PD-ABE-413

AGENCY FOR INTERNATIONAL DEVELOPMENT

PROJECT DATA SHEET

1 TRANSACTION CODE: A (A = Add, C = Change, D = Delete)
Amendment Number
DOCUMENT CODE 3

2. COUNTRY/ENTITY: TUNISIA

3 PROJECT NUMBER: 664-0355   ISN 78119

4. BUREAU/OFFICE: NEAR EAST BUREAU

5 PROJECT TITLE (maximum 40 characters): MANAGEMENT TRAINING FOR THE PRIVATE SECTOR

6 PROJECT ASSISTANCE COMPLETION DATE (PACD): MM 09 DD 30 YY 97

7 ESTIMATED DATE OF OBLIGATION (Under 'B' below, enter 1, 2, 3, or 4)
A. Initial FY 92   B Quarter 4   C. Final FY 97

8. COSTS ($000 OR EQUIVALENT $1 =)

A. FUNDING SOURCE	FIRST FY 1992 B FX	C. L/C	D Total	LIFE OF PROJECT E. FX	F L/C	G Total
AID Appropriated Total	1,500	-0-	1,500	18,500	-0-	18,500
(Grant)	(1,500)	(-0-)	(1,500)	(18,500)	(-0-)	(18,500)
(Loan)	( )	( )	( )	( )	( )	(
Other U.S. 1						
Other U.S. 2						
Host Country				300	11,500	11,800
Other Donor(s)						
TOTALS				18,800	11,500	30,300

9 SCHEDULE OF AID FUNDING ($000)

A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH. CODE 1 Grant	C. 2. Loan	D. OBLIGATIONS TO DATE 1 Grant	D. 2. Loan	E. AMOUNT APPROVED THIS ACTION 1 Grant	E. 2. Loan	F LIFE OF PROJECT 1. Grant	F. 2. Loan
(1) ESF				-0-	-0-	18,500	-0-	18,500	-0-
(2)									
(3)									
(4)									
TOTALS				-0-	-0-	18,500	-0-	18,500	-0-

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)

11. SECONDARY PURPOSE CO[DE]

12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)
A. Code
B. Amount

13. PROJECT PURPOSE (maximum 480 characters)

To improve Tunisian private sector managerial practices and technical know-how.

14. SCHEDULED EVALUATIONS
Interim MM 08 YY 95   MM YY   Final MM 06 YY 97

15. SOURCE/ORIGIN OF GOODS AND SERVICES
[X] 000   [ ] 941   [X] Local   [ ] Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a ____ page PP Amendment.)

17. APPROVED BY
Signature: James A. Graham
Title: Director USAID/Tunisia
Date Signed: MM 08 DD 10 YY 92

18. DATE DOCUMENT RECEIV[ED] IN AID/W, OR FOR AID/W DOC[U]MENTS, DATE OF DISTRIBUT[ION]
MM DD YY

AID 1330-4 (8-79)

PROJECT AUTHORIZATION

Name of Country : Tunisia

Name of Project : Management Training for the Private Sector

Number of Project : 664-0355

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Management Training for the Private Sector Project for Tunisia (the "Cooperating Country") involving planned obligations of not to exceed $18,500,000 in grant funds over a five year period from date of authorization, subject to the availability of funds in accordance with the A.I D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is five years and three months from the date of initial obligation.

2. The project consists of assistance to the Government of Tunisia for the purpose of improving Tunisian private sector managerial practices and technical know-how.

3. The Project Agreement which may be negotiated and executed by the officer(s) to whom such authority is delegated in accordance with A.I.D. regulations and delegations of authority shall be subject to the following essential terms, together with other terms and conditions as A.I.D. may deem appropriate.

a. <u>Source and Origin of Commodities, Nationality of Services</u>

Commodities financed by A.I.D. under the Project shall have their source and origin in the United States except as A.I.D. may otherwise agree in writing. Except for ocean shipping, the suppliers of commodities or services financed by grant funds shall have the United States as their place of nationality, except as A.I.D. may otherwise agree in writing.

Procurement from local sources will be authorized to the extent permitted by the Agency's "Buy America" Initiative guidance cable dated December 5, 1990 (90 State 410442) as may be subsequently amended. Ocean shipping financed by A.I.D. under the Project shall, except as A.I.D. may otherwise agree in writing, be financed only on flag vessels of the United States.

b. <u>Others</u>

Prior to any disbursement or to the issuance by A.I.D. of any commitment documents under the Project Agreement to finance project activities, the Cooperating Country shall furnish to A.I.D., in form and substance satisfactory to A.I.D. the name of the Project Manager at the Ministry of Plan (Directorate of International Cooperation).

In addition, the Cooperating Country shall furnish the following to A.I D., in form and substance satisfactory to A.I.D. (except as A I.D. may otherwise agree in writing) prior to any disbursement or to the issuance by A.I.D. of any commitment documents under the Project Agreement to finance the technical assistance contract or for training outside of Tunisia:

i. Evidence that a Joint Advisory Council (JAC) has been established to carry out the functions described in the Project and that it includes participation from USAID, the Government of Tunisia and the Tunisian private sector. Private sector members must constitute a majority (at least 51%); women shall represent at least 30% of the Council's voting membership.

ii. Evidence that the Overseas Participant Selection Committee has been named.

iii. Criteria for use in selecting short-term and long-term participants for U.S. and third-country training.

Furthermore, except as A.I.D. may otherwise agree in writing, prior to disbursement under the grant or to the issuance by A.I.D. of commitment documents under the Project Agreement to finance the long-term training of students in the U.S. who started their studies under the Technology Transfer Project, the Cooperating Country will furnish to A.I.D., in form and substance satisfactory to A I.D.:

-- a list by name and expected graduation date of (a) the students who will be provided financing to complete their current degrees, and (b) the students who will receive A.I.D. financed health and accident insurance and J-1 visa sponsorship for the fall semester of 1992.

There shall be additional conditions precedent to subsequent disbursements (i.e., after fall semester 1992) for Technology Transfer Pipeline Students except as A.I.D. may otherwise agree in writing, prior to disbursement under the grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, to finance the training of participants in the U.S. who started their studies under the Technology Transfer Project, the Government of Tunisia will furnish to A.I.D. in form and substance satisfactory to A.I.D.:

i. The exact costs incurred by each of the participants broken down by semester, name, book allowance, income tax, health and accident insurance and visa fees, as applicable;

ii The estimated return date for all participants whose Project support ended during the previous semester and their graduation date; and

iii. A list of participants who will receive Project financing for the upcoming semester with the estimated costs.

The Cooperating Country shall covenant that, over the project life:

1. It will utilize its best efforts to ensure that:

(a) at least 30 percent of trainees in each category of training will be women;

(b) at least 80 percent of training opportunities under the Project intervention "Short-term Management Training in the U S. and Third countries" will be for private sector individuals;

(c) at least 80 percent of training opportunities under the Project component "Management Skills Training" will be for individuals in the private sector;

(d) public sector participants will return at the end of their training and will be employed in positions commensurate with their Project training;

(e) one-hundred percent of long-term training opportunities will be for private sector individuals.

2. It will utilize its best efforts to assist in the reduction or elimination of constraints to improved access to training within Tunisia.

Signature: James A. Graham
James A. Graham
Mission Director

Date: Aug 10, 1992

<u>Clearances:</u>

PROG:	PKolar	(draft)
PSO:	RRousseau	(draft)
A/CTR:	GDDietz	(draft)
RLA:	BBarrington	(draft)
RCO:	MReynolds	(draft)

PROJECT PAPER
MANAGEMENT TRAINING FOR THE PRIVATE SECTOR (MTPS)
USAID/TUNISIA (664-0355)

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PROJECT DESIGN AND REVIEW MEMBERS

PROJECT DESIGN COMMITTEE

Richard Rousseau	Private Sector Officer, Chairman
Robert Rucker	Program Economist
Mohamed Abassi	Program Office
Lane Smith	RHUDO/NENA
Andres Acedo	Procurement Specialist
Greta Cherchad	Participant Training Specialist
Yvonne Hubbard	Human Resource Officer, PSC
Aylette Villemain	Private Sector Advisor, PSC

PROJECT REVIEW COMMITTEE

James A. Graham	Director
Peter Kolar	Program Officer
Belinda Barrington	Regional Legal Advisor
James Ahn	Controller
Gilbert Dietz	Executive Officer
Richard Rousseau	Private Sector Officer

CONSULTANT DESIGN TEAMS

1) Creative Associates International Inc.

May Rahani	Team Leader, Training Specialist
Andrew Gilboy	Human Resources Development Specialist

2) Coopers and Lybrand/The Services Group

James Emery	Team Leader
Torge Gerlach	Trade and Investment Specialist

LIST OF ACRONYMS

A.I.D.	Agency for International Development
AMIDEAST	America-Mideast Educational and Training Services, Inc.
API	Agence de Promotion de l'Industrie
CEO	Chief Executive Officer
CEPEX	Centre de Promotion des Exportations
COTUNACE	Export Insurance Agency
EI	Entrepreneurs International
ESF	Economic Support Funds
FEDEX	Federation des Exportateurs
FIAS	Foreign Investment Advisory Service
FSN	Foreign Service National
GDP	Gross Domestic Product
GOT	Government of Tunisia
HAC	Health and Accident Coverage Insurance
HBCU	Historically Black Colleges and Universities
IACE	Institut Arabe des Chefs d'Entreprises
IE&C	Information, Education & Communication campaign
IC	Institutional Contractor
IESC	International Executive Service Corps
IQC	Indefinite Quantity Contract
IRSIT	Institut Regional des Sciences Informatiques et de Telecommunication
ISG	Institut de Gestion Superieur
JAC	Joint Advisory Council
MNE	Ministry of National Economy
MTPS	Management Training for the Private Sector
MUST	Mission Universitaire et Scientifique de Tunisie
NAFEO	National Association for Equal Opportunity in Higher Education
OIT	Office of International Training
PEP	Private Enterprise Promotion Project
PIET	Partners for International Education and Training
PIO/P	Project Implementation Order/Participant
PROAG	Project Agreement
PSO	Private Sector Office
SAP	Structural Adjustment Program
SME	Small and Medium Enterprises
SPA	Service Providers Assessment
TA	Technical Assistance
TACC	Tunisian American Chamber of Commerce
TFP	Tax de Formation Professionnelle (Training Tax)
TOT	Training of Trainers
TT	Technology Transfer Project
USAID	U.S. Agency for International Development/Tunisia
USDH	U.S. Direct Hire
USIS	United States Information Service
USPSC	U.S. Personal Services Contractor
UTICA	Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat

PROJECT PAPER
TUNISIA 664-0355
MANAGEMENT TRAINING FOR THE PRIVATE SECTOR (MTPS)

PROJECT SUMMARY AND RECOMMENDATIONS

A. Grantee: The Government of the Republic of Tunisia (GOT)

B. Implementing Agencies: The Ministry of Plan (Directorate of International Cooperation) and the United States Agency for International Development/Tunisia Private Sector Office.

C. Amount: The Project is authorized for $18,500,000 of ESF grant funds, of which $1,500,000 will be obligated in FY 1992. The remainder of project funding will be obligated in FY 1993 - FY 1997.

D. Total Project Costs: The total cost is estimated to be $30,300,000 including GOT and private sector contributions.

E. Project Goal and Purpose: The purpose of the Project is to improve private sector managerial practices and technical know-how; this will contribute to the broader program goal of supporting the emergence of a market-driven economy led by a revitalized private sector.

F. Summary Project Description:

The MTPS Project's primary target group is owners and managers of small and medium exporting firms who are striving to understand and confront their newly competitive environment, but are not sure how and where to start. There are competent, private sector Tunisian business service providers (training organizations, consulting firms, and professional associations) who could respond to much of the new and increasing demand for services by SMEs, and who could facilitate and accelerate the integration of the export and domestic sectors. Unfortunately, business service providers are not currently focusing their energies on SMEs; SMEs, not accustomed to paying for "intangible" services, tend to be "uninformed", and therefore reluctant, consumers.

The project therefore focuses on linking SMEs more closely with their natural service community, both domestic and in the U.S. The Project is designed to stimulate existing business service providers to prospect private sector clients more aggressively as a means to both stimulate demand for training and technical services among SMEs, and to deliver those services in coordination with U.S. expertise. Hence, although the delivery of technical assistance to individual firms remains the primary objective of this Project, there is a secondary objective: the strengthening of private Tunisian business service providers (i.e. private training institutions, consulting firms and professional associations), and their links with private sector firms.

The principal activities supported under this Project are:

(1) Policy Studies

(2) Information, Education and Communication Campaigns

(3) Project Assistance Strategies
   (a) Diagnostic Studies of SME Needs
   (b) Business Assistance Strategies

(4) Technical Assistance to Tunisian counterparts
   (a) Training Institutions
   (b) Consulting Firms

(5) Direct Assistance to SMEs
   (a) Management Skills Training
   (b) Management Consulting
   (c) International Executive Service Corps
   (d) Association Grants
   (e) Overseas Training

G. Recommendation: The project is recommended for FY 92 authorization in the amount of $18,500,000 with an obligation of $1,500,000 and the remainder to be obligated from FY 93 - FY 97.

I. PROJECT BACKGROUND AND RATIONALE

A. HISTORICAL BACKGROUND

When the majority of the French and Italian population left after Independence in 1956, Tunisia discovered that only 2% of the industrial work force was Tunisian and that there was a near absence of a managerial class. As a result, the Government assumed responsibility for operating key and strategic enterprises (which, by 1985, accounted for 140,961 employees) and put considerable emphasis on education (Tunisia consistently devoted 30-40% of the national budget to education). All primary goods, including most foodstuffs, were produced by state-owned enterprises, and the Government participated in virtually every aspect of economic life. Beginning in late 1986, however, the Government reversed its position, adopted a Structural Adjustment Program, and began implementing a series of reforms designed to liberalize and open the Tunisian economy.

Unfortunately, thirty years of paternalism and protectionism left the private sector poorly prepared to respond quickly and easily to market forces. By merging political and economic decision making in the government, private individuals gained little experience in evaluating economic options, making choices and dealing with the consequences. The education system followed the French tradition which emphasizes learning by rote (as opposed to problem solving), and the accumulation of degrees rather than practical skills. In the absence of international competition, there was, in fact, little demand for such skills. Consequently, Tunisia's technical cadre remained underdeveloped, and the industrial sector remained largely isolated from international "best practices" and modern management skills.

B. PROBLEM: CAN TUNISIA'S PRIVATE SECTOR BECOME INTERNATIONALLY COMPETITIVE?

The majority of Tunisian-owned businesses are encountering competition for the first time in their history.*[1] Their owners are typically the former traders who were transformed into "industrialists" under protected markets with subsidized credit.

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1 Colonialist enterprises (predominantly French and Italian) were largely replaced by public enterprises after independence in 1956. There was very little Tunisian private sector business creation before the early 1980s. Firms in the export sector tended to be managed by a European partner with a market already established.

Businesses tend to be small (85% are classified as small or medium)[2] and family run. With protectionism, a minimum standard of quality and productivity was sufficient to ensure profits. Hence, as there was little incentive to innovate or raise standards, there was correspondingly minimal use of professional technical services and training.

At present, Tunisian industrial development and export enhancement are constrained by low productivity and poor to uneven quality product. This is largely attributable to poor business management skills*[3], inappropriate technology choices, and imperfect information about opportunities for exports, collaboration, innovation, etc. There is, however, a growing recognition within the private sector of the need to change the way they do business. Not only have enterprises matured, but a new generation of better-educated managers is coming into decision making positions. Many firms are beginning to restructure and modernize and contemplate new markets. More training institutions (and chambers of commerce) are responding to requests for training; consulting firms are developing management consulting units to respond to new demands for technical services. The problem is no longer <u>**if**</u> one should change, but rather <u>**how**</u> to change.

C. PROJECT RATIONALE

Although the GOT is now creating an environment that requires private firms to adopt new strategies and identify new competitive opportunities, it is the private sector that must marshal the resources to improve, upgrade and innovate. Tunisia is just now entering a critical point in its transition from a highly protected to a market economy -- the point where the private sector is supposed to start assuming its role as the engine of growth. The question is whether the private sector is able to organize the resources and develop the competitive behavior necessary to expand,

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[2] Tunisian firms are classified as follows: small (1-50 employees), medium (50-200 employees), and large (200+ employees). For the purposes of this project, industrial firms belonging to industrial groups (often 10-15 integrated firms) are ranked according to the size of the group, not the firm.

[3] Ernst & Young's "Assessment of Private Sector Training Needs and Resources" identified key constraints in 34 Tunisian firms. Principal skills gaps were: little or no delegation from top to mid-level management; little awareness of fields critical to international competition (marketing, strategic planning, financial planning, information and organizational management, productivity measurement and analysis; human resource management); and a lack of problem-solving, diagnostics and technology innovation skills.

invest, and compete, and to acquire and manage privatized public firms.

The key elements necessary to help the private sector respond to these profound structural changes do exist in Tunisia. The legal and regulatory environment has undergone significant reform (although further efforts are still needed). Public sector support organizations are in place: an investment promotion agency (API), an export promotion agency (CEPEX), and an export insurance company (COTUNACE). Human resources include consulting firms (accounting, legal, technical supervision/inspection, engineering, and communications), a recently established World Trade Center, numerous training institutions and both private and public universities. Professional associations (including one for women CEOs), unions, and Chambers of Commerce are also active.

Although this represents an encouraging constellation of resources, the implications of the new legal and regulatory reforms are not yet fully understood; the organizations and institutions are either new (2-10 years), or newly conceived. They are only now turning their considerable energies toward confronting the problem of competing in an open market and responding to private sector demand. Public sector agencies began relinquishing their regulatory roles as recently as two years ago and are reorganizing, working to banish a lingering tendency, notably among lower-level administrative units, toward paternalism and control. Consulting firms and private training institutions are very young (typically 5 years) with very few Tunisian private sector clients; professional associations and chambers have been revived after a long moribund period, but are heavily dependant on Government resources and laws requiring mandatory membership.

Consequently, these institutions and organizations hold the potential to form a critical mass to support private sector growth. They are motivated and committed (and see it in their best interests) to develop new products and services, but are not always so clear on how best to pursue this aim.

D. RELATION TO GOVERNMENT OF TUNISIA PRIORITIES

In late 1986, the Government of Tunisia (GOT) initiated a Structural Adjustment Program (SAP) accompanied by a democratic opening which is demanding basic changes in the way government interacts with citizens and the private sector.

The reforms being introduced under the GOT's Structural Adjustment Program are reorienting economic policies away from the heavy public sector involvement that characterized the 1970s and early 1980s toward development of a more outward oriented economy in which the private sector is expected to play a major role. Key elements of the current phase of the SAP include the gradual elimination of all quantitative restrictions on imports, final decontrol of producer prices, liberalization of distribution margins, and implementation of anti-monopoly laws. In addition, the GOT is in the process of privatizing public enterprises in competitive areas of the economy. Hence, the GOT is working to create a competitive, market driven economy.

The GOT's overall objective for the economy is to improve the efficiency of scarce public and private resource use, closely followed by a strong emphasis on employment creation. These strategies require Tunisia's private sector to adopt new management approaches and practices that respond to open-market challenges. To acquire these new techniques, the upper echelons of the labor force will have to be trained in appropriate management skills and ways of looking at and conducting business. Only in this way will Tunisian industry achieve the cost/quality ratio necessary to compete internationally.

The MTPS Project contributes directly to the policies and strategies of the GOT and its SAP by addressing gaps in modern management technologies by offering to the private sector technical assistance and training in those areas. The project complements Tunisia's priority to adapt the profile of the labor force to the needs of the economy by strengthening the links between institutions offering management training and services with the specific needs of Tunisian industry.

E. CONFORMITY WITH USAID/TUNISIA PRIORITIES

USAID'S global strategy for the 1990s, as expressed in the 1990 Assistance Management Plan (AMP), is to encourage the development of free markets, individual initiative, and participatory democracy. This strategy focuses on enterprise, exports and employment in support of Tunisia's economic and political transformation, with a long-term goal of promoting sustainable growth with expanded employment opportunities.

The Mission will launch two complementary projects within the next year: Private Enterprise Promotion and the Agribusiness Program Grant. The former, to be obligated in FY 1992 supports the continued privatization of state-owned enterprises and the development of financial markets. The latter, to be obligated in FY 1993, focuses on the development of four key agricultural sub-sectors (olive oil, dates, seafood, and tomatoes) through a combination of policy reform supported by cash transfers and technical assistance.

F. COMPLEMENTARITY WITH OTHER DONOR PROJECTS

The World Bank is the preeminent donor in Tunisia. Its interventions focus on (a) the Structural Adjustment Program (a $250 million economic and financial reform loan sets the timetable for the SAP over the next three years), and (b) restructuring public education from kindergarten through the university, and in vocation schools. The MTPS Project is designed to avoid conflicts and duplications with the World Bank programs, and to reinforce general policy reforms with practical studies which aid their actual implementation.

Tunisia has active bilateral agreements with other foreign donors notably French, German, Canadian, and Italian. The UNDP, the European Community, and the European Investment Bank are also active. These programs support bilateral Chambers of Commerce and a variety of technical assistance and training programs. These programs offer Tunisian businesses considerable assistance with identifying European partners and markets, promoting investment opportunities in Tunisia, providing short-term training in their home countries, and (often subsidized) technical assistance. Each of these programs is independent of the other, however.

The MTPS is hence designed to complement other donor programs by emphasizing Tunisian private sector delivery of services to private sector clients, specifically in the those areas of management, marketing and technology (e.g., telecommunications and computers), where the US continues to be a global source of state-of-the-art technologies. MTPS not only helps Tunisia diversify its sources of technology, it also shortens the time it normally takes for new US technology to be transferred via Europe. (It can take as much as 5-10 years for US technologies to be assimilated in Europe and then passed to Tunisia.)

II. DETAILED PROJECT DESCRIPTION

A. PROJECT GOAL AND PURPOSE

The Purpose of the MTPS Project is to improve private sector managerial practices and technical know-how; this will contribute to the broader program goal of supporting the emergence of a market-driven economy led by a revitalized private sector.

B. OVERVIEW

To strengthen the links between small and medium exporters and their natural business service community, the Project intends to provide technical assistance and training to (a) improve indigenous capacity to diagnose real and immediate problems facing SMEs; (b) ensure the delivery of state-of-the-art expertise to resolve SME problems; (c) improve general understanding about the availa-bility and value of services to SMEs, and (d) smooth and accelerate GOT policy reforms.

The Project will be implemented by a US Institutional Contractor (IC) and its Tunisian sub-contractors.[4] The Joint Advisory Council (JAC) will provide general guidance to the IC. The Overseas Parti-cipant Selection Committee will approve candidates for US and third-country training; A.I.D. will process the approved partici-pants. USAID is also responsible for executing all procurements under the Project, and will make a grant to FIAS (a wholly-owned subsidiary of the International Finance Corporation) to conduct the "Industrial Linkages" study in Fall 1992 (see Annex E for description).

It should be noted that the IC will have two categories of sub-contractors. The first group will simply execute scopes of work under the direction of the IC. The second group will be partners in developing strategies and delivering services to SMEs. It is this latter group, comprising training institutions and consulting firms, that are referred to as "counterpart firms".

The first phase of the Project will focus on conducting detailed analyses of SME needs, developing strategies to meet those needs through technical assistance and training, and identifying Tunisian counterpart firms to provide or assist in providing such technical assistance and training. The second phase of the Project will focus on developing and conducting the promotion campaign and initiating technical assistance and training for Tunisian counter-

[4] The Institutional Contractor will be selected through full and open competition; USAID/Tunisia will execute a direct contract with the successful firm.

part firms. The third phase will focus on delivering technical assistance and training directly to SMEs.

Complementing these central activities are Policy Studies, Association Grants, training opportunities in the US and third countries, and the International Executive Service Corps (IESC). Policy studies supported by the Project are designed to improve the general business environment. The IC will develop scopes of work for JAC approval and then conduct the studies. The IC will also administer an Association Grants program designed to support professional associations and chambers of commerce working with SMEs. With respect to overseas training, the IC will recommend candidates (and their programs) for training outside Tunisia to the Overseas Participant Selection Committee. USAID and/or OIT/PIET will then process the candidates. IESC will continue to field volunteer retirees to work directly with industrial firms, serving, in part, as a bridge until the IC and its counterpart relationships are in place.

In summary, the activities supported under this Project are:

(1) Policy Studies

(2) Information, Education and Communication Campaigns

(3) Project Assistance Strategies
 (a) Diagnostic Studies of SME Needs
 (b) Business Assistance Strategies

(4) Technical Assistance to Tunisian Counterparts
 (a) Training Institutions
 (b) Consulting Firms

(5) Direct Assistance to SMEs
 (a) Management Skills Training
 (b) Management Consulting
 (c) International Executive Service Corps
 (d) Association Grants
 (e) Overseas Training

In addition, as approved in the MTPS PID, the Project will set aside funding to cover the "pipeline" of students who initiated degree programs under the Technology Transfer (TT) Project (664-0315; PACD 09/30/92) but do not yet have their degrees. In accordance with TT Implementation Letter No. 41 (9/91), USAID will provide financing not to exceed US $1.7 million for the academic costs of 51 students, the HAC and visa costs for an additional 30, and support costs. This assistance will continue until degree completion, or December 1994, whichever comes first. Allowable direct costs will include: tuition, living allowance, book allowance, US transportation, health insurance, thesis or dissertation allowance, typing allowance and US income taxes. Support costs include a follow-up grant to AMIDEAST/Tunisia to support returnees.

C. PROJECT ACTIVITIES

The Project's activities are conceived as a part of a process, each complementing the other and with a high degree of interaction. They are not, however, considered to be necessarily sequential unless specifically identified as such.

1. Policy Studies

The MTPS Policy Studies Program is designed as an action-oriented means to advance policy dialogue on issues affecting the SME operating environment. Analyses undertaken by USAID and the World Bank indicate that there are several administrative holdovers from the "pre-SAP era" which collectively frustrate the smooth transition to a market economy. The studies funded by MTPS are "implementation oriented," designed to flesh out issues or develop action plans that ease or accelerate policy reforms already supported by the GOT. Proposed studies must also demonstrate that the implementation of the policy will result in direct, near-term benefits for the private sector. All studies will be concluded by seminars designed to broaden and heighten public debate or understanding. To further extend the impact of the policy dialogue process, private sector organizations will be able to solicit Project funding to act on recommendations flowing from the studies and seminars either through their sub-contracts (in the case of counterpart firms) or Association Grants (in the case of other private sector organizations, see 5.d. below).

A summary of proposed studies follow (see Annex E for more complete descriptions):

a. Industrial Linkages. The historical dislocation of the export and domestic sectors largely barred the transfer of technology and know-how from the export to the domestic sector, and severely reduced opportunities for domestic firms to serve as suppliers to exporters. This study (to be conducted by FIAS beginning fall 1992) would examine possibilities for accelerating the integration of the Tunisian export and domestic sectors to increase exports, value added, and employment. Concrete recommendations would be integrated into Project Assistance Strategies.

b. Industrial Promotion Strategy. The Government of Tunisia has recently created a new Ministry of Investment and International Cooperation in an effort to better coordinate its relationships with foreign investors and donors. The purpose of the study would be to help this new ministry formulate a medium term strategy for its investment promotion efforts. The study would examine: global foreign direct investment trends and flows; regional trends; opportunities and constraints; and Tunisia's comparative strengths and weaknesses.

c. Industrial Park Feasibility. Tunisia lacks fully serviced industrial parks that cater to the needs of prospective investors, especially foreign ones. The purpose of the study would be to examine the extent to which the lack of serviced facilities inhibits both foreign and local investment, and to provide an independent assessment of alternatives (such as free zones and technology parks) being advanced by various parties.

d. Administration of the Training Tax. The present system of reimbursements is administratively cumbersome, burdens SMEs disproportionately, and returns a small amount to firms for having invested in training. Moreover, the government is ill-prepared to review the quality of training proposed by firms for which it cannot know the human resource needs. The World Bank has proposed several changes, some of which are being implemented. The Project will support further discussions with the government and the private sector to improve training tax rebate procedures.

e. Expanding Private Management Institutes. Although Tunisia has many private training providers offering short-term, non-degree management courses, only a few institutions have developed long-term degree programs at the tertiary level. Despite the need, private, "formal training" (i.e., long-term with certificates or degrees) has not yet emerged to respond to long-term human resource needs. This study would examine constraints that work against the creation of investor-sponsored, or non-profit, private management institutes in Tunisia. Depending on findings, the Project may sponsor observation tours for government and private-sector representatives to third countries (e.g. Morocco and the US) to see possible prototypes, examine other governments' roles in promoting private education, and the legislative and fiscal environment necessary to support the growth of private training institutions.

f. Employment issues affecting human resource management. With government receding from many economic activities, questions of employment become paramount. Tunisia is among only a few African countries in which job recruiting remains controlled by government. Private employers recruiting for a position must work through the Office of Labor, which serves as a clearinghouse between job offerers and seekers. Only after registering a vacancy and obtaining a number can the employer advertise, anonymously, in the media. This study would investigate the possibilities for improving the current system and encouraging private-sector employment firms to assume the task of matching supply and demand in the labor force.

2. Information, Education and Communication Campaign

Since technical assistance services in Tunisia tend to be under valued by potential exporters, the MTPS Project includes an Information, Education and Communications campaign targeted at SMEs. The IE&C Campaign is designed to promote the use of services in general, lending an objective, authoritative voice so as to raise consciousness among company owners and managers of the value of "intangible" services.

The campaign will promote the following concepts:

-- New management techniques can dramatically increase productivity and profits; Tunisian SMEs can acquire those techniques with training and technical assistance;

-- Technical services can resolve technical problems and introduce management techniques that help SMEs overcome immediate and near term competitive challenges efficiently and cost-effectively;

-- Human resources development is key to achieving sustained growth, and longer term gains in quality and productivity: hence investing in employee development and training benefits the enterprise far beyond the individual gains accruing to the employee-trainee.

To implement this campaign, the Project will employ a variety of techniques.

One of the first activities envisioned is the development of introductory materials, including 2-3 television spots, brochures and a mailing campaign. It is anticipated that the project will support two, possibly three follow-up publicity campaigns during the life of the project. It is anticipated that these will involve a direct mailing of promotional materials and/or questionnaires, airing TV spots, and a mid-Project conference/trade fair. This could also include organizing retreats for the owners of the SMEs of one sector or sub-sector and presenting a well-analyzed case study of an enterprise that, for example, invested in human resources training which resulted in higher productivity.

Directly following the initial direct mailing, the Institutional Contractor (IC) will organize an introductory conference bringing the IC and its Tunisian counterpart firms together with SMEs to discuss opportunities the Project offers for SMEs.

The Institutional Contractor will also develop three or four prestige brochures with titles such as "Why Should I Use Consulting Services," "Consulting Services for Exporters," "How Can Staff

Training Improve My Business," "I'm the Boss -- Why Do I Need Training?"

Finally, given general private sector ignorance about (and often distrust of) training institutions and consulting firms, the IC is expected to serve an important role as an objective source of information to private firms. It is expected that the IC will have available a series of introductory brochures such as "How to Write a Business Plan," "How and When to Use Consulting Services," "Opportunities for Management Skill Training in Tunisia," "How to Develop a Company Training Plan" and offer a "one-time-only" free hour (or two) of counseling on when and how to use consulting services and identify appropriate training opportun-ities which would meet SME needs.

3. Project Assistance Strategies

Although considerable general information exists on SME needs, additional specificity is required to target Project assistance effectively. The Institutional Contractor is responsible for developing Project Assistance Strategies that provide the required specificity, defining appropriate interventions using **diagnostic studies** and **business assistance strategies**, as discussed below. It is expected that the "Industrial Linkages" study, scheduled for Fall 1992, will provide an overall strategy and identify specific targets for the first set of dianostic studies.

a. Diagnostic Studies

The Institutional Contractor and its sub-contractors will conduct short, targeted in-depth diagnostic studies to (i) describe specific immediate and near-term SME technical assistance and training requirements, (ii) identify existing services and or programs or courses that address SME needs[5], and (iii) describe impediments and or short comings that inhibit the supply of services to meet SME demands. It is anticipated that the Industrial Linkages Study (see 1.a., above) will recommend a first set of target sectors for the diagnostic studies.

The data and information collected through the diagnostic studies

[5] The survey on training institutions will specifically include, for example: (1) a list of courses and workshops offered with a description of the objectives and the content of each course; (2) an explanation of targeted groups that will benefit from such a course workshop; (3) an explanation of whether the course was customized based on specific needs of a specific group; (4) a brief summary of the trainers' qualifications and their training methodology; and (5) dates, hours and places of workshops.

will be used to generate project matrices that compare key SME needs, management type services required to meet those needs, services already successfully meeting those needs, and, finally, services that are either inadequate or entirely missing in Tunisia.

b. Business Assistance Strategies

The Institutional Contractor will develop Business Assistance Strategies based on the findings of the diagnostic studies. These strategies will make specific recommendations for targeted technical assistance and training interventions. This will include identifying likely Tunisian counterpart firms, estimating US short-term technical assistance needed to develop or improve services provided by counterpart firms, and recommending specific overseas training opportunities that would complement in-country training and technical assistance.

Taken together, and once approved by the JAC, these strategies form, in large part, the Contractor's Annual Workplan.

4. Technical Assistance to Tunisian Counterparts

As mentioned above, the MTPS Project will be implemented by a US-based Institutional Contractor (IC) and its Tunisian sub-contractors.

It should be noted that the IC will have two categories of sub-contractors. The first group will execute scopes of work under the direction of the IC, including conducting the IE&C campaign and diagnostic studies. The second group of sub-contractors will be partners in the process of strengthening links between Tunisian SMEs and business service providers. It is this latter group, comprising training institutions and consulting firms, that are referred to as "counterpart firms." Once the Business Assistance Strategies are approved by the JAC, the Institutional Contractor will begin a competitive process to select its counterpart firms. Together with these firms, the IC will deliver services to SMEs.

In order to maximize the number of business service firms participating, each sub-contract will have a maximum, or ceiling, level. Once the ceiling would be reached, that counterpart firm would "graduate" to be replaced by a new counterpart firm.

a. Training Institutions

The Institutional Contractor will provide US short-term technical assistance to Tunisian training institutions to help them respond to training needs. Technical assistance delivery is designed to upgrade the quality of training provided by Tunisian institutions through the following:

-- Training of Trainers: The objective of these TOTs would be to up-grade the training skills of the pool of existing trainers. The TOTs will introduce the state-of-the-art participatory training methodologies, focusing on design and delivery techniques rather than technical subjects. U.S. trainers will deliver a sufficient number of TOTs to "recycle" approximately 100 Tunisian trainers.

-- New Courses Designed: MTPS will provide technical assistance to training institutions to design curricula and training materials for new courses responding to the needs of SME managers (e.g., strategic export planning, client-oriented skills, crisis management). MTPS will also work with these institutions to market the new courses dictated by private sector needs. Content trainers will provide the technical assistance needed to those institutions which have or are seeking a private sector orientation and who have agreed to participate in TOTs.

-- Existing Courses Adapted: Courses do exist that attempt to address SME needs. Many, however, are out-of-date, fail to target the best audience, or use poor teaching technologies and therefore fail to reach SME managers. MTPS will assist the local training institutions in the redesign of existing courses to respond to SME needs.

-- Training Materials: provision of training materials and equipment to 5-8 training institutions to modernize their capabilities of designing and delivering participative training. The Project will determine the form and type of assistance to be provided to counterpart institutions.

The institutions targeted for assistance will be primarily privately-owned training institutions which have been delivering training for several years. A few specialized, public or semi-public training institutions will also be targeted, including IFID, IRSIT, and ISG, due to their leadership role and their significant impact on certain segments of the private sector.

b. Consulting Firms

The IC will provide US short-term technical assistance to counterpart consulting firms to help them respond to SME service needs. In general, the IC will organize workshops, study trips and provide direct assistance to consulting firms. A series of workshops conducted by IC staff will be designed to examine US standard operating procedures (particularly contracting, portfolio and financial management), and to transfer technology and methodologies used by US management consultants in developing private sector clients.

In addition, it is anticipated that the IC will organize study trips for the managers of the IC counterpart consulting firms to observe the IC's head office and meet with some of the IC's own private sector clients. The travelers will be required to pay their costs; the IC's Home Office personnel will conduct the orientation programs.

The sub-contracts worked out between the Institutional Contractor and the Tunisian consulting firm will detail what kind of assistance the Contractor will provide directly to the consulting firm, and how responsibilities will be shared in fielding a team to work with the SMEs.

The quality of counterpart firms' service delivery will be upgraded in the following ways:

-- <u>Skills required to manage an SME portfolio strengthened.</u> Consulting firms currently target large institutional clients, e.g., GOT organizations and international donors. SMEs being, by definition, smaller represent comparatively more work and more risk to consulting firms for less profit than do larger clients. To make SMEs an attractive client group, consulting firms need new management and administrative techniques to minimize costs of prospecting and managing SME clients.

-- <u>Packaging of services for SMEs improved.</u> In addition to unique technology needs of individual SMEs, it is anticipated that the diagnostic studies will reveal patterns of broadly needed management skills, like "just-in-time" inventory control and quality circles. The Institutional Contractor will work with counterpart firms to identify a package of such management technologies that are needed by a sufficiently large number of SMEs to represent an economy of scale sufficient to ensure reasonable profit. Ideally, the training institutions' new/improved courses would offer a generalized introduction to these new management technologies, which would provide the perfect platform for consulting firms to help SMEs customize the technology for their business.

-- <u>Targeting of SMEs improved.</u> The traditional technique for wooing SME business is to perform a certain amount of up front (free) diagnostic work to convince the SME that the firm's services are valuable. The risk and cost involved means firms tend to limit the amount of prospection they do. The Institutional Contractor will help the consulting firms develop new marketing techniques to reduce costs and attract a larger number of new clients.

5. Direct Assistance to SMEs

The Project will offer consulting, training, information, and other business development services tailored to the individual needs of small and medium size private sector enterprises. These services will not only be of immediate benefit to the targeted SMEs, but they will also represent "hands-on" opportunities for local consulting and training providers to put into practice the skills developed under (4) above. The particular type of service will depend upon the needs of the enterprise, and some firms may be the beneficiary of more than one type of service.

(a) Management Skills Training

Courses will be designed to respond to the need of firms unable to free managers for long periods of time. Training courses will therefore be grouped as follows:

-- Very short-term: 1 to 3 days to share information and/or to raise awareness. These very short working events would be organized as retreats, round-tables, forums, seminars, etc. MTPS will sponsor at least 80 very short working events, half of which should be retreats targeting the "chefs des enterprises" to raise their awareness regarding investment in human resources training;

-- Short-term: 4 to 15 working days to train senior managers. These courses, many of which would be designed in response to the findings of the diagnostic studies, will be workshops using participatory training methodologies. MTPS will sponsor the delivery, over the life of the project, of 170 workshops of this type. They will aim at empowering the employers and senior employees of the private sector, and the SMEs in particular, with managerial skills that will assist them in responding to the demands of a competitive, unprotected, export-oriented, market-driven economy.

Assuming that an average of 15 participants will attend each training event, MTPS will, at the end of the Project, have trained 100 trainers, 2,550 employers and senior employees, and through the awareness-raising campaign and information sharing seminars, have directly reached another 1200 participants.

(b) Management Consulting

Technical assistance services will be designed to respond to the needs of SMEs. It is anticipated that the IC and its 6-8 Tunisian counterparts will work together to deliver 58 man months of US short-term expertise and 120 man months of Tunisian expertise to roughly 150 SMEs during the course of the Project.

When a counterpart consulting firm is contacted by a SME for a service which the Tunisian counterpart firm is not able to perform alone to its satisfaction, the IC and Tunisian consulting firm will jointly define a team which would include one or more US experts and an equal (or greater) number of counterpart Tunisian experts.

The IC will be responsible for fielding US short-term experts; the Tunisian firm will be responsible for all normal coordination plus logistics for the US consultant, including secretarial services, computers and translators, if necessary. The Project will pick up all dollar costs and may consider defraying certain dinar costs in accordance with JAC guidance.

(c) International Executive Service Corps (IESC)

The IESC program was established in Tunisia in November 1991. In the eight months IESC/Tunisia has been operational, it has successfully met its targets and is now beginning to place volunteers. These volunteers differ from typical consultants in that they are industrially trained, operations oriented, and remain in place for up to three months.

The MTPS Project has therefore decided to take advantage of what is developing into a successful operation and continue it for two years. In this way, IESC serves a double role in the MTPS Project. It not only provides services complementary to those provided by the Institutional Contractor, but it offers the added advantage of acting as a bridge, continuing to provide US experts to Tunisian firms until the Institutional Contractor is in place and its counterpart relationships are established.

Under a new cooperative agreement, IESC will provide the following services:

(i) technical assistance from volunteer retired executives to assist Tunisian enterprises for up to three months, especially in highly technical areas that can not be addressed effectively through the local consultants being assisted by the Institutional Contractor, and in the development of joint ventures with American companies;

(ii) the services of volunteer executives in the U.S. to assist in joint venture promotion;

(iii) U.S. market and technology research service through the American Business Linkages Program (ABLE)

IESC will work closely with the Institutional Contractor in addressing priority areas of need and in coordinating services.

(d) Association Grants

The objective of these grants, to be administered by the Institutional Contractor, is to enable private business associations to expand or improve their services to SMEs. Professional associations and chambers of commerce may apply for association grants to fund activities such as U.S. market information or other business information services, research in areas such as new market opportunities, development of policy dialogue issues (e.g., women and environmental concerns), or organizing training, seminars or information workshops. Guidelines for the award of these grants will be developed by the IC in concert with USAID for review by the JAC.

(e) Overseas Training

Recognizing that not all conceivable training opportunities can (or should) be available in Tunisia, the MTPS Project provides for limited training opportunities in the US and third countries. They are intended to take advantage of special courses and unique opportunities for business development.

The Institutional Contractor will be responsible for recommending candidates for training to the Selection Committee, developing proposals to be implemented by OIT/PIET or USAID; and orientation and follow-up activities for participants. (Also see "Selection Criteria," pp. 21-22.)

(i) Short-Term Overseas Management Training

Selection of participants for short-term training will respond to criteria established by the Joint Advisory Council, which in turn reflects the findings of diagnostic studies carried out or contracted out by the Institutional Contractor. Each training activity will have detailed objectives, requirements and follow-on plans. Tunisians selected for short-term programs will share the cost of training in proportions to be established by the Joint Advisory Council and USAID. A minimum contribution will be the cost of round-trip travel to the training site.

Upon returning to Tunisia, each participant in the short-term training component will submit a written report assessing the value of the training program. The Institutional Contractor will maintain contact with returned participants to evaluate the extent to which the training furthers Project objectives.

Training types will include the following:

-- "Off-the-shelf" courses available, primarily in the United States, in English, French and Arabic in management and related technical areas. These courses will be identified by the Institutional Contractor or USAID, and participants will be processed by USAID.

In some cases U.S.-style courses are offered in collaboration with local organizations overseas. The Project will make use of these course offerings in neighboring Middle Eastern countries as well as other advanced developing nations (Thailand, Indonesia, etc.). Tunisians selected for English-language training must demonstrate they have the requisite level of English proficiency.

-- Customized U.S. or third-country observation and business development tours for employees and groups with specific themes or objectives and designed by the Institutional Contractor and implemented by OIT/PIET. These will include "business development trips" to the U.S., i.e. support the participation of firms engaged in selected international trade fairs, expositions, etc. This activity will initially expose the management to current developments and trends in their industry. At a later date, such efforts will directly promote export sales and establish a Tunisian presence at such events.

To support this activity, the U.S. Institutional Contractor may prepare promotional materials; individual firms will cover their own direct expenses. A specialist in the industry will accompany the Tunisian firms participating at Project expense.

-- Internships in U.S. firms for Tunisian business owners and senior managers. Under this activity internships and specialized observation and study tours will be sponsored. The internship is frequently combined with an opportunity for the Tunisian business person to attend a trade fair or visit other U.S. cities. Knowledge of English is a prerequisite. Internships will be arranged through a buy-in with OIT/PIET.

(ii) Long Term Overseas Training

The Project will provide up to two years of training at the Masters level at U.S. institutions for up to 15 private sector candidates. In order to allow sufficient time for participant selection and subsequent degree completion, it is anticipated that 8 long-term participants will start in Fall 1994 (diploma: Spring 1996), and 7 in Fall 1995 (diploma: Spring 1997). All courses must be competed prior to September 1997.

The priority for academic training will be to develop highly-trained management executives in a position to promote economic development and private sector expansion. Eligible fields for training will include: business administration, management, and marketing. As long as the program is clearly appropriate to business demands, the JAC may also consider candidates for economics, and sophisticated technical fields of study where the United States has a comparative advantage such as biotechnology, telecommunications, environmental sciences, and computer sciences. Such training will help build a critical mass of Tunisian business leaders who are internationally-minded, have strong cross-cultural and presentation skills, and speak and write English.

Candidates for long-term training must be private individuals, preferably mid- to senior-level technical or managerial employees from private firms. Although the strong preference is for individuals who are currently employed and who will continue with their firm following training, private individuals who are not currently employed, or who would have to leave their firm to participate, could be considered for this training. This expressly excludes recent graduates. Eligible candidates must demonstrate a minimum level of practical work experience (e.g., 3-5 years) in a responsible position to qualify for mid- to senior-level technical or managerial positions upon their return. Their training objectives must identify technical or managerial skill needs that clearly match market demand; esoteric subjects (e.g., leveraged management buyouts) would not be eligible.

D. SELECTION CRITERIA

1. General

The following criteria will be further refined after project start-up as more is learned about Tunisian training needs and providers. Project-specific selection criteria will be:

> agreed to by the Joint Advisory Council;
> based on private sector needs;
> based on the needs of small and medium enterprises, as determined by the diagnostic studies;
> based on availability of employers and employees of these enterprises; and
> conforming to A.I.D. policy, including Handbook 10.

For in-country and overseas training, the Project will develop mechanisms to ensure that sufficient numbers of women are recruited. The percentage of women participating in training should be increasing over the life of the Project. While thirty percent women's participation for the first year of the Project would be adequate, by the fifth year of implementation forty percent might be reachable. Strategies to help increase women's participation are discussed in the Gender Considerations section. For most U.S. training, English language will be a prerequisite.

2. Private Sector Selection Criteria for Overseas Training

The targeting and selection of enterprises and employees within those enterprises for training activities is complex. The criteria have to take into consideration two sets of characteristics: those pertaining to the enterprise and its role and potential for growth, and those pertaining to the individual and his/her role in the growth of the enterprise.

Characteristics to consider regarding the enterprise will include: (a) the type of sub-sector the enterprise belongs to: (productive, service-oriented, commercial, or other); (b) the market it serves (domestic, export, or both); c) the size of the firm (small or medium); d) the business history of the enterprise (its record, profitability and stability); and, e) its growth history. Other important factors to take into consideration would be whether it is women owned and/or operated, whether its products are environmentally sound and, most importantly, whether the suggested training responds to a specific need of the enterprise.

The following is a summary of criteria discussed above that the Joint Advisory Council and Overseas Participant Selection Committee will have to discuss and finalize. Each candidate from the private sector, for short-term training would have to:

- demonstrate leadership potential;
- demonstrate commitment to the productivity and the growth of his/her firm;
- demonstrate willingness to share his/her newly acquired skills with colleagues and co-workers; and
- demonstrate willingness to apply new approaches and methodologies learned upon return from training.

3. Public Sector Selection Criteria for Overseas Training

The Project will offer training to a limited number of public sector officials. The private/public sector mix is expected to be 80/20 percent. Public-sector candidates proposed for training in the U.S. must work in an agency that impacts directly on the private sector, such as API, CEPEX, and FODOPRI. Candidates must be involved in Tunisia's liberalization process and the country's economic reform, or must be in an executive management position in a higher management training institution (such as ISG) that is working closely with the private sector.

The public sector candidates, like the private sector candidates, should demonstrate leadership characteristics; have a commitment to privatization and to the growth of the private sector; and a willingness to share and apply his/her new acquired knowledge, approaches, and methodologies.

Finally, all candidates from the public sector must have the full endorsement of their public sector employer. They must present a signed statement that the employer will provide the domestic and/or international airfare, that it will continue their employment during the duration of the training, and that upon their return the employer will place the candidates in positions that will allow them to utilize their newly acquired skills. The commitment of the employer to supporting the privatization process and the private sector in an action-oriented, practical way, is a crucial factor in selecting individuals from the public sector for training.

E. COST SHARING

Sharing cost for tuition and technical assistance is considered an important tool for spreading/sharing risk and, hence, stimulating market demand for Project-supported technical assistance and training. This is particularly true for new courses, and for technical assistance in technologies for which firms do not yet perceive a need (e.g., environmental protection, occupational safety). Cost sharing formulas will be developed by the Institutional Contractor with the Joint Advisory Council, the terms of which will be included in all sub-contracts with "counterpart" Tunisian firms. Factors to be taken under consideration will include: the size of the enterprise, the nature of the ownership of the enterprise (women owned); specific targeted sectors such as exports, etc.

In general, the Project will support US dollar denominated costs, and share in local costs where the technical assistance or training specifically addresses key Project interests (e.g., reaching women, promoting environmental safety). In practice, it is expected that counterpart Tunisian firms will review costs for actual Project activities with the IC and determine where cost sharing applies. The IC will then reimburse its Tunisian counterpart for the costs they have jointly determined should not be borne by the individual trainees/clients, in accordance with the terms of the sub-contract. The written agreement between the Tunisian counterpart and the Tunisian trainee/client will clearly identify costs borne by the Project.

F. BENEFICIARIES

The Project will target the beneficiaries described in the following paragraphs.

> <u>small and medium size private-sector companies, their owners, and senior managers:</u>

Initial Project activities will focus on the owners and decision-makers of small and medium enterprises (SMEs). This sector has been identified by USAID and others for its potential to respond to increased demand for exports and create jobs. The SME sector also contains the largest number of women-owned firms. At least 35% of private sector firms benefitting from the Project are expected to be small or medium sized enterprises.

Special efforts will be made to reach a diversity of SMEs in different regions and sectors. Particular attention will be made to include women owners and employees of SMEs in Project-sponsored training. Where appropriate, senior managers of larger firms will also be offered training to introduce modern management practices.

> <u>private service providers:</u>

Up to sixteen Tunisian service providers (trainers, consultants, and business associations) will receive direct assistance in improving their capacity to meet the management and business development needs of the private sector. In addition, the IC will sub-contract specific scopes of work for diagnostic studies, etc. Not only will these sub-contracts benefit from the new work, but they will be drawn into the new patterns of relationships the Project will develop among Tunisian private firms.

> <u>selected employees of public institutions:</u>

Approximately 20% of short-term training participants will be from the public sector. The employees identified will be from government ministries and institutions which interact with, serve or influence directly the private sector. Such government institutions may include the Institut de Gestion Superieur (ISG), Chambers of Commerce, Institut Regional des Sciences Informatiques et des Telecommunications (IRSIT), Association de Promotion Industrielle (API), and the Centre de Promotion des Exportation (CEPEX).

Excluded from project assistance will be publicly owned enterprises and government employees not closely involved in delivering services to the private sector. Since the Project is not designed to improve vocational training, public or private institutions delivering skills based training will not benefit from Project outputs.

> <u>women</u>

Targets for women participants will be 30% of all training categories in the early stages of the Project rising to 40% by the Project's completion.

G. GENDER CONSIDERATIONS

General

In Tunisia, as in other Maghreb countries, the participation of women in donor project activities has been lower than the participation of men. Four major constraints explain this reality. First, the pool of candidates is smaller since a smaller number of women than men graduate from universities and high schools. Second, in the past USAID training activities and other project activities has been largely limited to the senior levels of the public sector, further limiting the pool of women candidates.

Third, the marketing of activities in the public sector as well as in the private sector does not always reach women. The information flow is not very fluid, and many women who could have been targeted for project activities do not learn about these opportunities.

Fourth, cultural and social norms and expectations hinder the equal participation of women.

Strategies and Interventions for Increasing Women's Participation

There are several approaches to expanding the pool of women participants. The following are some of the interventions that tend to give positive results:

- increased in-country training;
- increased private sector training;
- improved marketing of training activities;
- improved matching of training subjects with women's priority interests and needs; and
- targeting SMEs.

In-country training reduces constraints on women's participation by keeping training sites closer to home, and creating conditions and settings that facilitate greater participation by women; "skills training" (as opposed to degree training) obviates the requirement for academic degrees, a requirement that severely limited the pool of women participants in past projects. Finally, given the fact that most women-owned or managed businesses fall in the small and medium category, the Project's SME focus matches well with the concerns and interests of women entrepreneurs.

The Project will ensure that marketing strategies specifically target women. Marketing through direct mail, radio, television, newspapers and professional associations will be complemented by targeted recruitment techniques for women.

New courses designed will also, as appropriate, specifically target women. In all case, course materials will include examples that feature women along with men, and will incorporate problems peculiar to women-owned firms in general discussions.

Finally, the Project management structure requires women representatives on both the Joint Advisory Council and the Overseas Participant Selection Committee.

H. FOLLOW-ON ACTIVITIES

Efforts will be made to provide all USAID-sponsored returnees with continued USAID support, reinforcement and encouragement so that their skills can be appropriately applied towards meaningful private sector development in Tunisia. This includes returnees from U.S. training activities from both the MTPS and Technology Transfer Project as well as other past and present USAID-sponsored training. MTPS will examine the feasibility of offering many types of follow-on support activities to the returnees.

III. IMPLEMENTATION PLAN

A. PROJECT IMPLEMENTATION ENTITIES

1. Project Joint Advisory Council (JAC)

The Project will be guided by a Joint Advisory Council. The Council will be composed of up to three members from the GOT (including at least one woman), one from A.I.D., and up to five from the private sector (at least two women). The Institutional Contractor's Chief-of-Party will also attend as an ex-officio, non-voting member. GOT members are expected to include the Ministries of Plan and of National Economy; private sector members are expected to include UTICA, the Chambre de Femmes Chefs d'Entreprise and TACC. Although the total number of members may change by mutual agreement, the private sector must be represented by at least 51% and women by 30% of voting members. The private sector representatives will be jointly selected by the GOT and AID to participate for two-year terms.

The JAC will provide overall policy guidance for the Project, establish priority sectors and activities, review cost-sharing formulas for IC counterpart firms, review guidelines for the award of Association Grants, approve selection criteria for overseas training and Tunisian counterpart firms, as well as review contractor workplans and progress reports. The Council will set the tone of the Project and will provide a point of coordination. It will serve as a forum where views are exchanged among the GOT, USAID, and the private sector. Council members will be asked to disseminate information about Project activities and participate in public relations activities.

The JAC will meet quarterly during the first year of the Project and semi-annually thereafter, as well as holding extraordinary sessions as required by Project implementation. Meetings will be co-chaired by USAID and the representative of the MOP. The Contractor will provide logistical support to the Council, e.g., agenda preparation, dissemination of invitation letters, preparation of position papers, minutes of meetings, etc.

2. Overseas Participant Selection Committee

Based on the priorities established by the Joint Advisory Council, the Overseas Participant Selection Committee will establish procedures and select participants for all overseas training. The Committee will meet quarterly.

The Committee will be composed of six members: one from the GOT, one from USAID, three from the private sector, and the IC Chief of Party, who will serve as an ex-officio member. At least one of the three private sector representatives must be a woman

3. Ministry of Plan

The Ministry of Plan (Directorate of International Cooperation) is the designated representative of the GOT for this Project and will take the lead for the GOT in Project coordination until such time as the new Ministry of Investment and International Cooperation (MIIC) is established. At that time (o/a August 1992), it is anticipated that the staff of the Directorate of International Cooperation and all its tasks will be transferred to the new Ministry. For the purposes of this Project Paper, however, all references will be to the Ministry of Plan (MOP), as represented by the Directorate of International Cooperation.

The MOP and USAID will co-chair the Joint Advisory Council. For public sector activities, the MOP will ensure the compatibility of Project implementation with long-term economic development goals of the GOT; provide general oversight for Project implementation; intervene with other government agencies concerning constraints identified by the Project; market training opportunities; coordinate all requests for short-term overseas training activities for the public sector; and participate in Project evaluations.

4. USAID/Tunisia

The USAID Private Sector Office (PSO) will have primary responsibility for project management. USAID will hire, in FY93, a PSC/FSN Training Assistant and hire a local US/PSC for project management, from Project funds.

In addition to participation in meetings of the Joint Advisory Council and the Overseas Participant Selection Committee, the PSO will monitor Project progress through regular meetings with the Institutional Contractor, IESC and AMIDEAST, Project participants and the Ministry of Plan. The PSO will also review and approve annual workplans and review periodic progress reports submitted by the Institutional Contractor, IESC and AMIDEAST.

At the beginning of the Project, the PSO will play a key role in convening the early sessions of the Joint Advisory Council. Also, the PSO will prepare the specific terms of reference of the technical assistance contract and will chair the committee established to review proposals and select the Contractor. After selection of the Contractor, the PSO, with the advice of the Regional Contacting Officer, will ensure that all actors are fully informed of Project roles, activities and timetables.

With respect to overseas training, the Project will utilize the placement and monitoring contractors of OIT for all U.S. training. After selection of the participants, the preparation of dossiers and administrative processing by the Institutional Contractor, PSO will be responsible for processing third country participant training (e.g , PIO/Ps) and all paperwork for long-term training (e.g. issuance of IAP66A's for visas, medical certifications, attestations, etc.). The Private Sector Office will maintain the Participant Training Management System data base for all Project funded participants.

The USAID Controller's Office will provide budget and fiscal support, including the financial processing of PIO/Ps, amendments and vouchers. The Regional Contracting Officer will provide support to the Project by soliciting, negotiating and signing major contract actions. The Mission's contract specialist will assist the Mission Director to directly procure goods and services valued at $100,000 or less.

5. The Institutional Contractor

The U.S. Institutional Contractor will plan and execute most programmatic and operational aspects of the Project. The Contractor will provide two long-term expatriates: a chief-of-party (4 person years) and a training expert (for a minimum of 2 person years). The IC will establish an office to coordinate and support short-term experts and to implement the following activities:

Design and Conduct:	(i)	Policy Studies
	(ii)	Information, Education & Communications Campaign
	(iii)	Diagnostic studies of SME needs
	(iv)	Business Assistance Strategies
Provide:	(v)	Technical Assistance to Training Institutions
	(vi)	Technical Assistance to Consulting Firms
	(vii)	Management Skills Training via Tunisian Training Institutions
	(viii)	Management Consulting via Tunisian Consulting Firms
Administer:	(ix)	Association grants for professional associations and chambers of commerce
Coordinate:	(x)	Selection and processing of candidates for overseas training

The Contractor will prepare and submit an annual workplan to be reviewed by the Joint Advisory Council. The annual workplan will establish objectives (by component and intervention), specify activities planned to accomplish these objectives, determine manpower and financial requirements, and contain an implementation schedule.

The Contractor will prepare an annual progress report detailing the extent to which the objectives of the annual workplan have been met. Quarterly progress reports will also be required.

The Contractor will serve as secretariat to the JAC and the Overseas Participant Selection Committee and will also process participant dossiers.

The IC is responsible for developing contracts with Tunisian counterpart firms - roughly 6-8 training and 6-8 consulting firms. For all contracts with local firms valued over $25,000, the Institutional Contractor is further responsible for ensuring firms have valid annually audited financial statements, or are subject to a pre-award audit. (See, also, p. 44.)

6. The International Executive Service Corps (IESC)

The IESC, currently the recipient of a one year cooperative agreement with AID that expires on September 29, 1992, will be awarded a new two year cooperative agreement to continue its program of technical, and trade and investment services. IESC will collaborate closely with the Institutional Contractor by providing volunteers with technical expertise not normally available through a consulting firm. IESC will also serve, in part, as a bridging mechanism to the other Project activities, thus avoiding an interruption of services while the Institutional Contractor is selected.

7. Tunisian Partners

The Project will work with a variety of Tunisian partners such as training institutions, consulting firms with expertise in management training, marketing and business development, and professional and business associations such as chambers of commerce and manufacturers' associations.

The Institutional Contractor will sub-contract with local Tunisian training institutions, professional organizations or private firms or individuals to execute specific scopes of work, for example, for a needs assessment, a diagnostic or problem solving study; organize and conduct a seminar or workshop or participate in training sessions; or provide materials development, management reviews, training of trainers.

In addition, the IC will establish a counterpart relationship with local firms to whom it will provide technical and financial assistance. These counterparts, in turn, are responsible for strengthening their links with SMEs by improving their marketing and delivery of services.

B. IMPLEMENTATION SCHEDULE

The Project will be implemented from the signature of the Project Agreement in July 1992 to September 30, 1997. The MTPS will overlap with the current Technology Transfer Project (664-0315), which is due to end September 30, 1992.

The Project activities fall within four distinct phases: start-up/contracting, transition, full implementation and phase out.

1. Start-up/Contracting July 1992-June 1993

USAID and MOP will organize the Joint Advisory Council (JAC) and the Overseas Participant Selection Committee, aka Selection Committee. The JAC will give policy guidance and take decisions regarding the program; the Selection Committee will develop selection criteria for overseas training.

USAID will prepare the Request for Proposals for the Institutional Contractor (IC); award is expected in May 1993. It will probably take the IC 1-2 months to field staff and establish an office in Tunis. During this interim period, USAID will execute grant agreements with IESC, AMIDEAST and FIAS (Industrial Linkages Study).

Milestone activities of the Start-up/Contracting Phase are as follows:

8/92	USAID signs Project Authorization
8/92	GOT/USAID sign Project Grant Agreement
9/92	MOP/USAID convene Joint Advisory Council
9/92	GOT meets conditions precedent to first disbursement
9/92	USAID signs cooperative agreement with IESC
9/92	USAID signs grant with AMIDEAST for TT student follow-up
9/92	USAID signs FSN/PSC contract for Training Assistant
9/92	USAID signs local hire US/PSC contract for Project Manager
10/92	RCO issues RFP for Institutional Contractor
10/92	USAID signs grant with FIAS for Industrial Linkages study
10/92	JAC meets & agrees on general themes for overseas training
10/92	Selection Committee meets to establish selection criteria, procedures and policy for overseas training
11/92	Overseas Participant Selection Committee presents criteria to JAC for approval
3/93	USAID selects Institutional contractor

2. Transition: June 1993-Oct 1993

During this period, the Contractor will develop workplans; establish procedures, in accordance with policies developed by the Joint Advisory Council; develop and implement Awareness Raising Campaigns; sub-contract for diagnostic studies; develop in-country contacts; and sub-contract studies on policy issues.

Milestone activities of this phase are as follows:

6/93	Contractor Chief-of-Party arrives in country and establishes project management office
6/93	Contractor meets with JAC and Selection Committee
6/93	Contractor submits workplan for first year to JAC
7/93	JAC approves first Contractor workplan
7/93	Contractor initiates "Awareness Raising Campaign"
8/93	Contractor initiates diagnostic studies and needs assessments to determine project targets
8/93	Contractor initiates policy studies
8/93	Contractor initiates in-country training activities
8/93	Contractor begins identification of counterpart firms
8/93	Contractor submits its Project Assistance Strategy to JAC
9/93	JAC approves Contractor Project Assistance Strategy
9/93	Selection Committee initiates bi-monthly meetings to select overseas participants
10/93	USAID/GOT conduct in-house evaluation to prepare for full implementation phase
10/93	Contractor Training Specialist arrives in-country

3. Full Implementation: November 1993 - Jan. 1997

From this point onward, the Contractor in coordination with JAC will be fully responsible for the development, planning and execution of all in-country activities. Each year, the contractor will submit an annual workplan to the JAC and USAID for review and approval. This document will establish the priorities and implementation schedule for the following year.

Milestone activities for the Implementation Phase are as follows:

11/93	Selection Committee selects overseas participants
4/94	Contractor submits annual workplan and progress report to JAC
5/94	JAC reviews/USAID approves workplan
4/95	Contractor submits annual workplan/progress report to JAC
5/95	JAC reviews/USAID approves workplan
8/95	Mid-term evaluation
9/95	Training Specialist departs
4/96	Contractor submits annual workplan/progress report to JAC
5/96	JAC reviews/USAID approves workplan

4. Phase-out: March 1997 - Sept 1997

During this phase, all implementation activities continue as planned. Long-term Chief-of-Party leaves, as in-country training activities are assumed by local training institutions. Project final evaluation is conducted.

3/97	Contractor Chief of Party departs
6/97	Close-out audit
6/97	Final evaluation
9/97	Project assistance is completed.

C. PROCUREMENT PLAN

The primary procurement action will an AID direct contract with a US consulting firm or consortium to provide long-term and short-term technical assistance and to plan and execute all in-country training and technical assistance activities. The Institutional Contractor will sub-contract for local Project activities. Grants will be provided by the Contractor for tuition support, equipment, seed money for conferences, etc.

For short-term overseas training, the Institutional Contractor will recommend candidates and programs to the Overseas Participant Selection Committee for approval. Once approved, the IC will orient participants; USAID will use existing contracts managed by the Office of International Training (OIT) to identify and administer programs in the US, and will directly process participants approved for training in third countries.

Technical and trade and investment services will be obtained through a cooperative agreement with the IESC. USAID will use existing central contracts and IQC's for evaluations and audits, and execute grants with AMIDEAST for TT follow-up, and with FIAS to perform the "Industrial Linkages" study.

The Regional Contracts Officer, or the USAID/Tunisia Director in conjunction with the Mission's contract specialist for actions less than $100,000, will handle all direct procurement for goods and services for the Project following A.I.D. procurement policies and regulations.

In compliance with A.I.D. policy, every effort will be made to meet the target of placing 10 percent of the new starts each year at a Historically Black College and University (HBCU). This effort will largely depend upon the responsiveness of HBCUs in informing the Mission of their capabilities and willingness to offer "off the shelf" and/or tailored technical courses for MTPS participants in relevant fields. It is anticipated that both NAFEO (National Association for Equal Opportunity in Higher Education) and A.I.D.'s OIT will be able to facilitate the linkages of MTPS's U.S. training needs with HBCU course offerings. In terms of implementation, the Contractor will provide a copy of the "Training Strategy" to NAFEO so that HBCUs may identify their appropriate course offerings that satisfy MTPS training needs. As in all U.S training, USAID in concert with the Overseas Participant Selection Committee will make the final decision for the training venue.

Details of planned procurement are as follows:

1. <u>U.S. Technical Services and Goods for Project Management and Activity Implementation</u>

   a. Type of Contract: AID direct contract

   b. Brief Description of Goods and Services to be Procured:

      Provision of administrative and program support for all project activities; provision of long and short-term technical assistance for planning, execution and evaluation of designated activities; contracting or implementation of local studies, training, and materials development; and purchase of specified goods and materials for project activities.

   c. Estimated Dates of Contract January 1993 - June 1997

   d. Estimated cost of Contract: $10,000,000

   e. Potential for Minority Contract: RFP will require participation and involvement of minority contractors, as subcontractors or members of a contractor consortium.

   f. Need for Waiver: None are anticipated. U.S. nationality is anticipated for prime contractor.

   g. Contracting Officer: Regional Contracting Officer

   h. Method of Financing: Direct Reimbursement.

2. <u>U.S. Technical Services for Training Placement and Monitoring</u>

   a. Type of Contract: Buy-ins with established AID/OIT contracts for participant placement and monitoring.

   b. Brief Description of Goods and Services to be Procured:

      Placement and monitoring services for all short-term participants for training in the U.S.

c. Estimated Dates of Contract: From satisfaction of CPs to first disbursement through PACD.

d. Estimated Cost of Contract: $4,500,000

e. Potential for Minority Contract: Historically Black Colleges and Universities and Gray Amendment entities will be used in placement of short-term participants as feasible.

f Need for Waiver: U.S. nationality is anticipated. Waivers will be obtained for 3rd-country training as needed per HB 10.

g. Contracting Officer: AID/W

h. Method of Financing: Direct Payment through automatic transfers to the AID/W Master Disbursement Account.

3. <u>U.S. Technical Services for Business Services Development</u>

a Type of Instrument· Cooperative Agreement with International Executive Service Corps (IESC)

b. Brief Description of Goods and Services to be Provided:

Technical assistance, studies on U.S. markets and technology, and joint venture assistance.

c. Estimated Dates of Agreement: Two years following satisfaction of CPs to first disbursement

d. Estimated Cost of Agreement: $1,000,000

e. Potential for Minority Contracts: As a U.S. recipient, IESC will be required to comply with regulations providing for minority sub-contract opportunities

f. Need for Waiver: None. Award of a three-year cooperative agreement was approved on a non-competitive basis by the RCO on 10/2/91. The proposed action will fund the last two years of this award. See Annex H for non-competitive justification.

g. Agreements Officer: Regional Agreements Officer

h. Method of Financing: Letter of Credit (LOC)

4. Local Technical Services and Local Procurement for Program Management

a. Type of contract: 2 USAID/Tunisia Personal Service Contracts (PSC) and miscellaneous small purchases

b. Brief Description of Goods and Services to be Procured:

- Services of Foreign Service National Training Assistant and a local hire US/PSC Project Manager.
- Basic office equipment

c. Estimated Dates of Contract:

-PSCs approximately 10/92 through June 1997. Two year contracts with possibility of extension.

-Small purchases in FY92 and 93

d. Estimated Cost of Contract: $500,000 total

e. Potential for Minority Contract: Local contracts, not applicable.

f. Need for Waiver: None. US/Tunisian source/origin/ nationality is anticipated

g. Contracting Officer: USAID/Tunisia Director and/or RCO

h. Method of Financing: Direct Payment

5. Technical Services for Audit and Evaluations

a. Type of Contract: Work Orders under established Indefinite Quantity Contracts (2-3)

b. Brief Description of Goods and Services to be procured:

Provision of technical assistance for the planning and execution of audits and evaluations to be contracted over the life of the project.

c. Estimated Dates of Contracts: Work Orders to be issued in 1995 and 1997 for evaluation. Contract-close out audit 1997

d. Estimated Total Costs of All IQC Contracts: $300,000

e. Potential for Minority Contract: Minority IQC contractors will be given priority consideration

f. Need for Waiver: None; U.S. nationality is anticipated.

g Contracting Officer: AID/W Contracts Officer

h. Method of Financing: Direct Payment

6. US Technical Services to Conduct the Industrial Linkages Study

a. Type of Instrument: Grant to FIAS

b. Brief Description: Provision of technical assistance to perform the Industrial Linkages Study.

c. Estimated dates of grant: October 1992-March 1993

d Estimated Total Cost: $300,000

e. Potential for Minority Contract: None

f. Need for Waiver: Justification for non-competitive award; see Annex H.

g. Grants Officer: RCO

7. US Technical Services for TT Pipeline Follow-up

a. Type of Instrument: Grant

b. Brief Description: Follow-up/reorient TT students

c. Estimated dates of instrument: October 1992-December 1994

d. Estimated Total Cost: $140,000

e. Potential for Minority Contract: None

f. Need for Waiver: Justification for non-competitive award to AMIDEAST; See Annex H.

g. Grants Officer: USAID/Tunis Mission Director

IV. COST ESTIMATES AND FINANCIAL PLAN

The Management Training for the Private Sector Project will be implemented over a period of five years. It will be funded by A.I.D., GOT, and participants from the private sector. A.I.D.'s contribution will be $18,500,000.00. The host country and other non-A.I.D. contribution should be approximately $11,800,000.00. The total project cost will not be less than $30,300,000.00.

A. A.I.D. CONTRIBUTION

A.I.D. will contribute $18.5 million to this Project, which comprises approximately 60 percent of the total cost of the Project. A.I.D. will fund technical assistance, training and limited commodities.

Of the $18.5 million, $11 3 will be used to finance US technical assistance (Institutional Contractor and IESC) and a grant to FIAS, $4.6 for US and 3rd country training, and $1.7 for the TT pipeline (including $140,000 for a grant to AMIDEAST). The remaining $.9 million is budgeted for USAID project management, evaluations, audits, and contingency. It is estimated that of the $18.5 million, $13.8 million will cover US dollar costs and $4.7 local currency costs (local subcontracts, plus the cost of the Institutional Contractor's local office in Tunis).

The initial obligation of US$1.5 million is anticipated in last quarter FY 1992; the second obligation is scheduled for early FY 1993. Peak expenditures will be reached in years two, three, and four of the Project, corresponding to the period of highest activity in the technical assistance contract and in the programming of participants for training. Expenditures in years 1992 and 1997 will be less as the Project will be either in start-up or phase-out mode.

B. NON-A.I.D. CONTRIBUTION

The Tunisian contribution to this Project will come from two sources: the Government of Tunisia and the Tunisian private sector, both of whom are beneficiaries. Overall, Tunisian sources will contribute approximately 40 percent to the total cost of implementing the Project. The GOT will pay salary and travel costs for training its employees in the U.S. It will also pay a portion of tuition costs for in-country seminars where public-sector employees are trained. The private sector will pay similar costs except that they will also be required to pay partial tuition costs and other support costs for any long-term academic participants. For consulting services in Tunisia private firms will be expected to pay for all local costs, except as per cost-sharing formulas determined by the JAC.

C. COST FACTORS

All costs used to develop the Project financial plan are based on Mission experience with past projects and local conditions. Inflation is anticipated at about 8 percent per year. The following is a listing of the major cost factors used.

Budget Item	Unit Cost
U.S. Chief of Party	$300,000 per year
Training Specialist	$150,000 per year
Short-term Technical Assistance	$23,000 per month
Short-term U.S. Training	$ 7,500 per course
U.S. Study Tour	$ 8,000 per traveller
Support Cost for In-country Workshop	$ 2,000 per workshop
FSN PSC at FSN-7 level	$17,000 per year
US PSC at FS-4 level	$42,000 per year

TABLE 1

MTPS PROJECT
SUMMARY COST ESTIMATE AND FINANCIAL PLAN
(IN $000)

BUDGET LINE ITEMS	A.I.D CONTRIBUTION			TUNISIAN CONTRIBUTION									TOTAL	TOTAL	PROJECT
				GOT			Private Sector			TOTAL			TOTAL	TOTAL	PROJECT
	FC	LC	Total	FC	LC	Total	FC	LC	Total	FC	LC	Total	FC	LC	TOTALS
US Technical Assistance	6 7	4 6	11 3	0 0	1 6	1 6	0 0	5 0	5 0	0 0	6 6	6 6	6 7	11 2	17 9
1 Institutional Contractor	5 4	4 6	10 0	0 0	1 6	1 6	0 0	4 7	4 7	0 0	6 3	6 3	5 4	10 9	16 3
2 IESC	1 0	0 0	1 0	0 0	0 0	0 0	0 0	0 3	0 3	0 0	0 3	0 3	1 0	0 3	1 3
3 FIAS	0 3	0 0	0 3	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 3	0 0	0 3
Overseas Training	4 6	0 0	4 6	0 0	0 9	0 9	0 0	3 5	3 5	0 0	4 4	4 4	4 6	4 4	9 0
Project Management	0 4	0 1	0 5	0 0	0 2	0 2	0 0	0 2	0 2	0 0	0 4	0 4	0 4	0 5	0 9
TT Pipeline	1 70	0	1 70	0 3	0 1	0 4	0 0	0 0	0 0	0 3	0 1	0 4	2 00	0 1	2 1
1 Student costs	1 56	0	1 56	0 3	0 1	0 4	0 0	0 0	0 0	0 3	0 1	0 4	1 86	0 1	2 0
2 AMIDEAST/Follow-up	0 14	0	0 14	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 0	0 14	0 0	0 1
Evaluation/Audits	0 2	0	0 2	0	*	*	0	*	*	0	0	0	0 3	0 0	0 3
Contingency	0 2	0	0 2	0	0	0	0	0	0	0	0	0	0 3	0 0	0 3
PROJECT TOTALS	13 8	4 7	18 5	0 3	2 8	3 1	0	8 7	8 7	0 3	11.5	11 8	14 3	16	30 5

* Contributions are less than US $10,000

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TABLE 2
MTPS PROJECT
COSTING OF PROJECT INPUTS/OUTPUTS
(IN $000)

PROJECT INPUTS	*PROJECT OUTPUTS*					*TOTAL*
	1. Bus. Service Providers Strengthened	2. Private Sector Awareness raised	3. TA & trng delivered to private firms	4. GOT policy environment smoothed	5. TI Pipeline	
A I D	3 3	1 1	11 04	1 36	1 7	18 5
G O T	0 4	0 4	0 5	1 4	0 4	3 1
Private Sector	1 1	0	7 6	0	0	8 7
TOTALS	**4.8**	**1.5**	**19 14**	**2 76**	**2 1**	**30 3**

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TABLE 3

MTPS PROJECT
PROJECTION OF EXPENDITURES BY FISCAL YEAR
(IN $000)

US FISCAL YEAR/ Contract/Grant	A.I.D.	G.O.T.	PRIVATE SECTOR	TOTAL
FY 92				
TT Pipeline	0 56	0 10	0 00	0 66
Project Mangement	0 01	0 00	0 00	0 01
Subtotal	0.57	0 10	0 00	0 67
FY 93				
Institutional Contractor	2 10	0 20	0 70	3 00
FIAS	0 30	0 00	0 00	0 30
OIT/PIET/EI buy in	0 50	0 10	0 70	1 30
Project Management	0 10	0 04	0 04	0 18
IESC	0 50	0 00	0 15	0 65
TT pipeline	0 80	0 20	0 00	1 00
Subtotal	4 30	0 54	1 59	6 43
FY 94				
Institutional Contractor	2 25	0 30	1 00	3 55
OIT/PIET/EI buy in	1 50	0 20	0 70	2 40
Project Management	0 10	0 04	0 04	0 18
IESC	0 50	0 00	0 15	0 65
TT pipeline	0 50	0 10	0 00	0 60
Subtotal	4 85	0 64	1 89	7 38
FY 95				
Institutional Contractor	2 65	0 30	1 00	3 95
OIT/PIET/EI buy in	1 40	0 20	0 70	2 30
Project Management	0 11	0 04	0 04	0 19
Mid term evaluation	0 10	0 00	0 00	0 10
Subtotal	4 26	0 54	1 74	6 54
FY 96				
Institutional Contractor	1 80	0 40	1 00	3 20
OIT/PIET/EI buy in	0 88	0 20	0 70	1 78
Project Management	0 10	0 04	0 04	0 18
Subtotal	2.78	0 64	1 74	5 16
FY 97				
Institutional Contractor	1 20	0 40	1 00	2 60
OIT/PIET/EI buy in	0 10	0 20	0 70	1 00
Project Management	0 10	0 04	0 04	0 18
Final evaluation	0 07	0 00	0 00	0 07
Subtotal	1 47	0 64	1 74	3 85
CONTINGENCY	0 27	0	0	0 27
TOTAL	18.5	3 10	8 70	30 30

D. METHODS OF IMPLEMENTATION AND FINANCING

SUMMARY OF METHODS OF IMPLEMENTATION AND FINANCING

Method of Implementation	Method of Financing	Approx Amount ($mill)
T.A. - A.I.D. Direct Institutional Contract	Direct Reimbursement	$ 10.0
Short-Term & Long-Term U.S. Training- PIO/Ps	Direct Payment	$ 4.6
TT Pipeline		$ 1.7
Student costs	Direct Reimbursement ($1,560,000)	
AMIDEAST/Followup	Letter of Credit ($ 140,000)	
Program Management- A.I.D. PSCs & A.I.D. small purchases (POs)	Direct Payment	$ 0.5
IESC	Letter of Credit (LOC)	$ 1.0
FIAS: Industrial Linkages	Direct Reimbursement	$ 0.3
Evaluation & Audits	Direct Payment	$ 0.2
Contingency		$ 0.2
TOTAL		$ 18.5

V. MONITORING AND EVALUATION

The Management Training for the Private Sector Project incorporates a monitoring and evaluation plan that produces an information reporting system for specific decision-making needs, as well as preparing objective data for external evaluation.

A. MONITORING

The Contractor will have primary responsibility for collecting information on the Project's progress and maintaining fiscal accountability for all Project activities. Care will be taken to continually measure achievements over time as well as monitoring the outputs.

1. Management Information System

USAID will develop a computerized management information system to track the characteristics and beneficiaries of not only the MTPS Project, but all the ongoing USAID private sector projects. The management information system is planned to have three separate but integrated components:

> Entrepreneur/Enterprise File: To be developed
> Service Providers Assessment (SPA) File: To be developed
> Participant Training File: Currently available and used worldwide

The management information system will be D-base compatible for all data files to permit the sorting of data elements for a wide range of project management and monitoring reports. The analysis of such reports will be used to better target assistance.

The Entrepreneur/Enterprise File will contain information on project beneficiaries from the private sector. Included will be a description of the firm, detailed operating and financial information, level of exports beginning with 1988, as well as composition of the firm's personnel and employment practices. This data base file must be updated annually through questionnaires. It is expected to be operational by Fall 1993.

The Service Providers Assessment File will contain descriptive and evaluative information on at least twenty-five (25) local organizations and institutions. The primary objectives of this file are to (1) provide the Mission and the Contractor with descriptive information on organizations that are being used or can be used as in-country and third country training providers for the private sector and (2) link information with the computerized Participant Training

Management System (PTMS). The SPA system is currently being developed by the Africa Bureau's HRD Assistance Project and it will be the responsibility of the Contractor to update the system annually through questionnaires. It is recommended that the PTMS (available from OIT) be used for the participant training data base and tracking system.

Also, OIT has developed a software spreadsheet solely for participant training budget items called the Training Cost Analysis (TCA). Once the Project is fully underway, the Contractor as well as Tunisian institutions receiving grant assistance will be encouraged to utilize TCA in submitting their planned and actual expenditures on a quarterly basis to USAID for budget monitoring purposes. These reports will be due to the Contractor 30 days after the end of the quarter with continued funding contingent on adequate reporting.

2. Activities and Responsibilities

Beginning in 1993, the Contractor will prepare an annual workplan (which will include a training strategy) in close collaboration with USAID, the GOT, and the private sector SMEs to ensure that the training is responding to specific, real needs, and that the Project is adhering to its stated purpose. The work plan will serve as a monitoring tool for all key parties to effectively measure achievements of the MTPS Project. The workplan will be submitted annually to the Joint Advisory Council for approval.

An annual progress report of past activities will be submitted by the Contractor to USAID and the Joint Advisory Council to describe the accomplishments of each phase of the Project, and to assess progress toward overall objectives in strengthening Tunisian private sector enterprises.

Prior to Tunisian institutions receiving grants, the Contractor will examine their financial systems to ensure adequate accounting methods exist and to identify financial training needs or any other problem areas.

USAID will maintain the PTMS data base for all past, present, and future participants in the United States, third countries and in-country training programs. Access to the PTMS data base will be limited since personal information is maintained on participants along with proprietary information on consulting firms providing and receiving services.

B. EVALUATION

The Project will be evaluated twice; an external mid-term evaluation which includes assessing the last phase of the Technology Transfer Project, and a final evaluation. The GOT will participate in both the mid-term and the final evaluation.

Mid-Term Evaluation: This evaluation will be conducted by an outside contractor during the third year of implementation, to review Project progress and decide if Project design needs revision. As mentioned above, the Technology Transfer Project will also be included in this evaluation. Special attention will be given to how well the Project is targeting women; private sector participation; nomination rates and trends; disbursement levels; and any unforeseen events.

Questions to be examined might include:

* Whether the Joint Advisory Council and the OPS Committee are functioning as envisioned;

* Whether the awareness raising campaign is succeeding in stimulating demand for technical assistance and training;

* Responsiveness of SMEs in terms of numbers of trainees and TA requests;

* Analysis of participating private sector individuals/firms (e.g., sectoral distribution, size of firm, regional distribution);

* Effectiveness of diagnostic studies/needs assessment in defining specific training, technical assistance or policy dialogue opportunities;

* Effectiveness of cost-sharing in attracting targeted beneficiaries;

* Analysis of incentives provided by the Project to counterpart firms; and,

* Assessment of Project influence on GOT policies or regulations.

Final Evaluation: This evaluation will concentrate on the impact of Project implementation on private sector dynamics and economic development. It will also analyze the effectiveness of the Project's approach to providing sustainable private sector development. Interviews with participants and their employers/institutions will be analyzed by the Contractor through a combination of evaluation methodologies, i.e. questionnaires, focus groups, and case studies.

The impact of MTPS-provided technical assistance upon counterpart firms will be evaluated by comparing baseline institutional profiles (provided in the Service Providers Assessments) at the beginning of the Project and characterizing their changes in, for example, composition of curriculum programs, faculty, student enrollments, and level of female participation. Changes in the extent to which staff development is valued within companies will be measured by surveying the investment that private sector owners/ managers are making in their employees, e.g. establishing human resource offices, sponsoring more employees for training, participating in human resource conferences.

Responsiveness of in-country training to market demand will be measured by increased private sector attendance.

C. FINANCIAL AUDIT

The USAID/Tunisia project officer has the responsibility to carefully monitor the audit plans during the course of Project implementation and make necessary amendments to the Project budget for additional auditing needs if warranted.

A total of $175,000.00 is budgeted in the Institutional Contract to provide for pre-award and annual financial audits of subcontractors and recipients receiving funds in excess of $25,000. Performance of the audits should be initiated by the Institutional Contractor using a scope of work approved by the USAID/Tunisia Private Sector Office and the Controller. The Institutional Contractor should have an audit plan which provides for annual visits by the audit firm (to each sub-contractor or grantee that has received A.I.D. funds of over $25,000) and an annual written audit report on funds usage and internal control adequacy.

Periodic financial audits will be done on the Institutional Contractor by the cognizant federal audit agency and a final close-out audit will be conducted at the end of the Project.

Should the Mission decide to continue its present relationship with MUST vis-a-vis the TT students, USAID will review the most recent audit that has been undertaken of MUST by the GOT. If the audit is more than five years old, the GOT will be required to authorize A.I.D. to undertake, with Project funding, an audit of MUST's functions and accountability before A.I.D. will consider continuing its ongoing involvement with MUST.

VI. SUMMARIES OF ANALYSES

A. Technical Analysis

The technical design of the Project is based on previous experience under USAID/Tunisia's Private Sector Development and Technology Transfer Project (664-0328) (which included an Entrepreneurs International Program), the Technology Transfer Project (664-0315), and three USAID-funded studies[6] as well as recent development literature on new strategic trade policy and training.

Recent development literature makes a strong case for the role of private sector service suppliers (technical assistance, market information, etc.) as catalytic agents in stimulating export growth. Not only does this ensure a domestic capacity for technological innovation, but in Tunisia, which has been largely cut off from international "best practice," the increases in firm productivity and quality from expert technical assistance should be dramatic.

A number of consulting and training firms do exist in Tunisia and, although young and relatively narrowly qualified, are capable -- many exporting their services in Africa, the Middle East and Europe. They are oriented, however, toward institutional (government or donor) clients. Only about 20 percent of the potential Tunisian private sector client base actually uses outside expertise. These are mainly the firms that are now exporting a large portion of their output, who have been exposed to the global pressures of the marketplace, and who typically have younger managers.

Hence, there is a real "window of opportunity" for the MTPS Project. The major players are in place (SMEs and business service providers) and the competitive pressures being introduced through the liberalization process are creating an unprecedented openness within the private sector to new approaches to doing business. The missing element seems to be a catalyst to bring SMEs, consulting firms, and training institutions together.

The MTPS Project components are designed to play this catalytic role. The education, information and communications campaign is designed to inform SMEs about the role of services in improving competitiveness, and their availability in Tunisia. At the same

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[6] The three studies upon which MTPS is based are "A Private Sector Training Needs Assessment" (Tunis: 1989), Ernst & Young; "Analysis of the Market Demand for Technology Related Services" (Tunis: 1990), K. Louhaichi; and "Assessment of Selected Public and Private Sector Training Institutions and Organizations in Tunisia" (Tunis: 1991), E. Bennour.

time, MTPS will provide expert US technical assistance to business service providers to help them respond more effectively to SME demand. If the Project is successful at bringing SMEs together with service providers, this should result in sustainable increases in exports, productivity and overall competitiveness of Tunisian firms.

By emphasizing in-country delivery of training and technical assistance with maximum participation by Tunisian experts, the Project design ensures that technical assistance and training will reach the broadest possible private sector audience at the least possible cost. The Project design does, however, recognize that there will always be gaps and unique opportunities available only outside Tunisia. The Project therefore provides short-term "technical" training overseas to provide "internship" and business development opportunities. Limited long term training is also included for private sector individuals.

Past experience suggests that Project targets for numbers of candidates trained and numbers of firms assisted are reasonable. Studies and interviews conducted in the course of designing this Project indicate that roughly 15 consulting firms and 15-20 training institutions fit the profile described in this Paper, and are interested in participating as proposed. The Project components are furthermore considered technically viable and can be reasonably expected to achieve the Project Purpose, which is further judged to be not only achievable, but truly important in fostering a more competitive Tunisian private sector.

B. Administrative Analysis

The design ensures that:

(a) existing Tunisian (private and public sector) expertise is built into Project implementation through the Project's committee structure and proposed sub-contracts with counterpart Tunisian firms;

(b) the Project's complex technical assistance package and the diverse activities do not place an undue management burden on USAID and the GOT because of the presence of a long-term US institutional contractor who will be required to establish a local office. It is judged that an AID-direct rather than host-country contract is appropriate given the inherent private sector character of this Project and GOT commitment to reducing its administrative direction of the private sector;

(c) the USAID's Private Sector Office staff will remain at its present level of staffing (MTPS assumes the costs for a US PSC who will serve as MTPS Project Manager, and a local PSC training specialist to help process Project participants); and

(d) the GOT role and responsibilities are appropriate and fit well within existing budget and staffing levels.

The management structure proposed in the Project is technically viable, and prospective Tunisian counterpart firms are capable of absorbing the proposed technical assistance and delivering services in accordance with Project activities.

C. Economic Analysis

Current management practices have been identified by USAID and others as a key constraint to rapid private sector expansion and increased competitiveness in international markets. There are strong a priori grounds to believe that highly focused management consulting and training concentrating on private sector decision makers can have a major impact on private sector productivity because of present low levels of business management skills in Tunisia.

The MTPS Project is well focused strategically and appears to offer potentially large gains because of its focus on delivering business and management development services through existing, local service companies. Project benefits will be immediate and of lasting duration. Not only will significant numbers of managers be exposed to "best practice" management during the Project's life, but on-going institutional capabilities will also be established for the benefit of future generations of entrepreneurs and managers. In addition, the attitude of present managers toward the values of short-term consulting and skills-based training will be improved, thus creating a permanent and growing private sector demand for MTPS-type services.

Project benefits are potentially accessible by all, regardless of firm size, language capability or gender of owners. The short duration of planned services, and the emphasis on delivery through in-country service providers will tend to guarantee this access.

For the Project's training activities, it is illustrative to note that numerous studies by the IBRD and others have shown the relatively high rates of return possible for education at varying levels of the education ladder. According to the IBRD, private rates of return for marginal industrial, middle income countries have averaged 46% for primary, 29% secondary, and 26% for higher education. Social rates of return, although lower, averaged 50% to 61% of the private rates.

D. Financial Analysis

The key questions that need to be answered in examining the financial viability of the Project are the following:

1) Among private sector firms is there sufficient demand at market-determined prices for the management consulting, training, and brokering/joint venture services that the project proposes to deliver (i.e. business services)? Are there local privately owned service companies that are capable of delivering the services mentioned above?

2) If not, are the financial and other incentives built into the Project sufficient to stimulate demand and supply? What other factors outside of the Project will help to create such a market?

3) Once Project support is complete, will there be a market for the types of services developed under the Project?

In order to answer these questions this analysis will examine: 1) the current market for business services; 2) the financial incentives to be offered to enterprises and service suppliers during the first half of the Project; and 3) the anticipated market for services by the end of the Project and thereafter (i.e. after the Project's financial incentives have been removed).

There currently exists in Tunisia a nascent market for training and consulting services. Over 100 private companies provide a mix of such services primarily to public institutions and large private sector companies. In addition, there are a number of state-owned organizations who also compete in the market, normally at subsidized rates. The costs of a five day seminar range from Dinars 4,500 to Dinars 11,250 depending primarily on the type of course, target audience, and reputation of the provider. Local accounting firms that are affiliated with one of the "Big Six" international firms charge around Dinars 500 per day for one of their partners. The fact that so many private service suppliers already exist is a strong indication that the market for services can be expanded.

Assuming that the Government of Tunisia continues as planned to open up the economy to international competition as a part of the structural reform program, one of the major obstacles to the expansion of privately provided business services will be the costs of developing such services (e.g. designing management courses), including marketing efforts. During the first three years of the Project, A.I.D. will help pay for the costs of foreign technical and local advisory services. The payment for such development costs can be justified on the grounds that the market for such services would otherwise develop very slowly (e.g. because private financial institutions are not risk takers and will not provide the needed seed capital).

On the demand side, the Project will stimulate the use of services primarily through expanded marketing programs (also referred to as

Information, Education, and Communication or IE&C). The Project may share costs with those companies that are unable either because of size or age to pay the full costs of training and consulting. Approximately $400,000 of Project funds have been set aside to cover such subsidies.

By the fifth year of the Project it is anticipated that most of the Project funded design work and awareness campaigns will be complete and the private sector enterprises will be expected to pay the full costs of services. At this point the crucial issue determining whether the services developed under the Project will continue to be provided at market rates is the successful implementation of the Structural Adjustment Program. As the services being developed can to a certain extent be substituted for one another (e.g. a training seminar versus an in-house consultation), it is possible that the market for one service will develop more rapidly than another.

E. Social Soundness Analysis

Tunisian entrepreneurs oriented toward the export market have already demonstrated their ability to adopt and effectively utilize modern technology and management systems. The larger potential client base, which continues to be primarily domestic market oriented, does not yet perceive a critical need for improved technologies, but the increasing competitive pressures are pressing home the economic imperative to improve productivity and raise quality.

Indigenous technological agents (i.e., consulting firms and training institutions) can provide efficient specialization. They possess an effective organizational framework for developing a broader private sector client base and developing services well-suited to their needs. These "counterpart firms" have demonstrated ability to deliver technical assistance and training, and voice interest and willingness to develop a private sector market. The MTPS strategy to link the business community more efficiently and effectively to modern management and marketing technologies by using indigenous technological agents is considered socially feasible and sound.

One of the most pressing social problems in Tunisia is unemployment. If successful, the Project will help alleviate competitiveness problems which will stimulate exports and overall private sector expansion. Hence, the MTPS Project design will help the Tunisian economy absorb new entrants. By emphasizing SMEs, Project design is consistent with research findings that within the private sector, SMEs generate the highest ratio of jobs per investment increment.

On the human resources side, MTPS is supporting the development of courses which will imbed in the curricula the importance of human resource development and the introduction of effective incentive systems. Technical assistance will be used to increase occupational and environmental safety. Policy studies will address overall issues such as poor labor market information and placement systems.

The labor force participation rate for women is roughly 20%, and increasing. Women entrepreneurs do own and direct industrial firms, some of which export. Project design teams met with the Chambre de Femmes Chefs d'Entreprise in Tunis and in Sfax, as well as interviewing and visiting factories owned and/or managed by women. Their views are reflected in all Project elements. The MTPS Project has established benchmarks for female participation in Project committees and activities. Project incentive systems will also address other disadvantaged beneficiary groups (e.g., remote areas).

The MTPS Project is considered to have a highly favorable potential social impact.

F. Environmental Analysis

The Management Training for the Private Sector Project will strengthen Tunisia's in-country training capacity and improve Tunisian managerial skills necessary for economic development. These dual purposes will be accomplished through the provision of technical assistance, training information dissemination and commodity support - none of which will significantly affect Tunisia's natural or physical environment. Accordingly, the categorical exclusion recommended in the Initial Environmental Examination for this Project was approved by the ENE Bureau Environmental Coordinator on September 26, 1991 (see Annex A PID Approval Cable), pursuant to Section 216.2 (C) (1) and (2) of he Agency's Environmental Regulations (22 CFR 216). Thus, no additional environmental review is required for this Project.

VII. CONDITIONS PRECEDENT AND COVENANTS

A. Conditions Precedent

1 Conditions Precedent to First Disbursement

Except as A.I.D. may otherwise agree in writing, prior to disbursement under the grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Government of Tunisia will furnish to A.I.D., in form and substance satisfactory to A.I.D.:

a. A statement of the person holding or acting in the office of the Principal Representative of the Grantee specified in Section 8.2 of the Grant Agreement and of any additional representatives, together with a specimen signature of each person specified in such statement;

b. The name of the Project Manager at the Ministry of Plan.

2 Conditions Precedent to Disbursement for Technical Assistance Contract and Overseas Training

Except as A.I.D. may otherwise agree in writing, prior to disbursement under the grant or the issuance of documentation pursuant to which disbursement will be made to finance the technical assistance contract and all training not to take place in Tunisia, the Government of Tunisia will furnish to A.I.D., in form and substance satisfactory to A.I.D.

a. Evidence that a Joint Advisory Council has been established to carry out the functions described in the Project, and that it includes participation by A.I.D., the Ministry of Plan, and the private sector. The private sector members must constitute a majority (at least 51 percent) of the Council's voting membership, and women at least 30 percent;

b. The names of the members of the Overseas Participant Selection Committee; and

c. Criteria for use in selecting participants for long-term and short-term training in the U.S. and Third Countries.

3. Conditions Precedent to the First Disbursement for Technology Transfer long-term Pipeline Students

Except as A.I.D. may otherwise agree in writing, prior to disbursement under the grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance the long-term training of students in the U.S. who started their studies under the Technology Transfer Project, the Government of Tunisia will furnish to A.I.D., in form and substance satisfactory to A.I.D.:

a. A list by name and expected graduation date of: (1) the students who will be provided Project financing for their studies in the U.S.; and (2) the students who will receive A.I.D. financed health and accident insurance and J1 visa sponsorship under the Project for the fall semester of 1992;

b. The estimated cost of the study program for each of the Project financed participants, whether in the planned program or with an extension of one semester, by name; and

c. For the Project financed students, the estimated cost of the federal income tax which will accrue for the period of study to be funded by the Project.

4 Conditions Precedent to Subsequent Disbursements for Technology Transfer Pipeline Students

Except as A.I.D. may otherwise agree in writing, prior to disbursement under the grant or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made to finance (after fall semester 1992) the training of participants in the U.S. who started their studies under the Technology Transfer Project, the Government of Tunisia will furnish to A.I.D. in form and substance satisfactory to A.I.D.:

a. The exact costs incurred by each of the participants financed by the Project for the previous semester, by name, for book allowance, income tax, health and accident insurance and visa fees, as applicable;

b. The estimated return date for all participants whose Project support ended during the previous semester and their graduation date; and

c. A list of participants who will receive Project financing for the upcoming semester with the estimated costs.

B. Covenants

The GOT agrees that, over the life of the Project;

1. It will utilize its best efforts to assist in the reduction or elimination of constraints to improved access to training within Tunisia, whether this involves modification of administration of the training tax or allowing the promotion

or development of private management training institutions;

2. It will utilize its best efforts to ensure that at least 30 percent of trainees in each category of Project training will be women;

3. It will utilize its best efforts to ensure that of training opportunities under the Project components "Overseas Training," and "Management Skills Training", at least 80 percent will be for private sector individuals;

4. It will utilize its best efforts to ensure that AID-sponsored participants who are employees of the public sector will return at the end of their training and will be employed in positions commensurate with their training;

5. One hundred percent of long-term training opportunities will be for private sector individuals;

6. It will utilize its best efforts to assist in reduction or elimination of constraints to improved access to training in Tunisia.

ANNEX A

PID APPROVAL CABLE

ACTION: AID INFO: AMB DCM ECON

VZCZCTU0265 25-OCT-91 TOR: 07:05
PP RUEHTU CN: 12001
DE RUEHC #1981/01 2980140 CHRG: AID
ZNR UUUUU ZZH DIST: AID
P 250137Z OCT 91 ADD:
FM SECSTATE WASHDC
TO AMEMBASSY TUNIS PRIORITY 7332
BT
UNCLAS SECTION 01 OF 02 STATE 351981

AIDAC

E.O. 12356: N/A
TAGS:
SUBJECT: GUIDANCE CABLE - TUNISIA PRODUCTIVE SKILLS TRAINING PROJECT (664-0355) - PID

SUMMARY: THE PROJECT REVIEW COMMITTEE (PRC) MET OCTOBER 10, 1991 TO REVIEW THE SUBJECT PID. BASED ON THE REVIEW, AAA/NE HEREBY APPROVES THE PID NOT TO EXCEED DOLS 15 MILLION AND DELEGATES AUTHORITY TO THE MISSION TO DEVELOP AND APPROVE THE PROJECT PAPER SUBJECT TO THE GUIDANCE PROVIDED HEREIN. MISSION DIRECTOR, GEORGE CARNER PROVIDED A BRIEF OVERVIEW OF THE PROJECT IN THE CONTEXT OF THE NEW MISSION PORTFOLIO AND APPROVED AMP. THE MISSION IS COMMENDED FOR DEVELOPING A TRAINING PROJECT THAT CONCENTRATES ON TRAINING NEEDS AND OPPORTUNITIES TO ENHANCE PRIVATE SECTOR DEVELOPMENT. THE MAIN ISSUES DISCUSSED IN THE REVIEW FOCUSED ON OYB CONSTRAINTS AND THE IMPLICIT PROJECT MORTGAGE, COST SHARING, TARGET GROUPS, IMPACT MONITORING, AND IMPLEMENTATION ARRANGEMENTS. MISSION DIRECTOR WAS GIVEN COPY OF RECENTLY APPROVED MOROCCO PP FOR TRAINING FOR DEVELOPMENT, WHICH SHARES MANY OBJECTIVES AND CONSTRAINTS OF THIS PROJECT. THERE MAY BE USEFUL IDEAS FOR TUNISIA IN DESIGN ISSUES APPROACHING COSTSHARING, WID, AND PRIVATE SECTOR. END SUMMARY.

ISSUES:

1. OYB CONSTRAINTS: GIVEN THE CURRENT OYB, AND ALLOWING FOR A MODEST INCREASE IN FUTURE OYB LEVELS, THE PRC WAS CONCERNED THAT THE PROPOSED FUNDING FOR THIS PROJECT APPEARS TO BE OVERLY AMBITIOUS. MISSION DIRECTOR EXPLAINED THAT THE MISSION IS HOPEFUL THAT THE OYB WILL RETURN TO THE 10 MILLION LEVEL IN FY 92. HOWEVER, IF THE LEVEL OF FUNDING REMAINS AT DOLS 3 MILLION, THIS PROJECT WOULD BE DEFERRED TO FY 93. IF THE OYB EXPERIENCES A MODEST INCREASE OF UP TO APPROXIMATELY DOLLS 5 MILLION, PRIORITY WILL BE GIVEN TO STARTING UP THE NEW ASPECTS OF THE PROS PROJECT WHILE THE FUNDING OF THE U.S. T. PARTICIPANTS IN THE PIPELINE WOULD BE LEFT TO THE GOVERNMENT OF TUNISIA (GOT). MOREOVER TO AVOID FUTURE PIPELINE TRAINING SITUATIONS FROM REOCCURRING, IT WAS AGREED THAT THE MISSION WOULD FULLY COMMIT FUNDING IN THE PIO/P TO REFLECT THE FULL ESTIMATED COST AT THE TIME OF TRAINING APPROVAL

Annex Page 1
Annex Page 1

CONCERNING LIFE-OF-PROJECT FUNDING, IT WAS AGREED THAT THE MORTGAGE ISSUE COULD NOT BE SETTLED AT THIS TIME BECAUSE OF THE OYB UNCERTAINTIES. THEREFORE, IT IS RECOMMENDED THAT THE MISSION DESIGN THE PROJECT IN A WAY THAT PERMITS FUNDING FLEXIBILITY EITHER THROUGH THE PROJECT AMENDMENT PROCESS OR SCALING CERTAIN ACTIVITIES TO BETTER FIT ACTUAL OYB LEVELS.

2. COST SHARING: THE PID REFERS TO A COSTSHARING APPROACH TO ENSURE THAT PRIVATE SECTOR FIRMS/INDIVIDUALS PAY A QUOTE FAIR UNQUOTE SHARE OF THE COST. WHEN ASKED TO WHAT EXTENT THE ABILITY-TOPAY PRINCIPLE WOULD BE INCORPORATED INTO THE EQUITY FORMULA MISSION DIRECTOR INDICATED THAT THIS IS NOT ADMINISTRATIVELY FEASIBLE GIVEN MISSION STAFF CONSTRAINTS. THERE IS NO SHORTAGE OF DEMAND FOR TRAINING AND THE PROCESS WILL BE MARKET DRIVEN. THEREFORE ABILITY TO PAY IS NOT A MAJOR MISSION CONCERN. HOWEVER, SOME INCENTIVES MIGHT BE FEASIBLE SUCH AS THE CONCEPT OF MATCHING GRANTS ADMINISTERED BY AN INDIGENOUS INSTITUTION E.G., BUSINESS ASSOCIATION OR CHAMBER. IT WAS AGREED THAT THE MISSION SHOULD EXPLORE WHETHER GREATER COSTSHARING COULD BE USED FOR TARGETING OPPORTUNITIES FOR WOMEN.

3. TARGETING: QUESTIONS AROSE CONCERNING THE CRITERIA FOR SELECTION OF SKILL AREAS AND TRAINING PARTICIPANTS. THE FOCUS OF THE PROJECT, WHETHER SHORT TERM, LONG TERM, U.S. OR LOCAL, SHOULD BE ON PROVIDING SKILLS DIRECTLY RELEVANT TO PRIVATE SECTOR DEVELOPMENT. MARKET FACTORS SHOULD ASSURE THIS IN CASE OF PRIVATE SECTOR PARTICIPANTS; FOR PUBLIC SECTOR TRAINEES, PROJECT CRITERIA SHOULD ENSURE THAT INDIVIDUALS SELECTED ARE EMPLOYED IN AREAS RELEVANT TO MISSIONS'S PRIVATE SECTOR OBJECTIVES (E.G. PRIVATIZATION, REGULATION, FINANCIAL/ECONOMIC REFORMS, ETC.) AND THAT TRAINING AREAS ARE SIMILARLY RELEVANT. COUNTRY TRAINING PLAN SHOULD PROVIDE GUIDELINES ON TRAINING NEEDS IN THE PRIVATE SECTOR.

4. WOMEN PARTICIPANTS: REVIEW FOCUSED ON NEED TO BUILD IN MECHANISMS OF ENCOURAGING WOMEN'S PARTICIPATION. THE PP SHOULD SPECIFY HOW THE PROJECT PROPOSES TO MAKE TRAINING OPPORTUNITIES AVAILABLE TO WOMEN. MISSION SHOULD CONSIDER WHETHER SOME LEVEL OF TARGETING (I.E, A CERTAIN PERCENTAGE OF TRAINEES) WOULD BE APPROPRIATE MEANS TO PURSUE THIS OBJECTIVE, AND EXPLORE WHETHER COST SHARING FORMULA SHOULD BE ADJUSTED TO ENCOURAGE WOMEN'S PARTICIPATION.

5. IMPACT MONITORING: THE PP SHOULD REFLECT MEASURABLE VARIABLES IN ORDER TO EVALUATE PROJECT IMPACT. THE PROJECT DESIGN MAY CONSIDER INCLUDING THE VERIFICATION OF TRAINING OBJECTIVES WHICH INDICATE BROAD ECONOMIC BENEFITS TO TUNISIAN SOCIETY. SUGGESTED VARIABLES FOR MONITORING IMPACT ARE: NUMBER OF INDIVIDUALS/COMPANIES SERVED BY THE PROJECT, CHANGES IN SALARY LEVELS FOR TRAINEES, EMPLOYMENT OF TRAINEES BEFORE AND AFTER TRAINING, AND WILLINGNESS OF EACH COMPANY TO PAY FOR COURSE WORK.

6. IMPLEMENTATION: THE PID INDICATES THAT THE PROJECT WILL SELECT PUBLIC/PRIVATE INDIGENOUS INSTITUTIONS TO IMPLEMENT SHORT TERM TRAINING PROGRAMS. THE PRC SUGGESTS THAT CAREFUL ATTENTION BE GIVEN TO THE SELECTION OF THESE IMPLEMENTING INSTITUTIONS AND THE COURSEWORK PROVIDED THEREIN TO ENSURE THAT THE PROJECT WILL FOCUS ON PRIVATE SECTOR DEVELOPMENT NEEDS. A FOLLOW-UP MECHANISM SHOULD BE ESTABLISHED TO ASCERTAIN HOW STUDENTS ARE APPLYING THEIR KNOWLEDGE. THIS MECHANISM MIGHT BE IN THE FORM OF A WORKING GROUP OR A BUSINESS ADVISORY BOARD OF EMPLOYER FIRMS EMPLOYING GRADUATES FROM THE LOCAL TRAINING INSTITUTIONS TO PROVIDE FEED-BACK FROM THE PRIVATE SECTOR TO ENSURE THAT PROJECT IMPLEMENTATION AND PROJECT OBJECTIVES ARE BEING MET. THESE CONSIDERATIONS SHOULD IN EFFECT HELP SUSTAIN AND ENCOURAGE LOCAL TRAINING INSTITUTIONS AND HELP PREPARE THEM TO CARRY ON ONCE A.I.D. FUNDING CEASES.

7. ENVIRONMENT: NE/DR/PIE HAS REVIEWED THE PID AND HEREBY CONCURS IN THE RECOMMENDATION OF ENVIRONMENTAL THRESHOLD DECISION DATED SEPTEMBER 26, 1991. THE BUREAU ENVIRONMENTAL COORDINATOR AGREES THAT THE PROJECT WILL NOT HAVE A SIGNIFICANT IMPACT ON TUNISIA'S NATURAL OR PHYSICAL ENVIRONMENT. ACCORDINGLY, PURSUANT TO SECTION 216.2(C)(1)(I) OF THE AGENCY'S ENVIRONMENTAL PROCEDURES, (22 CFR 216), THIS PROJECT WARRANTS A CATEGORICAL EXCLUSION FROM FURTHER ENVIRONMENTAL REVIEW.

8. BASED ON PID REVIEW, THE A-AA/NE APPROVES THE PID AT AN AMOUNT NOT TO EXCEED DOLS 15 MILLION, AND DELEGATES AUTHORITY TO THE FIELD TO DEVELOP AND APPROVE THE PP. THE A-AA/NE COMMENDS USAID/TUNIS FOR DEVELOPING A TRAINING PROJECT WHICH IS IN KEEPING WITH PRIVATE SECTOR DEVELOPMENT NEEDS. BAKER
BT
#1981

NNNN

LOGICAL FRAMEWORK
MANAGEMENT TRAINING FOR THE PRIVATE SECTOR (MTPS)
PROJECT NUMBER (664-355)

NARRATIVE	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL. *To support the continued emergence of a market-driven economy, led by a revitalized private sector*	* Industrial value added ratio increases from 16% of GDP to 20-25% * Tunisia s Technical Staff Ratio increases from 1 2% to 3-5% * Increased technology intensity less reliance on cheap unskilled labor * Increased total exports * Increased share in foreign markets * Increased employment opportunities for skilled workers	GOT and WB statistics	*Concerning long term value of Project.* -- Traditional European markets remain open to Tunisian products -- Tunisian industry continues to upgrade its quality standards to int l norms -- Educational reforms will produce new entrants to the labor force with the skills demanded by industry
PURPOSE *To improve private sector managerial practices and technical know-how*	* Approximately 30% of private firms receiving Project-sponsored training and/or technical assistance adopt new technologies and/or management practices to improve productivity & quality * Approximately 20% of the private sector is demanding skills training and technical assistance in modern management & marketing and is paying market prices * Increased industrial integration between the export & domestic sectors results in a 2-5% increase in industrial valued added (i e from 14% to 16%)	* Human resources development and training plans adopted by firms * Consulting firm portfolios training institutions requests for courses * Membership increases for professional assoc & chambers of com * Interviews final evaluation * GOT statistics	*Affecting purpose-to-goal link* * GOT continues to implement the SAP * GOT continues to disengage from competitive enterprises * Private sector increases its investments in staff training and modern technology acquisition * Tunisian business service providers acquire adapt and provide technological innovations to Tunisian firms

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NARRATIVE	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
OUTPUTS	***Magnitude of Outputs necessary & Sufficient to achieve Purpose***	* Minutes of Committee meetings * Contractor reports AND	***Affecting output to purpose link***
1 Private sector Tunisian business service providers strengthened	1a. IC delivers TA to 5-8 trng inst. & 5-8 consult. firms (incl 100 TOTs) 1b These trng inst. and consult. firms able to diagnose real SME problems & to design courses & deliver TA which effectively addresses/alleviates them 1c Private sector client base expands 100% 50% of which are SMEs 1d 25 grants given to professional associations and chambers of commerce 1e Membership of prof assoc & ch. of com w/grants inc 25% 1f Increased use of sub-contracting for specialized services among business service providers	* Diagnostic studies (10-15) * Bus Assistance Strategies (10-15) * Mgmt skills course curricula * Sub-contracts bet'n IC & counterpart firms (10-16) * Grant documents * Membership lists, portfolio assessment, trainee lists	1 Trained individuals understand new management techniques well enough to apply them 2 Trained individuals are in a position in their company to put the new techniques in practice 3 Private sector is persuaded to invest in trng & TA for new mgmt & mrktg tech w/o cost-sharing 4 Training institutions institutionalize techniques to improve design, marketing and evaluation of their courses
2 Private sector awareness of the value of technical assistance & human resources development to increases in productivity and exports raised	2a. Start-up & mid term conferences 2b 10-15 brochures dev & dist. 2c 2-3 TV and radio spots developed and aired 2d Counseling sessions held for SMEs 2e 2 Direct mailings conducted to approx. 3,000 bus owners/mgrs	* Conference proceedings/reports * Copies of IE&C materials * Mailing list	5 Consulting firms commited to maintaining & further developing their private sector portfolio *6 The Government continues to promote* a greater role for the private sector in the Tunisian economy
3 State-of-the-art training and technical assistance delivered to private firms	3a. IESC delivers assistance to 30 private firms 3b 248 private and 62 public sector individuals attend short term trng in US & 3rd countries 3c 15 private individuals receive masters level training in US 3d 250 management skills training events conducted in Tunisia 3e 150 SMEs receive technical from the US Contractor/Tunisian consulting firm teams 3f 2550 private sector individuals attend Project sponsored courses 3g 40 private individuals participate in internships/study tours in US	* Copies of agreements between IESC and private firms * Training reports/evaluations * Trip reports * Training Plans * Diplomas * Course lists * Copies of agreements between IC and private firms	
4 Government of Tunisia policy reforms smoothed and accelerated	4a 6 Policy studies performed 4b 6 seminars held	* Studies	

NARRATIVE	OBJECTIVELY VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
INPUTS	*Level of effort*		*Affecting input to-output link*
1 Contract with US Institutional Contractor for technical assistance a. Establish new planning tech b Develop IE&C program c Conduct studies d Sub-contract with counterpart firms e Deliver TA to -- 5-8 training institutions -- 5-8 consulting firms -- direct to enterprises f Train trainers g Identify candidates for overseas training h Admin Association grants 2 Execute agreement with IESC for technical assistance 3 Execute buy-in with OIT/PIET for for training in US 4 Execute agreement with FIAS for Industrial Linkages" study 5 Hire PSC Project Manager and PSC assistant	Institutional Contractor 10 0 million 132 mm ST-TA 72 mm LT TA Local Office+Project activities Overseas training 4 6 million IESC 1 0 million PSCs & small purchases 5 million Backward Linkages study 3 million Evaluation & audits 2 million *TT pipeline 1 7 million* Contingency 2 million	* Contractor quarterly reports * Project manager reports * Controller Office reports	* Project Committees are established no later than August 1992 * Project incentives are sufficient to entice training institutions and consulting firms to participate * Project counterpart firms absorb new techniques and methodologies * Business managers and owners are attracted to and participate in Project sponsored courses * Private firms execute contracts with IESC and with counterpart consulting firms for technical services * Private sector is willing to pay for training and technical assistance * Candidates for overseas & long term training meet Project criteria

ANNEX C

HOST COUNTRY REQUEST FOR ASSISTANCE

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REPUBLIQUE TUNISIENNE

MINISTERE
DES AFFAIRES ETRANGERES

N° 2027

DGAA/Dir Ameriques
Z B/C M

Tunis, le 6 AOUT 1992

Monsieur James A GRAHAM
Directeur de la Mission Spéciale
Americaine de Coopération Economique
et Technique en Tunisie

O B J E T Projet "Management Training for the Private Sector (M T P S)"

Monsieur le Directeur

Me référant aux negociations tuniso-américaines sur le projet de coopération technique "Management Training for the Private Sector" j'ai l'honneur de vous confirmer l'accord des autorités tunisiennes à votre proposition relative à l'affectation de 18 5 millions de dollars à partir du Fonds de Soutien Economique (E S F) pour le financement de ce projet

Je vous remercie de votre coopération et vous prie d'agreer Monsieur le Directeur, les assurances de ma consideration distinguee

Pour le Directeur

Rafla M'RABET
Directeur Adjoint

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ANNEX D

1. ECONOMIC ANALYSIS

Illustrative Internal Rates of Return for Short Term Training

Outcomes and Observations:

On the basis of our analysis, the non-Technology Transfer Project pipeline portion of the MTPS Project (which accounts for over 85% of Project costs) appears to be economically justified. Our analysis suggests that productivity of individual trainees would need to increase from 0.2% to 11.5%, depending on the training category, in order to recover Project investment and employer opportunity costs assuming a 10% discount rate. Very short-term and short-term in-country training are by far the easiest investment to justify, while US and third country training appear to be justifiable. In-country training of trainers, although not the most costly category, appears the most difficult investment to justify if no portion of the costs are subsumed under institution building investment.

Exploratory calculations on the basis of three assumed productivity scenarios (minimal, modest, and optimistic impact) suggest that internal rates of return for very short-term and short-term in-country training are likely to be quite high, ranging from 67% to 335% and 10% to 97% respectively. US and third country training may yield rates of return half or less than returns for short-term in-country training, ranging from 1% to 52%. Illustrative returns for trainers are the lowest, ranging from -6% to 34%. Illustrative returns on the estimated institution building investment component of the project range from 30% to 88%, under relatively conservative assumptions.

Given the central role of trainers in implementing the new training methodologies, a portion of their training costs might reasonably be allocated to the institution building investment component of the project. This would significantly raise rates of return on train-ers with only a very marginal impact on the return to institution building investment.

Although the assumed productivity increases by training category are significant for short-term training (see summary work sheet), we believe these types of return are possible given (i) the Project strategy for achieving high quality skills based training focused on key private sector management skill constraints, (ii) the high quality (education, intelligence and experience) of anticipated training participants, (iii) the strategic role of mid- and high-level managers in promoting overall enterprise productivity, and (iv) the strategic focus of the Project on the most rapidly growing component of the economy which still has substantial unleashed potential as a result of the many new opportunities being created by the on-going economic Structural Adjustment Program.

Methodology and Assumptions:

To provide the illustrative analysis of Project potential we used the following methodology and assumptions:

1. The Project budget was allocated into four categories: (i) in-country costs, (ii) US and third country cost, (iii) completion of the Technology Transfer, and (iv) investment. All costs were divided into direct, overhead, and investment categories and the overhead was further distributed as indicated below.

2. We assumed that 20% of USAID project management and 60% of the value of in-country technical assistance, training equipment, the institutional contractor, and evaluation and audits contribute to future training capabilities and should be treated as an investment in institution building.

3. We distributed the remaining 80% of the USAID project management budget between in-country costs, U.S. and third country costs, and completion of the Technology Transfer Project on a 30%, 40%, 30% ratio, respectively. The remaining 40% balance of institutional contractor and project evaluation costs were split between the in-country and U.S. and third country categories in proportion to their direct costs.

4. We then calculated average training costs per participant for the four training categories, excluding Technology Transfer. No further analysis was considered for the completion of the TT Project.

5. We calculated the employer's opportunity cost of training and the potential benefits of training on the basis of average wages and benefits for various categories of anticipated participants and by making assumptions on the composition of anticipated participants in the four types of envisioned training.

6. We then asked what level of productivity increase based on average wages and benefits would recover investment at a 10% discount rate (note: the Tunisian money market rate ranges between 8 1/2 to 10% and the rate of inflation has been well below 10% since 1986.) We also experimented with three scenarios (minimal, modest, optimistic impact) where reasonable assumptions were made on potential one-time productivity increases that would be maintained over the remaining work-life of the participant. These assumptions are reflected in the summary work tables.

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Other Assumptions:

1. The price of major inputs, particularly foreign exchange and high level private sector managerial talent, was assumed to reflect their marginal social economic cost. No externalities were assumed to exist. Thus, no shadow pricing was used and wages and benefits can be taken as a measure of participant's average productivity.

2 One time productivity increases, achieved during the first year after training, were assumed to be constant over the remaining work life of the participant.

3. The average remaining work life for all categories of participants was assumed to be ten years.

4. Training costs were assumed to occur in year one and benefits were assumed to occur year two through eleven.

5. Average daily training costs of $110 per participant, imputed during Project life, were used to evaluate the subsequent institution building investment.

6. It was assumed that the 100 trainers and 5-8 institutions involved in the Project would continue to provide training for 6 additional years and would give 100 very short-term seminars and 150 short-term training courses per year. (This would be 2 1/2 activities per trainer per year.)

7. Benefits on the second phase are assumed to begin in the same year a participant received training. However, benefits were only calculated over the six year period and not the full ten year life assumed for other calculations. This significantly reduces the rate of return, although it is extremely high even under these restrictions. Sensitivity analysis indicates returns ranging from 17% to 59% are obtained even with the above restrictions and even if the number of seminars and courses are reduced to 50 each.

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CACULATION OF IRR'S FOR INSTITUTION BUILDING INVESTMENT
U S Dollars (000)

	Courses /Year	Students /Course	1	2	3	4	5	6	7	8	9	10	11	IRR
Investment $3 1 million (20%/yr)			(823)	(823)	(823)	(823)	(823)							
Training Costs @ $110/day														
V Short-Term (100/yr @ 15/class)	100	15						(330)	(330)	(330)	(330)	(330)	(330)	
Short-Term (500/yr @ 15/class)	150	15						(2,475)	(2,475)	(2,475)	(2,475)	(2,475)	(2,475)	
Assumed Productivity Increase														
Very Short-Term														
Minimal Impact @ 1%								720	1,440	2,160	2,880	3,600	4,320	
Modest Impact @ 2%								1 440	2,880	1 440	1 440	1 440	1 440	
Optimistic Impact @ 5%								3,600	7,200	3,600	3,600	3,600	3,600	
Short-Term														
Minimal Impact @ 2%								1 033	2,066	3,098	4,131	5,164	7,229	
Modest Impact @ 4%								2,430	4,860	7,290	9,720	12,150	17 010	
Optimistic Impact @ 10%								6,075	12,150	18,225	24,300	36,450	42,525	
Net Resource Flows														
Minimal Impact			(823)	(823)	(823)	(823)	(823)	(1 082)	701	2,463	4,208	5,969	8,744	29 9%
Modest Impact			(823)	(823)	(823)	(823)	(823)	1,065	4,935	5,925	8,355	10,785	15,645	52.5%
Optimistic Impact			(823)	(823)	(823)	(823)	(823)	6,870	16,545	19,020	25,095	37,245	43,320	87 7%

AVERAGE COSTS AND RETURNS BY TYPE OF TRAINING PROGRAM
Dollars U S

	Training				Employee
	VS-Term	S-Term	Trainers	USA/3rd	Costs
ASSUMPTIONS ON TRAINING					
Junior Managers		25%			12,000
Mid-Level Managers		50%			27,000
Senior Managers	50%	25%		50%	42,000
Owner/Entrepreneurs	50%			50%	54,000
Trainers			100%		17,000
AVERAGE WAGES & BENEFITS	48,000	27,000	17,000	48,000	
AVERAGE TRAINING COST	717	2,778	11,967	22,570	
Cost of Instruction	348	1,740	8,698	16,877	
Employer's Opportunity Cost	369	1,038	3,269	3,692	
Cost of Air Travel	0	0	0	2,000	
ASSUMED PRODUCTIVITY INCREASE					
Minimal Impact	1%	2%	5%	5%	
Modest Impact	2%	4%	10%	10%	
Optimistic Impact	5%	10%	25%	25%	
TEN YEAR LIFE BENEFITS/YEAR					
Minimal Impact	480	459	850	2,400	
Modest Impact	960	1,080	1,700	4,800	
Optimistic Impact	2,400	2,700	4,250	12,000	
INTERNAL RATE OF RETURN	—				
Minimal Impact	67%	10%	-6%	1%	
Modest Impact	134%	37%	7%	17%	
Optimistic Impact	335%	97%	34%	52%	
PRODUCTIVITY REQ. @ 10% DISCOUNT	0.2%	1 7%	11 5%	7 6%	

AVERAGE COST OF TRAINING PROGRAMS BY TYPE

	Days of Training		Number	Person	TD Cost/	$ Cost/
	Range	Average	Trainees	Days	Trainee	Trainee
IN COUNTRY						
Very Short-Term	1-3	2	1,210	2,420	313	348
Short-Term	4-15	10	2,550	25,500	1,566	1,740
Repeated Cycles	3x15	50	100	5,000	7,828	8,698
Total In-Country			3,860	32,920	1,335	1,484
USA/THIRD COUNTRY	15-20	20	300	6,000	15,190	16,877

ESTIMATE OF PRIVATE SECTOR MANAGERIAL COSTS

	Average Salary		Employee Benefits				Total	Total	Rounde
	TD/Mo	TD/Year	Taxes @ 52	Car @25	House	Other	TD Cost	$ Cost	$ Cost
Junior Manager	600	7,200	3,744	0	0	0	10,944	12,160	12,000
Mid-level Manager	1,000	12,000	6,240	3,000	3,000	0	24,240	26,933	27,000
Senior Manager	1,500	18,000	9,360	4,500	6,000	0	37,860	42,067	42,000
Owner/Entrepreneur	2,000	24,000	12,480	6,000	0	6,000	48,480	53,867	54,000
Trainers @ 25% Benefit	1,000	12,000	3,000	0	0	0	15,000	16,667	17,000

PROJECT BUDGET BREAKDOWN
U S Dollars

	Direct Costs	Admin & O/H	Invest-ment	Total
IN-COUNTRY ACTIVITIES				
In-Country Training	3,640,000			3,640,000
In-Country Tech Assistance	400,000		600,000	1,000,000
Training Equipment	70,200		105,300	175,500
Total Direct In-Country	4,110,200		705,300	4,815,500
U S. AND THIRD-COUNTRY TRAINING				
U S./Third-Country Training	3,536,750			3,536,750
TT Pipeline	1,915,000			1,915,000
Total Direct U S & 3rd Country	5,451,750			5,451,750
PROJECT MANAGEMENT				
Institutional Contractor		1,261,574	1,892,360	3,153,934
USAID Project Management		860,400	215,100	1,075,500
Total Project Management		2,121,974	2,107,460	4,229,434
PROJECT EVALUATION				
Evaluation and Audits		200,000	300,000	500,000
TOTAL PROJECT BUDGET	9,561,950	2,321,974	3,112,760	14,996,684

	SUMMARY
IN-COUNTRY COSTS	
Direct	4,110,200
Admin & O/H	1,043,709
Total	5,153,909
U S & THIRD COUNTRY COSTS	
Direct	3,536,750
Admin & O/H	1,020,145
Total	4,556,895
COMPLETION OF TECH TRANSFER	
Direct	1,915,000
Admin & O/H	258,120
Total	2,173,120
INVESTMENT	3,112,760
TOTAL PROJECT BUDGET	14,996,684

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2. TECHNICAL ANALYSIS

A. General

Tunisian industry consists of small to medium firms which operate conventional technology transferred from abroad. Much of this industry consists of simple assembly transformation, using technology embodied in machinery purchased from abroad, usually from convenient suppliers and without extensive consideration of alternatives. Few of these businesses use advanced technology, even in production.

As protection diminishes, small and medium firms must achieve full utilization of capacity and levels of productivity commensurate with wage rates. This requires a major improvement in management and the development of staff capabilities. It also means a major effort to develop new markets, mostly outside the country, to develop new products to the demands of these new markets, to maintain and adapt machinery and equipment used in production and to keep up with changes in markets and technology.

Given the proliferation of new products and process technologies, it is difficult to keep abreast of relevant developments and sources. As technology becomes more complex, it is difficult to assess the relative merits of each without some basic resident expertise. Gaining access to sources, and to the resources needed to adapt and modify these technologies to local conditions is also a problem. Furthermore, negotiating technology licenses is a complex process requiring legal, marketing and technical expertise often not easily available to developing country firms.

Similarly, developing a more sophisticated approach to marketing requires networks, contacts, various forms of expertise and resources that such firms typically do not have or cannot afford. It is costly to conduct market studies, to make frequent trips overseas and to find foreign distributors and collaborators. In other areas, such as marketing, quality control, and management, local capabilities are generally weak, if not altogether absent. The culture and infrastructure of support service organizations and consulting firms in these "soft" areas are generally priced out of the range of small and mid-sized firms, drawing most of their business from the large corporate or multinational sectors. This situation is compounded by a general lack of experience in working with, and associated distrust of, consultants.

B. Productivity Enhancing Services for Promoting Improved Industrial Performance and Exports

In a recent set of studies produced by the Trade Policy Division of the World Bank, Donald Keesing and Andrew Singer make the following recommendations with regard to the promotion of manufactured exports from developing countries:

> "Concentrate on overcoming weaknesses in supply, largely by providing consulting assistance to promising firms in adapting and improving their supply capabilities in product groups with strong export prospects.
>
> Foster a plurality of predominantly private sector service suppliers . . . as the main method of creating a full array of services in support of export expansion. The aim is to expand exports rapidly by quickly achieving high quality services to exporters, reflecting the best advice and know-how internationally available, offered in an environment of vigorous competition, so as to make the service suppliers highly responsive to buyers' needs."

It is further recommended that:

> "... assistance for export marketing and support services for expansion of manufactured exports be directed through specific time-bound development projects (or project components) involving a temporary injection of resources over a period of a few years."

B. Business Service Providers

Expert business service providers are recognized as a principal means of technology transfer. International consultants spread technology from site to site, leaving behind the physical trappings or artifacts of technology and, to some extent, the other less tangible dimensions. The sustainability of this process depends on a number of factors which have been identified over the years:

* Business services must have a local presence, and local consulting and training firms need strong ties to external expertise to bring in a continual flow of new methods and ideas, and current, state-of-the-art technological services.

* Business services must establish a fee basis, within the ability of clients to pay for initial and follow-up services, yet not so cheap that the service is not valued.

* Consulting firms must have integrity, to build trust and have access to the internal operations of firms that are in trouble, but may not realize it.

The market for business services can be stimulated by enhancing the supply capability and creating greater awareness of the benefits among potential clients. For this reason, the target group of choice are those SMEs that are already exporting and could benefit from specialized technology and marketing services, and the target vehicles are existing consulting firms and training institutions, now commercially viable, but which, with some sharing of the risk, could significantly expand their capabilities in selected areas.

C. The Tunisian Situation

At present, private consulting and training organizations do not have the local capabilities required to provide many of the services needed by local firms to upgrade their technological capabilities and exploit export market opportunities. There are no specific management consulting firms in Tunisia, in the sense that they exist in the U.S. However, a number of types of firms with functional expertise perform advisory services for their clients. Of these, the accounting firms are the most well established in terms of providing management and financial consulting services. Others, such as the engineering firms, are well established but do not currently concentrate on consulting business with private firms. Others, such as marketing consultants, provide these services but are small and specialized, and often limited in capacity. In general, these firms are not fully geared to providing short term diagnostic and remedial analyses of client firms, particularly client firms in serious need of assistance.

For the smaller, specialized firms, the Project will award sub-contracts to perform surveys, elements of the IE&C campaign, diagostic studies, etc. It is expected that these firms will benefit from learning to meet international standards in fulfilling these scopes of work, and that they will establish sub-contracting relationships with other Tunisian firms for specialized services.

The second type of firm, those with larger staffs and a broader range of services, will be the primary vehicle through which MTPS plans to provide first-class US technical assistance to create a full array of services in support of export expansion.

D. Implementation Alternatives Considered

Since the IC is held contractually responsible by A.I.D. for the delivery of technical assistance to firms, one possibility considered by the design team was to have the IC provide all services, hiring Tunisian experts to fill out its teams. After considerable discussion this approach was rejected as being developmentally weak. With the IC as the lead firm, partnership relationships with local firms were unlikely to develop. Worse, the IC would probably end up in competition with local firms, only to "wither away" five years later. It was therefore determined that the local firms should serve as the intermediaries between the Institutional Contractor and the client businesses.

It was determined that the most appropriate relationship would be a sub-contract from the Institutional Contractor to the Tunisian

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counterpart firm. It was determined that the spirit of partnership would need to be clearly set forth in the sub-contracting document, as well as clear incentives to the participating firms to hit the streets and drum up business. The concept of putting a ceiling on the sub-contracts was introduced to insure the Project works with the largest number of firms possible.

By focusing on partnerships between US experts and Tunisian firms to deliver technical assistance and training, the design contributes to important development objectives. These include:

- -- Reducing total project costs
- -- Building indigenous capacity
- -- Reinforcing previous USAID investments in education and technology transfer
- -- Increasing the participation of small and women-owned firms

E. SMEs

With respect to SMEs, it is recommended that criteria for targeting firms include the following:

- -- evidence of potential competitiveness by existing production for a competitive market;
- -- supplier/feeder industry to direct exporters;
- -- ability to source effective technical assistance, technology partner, marketing, management or other assistance from U.S.;
- -- less than 10 percent beneficial foreign ownership;
- -- proposed export product or market represents diversification from current trade (i.e. is less than 5 percent of total manufactured exports);
- -- outside of sectors restricted for AID (e.g. textiles, apparel, footwear and leather goods).

Tunisia does also seem to be following along a typical path of industrial maturation. Tunisia is highly competitive in assembly industries and, having incidentally developed an industrial workforce, is progressing into the next level of industrial sophistication as exemplified by the electronic and mechanical sectors. Hence, sectors that may present particularly rewarding opportunities for increasing industrial integration and value added and stimulating demand for larger numbers of skilled and semi-skilled workers are:

- -- packaging (cardboard boxes, plastic film and bags, etc.);

-- electronic components;

-- data processing, software development, and other information services;

-- processed food products.

The "Industrial Linkages Study" planned for Fall 1992 will specifically examine these sectors as potential foci of at least the first set of Project Assistance Strategies.

F. Why Cost Sharing

Keesing and Singer justified Project support of the costs of service providers since their services

> "... tend to be inadequately valued by potential exporters, and turn out to have benefits far exceeding what users are at first ready to pay. Thus, for example, the ex post benefits from the services of first-rate management or technical consultant tend to be much larger than is recognized **ex-ante** .... (S)ubsidies to the use of these services may be essential to teach exporters their value, and persuade them to use them." (p.23)

This was confirmed in K. Louhaichi's study on Tunisia entitled "Analysis of the Market Demand for Technology Related Services" (October 1990).

The cost sharing elements to be developed by the JAC should be flexible so that smaller firms, and women-owned firms, can participate in training and procure technical assistance. Companies are already paying for technical assistance and short-term training when they believe the training is of practical value. The Project will require contributions from firms according to a cost sharing formula established after Project start-up.

G. Training Activities:

The approach taken by the Project represents a significant departure from prior USAID-funded training activities in Tunisia stretching back to the early 1960s. Previous training-related projects have focussed on the following targets:

- high-level, U.S. degree education in engineering and the sciences for Tunisian students;
- institutional development; and
- training within sector-related projects (e.g., agriculture, population).

The Technology Transfer Project, begun in 1981 and due to end in September of 1992, concentrated on providing advanced education to

Tunisia's "best and brightest" in the United States. A jointly-managed effort between the Tunisian government and USAID, the TT Project has contributed significantly to improving research and teaching capacity in Tunisia. Although the new MTPS Project draws many lessons from the experience with TT, it differs fundamentally by aiming training at employees and owners of private sector firms, with only a small percentage of training activities going to the public sector.

As presently configured, the public educational system will not be able to meet alone the human resource needs of an expanding Tunisian economy. The educational reforms being introduced, however beneficial, will yield benefits down the road, as curricula are reformed and new technology-oriented institutions are built. Higher education in Tunisia is, with few exceptions, for young students and not employees or employers seeking new or upgraded skills. Continuing education, to the extent that it targets employees of firms, is concentrated at the vocational level. Few opportunities exist for senior managers or owners to seek quality management training, short- or long-term, at government institutions. No government assistance is contemplated at present to improve management training offered by private training institutions for employees of private-sector firms.

MTPS aims at training senior-level staff and owners and improving managerial practices and technical know-how by expanding Tunisian training capacity. To reach these target groups and achieve the Project's purpose, the Mission included in-country technical assistance and training in the Project. In this way, the Project can reach a larger number of beneficiaries and yields more immediate results from outputs. Offering the bulk of training in proximity to the target population also responds to employer difficulties in releasing employees from worksites for extended training.

Although the Project will set aside some funding to enable Tunisian trainees under TT to complete their U.S. degree programs, there are only 15 new academic starts anticipated. The latter will be restricted to private sector candidates going for Masters level management related degrees, for which comparable training is not available in Tunisia.

The decision to focus on in-country training flowed from studies which demonstrated that significant Tunisian capacity existed which could, through project support, be improved. The Bennour survey indicated that over 100 Tunisian-owned private firms were, in some way or another, involved in training. The report carefully reviewed the capacities of 19 training providers. This information, when combined with research undertaken by the design team, led to the conclusion that there is sufficient institutional capacity in the country to both absorb technical assistance interventions and assist in Project implementation.

The design team visited three private training institutions which had permanent staff, classrooms and established course schedules. There are others which have set course offerings but rely on rented space, often at hotels near the target population, to deliver training. There are Tunisian consulting companies capable of conducting diagnostic studies, creating media or publicity campaigns and doing evaluations relying on Tunisian experts. Their weaknesses in terms of methodology, field work or data collection and tabulation will be addressed by teaming U.S. consultants with Tunisian counterparts, especially in the first years of the Project.

Additional capacity can be found among a few of the Tunisian public sector institutions, such as IFID, IRSIT, ISG and CNI, to both carry out needs assessments and deliver training. The Project will work carefully with these institutions to the extent that they respond directly to the needs of the private sector. The Chambers of Commerce in Sfax and, to some degree, Sousse have demonstrated growing institutional capacity to deliver training requested by private industry. The more active Chambers, which are state-supported, and some of the federations of UTICA, the private-sector trade confederation, are well-equipped to participate through Project committees and in the Association Grant component, as well as participating in policy seminars.

3. ADMINISTRATIVE ANALYSIS

In designing the MTPS Project, the following implementation options were considered:

- USAID/Tunisia playing a very active management role with discrete Project activities "farmed out" through a number of contracts, grants, and cooperative agreements with U.S. and Tunisian organizations;

- A single U.S. institutional contractor handling all Project activities, both overseas and in-country;

- A single U.S. institutional contractor in partnership with a Tunisian consulting/training firm handling activities;

- A single U.S. institutional contractor in partnership with a Tunisian consulting/training firm handling all Project activities, except the implementation of overseas training and a cooperative agreement with the IESC;

Several key criteria emerged during design which reflect the type of the activities the Project needs to manage. First, the institutional contractor will need access to top-quality, U.S.-based consultants, fluent in French, with appropriate private-sector and management experience overseas. Second, easy access to information about U.S. short-term training is essential to match training demand with supply for senior Tunisian managers and company owners. Third, the Project will require many in-country actions in order to organize cost-sharing, sub-contracting with local firms for specific tasks, scheduling U.S. consultants, organizing seminars and retreats, preparing documentation for overseas training following A.I.D. regulations and developing training strategies.

After extensive reviews, it was determined that the Project would require a U.S. institutional contractor with a local presence to manage the Project's considerable technical assistance needs.

Several types of implementation were considered for a U.S. institutional contractor. The U.S.-Tunisian partnership suggested advantages in ease of in-country office management, access to a broad range of Tunisian resources, knowledge of the local context and sustainability of project activities after PACD. The disadvantages focused on differentiating management responsibilities the Tunisian partner would have from substantive work the firm might perform (e.g., training design, diagnostic study, etc.). This was resolved by suggesting that the U.S. institutional contractor would undertake certain tasks put out for bid, while other project activities would be contracted out by the Institutional Contractor to Tunisian or US firms.

It was recommended to form a Joint Advisory Council to assist in overseeing the Project and to serve as a forum where government, donor and private sector meet. The Project Paper specifies the make-up of this group and the tasks of the task force. The JAC will be majority private-sector represented by individual entrepreneurs plus private-sector support organizations (UTICA, Chambers, etc.).

The Mission considered several ministries as counterparts to the Project. The new Ministry of Investment and International Cooperation will be the Project's principal counterpart (once established); the Ministry of National Economy is the most logical technical counterpart as it oversees most private commercial activity in the country other than transport and agriculture. Both the Ministry of Investment and International Cooperation and the Ministry of National Economy are expected to serve on the Joint Advisory Committee.

USAID's Private Sector Office will be responsible for managing both the new MTPS Project and the new PEP Project (US $10 million). This Office is presently composed by a US Direct Hire, one local Direct Hire (the Deputy Private Sector Officer), a PSC Participant Training Officer financed under OE, and two PSCs (one local, one US) funded out of projects which are now ending. It was determined that this is the minimum staffing level required to implement these two major Projects. Current staffing plans assign Project Manager responsibilities for the PEP Project to the Deputy Private Sector Officer. The MTPS Project design therefore includes funding for a US PSC Project Manager as well as for a Tunisian PSC Training Specialist to assist the Participant Training Officer.

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4. SOCIAL SOUNDNESS ANALYSIS

1. SOCIO-CULTURAL CONTEXT

Background

Tunisia, located in northern Africa, covers 164,150 square kilometers (63,362 square miles). Graced with 1440 km. (810 miles) of Mediterranean coastline, Tunisia also shares borders with Algeria to the West, and Libya to the South East.

The population, approaching 8,000,000, is predominantly Arab and concentrated in the north and along the east coast. In the sparsely populated south, there are blacks (the descendants of Sudanese slaves), Bedouin tribes and, in the mountains (north and south) Berber tribes remain. In the upper class, clan consciousness is based upon regional origin, and among the country people on tribal origin Arabic is the national language, with French generally used for commercial matters.

Tunisia's fertility rate has dropped impressively: from 7.0 in 1965 to 4.1 in 1987 and is expected to reach 2.8 in the year 2000. The birth rate has similarly dropped (2.1% in 1989), due in large part to strong family planning programs. The rate of contraception among married women of child bearing age has risen from 10% in 1970 to 41% in 1987. Infant mortality has declined from 147 per thousand in 1965 to 59 per thousand in 1987.

Ninety six percent of the population is Moslem (the city of Kairouan is the fourth most holy city in Islam) with a nominal number of Catholics and Jews. Although Islam is the state religion, the constitution provides that the laws are made by parliament, and not by theologians. A family code was enacted in 1956 which granted women almost equal rights with men in the eyes of the law; between 1956 and 1957, polygamy was outlawed, custody of children restored to the woman, abortion rights and family planning introduced, women were given the right to vote and legislation was passed on equal pay. In 1987, a peaceful palace coup removed Habib Bourgiba, president for life, from office and Tunisia held its first presidential election in 1989.

Tunisian firms are (in majority) small and medium enterprises (SMEs) which are defined in terms of employees as follows: small (1-50 employees), medium (50-200 employees) and large (200+) employees. The salient characteristics of SMEs include the following: (1) they are more "product" than "market" oriented i.e. they tend to focus on developing a product with little consideration for its price, its quality, and its means of delivery to the client; (2) quality production and control have been neglected for a long time; (3) the concept of long-term planning and development strategies is almost absent; (4) business management is still based on personal relationships; (5) SMEs tend to have weak links with business organizations and associations (which are unable to provide the services that businesses need); (6) the gap between the dynamic and competitive export-oriented SMEs is deepened by the lack of integration between the two sectors; (7) SMEs financial problems are exacerbated by a conservative and risk averse financial sector.

2 KEY ISSUES AFFECTING COMPETITIVENESS

Rising Unemployment

Despite good progress in lowering the fertility rate over the last twenty years, Tunisia's population growth rate remains high and the population is increasingly concentrated along the coast (64.5%) and in its cities (59.2%). Although the median age of the population has increased from 16.8 years to 20.8 years since 1975, over 58% of the population is still under the age of 25. Rapid population growth and continued movement toward the cities (3.0% average growth) is expected to continue through the 1990s and beyond. Unable to meet employment demands even in the 1960-1970's when the country experienced rapid economic growth (5.8%), the economic downturn of recent years is resulting in growing un- and under employment, particularly among women and youth.

Inappropriateness of Training

Illiteracy has declined from 36.7% in 1975 to 21.6% in 1989. The rate of schooling has increased from 35.3% in 1975 to 53.3% in 1989 for men, and from 17.7% in 1975 to 39.4% in 1989 for women (15-19 age group).

The Tunisian educational system, based on the French model, is elitist, and rigid. Qualified students are accepted based on the number of positions vacated by the previous class as they move up, hence severely limiting access to higher education. Any changes in curriculum must undergo a lengthy review and approval process. Courses are not developed in response to market needs for key skills and professional specialities. In general, a very theoretical "ivory tower" approach is used which produces graduates steeped in theory and short on practical skills.

The system has produced very high drop-out and repetition rates, even beginning in primary school. Graduates are typically not trained or ill-trained for existing jobs. Worker attitude, discipline, and motivation is not presently well suited for a highly competitive, fast moving, export-oriented economy.

Unskilled work force

Labor force participation rates average about 50% for the population as a whole, with female participation at about 20% and male participation at about 75-80%. Manufacturing and industry provided over half (52.5%) of all new jobs in 1975-1984, but only about one-third (32.0%) in 1984-1989. In 1989, 19.6% of wage employees were in the industrial sector. Owners and the self-employed in the industrial sector accounted for 20.3%.

The industrial workforce is characterized by an overabundance of engineers, technicians with inappropriate or inadequate skills and a large and expanding reservoir of unskilled labor. Skilled technicians and crafts-people, middle and junior level managers, and trustworthy repair and maintenance workers are scarce. Most workers end up being trained on the job and most school leavers, trained in the French system, are not eager to do "dirty" work.

Furthermore, there is a growing un- and under-employment problem. Youth unemployment rates (ages 15-24) were over 30% and they constituted over half (54%) of the total unemployment. Female unemployment rates rose to record levels of 21%, double their 1984 levels. Two out of every three persons unemployed were located in urban areas in 1989. The unemployment problem has deepened since 1984. Higher unemployment rates now extend to older, prime working age adults (ages 25-44) and the average duration of unemployment has significantly increased, with at least 41% of the unemployed without work for two years or longer.

Low Participation Rates of Women

Women, having gotten a late start in schooling, are typically less educated than men and more likely to be subject to pressure to stay in the home. The rate of schooling for the 6-9 age group is comparable for boys and girls, but the inequalities deepen with age. In 1989 among the 20-24 age group, only 13% of the women and 21% of the men were still in school. In the urban environment, a woman's education is not commonly viewed as an investment and preparation for a professional life, but as a character building, socialization exercise. In the rural milieu, however, the financial constraints fall more heavily on the daughters. A family prefers to educate their sons if finances do not permit the education of all the children. In addition, the parents do not like to have their daughters spending too much time on the route to and from school (it is common for children to walk two hours or more to school).

However, there is a strong correlation between a declining birth rate, increased schooling rate and a rise in women employed in the industrial sector. Close to two out of three women work in the urban environment. (Feminine participation in the rural environment is affected strongly by lack of schooling: 66% of women in the urban sector were literate against 38% in the rural sector in

1989.) Before 1975, industrial jobs were virtually closed to women. After 1975, certain sectors were open, largely in fields considered "feminine": textiles and clothing, social and para-medical, secretarial, etc.

Three forces seriously influenced the traditional values since 1975. First, the massive entry of girls in the educational system allowed them to begin to catch up educationally, especially in the urban environment. Secondly, the migration of men overseas and into the cities created labor deficits which women moved to fill. Finally, the establishment of export-oriented textile industries created a labor demand for urban women.

Women principally fill unskilled labor positions, concentrated in certain sectors (textiles), largely in unsalaried (casual labor) positions. Hence there are no benefits, insurance, etc. Between 1975 and 1984 there were significant employment gains for women: close to 41% in the textile and leather sector, 21% in the agricultural sector, and 26% in services. In comparison, between 1984 and 1989, women lost jobs in the textiles and agricultural sector.

On the professional level, ambitious women (predominantly urban) who have had the appropriate training find no real barriers to women. They note family discouragement (why do you want to do that, who will take care of the children, etc.), educational weaknesses and a lack of professional ambition as the biggest constraints, but that this is a social problem that is growing less over time.

They point out that women typically must have higher credentials and work harder to prove themselves, and that women are less likely to have collateral and are therefore more likely to have problems securing loans. They do not, however, encounter difficulties working with male colleagues or employees. Furthermore, they pointed out that they have an easier time with the government bureaucracies than their male peers. The problems women entrepreneurs voice are common to industry as a whole and not "women specific."

3 SOCIO-CULTURAL FEASIBILITY

The MTPS Project is designed to address: (a) the inappropriateness of training through skills training; (b) the issue of an unskilled work force with an emphasis on human resource development, (c) low participation rates of women by tailoring technical assistance and training to meet their needs and overcome their constraints as much as possible, and (d) overall competitiveness by contributing toward an expansion of the private sector which will in turn create new jobs.

The main target group for MTPS are small and mid-sized Tunisian-owned exporting firms. There appears to be a latent demand for business services in the private sector. Several private manufacturing firms were interviewed and plant visits conducted. There are dynamic firms with creative managers who have adopted innovative and modern approaches with success. There are others that are aware of the need for technology and production improvement but have not been able to achieve these. And there are those who are content with the current state of affairs but which would be in serious trouble if they had to compete in an open market.

Among the first type of firms, there was a readiness to pay or cost share in services for technology development adaptation, marketing etc. Some companies have installed quality management systems with the use of consultants with some success. Others would be open to "sales" calls by management consultants.

The Project does not introduce new institutions, but, rather, makes wide use of existing organizations, including the employers union UTICA, the Chambre de Femmes Chefs d'Entreprises, the four regional chambers of commerce, the Tunisian-American Chamber of Commerce and professional associations. In addition, the Project will be working with established consulting firms and training institutions in delivering technical assistance. This latter group will bear the brunt of the burden (work) of the Project, but together with incentives built into the sub-contracts with counterpart firms, increased profits should be sufficiently appealing to attract the participation of the Project's target of 5-8 training institutions and 5-8 consulting firms.

The Project approach capitalizes on Tunisian expertise which should largely avoid miscommunications or social obstacles, while assuring maximum spread effect.

4 BENEFICIARIES

Primary beneficiaries will be exporting SMEs (owners, managers and employees) that will become competitive given technical assistance and/or training in modern management and marketing. These firms will be selected according to criteria that take into consideration their potential for competitiveness, their potential for directly exporting or supplying direct exporters, and their ability to source technical assistance, technology partners, and management assistance from the U.S.

Secondary beneficiaries will be consulting firms and training institutions. Ultimately the Tunisian economy as a whole will benefit from increased employment and economic growth generated by new and expanding SMES.

Tertiary beneficiaries would include those people employed by firms which are expanding due to increasing competitiveness.

ANNEX E

PROPOSED POLICY STUDIES

1. Industrial Linkages

The lack of integration between the export and non export sectors will be addressed initially at the policy (and strategic) level through an assessment of the obstacles to industrial linkages. The growth of a competitive and dynamic export sector, alongside the persistence of a highly protected and uncompetitive local-market-oriented industrial sector is a common phenomenon in countries which have initially pursued import-substitution industrialization, and then promoted export manufacturing without dismantling the structure of protection. This strategy virtually necessitates the isolation of the two sectors, even in areas where there may be competitive domestic industry which could emerge as suppliers to the export sector. With the reform of the investment codes, the legal distinction which has separated 100 percent export firms will presumably be eliminated. Nevertheless, obstacles to the greater integration of the export sector persist, in the form of policies, procedures, corporate practice, importing country policy, as well as the whole set of constraints which hinder the quality, price competitiveness, and the ability of local firms to compete with imports as suppliers to export firms. The study will address these issues, including the following:

<u>Policy Constraints</u> -- the lack of explicit incentives for indirect exporters, as well as the qualification of indirect exports for export-based incentives will be assessed.

<u>Procedural Constraints</u> -- mechanisms such as drawback, duty reimbursement, temporary admission and other means of ensuring free trade status to indirect exporters exist, but will be examined for procedural effectiveness. Some, such as drawback, are little utilized. Only the large, integrated Tunisian producer groups whose corporate structure has developed around the segmentation of export and domestic markets appear adept at their utilization, largely for transactions between affiliates.

<u>Corporate Strategy</u> -- many foreign firms are affiliates of large, integrated units which supply all the inputs and take all of the production of the Tunisian firm. The ability to source goods locally, and the effectiveness of any promotion program to do so, will depend to some degree on the established corporate practice of these firms.

<u>Importing Country Policy</u> -- the potential for increasing local sourcing of goods by export firms may be limited by importing country tariff policy. For example, in the U.S. much offshore

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manufacturing is done under Customs provisions which exempt U.S. made materials sent offshore for processing from duty upon re-entry as finished products. Similar restrictions apply for EC "outsourcing" programs. The degree to which these restrictions apply to Tunisia may be limited due to the duty-free status afforded most goods entering the EC; however it may affect certain goods, such as textiles, which figure importantly in Tunisian exports.

Comparative Experience -- similar problems with a lack of industrial linkages have existed in other countries, and many have adopted programs specifically to address them. The experience with the most noteworthy of these will be examined for relevance to Tunisia. Examples include Taiwan, Thailand, and the Dominican Republic.

Identification of Target Sectors -- based on the sectoral distribution of the export sector, and the capacity of the non-exporting sector, specific sectors and products with potential for industrial linkages will be identified.

Development of an Action Plan -- specification of an action plan to address the policy and other constraints limiting industrial linkages, and development of a program for implementation.

The above study will require 8 person months of technical assistance, and will be undertaken in Year 1 of the Project. The major outputs of this activity will include:

- Heightened awareness of the importance of industrial linkages and economic integration between the country's domestic industry and its export sector.

- Better understanding of the constraints and impediments to stronger local sourcing and backward linkages.

- Public policy positions developed to foster backward linkages, providing incentives to indirect exporters and removing constraints to local sourcing.

- Definition of a program to promote and foster industrial linkages.

2. Investment Promotion Strategy

Tunisia has succeeded in generating resumed flows of foreign investment since the adoption of the revised codes beginning in 1987; however the impact of this investment has been limited. Most of the foreign firms have invested in the 100 percent export sector, in labor-intensive activities requiring little capital. While this has played an important role in the development of a competitive export manufacturing sector, the country also needs to look ahead at its ability to attract different types and sources of investment. Foreign Direct Investment (FDI) can play a critical role in the rapid introduction of technology, production standards, marketing methods, access to export markets channels, and management techniques. The liberalizations to be undertaken and the reform of the investment codes provide the appropriate background from which to undertake a strategic assessment of Tunisia's ability to attract more significant flows of FDI, whose impact can extend beyond the assembly sectors in which it is now concentrated.

API, which is the parastatal agency primarily responsible for foreign investment promotion, currently engages in a wide variety of promotion activities. However, this is done in the absence of any overall strategy, and appears to be organized around maintaining and expanding existing flows of investment. Management of the Agency itself as well as persons in other government departments and the private sector have expressed dissatisfaction with the promotion programs of the Agency, and realize the need for a comprehensive reassessment. The initial stage of this will be a relatively short strategic planning exercise which will set the stage for the third activity below.

The principal elements of this study will include:

<u>Analysis of current global FDI trends and flows.</u> Much analysis has been generated recently indicating the changing form and nature of direct investment in foreign countries by multinational firms. This literature, as well as recent data on international investment flows, will be reviewed for its relevance to Tunisia.

<u>Analysis of regional trends.</u> Following the initial task above, regional trends in FDI will be examined in greater detail. For principal competitor countries such as Morocco, as well as those which have succeeded in attracting relatively more significant investment flows, such as Turkey and Portugal, the principal elements of these investment flows, including illustrative case studies if possible, will be developed and assessed. In particular, the perspectives of the companies which have invested in large facilities will be investigated.

<u>Assessment of Tunisian Comparative Strengths and Weaknesses.</u> This task will help place Tunisia within the global and regional trends noted in the first two tasks, with reference to factor endowments, comparative factor costs, perceptions of

foreign investors, infrastructure levels, human resource assets and constraints, etc. This assessment will include a review of previous and existing promotion efforts, in order to identify key areas of success as well as failure.

Formulation of Medium-Term Strategy for Tunisia. The implications of the previous tasks will be developed into a medium-term (5-10 year) strategy for promotion of new foreign investment. This strategy will identify key sectors, sources of investment, modes of investment, and quantify targets for capturing new flows to the country. The strategy will also specify key promotional requirements to achieve these targets.

Comparative Assessment of Investment promotion institutions and programs. This task will help orient the principal conclusions of the study regarding the type and nature of promotion program and institutions which will be required to support a more aggressive promotion posture for the country. The background research for this task can also then be conducted at the same time as the previous comparative analysis.

The conclusions of this study, in particular the last two tasks, will also provide the starting point for the third element of this investment policy agenda, a program for the restructuring of API. This study will require the input of 6 person months of technical assistance, and will be completed in the second year of the Project.

3. Investment Promotion Institutional Restructuring

The investment promotion programs of Tunisia will require a thorough restructuring in order to be effective, including the reorganization of the institutions themselves. As noted above, the reform of the investment code will redefine the role of API as well as other organizations, with the probable result of the elimination of their vestigial roles in screening and directing private investment. As the largest of these organizations with the broadest mandate, API has been the principal organization engaged in direct promotion of foreign investment in Tunisia. The Agency maintains a number of offices overseas, and orchestrates most promotion activities, even when they are somewhat beyond the scope of the sector. Although technically autonomous, the Agency operates under the control of the Ministry of National Economy. Other agencies, such as API, have a more limited and strictly sectoral focus.

API, then, will be the initial focus of this effort, which will be initiated following the completion of the previous study. API itself was formed out of the fusion of the "ancien API," the Agence de Promotion de l'Investissement which was principally responsible for directing investment, the Agence Fonciere Industrielle (AFI),

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which develops industrial sites, and the Centre Nationale des Etudes Industrielles, a research organization. The original objective was to place all the organizations of the state which "assisted" industry under one roof, as part of the new API. Instead, what has emerged has proved to be an even more unwieldy bureaucracy, one which has increasingly lost focus and effectiveness as its original mission of controlling and licensing industrial development has disappeared. Correspondingly, the promotional efforts undertaken by API have not yielded satisfactory results. Indeed, the Agency lacks credibility both within the government and in the private sector.

Therefore, without a correspondingly strong mandate for restructuring and reform of the organization from the ground up, relying on the institution for implementation of the investment promotion efforts required will bring limited results, and may better be vested in some other institution with less bureaucratic inertia. However, substantial evidence now exists that the government, and the management of API itself, are serious about taking whatever measures may be required to create an effective promotion organization out of what exists today, even if means a drastic restructuring. With over 300 employees, (down from over 500 with the divestiture of AFI), a serious restructuring will mandate a reduction in the size of the agency and a reformulation of its responsibilities.

This analysis will then build on the previous task and the ongoing work on the reform of the Investment Code to specify a new structure and organization for API, designed specifically to accomplish the strategic objectives defined earlier. The priority in terms of the functions to be undertaken by API will be investment promotion, with an emphasis on foreign investment promotion. Other services to investors will be subordinated to this objective and will contribute to the overall promotional program of API. This effort will comprise the following elements:

<u>Definition of Mission.</u> Based on the conclusions of the related work, a specific mission statement for API will be defined. This will include its objectives as an organization, and the nature of its programs and activities to achieve those objectives.

<u>Specification of Structure.</u> The optimal structure for the organization will be assessed, given the specific character of the Tunisian government, private sector, foreign business community, etc. This task will address the character of the organization (public/private/mixed), its likely funding sources, board composition, government supervision, etc.

<u>Definition of Programs.</u> The nature and functions of the agency will be defined in terms of the activities to be undertaken. The requirements for resource-intensive activi-

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ties, such as overseas representation and advertising, will be identified.

Specification of Organization and Management Structure. With the basic structure, the internal organization and management structure can be defined. This will include an organizational plan showing lines of responsibility, division of functions, and job descriptions for key posts. Specific objectives will be defined for each position, as well as an overall performance monitoring system.

Audit of Existing Assets. The degree to which the existing agency already possesses the human and other resources to carry out its new mission within a new structure will be identified in this task.

Management Information Systems. This area will address the systems needs for putting in place the programs and management structure defined earlier. The availability of standardized products will be assessed for their applicability to the organization's needs. The presumption will be that the organization will be fully computerized.

Financial Plan. The financial resources required to operate the proposed programs and rebuild the agency will be specified in a financial plan. Funding requirements and likely sources will additionally be identified. A detailed plan will be developed for the first 2 years following the reorganization; a medium-term plan for a 5 year period will also be developed in less detail.

Reorganization Plan. A plan for putting in place of the new structure and programs will be developed. This plan will include the transfer of programs and personnel not directly related to other government agencies as appropriate. Where activities will be terminated, a plan for the absorption of employees into comparable positions in other agencies will be included.

The result of this task will be a blueprint for what is likely to be a radical transformation of API. This will be a large task in terms of level of effort, due to the size of the organization and the need for a complete restructuring from the ground-up. A total of 10 person-months of technical assistance is allotted for this purpose, with 2 person months each in years 3 and 4 for follow-up and implementation.

4. Industrial Park Feasibility

Tunisia does not have fully-serviced industrial parks which cater to the needs of prospective investors, particularly foreign investors. AFI develops industrial land and sites, essentially

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preparing plots for firms to construct their own buildings. The resulting industrial zones lack maintenance and common services typically provided in modern industrial parks. Tunisia has also developed its export industry without the creation of specific zones, relying instead on the legal status of individual factories as "points francs" rather than their siting within geographically defined zones.

This formula has proved effective to a certain degree. However, at this point there appears to be a potential role for the classic modern industrial or business park, in order to fill a market gap for relatively high quality facilities. Many countries have found that properly developed and managed industrial parks, whether or not configured as free zones, are a cost-effective means of providing infrastructure, and can prove an asset in facilitating start-ups, particularly for foreign investors. The typical configuration for such an industrial or business park includes:

-- Advanced infrastructure and an attractive site close to required factors of production for the target market of firms, transportation links, etc.

-- Private ownership and management, or, if public sector, management on a cost-recovery basis to private sector standards.

-- Immediate connections for all utilities, with no waiting times for telephones, electricity, etc.

-- Immediate availability of standard factory buildings for lease, purchase, or lease/purchase, with build-to-suit facilities available in short order (6 months) using advanced construction methods.

-- A high level of service, including general maintenance, etc.

-- Availability of on-site business services and common facilities.

-- Recruitment, training and other programs for personnel.

-- Advanced international communications facilities, often configured as "Teleports," are also increasingly found in this type of park.

A prefeasibility study for a "Technology Park"[1] addressed a number of these issues, stimulating interest in some aspects of the

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[1] Prepared for API by Charles Percy and Associates, July, 1991.

"technology park" project being promoted in that study. However, as presented the concept of a technology park appears to be ambitious for the reality of the Tunisian setting and ability to attract investment, and does not really offer the correct model. Rather than the research park model of developed countries, the more appropriate one for Tunisia is likely to be the type of modern industrial/business park found in the northern border regions of Mexico.

In a separate but related area, the government has also moved ahead with the preparation of free zone legislation. This legislation is now in draft form and circulating within the government. The impetus for the creation of this legislation is apparently the concept of the creation of a free zone at Zarzis, the motivation for which was to examine potential means to increase traffic at an otherwise unutilized Port. The economics of this project are questionable, as the simple creation of a free zone will not be sufficient to commercialize inappropriately planned infrastructure.

In related areas, a group of private businessmen in Bizerte has expressed interest in the establishment of a privately owned and run free zone in that city; and another group is apparently promoting a "technopole" concept in Sfax similar to that of the Percy group.

The purpose of this analysis is to examine these various related concepts and initiatives from the perspective of increasing the country's ability to attract additional investment which it is not currently able to capture, specifically in advanced sectors which require more advanced facilities. The analysis will also assess the proposed free zone legislation for its ability to contribute to the realization of this concept. If the conclusions of the initial analysis do indicate some potential, then the proper configuration for this type of project would be further developed in a feasibility study.

The analysis would thus be undertaken in two stages:

> <u>Project Identification.</u> This stage will review all the initiatives discussed above to assess their relevance and to determine if any of these models, or some variation/ combination of them, deserves full elaboration in a more profound study. This analysis will also review the proposed legislation for free zones. This level of analysis can be completed relatively rapidly due to the pre-existing studies. Indeed, one of the purposes of this stage is to make sense of all these separate but related initiatives, and assess whether some type of project holds potential as a means of attracting new investment.
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> <u>Project Feasibility.</u> This step will develop in further detail

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the project configuration identified in the first stage above. It will only be undertaken if there is a clear resolution of the above analysis which has the support of the private sector and the government. The components to be addressed will be the types of services demanded, the potential market for such a park, location of a site and the physical configuration, ownership and management, legal issues, financial analysis, and development of a business plan.

The anticipated level of effort will be 2 months for the first stage, and 8 months for the feasibility study. The latter may be carried out with the participation of local experts as well, particularly in engineering and physical planning.

5. Other Policy Issues

A number of other policy issues also are relevant to the project objective of improving the private sector business climate. These may be addressed in later years, but at the present time do not pose immediate problems of policy formulation and implementation which can be effectively addressed by MTPS.

The principal trade policy areas which are currently in the process of development and implementation appear to be well formulated at this point. These include the following:

Import Liberalization. The government has indicated this program is set to proceed, and the tariff categories for successive rounds of liberalization over the next two years have been selected.

Anti-Dumping Legislation. This has been an important corollary to import liberalization, the lack of which has been used as a means to stall the final liberalization. However, draft legislation has now been prepared, and USAID has provided limited inputs in the form of information on U.S. laws and procedures.

Price/Margin Controls. The liberalization of these controls is being done under the auspices of the EFRL, and is not an area where external technical assistance is currently required.

The progress on implementation of these critical areas will be monitored, as they constitute the major remaining tasks in opening the economy to competitive forces. These areas may be appropriate for PEP treatment at a later date, depending on the actual experience with the programs outlined.

The other potential area for investigation is the reform of the Labor Code. The problems associated with the present labor regime surface at virtually every seminar or other forum related to business development. A number of government officials have also indicated their desire to examine the current labor legislation, and the proposed free zone legislation will feature exemptions from the current regime. However, the subject is politically sensitive and may therefore be inappropriate for USAID to take the initiative on. Once a consensus does develop, USAID may consider funding some technical assistance to address the reform of the Labor Code. In the absence of such a consensus, preliminary analysis may also be funded by MTPS if an appropriate organization expresses a willingness to investigate the subject and develop preliminary proposals as a means of initiating the debate and dialogue.

ANNEX F

PROFILE OF TRAINING INSTITUTIONS

TYPES OF COURSES WITH A MANAGEMENT COMPONENT OFFERED BY TUNISIAN INSTITUTIONS

	Short-term mgt -rel'd	Short-term other	Vocational
Private Sector			
BMF	x	x	x
CEFEG, Sfax	x	x	x
CETAUF	x	x	
INSTITUT EL AMOURI	x		
ICET, Sfax		x	x
ICG, Sfax	x	x	x
Institut Al Manar, Gabès		x	x
SAMEF	x	x	
CIFORE	x	x	n/a
Plus Formation	x	x	n/a
Institut Massmédia	x	x	n/a
Tourisme Formation Consultant	x	x	n/a
Public Sector			
Ecole Nationale d'Administration	x	-	-
Faculté de Droit et des Sciences	-	-	-
Economiques et Politiques de Sousse	-	-	-
Faculté des Sciences Economiques et de Gestion de Tunis	-	-	-
Faculté des Sciences Economiques et de Gestion de Sfax	-	-	-
Institut des Hautes Etudes Commerciales de Carthage (IHEC)	-	-	-

TYPES OF COURSES WITH A MANAGEMENT COMPONENT OFFERED BY TUNISIAN INSTITUTIONS

	Short-term mgt.-rel'd	Short-term other	Vocational
Institut de Financement du Développement du Maghreb Arabe (IFID)	x	-	-
Institut Supérieur de Commerce de Tunis	-	-	-
Institut Supérieur de Comptabilité de Tunis	-	-	-
Institut Supérieur de Gestion, Tunis	x	-	-
Institut Régional des Sciences Informatiques et des Télécommunications (IRSIT)	n/a	n/a	n/a
PVOs/Associations			
Association Tunisienne de Gestion des Approvisionnements et des Achats (ATUGA)	x	n/a	n/a
Association Professionnelle des Banques de Tunisie (APB)	n/a	n/a	n/a
Chambre de Commerce et de l'Industrie du Centre (Sousse)	-	-	-
Chambre de Commerce et d'Industrie du Sud (Sfax)	x	x	-
Institut Arabe des Chefs d'Entreprise (IACE)	x	-	-
Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat (UTICA)	x	-	-

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TUITION FEES EXCLUDING TAX*
(Tunisian Dinars)

	Standard Programs 1 day	(participant rate) 2 days	3 days	4 days	5 days	Tailor-made programs (daily workshop rate)
IF**	n/a	n/a	340	420	480	
CFEG		170-250	250-300	240	250-	
CTAUF		290	350-400	400		
AMOURI						
CG (training in Gabes)			300	400		
CG (training in Sfax)		250	300-400	400		
AMEF***	n/a	260	390	520		
ID**		300	450			1,500-2,250
CIS, outside Sfax	60					
CIS, Sfax. Transport:			320	320		
Export:	1,500 for a 21-day cycle					
ACE		300				
TICA/FKA	20					

Value Added Tax (TVA) is charged at a rate of 17% on all training activities
* Rates include lunch
* SAMEF provides special deals: for every 4 participants enrolled by company in the same workshop, SAMEF ccepts an additional participant free of charge, for every 10 participants enrolled by a company in a single ear, SAMEF provides one additional enrolment free of charge, for participants coming from out-of-town, SAMEF ontributes 50% of accommodation costs (maximum TD 12 500/person/night)

5C(2) - ASSISTANCE CHECKLIST

Listed below are statutory criteria applicable to the assistance resources themselves, rather than to the eligibility of a country to receive assistance. This section is divided into three parts. Part A includes criteria applicable to both Development Assistance and Economic Support Fund resources. Part B includes criteria applicable only to Development Assistance resources. Part C includes criteria applicable only to Economic Support Funds.

CROSS REFERENCE. IS COUNTRY CHECKLIST UP TO DATE?

Yes

A. CRITERIA APPLICABLE TO BOTH DEVELOPMENT ASSISTANCE AND ECONOMIC SUPPORT FUNDS

1. **Host Country Development Efforts** (FAA Sec. 601(a)): Information and conclusions on whether assistance will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture, and commerce; and (f) strengthen free labor unions.

The project will assist in the on-going reform of the private sector policy environment and will assist in the management and busine development of private enterprises This will encourage a,b,d, and e

2. **U.S. Private Trade and Investment** (FAA Sec. 601(b)): Information and conclusions on how assistance will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).

The project will encourage the development of trade and investment between the U S. and Tunisia by providin Tunisianprivate sector companies with information on U S technology and assistance in forming joint ventures

3. **Congressional Notification**

a. **General requirement** (FY 1991 Appropriations Act Secs. 523 and 591; FAA Sec. 634A): If money is to be obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified (unless the notification requirement has been waived because of substantial risk to human health or welfare)?

Congress was notified on page 654 of the FY 92 C P

b. **Notice of new account obligation** (FY 1991 Appropriations Act Sec. 514): If funds are being obligated under an appropriation account to which they were not appropriated, has the President consulted with and provided a written justification to the House and Senate Appropriations Committees and has such obligation been subject to regular notification procedures?

N/A

c. **Cash transfers and nonproject sector assistance** (FY 1991 Appropriations Act Sec. 575(b)(3)): If funds are to be made available in the form of cash transfer or nonproject sector assistance, has the Congressional notice included a detailed description of how the funds will be used, with a discussion of U.S. interests to be served and a description of any economic poolicy reforms to be promoted?

N/A

4. **Engineering and Financial Plans** (FAA Sec. 611(a)): Prior to an obligation in excess of $500,000, will there be: (a) engineering, financial or other plans necessary to carry out the assistance; and (b) a reasonably firm estimate of the cost to the U.S. of the assistance?

Yes

5. **Legislative Action** (FAA Sec. 611(a)(2)): If legislative action is required within recipient country with respect to an obligation in excess of $500,000, what is the basis for a reasonable expectation that such action

No legislative action is required

will be completed in time to permit orderly accomplishment of the purpose of the assistance?

6. **Water Resources** (FAA Sec. 611(b); FY 1991 Appropriations Act Sec. 501): If project is for water or water-related land resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.)

N/A

7. **Cash Transfer and Sector Assistance** (FY 1991 Appropriations Act Sec. 575(b)): Will cash transfer or nonproject sector assistance be maintained in a separate account and not commingled with other funds (unless such requirements are waived by Congressional notice for nonproject sector assistance)?

N/A

8. **Capital Assistance** (FAA Sec. 611(e)): If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed $1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively?

N/A

9. **Multiple Country Objectives** (FAA Sec. 601(a)): Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions.

The project will assist in the ongoing reform of the private sector policy environment and will assist in the management and business development of private enterprises This will encourage a,b,d, and e

10. **U.S. Private Trade** (FAA Sec. 601(b)). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise).	The project will encourage the development of trade and investment between the U S and Tunisia by providing Tunisian private sector compan with information on U S technology and assistance in forming joint ventures
11. **Local Currencies**	
a. **Recipient Contributions** (FAA Secs. 612(b), 636(h)): Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars.	The Government of Tunisia and the Tunisian private sector will contribute approximately 40% of the total costs of the project
b. **U.S.-Owned Currency** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?	The US does not own excess foreign currency of Tunisia
c. **Separate Account** (FY 1991 Appropriations Act Sec. 575). If assistance is furnished to a foreign government under arrangements which result in the generation of local currencies:	N/A
(1) Has A.I.D. (a) required that local currencies be deposited in a separate account established by the recipient government, (b) entered into an agreement with that government providing the amount of local currencies to be generated and the terms and conditions under which the currencies so deposited may be utilized, and (c) established by agreement the responsibilities of A.I.D. and that government to monitor and account for deposits into and disbursements from the separate account?	

(2) Will such local currencies, or an equivalent amount of local currencies, be used only to carry out the purposes of the DA or ESF chapters of the FAA (depending on which chapter is the source of the assistance) or for the administrative requirements of the United States Government?

(3) Has A.I.D. taken all appropriate steps to ensure that the equivalent of local currencies disbursed from the separate account are used for the agreed purposes?

(4) If assistance is terminated to a country, will any unencumbered balances of funds remaining in a separate account be disposed of for purposes agreed to by the recipient government and the United States Government?

12. **Trade Restrictions**

a. **Surplus Commodities** (FY 1991 Appropriations Act Sec. 521(a)): If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A

b. **Textiles (Lautenberg Amendment)** (FY 1991 Appropriations Act Sec. 521(c)): Will the assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of No textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel?

13. **Tropical Forests** (FY 1991 Appropriations Act Sec. 533(c)(3)): Will funds be used for any program, project or activity which would (a) result in any significant loss of tropical forests, or (b) involve industrial timber extraction in primary tropical forest areas?

No

14. **PVO Assistance**

a. **Auditing and registration** (FY 1991 Appropriations Act Sec. 537): If assistance is being made available to a PVO, has that organization provided upon timely request any document, file, or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.?

Yes

b. **Funding sources** (FY 1991 Appropriations Act, Title II, under heading "Private and Voluntary Organizations"): If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government?

Yes

15. **Project Agreement Documentation** (State Authorization Sec. 139 (as interpreted by conference report)): Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. LEG within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision).

Case-Zablocki Act provisions will be complied with

16. **Metric System** (Omnibus Trade and Competitiveness Act of 1988 Sec. 5164, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec 2, and as implemented through A.I D policy): Does the assistance activity use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms? Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate? Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

Yes

Yes

Yes

17. **Women in Development** (FY 1991 Appropriations Act, Title II, under heading "Women in Development"): Will assistance be designed so that the percentage of women participants will be demonstrably increased?

Yes

18. **Regional and Multilateral Assistance** (FAA Sec. 209): Is assistance more efficiently and effectively provided through regional or multilateral organizations? If so, why is assistance not so provided? Information and conclusions on whether assistance will encourage developing countries to cooperate in regional development programs.

No

Assistance will not directly encourage regional cooperation

19. **Abortions** (FY 1991 Appropriations Act, Title II, under heading "Population, DA," and Sec. 525):

a. Will assistance be made available to any organization or program which, as determined by the President, supports or participates in the management of a program of coercive abortion or involuntary sterilization?

No

b. Will any funds be used to lobby for abortion?

No

20. **Cooperatives** (FAA Sec. 111): Will assistance help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life?

No

21. **U.S.-Owned Foreign Currencies**

a. **Use of currencies** (FAA Secs. 612(b), 636(h); FY 1991 Appropriations Act Secs. 507, 509): Describe steps taken to assure that, to the maximum extent possible, foreign currencies owned by the U.S. are utilized in lieu of dollars to meet the cost of contractual and other services.

The US does not own Tunisi foreign currency

b. **Release of currencies** (FAA Sec. 612(d)): Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release?

The US does not own excess foreign currency of Tunisia

22. **Procurement**

a. **Small business** (FAA Sec. 602(a)): Are there arrangements to permit U.S. small business to participate equitably in the furnishing of commodities and services financed?

Yes

b. **U.S. procurement** (FAA Sec. 604(a)): Will all procurement be from the U.S. except as otherwise determined by the President or determined under delegation from him?

Yes

c. **Marine insurance** (FAA Sec 604(d)): If the cooperating country discriminates against marine insurance companies authorized to do business in the U.S., will commodities be insured in the United States against marine risk with such a company? N/A

d. **Non-U.S. agricultural procurement** (FAA Sec. 604(e)): If non-U.S. procurement of agricultural commodity or product thereof is to be financed, is there provision against such procurement when the domestic price of such commodity is less than parity? (Exception where commodity financed could not reasonably be procured in U.S.) N/A

e. **Construction or engineering services** (FAA Sec. 604(g)): Will construction or engineering services be procured from firms of advanced developing countries which are otherwise eligible under Code 941 and which have attained a competitive capability in international markets in one of these areas? (Exception for those countries which receive direct economic assistance under the FAA and permit United States firms to compete for construction or engineering services financed from assistance programs of these countries.) No

f. **Cargo preference shipping** (FAA Sec. 603)): Is the shipping excluded from compliance with the requirement in section 901(b) of the Merchant Marine Act of 1936, as amended, that at least 50 percent of the gross tonnage of commodities (computed separately for dry bulk carriers, dry cargo liners, and tankers) financed shall be transported on privately owned U.S. flag commercial vessels to the extent such vessels are available at fair and reasonable rates? No

g. **Technical assistance** (FAA Sec. 621(a)): If technical assistance is financed, will such assistance be furnished by private enterprise on a contract basis to the fullest extent practicable? Will the Yes facilities and resources of other Federal agencies be utilized, when they are particularly suitable, not competitive with private enterprise, and made available without undue interference with domestic programs?

The use of other Federal agencies is not contemplated

h. U.S. air carriers (International Air Transportation Fair Competitive Practices Act, 1974): If air transportation of persons or property is financed on grant basis, will U.S. carriers be used to the extent such service is available?

Yes

i. Termination for convenience of U.S. Government (FY 1991 Appropriations Act Sec. 504): If the U.S. Government is a party to a contract for procurement, does the contract contain a provision authorizing termination of such contract for the convenience of the United States?

Yes

j. Consulting services (FY 1991 Appropriations Act Sec. 524): If assistance is for consulting service through procurement contract pursuant to 5 U.S.C. 3109, are contract expenditures a matter of public record and available for public inspection (unless otherwise provided by law or Executive order)?

Yes

k. Metric conversion (Omnibus Trade and Competitiveness Act of 1988, as interpreted by conference report, amending Metric Conversion Act of 1975 Sec. 2, and as implemented through A.I.D. policy): Does the assistance program use the metric system of measurement in its procurements, grants, and other business-related activities, except to the extent that such use is impractical or is likely to cause significant inefficiencies or loss of markets to United States firms?

Yes

Are bulk purchases usually to be made in metric, and are components, subassemblies, and semi-fabricated materials to be specified in metric units when economically available and technically adequate?

Yes

Will A.I.D. specifications use metric units of measure from the earliest programmatic stages, and from the earliest

Yes

documentation of the assistance processes (for example, project papers) involving quantifiable measurements (length, area, volume, capacity, mass and weight), through the implementation stage?

l. **Competitive Selection Procedures** (FAA Sec. 601(e)): Will the assistance utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? — Yes

23. **Construction**

a. **Capital project** (FAA Sec. 601(d)): If capital (e.g., construction) project, will U.S. engineering and professional services be used? — N/A

b. **Construction contract** (FAA Sec. 611(c)): If contracts for construction are to be financed, will they be let on a competitive basis to maximum extent practicable? — N/A

c. **Large projects, Congressional approval** (FAA Sec. 620(k)): If for construction of productive enterprise, will aggregate value of assistance to be furnished by the U.S. not exceed $100 million (except for productive enterprises in Egypt that were described in the Congressional Presentation), or does assistance have the express approval of Congress? — N/A

24. **U.S. Audit Rights** (FAA Sec. 301(d)): If fund is established solely by U.S. contributions and administered by an international organization, does Comptroller General have audit rights? — N/A

25. **Communist Assistance** (FAA Sec. 620(h). Do arrangements exist to insure that United States foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries? — Yes

26 **Narcotics**

a. **Cash reimbursements** (FAA Sec. 483): Will arrangements preclude use of financing to make reimbursements, in the form of cash payments, to persons whose illicit drug crops are eradicated? Yes

b. **Assistance to narcotics traffickers** (FAA Sec. 487): Will arrangements take "all reasonable steps" to preclude use of financing to or through individuals or entities which we know or have reason to believe have either: (1) been convicted of a violation of any law or regulation of the United States or a foreign country relating to narcotics (or other controlled substances); or (2) been an illicit trafficker in, or otherwise involved in the illicit trafficking of, any such controlled substance? Yes

27. **Expropriation and Land Reform** (FAA Sec. 620(g)): Will assistance preclude use of financing to compensate owners for expropriated or nationalized property, except to compensate foreign nationals in accordance with a land reform program certified by the President? Yes

28. **Police and Prisons** (FAA Sec. 660): Will assistance preclude use of financing to provide training, advice, or any financial support for police, prisons, or other law enforcement forces, except for narcotics programs? Yes

29. **CIA Activities** (FAA Sec. 662): Will assistance preclude use of financing for CIA activities? Yes

30. **Motor Vehicles** (FAA Sec. 636(i)): Will assistance preclude use of financing for purchase, sale, long-term lease, exchange or guaranty of the sale of motor vehicles manufactured outside U.S., unless a waiver is obtained? Yes

31. **Military Personnel** (FY 1991 Appropriations Act Sec. 503): Will assistance preclude use of financing to pay pensions, annuities, retirement pay, or adjusted service compensation for prior or current military personnel? Yes

32. **Payment of U.N. Assessments** (FY 1991 Appropriations Act Sec. 505): Will assistance preclude use of financing to pay U.N. assessments, arrearages or dues? Yes

33. **Multilateral Organization Lending** (FY 1991 Appropriations Act Sec. 506): Will assistance preclude use of financing to carry out provisions of FAA section 209(d) (transfer of FAA funds to multilateral organizations for lending)? Yes

34. **Export of Nuclear Resources** (FY 1991 Appropriations Act Sec. 510): Will assistance preclude use of financing to finance the export of nuclear equipment, fuel, or technology? Yes

35. **Repression of Population** (FY 1991 Appropriations Act Sec. 511): Will assistance preclude use of financing for the purpose of aiding the efforts of the government of such country to repress the legitimate rights of the population of such country contrary to the Universal Declaration of Human Rights? Yes

36. **Publicity or Propoganda** (FY 1991 Appropriations Act Sec. 516): Will assistance be used for publicity or propaganda purposes designed to support or defeat legislation pending before Congress, to influence in any way the outcome of a political election in the United States, or for any publicity or propaganda purposes not authorized by Congress? No

37. **Marine Insurance** (FY 1991 Appropriations Act Sec 563): Will any A.I.D. contract and solicitation, and subcontract entered into under such contract, include a clause requiring that U.S. marine insurance companies have a fair opportunity to bid for marine insurance when such insurance is necessary or appropriate?

Yes

38. **Exchange for Prohibited Act** (FY 1991 Appropriations Act Sec. 569): Will any assistance be provided to any foreign government (including any instrumentality or agency thereof), foreign person, or United States person in exchange for that foreign government or person undertaking any action which is, if carried out by the United States Government, a United States official or employee, expressly prohibited by a provision of United States law?

No

B. CRITERIA APPLICABLE TO DEVELOPMENT ASSISTANCE ONLY

N/A

1. **Agricultural Exports (Bumpers Amendment)** (FY 1991 Appropriations Act Sec. 521(b), as interpreted by conference report for original enactment): If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities: (1) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (2) in support of research that is intended primarily to benefit U.S. producers?

\\Z

PP 15-25 APPLY TO DA, ONLY AND ARE THEREFORE N/A

C CRITERIA APPLICABLE TO ECONOMIC SUPPORT FUNDS ONLY

1. **Economic and Political Stability** (FAA Sec. 531(a)): Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? — Yes / Yes

2. **Military Purposes** (FAA Sec. 531(e)): Will this assistance be used for military or paramilitary purposes? — No

3. **Commodity Grants/Separate Accounts** (FAA Sec. 609): If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made? (For FY 1991, this provision is superseded by the separate account requirements of FY 1991 Appropriations Act Sec. 575(a), see Sec. 575(a)(5).) — N/A

4. **Generation and Use of Local Currencies** (FAA Sec. 531(d)): Will ESF funds made available for commodity import programs or other program assistance be used to generate local currencies? If so, will at least 50 percent of such local currencies be available to support activities consistent with the objectives of FAA sections 103 through 106? (For FY 1991, this provision is superseded by the separate account requirements of FY 1991 Appropriations Act Sec. 575(a), see Sec. 575(a)(5).) — No

5. **Cash Transfer Requirements** (FY 1991 Appropriations Act, Title II, under heading "Economic Support Fund," and Sec. 575(b)). If assistance is in the form of a cash transfer: — N/A

a. **Separate account:** Are all such cash payments to be maintained by the country in a separate account and not to be commingled with any other funds?

ACTION MEMORANDUM TO THE MISSION DIRECTOR

DATE August 5, 1992

FROM: Aylette Villemain, PSO

THRU: Barry Hill, PSO (Acting)

SUBJECT: Management Training for the Private Sector Project: Justification of Noncompetitive Award to AMIDEAST

PURPOSE

Your approval is requested for an exception to the competition requirement of AID Handbook 13 in order to permit USAID/Tunis to enter into a grant with AMIDEAST for follow-up services for long-term Technology Transfer pipeline students.

BACKGROUND

In November of 1989, AMIDEAST was awarded a cooperative agreement for provision of Educational Advice and Support for Technology Transfer. This Agreement, funded under the Technology Transfer Project (664-0315) provided for follow-up and assistance services to AID participant returnees The Agreement with AMIDEAST terminates on September 30, 1992, the PACD of Project 664-0315. Under the Management Training for the Private Sector Project (MTPS), 81 students whose academic studies were begun under the TT Project, and whose studies will not be completed by September 30, 1992, will continue to receive AID financing through the end of their studies or December 1994

USAID/Tunisia desires to continue providing follow-on support to these "pipeline" students through AMIDEAST, and therefore wishes to make a grant to AMIDEAST of $140,000 to provide such support through December 1994.

DISCUSSION

According to Handbook 13, Chapter 2, Selection of Recipients, Paragraph 3, competition is not required in the following instance:

> "d. follow-on assistance awards intended to continue or further develop an existing assistance relationship".

The proposed award continues the existing assistance relationship with AMIDEAST, for the same purpose as the ongoing Cooperative Agreement.

AUTHORITY

Handbook 13, Chapter 2, 3d.

RECOMMENDATION

That you approve an exception to the competition requirements of AID Handbook 13 in order that USAID/Tunis may enter into a grant to AMIDEAST for the provision of follow-on services to returned participants under the Management Training for the Private Sector Project.

APPROVED: James A. Graham DISAPRROVED: ______________

DATE: Aug 10, 1992

Clearance: RLA/BBarrington BHB

RLO:August 5, 1992-02080

ACTION MEMORANDUM TO THE REGIONAL CONTRACTING OFFICER

DATE: August 8, 1992

FROM: Aylette Villemain, Private Sector Advisor

THRU: Barry Hill, PSO (Acting)

SUBJECT: Management Training for the Private Sector Project Justification of Non-competitive Award to the Foreign Investment Advisory Service

PURPOSE:

Your approval is requested for an exception to the competition requirements of A I D Handbook 13 in order to make an assistance award to the Foreign Investment Advisory Service (FIAS), a wholly-owned subsidiary of the International Finance Corporation (IFC), to conduct a study of Industrial Linkages in Tunisia under the Management Training for the Private Sector (MTPS) Project (664-0355).

BACKGROUND:

At the request of the Agence de Promotion de l'Industrie (API), FIAS produced a report entitled "Tunisia: The Promotion of Foreign Investment" in September 1991. This background report set the stage for the preparation by FIAS of scopes of work for three follow-up studies. (1) to develop a promotion strategy and an institutional restructuring of API to carry out the designed strategy, (2) to examine backward and industrial linkages; and (3) to assess investment incentives.

In December 1991, FIAS and API approached USAID to request funding for the three proposed studies USAID has reviewed these unsolicited scopes of work, and found that the study of backward and industrial linkages offers to MTPS a valuable strategic approach to targeting technical assistance and training to exporting firms. The Mission therefore desires to sign a grant with FIAS to execute this study beginning in Fall 1992. This study would then serve as the basis upon which the first set of diagnostic studies and project assistance strategies would be based.

DISCUSSION:

According to Handbook 13, Chapter 2, Selection of Recipients, Paragraph 3, competition is not required in the following instance:

> "a proposal was not solicited by A.I.D., and is unique, innovative, or proprietary, and acceptance would be fair, reasonable and would represent appropriate use of A I.D. funds to support or stimulate a public purpose." (Section 3.a.)

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The proposed grant is to fund a proposal to perform a study that was not solicited by A I.D.; it is unique and innovative, and acceptance would represent appropriate use of A.I.D. funds to stimulate a public purpose, namely, the development of the Tunisian private industrial sector

AUTHORITY:

Handbook 13, Chapter 2, 3.a

RECOMMENDATION:

That you approve an exception to the competition requirements of A.I.D. Handbook 13 for a grant to the Foreign Investment Advisory Service (FIAS) for a study of Industrial Linkages in Tunisia.

APPROVED: ____________________ DISAPPROVED: ________________

Date: ____________________

Clearance: RLA:BBarrington BWB

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ACTION MEMORANDUM TO THE REGIONAL CONTRACTING OFFICER

FROM for Rachid Nafti, PM/PS

THRU Richard Rousseau, PM/PS

SUBJECT Private Sector Development and Technology Transfer Project 664-0328; Subproject 28 Trade and Investment; Justification of Noncompetitive Award

DATE August 23, 1991

PURPOSE

Your approval is requested for an exception to the competition requirements of AID Handbook 13 in order that USAID/Tunis may enter into a cooperative agreement with the International Executive Service Corps (IESC) for the implementation of a Multiple Business Services (MBS) Program.

BACKGROUND

In October of 1990 officials of IESC, a registered private voluntary organization, visited USAID/Tunisia to discuss whether an IESC program focussed on the expansion of trade and investment opportunities, especially between the United States and Tunisia, would fit within current Mission priorities IESC now operates such programs with AID assistance in at least five other countries Subsequent to these discussions, which confirmed that such a program would be supportive of USAID's mission, IESC submitted an unsolicited proposal under which it would establish an office in Tunis for the purpose of providing business development services to Tunisian private enterprises. The proposed cost of the program is approximately $1.9 million over a three year period, of which $1.3 million would be funded by AID. Initially AID would provide $372,300 from the subject project to fund in-country costs incurred during the first year.

Under the the MBS program IESC would provide a comprehensive mix of services to prepare Tunisian firms for participation in international business ventures through industry surveys, needs analysis and strategic planning. The long term support provided by IESC would promote and facilitate increased linkage for mutually beneficial business ventures between Tunisia and foreign firms (particularly US firms) that would assist business expansion, create new employment and boost foreign exchange earnings In a broader context the MBS program would help support policy changes aimed at moving Tunisia toward a market based, outward oriented economy.

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DISCUSSION

According to Handbook 13, Chapter 2, Selection of Recipients, Paragraph 3, competition is not required in the following instance

"a. Assistance awards based on unsolicited application when the project office certifies based on explanatory findings and determinations that the proposal

(1) Was not solicited by AID, and

(2) Is unique, innovative, or proprietary, and acceptance would be fair, reasonable, and would represent appropriate use of A.I D funds to support or stimulate a public purpose "

Although discussions were held with IESC concerning the Mission's programming priorities, especially as they relate to trade and investment, AID did not issue an Invitation for Application for the MBS Program Therefore, the first condition for acceptance of the proposal has been met

Regarding the second condition, USAID/Tunis has thoroughly reviewed the proposal and found that it is unique, innovative and it directly contributes to Mission's private enterprise initiatives as expressed in the Assistance Management Plan and the Trade and Investment Memorandum of Understanding with the Ministry of National Economy The proposal has also been reviewed by Tunisian private sector business persons and Tunisian Government officials responsible for the promotion of foreign investment. These officials enthusiastically support the proposal and have pledged to serve on an advisory board to IESC

The organization submitting the MBS proposal, IESC, has over 25 years of experience in providing technical assistance in developing countries It has access to the expertise of more than 12,000 volunteer industry experts, and a proven record of establishing trade and investment linkages with the United States.

Acceptance of the proposal would be fair, reasonable, and would represent appropriate use of A I D funds to support or stimulate a public purpose

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AUTHORITY

Handbook 13, Chapter 2, 3.a.

RECOMMENDATION

That you approve an exception to the competition requirements of AID Handbook 13 in order that USAID/Tunis may enter into a cooperative agreement with the International Executive Service Corps (IESC) for the implementation of a Multiple Business Services (MBS) Program.

Approved Jeffrey D. Bell Disapproved ________

Date 10/2/91

PM/PSD:RNafti/RRousseau zbs
09/04/91

Clearance. RLA BBarrington BLB

VS NO. 0487N

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Annex I

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ANNEX J

SUMMARY COST OF PROJECT CATEGORY AND FISCAL YEAR

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MANAGEMENT TRAINING FOR THE PRIVATE SECTOR
SUMMARY OF COSTS BY BUDGET CAGEGORY AND FISCAL YEAR

	Fiscal Year	LOE	1992	LOE	1993	LOE	1994	LOE	1995	LOE	1996	LOE	1997	TOTAL	
I	Institutional TA/Contractor														
1	HOME OFFICE SUPPORT*		0		60,000		82,500		82,500		82,500		61,875	369,375	
	Total Home Office Support		0		60,000		82,500		82,500		82,500		61,875	369,375	369,375
2	LOCAL OFFICE COSTS														
	A Team Leader-Tunisia-Salary*		0		75,000		78,750		82,688		86,822		45,582	368,842	
	B Trng Spec -Tunisia-Salary*		0		40,000		42,000		44,100		0		0	126,100	
	C Post Differential (10%)		0		11,500		12,075		12,679		8,682		4,558	49,494	
	D Benefits, OH & G&A*(150%)		0		172,500		181,125		190,182		130,233		68,373	742,413	
	E Support Cost*		0		215,550		118,350		141,138		51,482		73,300	599,820	
	F One Local Professional*		0		40,000		42,000		44,100		46,305		24,310	196,715	
	G One Admin Assistant*		0		25,000		26,250		27,563		28,941		14,470	122,223	
	H One Secretary*		0		10,500		11,025		11,576		12,155		6,078	51,334	
	I One Driver*		0		4,800		5,040		5,292		5,557		2,778	23,467	
	J Project Veh (inc main & ins)*		0		20,000		2,000		2,000		1,500		1,000	26,500	
	K Contractor Off Equipment*		0		37,000		7,000		3,500		0		0	47,500	
	L Office rent, Utils & Maint*		0		12,000		14,000		16,000		18,000		12,000	72,000	
	M Oper Expenses-local Office*		0		37,000		40,000		40,000		40,000		25,000	182,000	
	G&A of 30% on F M		0		55,890		44,195		45,009		45,737		25,691	216,522	
	Total Local Office Costs		0		756,740		623,810		665,827		475,414		303,140	2,824,930	2,824,930
3	POLICY STUDIES (24 mon ST)*														
	A Local		0	(1)	10,000	(1)	10,000	(1)	10,000		0		0	30,000	
	B Expatriate		0		0	(4)	92,000	(10)	230,000	(10)	230,000		0	552,000	
	C Seminar Support Cost(6)		0		0	(2)	4,000	(2)	4,000	(2)	4,000		0	12,000	
	Total Policy Studies		0		10,000		106,000		244,000		234,000		0	594,000	594,000
4	IN-COUNTRY TRAINING														
	A Diagn Studies (12 mon)*		0	(3)	30000	(3)	30000	(3)	30000	(2)	20000	(1)	10000	120,000	
	B Short-term TA/Trng (50 mon)*		0	(10)	230000	(15)	345000	(15)	345000	(5)	115000	(5)	115000	1,150,000	
	C Seminar Support Costs (26)*		0	(6)	12000	(10)	20000	(7)	14000	(3)	6000			52,000	
	D In-Country Tuition Support*		0		75000		150000		150000		0		0	375,000	
	E Computer Equipment*		0		10000		22000		13000		3000		5000	53,000	
	F Other Training Equipment*		0		8000		8000		5000		0		0	21,000	
	G&A OF 30% on A-F		0		109,500		172,500		167,100		43,200		39,000	531,300	
	Total In-country Training		0		474,500		747,500		724,100		187,200		169,000	2,302,300	2,302,300

4 BUSINESS DEVELOPMENT								
A Bus Dev Promo Material*	0	150,000	80,000	10,000	5,000	5,000	250,000	
B Short-term TA/Bus Dev (58 mon)*	0	(6) 138,000	(12) 276,000	(15) 345,000	(15) 345,000	(10) 230,000	1,334,000	
G&A OF 30% of A	0	45,000	24,000	3,000	1,500	1,500	75,000	
Total Business Development	0	333,000	380,000	358,000	351,500	236,500	1,659,000	1,659,000
5 U S INTERNSHIPS								
A US Interns/Study Tours(40)*	(5) 40000	(5) 40000	(10) 80000	(10) 80000	(10) 80000	(5) 40000	360,000	
B Workshops & follow-on Act*	0	8000	15000	15000	15000	15000	68,000	
G&A OF 30% OF A&B	12,000	14,400	28,500	28,500	28,500	16,500	128,400	
Total US Internships	52,000	62,400	123,500	123,500	123,500	71,500	556,400	556,400
6 ASSOCIATION GRANTS*	0	(5) 100,000	(5) 100,000	(5) 100,000	(5) 100,000	(5) 100,000	500,000	
G&A OF 30%	0	30,000	30,000	30,000	30,000	30,000	150,000	
Total Grants	0	130,000	130,000	130,000	130,000	130,000	650,000	650,000
Contingency & Inflation	0	233,000	233,000	233,000	233,000	233,000	1,165,000	1,165,000
TOTAL INSTITUTIONAL CONTRACTOR	52,000	2,059,640	2,426,310	2,560,927	1,817,114	1,205,015	10,121,005	10,121,005
Less $300,000 for FIAS								(300,000)
Plus $175,000 for audits								175,000
								9,996,005
II U S TRAINING								
A US Short-Term TRNG (310 ops)	(10) 75000	(30) 225000	(80) 600000	(80) 600000	(80) 600000	(30) 22500	2,122,500	
B US Academic Training (15 opps)	0	0	(8) 480,000	(7) 420,000	0	0	900,000	
C 30% Overhead	22,500	67,500	324,000	306,000	180,000	6,750	906,750	
Contingency & Inflation	60,000	60,000	102,000	102,000	102,000	102,000	528,000	
Total U S Training	157,500	352,500	1,506,000	1,428,000	882,000	131,250	4,457,250	4,457,250
III PROJECT MANAGEMENT								
A I D								
A One USPSC Project Manager	0	75000	75000	75000	75000	50000	350,000	
B One PSC Training Asst FSN-7	0	17000	17000	17000	17000	17000	85,000	
D Commodities	0	5000	2500	0	0	0	7,500	
Contingency & Inflation	0	12,000	12,000	12,000	12,000	12,000	60,000	
Total Project MGT A I D	0	109,000	106,500	104,000	104,000	79,000	502,500	502,500
IV FIAS "Industrial Linkages" Study	0	300,000	0	0	0	0	0	300,000

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V	IESC	0	434,800	465,236	0	0	0	900,036	
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	Contingency & Inflation	0	57,000	57,000	0	0	0	114,000	
	Total IESC	0	491,800	522,236	0	0	0	1,014,036	1,014,036
VI	TECH TRANSFER PROJECT								
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	A TT Pipeline to MUST	560,000	670,000	330,000	0	0	0	1,560,000	
	B Follow-up Activities/TT	0	70,000	70,000	0	0	0	140,000	
	Total TT Pipeline	560,000	740,000	400,000	0	0	0	1,700,000	1,700,000
VII	EVALUATIONS/AUDITS								
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	A Evaluations (2)	0	0	0	100000	0	75000	175,000	
	B Audits	0	10000	10000	10000	10000	10000	50,000	
	Contingency & Inflation	0	7000	7000	7000	7000	7000	35,000	
	Total Eval & Audits	0	17,000	17,000	117,000	17000	92,000	260,000	260,000
VIII	CONTINGENCY								270,209
	PROJECT TOTAL								
									18,500,000

CONTINGENCY AT 5% AND INFLATION AT 8%

* ITEMS TO BE INCLUDED IN PROPOSED TECHNICAL ASSISTANCE CONTRACT

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