



## Reinforcing Competitiveness in Tunisia

### Leveraging value chains development to boost jobs, trade, and sustainable development

The CIIP-funded effort led to the creation of a Tunisian inter-agency value chain and cluster development Taskforce, jointly supported by four World Bank operations respectively focused on exports, inclusive job creation, water-efficient agriculture, and sustainable forest management. The Taskforce facilitates analytically underpinned and sector-specific Public Private Dialogues (PPD) across all sectors and regions, helping to: (i) inform policy reforms; (ii) prioritize public investments; and (iii) support private sector firms' competitiveness in strategic market segments. The Taskforce became effectively operational in 2019.

#### CHALLENGE

When the project started supporting the Tunisian government in 2013, public administrations and agencies responsible for job creation and economic transformation in the country were facing three main challenges: (i) a lack of a structured and inclusive approach to engaging the private sector in policy reforms, or prioritizing public investments; (ii) inadequate sector diagnostics that overwhelmingly focused on the supply-side of value chains and efficiency gains, with insufficient focus on market demand analysis, such as shifts in market trends, innovation opportunities, or potential improvements to bargaining power through strategic market orientation; and (iii) a staunchly siloed working environment between critical ministries (e.g. Agriculture, Industry, Employment or Commerce) which often resulted in contradictory policies, and/or incomplete implementation of reform agendas. The project piloted a Public Private Dialogues approach that tackled these challenges, and subsequently supported the creation of the Tunisian inter-agency Taskforce for value chain and cluster development.

#### APPROACH

The PPD approach allowed a deep policy dialogue between firms and regulators based on the specificities of each cluster and value chain. The Taskforce has ensured coordination among the value-chain development components of four projects. The identification and implementation of actions through the platform and related projects aim to catalyze links between firms and higher value-added markets, to increase local value addition, and to lead to more exports and jobs.

Between 2013 and 2017, the project facilitated four such PPDs on: Electronic components, Pharmaceuticals, Garments, and Information Technology (IT) service. The activities financed through these projects are expected to affect 12–16 value chains, including agribusiness and agroforestry (exports of fresh tomatoes, high-end olive oil, rosemary, and other products based on aromatic and medicinal plants); labor-intensive activities (modernized artisanal products and fast-fashion garments); and services (offshoring of information technology services and medical tourism).

#### PARTNERS

The initial partner for the project was the Prime Minister's office, and the project also worked closely with the Ministries of Industry, Commerce, Information Technology and Communications, Health, Agriculture, and Employment. The value chain and cluster development Taskforce was established as a partnership between six key private sector development agencies in Tunisia (e.g. export and investment promotion agencies, as well as sectoral agencies). Collaboration was also actively promoted with development partners such as State Secretariat for Economic Affairs in Switzerland (SECO), the German Corporation for International Cooperation (GIZ), and the European Union. Private sector associations partnered with the World Bank to finance the PPD on pharmaceuticals. Coordinated support across the donor community is expected to increase as the Taskforce starts implementation, therefore promoting convergence and increasing impact.



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## RESULTS

The project has successfully supported backbone institutions that promote investment and increase competitiveness and led to the creation of a Tunisian inter-agency value chain and cluster development Taskforce.

Institutions and clusters supported through the first CIIP grant in Tunisia have already contributed to positive impacts. A good example is in the information technology sector where technical support to Smart Tunisia, the newly created Tunisian investment promotion agency in information technology and offshore services, has delivered unexpectedly positive returns. CIIP supported Smart Tunisia in the signing of several Memoranda of Understanding with private investors that directly led to the creation of 3,336 jobs. The agency continues to catalyze growth in the sector after active CIIP engagement ended. As of end of 2018, Smart Tunisia has attracted the investment of 23 enterprises, and signed protocols of intent in the fields of talent development and development of the business ecosystem. This effort has already contributed to the creation of 17,500 jobs out of a target of 50,000. The Smart Tunisia team has also identified additional funding of US\$2.3 million by Silatec and US\$2.3 million by the "Tunisia Foundation for Development" to support it over the next five years.

In 2018, the CIIP-facilitated Public Private Dialogues within the pharmaceutical industry also reached key milestones. In addition to implementing reforms and eliminating red tape, the sector's private sector associations and the government are finalizing the preparation of a pact for the development of pharmaceuticals in Tunisia. In the pact, the government commits to achieving seven priority reforms and activities, all of which have been the subject of the PPD over the past three years. In return the private sector commits, by 2023, to creating 4,000 jobs; increasing exports from 16.7 percent to 30 percent of total production, reaching US\$182 million, up from US\$56 million 2018; increasing direct investments in the industry and services to US\$491 million, up from US\$253 million in 2018; and attracting 35 percent market share of Africa's total clinical studies, up from 3.5 percent in 2018. The pact is under preparation and expected to be signed before the end of this year.

## MOVING FORWARD

The established Taskforce is expected to impact 12–16 value chains, including agribusiness and agroforestry (exports of fresh tomatoes, high-end olive oil, rosemary, and other products based on aromatic and medicinal plants); labor-intensive activities (modernized artisanal products and fast-fashion garments); and services (offshoring of information technology services and medical tourism). 6,000 firms and farmers are expected to benefit from these value chain interventions, with the aim of increasing export growth rates by 50 percent compared to the national average and creating more and better jobs, especially for young women and men in Tunisia's lagging regions. Finally, the government and the private sector are finalizing a sectoral pact for the pharmaceutical sector (with commitments by both parties on reforms and investments), based on the recommendation and the consensus achieved during the project.



## BENEFICIARY STORY

Sara Masmoudi, Teriak's general manager and President of the Industrial Pharmaceutical Chamber explained that "the beginnings of the PPD were truly tainted with fights, which is only logical since the need for reform necessarily originates in an unaddressed issue. However, once we truly engaged in discussions we achieved much and today managed to build an understanding and even mutual trust that shows the great achievements the PPD efforts have brought. For instance, the public sector shared information with us that was, quite frankly, not accessible before, once they properly understood the importance of transparency to our formulation of sound business planning."

## WBG CONTRIBUTION

CIIP provided a grant of US\$750,000 to conduct four cluster specific PPDs, followed by a grant of US\$300,000 to build permanent capacity among Tunisian institutions to conduct such PPDs and implement reforms, including through the creation of the Cluster and value chain development Taskforce. The Taskforce is co-financed (as implementation unit) by four projects: the Productive Inclusion Opportunities for Young Women Project (US\$60 million), the Integrated Landscape Management Project (US\$100 million), and the Integrated Agriculture Intensification Project (US\$140 million), and the Tunisia Third Export Development Project (US\$50 million). The four investment projects will also reserve significant investment budgets (estimated between US\$50-70 million across the four operations) for the implementation of the value chain specific action and investment plans generated by the Taskforce.