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**TUNISIA ICT COMPETITIVENESS PROJECT**

# Quarterly and Monthly Report

May-June 2012

## Tunisia ICT Competitiveness Program

Task Order No. AID-OAA-TO-12-00017

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## EXECUTIVE SUMMARY

This document presents the Monthly Report and the Quarterly Report for May-June 2012 for the USAID Tunisia Information Communications Technology (ICT) Competitiveness Program. The project commenced with the arrival of the start-up team on June 4-5, 2012. Significant progress was made on both technical and operational activities during the project's first month.

The project held a roundtable with ICT associations to introduce the project, initiate relationships with key counterparts, and disseminate a skills gap survey. Representatives from six organizations attended and all expressed interest in working with the project. The roundtable was a success and represented an important first step in initiating a dialogue on building a dynamic ICT industry in Tunisia.

### **Component 1: Increasing and Developing ICT Entrepreneurship**

The project made progress towards establishing partnerships with key private sector firms including Microsoft, Via Mobile (first market player in the untapped Tunisian m-banking and m-payments market), and Tunisia's largest ICT industry association, INFOTICA. The team also conducted a rapid ICT assessment and identified target market segments for project activities:

- *ICT market segments.* Software development, system integrators, and data service providers (ISP, data).
- *Non-ICT sub-sectors.* Tourism, finance, banking, food processing, electronics, health services, and business process outsourcing (BPO) service industries.
- *Small and Medium Enterprise (SME)-oriented financial firms.* Sages, BFPME, Alterative Capital Partners, Amen Bank.
- *SME "ICT upstream" firms.* Software and software services, IT-enabled services, advanced media services, telecom and networking services.

### **Component 2: Growing and Developing Tunisia's ICT Workforce**

The project initiated data collection and analysis of labor supply and demand in the ICT sector with the purpose of understanding where in the sector there is excess or inadequate labor supply, in order to inform deciding where to focus training resources. The project produced initial projections for ICT students and graduating job-seekers for 2010/11-2016/17. The project also prepared and disseminated a skills-gap survey to firms to assess employer needs not currently available within Tunisian workforce.

### **Component 3: Developing ICT Policy and Regulatory Reform**

The project participated in its first working group meeting with the Ministry of Information and Communication Technology (MICT), a key counterpart, to introduce the project and discuss priority legal and regulatory reforms. The project also established contacts at the Ministry of Foreign Affairs. The project commenced drafting the preliminary enabling environment reform agenda. This involved identifying and prioritizing the targeted ICT policy, legal, and regulatory reforms to be initiated during

the next three months. The project also conducted a comprehensive legal/regulatory assessment of Tunisia's e-commerce law in light of international best practice standards.

### **Operations**

Key operational accomplishments during the month of June included: fielded the long-term expatriate staff, initiated the registration process for Sibley International, moved into temporary office space, and recruited local staff.

### **Challenges**

The project faced both technical and operational challenges in its first month. These included:

- *Economic Downturn.* The European and worldwide economic downturn has reduced demand for Tunisian goods and services across the board, including for ICT services—for high-end services and for lower-income BPO services. The team is exploring broadening the types of jobs and subsectors that will be targeted.
- *Limited Expansion of TACT program.* TACT members, due to the European and worldwide economic situation, have indicated little appetite for hiring new workers or supporting training programs. The project will need to expand the partner base for training activities.
- *Hiring Tunisian Staff.* The project is facing difficulties hiring technical local staff with private sector experience. Qualified candidates have expressed interest in working on the project but are unwilling to accept salaries within the FSN salary scale.
- *Finding Suitable Apartments for Expatriate Staff.* Long-term expatriate staff were unable to find suitable furnished apartments within the project budget for housing. The project conducted an exhausted search and determined that rental market costs are above the proposed amount stated in the project budget.

## **INTRODUCTION**

This document presents the Monthly Report and the Quarterly Report for May-June 2012 for the for the USAID Tunisia Information Communications Technology (ICT) Competitiveness Program Task Order No. AID-OAA-TO-12-00017 under the Support for Economic Growth and Institutional Reform (SEGIR) Global Business, Trade, and Investment (GBTI) II Contract No. AID-EEM-I-00-07-00003.

Since the events of the Arab Spring unfolded in early 2011, the U.S. Agency for International Development has launched a series of new initiatives in Tunisia aimed at helping Tunisians find productive employment. The ICT Competitiveness Program focuses both on increasing the number of jobs by building up the ICT sector and on improving the preparedness of Tunisian ICT workers for those jobs through workforce development. The project commenced on May 22, 2012 with contract signature and is expected to continue through June 13, 2013.

The goal of the project is to promote development of the ICT sector as a vanguard industry that presents Tunisia at its most competitive and innovative and embodies the spirit and aspirations of the Arab Spring. The project will focus on three components essential for ICT development:

### **Component 1: Increasing and Developing ICT Entrepreneurship**

The project is increasing ICT entrepreneurship and SME development along two tracks, first aiming to expand employment in international ICT firms in Tunisia, and second helping Tunisian SME ICT firms to better assess international market opportunities, forge deals, and sell more competitive services in those markets and internally (including to the public sector). The project is improving access to finance by focusing on innovative lending and equity approaches, including by encouraging commercial banks to increase SME financing by shifting away from collateral-based lending toward risk-based lending.

### **Component 2: Growing and Developing Tunisia's ICT Workforce**

The project is improving Tunisia's ICT workforce through a flagship cash-for-delivery vocational training program that will train ICT students and place them in sustainable jobs. The project will provide matching funding for training programs that achieve measurable results in training students, and unemployed graduates who are successfully placed in jobs. The project will also work broadly in the ICT vocational education area to improve curricula, widen the practice of seeking commercial certification, strengthen ICT training institutions, improve labor market forecasting and analysis, improve ICT job-matching websites, link employers to university career center, address any regulatory barriers to internships, and build organic institutional relationships between the private sector and training institutions.

### **Component 3: Developing ICT Policy and Regulatory Reform**

The project is improving the ICT-specific legal and regulatory environment, as well as addressing economy-wide issues that particularly impact small and medium enterprises (SMEs) in the ICT sector. The project is identifying the legal/regulatory constraints impeding ICT investment, growth, exports, and job creation, and will develop a strategy to eliminate identified constraints on a prioritized basis. The project will also provide targeted technical training and institutional consensus-building support to public- and private-sector stakeholders, including the Ministry of ICT.

The following sections present project highlights for each of the three project components and project operations, and challenges. Trip reports and deliverables produced in the month of June are included as attachments.

## **PROJECT HIGHLIGHTS**

### **Roundtable with ICT associations**

The USAID Tunisia ICT Competiveness Project held a roundtable with ICT associations on June 27, 2012. The purpose of the roundtable was to introduce the project, initiate relationships with associations, and disseminate a skills gap survey. Representatives from six organizations attended the roundtable: INFOTICA, Tunisia AmCham (TACC),

Association Professionals of Banking and Finance Companies (APTBEF), Tunisian Association for Communication and Technology (TACT), Foreign Investment Promotion Agency (FIPA), and Association of Financers and Capital (ATIC). The US Embassy and USAID also participated.

The roundtable was a success and represented an important step in initiating a dialogue on building a dynamic ICT industry in Tunisia. Key results include:

- All associations expressed interest in working with the project.
- Associations completed and returned skills gap surveys to the project, and also provided data and other documents as requested.
- The Ministry of Industry called to congratulate the project on the event and offered its support for project activities.

## **Component 1. Increasing and Developing ICT Entrepreneurship**

### **Collaboration with Microsoft**

The project team made excellent progress towards defining mutual goals and a potential structure for a MS-ICT Program partnership with Microsoft. Mutual goals include:

- Training and nurturing promising young ICT talent
- Developing ICT entrepreneurship and SME firms
- Improving ICT workforce technical and management skills
- Assisting mature MS systems integrators to penetrate African markets
- Generating ICT jobs.

Microsoft indicated it would like to see over 500 graduates acquire ICT certification and become employed in the next year.

### **Partnership with Tunisia's Largest ICT Association**

The ICT Competitiveness Project met with Tunisia's largest ICT industry association, INFOTICA, to discuss innovative ways to create jobs in the ICT sector together. INFOTICA is very positive about working with the project.

### **Rapid ICT Assessment**

The ICT Competitiveness Project collected data for identifying ICT firms, target ICT market segments, non-ICT sub-sectors and anchor companies, finance firms with SME out-reach programs, and "upstream" ICT firms. Target ICT market segments include: software development, system integrators, and data service providers (ISP, data). Target non-ICT sub-sectors include: tourism, finance, banking, food processing, electronics, health services, and BPO service industries. Target SME-oriented financial firms include:

Sages, BFPME, Alternative Capital Partners, Amen Bank. Target SME “ICT upstream” firms include: software & software services, IT-enabled services, advanced media services, telecom and networking services.

## **Component 2: Growing and Developing Tunisia’s ICT Workforce**

### **Skills Gap Survey**

Prepared and distributed a skills-gap survey in English and French to private sector enterprises assessing employer needs not currently available within Tunisian workforce.

### **Collaboration with Via Mobile**

Via Mobile expressed the need for very basic working behaviors such as coming to work on time, presenting good quality work, and submitting CVs that are professional. Via Mobile expressed interested in partnering with the project on employee training in business “soft skills” and English.

### **Results on Tunisian Labor Market**

The USAID Tunisia ICT Competitiveness Project initiated data collection and analysis of labor supply and demand in the ICT sector, for the purpose of understanding where in the sector there is excess or inadequate labor supply, in order to inform deciding where to focus training resources. Initial efforts were focused on identifying the supply side--annual graduates of students, categorized by types of programs.

## **Component 3: Developing ICT Policy and Regulatory Reform**

### **Draft of Preliminary Legal and Regulatory Reform**

The Project commenced drafting the preliminary enabling environment reform agenda. This involved identifying and prioritizing the targeted ICT policy, legal, and regulatory reforms to be initiated during the next three months.

### **Assessment of E-commerce Law**

The project conducted a comprehensive legal/regulatory assessment of Tunisia’s e-commerce law in light of international best practice standards.

### **Relationship with GOT**

The ICT Competitiveness Project participated in its first working group meeting with MICT to introduce the project and discuss priority legal and regulatory reforms. The project also established contacts at the Ministry of Foreign Affairs.

## **Operations**

Operational and administrative highlights include:

- Fielded long-term expatriate team:
  - Jane Daly, COP/Workforce Development Expert
  - Craig Giesze, Legal and Regulatory Expert
  - Robyn Folsom, Workforce Training Program Manager
  - Larry Marchese, ICT Value Chain Expert
- Identified and moved into temporary office – Tunis Business Center, Immeuble Sarra, Boulevard Principal 1053, Les Berges du Lac – Tunis.
- Identified long-term office space to be considered for project use.
- Initiated registration of Sibley International as a legal entity in Tunisia.
- Researched the opening of a project bank account.
- Conducted interviews for candidates for the following positions: Accountant, Receptionist, Administrative Assistant, Interpreter/Translator. Selected Receptionist.
- Met with the Golden Tulip and Concorde Hotel to discuss rates for apartments for short-term consultants.
- Identified apartments for long-term expat living and conducted market analysis of the real estate market for apartment rentals and submitted an Approval Request for an increase in Living Quarters Allowance.

## CHALLENGES

Key challenges that the project is facing on the technical activities and operations include:

**Economic Downturn.** The European and worldwide economic downturn has reduced demand for Tunisian goods and services across the board, including for ICT services—for high-end services and for lower-income BPO services. The team is exploring broadening the types of jobs and subsectors that will be targeted.

**Limited Expansion of TACT program.** TACT members, due to the European and worldwide economic situation, have indicated little appetite for hiring new workers or supporting training programs. The project will need to expand the partner base for training activities, to include TELNET, other Tunisian firms, the overarching ICT business association The National Information Technology Federation (NITF) which includes INFOTICA, as well as the Tunisian American Chamber of Commerce.

**Hiring Tunisian Staff.** The project is facing difficulties hiring technical local staff with private sector experience. Qualified candidates have expressed interest in working on the project but are unwilling to accept salaries within the FSN salary scale. This is exacerbated by the short timeframe of the project. Many candidates are unwilling to

leave their current jobs for a position that is less than a year long at a lower salary. At the time of writing of this report, the project is conducting an analysis of local salaries.

**Finding Suitable Apartments for Expatriate Staff.** Long-term expatriate staff were unable to find suitable furnished apartments within the project budget for housing. The project conducted an exhausted search engaging numerous real estate brokers and extensive research in La Presse newspaper, online resources and local contacts, and determined that rental market costs are above the proposed amount stated in the project budget. The project submitted an approval request to USAID to increase the amount for housing.