting Services***

- **International Competitive Bidding.** Goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

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

- a) Limited International Bidding;
- (b) National Competitive Bidding, subject to the following additional provisions:

(i) The eligibility of bidders shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for reasons other than those provided in Section I of the Procurement Guidelines.

(ii) No foreign bidder shall be required to submit a bid in association with domestic firms as a condition for bidding.

(iii) The bidding documents shall clearly set out the bid evaluation process, the award criteria and the bidders' qualification criteria.

(iv) Bidding opportunities shall be advertised on the national procurement portal *Observatoire National des Marchés Publics* (ONMP), with not less than thirty (30) days for bid preparation.

(v) Technical and financial bids are always publicly and simultaneously 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.

(vi) Prior to issuing the first call for bids, a draft standard bidding document to be used under National Competitive Bidding must be submitted to, and found acceptable by the Bank.

(vii) The procedures shall include publication of evaluation results and of the details of the contract awarded.

(viii) Bids shall be evaluated based on price and on other criteria disclosed in the bidding documents and quantified in monetary terms, and no domestic preference or any other kind of preferential treatment for national companies or for goods of national origin shall be applied. The verification of the compliance of bids to the technical requirements set forth in the bidding documents shall not be limited to the technical offer of the bidder which has offered the lowest price.

(ix) The contract shall be awarded to the qualified bidder having submitted the lowest evaluated responsive bid, and no negotiation shall take place.

(x) Each bidding document and contract shall include provisions stating the World Bank's policy to sanction firms or individuals which have engaged in fraud and corruption as set forth in the Procurement Guidelines as well as the Bank's right to inspection and audit; and

(c) Shopping;

(d) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Bank;

(e) Direct Contracting;

- (f) Force Account;
- (g) Procurement from UN Agencies; and
- (h) Community Participation procedures which have been found acceptable to the Bank.

76. ***Particular Methods of Procurement of Consultants' Services***

- **Quality- and Cost-based Selection.** Consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
- **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants' Qualifications; (e) Single-source Selection of consulting firms; (f) Selection of *UN Agencies*; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (j) Single-source procedures for the Selection of Individual Consultants.

Environmental and Social (including safeguards)

77. The project aims to achieve the following social development outcomes: (a) improved employability of graduates through better, adapted programs aligned with labor market needs; and (b) improved equity which will be addressed by improving the quality of programs of young universities. During the identification and preparation stages of the project, events and consultations took place focusing on a series of key technical topics and policies:

- (i) Employability and the entrepreneurial university (event in January 2015; roundtable with employers, November 2014);
- (ii) Performance-based Financing and competitive grants (events in November 2014 and June 2015); and
- (iii) Governance and quality assurance (event in June 2014).

78. These events were organized in collaboration of other partners, including the MoHESR, UTICA (the employers' association) and the British Council and joined by representatives of MoHESR and Ministry of International Cooperation and Investments (MDICI), the private sector, deans, professors and other academics, student and other HEIs representatives.

79. In addition to earlier technical consultations on key higher education reform topics, MoHESR also organized, during the World Bank mission of October 2015⁶⁶, two more consultations on the new project with: (i) presidents and vice-presidents of universities, and (ii) a representative sample of about fifty students from various universities/HEIs within the country, different backgrounds, fields of study, etc. in order to discuss their primary concerns about higher education and employability, and get their feedback on the objectives of TEEP. This event was an

⁶⁶ See Aide Memoire October 2015 mission for details.

opportunity for the World Bank to collect and document useful feedback from stakeholders and to confirm that activities envisaged under the project are addressing priority issues raised by future beneficiaries. Further, MoHESR is currently leading a national consultation involving universities and other stakeholders in which it presents and consults on the new higher education strategy and project.

80. The project is classified category C. The project will only include physical infrastructure activities if those are financed through the PAQ grant mechanism. Those will be limited to civil works for the renovation or modification of existing structures, which will not involve land acquisition, and will therefore not trigger physical or economical displacement, or restriction of access to resources as described under OP4.12. Given the sensitivity of the intervention areas (HEIs), it is highly recommended that the bids include a specific section on the necessary environmental and social safeguards procedures related to civil work such as measures to respect safety, hygiene and health conditions of persons and workers.

81. Previous projects developed a Grievance Redress Mechanism beyond project-level grievance management, which is still in place. The Ministry of Higher Education and Scientific Research (MoHESR) has set up a hotline for citizen grievance as well as an online platform that can be accessed from the Ministry's website (www.mes.tn/?langue=fr). The same website includes a platform for students and teachers for grievances and comments. At university level, offices exist for student affairs and counselling which are in charge of grievance, advice and psychological support. These GRMs will be used to channel project level grievances to the right addressees.

82. The project will benefit all HEIs in Tunisia and will mostly focus on technical assistance and training, with - through the PAQ grants - some provision of equipment and potentially minor renovations (such as upgrade of electrical installations, minor repairs to ensure minimum working conditions, etc.). No construction or land acquisition is planned under the project, and such impacts will be screened out. Minor rehabilitation of buildings may be financed under the component 1.1, related to PAQ grants, under the project.

Monitoring & Evaluation

83. The project Results Framework and Monitoring in Annex 1 will be used as the basis for monitoring and evaluation of the project. The PDO and intermediate outcome indicators will be monitored through official Government data, surveys, and project progress reports produced by the PMU. These reports shall cover the period of one calendar semester and shall be furnished to the Bank no later than 45 days after the end of the period covered by such report.

84. *At the project Level.* The PMU will be responsible for preparing a semi-annual report on the technical, physical, and financial progress of the project, including indicators. As under PARES II, the PMU will work closely with the Bureau for Studies, Planning and Policy (BEPP) which is primarily responsible for collecting, analyzing, and reporting data at the central level; BEPP will provide the data needed to assess the progress of the program and project against the indicators. The BEPP will report to the PMU to ensure smooth and transparent flow of information necessary to monitor and evaluate the progress of the project. This role will require further capacity enhancement of the BEPP.

85. *Monitoring and Evaluation of PAQ activities:* A separate monitoring and evaluation mechanism already exists for the PAQ (described in the PAQ Operational Manual (OPM) used under PARES II) but will be reinforced with PAQ coordinators recruited on a competitive basis for each PAQ window. These PAQ coordinators would be responsible for regularly monitoring the development of the activities which will focus more specifically on: (a) how effectively agreed procedures are being followed; (b) a public expenditure tracking survey and transaction cost analysis; (c) monitoring indicators of pedagogic quality improvement; and (d) a qualitative analysis of changes in organizational behaviors emanating from the operation of the fund. Due to the importance of the PAQ as a tool for higher education innovation, there is support in the project budget to ensure the detailed monitoring and evaluation of the PAQ and to capture key lessons.

86. *At the institutional level:* The monitoring and evaluation system for the project will continue to support the overall monitoring and evaluation system for the entire *higher* education sector. The Government of Tunisia has developed, under PARES II, university information centers (“*observatoires*”) which function as data collection units, similar in function to the BEPP at the MoHESR. Both the BEPP and university observatories currently lack material and human resources to fully play their role. As part of its objective to improve the higher education system, the project will continue to support activities to enhance the capacity of BEPP and observatories through, *inter alia*, the training of staff in data collection and analysis, and the provision of necessary technological tools to produce reliable and usable data.

87. *Data collection:* Data to monitor the project will be drawn from three main sources: (a) *statistical* data from Government annual publications; (b) surveys; and (c) progress reports from the PMU. The BEPP will take the overall responsibility of providing the data needed to analyze the progress of the project, including the statistical data, surveys, and progress reports. The BEPP will be in charge of monitoring the quality of reports and surveys. In some cases, surveys will be used to assess the progress of indicators, such as employers and students surveys on skills.

Annex 4: Implementation Support Plan

Tunisia Tertiary Education for Employability Project

1. The implementation support plan for the project has been developed based on the specific nature of the project activities, lessons learned from past operations in the country and sector, and the project's risk profile in accordance with the Systematic Operations Risk-rating Tool (SORT). The plan will be reviewed once a year to ensure that it continues to meet the implementation support needs of the project.
2. *Strategy and approach for implementation support.* The implementation support strategy was developed based on the current context in Tunisia and on the lessons learned from the previous World Bank-financed project (PARES II).
3. The first year of the implementation will be critical in ensuring that project staff resources and technical capacity are in place to effectively start implementation. In particular, the strengthening of the Project Management Unit (PMU) into a formal structure with clear roles and responsibilities and adequately staffed with qualified technical specialists will be crucial to ensure a smooth start of the project and provide efficient implementation and support to MoHESR, universities and HEIs. In addition, the project will support, based on identified needs, the recruitment on a competitive basis of additional experts to assist the PMU with the implementation of the project fiduciary and technical aspects (in particular the PAQ). The project also include a number of activities to continue building the capacity of staff from universities, HEIs and the central administration in procurement, financial management, planning and monitoring and evaluation, with a view of decentralizing management to universities.
4. In terms of fiduciary support, the Financial Management (FM) specialist is currently based in the field, which will play a vital role in successful fiduciary support. The Task Team will also seek to recruit a local procurement specialist in order to provide continuous local support to the implementing entities. This is particularly crucial as procurement has been assessed as one of the main weaknesses in the previous project (PARES II). World Bank specialists, in collaboration with the Task Team Leader, are expected to provide timely, effective, and intensive support to the client.
5. *Implementation Support Plan.* During the first year, the project will have semi-annual implementation support missions – or more if needed – which will take place in the country. Given the nature of the project, implementation support will involve a high level of technical expertise in many areas of higher education, in particular education financing and competitive funds, in order to ensure high quality and comprehensive support in light of the project design.
6. The project launch mission is scheduled to take place the second semester of calendar year 2016. Regular implementation support missions will follow to support the MoHESR. A comprehensive mid-term review will take place and is also included in the Bank and MoHESR's implementation support plan.

Annex 5: Performance-based Financing (PbF) for Tunisia⁶⁷

Tunisia Tertiary Education for Employability Project

The need to reform public higher education funding

1. Numerous countries work on reforms of public higher education funding⁶⁸ and many of these reforms are targeted at the implementation of “performance-based funding”. The desire to become more performance-oriented is linked to deficiencies of traditional higher education funding in the public sector:

- Decisions on funding are input-based decisions. Funds are being used inflexibly, often they are wasted.
- There is no reward for good performance and no sanction for not performing well. Shifts of funds to high performers could increase overall performance as they could have an important signaling function.
- Funding is not sufficiently linked to the country’s strategic goals. If universities are to contribute to public objectives, the contribution to the attainment of these objective has to be rewarded and incentives have to be created.

2. Tunisia wants to set and follow clear political goals for its higher education sector. This makes it necessary to develop higher education funding mechanisms parallel to and in line with strategic development in higher education. The crucial questions are: Does public funding support strategic developments? Does it set incentives to perform according to the country’s objectives? Should the funding model be developed further and which mechanisms should be used? How could performance-orientation be balanced with other functions of higher education funding?

“Three-pillar-model” as a point of reference

3. There exists a variety of ways to categorize alternative allocation models for funding of higher education institutions. One is the categorization of Ziegele⁶⁹ (2013) who has identified three typical pillars of funding models: 1) basic funding; 2) performance funding; and 3) innovation-/profile oriented funding. Regardless of the diversity throughout the higher education systems and funding models, to a certain extent these three pillars can be identified in most systems. In the following paragraphs, the three pillars will be characterized and illustrated by experiences from European systems.

4. Basic funding can be described as an amount of public funding that remains largely stable over a specific period of time. The purpose of basic funding is to provide predictable and reliable financing which covers the main part of the operational costs and thereby enables HEIs to perform their core tasks. In most European systems, public authorities distribute basic funding to HEIs through block grants. The overall amount of the block grant may be determined in different ways, through negotiation, incrementally on a historical basis, or via a funding formula. The importance of these different elements in determining the overall amount of the block grant varies across

⁶⁷ This note was prepared by Professor Frank Ziegele, Managing Director of the Center for Higher Education (CHE) in Germany and adjusted and expanded for the purpose of the PAD.

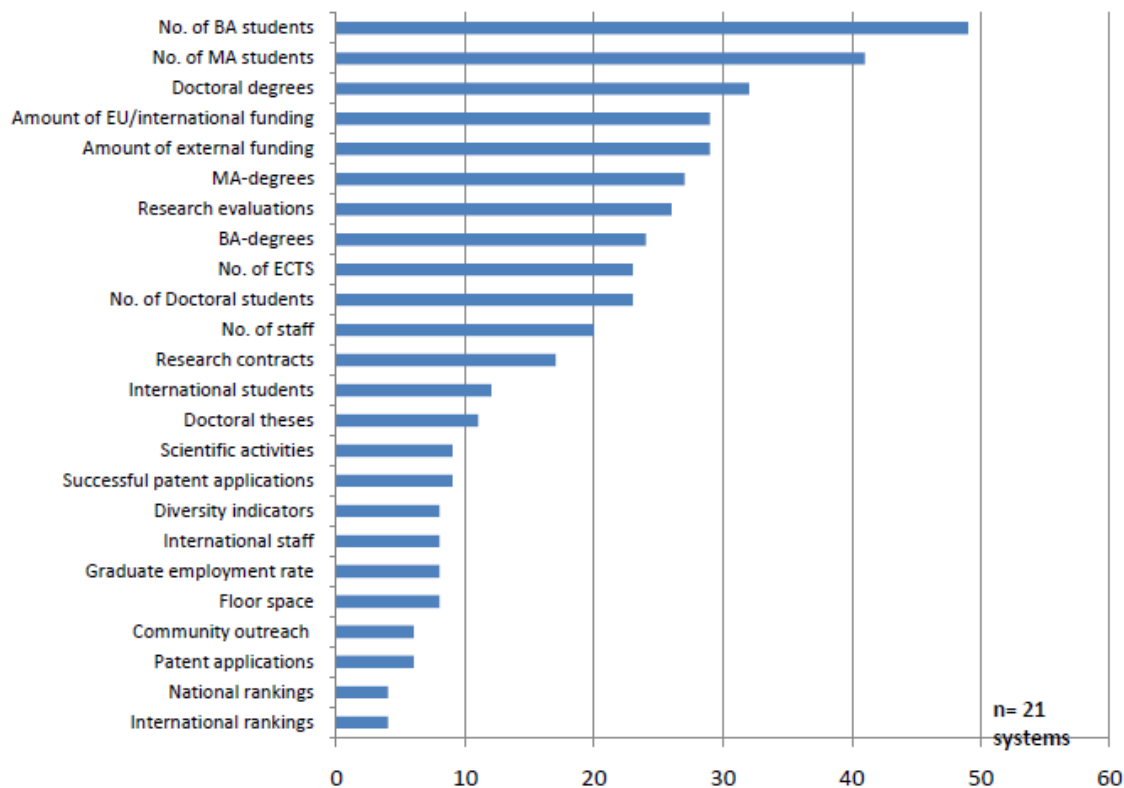
⁶⁸ See e.g. https://www.utwente.nl/bms/cheps/publications/Publications%202010/MODERN_Funding_Report.pdf

⁶⁹ Ziegele, Frank, European Trends in Performance-oriented Funding. In: Leadership and Governance in Higher Education. Vol. 1, 2013.

systems. Incremental funding, where historical allocations play a large role, is clearly being applied less frequently and in many European systems it has been replaced by formula-based approaches with input-oriented indicators. Where funding formulae are used to calculate the block grants, these are largely dominated by input-oriented indicators, namely student numbers (at Bachelor level, then at Master level). The corresponding output-oriented indicators (number of Bachelor and Master degrees conferred), are used less frequently or they have less weight in the formula. Usually, output-oriented indicators are part of the following funding pillar.

5. The main purpose of the performance-based funding is to create financial incentives for HEIs to produce outputs and outcomes in certain areas of their activities by applying formula funding. Performance-based funding arrangements reward HEIs ex post – that is, they reward their past performance. Despite the simplicity in terms of defining it, it seems that performance-based funding is understood very differently. Nevertheless, a majority of systems consider their funding allocation mechanisms at least partially performance-based for teaching (via graduate-related criteria) and partially or mainly performance-based for research, where indicators related to publications and external research funding are normally taken into account (see figure 5.1 with the indicators used in European public funding systems).

Figure 5.1: Relative importance of indicators used in funding formulae in European higher education systems



Source: Estermann, Bennetot Pruvot & Claey-Kulik, 2013, p. 10 Fn.⁷⁰

⁷⁰ Based on predefined list of indicators which were rated by National Rectors' Conferences according to their importance in the funding formulae. The length of the bar indicates the importance of the indicator.

6. The third typical pillar of funding models, innovation-/profile-oriented funding, underscores intentions that are expected to be carried out in the future. Concretely, this type of funding is often utilized under the label of “targeted/earmarked funding”, “competitive funding”, “strategic funding”, “project-based funding”, “excellence initiatives” or “centers of excellence” – to name a few. Regardless of the name, basically all these funding instruments aim to finance and incentivize innovations, research (or teaching) excellence, or the development of institutional profiles, in advance. Innovation/profile-oriented funding can take many forms; e.g. it can be allocated on a competitive basis (such as the “Strategic Innovation Funding” in Ireland, established as a mechanism for institutional restructuring and modernization) or a non-competitive basis directly to HEIs (e.g. Higher Education Innovation Funding scheme in the United Kingdom, which focuses on knowledge exchange). Innovation-/profile-oriented funding includes excellence initiatives (such as e.g. Germany’s “Excellence Initiative”); however, it also includes project funding programs for carrying out strategic research and in this form is found in many European countries.

7. Under performance contracts (also known as ‘target agreements’, ‘performance agreements’), certain goals are agreed between the funding authority and HEIs. They are used in different ways within the funding pillars. In connection with performance contracts, certain objectives, often in line with national strategic priorities and institution-specific missions, are agreed between funding authority and HEIs. If performance contracts are connected with basic funding, they usually do not have to have a direct impact on funding. However, HEIs are then obliged to describe and quantify objectives [in exchange for a] block grant. Those performance contracts would be very broad, based on framework agreements; however, there can also be more detailed contracts, highlighting specific and measurable objectives and targets (Jongbloed et al., 2010, p. 30). In such a case, they would be linked to the third, innovation/profile-oriented pillar. Over the recent years, performance contracts have become a common feature in many European higher education systems. Currently, performance-based contracts are for example used in 15 out of 22 European systems. These contracts have a clear impact on funding allocations for instance in Finland, Austria, Germany and the Netherlands.

8. When overlooking the latest developments of higher education funding models, some clear trends can be observed which confirm our initial statement about the need to reform. First, it is likely that basic funding becomes more dynamic and demand-oriented (rather than supply) through “the money follows student” approach where rewards and incentives are based more on factors related to student enrollment rather than staff numbers or past institutional costs. Second, the relevance and weight of the performance-based funding, including the formula funding, is likely to increase. Performance-orientation sets HEIs incentives for improvement of quality and efficiency, which both are crucial aspects in an increasingly competitive environment. And third, it is foreseeable that the relevance and weight of the innovation-/profile-oriented funding component increases especially in the form of competitive and targeted funding with a special emphasis on innovations and excellence, which both are considered as important prerequisites for regional or national competitiveness. Further, it is likely that performance contracting becomes more widely used within the funding pillars due to the increasing performance-orientation in public funding modalities.

9. The three-pillar-model could be helpful as a point of reference. It gives a good structure to analyze the composition of public funding models. Each country needs a specific method to

operationalize each pillar and to set weights between the pillars; however, no matter what the specification is, the basic structure could be used to find the right country-specific way also for Tunisia. The logic of the three-pillar-model clearly indicates that funding models always need to be balanced in several respects: a balance between stability and incentive-orientation, a balance between ex post rewards for performance and ex ante funding of future innovative developments and a balance between negotiated budgets and funds distributed by quasi-market mechanisms.

10. Finally, one needs to keep in mind that funding models featuring performance orientation also need financial autonomy as a critical precondition. If universities are meant to gear their decisions towards financial incentives, they also need the freedom to allocate funds internally in a flexible and autonomous way.

General process for funding reforms

11. Reforms of a public higher education funding system should take the following path:

- Description of the existing funding system and its components. For Tunisia at least three elements seem to be relevant: the system for basic funding, the pilot on target agreements (2009 experience)⁷¹ and the competitive grant scheme.
- Development of criteria for a good funding system. A discussion between the Ministry and universities should lead to a set of criteria used throughout the further analysis. The criteria should refer to general priorities (regarding stability vs. performance-orientation, and/or other objectives such as transparency and/or the establishment of financial autonomy, etc.), to the coherence of the overall system and to the country's objectives which have to be linked to funding incentives.
- Analysis of the existing system using the criteria. The strengths and weaknesses of the current system have to be identified, defining the starting point for further development.
- Definition of directions for further development. From the analysis of the status quo and from the application of the normative criteria, the directions in which the system has to be developed are derived. The directions have to be aligned with the country's strategy.
- Operationalization of the components of a new funding model. The general reform directions have to be transformed into specific funding instruments which constitute a coherent model.
- Step-by-step implementation of new components. It is advisable not to change a funding system with a "big bang", but to adapt the elements step-by-step. A good approach could be, for example, a pilot project on target agreements or the implementation of a funding formula for a small percentage of the budget (including a plan how to increase the percentage over the years).
- Evaluation of reform. After implementation of the final state of the funding model (and indeed already before) its effects should be carefully monitored and evaluated.

Current state of the higher education financing reform process in Tunisia

12. Relevant aspects for the current state of higher education funding in Tunisia are:

⁷¹ The World Bank financed and evaluation of this experience which distilled learnings for the next phase of financing reform.

- The largest part of funding follows a traditional input-oriented approach.
- A pilot project on target agreements was conducted in 2009. In autumn 2014, a World Bank workshop on experiences with target agreements took place and the experiences from the Tunisian pilot were subsequently analyzed in a report⁷².
- The MoHESR uses a competitive grant scheme to promote specific projects and goals. The grant scheme ('PAQ') was developed under the PARES II, a recently closed World Bank project.
- The Government is about to set strategic goals and targets for the development of the higher education sector. The Tertiary Education for Employability project (TEEP) under preparation is meant to stimulate the development of the higher education sector, especially focusing on the target of employability of graduates.
- Representatives of the Ministry of Finance and the Unit for Program-based budgeting (UGBO) have expressed their interest in the proposed financing reform pilot and would be important partners in this process.⁷³

13. Further stages of a reform process on higher education funding will need to take into account these elements, bring them together and take a pragmatic next step.

Technical stakeholder consultations/workshop as important first step

14. The major objective for a next step should be a systematic strengths and weaknesses analysis of the current financing system that should bring together the results of the evaluation of the target agreement pilot and the experiences with the competitive fund. These are important inputs for future reforms of higher education financing. Decisions about a future pilot (in particular of performance-based financing) need to be made after this first step.

15. The first phase, to be financed under the TEEP, will thus be a one-day event, bringing together Ministry/Government representatives and higher education stakeholders. The event will feature the following:

- Moderated discussion: what means 'a good funding model' in the Tunisian context? Based on a general presentation on the potential criteria to assess funding models (by European/international higher education funding expert), a moderated discussion will lead to joint conclusions for criteria in line with international experience and appropriate for the Tunisian context. A statement by the Ministry on relevant objectives to be potentially supported through the funding model will provide an important input.
- Presentation of experiences with the existing funding components and of the report on the target agreement pilot (short presentations from different perspectives). Discussion on strengths and weaknesses as perceived by participants. The outcome should be an overview and an assessment of the current system.
- Directions for further developments ("the further development of the funding model should lead to...") will be distilled from workshop discussions.

⁷² Author of this report was Don Westerheijden from the Center for Higher Education Policy Studies (CHEPS) in the Netherlands.

⁷³ See Aide Memoire of the October 2015 mission.

- Discussion on next steps (serving as an input for Ministry decision) followed statement of the Ministry.

16. Following the analysis of strength and weaknesses of the current model of higher education financing and the criteria for a new and appropriate funding model to support the strategic objectives of the sector, a new funding model will be developed. This process would be accompanied by close consultations with the Ministry and universities (and other entities). This model would subsequently be tested in a pilot (for further detail see Annex 5b).

Implementation arrangements

17. The implementation of performance-based financing (developing of model, pilot, roll-out) will be funded by a dedicated sub-component under the TEEP, Component 2. The implementation arrangements will be as follows:

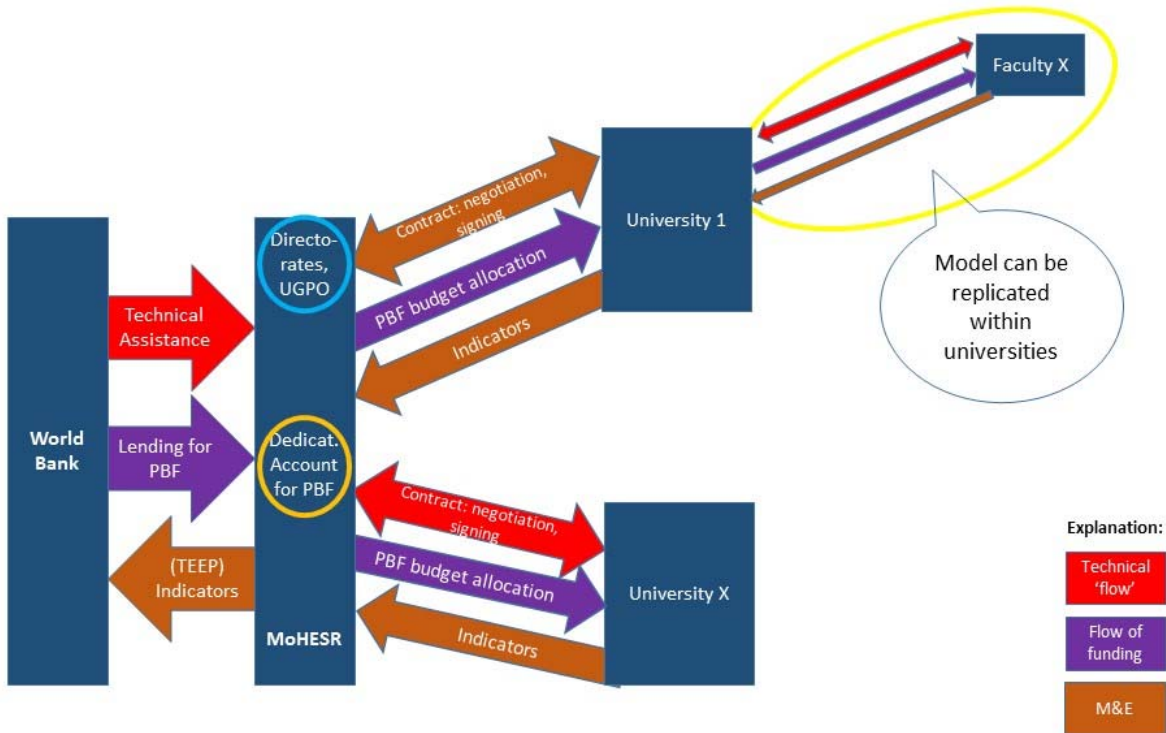
- **Technical Assistance:** The development of the PbF model, including draft contract and guidelines/procedures tailored to the Tunisian situation would be developed through sectoral consultations involving MoHESR, universities and where appropriate Ministry of Finance and other stakeholders. The process will be accompanied by a Technical Assistance by the World Bank. Due to its specific nature, this technical work demands international expertise acquired through sectoral work in other Middle Income Countries (MICs) and High Income Countries (HICs) and wouldn't lend itself to be commissioned to a consulting company. The World Bank will assemble a team of European and international experts which would bring the necessary international experience to the table.
- **Staffing:** The World Bank will work on this sub-component with the respective Directorates at MoHESR, the PMU (Project Implementation Unit) and the UGBO (the Unit in charge of management based on objectives). However, it might be necessary to support the work through a dedicated consultant at the level of PMU (which, however, would not need to be full-time equivalent) once the main phase of this sub-component starts.
- **Flow of funds:** While by the nature of the funds, PbF under the TEEP loan would appear primarily as budget support to the Government, there will be minor costs associated with PbF workshops and consultation meetings, and the main part of the funds will be used to phase in the model, i.e. to support the performance component. As a TEEP activity, the PbF would use the TEEP designated account, i.e. PbF budget would be on the project designated account before being transferred into university accounts. The model will define if these transfers occur in the university budget as lump-sum payments (which would be advisable). The model will also define the eligibility of expenditures to be financed under TEEP.
- **Disbursement of funds to universities:** It would be advisable for MoHESR to set up a task-force for PbF consisting of the entities mentioned above (respective Director Generals, PMU, UGBO and BEPP with a view to data supporting PbF reporting). The task-force would be in charge of verifying that the targets (criteria laid down in respective performance agreement between MoHESR and university) are met and the funds can subsequently be disbursed. In addition to the task force, an independent verification agent,

with solid financial management / audit experience but also technical skills in higher education, would be recruited to verify: (i) the achievement of performance according to established criteria; and (ii) the amount to be financed by the PbF, including eligibility of expenditures.

18. For an overview of implementation arrangements, see Figure 5.2.

Figure 5.2: Performance-based Financing (PbF) in Tunisia – Overview Implementation Arrangements

Performance-based Financing (PbF) in Tunisia – Overview Implementation Arrangements



Annex 5a: Example Structure Performance Agreement⁷⁴

Tunisia Tertiary Education for Employability Project

Performance contract between the University X and MoHESR (201X – 20YZ)

1. Preamble

The performance contract intends to bring the national objectives for the Tunisian higher education sector “to life” through stimulating the universities to engage for these objectives. But at the same time they want to stimulate institutional strategic planning and the development of university profiles. This means the contracts play a coordinative role in national and institutional strategies. All this is supported by connecting a financial “innovation pool”⁷⁵ to the objectives. The contract will turn objectives into clear and controllable/measurable targets. The performance contract should promote the dialogue between ministry and universities on the level of objectives and output/outcome, adding a performance element to traditional [...] funding, and it should legitimize the allocation of public resources through transparency of funding criteria.

University [X] and MoHESR share this understanding of performance contracts and will contribute to the realization of these objectives.

2. National objectives in Tunisian higher education

In the period 201X – 20YZ, the major national objectives and priorities of the Tunisian Government for the performance contracts include the following: [XXX]

These objectives define the boundaries and the general framework for institutional strategies of Tunisian universities. MoHESR and University [X] agree to promote the autonomous development of strategies and a profile of University [X]. The boundaries defined by the national priorities will leave sufficient discretion for autonomous target setting of the university.

Not each university could contribute by the same degree to different goal areas. Depending on the strengths and strategies of University [X], it should prioritize the national goals, mention the objectives it wants to focus on, and if necessary add specific goals relevant on the institutional level.

3. University profile

In the period 201X – 20YY, the major objectives and priorities of University [X] according to the specific development of a profile include the following: [XXX]

4. Prioritization of objectives by University X

Based on the institutional strategy, the national objectives (and if relevant for the profile additional compatible goals) are prioritized in the following way:

⁷⁴ Example has been adjusted from World Bank Higher Education Financing work for the Government of Latvia: http://viaa.gov.lv/files/news/24067/lv_hef_r3vsub_190922014_c_final.pdf p. 63-66

⁷⁵ In the Tunisian context, the current competitive grant scheme (‘PAQ’) could be transformed into the “Innovation Pool” within the performance-based financing model which would thus make competitive and target-oriented funding sustainable.

Objectives	Degree of priority (A-B-C)	Explanation (regarding the situation of the university)

The A-priorities form the major part of this contract.

5. Operationalization of objectives and status quo analysis

Each of the top priorities of University [X] has to be operationalized by breaking it down to sub-goals and their measurement:

Priority 1: XXX	
Sub-goal	Indicator/measurement (including exact operationalization how to measure, which data to use, etc.)

Priority 2: XXX	
Sub-goal	Indicator/measurement (including exact operationalization how to measure, which data to use, etc.)

Out of the proposed indicators, the following indicators will go into the funding formula: [XX]

For all indicators/measurements used the status quo looks like the following:

Indicator/measurement	Available data within last 3 years	Interpretation/explanation of current situation

6. Performance obligations of University X

The intention of University [X] is to achieve substantial developments, improvements and changes in the priority areas. The indicators provide the relevant information to assess these developments. University [X] and MoHESR agree to set the following targets for the contract period:

Indicator/measurement	Target	Timeline for achieving target

7. Activities and measures to realize the objectives

University [X] will undertake the following activities and measures to realize the objectives:

- XXX

The description of the activities intends to make the efforts of University [X] to achieve the goals plausible and understandable. The realization of certain activities does not indicate performance and will not be controlled as success criteria within this contract. University [X] will adapt activities (and report the adaptation) within the funding period if better ways to achieve the goals are discovered.

8. Financial support and incentives for achieving the targets

MoHESR financially supports the activities to achieve the objectives from an “innovation fund” (not all objectives require additional funding):

Activity	Contribution to goal achievement	Funding (Year 1, 2, 3)

The achievement of the targets in paragraph 6 is measured and rewarded/sanctioned by the following mechanism: [XXX] (there are alternatives for incentives: reward/sanction according to achieved percentage of targets, measurement after year 2 and cut of funding for year 3 if goals are not achieved, etc.).

Annex 5b: Guidelines for a performance agreement⁷⁶

Tunisia Tertiary Education for Employability Project

1. **Role of the guidelines:** Performance agreements (also performance contracts or target agreements) are based on trust between the contract partners. Trust is jeopardized if the partners have different ideas about the function and the right way to deal with the contracts and if these differences emerge during the process. The consensual definition of the “rules of the game” should guarantee that everyone could rely on a common notion about performance contracts. The contract partners (MoHESR and higher education institutions) should regard the rules as binding guidelines for the steps taken and the behavior in the process. In each phase each partner could remind the other of the rules set. Both partners of a contract should be aware that it takes many steps to build trust in such a process, but one mistake is enough to destroy it. It is extremely important that both sides see the objectives in the performance contract as an obligation; contracts must not be broken.

2. **Objectives and role of the performance contracts in Tunisia:** The performance contracts intend to bring “to life” – together with the formula in pillar 2 – the national objectives for the higher education sector through stimulating the universities to engage for these objectives. But at the same time they want to stimulate institutional strategic planning and the development of university profiles. This means the contracts play a coordinative role in national and institutional strategies. All this is supported by connecting a financial “innovation pool” to the objectives (pillar 3 of state funding). The performance contracts will turn objectives into clear and controllable/measurable targets. They should promote the dialogue between ministry and universities on the level of objectives and output/outcome, and they should legitimize the allocation of public resources through transparency of funding criteria. As innovative processes take time, performance contracts should also lead to a multi-year funding perspective. A period of three years seems to be adequate. The performance contracts should refer to the whole set of performances, teaching, research and third mission activities.

3. **Strategy base:** The idea of performance contracts is based on negotiations between the ministry and the individual university about objectives. The objectives have to be derived from strategies of both sides. The national strategy should set the corridor in which the individual university has the discretion to move according to the institutional strategy. Even in a situation without perfect national strategies the contract process could be started by defining a strategic orientation at least for the contractual period. In the end, this does not mean that a university has to pick up all of the strategic items; universities should prioritize according to their profile and strategic focus and select areas where they could make the best contributions to national goals.

4. **Steps in the contract process:** The following steps of the contract process are derived from experience (and could be adapted to the specific situation in Tunisia):

- Ministry and universities agree on rules of the game

⁷⁶ Like the model contract under Annex 5a, the Guidelines have been adapted from the World Bank Higher Education Financing work for the Government of Latvia: http://viaa.gov.lv/files/news/24067/lv_hef_r3vsub_190922014_c_final.pdf which was also informed by previous and ongoing World Bank financing work for the Government of Croatia. They serve as an example only. The Guidelines (‘Rules of the Game’) for Tunisia will need to be jointly developed by MoHESR and the universities.

- Ministry communicates broad national objectives, sets up all relevant processes, and defines timelines for the following steps
- Ministry sends an offer to universities to start negotiations on performance contracts, defining formal structure/format of the contract
- Each university develops a contract draft in an internal participative process and sends it to ministry
- Ministry analyzes all drafts from universities, compares the drafts, and develops a negotiation position
- Negotiation, separate with each university (meeting, discussion of positions)
- Revision of contract drafts by universities
- Agreement (if necessary additional meetings, exchange of papers)
- Signing and publishing of the contract
- Allocation of budget
- Workshop with ministry and all universities on experiences with the instrument, conclusions for the next round
- Controlling, report by each university
- Annual meeting with each university, if necessary revisions of contract
- Financial rewards/sanctions

5. **Partnership and division of rights:** Performance contracts intend to stimulate negotiations between autonomous partners. However, even in a situation of university autonomy an asymmetry remains in the partnership: the ministry provides the public budget and the university wants to receive it. In order to guarantee a respectful partnership, there should be clearly divided rights to do specific items in the contract process (establishing a top-down/bottom-up process).

Only the ministry has the right to do the following:

- Take all measures to guarantee that the process stays in line with the legal requirements.
- Define general national objectives as a framework to the development of individual strategies and profiles of autonomous universities.
- Define the steps of the contract process and set schedules.
- Collect the necessary data from the universities.
- Only the university has the right to do the following:
- Develop autonomously an institutional strategy within the general framework of national objectives.
- Make the first draft of the performance contract⁷⁷.
- Suggest measures that have to be taken to realize the intended objectives.
- Make the first suggestion for university-specific indicators and aspired indicator values.

6. **Procedural and funding rules and mechanisms:**

- In general, the signing of contracts by universities is voluntary. If a university does not provide a draft for a contract, it will receive no funding from the third pillar.

⁷⁷ Within the framework of an agreed, standardized format (see later section on format).

There is only one obligatory element: The definition of institution-specific indicators that go into the funding formula.

- The performance contracts should run for three years, with talks and possibilities for revision every year.
- The funding from the innovation pool should be linked to the degree of aspiration and also to the level of attainment of objectives. This means that it has to provide pre-funding according to the level of future objectives and to specific measures to be taken, and it has to define rewards and sanctions if targets are met or missed.
- The contracts are signed by the rector (university president) and the minister. They are published on the internet.
- The targets have to be measurable/controllable (by indicators, by yes/no). Yearly reports and discussions should be used to analyze the reasons behind the development of indicators. All targets should be performance-/output-/outcome-oriented.
- Targets could only be interpreted on the basis of a status quo analysis. This should be provided in the performance contract.
- Activities and measures taken by the universities could appear in the contracts (and in reports) if the universities want to present them. Their description is helpful in order to generate trust that performance targets could really be achieved. But they are not linked to the assessment of success of the university; the success parameters are the performance indicators. The universities should have the flexibility to change measures within the contract period if they find better ways to achieve the goals. Sometimes the borderline between activities and goals is not perfectly clear; for example, is quality assurance through international accreditation just an activity or already a goal? Here the system has to stay flexible.

7. **Format:** For the performance contracts, there should be a standardized format that guarantees that certain standards are fulfilled:

- The contracts should be focused on a few priorities and not all aspects of university activities.
- The contracts should provide measurements and a controlling approach which focus on performance/output/outcome; they should not see the fact that money is spent for the predefined purposes as a success factor.

These standards lead to the grid for performance contracts presented in Annex 5a. This could provide a general structure for contracts to be used by all universities. There should be some discretion in handling this structure for the university; the way of using the structure could adapt to the culture practiced in each of the universities, without losing the “storyline” and the level of specification defined in the format.

Annex 6: Economic Analysis

Tunisia Tertiary Education for Employability Project

1. The economic analysis of the TEEP is based on a cost-effectiveness analysis that emphasizes the project's main objectives of improving graduate employability and modernising management. The project's advantages are two-fold, with both an individual and sector level.

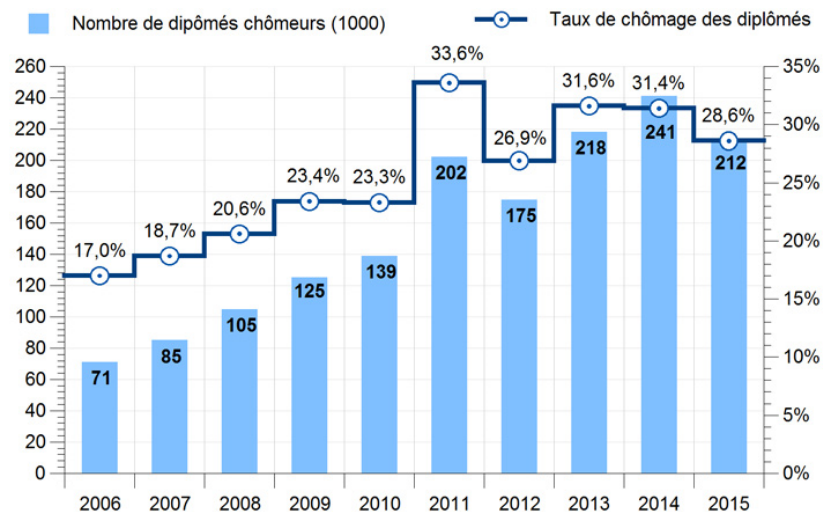
1.1 Advantages for beneficiaries

2. The urgent need to improve the employability of higher education graduates became obvious in the late 2000s as the system expanded and the number of graduates reached a peak of over 86,000 in 2010 before dropping to approximately 60,000 today. This resulted in a two-fold increase in the graduate unemployment rate, which exceeded 30 percent from 2011. The issue of the employability of higher education graduates is the main challenge facing the higher education system, which needs profound restructuring at all levels, including training, research, governance, organisational management and student life.

High unemployment and low employability

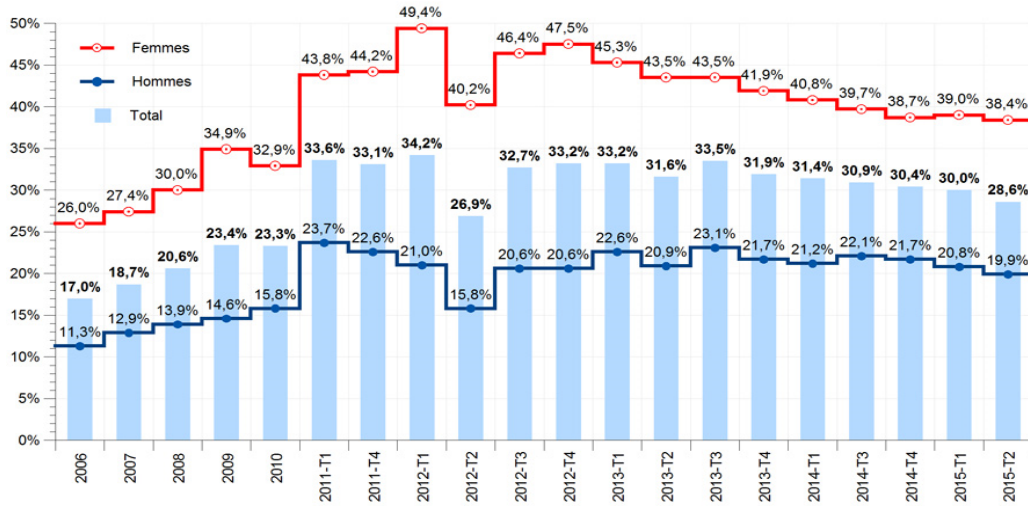
3. Many indicators from various surveys show the low employability of higher education graduates, which results in a greater level of unemployment for higher education graduates, which rose from 17 percent in 2006 to 31 percent in 2014, before regressing to 28.6 percent in 2015 (Figure 6.1). The number of graduates rose by a factor of 3.4 within 8 years, rising from 71,000 in 2006 to 241,000 in 2014, before dropping to 212,000 in 2015. While unemployment rates are much higher among women than men, changes in unemployment rates over time followed a similar pattern for both men and women (Figure 6.2).

Figure 6.1: Changes to the number of unemployed higher education graduates and the graduate unemployment rate (2006-2015)



Source: data from the Tunisian Institute of Statistics (INS), Employment Surveys

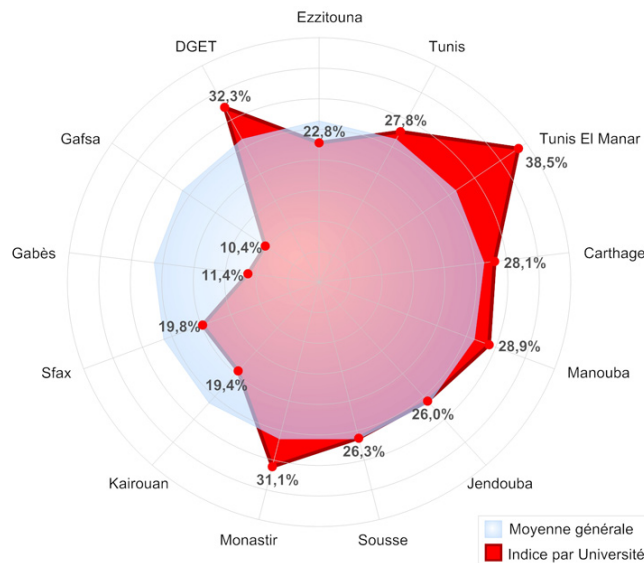
Figure 6.2.: Changes to the higher education graduate unemployment rate (2006-2015)



Source: data from the Tunisian Institute of Statistics (INS), Employment Surveys

4. A recent survey⁷⁸ carried out with 52,250 higher education graduates showed interesting results concerning the employability index for higher education graduates (Figure 6.3). The employability index is calculated based on the career path of graduates after receiving their degree. The index is at 22.8 percent when all 52,250 graduates surveyed are taken into account. Over three quarters of graduates have no professional experience. With regard to university distribution, the survey results show that the index exceeds 30 percent for graduates from Tunis El Manar and Monastir Universities and ISET technical institutes but is less than half the national average for graduates from Gafsa and Gabès Universities.

Figure 6.3: Employability index by University

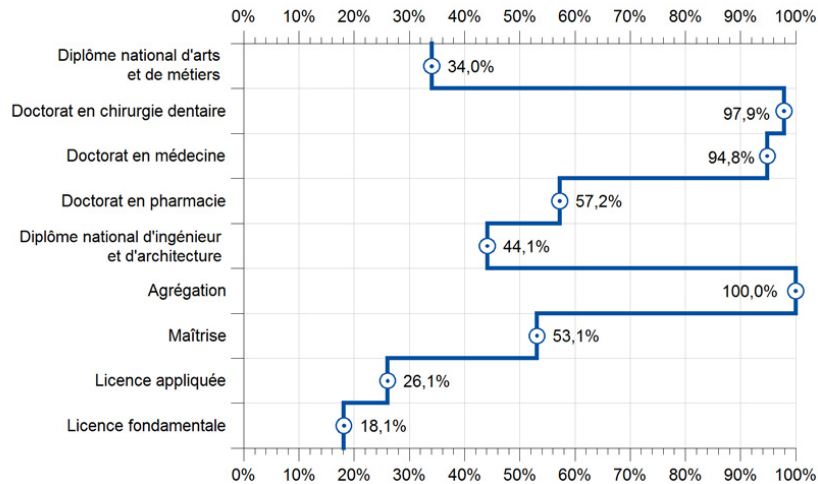


Source: MFPE Survey, 2015

⁷⁸ Full Technical Title: “Higher Education Graduate Career and Insertion Tracer Survey Information System”

5. Distribution by degree category (Figure 6.4) shows that graduates with a Bachelor degree, particularly a “fundamental licence” Bachelor degree (*licence fondamentale*) have greater problems finding work:

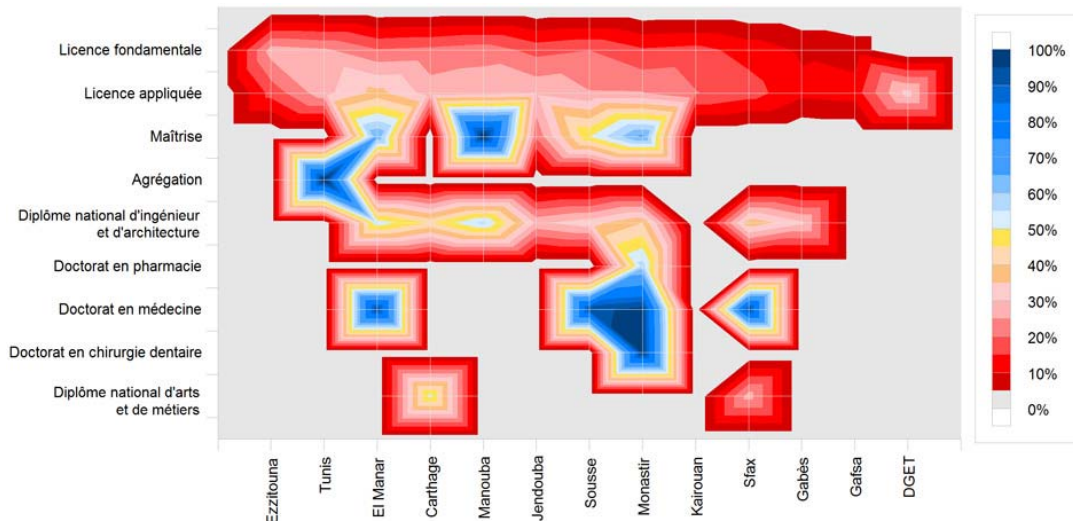
Figure 6.4: Employability index by degree category



Source: MFPE Survey, 2015

6. Figure 6.5 illustrates the distribution of the employability index by university and degree category. It shows that although the index is low for most Bachelor graduates, the highest rates are recorded in Kairouan, Sfax, Gabès and Gafsa. Similarly, engineering graduates from Sfax and Gabès have lower indexes than graduates from other universities:

Figure 6.5: Employability index by University and degree category

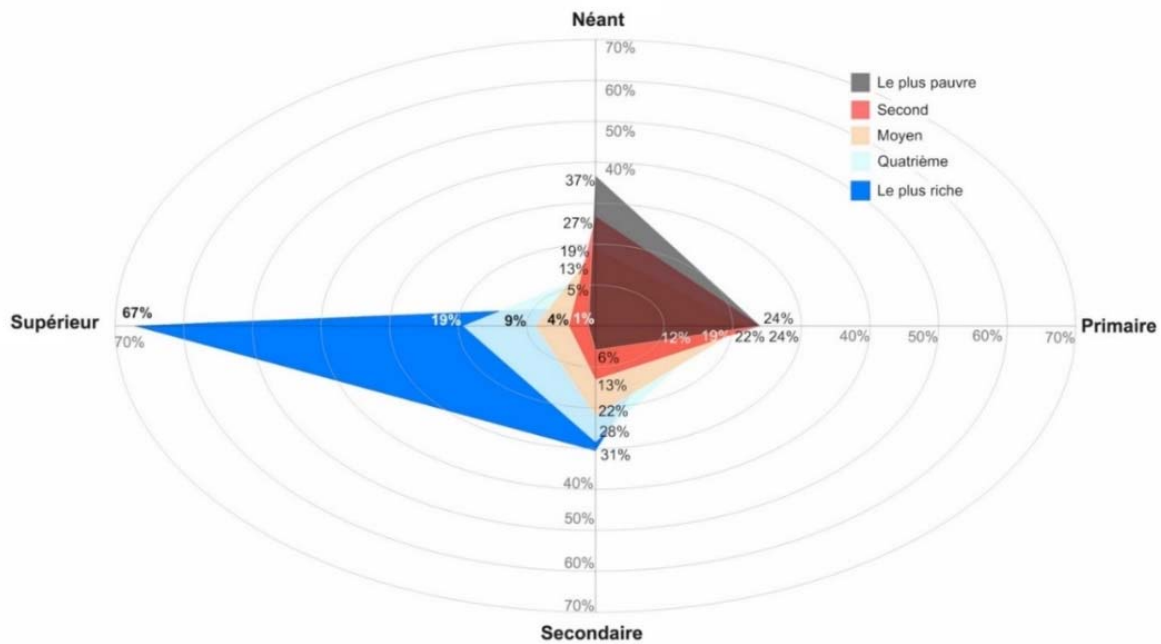


Source: MFPE Survey, 2015

Measuring economic benefits

7. The main economic benefit of education is greater productivity for those receiving training. By investing in higher education, students can increase their productivity and therefore their income. Various indicators show that people who have attended higher education have a more successful career, a higher salary and better living conditions. Data from the latest MICS 4 survey shows that over two thirds of households from the richest quintile are managed by someone with a higher education background (Figure 6.6). This proportion is 1 percent for illiterate heads of households.

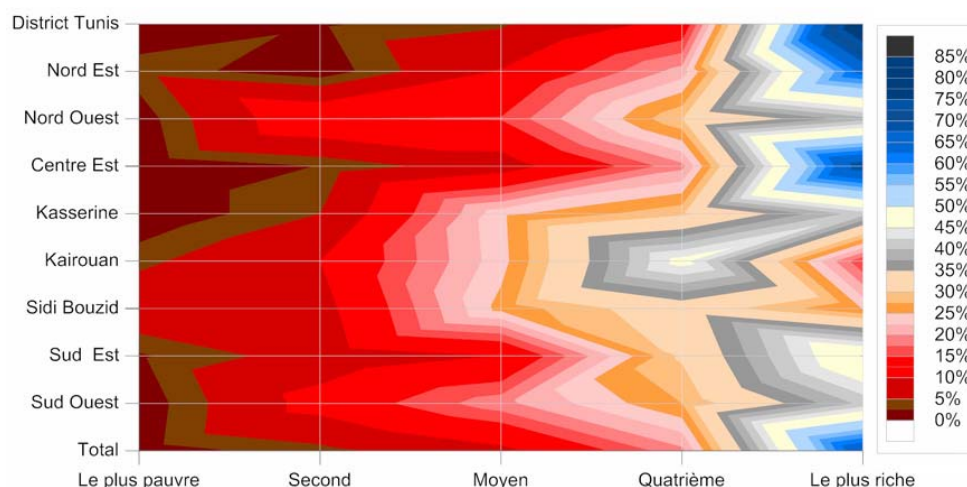
Figure 6.6.: Distribution of households by wealth quintile according to the educational level of the head of household



Source: data from MICS 4, 2012

8. This is a reality in all the country's regions. Nevertheless, it is important to note that the social climbing role of education is less pronounced in rural areas. Although 82 percent and 71 percent of the richest households have head of households with a higher education background in the Grand Tunis and Centre-West regions respectively, this proportion is only 15.3 percent in Kairouan, 25 percent in Sidi Bouzid and 39 percent in the North-West, as illustrated in Figure 6.7.

Figure 6.7.: Distribution of households by wealth quintile according to the educational level of the head of household and the region



Source: data from MICS 4, 2012

9. For the purposes of this analysis, this “higher education premium” is estimated on the basis of the following assumptions:

- The difference in productivity between people who have attended higher education and others is equivalent to the difference in income;
- The difference in income is calculated by the difference in salary between someone with a higher education background and others;
- Difficulties and ease entering the labor market are considered on the basis of the results of the latest 2015 employment survey.

10. The most recent data obtained concerning salary distribution per degree category and educational level comes from the survey into salary structure carried out by the CRES (Centre for Research and Social Studies) and the International Labor Organisation in 2011. This survey used a sample of 336 private companies and 2,042 employees. The data collected was extrapolated to the parent population of 47,000 companies selected using the National Social Security Fund employer and employee declaration file. Tables 6.1 and 6.2 show the main results:

Table 6.1.: Distribution of average salary by educational level (April 2011)

(in TND)	Net basic salary	Regular bonuses	Benefits in kind	Overtime	Total salary
Men	525.9	71.7	6.7	10.5	614.8
None	372.9	20.2	5.5	22.6	421.1
Primary	373.8	44.0	2.4	7.0	427.3
Secondary	468.7	64.0	6.6	12.8	552.1
Higher education	1,057.4	174.1	15.8	5.2	1,252.5
Women	408.0	39.8	6.4	4.4	458.5
None	351.0	61.4	31.8	3.0	447.1
Primary	324.3	26.9	5.8	3.7	360.6
Secondary	358.7	28.4	2.5	5.6	395.2
Higher education	684.0	84.7	10.8	2.8	782.3
Total	482.5	60.0	6.6	8.3	557.3
None	367.8	29.9	11.7	18.0	427.2
Primary	356.3	38.0	3.6	5.8	403.7
Secondary	426.0	50.2	5.0	10.0	491.2
Higher education	909.0	138.5	13.8	4.2	1,065.6

Source: results of the survey into salary structure, Tunisia 2011, Centre for Research and Social Studies (CRES) and the International Labor Organisation, October 2012

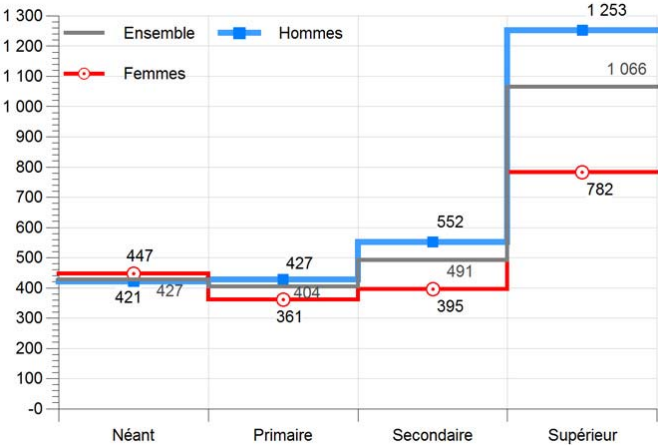
Table 6.2.: Distribution of average salary by degree category (April 2011)

(in TND)	Net basic salary	Regular bonuses	Benefits in kind	Overtime	Total salary
Men	525.9	71.7	6.7	10.5	614.8
No qualifications	398.2	43.8	4.6	11.7	458.3
Vocational training	505.6	77.3	7.3	11.3	601.4
Baccalaureate	616.9	77.3	0.8	12.6	707.5
Technical certificate	779.8	291.4	3.5	5.3	1,080.0
Bachelor or Master's degree	1,257.4	127.2	15.0	1.7	1,401.4
Engineering school	1,749.8	374.9	65.0	4.0	2,193.6
Women	408.0	39.8	6.4	4.4	458.5
No qualifications	331.5	31.1	6.4	5.5	374.4
Vocational training	402.7	23.3	0.6	2.1	428.6
Baccalaureate	410.3	69.4	5.0	1.6	486.3
Technical certificate	585.9	33.7	7.2	3.1	629.8
Bachelor or Master's degree	870.0	104.7	15.6	2.8	993.1
Engineering school	862.5	101.9	13.0	0.0	977.4
Total	482.5	60.0	6.6	8.3	557.3
No qualifications	374.3	39.2	5.3	9.5	428.3
Vocational training	470.6	59.0	5.0	8.1	542.7
Baccalaureate	503.7	72.9	3.1	6.6	586.3
Technical certificate	700.2	185.7	5.0	4.4	895.3
Bachelor or Master's degree	1,101.5	118.2	15.2	2.1	1,237.0
Engineering school	1,670.4	350.4	60.3	3.7	2,084.8

Source: results of the survey into salary structure, Tunisia 2011, Centre for Research and Social Studies (CRES) and the International Labor Organisation, October 2012

11. The following conclusions can be drawn from the survey results: (a) there is only a significant salary increase from higher education level: there is a 15 percent difference in salary between an employee without qualifications and an employee with a secondary school education, but a 150 percent increase for someone with a higher education level, (b) disparities between men’s and women’s salaries increase with the education level, (c) an engineering degree pays much better than Bachelor or Master degrees (see Figure 6.8). An engineer’s salary is almost five times higher than an employee without any qualifications.

Figure 6.8.: Total monthly salary by education level (April 2011)



Source: data from the Tunisian Institute of Statistics (INS), Employment Surveys

12. The following assumptions were also used to calculate economic profitability:

- The results of the 2011 survey were updated to reflect 2015 conditions, with an annual appreciation of 5 percent⁷⁹. The reference salaries adopted (annual salary) by education level are as follows:
 - Incomplete secondary education: TND 7,910
 - Secondary education: TND 8,560
 - Incomplete higher education: TND 10,440
 - Higher education: TND 18,520
- Salaries increase with seniority by around 3 percent over the first 15 years and 1 percent after this.
- Higher education candidates are selected from people who have obtained the Baccalaureate. These young people are 19 years old on average and can seek employment with a gross annual income of approximately TND 8,560. By continuing onto higher education, these young people can apply to other jobs where they can earn significantly more, with a 22 percent increase if they do not finish their studies or double if they successfully graduate.
- Young people who choose to go onto higher education have a 75 percent chance of obtaining a degree after an average of 4 years of study. Those who stop their studies earn 56 percent of a graduate’s income.
- The average unit cost of higher education in Tunisia is approximately TND 4,450, taking into account operating and investment costs.

⁷⁹ Full Technical Title: “Higher Education Graduate Career and Insertion Tracer Survey Information System”

13. The major goal of the TEEP is to improve the employability of tertiary education graduates; however, improving employability does not necessarily result in less unemployment as the economic context also plays a decisive role. Nevertheless, it is assumed that all things being equal in a constant economic context, improving employability results in less unemployment. For the purposes of this analysis, it is assumed that the graduate unemployment rate will be halved, from 30 percent without the project, to 15 percent after project completion.

14. In addition, the TEEP will make a substantial contribution to improving the quality of higher education, which could result in a better higher education completion rate due to improved internal efficiency.

15. For the purposes of this analysis, it is assumed that the completion rate will increase by 15 percent from 70 percent to 85 percent following completion of the project. The TEEP will improve management capacity and optimise resources and distribution, which could reduce higher education unit costs. Nevertheless, it is assumed that the new performance-based funding system will bring in additional revenue that could increase unit costs by around 5 percent.

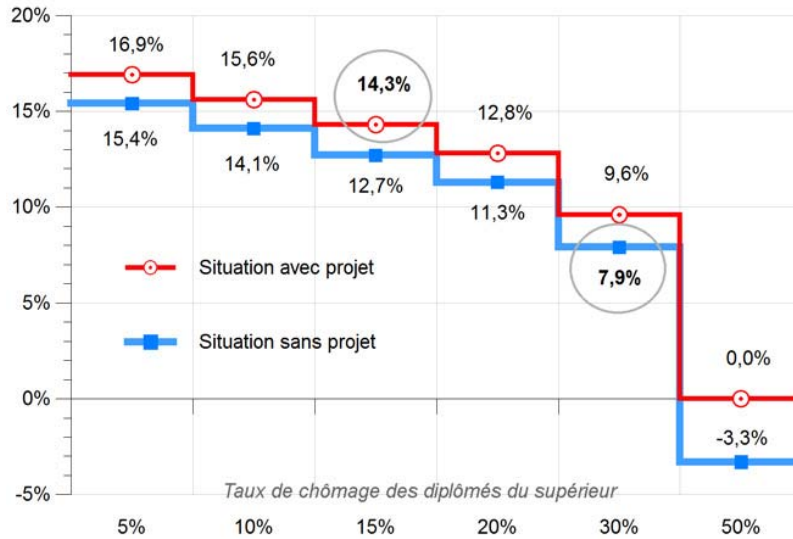
16. Table 6.3 shows a breakdown of the higher education economic profitability ratio for two scenarios (with and without the project):

Table 6.3.: Higher education: economic profitability ratio

	<i>Without project</i>				<i>With project</i>			
	<i>Direct cost</i>	<i>Opportunity cost</i>	<i>Profit</i>	<i>Net cash flow</i>	<i>Direct cost</i>	<i>Opportunity cost</i>	<i>Profit</i>	<i>Net cash flow</i>
Year 1	4,450	6,848		-11,298	4,672	6,848		-11,520
Year 2	4,450	7,053		-11,503	4,672	7,053		-11,725
Year 3	4,450	7,265		-11,715	4,672	7,265		-11,937
Year 4	4,450	7,483		-11,933	4,672	7,483		-12,155
Year 5		7,707	11,267	3,560		7,707	14,712	7,004
Year 6		7,939	11,605	3,667		7,939	15,153	7,214
Year 7		8,177	11,953	3,777		8,177	15,608	7,431
Year 8		8,422	12,312	3,890		8,422	16,076	7,654
Year 9		8,675	12,681	4,006		8,675	16,558	7,883
Year 10		8,935	13,062	4,127		8,935	17,055	8,120
Year 11		9,203	13,454	4,250		9,203	17,567	8,364
Year 12		9,479	13,857	4,378		9,479	18,094	8,614
Year 13		9,764	14,273	4,509		9,764	18,636	8,873
Year 14		10,057	14,701	4,645		10,057	19,196	9,139
Year 15		10,358	15,142	4,784		10,358	19,771	9,413
Year 16		10,669	15,596	4,927		10,669	20,365	9,696
Year 17		10,776	16,064	5,289		10,776	20,976	10,200
Year 18		10,883	16,546	5,663		10,883	21,605	10,721
Year 19		10,992	17,043	6,050		10,992	22,253	11,261
Year 20		11,102	17,554	6,452		11,102	22,921	11,818
Year 21		11,213	17,729	6,516		11,213	23,150	11,937
Year 22		11,325	17,907	6,581		11,325	23,381	12,056
Year 23		11,439	18,086	6,647		11,439	23,615	12,176
Year 24		11,553	18,267	6,714		11,553	23,851	12,298
Year 25		11,668	18,449	6,781		11,668	24,090	12,421
Year 26		11,785	18,634	6,849		11,785	24,331	12,545
Year 27		11,903	18,820	6,917		11,903	24,574	12,671
Year 28		12,022	19,008	6,986		12,022	24,820	12,798
Year 29		12,142	19,198	7,056		12,142	25,068	12,926
Year 30		12,264	19,390	7,127		12,264	25,318	13,055
Profitability ratio:			7.9 %		Profitability ratio:		14.3%	

17. This analysis draws attention to an important lesson concerning the economic profitability of higher education. The sector's economic profitability is dependent on the employability of graduates and their ability to enter the labor market and improve their living conditions. The sensitivity test (Figure 6.9) shows that even if the sector's internal efficiency is improved, this education level is no longer economically profitable beyond the 20 percent graduate unemployment rate.

Figure 6.9.: Sensitivity test: graduate unemployment rate and economic profitability of higher education



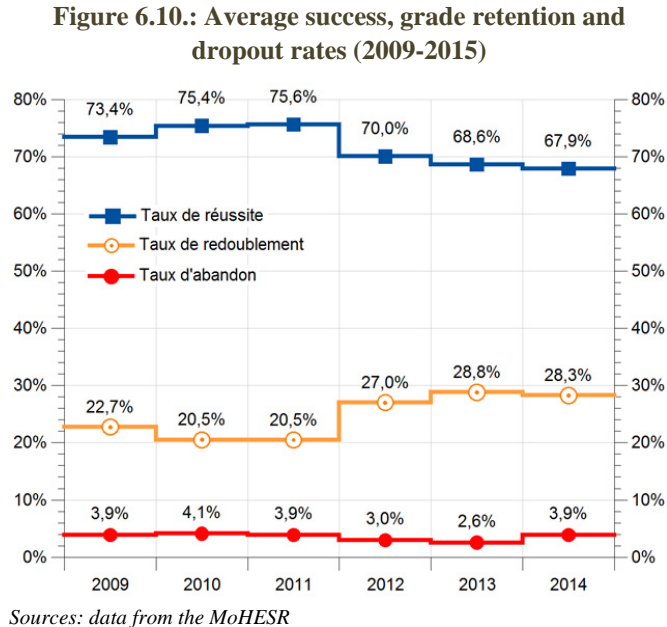
1.2 Economic benefits for the sector

18. The TEEP primarily seeks to improve higher education employability. It also aims to modernise higher education. At least two benefits for the sector can be identified on this topic:

- More efficient spending. The new performance-based system will no doubt boost research and improve management and scientific performance. This will result in more rational spending and better internal system efficiency.
- More diverse funding sources. The planned reforms will open universities and educational institutions up to businesses and help them to better generate their own revenue.

Greater efficiency

19. Higher education performance, as expressed through success rates, seems to have fallen in recent years. As shown in figure 6.10, the average success rate fell from over 75 percent in 2010 to under 68 percent in 2014 with a higher grade retention rate (the average grade retention rate rose from 20.5 percent in 2010 to 28.3 percent in 2014) and a stable dropout rate. This drop in performance particularly affected some subjects and specialities, such as literature, law, mathematics and statistics, social sciences and physics. The following figure illustrates changes to the overall success rates according to the field of study:



20. For the purposes of this analysis, the impact of the TEEP on improving system performance is expressed by a 50 percent drop in the grade retention and dropout rates by 2021. The inherent benefit of this target is especially clear after the project implementation period. During the project implementation period, the most obvious direct economic benefit is the money saved on public spending due to 25,000 fewer students repeating a grade each year, which represents savings of over TND 110 million each year, i.e. a 9 percent decrease in funding requirements. But the real economic benefit is felt both in terms of the cost of issuing a degree (approximately 7,000 more degrees issued by improving the internal rate of return for higher education) and in terms of the opportunity cost for dropouts looking to enter the labor market without a degree. This will represent TND 540 million of actual savings to public expenditure across a five-year period, i.e. 8.5 percent of spending required for this period.

More diverse funding

21. The TEEP plans to implement funding reforms to encourage universities and educational institutions to be more open to businesses. Higher education institutions will have the immediate benefit of generating their own revenue, but will also gain better knowledge of their economic environment and help them adapt to changes and requirements in the labor market. This is a decisive factor for improving the employability of future graduates.

22. In 2014, business revenue was inexistent for universities, with the exception of the UVT online university (TND 61,000), and was at TND 483,000 for educational institutions. This represents 0.26 percent and 0.43 percent of their operational budgets respectively (excluding salary expenditure). The current situation cannot be used to forecast the opportunities of earning additional revenue by opening up more to local businesses. Nevertheless, it seems realistic in the medium term

to set a self-funding target of 5 percent from business partnerships if the appropriate reforms are implemented.

Conclusion

23. The economic analysis for the Tertiary Education for Employability Project shows that the project will be implemented during a critical phase of development of the higher education sector in Tunisia. This phase is characterized by opportunities but also risks. Opportunities are analyzed in an environment which enables reforms, such as: (a) the *demographic transition phase*: while demand for tertiary education is still high, there is less pressure from demand than the period before 2010; (b) a period of *political and institutional stabilization*, and (c) the existence of a Strategic Plan for Development for 2016-2020; (d) the preparation of a higher education strategy through a participatory approach, which presents a vision of the sector and its reforms for the coming years; and (e) an opportunity window for the higher education sector – which has benefitted from the lessons of previous World-Bank financed projects – to develop. However, important risks and challenges related, in particular, to the current pressure on public finance and the emergence of new priorities, such as security, limits the capacity to mobilize additional resources for education. The most pressing challenge for higher education is to achieve real and concrete progress to improve the employability of graduates. Unemployment of graduates from tertiary education has reached its peak over the last few years, with unemployed rate above 30 percent, and a number of unemployed graduates beyond 240,000. The project is taking into account the opportunities of the current demographic trend and the momentum created by the development strategic reforms to re-focus on the specific priorities and objectives of the sector, and modernize the system to improve governance and sustainability.

24. Economic data show that investments for education in general – and higher education in particular – are economically and socially cost-efficient in Tunisia. The percentage of poverty is almost zero among households whose head has a tertiary education degree. This percentage is of 8.4 percent and 4.7 percent respectively when the head of household is illiterate or has only completed primary education. Also, more than two-third of households representing the richest quintile have a head of household with a tertiary degree. This proportion represents less than one percent for households whose the head family member is illiterate.

25. The results of the economic analysis reveal that the cost efficiency of tertiary education, as measured by the productivity differential (and according to income differential) is significant. However, this cost efficiency remains contingent on the employability of graduates as well as their capacity to integrate the labor market and improve their living conditions. For instance, where the unemployment rate of graduates from tertiary education is above 25 percent compared to an unemployment rate of graduates from secondary education below 20 percent, the cost efficiency of higher education slightly diminishes in spite of actions to improve its internal efficiency. The major impact of the project will consist of having improved the employability of future graduates. This does not necessarily means that it will be linked to a decrease in unemployment because of the economic context, which is a critical factor of unemployment at the moment in Tunisia. However, in a stable economic environment (“things all being equal”), improved employability generally

translates into a decrease of unemployment; simulations show that any decrease in the unemployment rate of graduates by 3 points results in an improvement of the cost efficiency rate of the sector by 1 percentage point. This is to say that the cost efficiency of the project will be conditioned by the capacity of the economy to, not only gradually absorb the flow of graduates in terms of growth; but also be capable of orienting its growth towards sectors that can generate high value-added jobs. This said, the economy also depends on the capacity of the higher education system to: (a) improve the employability of its graduates, (b) improve its relevance; and (c) find better complementarity with the other education sub-sectors.

26. The objective of the project is to strengthen the higher education system and its governance. This would benefit the sector in two ways: (a) efficiency gains in terms of expenses: the project will support the implementation of a new performance-based system which is expected to improve management and university performances; (b) a rationalization of expenses and an improvement of the system's internal efficiency. The target of decreasing repetition and drop-out rates by half in the horizon 2021 will lead to a reduction of the number of repeaters and an increase in the proportion of graduates. During the implementation phase of the project, this would represent, on the one hand, an annual saving of about TND 110 million for the sector budget (or 9 percent of the budget) and, on the other hand, an economic gain (measured by an income differential for graduates) of TND 540 million.

27. The project also supports the implementation of a financial reform in order to encourage universities and HEIs to open on their economic environment. In addition to the immediate benefit of generating their own resources, universities and HEIs will have a better knowledge of their economic environment and be able to adapt to its changes as well as the labor market needs. This is essential to improve the employability of future graduates. Currently, the legal framework is not adequate: universities cannot generate their own resources from the economic environment (with the exception of the Virtual University in Tunis) which represents 0.4 percent of HEIs operating budget (non-wage). The objective of achieving 5 percent of own resources generated from the economic environment remains achievable in the mid-term, if adequate reforms are implemented. This would represent an annual envelope of about TND 7 million.

Annex 7: Higher Education Graduate Tracking⁸⁰

Tunisia Tertiary Education for Employability Project

1. To make an informed decision, students need to be aware of the labor market insertion rates, such as the proportion of graduates (among those who are looking for work) that have a job 6 months to one year after graduation, and be able to compare the rates across programs and universities. They also need to be able to compare programs using other type of indicators, such as the type of jobs or graduate education the programs leads to, the earnings, the relevance of education for the employment, a detailed curriculum, graduation rates, etc. They could also use more holistic measures such as the subjective levels of satisfaction with the education experience, and the subjective appreciation of its usefulness for the work experience, and for other non-work areas of life.
2. With a graduate tracer survey, this information can be provided to the student and their families to make the decision with full knowledge of its lifelong implications.
3. This information can be also analyzed and used by other stakeholders and decision makers. Graduate tracer surveys allow to provide information to decision-makers in areas such as the transition to labor market, skills mismatch, competencies during studies, quality of higher education, returns to education, mobility of graduates, questions of equity, etc. From a social accountability perspective, graduate tracking is a tool for seeing whether higher education can fulfil its promises. It provides a legitimation for public and private spending on higher education.

The Graduate Tracer Survey

4. At its core, a graduate tracer survey consists in contacting recent university graduates to ask them about their labor market outcomes. One of the key question is if they are currently looking for a job, or if they had a job one year after graduating, along with questions about their earnings. Tunisia is no stranger to such a survey.
5. A typical graduate tracer survey is conducted by a central coordination unit that works with each university to establish a list of important programs or group of similar programs. Then the local universities' observatories select a representative sample of individuals that graduated more than a year ago, and in addition, sometimes up to more than 5 years ago to compare longer term outcomes. Then the graduates are contacted first by email to ask them to fill an online survey. Then after a few reminders, if the graduate did not respond, attempts to contact them by phone for a verbal interview. Finally, a small reward or chance to win a reward can be introduced to increase the response rates, although ongoing long-term sensibilisation campaigns may have a higher impact on response rates.
6. For the purpose of this project, this online questionnaire will be standardized nationally via a central system, and can be flexible to allow universities to customize their own modules for their own research purposes. It should nevertheless be mentioned that since lengthier questionnaires are more costly, they impede on the sample sizes, which gives less fine program information to students (see section on sampling strategy for the aggregation dilemma).

⁸⁰ Full technical title: 'Higher Education Graduate Career and Insertion Tracer Survey Information System'.

Disseminating the insertion rates online on www.orientation.tn

7. For the purpose of providing the information for students and their families, researchers, decision-makers and society in general, a new section to the website www.orientation.tn can be created.

8. The core objective of this system is to provide to any visitor some comparable information about different programs in different universities in a format as open as possible. The user should have at his/her disposal an online tool to compare the programs over the key indicators of insertion rates and median earning, along with other program information.

9. A typical set of indicators for each program can resemble be the following:

Program

- Description of curriculum
- Number of places
- Minimum score
- Graduation rate
- Type of career the program leads to (intended)

Labor outcomes

- Insertion rate after 1 year
- Insertion rate after 4 years
- Type of career the program lead to
- Proportion pursuing graduate academic diplomas
- Proportion working in field intended by the program
- Median earnings

Subjective satisfaction

- General satisfaction with education experience
- Satisfaction about technical level
- Satisfaction about soft skills acquired
- Satisfaction about student life
- Satisfaction with relevance/usefulness for work
- Satisfaction with education for other areas of life
- Satisfaction with the work experience
- Etc.

10. The key partner in the dissemination process of this database of indicators by programs to the students and their families will be the *Direction Générale des Affaires Estudiantines* (DGAE), which is responsible for the content of www.orientation.tn. The role of the DGAE will be to determine the needs in terms of presentation of the data, and the type of user interface to be implemented by the BEPP. Since this new section of the website is a standalone system put in place by the BEPP, the final incorporation of the system into the site www.orientation.tn will be the role of the DGAE.

Partners, institutional arrangements and responsibilities

11. Many partners need to be mobilized to put in place a graduate tracer survey, to disseminate the information to primary beneficiaries like students, and to analyze and share relevant information with decision-makers.

12. Of these, we note some stakeholders with an interest in the project:

- PMU M&E director
- BEPP
- University Observatories
- Rectors' conference
- Quality assurance and accreditation agencies
- Direction Générale des Affaires Estudiantines
- National Student Groups

Implementing Partners:

M&E director of the project management unit

13. The M&E director of the PMU is the first point of contact to initiate discussions with the BEPP. Its role is to assist the BEPP to apply for the competitive funds available under this grant for information systems and support, and to start the process with the BEPP of getting the other stakeholders interested in the project, most notably in the creation of a national symposium with international keynote speakers, and bringing together the local stakeholders to create a national steering committee.

National Steering Committee

14. The National Steering Committee is a forum to establish national priorities and follow through on the project's implementation through occasional meetings. It provides a platform for stakeholders to ensure the success of the project, and put in place related strategies such as Alumni engagement programs to ensure a high quality database of personal contacts for the graduate surveys, and national sensibilization campaigns in collaboration notably with student associations to ensure a high response rate.

15. The Steering Committee will be the ultimate decision-making entity throughout the graduate tracer survey project. All the stakeholders, including the PMU M&E director and national student groups could be invited to the table.

BEPP

16. The BEPP is the central coordination agency which has the technical capacity and means to spearhead the project's operations. Its role is to assist the local universities' observatories to apply for funds under the competitive grants, and to provide the technical capacity for the local universities to build their local know-how and standardize their practices in terms of graduate surveys.

17. Moreover, it also negotiates a sampling framework with the local universities' observatories. This sampling framework needs to ensure a national representative sample, in order to allow a comparison across programs and universities. Similarly, the sampling framework needs to be flexible enough to allow local universities to pursue their own research questions for their own purposes using the graduate tracer survey.

18. Finally, the BEPP will have the responsibility to aggregate all the data collected by the local universities and bundle it in a public presentation format. Such format needs to allow the students and other users from the public to search and compare the data across programs and universities on the website www.orientation.tn.

University Observatories

19. The role of the university observatories is related to their mandate of informing the decision-makers (and the public) of their environment. Through this project, they will be empowered to improve the information using graduate surveys.

20. The role of observatories is dual. First it is to collect data in a nationally coordinated framework. This means to work with the BEPP to establish the sampling frame and the questionnaire, to ensure a high quality database of alumni database, to conduct survey campaigns using emails and phones, and to ensure the data is made available in a usable and shareable form that takes into consideration the privacy of the respondents.

21. Their second role consists in conducting analysis of the data to inform the local universities of the local context. Because of this requirement, the questionnaire and the sampling framework can be used to ask specific questions within the national framework of the BEPP. See the section Aggregation and Analysis for the type of research and analysis that can be conducted with the data for the use of the decision-makers and the local community at large.

22. Finally, the local university observatories need to commit to publish all the statistics of the graduate surveys they conduct along with, when possible, all the research they conduct on their website or on the website of their university.

23. To execute this mandate, the local universities should count on the BEPP to provide them with tools and capacity building. Among other, access to a national management system allowing to collect data online and conduct the survey by email and/or by phone should be provided.

24. In addition to collecting the data and analyzing it, a program to improve the quality of the personal contact database of the alumni should be put in place.

Direction Générale des Affaires Estudiantines (Department of Student Affairs)

25. The role of the DGAE is to publish the results of the graduate tracer survey, and to work with the BEPP to define and adjust the requirements for the website www.orientation.tn. It can also decide to use the data for its other needs, notably anything related to orientation such as the admission booklets.

The sampling framework

The key to join decentralization and national coordination

26. The added value of this national system of graduate tracker survey is to empower students with the tools and information to compare programs across universities. This requires a national sampling plan.

27. Because the local universities are independent, their observatories need to apply for competitive grants to conduct data collection and analysis. The local observatories need to keep in mind not only the interests of providing useful and actionable information to their universities' decision-makers, but also understand that the data collected will be used in the national database for students on www.orientation.tn.

28. To join those two requirements together, a minimum number of graduates will be selected to be part of a top-level, nationally representative sample of the main categories of education across the different academic levels⁸¹.

29. Beyond this minimum national sample, other samples may be studied (and still published in www.orientation.tn). Those programs may be studied for strategic reasons by the local universities. The needs by local universities for business intelligence information about the graduates or the need to highlight some program's exceptional outcomes to the public are valid ones and the sampling framework should be flexible to allow such initiatives.

30. The need to negotiate the sampling with the BEPP arises because the BEPP needs to publish a nationally representative sample, which requires to aggregate all the survey data collected by universities. This can only be done using a nationally coordinated sampling framework. To ensure the framework is followed, it can be a condition to the attribution of the competitive funds, and as such the requirement of a negotiated sample has to be enforced by the PMU at the funding application stage by university observatories.

The aggregation dilemma

31. The sampling framework can take into account not only the needs and preferences of the local universities, but also the capacity. A university with higher capacities can target a high level of disaggregation within a family of programs. For instance, in the top-level category “Social Sciences”, the sampling frame can be designed in a way to provide meaningful information at the level of a more specific program such as: Economics, Psychology or Anthropology, etc.

32. As the level of detail of program increases, so does the need for a large number of respondents in the survey. Typically, to be statistically valid, every program should interview a minimum of 30 to 50 graduates (with replacement for non-response). Some university observatories may also be interested in comparisons across other categories of students for their

81 These are: Education Sciences, Arts, Literature, Business, Law, Journalism, Social Sciences, Mathematics and Statistics, Computer Sciences, Life sciences, Physical Sciences, Mfg & processing, Architecture, Engineering, Veterinary sciences, Agriculture and Forestry, Health, Social Services, Environment Protection, Transport Services and Personal Services.

own research purposes, for instance to compare males and females, poorer to richer, etc. This stratification needs to be taken into account in the sampling framework to keep the validity at the national level.

Aggregation and Analysis

33. To provide the information for students and their families, researchers, decision-makers and society in general via an online website (www.orientation.tn), the BEPP, as a central coordination unit is required to assemble the data into a comparable format. This aggregation work follows logically from the sampling framework followed by universities.

34. On the other hand, university observatories have the mandate to inform their university's decision makers about their immediate environment. Analyzing graduate tracer surveys allow to provide information to decision-makers in many areas:

- Transition to labor market,
- skills mismatch,
- competencies during studies,
- quality of HE,
- returns to education,
- mobility of graduates,
- questions of equity
- impact evaluation of co-constructed programs

35. These key information can be conducted either at the national level with the coordination of the BEPP or conducted locally. The Steering Committee should determine the national priorities (such as the impact evaluation of the co-constructed programs).

36. At the local level, various universities have various needs, and can work within the sampling framework and customize the survey questionnaire to focus on their areas of interest.

Main steps and calendar

April 2016:

- PMU M&E director or temporary project coordinator is hired.

June 2016:

- Symposium on graduate survey tracking and web dissemination of key indicators
- Establishment of National Steering Committee and determination of national objectives.

September to December 2016

- Determination of technical needs with local university stakeholders, including a sampling frame.
- Put in place a national strategy to improve the database of graduates' contact (Alumni).

September 2017

- Establishment of a central data collection system.

September 2017 to July 2021

- Ongoing: Capacity building by the BEPP for users of the central system, including how to use the system and how to implement the sampling frame, starting with graduates from 2015 and/or 2016.

September 2018

- First local university websites publish their graduate tracer survey data and some studies.

September 2017 to July 2019

- Feasibility and pilot of the national www.orientation.tn graduate survey database using data collected by the BEPP.

September 2019

- Establishment of a fully functioning site part of www.orientation.tn to disseminate the data to students and their families in a nationally comparable manner.

Budgeting

37. The following budget lines (in TND) have been proposed to support university observatories:

	2016	2017	2018	2019	2020	Total
C121 Observatories	1.2.2.1 Provide relevant structures with technical, human and financial resources					
1.2.2.1.1 Set up a mechanism to collect reliable data (tracer studies on job insertion, proposals for internships and jobs)	0	494,000	480,000	480,000	494,000	1,948,000
1.2.2.1.2 Analyse data and develop informative contents adapted to students (Web format recommended)	0	94,000	84,000	84,000	94,000	356,000
1.2.2.2 Develop and implement a staff training plan						
1.2.2.2.1 Train staff in data collection and analysis techniques, and presentation of information and communication techniques	122,000	115,000	122,000	0	0	359,000

38. The central BEPP also has some funds set aside for improving the information system, which includes putting in place a national data collection system for graduate surveys (and perhaps providing support to local observatories). Under the current scheme, it would be assumed that undertaking the coordination would come from the existing budgets.

	2016	2017	2018	2019	2020	Total
PAQ grants for BEPP:	C2214 Modernization of the information system (including datawarehouse)					
4.2.3.1.2 Enhancement of BEPP and observatories	23,500	2,714,000	20,000	0	0	2,757,500

Other institutions have some budget for dissemination:

	2016	2017	2018	2019	2020	Total
PAQ grants to other institutions	C122 Pedagogical advice to students (career centers, orientation to secondary and tertiary education students).					
3.2.2.2.1 Development of a model of orientation service and pedagogical advice for students in the last year of the secondary cycle.	0	104,000	0	0	0	104,000

Annex 8: Competitive Fund for Higher Education in Tunisia Quality Support Program Tunisia Tertiary Education for Employability Project

1. Background

1. The Quality Support Program (“*Programme d’Appui à la Qualité (PAQ)*”) was introduced as an innovative resource transfer mechanism under the Second Higher Education Reform project (PARES II) through the use of competitive block grants awarded directly to the investment budgets of universities. The decision to pilot this new instrument was made at a time when the Government of Tunisia realized that there was an overall issue of quality in the higher education sector, and that the rigid, centralized, line-item budget mechanism to public universities at the time was not conducive to accountability for education outcomes or institutional performance. The preparation of the PAQ under the PARES II was done according to a participatory approach involving all implementing actors (universities/HEIs and MoHESR departments) who all contributed to develop a comprehensive operational manual. This bottom up approach ensured a strong ownership of the PAQ by universities and HEIs from the onset of the project.

2. Implementation under PARES II

2. With an initial envelope of EUR7.7 million (World Bank financing), the PAQ provided: (i) block grants directly to HEIs on a competitive basis aimed at improving the quality of programs and teaching in the longer run; and (ii) management capacity grants to strengthen universities management. A total of 6 proposal calls involving 120 HEIs and research institutes were launched during 2006 and 2009 188 proposals were received 50 were financed (40 for HEIs and 14 for universities (PAQ management capacity grants). Given the success of the PAQ, the allocated envelope was increased to EUR 17.5 million during the project restructuring in 2011.

3. Internal and external evaluations of the PAQ revealed that overall, the PAQ experience has been a success, and a game changer for the sector. The PAQ contributed to instilling a culture of quality and accountability within universities and HEIs. The acquisition of pedagogical equipment and material through the grants significantly enhanced the quality of learning and teaching, improving practical training and even resulting in an increased rate of passing rates at exams. The PAQ also financed several projects related to the development of co-construction programs and certification programs in soft skills (project management, IT, French and English languages, etc.), which produced an impact on the employability of graduates (as reported in the World Bank-led external evaluation of May 2015⁸²). The PAQ also played the role of catalyst to leverage funds and attract other organizations (in the case of certification programs for instance, the British Council, AMIDEAST, the French Institute for Cooperation) and gained attention internationally, as testified during the international event

⁸² « *Evaluation du Programme d’Appui à la Qualité développé en Tunisie de 2009 à 2014* », Andrée Sursock & Eric Froment, World Bank, May 19, 2015.

which was conducted in Tunis on June 11, 2015 (“*Fonds compétitifs pour l’enseignement supérieur, quelles perspectives?*”).

3. Outcomes of the PAQ interventions. The World Bank mission of June 2013⁸³ and external evaluation of May 2015 highlighted the following positive impacts:

- an increased accountability among HEIs, and enhanced quality of programs;
- the emergence of a “project culture” within HEIs; the creation of project teams reinforced the relationship between students and professors;
- through projects, HEIs realized they could be economic actors in their region and nationwide.
- the acquisition of new and better adapted pedagogical equipment and material, along with proper training made practical training possible and even contributed to increasing success rate of students at exams.
- the development of certification programs in soft skills within some HEIs enabled HEIs to establish partnerships between HEIs who have become service providers and those who look for these types of services
- PAQ grants in management enabled to develop quality manuals, and other quality tools for management which did not exist before.

4. Tertiary Education for Employability project (TEEP)

4. Under TEEP, the Bank proposes to continue to support the PAQ which will comprise of four windows to improve: (a) employability of graduates and linkages with the labor market; (b) valorisation of research and innovation; (c) governance and management; and (d) student services; and (e) quality assurance and program and HEIs accreditation. The grants will finance eligible expenses related to technical assistance, pedagogical equipment, minor civil works (such as repairs, or renovations) and training, including training of trainers and administrative staff. The operational manual will indicate grant ceilings for each category of expenditure and PAQ window and will be reminded during each call for proposals.

5. Implementation Arrangements. TEEP will follow to a great extent the implementation arrangements for the PAQ as under the PARES II, but will be further reinforced by the recruitment of seven PAQ coordinators within the PMU to coordinate each PAQ window described above.

6. The PAQ Committee nominated by the Minister of HESR and chaired by one of the PAQ Committee members, will be established. This will be a condition of effectiveness. The PAQ Committee will be composed of representatives as specified in the OMP-PAQ (these could be representatives from the MoHESR, Prime Ministry and ministries in charge of finance, development, investment and international cooperation, regional development, agriculture, employment and vocational training, public universities and the private sector). The PAQ Committee will administer the whole grant process and initiate each round of the grant

⁸³World Bank mission: Aide-memoire for mission from May 20 to June 6, 2013.

competition process with a call for proposals according to the strategic priorities communicated by the MoHESR, through the Steering Committee. The PAQ Committee will oversee technical teams, each responsible for the execution of a PAQ window. The technical teams for each PAQ window could be appointed by the Minister for the efficient implementation of PAQ grants, the monitoring and implementation of sub-projects and performance indicators, as well as for reporting on the progress of PAQ sub-projects through the submission of periodic reports.

7. Experts may be convened by the PAQ Committee to review and rank the grant proposals. The proposal review process will ensure transparency by adhering to the principles of peer review and by engaging expert panelists from a cross-section of universities, private industry, and civil society. To enhance transparency, the panel may also include representatives from administration and students.

8. Project units may be established in each university to assist with the supervision, monitoring and evaluation of sub-projects. These units would be supported by PAQ coordinators (one for each PAQ window) within the PMU, who would be recruited on a competitive basis by the PMU, and would work closely with the relevant academic departments or administrative units to facilitate the process for universities and HEIs on the preparation, submission, and implementation of selected proposals. In order to efficiently implement PAQ sub-projects, TEEP will finance activities to continuously build the capacity of universities and HEIs in project and financial management as well as procurement, with the idea of institutionalizing a project management culture within universities and HEIs.

9. ***Criteria Selection and Process.*** The PAQ will follow to a large extent the same mechanisms as under PARES II. All institutions of the higher education sector as well as HEIs under the tutelage of MOEHSR and other ministries are eligible for PAQ grants. The PAQ grants will be awarded to the academic departments or administrative units of institutions of the higher education sector presenting the strongest proposals for the above-mentioned improvements or management capacity. To submit grant proposals, universities and HEIs must meet stated eligibility criteria. These include: the completion of an institutional self-study, the adoption of an institutional strategic plan, and demonstration of sufficient management capacity to administer the grant funds and to procure goods and services according to guidelines that ensure fairness and accountability. Within each grant window, competition will be stratified according to institutional capacity so that the process does not favor only the strongest institutions. “Young” universities⁸⁴ will benefit from a preference clause in order to encourage them to apply.

10. Proposals will be evaluated against a set of criteria which are detailed in the PAQ Operational Procedures Manual (OPM-PAQ) which will be revised for the new project in order to reflect the scope and objectives of TEEP. These criteria include:

- validity of the analysis;
- clarity in exposing the issue;
- a clear link between the proposed investment and the identified problems;

⁸⁴ The “young” universities are: Kairouan, Jendouba, Gafsa and Gabès.

- quantitative and qualitative indicators agreed upon to monitor implementation progress
- results indicators and impact;
- procurement plan covering 18 months;
- monitoring and evaluation plan;
- evidence that the university has the capacity to implement proposed activities.

11. ***Role of the private sector.*** By partnering with universities and HEIs, the private sector will play a key role in the design of co-constructed programs and the development of curricula better aligned with labor market needs. As under PARES II, the private sector will continue to be an active member of the PAQ Committee as well as a member of PAQ technical committees and Review Panel (one-third of it is composed of private sector entities). It also plays a critical role in the implementation and evaluation of such programs through, notably, continuous advice and the provision of training and proposal of internships to students.

12. In 2005, a partnership agreement (“*Convention de Partenariat*”), updated in 2014, was established between MoHESR and UTICA in order to promote partnerships universities/HEIs and private sector entities, and formalize the role and responsibility of both universities/HEIs and the private sector in the design, implementation and evaluation of co-constructed programs. Under PARES II, this partnership agreement served as a legal basis to establish specific partnership agreements between universities/private sector entities. In order to encourage the private sector to partner with universities, a law (Law Nr. 2009-21 of April 28, 2009) established the legal framework for the practical training of students from tertiary education within private or public enterprises, stipulating that « *Private of public enterprises providing internship or training to students benefit from the same financial mechanisms as those currently applying to vocational training* ». This will be also used for TEEP.

Map

