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TUNISIA ICT COMPETITIVENESS PROJECT

Quarterly Report

July – September 2012

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USAID ICT Competitiveness Project

Quarterly Report July – September 2012

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DISCLAIMER

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ACRONYMS

| | |
|----------|---|
| ACP | Alternative Capital Partners |
| AICTO | Arab ICT Organization |
| BFPME | Banque de Financement des Petites et Moyennes Entreprises |
| BIAT | Banque Internationale Arabe de Tunisie |
| BPA | Blanket purchase agreement |
| BPO | Business process outsourcing |
| CCN | Cooperating country national |
| DCA | Development Credit Authority |
| DGAE | Direction Générale d'Administration Electronique |
| EFE | Education for Employment |
| EU | European Union |
| GBTI | Global Business, Trade, and Investment |
| GOT | Government of Tunisia |
| IACE | Arab Business Leaders Institute |
| ICT | Information Communications Technology |
| INS | Institut National de la Statistique |
| INT | National Telecommunications Authority |
| ISP | Internet service provider |
| IT | Information technology |
| MCC | Millennium Challenge Corporation |
| MFPE | Ministry of Vocational Training and Employment |
| MICT | Ministry of Information and Communications Technology |
| MSME | Micro, small and medium enterprise |
| MOU | Memorandum of Understanding |
| MS | Microsoft |
| NITF | National Information Technology Federation |
| PPP | Public-private partnership |
| SEGIR | Support for Economic Growth and Institutional Reform |
| SME | Small and medium enterprise |
| SOW | Scope of work |
| RFP | Request for proposals |
| TACC | Tunisia American Chamber of Commerce |
| TACT | Tunisian Association for Communication and Technology |
| UNCITRAL | United Nations Commission on International Trade Law |
| USAID | United States Agency for International Development |
| VET | Vocational education and training |
| WTO | World Trade Organization |

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EXECUTIVE SUMMARY

Progress

During the Project's first full quarter activities focused on building relationships with government counterparts; identifying partner companies with job openings; identifying skills gaps in Information Communications Technology (ICT) and ICT-enabled sectors; designing technical assistance and training programs; and building consensus around the Project's enabling environment reform agenda. Key accomplishments include:

Component 1. Increasing and Developing ICT Entrepreneurship

- Conducted rapid assessment and identified target ICT market segments and ICT-enabled subsectors.
- Developed partnerships with two anchor firms: Microsoft (MS) and TELNET, one of the largest companies in the Tunisian IT services market. The Project and MS jointly held outreach events to recruit SMEs to participate in the Project's training and job placement program, and also organized an ICT project management workshop.
- Signed partnership agreements with Banque de Financement des Petites et Moyennes Entreprises (BFPME) and BIAT (Banque Internationale Arabe de Tunisie) to improve their SME lending practices. The Project worked closely with BFPME to streamline its loan processing/approval processes based on sound credit risk management principles.
- Laid the groundwork for developing Development Credit Authority (DCA) partial guarantee facilities. The Project drafted a concept paper for a DCA loan portfolio guarantee facility and met with the Central Bank to discuss regulatory issues.
- Signed a partnership agreement with Alternative Capital Partners (ACP). The Project will refer ICT and ICT-enabled SMEs to ACP, and provide technical assistance and training for select ACP investee companies.

Component 2. Growing and Developing Tunisia's ICT Workforce

- Organized and participated in 4 events aimed at identifying companies to partner with on training, capacity building and job placement activities.
- Released a request for proposals (RFP) to identify training organizations to provide training for INFOTICA member companies in business workplace skills, sales skills, and business English skills.
- Designed a blanket purchase agreement (BPA) mechanism to create a pool of training providers that will be tapped over the life of the Project to provide training to job seekers and partner companies.
- Identified and defined training areas that are in demand by the private sector covering general business skills, ICT technical skills, and industry specific technical skills for targeted ICT-enabled subsectors.
- Initiated work to improve ICT curricula and develop training for teachers.

- Undertook preparations for the Project's first job fair which is scheduled to take place on November 8, 2012. The Project formed a job fair committee with members from the private and public sectors who will be actively identifying companies with jobs to fill and mobilizing them for the fair.

Component 3. Developing ICT Policy and Regulatory Reform

- Finalized enabling environment reform agenda for ICT job growth.
- Worked closely with the National IT Federation (NITF) to establish an ICT Task Force. The Project drafted a Task Force Agreement describing the Task Force's mission, scope of work, and the roles and responsibilities of members. The Project also defined with the Federation its support role of the Task Force and the Federation's reform priorities.
- Produced comprehensive analysis of the Telecommunications Code with recommendations to bring Tunisia's ICT regulatory structure in line with international best practices.
- Conducted an analysis of tax policy and worked with Government representatives to formulate proposals to reduce the overall tax burden and rationalize the payroll tax regime.

Operational Challenges and Solutions

Economic Downturn. The European and worldwide economic downturn has reduced demand for Tunisian goods and services. To maximize impact and job creation, the Project broadened targeted sectors to include ICT-enabled sectors.

Limited Expansion of TACT Program. Due to the EU economic crisis, Tunisian companies' ability to hire new workers appears to have diminished. TACT members have shown little interest in participating in a second round. The Project has expanded partners for training beyond TACT.

Policy Challenges and Opportunities. It will be challenging to go through a whole cycle of policy reform during the short project period, and with a temporary Parliament in power. The Project is moving forward proactively in targeting areas where there is interest and momentum for policy reform.

Hiring Tunisian Staff. The Project initially faced difficulties hiring local technical staff within the FSN salary scale. The Project conducted an analysis of local salaries and submitted a blanket waiver to hire cooperating country nationals (CCNs) above the local maximum at the TND equivalent of \$200/day. USAID approved the waiver on September 13, 2012.

Security. The security situation in Tunisia deteriorated in September 2012. A short-term Security Advisor was hired to conduct a comprehensive assessment of risks and threats to the Project and will produce recommendations in October.

Planned Activities for the Next Quarter

Component 1 activities in October–December 2012 will focus on improving the financial and operational performance and institutional capacity of ICT SMEs. In the ICT-enabled sector, the

Project will assess SMEs' technical support and staff training (both existing staff and proposed staff) needs and design and implement technical assistance programs designed to drive increased private investment, market linkage development and job creation in high potential companies. The Project will provide technical assistance to 2-3 banks to improve their loan processes for SMEs. Component 2 activities will focus on selecting a pool of training organizations and implementing training and technical assistance for job seekers and partner companies. The Project will begin work with career centers to strengthen links with the private sector and improve job matching skills. The Project will also implement its first job fair. Under Component 3, the Project will finalize the ICT Task Force Agreement and facilitate Government ownership. The Project will continue working with the Government to build consensus and move the telecommunications reform and fiscal policy reform forward. The Project will also initiate e-governance and e-commerce work.

INTRODUCTION

This document presents the Quarterly Report for July to September 2012 for the Tunisia ICT Competitiveness Project 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. The project commenced on May 22, 2012 and is expected to continue through June 13, 2013.

Tunisia's ICT workforce deserves significant credit for the launch of the Arab Spring, having deployed cutting-edge ICT tools in the service of public information, revolution, and democracy. A compelling combination of strong engineering education, cultural and geographic proximity to Europe, language skills, and a positive business environment uniquely position the Tunisian workforce to serve as an ICT support hub for Europe and for North Africa, as well as providing to the domestic market. However, Tunisia still has an ICT industry comprised of local companies not yet fully experienced in the international arena, an ICT workforce whose skills do not fully meet employers' expectations, and an ICT legal and regulatory environment that is not as competitive as those in some other relevant countries. The expectations of the population of Tunisia are for gains in economic opportunity on par with what has been achieved over the last year with advances in democracy. To address these challenges the ICT Competitiveness Project will provide assistance to the ICT and ICT-enabled sectors to develop and enhance their roles as catalysts for accelerated private sector growth and job creation. Program activities are organized into three components:

- **Component 1. Increasing and Developing ICT Entrepreneurship:** aims to work with ICT companies, and companies in "ICT-enabled" industries, directly and with leading industry associations, to assist in strengthening these value chains, helping find new markets, and improving access to credit.
- **Component 2. Growing and Developing Tunisia's ICT Workforce:** seeks to develop the ICT workforce of Tunisia, through training and job placement programs, job fairs, and curriculum enhancement.
- **Component 3. Developing ICT Policy and Regulatory Reform:** aims to strengthen the business enabling environment, focusing on ICT-specific issues such as allowing more private providers of ICT services to compete with the national telecommunications company, as well as focusing broadly on issues that affect the entire economy, such as high tax and social contribution burden on labor, the rigid labor code, and other issues.

The Quarterly Report includes the following sections:

- **Progress by Component** presents the progress made by each component against work plan activities.
- **Operational Challenges and Solutions** discusses the challenges that the Project faced during the quarter and the steps the Project took to overcome them.
- **Planned Activities for the Next Quarter** presents the key activities the Project will undertake in October–December 2012.
- **Trip Reports** includes summaries of technical assistance trips taken during the quarter.
- **Technical Reports** includes deliverables produced during the quarter.

PROGRESS BY COMPONENT

Component 1. Increasing and Developing ICT Entrepreneurship

1.1 Assess comparative and competitive advantage in ICT sector and select ICT market segments

The Project conducted an ICT assessment and identified target market segments for project activities:

- **ICT market segments.** Software development, system integrators, and managed IT service providers (cloud computing, internet service providers (ISPs) and data).
- **SME “ICT upstream” firms.** Software and software services, IT-enabled services, advanced media services, telecom and networking services.
- **ICT-enabled sub-sectors.** Medical devices, automotive parts, green energy, electronic components, aerospace parts, textiles/garments, construction materials (ceramics and glass), financial services, healthcare, tourism, logistics/transportation, food processing (olive oil, dates, and shellfish).
- **Small and Medium Enterprise (SME) financial intermediaries:** Bank of Tunisia, BIAT, Attijari Bank, Tuninvest, BFPME, Alternative Capital Partners (ACP), and Amen Bank. Tuninvest and ACP are private equity/venture capital firms.

1.2 Support SMEs with employment and export market potential

The Project is targeting 3 core groups of SMEs in high potential subsectors (e.g. systems integrators, software developers, business process outsourcing providers). First, the Project is in the process of targeting all the “anchor” ICT firms both as sources of information/guidance on ICT-related competitiveness enhancement needs/priorities, and to help target ICT micro, small and medium enterprises (MSMEs) which provide goods and services to these anchor firms and have significant potential to expand. The Project made significant progress during the quarter towards developing partnerships with 2 anchor firms:

Microsoft (MS). The Project signed a partnership agreement with MS to cooperate, coordinate and/or combine resources and activities to promote development of the Tunisian ICT industry, stimulate entrepreneurship and SME development, expand employment, facilitate international market linkages, and increase Tunisian competitive advantage, while improving ICT workforce skills, and improving ICT policy, legal and regulatory environment.

TELNET. The Project is assisting TELNET to double its annual Pre-Hire Intern Program from 70 to 150 participants. TELNET will guide the students through a structured training/internship program, evaluate and hire the best performers on program completion and graduation. The 2012-2013 TELNET Pre-Hire Intern Program will begin in October or early November 2012.

Second, the Project is providing a strategic menu of competitiveness enhancement consulting services for networks of SMEs that provide ICT goods/services to anchor firms. These range from basic strategic and business planning, financial planning and management, and technical sales and marketing assistance.

Third, the Project is targeting a network of MSMEs with high potential to directly export ICT goods/services (e.g. software, digital content, cloud computing services, business process outsourcing) to foreign clients. The Project is utilizing key ICT partner associative organizations, including TACT, INFOTICA, and National Information Technology Federation (NITF), to help both galvanize industry interest and to identify high potential industry sub-segments and firms. The Project and MS held three events during the quarter to initiate these activities:

- **SME Marketing Outreach Event:** The Project and its anchor partner MS co-sponsored a SME marketing and outreach event on September 28, 2012 at El Ghazala Techno Park for MS systems integrators, software developers, and IT services SMEs. Mr. Mohammed Bridda, CEO Microsoft Tunisia, and 20 MS SME partners attended the event aimed at recruiting these companies to hire ICT jobseekers. MS SME partners reported they would create at least 200 new jobs over the next 6 months.
- **ICT project management workshop:** The Project and MS held a 1-day ICT project management workshop on September 25, 2012 for MS BizSpark SME partners at El Ghazala Techno Park. BizSpark SME partners from northern Tunisia attended the workshop, which consisted of formal classroom and ICT laboratory training. The workshop launched the first in a series of co-sponsored events that will include road shows and workshops in Tunisia.
- **ICT Entrepreneurship Open Forum:** The Project conducted an Open Forum on ICT Entrepreneurship on September 28, 2012 which included a presentation, questions and comments from MS SME partners.

The Project has agreed to sign a formal partnership agreement with NITF. The Project will provide cost-shared enterprise consulting and training to NITF member companies. The Project in collaboration with NITF and INFOTICA jointly sponsored a marketing event September 14, 2012 to attract and sign-up member companies with unfilled ICT jobs. INFOTICA member companies reported they would create at least 52 new jobs over the next 9 months.

1.3 Design and implement training and technical assistance programs for ICT-enabled SMEs

The Project has begun designing training programs (see Section 2.3 below). The Project will also provide strategic/business planning, financial planning/management, quality control/upgrading and market integration support as needed to targeted ICT-enabled companies with strong employment generation potential and strong inter-linkages with key ICT subsectors. These activities will commence next quarter.

1.4 Stimulate the provision of sustainable financing for high potential ICT companies and SMEs

The Project is partnering with financial institutions to improve their SME lending practices. As of September 30, 2012 the Project had signed partnership agreements with BFPME and BIAT. The Project provided technical assistance to BFPME to improve its SME loan processing/approval process with a focus on ICT firms. The Project provided a prioritized set of recommendations and immediate steps that BFPME can take to streamline its loan processing/approval processes, at the same time reflecting sound credit risk management principles. The Project also defined detailed follow-up implementation activities, which are scheduled for November. Amen Bank, Attijari Bank, and Banque de Tunisie are currently reviewing letters of intent, and the Project will follow up to have these letters signed in the next quarter.

1.5 Develop Development Credit Authority (DCA) partial guarantee facilities

The Project is working to effectively leverage/integrate DCA guarantee programs that will encourage partner commercial finance institutions to extend their credit risk profiles in a prudent fashion towards SME borrowers in the ICT and ICT-enabled subsectors. A draft concept paper for a DCA loan portfolio guarantee facility was provided to Christopher Powers and Megan Rapp of the USAID Office of Development Credit who were scheduled to visit Tunisia September 23-26. The Project scheduled meetings with the management of Amen Bank, BIAT, Attijari Bank and Banque de Tunisie. However, the trip was postponed as a result of the demonstrations in Tunis on September 14. In connection with the possibility of a DCA guarantee facility, the Project met with the Central Bank's General Director of Bank Supervision, Ms. Raja Darghouth. Based on the meeting there does not appear to be any regulatory issues hampering a DCA loan portfolio guarantee facility in Tunisia.

1.6 Expand and enhance equity and quasi-equity financing possibilities in Tunisia

The Project is working to stimulate provision of innovative quasi-equity and equity financing instruments by targeting technical/training support for progressive institutional actors within the Tunisian capital market; through which it will help build "pipelines" by identifying potential investee companies and supporting due diligence analysis, as well as providing post-investment technical/training support for investee companies. The Project will facilitate innovative equity financing arrangements for at least 2 ICT anchor companies in high potential industry segments. During this quarter, the Project pursued working relationships with a number of private equity firms:

- The Project signed a partnership agreement with Alternative Capital Partners (ACP). The Project will identify, evaluate and refer ICT and non-ICT SMEs to ACP for possible equity investment, and provide technical assistance and training for select ACP investee companies.
- The Project is pursuing a partnership agreement with Tuninvest. Its new Growth Fund is targeting high potential SMEs in the ICT and related sectors to receive equity financing. As with ACP, the Project will identify, evaluate and refer ICT and non-ICT SMEs to Tuninvest for investment, and provide technical assistance and training for select Tuninvest investee companies.

- The Project also pursued a partnership agreement with Abraaj Capital. The envisaged relationship would be similar to those with ACP and Tuninvest.
- The Project met with several other private equity firms, but the size of their investments is beyond the scope of the kinds of SMEs that the Project aims to assist.

1.7 Work with ICT industry leaders and associative institutions to launch investor outreach efforts

The Project formed partnerships with ICT industry leaders and associative institutions as detailed in section 1.2 above. In the next quarter, the Project will design and implement investor outreach programs, organize and participate in conferences that match investors/foreign business demand with Tunisian companies, and assist selected Tunisian companies to participate in investment conferences.

Component 2. Growing and Developing Tunisia's ICT Workforce

2.1 Identify companies to partner with on training, internships, hiring and capacity building; and build public-sector partnerships

The Project is identifying groups of companies for Project assistance and training. The Project is seeking companies that demonstrate a clear intent to hire workers in the near term and to participate in cost-sharing for training of these new workers. For these companies, the Project will provide a package of assistance and training that includes the firm-level assistance described under Component 1, plus training for to-be-hired workers under Component 2. The Project has undertaken the following activities to identify companies:

- **“Training and Assistance for ICT Job Creation and Business Expansion” event for INFOTICA members.** In collaboration with INFOTICA and Education for Employment-Tunisia, the Project successfully launched the first “Training and Assistance for ICT Job Creation and Business Expansion” event for INFOTICA members. The purpose of the event was twofold: (1) to identify companies that are recruiting to fill available jobs and are interested in participating in the Project’s co-financed training programs, and (2) to identify training and technical assistance needs to inform training curricula. Fifteen companies, representing a diverse range of ICT services and technologies, participated in the event.
- **Participation in the ICT4ALL forum.** The Project participated in the first day of the ICT4ALL Forum in Hammamet. The forum provided an excellent opportunity to meet companies working in the ICT sector in Tunisia and to survey participating companies about their recruiting plans and skills training requirements. The Project obtained contact information for 3 companies interested in participating in its training and assistance programs.
- **Marketing and outreach at the Arab ICT Organization (AICTO).** The Project delivered presentations, participated in panel discussions, and conducted marketing and workforce requirements surveys at the AICTO ICT Conference held on September 17-18, 2012.

- **“Training and Assistance for ICT Job Creation and Business Expansion” event for Microsoft (MS) SMEs.** In collaboration with MS, the Project successfully launched a “Training and Assistance for ICT Job Creation and Business Expansion” event for MS systems integrators, software developers, and IT services. The purpose of the event was twofold: (1) to identify SMEs that are recruiting to fill available jobs and are interested in participating in the Project’s co-financed training programs, and (2) to identify training and technical assistance needs to inform training curricula. Twenty SMEs, representing a diverse range of ICT services and technologies, participated in the event. The companies reported they would create over 70 new jobs in the next three months.

The Project also is forging partnerships with key government entities in three ministries: Ministry of ICT, the Higher Education and Research Science Ministry, and the Ministry of Employment and Vocational Education. These partnerships will provide access to the public sector education and training institutions, career centers and employment institutions, as well as techno parks, which are all to be mobilized in the next quarter.

2.2 Identify private or public training institutions

The Project is using a competitive process to bring training providers onto an approved Project vendor schedule, to select from a pool of qualified organization that can provide an array of training programs and services to be delivered rapidly once proper mechanisms are in place. It is anticipated that private institutions will participate as paid vendors for providing trainers, and that public institutions will participate as beneficiaries whom the Project will assist on improving job placement programs. The Project released a RFP for skills training organizations to provide training for INFOTICA member companies in the following “soft skills” areas: Business Workplace Skills, Sales Skills, and Business English Skills. The Project anticipates evaluating proposals during the week of October 8.

The Project drafted a second RFP to award Blanket Purchase Agreements (BPAs) to a group of skills training providers that will be used to provide training over the life of the Project. The BPA RFP includes, in addition to the soft skills listed above, requests for proposals from training providers for other broad skills training categories including Management and Business Development, Sales and Marketing, ICT Technical Skills, and Technical Skills for ICT-Enabled Sectors: Select Agro-Industries, Manufacturing, and Services. The Project anticipates releasing the RFP in October 2012.

2.3 Design and implement training programs

The Project prepared and distributed a skills-gap survey in English and French to private sector enterprises assessing employer needs for job skills that need to be strengthened or that are not currently available within the Tunisian workforce. Based on the survey results as well as the activities described in section 2.1 above, the Project defined training areas that are in demand by companies with job openings:

| | |
|---|---|
| Workplace Skills Training Categories | Examples of illustrative topics and areas of emphasis to be covered in the skills training applicable to ICT and ICT-enabled sectors, including but not limited to: |
| Business Soft Skills: | Basic professional skills and behaviors that reflect international professional standards for personal effectiveness in the workplace, such as: Interpersonal Skills; Working in Teams; Integrity; Professionalism; Ethics; Adaptability and Flexibility; Dependability and Reliability; Lifelong Learning; Critical and Analytical Thinking; Effective Business Communication (Listening and Speaking; Writing). |
| Workplace Competencies: | Professional skills and behaviors that reflect international professional competency standards required for the workplace, such as: Collaboration; Planning and Organizing; Creative and Innovative Thinking; Problem Solving and Decision-Making; Business Fundamentals; Customer Focus; Customer Relationship Management. |
| Management and Business Development: | Professional skills and behaviors that reflect international professional standards for management and business development, such as: Human Resource Management; Team Building; Managing Conflict; Strategic Planning and Action; Managing Business Growth; Preparing and Evaluating Budgets; Developing and Implementing an Organizational Vision; Monitoring and Controlling Resources; Entrepreneurship; Business Analysis; Access to Finance. |
| Sales and Marketing Skills: | Sales skills and techniques that reflect international professional standards and methods for: Basic selling skills; Different types of sales; Effective sales negotiation techniques; Managing client relations; Technical Sales; Marketing Fundamentals. |
| Business Language Skills: English and/or French: | Emphasis on effective oral and written communications, including: Reading and writing business correspondence, presentations, and other required business documents; Communicating effectively by telephone; in meetings; and day-to-day technical work environments. |

| | | |
|---|-----------------------------------|--|
| ICT Technical Skills Training: Illustrative technologies and areas of emphasis to be covered in the skills training, including but not limited to: | | |
| Technology Editor | Technology | List of skills for training |
| Microsoft: | Networking | Network administration under windows environment; Network Security |
| | Operating systems | Installation and configuration a windows server; Active directory; Administration of a windows server; Security in Windows; Administration web server IIS |
| | Mailing systems | Configuring, Managing and Troubleshooting Microsoft Exchange Server; Designing and Deploying Messaging Solutions with Microsoft Exchange Server |
| | Data base | Microsoft SQL Server Database: Development, Querying Administration of a Microsoft SQL Server |
| | Data warehouse | Implementing a Data Warehouse, Data models and reports with Microsoft SQL Server; ETL Tools |
| | Development environment and tools | Programming in HTML5 with JavaScript and CSS3; Programming in C#; Developing .NET web applications; .Net framework; SharePoint: Designing, Configuring and Administering; Developing .Net web services |

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|---------------------------------|---------------------|---|
| | Cloud Computing | Implementing and Managing Microsoft Server Virtualization; Creating and Managing a Private Cloud |
| | Mobile applications | Programming windows phone; Developing mobile application using .NET |
| | CRM | Microsoft Dynamics CRM |
| | | Microsoft Dynamics NAV Finance; Microsoft Dynamics NAV Logistics |
| Cisco | | Routing and switching fundamentals, configuring simple networks; Designing and Implementing Cisco Internetwork Solutions; Implementing Cisco Network Security; Implementing Cisco Unified Wireless Voice Networks; Implementing Cisco Unified Wireless Mobility Services |
| | | |
| Linux | | System Architecture, Linux installation, Linux Kernel; GNU and Unix Commands, Shells, Scripting; Devices, Linux File systems, Files sharing; Linux administration and Security; Embedded Linux Development |
| | | |
| Java | | Java Platform, Standard Edition (Java SE); Java Platform, Enterprise Edition (Java EE): Web Component Developer, Business Component Developer, Java Web Services Developer; Java Mobile Application Developer; Creating Cloud computing applications with Java; Java Web Application Server |
| | | Developing J2EE application with UML |
| | | |
| Oracle | | Oracle Sql and PL/SQL; Oracle development tools; Oracle data base administration; Oracle Data warehousing |
| | | |
| Solaris | | Operating system fundamentals; Operating system administration |
| | | |
| Multimedia Training | | DTP: Quark Express, Publisher, Adobe acrobat CAD: Autocad, Visio |
| ICT Project Management Training | | |
| Open Source Tools | | <ul style="list-style-type: none"> • CMS: Drupal; WordPress; Joomla • Web Hosting: Web servers; LAMP • Database: MySQL |

| Examples of ICT-Enabled Sectors: | Examples of illustrative, industry-specific technical skills training that may be requested by Employers in select ICT-enabled sectors: |
|----------------------------------|--|
| Textiles | <ul style="list-style-type: none"> • Production Workers: Sewing, dying, washing, treatment • Highly skilled: pattern cutter (<i>patronnières</i>), fashion designer (<i>styliste</i>), production layout and production efficiency. |
| Food processing industry | <ul style="list-style-type: none"> • Production Workers: GHP, GMP, HACCP, and ISO22000 • Technical: traceability, lean manufacturing, quality systems • Marketing & Distribution: branding, labeling, packaging, distribution |

| | |
|----------------|--|
| | |
| Tourism | <ul style="list-style-type: none"> • Hotel Staff: Service orientation, serving, reception • Technical: voice systems, security, reservations • Marketing & promotion: web portals, content management, linkages to international organizations, brand development |

Training will be provided on a cost-sharing basis. This cost-sharing will be negotiated as part of agreeing to engage in programs. Initial programs are expected to share costs roughly according to 20% for firms and 80% for the Project.

2.4 Map labor demand and supply in ICT sector

The Project began collecting, reviewing, synthesizing, and analyzing data on labor market conditions in the ICT and ICT-enabled sectors. Initial efforts were focused on identifying the supply side – annual graduates of students, categorized by types of programs. The Project conducted a preliminary analysis of ICT workers entering the workforce and the demand for them. The Project identified the following trends relating to job seekers:

- The number of *Licence* students graduating and going on to the job market is likely to be about 10,000 per year over the next five years.
- The number of graduating engineers is likely to be 5-6,000 per year.

The Project faced difficulties researching the demand side due to a lack of data. According to the Institut National de la Statistique (INS), there were 796 placements in the Transport and Communications sectors in 2009, down from 2,000 in previous years. The Project is working with the INS to ascertain the possibilities to disaggregate Transport and Communications data in order to break out ICT (especially in the enterprise and labor force surveys).

2.5 Assess and recommend improvements to ICT curriculum

The Project is focusing on vocational education and training (VET) systemic improvements that most directly will benefit the ICT sector (including high-demand ICT applications in ICT-enabled value chains). The Project worked on the national directory of the higher education institutions directory in total (more than 200 institutions under 13 universities) to select the institutions (faculties, schools and institutes) giving ICT diplomas (Engineering, Master, PhD and *licence* levels). The produced database contains 69 institutions classified by university. The Project conducted a detailed analysis of its database of all Tunisian ICT courses, showing credits earned, and *licence* requirements. The Project also drafted a questionnaire to evaluate needs for teacher training that was distributed to universities for completion. The Project initiated work to improve ICT curricula and develop training for teachers during this quarter. For each university, the Project also gathered information about their involvement in projects or activities of careers-finding for their graduates.

2.6 Develop job-matching programs, including job fairs

The Project is preparing to hold its first job fair on November 8, 2012. The job fair will bring together companies with job openings and unemployed ICT and ICT-enabled industry professionals. The Project formed a job fair committee to organize the event including El Ghazala Techno Park, Education for Employment-Tunisia (EFE), UTICA and Ministry of

Vocational Training and Employment (MFPE). All committee members committed to contribute to the job fair's success by actively drawing in qualified participants. Key activities undertaken during the quarter include obtaining commitments from companies with job openings to participate at the job fair, identifying potential venues, and developing marketing materials.

Component 3. Developing ICT Policy and Regulatory Reform

3.1 Develop ICT technical support/outreach and consensus-building framework

The Project rapidly analyzed, prioritized, and validated with local stakeholders critical policy, legal, and regulatory constraints to ICT development and other relevant enabling-environment areas. This assessment included a series of meetings and focus-group discussions with key institutional actors (e.g., ICT companies, ICT associations including TACT, broader business association groups including Tunisia American Chamber of Commerce (TACC), private policy think-tank/research organizations, commercial finance institutions, major donor agencies), and relevant GOT policy-making institutions.

3.2 Define enabling environment reform agenda

The Project closely coordinated with USAID, TACT, and other major associative entities to formulate a prioritized enabling-environment reform agenda for ICT job growth. This involved evaluating major laws and regulations affecting the Tunisian ICT sector; identifying and prioritizing the policy, legal, and regulatory constraints impeding ICT investment, growth, exports, and job creation in Tunisia; and developing a policy, legal and regulatory reform strategy to eliminate or reduce identified constraints. Detailed results are presented in the Project Work Plan. Reform areas are listed below:

- ICT/SME-relevant financial sector reforms
- E-governance
- Telecommunications
- E-commerce
- Public-private partnerships
- Labor
- Tax

3.3 Establish ICT Task Force

The Project is coordinating with the National ICT Federation to establish an ICT Task Force to serve as a Tunisian policy-research, -formulation and -reform organization that will propose a wide range of improvements applicable to the Tunisian ICT sector. These reforms will enable the public and private sectors to implement the vision to convert Tunisia into an ICT export platform and hub aimed at Northern and Sub-Saharan Africa, the Middle East, Europe, and North America. The Project drafted a Task Force Agreement describing the Task Force's mission, scope of work, and the roles and responsibilities of members, which is under final review and consideration by the National ICT Federation and Ministry of Information and Communications Technology (MICT).

3.4 Develop ICT/SME-relevant financial sector reforms

Work on this task will commence next quarter.

3.5 Develop e-governance

Work on this task will commence next quarter.

3.6 Amend the Telecommunications Code in accordance with international best practice

The Project produced a comprehensive analysis of Tunisia's Telecommunications Code compared to international best practices. The analysis undertaken recommends that the Telecommunications Code be comprehensively amended or replaced with a new law in order to bring Tunisia's ICT regulatory structure in line with international best practices. The Project's key recommendations are designed to: (1) align the authority/functions of the regulator, the Instance Nationale des Télécommunications (INT), with best practice standards, including establishing full independence and transparent processes, and (2) promote policies that will stimulate economic growth by encouraging enhanced sustainable availability of broadband services. Modernizing Tunisia's Telecommunications Code will improve the functioning of the INT and promote competition and investment in the sector by increasing legal certainty. The process of drafting a new draft Telecommunications Code or a set of amendments would begin with a series of meetings in October 2012 with key stakeholders in the Government, the private sector, and the donor community to discuss and refine the Project's recommendations.

3.7 Draft new e-commerce legislative amendments or laws

Work on this task will commence next quarter.

3.8 Recommend a policy-action plan to draft PPP amendments or law for enactment by the legislature

Work on this task will commence next quarter.

3.9 Develop an implementation strategy to carry out additional enabling reforms in the sectors that can further enhance ICT growth in Tunisia

The Project is working closely with the GOT to identify critical complementary reforms that will have a significant impact on facilitating ICT growth in Tunisia. In particular, the Project will develop a policy-action plan and an implementation strategy designed to eliminate or reduce, *inter alia*, tax, labor, customs, and international trade constraints on a prioritized and phased basis. The Project will work closely with the GOT to prepare and implement legislative amendments, as needed.

The Project conducted an analysis of tax policy and found that Tunisian tax policy and administration may limit the volume, efficiency, and job creation impact of private investment in Tunisia, including in the ICT sector. Unemployment in Tunisia is a polarizing economic and political issue requiring immediate and significant action. High unemployment causes hardship for Tunisian families, degrades the Tunisian workforce as potential workers fail to develop skills or leave to pursue opportunities abroad, and exacerbates a tense political situation. There are many factors contributing to high unemployment, including European and global economic

turbulence, and the current political situation in Tunisia. The high cost of labor for firms is another important factor that is having a critical impact on the level of employment in the economy. This, in turn, is largely driven by high labor taxation (personal income tax and mandated social contributions), and by inflexible labor code requirements. The resulting high labor costs sharply reduce competitiveness and curtail employment opportunities. The Project is working with the GOT and private sector champions to formulate proposals to reduce the overall tax burden and rationalize the payroll tax regime, encouraging a shift to a heavier focus on indirect taxes, which is important for encouraging higher rates of formal sector job creation in the ICT sector and in ancillary sectors that indirectly support ICT sales/employment growth.

3.10 Initiate dialogue and coordination with relevant stakeholders and conduct public/private workshops

The Project is working closely with USAID to ensure coordination with the upcoming Millennium Challenge Corporation (MCC)/Tunisia program to avoid any overlap in policy analysis/outreach activities. The Team is also coordinating with and working under the guidance of USAID staff to build the understanding and economic-reform-dialogue capacity of key civil society institutions. To this end, Project advisors have scheduled to make presentations on their findings in informal consultations and formal meetings with government representatives, non-governmental organizations, and private-sector stakeholders.

OPERATIONAL CHALLENGES AND PROPOSED SOLUTIONS

This section discusses the operational challenges that the Project encountered during the quarter and the solutions to address these challenges.

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. To maximize impact and job creation, the Project broadened targeted sectors to include ICT-enabled sectors: agro-industries (olive oil, shellfish, dates processing); manufacturing (textile, automotive components, aerospace, construction materials, medical devices); and services (tourism, transportation and logistics; financial and business services; energy efficiency and solar).

Limited Expansion of TACT Program. Due to the EU economic crisis, Tunisian companies have become markedly less enthusiastic regarding the concept of paying for training and their ability to hire new workers appears to have diminished. TACT members have shown little interest in participating in a second round. The Director of ANETI initially did not show interest in collaborating with the Project or allocating budget funds to co-finance training. The Project implemented the following solutions:

- Moved forward with collaboration with TELNET on training.
- Expanded partners for training beyond TACT.
- The ANETI Director directly received a communication from USAID regarding the purposes/importance of this program. The Project has developed a relationship with the Ministry of Employment and the Ministry has expressed interest in and displayed willingness for working with the Project.
- The Project will implement Cash-for-Delivery training programs where the cost of training is shared between private sector companies and the Project. The training organizations will be subcontracted by both the companies and the Project, with the Project paying approximately 80% of training costs and companies paying 20% if at least 80% of participants successfully complete the training program.

Policy challenges and opportunities. It will be challenging to go through a whole cycle of policy reform, actually changing laws and regulations, during the short project period, and with a temporary Parliament in power. At the same time the Project has confirmed that the temporary Parliament has the power to enact economic legislation and has been doing so at a fast clip. The Ministries of Telecommunications and Finance and the Central Bank seem genuinely interested in help. The Project is moving forward proactively in targeting private/public coalitions ready to focus on and leverage momentum for the submission and approval of major reforms in the telecom area; focusing on those reforms where the opportunities for near-term progress seem relatively high. The Project is also focusing on a similar strategy for other major enabling environment reforms which are not necessarily very narrowly ICT focused; but which could have a major impact on private investment and job creation in the ICT sphere and in adjoining sectors (e.g., tax reform, financial sector regulatory oversight policies, trade integration reforms).

Tunisia American Chamber of Commerce (TACC) Partnership. The Director of TACC, Amel Bouchamaoui, indicated her belief that it was inappropriate for the Project to be in direct contact with TACC members, in particular singling out TELNET and Microsoft. The Project believes it is important both to work with associations and to work directly with key companies. David Snelbecker, Sibley CEO, called Ms. Bouchamaoui and discussed areas of collaboration: 1) analysis, consensus building and advocacy for enabling environment reforms; 2) pre-hire training for intended employees of TACC member companies; and 3) the job fair planned for November. The Project and TACC have improved collaboration and are working together on the areas listed above.

Hiring Tunisian Staff. The Project faced difficulties hiring technical local staff with private sector experience. Qualified candidates 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 were unwilling to leave their current jobs for a position less than a year at a lower salary. The Project conducted an analysis of local salaries and submitted a blanket waiver to hire CCNs above the local maximum at the TND equivalent of \$200/day. USAID approved the waiver on September 13, 2012.

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 exhaustive 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, and USAID approved the request on August 29, 2012.

Ramadan. Ramadan started July 20 and ended August 18 in Tunisia. Business hours were reduced during this time and as a result the Project had some difficulty scheduling meetings with counterparts. However, this did not significantly impact project activities.

Security. The security situation in Tunisia deteriorated in September 2012. Recent events including the violent demonstration at the U.S. Embassy and the looting of the American School on September 14 suggest that U.S. personnel and property may be targeted for further attacks. The Project is taking all necessary steps to ensure the safety of staff and property. A short-term Security Advisor was hired to conduct a comprehensive assessment of risks and threats to the Project and will produce recommendations in October.

PLANNED ACTIVITIES FOR THE NEXT QUARTER

Component 1. Increasing and Developing ICT Entrepreneurship

1.1 Assess comparative and competitive advantage in ICT sector and select ICT market segments

This activity was completed.

1.2 Support SMEs with employment and export market potential

Component 1 will assist Component 2 to develop technical/training support plans with at least 3 anchor ICT companies to identify key ICT product/service providers, and contribute to the development of technical/training support plans to improve financial and operational performance and institutional capacity of 10+ smaller upstream ICT firms.

1.3 Design and implement training and technical assistance programs for ICT-enabled SMEs

The Project will conduct a quantitative and qualitative analysis to identify 4-6 market segments in industries that utilize ICT, that have the potential to be a source of increased employment and export/income growth. This will include identifying anchor firms, smaller-scale but technically robust SMEs that have strong unexploited export potential in particular niche areas, and ancillary service providers which are providing critical services to anchor companies and SMEs and assess their technical support/training needs. The Project will assess SMEs' technical support and staff training (both existing staff and proposed staff) needs, and develop and begin implementing training and technical assistance plans.

1.4 Stimulate the provision of sustainable financing for high potential ICT companies and SMEs

In the next quarter, the Project will work with BIAT to improve its policies, procedures and credit risk management systems in line with international best banking practices. Amen Bank, Attijari Bank, and Banque de Tunisie are currently reviewing letters of intent. The Project will follow up to have these letters signed and begin implementation of the activities per the agreements.

1.5 Develop Development Credit Authority (DCA) partial guarantee facilities

The Project will continue working to identify DCA-related credit enhancement opportunities and once opportunities are identified help partner financial institutions develop DCA Concept Papers.

1.6 Expand and enhance equity and quasi-equity financing possibilities in Tunisia

The Project will pilot innovative equity financing arrangements for at least 1-2 ICT anchor companies in high potential industry segments.

1.7 Work with ICT industry leaders and associative institutions to launch investor outreach efforts

The Project will define industry partner needs, design and implement investor outreach programs, organize and participate in conferences that match investors/foreign business demand

with Tunisian companies, and assist selected Tunisia companies to participate in investment conferences.

Component 2. Growing and Developing Tunisia's ICT Workforce

2.1 Identify companies to partner with on training, internships, hiring and capacity building; and build public-sector partnerships

The Project will continue to identify groups of companies for Project assistance and training, particularly in ICT-enabled sectors such as textiles and food processing. The Project will seek companies that demonstrate a clear intent to hire workers in the near term with the ability to cost-share for training of these new workers.

2.2 Identify private or public training institutions

The BPA RFP will be released in October. The Project will review proposals and award BPAs to qualified organizations that demonstrate cost reasonableness. The selected organizations will form a group of vendors from whom the Project can quickly procure instructor-led skills training and job placement services for the following broad skills categories:

- Workplace Skills (applicable to ICT and ICT-Enabled Sectors):
 - Business Soft Skills
 - Workplace Competencies
 - Management and Business Development
 - Sales and Marketing Skills
 - Business and Technical Language Skills: English and/or French
- ICT Technical Skills
- Technical Skills for ICT-Enabled Sectors: Select Agro-Industries, Manufacturing, and Services.

2.3 Design and implement training programs

The Project will draft scopes of work (SOWs) for training based on the skills required by partner companies. The SOWs will define training courses required, deliverables, number of participants, dates/duration and location. SOWs will be issued to BPA holders. BPA holders will be required to conduct pre- and post-training assessments to measure the progress of training participants. Training participants will be placed in jobs upon successful completion of the training program.

2.4 Map labor demand and supply in ICT sector

The Project will continue data collection on the current ICT workforce—entry and attrition rates, rates of graduation from relevant academic programs, and information on subsectors and subspecialties, trends, placement of students, employment and unemployment, and under- and over-supply of workers in various skills areas. The Project will produce a detailed report on the state of the ICT labor market with a rigorous analysis of the current supply and demand sides of the labor market.

2.5 Assess and recommend improvements to ICT curriculum

The Project will continue to work on VET systemic improvements that will improve the ICT and ICT-enabled value chains curricula. The Project will use the survey of teachers' data to form curricula recommendations and enhancements. After the Ministry of Higher Education has approved the proposed enhancements, pilot courses will be designed that address specific ICT value-chain needs, through curriculum development and training of teachers. Curricula developed will be targeted to relevant VET institutions, targeting in-demand quick skills teaching. The Project will work with 4 career centers located outside Tunis to increase contacts with the private sector, to improve placement with employers and career counseling linked to employer requirements. The Project will coach career center staff on job matching skills improving their capacity to place students, for internships, for part-time jobs during school years, and for permanent jobs after program completion. The Project will assist VET institutions to focus more on student employment, of all kinds: paid and unpaid internships, and part time jobs.

2.6 Develop job-matching programs, including job fairs

The Project will continue to organize the November 8 job fair featuring over a 100 employers offering jobs to thousands of job seekers and begin rollout to 4 regions.

Component 3. Developing ICT Policy and Regulatory Reform

3.1 Develop ICT technical support/outreach and consensus-building framework

This activity is being finalized through dialogue with stakeholders on formal agreements.

3.2 Define enabling environment reform agenda

This activity was completed.

3.3 Establish ICT Task Force

The Project will finalize the ICT Task Force Agreement and formally establish the ICT Task Force by means of an inaugural meeting to be scheduled next quarter. This Task Force will comprise GOT representatives and private sector stakeholders to engage in policy research, formulation, and reform and will propose a wide range of improvements applicable to the Tunisian ICT sector.

3.4 Develop ICT/SME-relevant financial sector reforms

The ICT Financial Advisor will undertake a focused analysis of the priority policy/regulatory institutional constraints that must be addressed to effectively promote enhanced access to sustainable finance for SMEs in ICT and ICT-enabled sectors, and shall provide detailed recommendations on policy/regulatory reforms required to achieve this objective. To this end, the ICT Financial Advisor will maintain an effective dialogue with relevant GOT officials, including the Central Bank, to build support for, and strengthen the capacity of, major financial reforms. In addition, the ICT Financial Advisor will provide detailed recommendations on institutional adjustment strategies which should be initiated to facilitate improved risk management performance and expanded and sustainable SME outreach activities. This work and a final report setting forth the financial sector analysis and recommendations will be completed in the next quarter.

3.5 Develop e-governance

The E-governance Advisor will conduct an analysis of applicable e-governance norms and procedures that Tunisia should consider adopting, including: (i) WTO-compliant e-procurement provisions, (ii) public procurement reforms encouraging competitive SME access to new ICT initiatives, and (iii) an expanded mandate for the Direction Générale d'Administration Electronique (DGAE) with regard to e-governance/e-government matters or, alternatively, delegate part of such expanded mandate to the MICT via an administrative memorandum of understanding (MOU). Following consultations with relevant GOT and private stakeholders with regard to the aforementioned policy/regulatory issues, the E-governance Advisor shall draft a policy-action plan to draft amendments to the public procurement decree, develop an implementation strategy for the GOT to adopt internationally-recognized e-governance norms and procedures, and outline an implementation strategy for administrative MOUs to be concluded by the MICT and other government authorities to facilitate the administrative coordination of ICT innovations. The E-governance Advisor will complete the aforementioned analyses and recommendations over the course of the next quarter.

3.6 Amend the Telecommunications Code in accordance with international best practice

The Project produced a comprehensive analysis of Tunisia's Telecommunications Code compared to international best practices. The analysis undertaken recommends that the Telecommunications Code be comprehensively amended or replaced with a new law in order to bring Tunisia's ICT regulatory structure in line with international best practices. The recommendations set forth will be presented to and discussed with stakeholders, including the Minister of the MICT, the President of the telecommunications regulator (INT), the National ICT Federation, telecommunications operators, and other private sector stakeholders in October 2012. Following consultations with relevant stakeholders, the Telecommunications Code Reform Advisor will draft a detailed proposal for next steps toward adoption of a revised Telecommunications Code or a set of amendments to the existing Telecommunications Code, as appropriate based upon political will and realities. The Telecommunications Code Reform Advisor will also develop proposals for expanded broadband service throughout the country.

3.7 Draft new e-commerce legislative amendments or laws

The Project will support development of new e-commerce amendments or laws, as needed, which reflect the internationally-recognized United Nations Commission on International Trade Law (UNCITRAL) standards, including the UNCITRAL Model Law on Electronic Commerce (1996), the UNCITRAL Model Law on Electronic Signatures (2001), and the UNCITRAL Convention on the Use of Electronic Communications in International Commerce (2006) to govern the following procedures in Tunisia: digital contracts, including international contracts; electronic signatures and communications; confidentiality; security of electronic transactions and financial data; personal data privacy protections; and intellectual property enforcement. The work to achieve these objectives will take place over the next two quarters.

3.8 Recommend a policy-action plan to draft PPP amendments or law for enactment by the legislature

The Project will recommend a policy action plan to draft public-private partnership (PPP) amendments or a stand-alone PPP law for enactment by the Tunisian Parliament to facilitate the

implementation of major projects proposed by the pre-revolutionary government, which if implemented, could generate a significant number of jobs in Tunisia. As part of this overall PPP policy action plan, the ICT Policy and Infrastructure Advisor will undertake a targeted analysis to determine the most important ICT infrastructure access issues and the relative importance of these issues from the perspective of increasing the level of wired access for computers and/or mobile access for smartphones. Based on these findings the ICT Policy and Infrastructure Advisor shall prepare a sequenced implementation strategy and master plan to achieve competitive, cost-efficient, and timely ICT access, taking into consideration a mix of public, private, and public-private infrastructure investments.

3.9 Develop an implementation strategy to carry out additional enabling reforms in the sectors that can further enhance ICT growth in Tunisia

Following up the tax policy analysis conducted in the last quarter, the Project will present its findings to key public and private sector stakeholders, including the Ministry of Finance, Ministry of Regional Development and Planning, National ICT Federation, the Arab Business Leaders Institute (IACE), and others to obtain feedback on the potential for reform of tax policy and administration to encourage employment in the formal sector. Based on this feedback, the Project will work with the GOT to formulate proposals to reduce the overall tax burden and rationalize the payroll tax regime, encouraging a shift to a heavier focus on indirect taxes.

The Business Registration, Licensing, and Customs Advisor will commence work in the next quarter to analyze Tunisia's business registration, licensing, utilities, taxation, and customs policies and procedures to determine the cost, time, and requirements for new investments in the Tunisian economy. On the basis of this analysis, the Business Registration, Licensing, and Customs Advisor will prepare a report that examines the business-enabling environment and provides recommendations to overcome hurdles in the enabling environment. This work will take place over the course of the next two quarters.

The Team will commence work to review the Tunisian Labor Code against international best practice labor laws and will begin to draft amendments, in coordination with the Ministry of Employment and Vocational Education to relax legal provisions governing the dismissal of redundant employees and ease hiring constraints.

3.10 Initiate dialogue and coordination with relevant stakeholders and conduct public/private workshops

The Project is working closely with USAID to ensure coordination with the upcoming Millennium Challenge Corporation (MCC)/Tunisia program to avoid any overlap in policy analysis/outreach activities. The Project is also coordinating with and working under the guidance of USAID staff to build the understanding and economic reform dialogue capacity of key civil society institutions. To this end, Project advisors have scheduled to make presentations on their findings in informal consultations and formal meetings with government representatives, non-governmental organizations, and private-sector stakeholders.