

# Public-Private Dialogue

[www.publicprivatedialogue.org](http://www.publicprivatedialogue.org)

## Tunisia / Tunisian Inter-Agency Platform for Value Chain Development

by

Wajdi Nefati, Deputy Director, International Cooperation Department in the Agency for Promotion of Industry and Innovation

*Presented at the Public-Private Dialogue 2017 Workshop  
(Tunis, May 9-11, 2017)*

### Background and Context

One of Tunisia's top priorities is to transition towards a more inclusive and value-added economic model. To that effect, the Tunisian Five-Year Development Plan 2016-2020 dedicates one of its pillars to enhancing private sector competitiveness through the development of value chains.

In line with that objective, and with the support of the World Bank, Tunisia launched in 2013 four pilot sectorial diagnostics and extensive Public Private Dialogues to strengthen competitiveness and exports. The four pilots focused on IT Services, Pharmaceuticals, Electronics and Garment. The project had successful experiences and interesting failures (from which much is learned), with direct impact on policies in some targeted sectors, as well as an impact on policies and private sector development projects in Tunisia (see below).

To strengthen this approach and broaden its scope, four World Bank projects focused on complementary development objectives in the North West and Center West of Tunisia now include value chain development components (each) and adopt a similar approach combining analytically robust sector competitiveness diagnostics and PPDs. These projects are:

- Tunisia Third Export Development Project - effective since September 2015;
- Integrated Landscapes Management in Tunisia's Lagging Regions - approved in March 2017;
- Initiative for the Economic Inclusion of Youth - to be approved in July 2017;
- Intensification of Irrigated Agriculture Project – now under preparation.

To insure synergies between these projects and maximize economies of scale, the Tunisian government agreed in December 2016 to set up an inter-agency “Platform” that will conduct all value chain development work in all four projects. The platform will bring together a trained team of specialists and dedicated civil servants hailing from three key Tunisian MSME support agencies (APIA, APII, and CEPEX) as well as two (sub) regional development

ones (ODNO and ODCO). The Platform will maximize synergies between MSME support agencies to help reduce coordination failures that persist in the lagging regions, and build multi-disciplinary and inter-ministerial capacity to conduct these activities across the country and the economy.

The main mission of the Platform is to deliver the following preparatory outputs to the four projects based on an analytically underpinned PPD approach:

- Identify higher value added market segments for the targeted products;
- Identify the constraints and market-failures that hinder the access by the beneficiary group to these markets;
- Elaborate and prepare the strategy and actions that need to be supported by the project to address these;
- Identify the champions and actors that could carry the implementation.

In preparation for the roll out of the above mentioned projects and related common Platform, a capacity building program for 27 civil servants from 7 departments and agencies was offered by the World Bank, with a particular focus on PPD facilitation and value chains in the lagging regions.

## **Youth and Inclusion Dimension**

The four World Bank projects that will leverage that Platform for their value chain development activities have inclusive development objectives and target vulnerable population. Their main beneficiaries are:

- Vulnerable farmers and self-employed service providers or micro-firms in lagging regions (including women and youth), which are unable to access higher value added markets, or achieve higher productivity, due to coordination and information failures;
- At least 20% of the value chains targeted by the Platform (the ones financed by the “Moubadiroun” project) will be monitored and evaluated in terms of more and better job creation to vulnerable youth in 5 governorates in the lagging regions of Tunisia, with specific youth and women employment indicators.

## **Partnership, Structure and Processes**

**The pilot PPD project started in June 2013, and was structured along 3 major phases:**

- Sector diagnostics and prioritization of binding constraints on sector competitiveness (January-July 2014);
- Elaboration of sector specific action-plans (September 2014 – January 2017);
- Establishing implementation mechanisms (idem, phase 2 and 3 ran in parallel).

**These pilot PPDs involved more than 150 high-level participants from respective sectors** (mostly CEOs and public decision makers from the ministries in industry, health, finance, ITC and higher education) which took part of multiple workshops and working groups to identify priority constraints and design policy recommendations. Each PPD had a commonly chosen moderator (between public and private sector representatives). The process was based on a preliminary sector diagnostic (involving a Porter Diamond analysis of each sector, in addition to an assessment of contributions in terms of jobs, regional development and exports).

**The second (strategy development) phase**, five working groups were organized the Pharmaceuticals PPD, each focused on providing solutions for a particular binding constraint (e.g. Modernization of the Medical Appraisal process; Reform of the Pricing process, etc.). All groups reported to a steering committee led by the minister of health (where the other key ministries and agencies were also members). The project financed the PPD moderation and facilitation, and provided advisory on the reform of the medicine authorization process (mapping of bottlenecks and identification of short term solutions); advisory on the reform of the medicine pricing process (mapping of process and identification of short term solution to redundancies); as well advisory and workshops on export strategy and objectives by 2020.

In phase 3, Support to the pharmaceutical PPD was provided to working groups 1, 2 and 4 in order to improve the investment/business climate of pharma. Funded activities included moderation and facilitation, advisory by international experts and local consultants. **The Electronics PPD** also led to a short list of champion firms creating a professional association dedicated to competitiveness, with TA support by the project team in the early creation stages of the association. The project assisted these firms in developing their strategy and road map, and helped beneficiaries improve B-to-B collaboration and focus the association's events on services that increase cluster competitiveness. A key **action in the IT Services PPD** was to provide technical support to Smart Tunisia (April 2015- April 2016), the new investment promotion agency for offshoring services in (towards) Tunisia. Outputs included advisory on 2016 strategy & communication plan, advisory on the development of the offshoring five-year strategy 2016-2020, support to participations to international trade IT trade Fairs (CEBIT Germany and Grand Nord Digital Forum in France) and press conferences.

**Stakeholders have drawn many lessons from that pilot, including:** i) to be productive, PPDs need to be organized around clusters of firms and/or value chains (as opposed to high-level sectors such as Garment/textile) and based on strong market trend analysis; ii) Cluster / value chain specific PPDs are particularly informative on the concrete constraints firms face in their respective lines of business (which diverge significantly within sectors, depending on targeted market segments), with a key level of nuance and granularity that is difficult to capture through macroeconomic analyses; iii) such PPDs not only facilitate consensus around reforms and action plans, but they also create awareness among firms of their own role and responsibilities in enhancing sector competitiveness; iv) the approach can be replicated on any cluster / value chain with motivated stakeholders, there is no need to limit it to so-called 'strategic sectors'; v) in the context of a maturing economy, the replicability of the process depends on the dedication of resources within the relevant SME development agencies because a healthy distance with private sector interests is necessary to avoid capture or consolidation of dominant players, and/or because the service is a public good (often addressing coordination failures); vi) multi-ministerial leadership is crucial for such PPDs since recommendations include big policy shifts that require buy-in from multiple ministries and agencies; vii) it is better to embed PPD facilitation within investment

operations to eliminate time and budget gaps between design and implementation, and build on the PPD's mobilization of stakeholders; and viii) introducing new ways of doing business requires a strong and sustained leveraging of a neutral and trusted convening authority, with heavy reliance on locally based staff and consultants for facilitation and moderation.

In terms of communication, three peer-to-peer talks have been given by leaders from the public and private sectors in the pharmaceuticals PPD, including one during an event organized by the GIZ on value chain focused PPDs (November 2015), and another during the International conference of pharmacists (Tunisia, March 2016). Short and animated films on the PPD process and analytical insights were also produced, in addition to numerous reports and policy notes to regulatory authorities, conferences (WTO conference in Tunisia, International Howard Award received in the category of "resilience" in Copenhagen 2015, etc.)

**Informed by all of the above, new world bank financed projects in Tunisia integrated the sector-specific PPD approach and a common, inter-agency, value chain development Platform is now being created to conduct these PPDs.** The Platform's objective is to institutionalize an integrated, analytically underpinned, participatory and market oriented approach to value chain development in order to maximize the impact of public investments, and mitigate political economy and capture risks. This initiative is coordinated by the Ministry of Development, Investment and International Cooperation with the direct involvement of three technical ministries responsible for investment projects financed by the world bank: The Ministry of Industry and Trade, the Ministry of Agriculture and fishery, and the Ministry of Employment and Vocational Training. MSME support agencies (APIA, APII, and CEPEX) as well as the two (sub) regional development ones (ODNO and ODCO) are also directly involved in the Platform.

## Results so far

The Pilot project successfully pioneered a sector-specific Public Private Dialogue approach to competitiveness reinforcement. Some of the most concrete impacts on the business/investment climate can be found in the pharmaceutical PPD where main outcomes include:

- The reform of the administrative processes of Medicine Authorization (MA), which has led to the reduction of delays of Medical appraisal reviews (a necessary step to put a product on the market) from 2.5-3 years in 2013 to 6-9 months in 2017 (see detailed report).
- A decree modernizing the regulatory framework of clinical trials in Tunisia (October 2014). This was accompanied by an action plan for the development of clinical trials in Tunisia, and a participation in the World Economic Forum (January 2016) by the minister of health to promote investments in clinical trials.
- An achieved consensus on a key reform of the medical pricing process between the Ministry of Health, the Ministry of Commerce & Industry, and the Ministry of social Affairs. The reform leads to the establishment of a more transparent, efficient and inclusive process incorporated in a single "Medicine Price Committee". This regulatory reform is currently being further articulated.

The project also successfully supported backbone institutions that promote investment and increase competitiveness. The first example is found in the IT Services PPD where technical support to Smart Tunisia, the newly created Tunisian investment promotion agency in IT and offshore services, has delivered unexpectedly positive returns: Smart Tunisia has signed 17 conventions with IT Services and offshoring firms in 2015, which have committed to employing 3929 people over 4 years, 1000 of which (25%) are already employed by this date (May 2016). Smart Tunisia is now negotiating with a pipeline of 30 foreign investors, for a potential of 10,000 jobs to be created in IT and offshoring in the coming 4 years. The second example is in the electronics sector whereby 27 SMEs that had participated in the PPD joined forces in a new professional association (Groupement d'Intérêt Economique) oriented towards exports and the penetration of new markets.

Finally, the project also influenced the design of World Bank operations in Tunisia. As mentioned above, the Government decided to incorporate the project's piloted sector / value chain / cluster specific PPD approach in four World Bank financed investment operations, namely: the Productive Inclusion Opportunities for Young Women and Men Project (P158138); the Irrigated Agriculture Intensification Project (P160245), the Integrated Landscape Management Project in the Lagging Regions of Tunisia (P151030), and the ongoing Tunisia Third Export Development Project (P132381). The common "Platform" that will implement these activities will bring together various concerned agencies (such as Export promotion, MSME development or regional development agencies, etc.) and build local capacity to conduct these PPDs in all regions and sectors and i) inform policy reforms; ii) inform public investments; and iii) directly support to private sector firms.

State of progress: to date, legal status and contractual arrangement for the relation between the Platform and the various WB projects involved are under preparation. As soon as these arrangements are established, the recruitment process of the team will be initiated.

## Expected Results

The main expected outcome is the reinforcement of the competitiveness of Tunisian firms and their integration into global value chains and markets, in order to increase job creation (especially for the youth and the lagging regions). The development and implantation of identified actions aims to catalyze linkages between firms involved in the same value chains, in order to increase local value addition, and lead to more competitive products on local and international markets. The activities financed through the related projects are expected to have impact on 16-20 value chains (6000 beneficiary firms and subsequent jobs and livelihoods improved for young women and men).

Intermediate outputs by the platform to achieve the above will include:

- **Definition of a business development plan for each value chain:** Each value chain development plan contains a series of action lines that are then broken down into specific activities. The plan is the baseline for public investments in the WB financed operations.
- **Individual matching grant plans:** the individual Plan describes the activities that will be undertaken by the candidates for matching grants financed by the projects. A pool of individual business plans per action line / activity of value chain development plan will be supported by the Platform and submitted to the available support funds (competitively).

- **White paper on policy reforms:** The platform will aggregate findings of the analytical diagnostics and extensive PPDs into policy recommendations (regulatory, institutional, knowledge, programs...) to improve the development of each value chain covered.

## Challenges

The project faced many risks, both in its pilot phase and its current efforts to establish the common value chain development Platform. Risks include:

- Risks pertaining to implementation:

The political situation in Tunisia has evolved rapidly during the democratic transition period. Six government reshuffles caused repeated readjustments to the original implementation schedule and delivery mechanism of the project. This has not only delayed the launch and implementation of the PPDs, but it also led to a larger consumption of resources than foreseen. The leadership of the private sector has been key to mitigate that risk and insure continuity.

- Risks pertaining to sustainability:

The disrupted political context also limited the ability of the team to anchor the approach in the Tunisian administrative context. While there seems to be a considerable buy-in and number of follow-ups of the project, the institutional setting remains fragile, and efforts need to be sustained in order to enshrine the approach in the administrative system. Competent and available human resources are key to maintain the coordination of such intense industry-level activities, while line-ministry departments tend to be too focused on segments in the chain, unable to bridge out of their specific mandates. The inter-agency (cross-ministerial) Platform is itself a mitigation measure of this risk.

However, the creation of the Platform is itself fraught with challenges: Civil servants assigned to the Platform will be expected to work much harder without any additional financial or dependable career incentive, which puts the motivation of these civil servants at risk; also, administrative procedures to assign civil servants coming from various institutions under the same "roof" are complex, and have implications on the agencies' budgets; finally, rigid public or donor procurement procedures introduce significant limitations on the Platform and reduce its agility in facilitating the PPDs.

All these risks and obstacles are currently being tackled and the involved teams are trying together to find solutions that will allow the Platform to effectively achieve its mission and reproduce the PPDs on as many value chains and regions as possible.

## Biography of the Author

### Mr. Wajdi Nefati

Deputy Director of International Cooperation Department in the Agency for Promotion of Industry and Innovation

Wajdi has a Master's Degree in Finance and Risk Management, Mediterranean University of Tunis (UMLT), he runs the International cooperation department since 2010 and he is in

charge of implementing international cooperation project in coordination with international organization such the EU, World Bank in the field of economic development and entrepreneurship and SMEs support.

He is the national SBA coordinator and he is in charge of the implementation the action plan of SBA in Tunisia.