
TUNISIA: An Assessment of Private Sector Training Needs and Resources

FINAL REPORT

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EXECUTIVE SUMMARY

This private sector training needs assessment was conducted at the request of USAID/Tunisia. It was jointly funded by the USAID Mission and the Bureau for Private Enterprise through the Private Enterprise Development Support Project (PEDS II). The field work was carried out during a four week period in October and November 1989. The purpose of the private sector training needs assessment was three-fold: (a) to examine the training needs of the Tunisian private sector; (b) to examine in-country resources for private sector training; and (c) to develop a strategy to meet private sector training needs.

With restructuring of the economy, Tunisia's private sector is increasingly called upon to be the principal economic motor of the country. This shift calls for fundamental changes in the roles of the government and business. It also calls for new skills and new attitudes, both within government and the private sector.

As a result of having operated in a protected and non-competitive environment for many years, the Tunisian private sector must now undergo considerable change as the government proceeds with liberalization. Change at the policy level is in motion; but change at the micro level -- the enterprise level -- may prove to be more difficult. Training can help the Tunisian private sector acquire the necessary skills to adapt to a rapidly changing and increasingly competitive environment.

In order to assess the training needs of Tunisian businesses the team conducted interviews with the owners or senior managers of thirty-four Tunisian private sector businesses; in addition, the team interviewed a number of commercial banks, private sector support organizations and training institutions to gain their perspective on training needs in the private sector.

A. Private Sector Training Needs: Management

The management cadre in the Tunisian firm tends to be a small set of individuals at the top level of the firm, including the PDG and other top executives. The mid-level and junior-level manager is virtually non-existent in the firm. The management cadre in industry is heavily dominated by experienced engineers who often have had little to no formal training in management per se.

Decision-making in the Tunisian firm tends to flow from the top. Fundamental changes in the firm's orientation must also stem from the top. The ability of the Tunisian firm to compete effectively in a liberalized environment will depend in large part on the management's team's willingness to change and adapt. If management is unwilling or unable to adapt, the firm will not adapt.

For this reason, the team believes it is essential to focus on developing and strengthening the skills of management; these individuals will set the pace for reorienting the firm to a new set of demands in the marketplace. The key skills that are currently missing at the management level and that urgently need to be developed are the following:

♦ MARKETING

Marketing was the "missing skill" most frequently cited by business-people during the interviews. The ability to assess and respond to market demands will be critical for Tunisian businesses as the economy changes.

♦ STRATEGIC PLANNING AND IMPLEMENTATION

The Tunisian firm is just beginning to face increased competition in the domestic market; with liberalization, this competition will grow. In an increasingly competitive environment, the managers of Tunisian firms will need to think strategically about where the firm is going and how to get there. This calls for developing skills in long-term planning and implementation.

♦ FINANCIAL MANAGEMENT

The success of financial markets development in Tunisia depends in large part on the development of financially-healthy companies. There is a strong cadre of financial accountants in Tunisia who are capable of meeting businesses' accounting needs. The ability to analyze the company's internal operations in financial terms for the decision-maker, however, is a skill which appears to be lacking in many firms; the ability to use financial analysis as a tool for management and investment decisions will become increasingly important.

♦ MANAGEMENT OF INFORMATION

Many Tunisian companies are beginning to introduce computers. Among the firms interviewed by the team, the range of skills varied tremendously. There is a relatively strong body of computer expertise in Tunisia. What appears to be missing, however, is the link between informatics and management. The manager must be able to know what information he/she needs and must use information generated by the computer effectively for decision-making; this is a skill which must be further developed.

♦ MEASUREMENT OF PRODUCTIVITY/PERFORMANCE

A major concern of the Tunisian manager is how to measure productivity within the firm. The concern stems partially from a desire to institute incentive systems based on the productivity of

workers. A number of business-people noted that it is extremely difficult to find individuals with such skills, yet there is a tremendous demand for their services.

♦ HUMAN RESOURCE MANAGEMENT

The ability to manage human resources is another one of the most critical needs within the Tunisian firm. Business-owners are very concerned about how to motivate employees. This is particularly acute in light of the constraining labor laws in Tunisia which prevent businesses from firing employees for lack of performance.

B. Private Sector Training Needs: Technical

Technical training needs are acute in Tunisia. From the perspective of the business community, there is a severe mismatch between the training provided in Tunisian training institutions and the needs of industry. This mismatch prevails at all levels of technical training: from the engineer, through the production supervisor, to the technically skilled employee. The business community feels that technical training is much too theoretical and has little application to the realities of Tunisian business. The key manpower gaps in the technical area are the following:

♦ MAINTENANCE AND REPAIR

Nearly all business-people are affected by the severe lack of maintenance and repair skills among Tunisian technicians. Traditionally, technical training has focused on the operation side of machinery, leaving a severe gap in the capacity to maintain and repair machines. The gap is widely recognized, and training institutions such as OFPE are beginning to respond.

♦ PROBLEM-SOLVING SKILLS

The Tunisian business-person sees a lack of problem-solving skills among technical staff: the ability ask why is "X" a problem and to assess the possible options for solving the problem.

♦ MID-LEVEL TECHNICAL SKILLS

Business-people feel that the most critical gap is the mid-level technician. Engineers are readily available (although often without the industry-specific skills required), but is the mid-level technician that is difficult to find.

♦ TECHNOLOGICAL KNOW-HOW

Tunisian businessmen rely heavily on European partners and suppliers for technological know-how and training because they feel there are few internal sources of information on technological

developments. Tunisian technical schools use equipment that is out-of-date and inappropriate to meet the current needs of Tunisian industry. As a result, new technicians lack the knowledge of current technologies and must be re-trained once they join the firm.

C. Private Sector Training Resources

Tunisia has invested considerable resources in the development of human resources. The result? A impressive number of training institutions devoted to higher education, as well as vocational training. A number of themes emerged during the course of the team's meetings with Tunisian educational and training institutions; these lay the groundwork for defining gaps in private sector training. The most important themes which emerged from our discussions were the following:

♦ **Rigidity of the Educational System**

The Tunisian educational system is tightly controlled by the government. Any changes in curriculum, including the development of a new course, must undergo a lengthy process of review and approval. The net effect is to dampen the system's flexibility and its ability to respond to changes in the economy.

The need for change in Tunisian educational systems is widely recognized, and a major effort is underway to adopt reform. The first phase of the reform effort targets fundamental changes in primary and secondary school; the World Bank is providing support to this effort through a \$95 million educational and training sector reform program. The second phase of educational reform will focus on higher education; at this point, the plans for university reform appear to be at the conceptual level.

♦ **Lack of Client Orientation**

At all levels of education and training, the team found a lack of orientation toward the market. Among both public and private institutions, there is a tendency to develop training programs without a good sense of the demand for such training. Most importantly, the client is rarely involved in the design or implementation of programs.

♦ **Focus on Degrees**

The Tunisian educational system is oriented to producing degrees. From the perspective of the private sector, degree-oriented education has produced well-educated individuals steeped in theory, but rarely are these individuals versed in the practical aspects of conducting business.

♦ **Lack of Qualified Faculty and Staff**

At all levels of Tunisian education and training there appears to be a lack of qualified faculty and/or trainers. The problem is both quantitative and qualitative. There is a genuine shortage of professors and/or trainers to handle the training needs of the private sector. In addition, teachers have little "real world" experience in business and industry. Lastly, at all levels of Tunisian education and training, the team noted a lack of pedagogical skills.

D. Defining the Gap: Needs vs. Resources

♦ **Linkages between Business and Training Institutions**

According to the Tunisian business community, job-seekers don't have the skills needed to prepare them for work in industry. At all levels of the professional ladder, education and training is too theoretical; the practical component begins the day the individual starts work. On the one hand, the private sector's tendency to expect that an employee should be productive from day one is clearly unrealistic; no matter how effective pre-service training is, some on-the-job training will be necessary. On the other, the weak relationship between training and employment is a serious problem in Tunisia.

There is an urgent need to adapt educational and training programs to the needs of the private sector. To ensure that this happens, industry must be increasingly involved in the design and management of such programs.

♦ **Management Training**

The training needs assessment indicated important needs in both management and technical areas. While technical needs continue to be important, a significant amount of resources is being devoted to revamping technical training programs from the Government of Tunisia and the donor community. The development of management skills, however, remains an area where considerable work lies ahead.

♦ **Training of Trainers**

Another large gap is training for trainers. The primary problem is that those who are responsible for training people for work in the private sector have very little experience in business themselves; in addition, they often lack the pedagogical skills needed to design and execute effective training programs.

♦ **Adult and Continuing Education**

Adult and continuing education is a relatively new addition to the Tunisian educational system. Some of the universities have recently added evening and weekend training programs for adults. In a changing economic environment, adult and continuing education programs will prove to be even more critical; they offer job-seekers an opportunity to adopt new skills in accordance with the needs of the market. Efforts to expand and develop this sector should be encouraged.

E. A Recommended Strategy for USAID/Tunisia

The proposed strategy is designed to focus directly on the needs of the Tunisian private sector, as well as the use of Tunisia's own resources to respond to private sector needs. The team believes that USAID can most effectively address private sector training needs by serving as a catalyst: a catalyst for the development of education and training programs adapted to the needs to the Tunisian private sector.

1. Objectives and Targets

The primary goal of the training strategy is to develop the key skills in the private sector needed to make the transition to a market- and export-oriented economy. The most important skills to be developed are in the areas of management and marketing. The team recommends two targets for USAID's private sector training strategy:

Key Decision-Makers in Business, with a focus on export industries, agri-business, the financial community, and urban managers and developers.

Private Sector Support Organizations

2. Proposed Activities

Based on its assessment of training needs and resources in the private sector, the team developed an illustrative outline of the types of activities to be supported by the Mission's strategy. This list of training activities should be viewed as a guide for the development of future private sector training programs, rather than a definitive list of activities. The most important criteria for identifying private sector training activities are the following:

- ♦ Training programs must have the active support and involvement of the private sector.
- ♦ The private sector must see a tangible benefit in order to participate.
- ♦ Training programs should be based at existing institutions and faculties with a view toward improving the quality and quantity of business-related training.
- ♦ Training programs should focus on, but be limited to, management and marketing.

The following section illustrates the type of training programs recommended for funding by USAID/Tunisia.

Target 1: Key decision-makers in business, with a focus on export industries, agri-business, the financial community, and urban managers and developers

a. Development of Linkages: Tunisian and American Higher Education

The team recommends that USAID fund the establishment of linkages between Tunisian and American institutions of higher education; recommended candidates for the Tunisian counterpart include ISG, IHEC, or ENIT. The U.S. institutions should be identified in collaboration with the Tunisian institution; this is critical to ensuring that the linkage is based on a mutually beneficial relationship. USAID funding might be used as a catalyst to fostering the linkage; however, the relationship must be based on mutual interests and commitments that go beyond USAID's start-up funds. The objective of establishing the linkage would be to build the Tunisian institution's capacity to deliver practical management education courses.

b. Development of Linkages: Tunisian Education/Training Facilities and Tunisian Business

The team strongly recommends that linkages between Tunisian educational and training facilities and Tunisian business be an element of all USAID-funded private sector training activities. As a start to facilitating such linkages, USAID should consider funding a study group of Tunisian business-people and academics to visit models of collaborative relationships in other countries. Such exposure might be particularly critical in light of efforts to undertake reforms in higher education.

c. Short-Term In-Country Courses for Tunisian Managers

Local universities would develop a series of short intensive courses focusing on key issues and problems for Tunisian managers: suggested local institutions include ISG, IHEC, and ENIT. The courses would be developed in collaboration with a U.S. university or management training institution. Joint participation of Tunisian and American expertise would aim to ensure the development of a series of top-level management courses **adapted to the reality of the Tunisian context**. The focus of these courses will be on needs identified in this report, specifically: measures of productivity and performance, marketing, financial management, information management, and strategic planning and implementation. The range of courses should remain flexible to ensure adaptability to Tunisia's future training needs.

d. Training of Trainers

Lack of qualified educators is an important gap at all levels of private sector training. As part of its long-term scholarship program, USAID should consider funding scholarships for educators to study overseas. The Tunisian private sector is also a valuable resource for training of trainers; a collaborative relationship between industry and training institutions might be established in which the private sector provides practical training to trainers.

e. Business Internships in the U.S. for Tunisian Business Owners and Managers

The team recommends that each year up to 8 business-owners and managers be selected to participate in AID's Entrepreneurs International (EI) Program. Under this program, Tunisian entrepreneurs are matched with U.S. firms that are similar in activity and scale for a period of two to four weeks to learn U.S. firm's operations and management. The objective is to learn management and production techniques from the U.S. counterparts.

f. Development of Executive Management Seminars/Retreats

In conjunction with the short-term management seminars, a series of executive management retreats could be planned to focus on timely issues of concern to business-owners. The design must be such that the CEO relates the topic to his company's current bottom-line, but also grasps the importance of the subject matter for the long-term survival of the firm. A series of seminars related to the advent of Europe 1992 is an example of a topic which is on the mind of all Tunisian executives.

g. Long-term Scholarships

The team recommends very limited levels of long-term training in the private sector strategy; to the extent that long-term training is provided, the team recommends training at the Master's level in business management, marketing, finance, industrial management and engineering, and urban planning and finance.

Target 2: Private Sector Support Organizations

a. Study Tours/Short-Term Training/Technical Assistance: Members and Staff of the Chambers of Commerce

The team recommends that USAID/Tunis fund a study tour for the staff of the four Chambers of Commerce to visit an active chamber in another developing country and explore new methods of providing services to their members.

b. Technical Assistance

To establish the Chambers of Commerce as an effective "clearinghouse" of information between the business community and educational/training institutions, the team recommends that USAID/Tunisia finance technical assistance from a local institution to upgrade and develop the skills of the Chambers of Commerce.

c. Development of Chamber-Based Training Programs

All of the Chambers of Commerce are interested in serving as training vehicles for the private sector. As an initial effort to assist the Chambers in developing training programs, USAID/Tunisia could provide assistance to strengthen the nascent "junior management" training program in Sousse. Assistance could be provided to train trainers in appropriate pedagogical techniques and content; to develop/adapt courses in the principal business functions (management, marketing, financial management, accounting); and to incorporate professional work experience into the program.

CHAPTER I

INTRODUCTION

This private sector training needs assessment was conducted at the request of USAID/Tunisia. It was jointly funded by the USAID Mission and the Bureau for Private Enterprise through the Private Enterprise Development Support Project (PEDS II). The field work was carried out during a four week in October and November 1989.

The Ernst & Young team consisted of three individuals: Sydney Lewis, Team Leader and Private Sector Analyst; David Harmon, Private Sector Analyst; and Dr. Mary Thormann, an Education and Training Specialist. The team was assisted by a local consultant, M'hamed Ali Ksontini, owner of Actuel Formation (a Tunis-based firm specializing in training). Mr. Ksontini assisted the team in scheduling appropriate interviews and provided valuable insight in conducting the assessment.

The team wishes to express its sincere appreciation to the staff of USAID/Tunisia for their support and assistance in conducting the assessment. We would particularly like to thank Monica McKnight and Rachid Nafti for their special efforts.

A. Objectives and Methodology

The purpose of the private sector training needs assessment was three-fold:

- ◆ To examine the training needs of the Tunisian private sector;
- ◆ To examine in-country resources for private sector training; and
- ◆ To develop a strategy to meet private sector training needs.

The methodology for conducting the assessment involved the following steps:

1. Washington Contacts

Prior to departure, the team contacted and held meetings with the World Bank, the International Finance Corporation and AID/W to obtain relevant background information. These meetings also enabled the team to identify what actions are being undertaken by the donor community to foster economic restructuring and private sector development in Tunisia.

2. Literature Search

The team gathered and reviewed information on Tunisia's private sector, the educational sector, recent economic development and policy changes. A list of the team's primary sources of information is included in Annex 5.

3. Identification of Training Needs in the Private Sector

The team conducted the assessment from a "needs - resources" approach. In the first phase of field work, the team focused on identifying the key strengths and weaknesses of Tunisian firms in terms of managerial and technical skills, and identified skills required to promote private sector growth in the future.

Identification of training needs involved conducting a series of interviews with key actors in private sector development and private sector support institutions. A comprehensive schedule of meetings was organized with officials of the Chambers of Commerce and Industry in Tunis, Sfax and Sousse, the employers' federation (UTICA), key GOT agencies, local commercial banks, the Tunis Stock Market and selected business associations.

Most importantly, the team conducted interviews with 34 Tunisian businesses in Tunis, Grombalia, Sousse and Sfax. A questionnaire with open and closed-end questions was administered in French to the owners or senior managers of the business. Each business interview lasted approximately one and one half hours, including an introductory discussion with the owner/manager about the purpose of the training needs assessment and its importance to the private sector. Businesses interviewed ranged from small to large scale enterprises. At USAID's request, an emphasis was placed on firms in the export and agri-business sectors; dynamic and competitive enterprises were also sought out as candidates for the assessment.

4. Identification of Training Resources

In the second phase of field work, the team focused on identifying training resources in Tunisia. Unlike many developing countries, Tunisia has invested considerable resources in the development of her human resources. The result? A impressive number of training institutions devoted to higher education, as well as vocational training. In collaboration with a local training specialist, the team attempted to interview all of the major training institutions. Given the number of institutions in Tunisia, however, the team was unable to assess or evaluate their programs in an in-depth fashion; a description of the various programs is included in Annex 1.

In addition, the team interviewed all of the key private sector support institutions to examine their potential for providing

training to constituents; a discussion of their training-related activities is included in Annex 2. The team also conducted meetings with all of the major donors in Tunisia to discuss their current and planned activities in support of private sector training; their activities are outlined in Annex 3.

The assessment team regularly reviewed results of the interviews and discussed findings with USAID staff. At the end of the third week, findings from the questionnaire were tabulated and analyzed. Preliminary conclusions and recommendations were presented to USAID, which allowed feedback on the nature and delivery of the proposed training. A final debriefing was held before the team's departure from the field.

5. Development of a Recommended Private Sector Training Strategy for USAID

On the basis of its assessment of private sector training needs and training resources, the team identified key gaps in the development of private sector skills. USAID cannot clearly not fill all of these gaps. The private sector strategy presented in Chapter V attempts to meld the needs of Tunisia private sector with USAID's comparative advantages in training. It is intended to serve as a structure for the development of future USAID-financed training programs.

CHAPTER II

THE PRIVATE SECTOR ENVIRONMENT IN TUNISIA

The environment in which Tunisia's private sector operates is the principal factor which determines training needs. This section sets the stage for close examination of the training needs of the private sector.

A. The Private Sector Environment and its Impact on Training Needs

With restructuring of the economy and institutions, Tunisia's formal private sector is increasingly called upon to be the principal economic motor of the country. The number of new entrants to the job market is growing, and is likely to continue to increase, as Tunisia's policy of privatization of state-owned enterprises (SOEs) is implemented. Currently, the private sector has a limited capacity to absorb the new entrants, in part because the sector is in the early stages of expansion, and in part because of a poor match between work qualifications of potential new employees and the requirements of business. The majority of Tunisian business people note that the educational and work experience qualifications acquired by school graduates, school drop-outs, early retirees and laid-off SOE employees are inadequate for immediately productive employment.

If Tunisia's formal private sector is to prosper, and thus be able to absorb an increasing number of new entrants to the labor force, training of present and soon-to-be entrepreneurs, managers, technicians and workers in the requisite skills must be given high priority. This must be a priority for business, the educational system and the GOT. The second, and equally important, condition is that the various constraints impeding the healthy growth of the private sector be alleviated. Careful analysis and timely action are required to develop an enabling environment which can promote more effective participation of the private sector in Tunisia's economic development.

Following is a summary description of the environment in which the private sector operates in Tunisia, especially as regards policy, economic and market factors, credit, and government regulations. Factors internal to the private sector are briefly discussed as an introduction to examining the kinds of training and delivery which are necessary to strengthen, broaden and deepen the private sector and the organizations which support it.

B. Economic Performance and Policy Reform

1. Performance

a. Background: 1970s

During the 1970s, Tunisia's economy grew in all sectors, with GDP increasing at an average annual rate of 7.4%. The policy of import-substituting industrialization and the petroleum exports underpinned this growth. High levels of investment fueled growth and non-petroleum exports grew at an average rate of approximately 10% per year. Manufacturing led the way in growth, averaging just under 11% per year, and increasing its relative share of GDP and exports.

b. Deterioration and Stabilization: 1980s

A small, protected domestic market no longer offered the potential of further wide scale industrialization via import substitution, and oil production fell as did world oil prices. Added investment in low performing public sector projects and enterprises further aggravated the deteriorating economic performance. Inflation grew at 10% per year; wage increases exceeded productivity with a concomitant drop in employment. Only external borrowing kept GDP growing at 4.5% per year in the early 1980s. By 1984, external debt had increased from 42% (1979) of GDP to 46% and the debt service ratio had grown from 10% to 21%.

By 1985, sources of external financing began to shrink. It was evident that a balance of payments crisis was in the offing. Through a combination of restrictive measures undertaken by the GOT and donor support, Tunisia averted the crisis. It was clear, however, that the economy would have to be restructured. Thus a stabilization and structural adjustment program under IBRD and IMF auspices began in August 1986. From 1985 to 1988, growth in GDP fluctuated widely, ranging from a high of 5.8% in 1987 to a decline of 1.6% in 1986. Drought in 1986 and 1988 adversely affected growth, as did problems with Libya, further decline in oil revenues and a sharp decrease in tourism in 1987.

1988 witnessed both a severe drought and crop damage from locusts coupled with increased world prices for food grains. GDP growth dropped from 5.8% (1987) to 1.5%. Public external debt/GDP grew from 46% (1984) to 61% and the debt service ratio from 21% to 27%. Exports of manufactured goods and growth in tourism revenues, supported by a continued competitive exchange rate, kept the current account of Tunisia's balance of payments in equilibrium.

The GOT projects real GDP growth of 3.5% in 1989, based on projected mediocre agricultural sector performance as offset by increases in manufacturing activity (including exports), tourism revenues, and exports of petroleum and fertilizer. 1989 has also

recorded a high level of interest in industrial investment, including many industrial export projects.

2. Policy Reform

a. Objectives

The GOT/IBRD/IMF structural adjustment and economic stabilization program initiated in August 1986 targets:

- liberalization of trade and deregulation of imports as part of the overall strategy of developing an export oriented open economy
- administrative and fiscal reform
- privatization, divestiture, restructuring and/or increased management autonomy of SOEs (via performance contracts)
- removal of price and profit controls and subsidies
- reduction in government inefficiency and financial burden
- liberalization of the financial sector, including the capital and credit markets
- increased private sector involvement in the economy

b. Progress

Since August 1986, the GOT has made significant progress in the liberalization of economic activities. Following are the principal actions undertaken:

- 80% of agricultural producer prices decontrolled
- 55% of manufactured goods producer prices decontrolled, compared with 6% in 1986; expected to be close to 100% by 1991
- decontrol of profit margins underway - expected that 50% of profit margins will be freed by 1991; fertilizer profit margins decontrolled
- reduction of import duties to a maximum of 41%, with the objective of an effective rate of 25% by 1991; quantitative controls to apply to only 35% of imports, with eventual near-complete elimination except for infant industries and certain subsidized products

- introduction of value added tax to replace a complex, distorted indirect tax system
- simplification of personal income tax and reduction to maximum of 55% (down from 80%); work underway to reform/simplify corporate tax
- initial implementation of SOE privatization policy: a small number of attractive SOEs and SOE units have been privatized, leaving the more complex and "difficult" ones to be restructured prior to privatization, liquidation or placement under management contracts
- average price increase of 16% of subsidized basic commodities
- increased access for private sector in distribution of subsidized basic commodities
- initial work underway to revise the labor code, and to adapt education and training to the economy's need
- simplification of investment code procedures
- reduction of direct financial (budgetary) support to SOEs; limits on SOEs subject to GOT control (SOE law); bank lending to SOEs at market rates
- subsidized interest rates for priority sectors to be raised by one-third of the difference between these rates and money market rates; treasury bills as an additional financial instrument introduced
- floating exchange rate adopted and devaluation of the Tunisian Dinar effective

C. Constraints to Private Sector Development

The key constraints to private sector development identified by the business persons interviewed are: government regulations and bureaucracy, government policy actions giving rise to changed economic and market factors, access to credit, and a general lack of qualified personnel. Apart from government regulations and the bureaucracy, these constraints bear heavily on training needs.

1. Government Regulations and Bureaucracy

"We live in a vicious circle - with all the regulations, industry will not invest, and thus employment is not created."

Tunisian Business Owner

Regulations and bureaucracy guide and hinder the enterprise from its birth. Business people are legion in their complaints about the maze of regulations, many of which do not accord with today's business realities. This situation is aggravated by both labor unions and certain government officials who do not see how competitiveness will engender employment. Business persons are also highly critical of the difficulty and the time involved (lost) in dealing with the bureaucracy, citing lost business opportunities as the most important negative outcome. There are four principal areas of concern: business formation, labor legislation, taxes, and bureaucratic obstacles.

a. Business Formation

According to the Tunisian business people interviewed by the team, the number of steps required to establish a business are numerous and involve a minimum of two months, even with legal assistance. For the new business seeking investment code advantages, approval to import and bank financing, the process has taken up to two years, often resulting in missed business opportunities. These delays particularly affect the start-up SME, which often is dependent on timely bank financing since it does not have its own ample starting resources.

It is important to note, however, that the Government of Tunisia is beginning to take significant steps to accelerate the process of new business creation. Under new legislation the administrative steps and the time required to establish a company will be reduced through a "one-stop" window at the Agency for Investment Promotion (API). It should take only about eight business days to complete administrative arrangements if special incentives are not requested; about four weeks will be required if special incentives are requested.

In addition, new regulations require banks to process financing requests for start-up operations within three months. This represents a substantial reduction in the processing time required for new enterprise financing.

b. Labor Legislation

Labor legislation acts as a multi-faceted constraint. The laws and their interpretation constrain the functioning of the labor market, increase the employer's labor costs, and result in a lower rate of employment. They impinge on the firm's ability to work overtime,

to set vacation schedules which conform with the firm's rhythm of production, and to hire and fire freely. Tunisian business owners state that they only hire when they have a contract/order in hand.

In the case of firing an employee for cause, the burden of proof is on the employer. A strong employees' union coupled with an acquiescent tribunal results in most decisions going against the employer. A particularly pernicious practice is growing: laborers with seniority try to get fired so that they can get large amounts of severance pay coupled with large settlements. They know that if the company goes to court, the process will be drawn out, and the company will lose; it is thus somewhat less costly for the company to pay the severance amount plus a settlement amount immediately. Business people feel that this practice borders on extortion.

The business person wants an equitable, even-handed application of the labor laws, with the ability to hire and fire freely. He/she also wants labor laws which reflect the realities of doing business today in Tunisia. They should respond to the dynamics of business as Tunisia moves through the process of restructuring and liberalizing the economy in the context of export-driven development.

c. Taxes

The tax constraint is also multifaceted, ranging from the heavy burden of taxes to the question of transparency of financial statements which are necessary for the functioning of a stock market open to the public. The Tunisian tax system embodies the French concept of an all-powerful fiscal authority and inspectorate. It aims to collect as much tax revenue as possible and to punish business owners for the slightest perceived transgression of the law. There is little appreciation of the Anglo-Saxon concept of a tax system that not only collects taxes, but also is used to promote economic growth.

The business owner is burdened with a multitude of direct and indirect taxes. Thus, tax evasion occurs on a wide scale. Often they can spend more time on this activity than on the performance and expansion of business. The fiscal authorities, for their part, realize this, and have set the tax rates accordingly, i.e., to cover for the evasion. The question of tax evasion extends to the deepening and broadening of financial markets, especially via potential operations of the stock market. The business that has evaded taxes for years, and which keeps three sets of books, is not likely to become immediately transparent with realistic financial statements.

Social security and other social taxes weigh heavily on the firm's financial performance. The firm itself contributes an amount equal to 20% of the employee's salary for retirement and other "social"

benefits and an amount equal to 2% of salaries for professional training (le taxe de formation professionnelle).

The tax structure, although beginning to be simplified and rationalized, still tries to maximize the amount of revenues collected, rather than to optimize the amount collected as a function of desired national economic objectives. It thus has a negative impact on employment. This may be seen in the following example: a product such as a refrigerator is considered a luxury good. Thus, the customer pays a TVA of 29%. This results in a reduction in effective demand, and a ripple effect on production and therefore employment. If refrigerators were subject to the lower, non-luxury good tax rate of 17%, more would be demanded (and sold), more would be produced, and more labor would be absorbed. According to the business community, the GOT does not seem to be aware of this simple truth.

d. Bureaucratic Obstacles

Bureaucratic obstacles are numerous and slow down the functioning of business. They start with the heavy-handed approach of bureaucrats who are jealous of their prerogatives and carry an anti-business bias born of a French "heritage" and nurtured by years of state control. The operation of the customs department and system is indicative of the bureaucratic obstacles which stand in the way of doing business effectively. Obtaining import licenses for raw materials and spare parts entails continual personal follow-up to ensure receipt of the proper documentation. This can take so long that business opportunities are often lost. Moreover, these delays hurt businesses' ability to plan and operate rationally.

When the GOT does business with a firm, and there is a simple disagreement over the firm's bill, there is no mechanism in the GOT, formal or informal, to rapidly handle such questions. Firms report that small matters can take up to two years to resolve. Furthermore, the GOT, through its own lack of organization, causes contractual delays for which the private contractor/supplier is often penalized. In the construction sector, delays in settling accounts receivable can have a negative ripple effect out to subcontractors, who are not paid if the prime contractor is not paid. Again this results in a concomitant effect on employment.

Finally, and by way of example, many companies do not take advantage of the rebate on the TFP, simply because it takes too much time (time is money) and involves too much hassle to obtain the rebate. Furthermore, the tax collected, which is meant to flow into a special account earmarked for training, reportedly goes into the GOT's general revenue account and is seen no more. The business community feels that there are many similar examples of taxes imposed which provide no benefit to business.

2. Policy Actions: Economic and Market Factors

Tunisia's restructuring and liberalization of her economy have direct implications for training. The speed and depth of desired economic change and new investment will largely determine the amount and type of job creation. The new export-oriented growth strategy further accentuates the private sector's need for appropriate training at all levels.

a. Export-oriented Growth

This strategy carries important implications for training in the private sector. To date, much of Tunisia's manufactured exports have taken place under sub-contracting arrangements with European partners/buyers. This tactic has permitted Tunisian businesses in the textile and electro-mechanical industries, for example, to market through foreign companies rather than meeting the export market head-on. This was and is a wise choice, given businesses' history of operating in a protected domestic market with little in the way of true marketing skills. It also serves to draw better product quality out of the Tunisian manufacturer, and at the same time encourages the realization that well qualified technical and managerial personnel will be key to continued success. Companies in other sectors which wish to export are finding a growing need for training across the spectrum of business functions:

- The need to understand and master new technologies to stay competitive. A characteristic of sub-contracting is the introduction of newer, more sophisticated technologies which have increasingly sophisticated production and assembly requirements. This in turn demands increasingly sophisticated training - not only in production techniques, but also in maintenance and repair skills.
- The need for training in all aspects of management (organization, production, financial, marketing) as the firm grows in size and in complexity of operations. Those firms interviewed which underwent rapid growth in sales reported difficulty in managing the growth, especially where production and quality control were concerned.
- The need for product standardization which meets developed country norms. Some firms simply do not know even the minimum export market requirements.
- The need for up-to-date technology in the food processing area (including laboratories), sanitation, quality control. There is a general absence of knowledge of importing country regulations for food products and of the markets' requirements. Packaged goods, because profit margins per unit item are so small and competition

is so severe, require an excellent grasp of marketing techniques and tools. The lack of marketing expertise is evident when one considers that Tunisia produces many products (food and non-food) which qualify under the US Generalized System of Preferences, but Tunisian business does not know how to access US markets.

- The need to master the tools of management accounting (cost or analytical), so that management knows its true costs of production and can thus negotiate from a position of equality with the foreign partner and/or buyer. This will also help alleviate the problem of the Tunisian business being a "technology taker," i.e., having to accept older technologies which locks the Tunisian business into a subordinate role with foreign partners, while locking it out of other potentially lucrative markets. Some business people interviewed in the electro/mechanical industry admitted their early mistake in this regard and no longer let this happen.

b. Liberalization

The opening of Tunisia's domestic market entails training requirements. The domestic market was once a preserve for Tunisia's private sector, fostering a lax, uncompetitive arena. This is now changing. The domestic market, small to begin with, now has new and more players in it.

- As import duties are lowered and quantitative restrictions lifted, imported goods are increasingly competitive and this competition will grow. Products from the Far East are of most concern because they are of good quality and low price. This fact carries immediate implications for training in both marketing and financial management: marketing to be able to meet the challenge with quality, delivery and product differentiation, and financial management to be able to scale down operations and costs to meet the challenge with competitive prices.
- There is a need to employ technologies which are as effective as those used by the foreign competition. This will require advanced technical training.
- Techniques for developing appropriate strategies and planning skills to combat competition must be acquired.
- There is a need to develop appropriate organizational structures, linking production and marketing activities and making the overequipped Tunisian facility (bought with concessional monies) pay for itself. This has both management and technical training implications.

Both liberalization and the strategy of export oriented growth affect the SME. While SMEs are the fabric of the private sector, they are also less resilient financially, politically and in terms of productive resources than are the larger companies. They have less voice in economic policy decisions and less ability than large companies to absorb the bumps of economic change. In addition to feeling the effects of increasing foreign competition (imports), some of the smaller companies interviewed are feeling increased competition from the informal sector. Only efficient, lean, market-savvy SMEs will be able to enter new markets and prosper in the domestic market. Training implications for the SME cut across all business functions as well as technological adaptation.

3. Banking and Financial Markets/Access to Credit

Key to the development of any private sector is its ability to finance its operations and its expansion by the means of both debt and equity. Consonant with the direction Tunisia's economy is being given by the GOT is the deepening and broadening of the banking and financial markets sector.

a. Development of Banking and Financial Markets

As part of the GOT's policy of promulgating a market-driven economy, the banking sector has undergone some changes and will undergo more. The ultimate objective is that there will be no distinction between a commercial bank and a deposit bank, nor between an offshore bank and an on-shore bank. Banks will be free to compete in any and all activities. An element of competition has just been introduced, as Citibank began resident bank operations in November 1989. Bankers feel that Citibank's presence will force a new rhythm and style for Tunisian banks.

The other major component of this sector's development is that of financial markets, which will be largely driven by the expansion of the Tunis Stock Market. Both banks and financial markets must develop in tandem in order for capital to be mobilized to finance the growth of the economy along desired lines.

The growth of this sector and the changes which will be necessary for growth entail fundamental shifts in attitudes. They will require training across a wide range of financial activities new to Tunisia and for a variety of audiences. A variety of good "products" (financial instruments) must be created to induce savers to invest and thus provide additional capital which the private sector can access. Today, one tenth of Tunisia's population (800,000 individuals) saves with financial institutions. Good "products" in part entail sound companies which are able to go public and draw these savings. Following are the principal factors which must be addressed and resolved for the development of this sector to proceed:

- the lack of transparency of companies' financial situations and statements - this is a serious constraint to the operation of a true auction stock market and to the mobilization of capital from savers.
- in connection with transparency, the need to standardize accounting and auditing procedures so that investors can compare between two (or more) companies
- training for banks in financial services, industry and company research, and money market operations; training for insurance companies and pension funds in portfolio management, industry/company research, and money market operations; training for "agents de change" in the full range of brokerage operations

b. Access to Credit

Some of the business persons interviewed reported having increased difficulty in obtaining credit, stating that only small amounts were available. Pre-financing in particular is hard to get. This is in large part due to the fact that banks have recently hit their credit ceilings.

With respect to SMEs, banks expressed interest in portfolio diversification toward inclusion of a greater proportion of SMEs, starting with medium sized firms already in operation and diversifying across sectors of SME operation. The second step would entail lending to smaller firms and start-up operations. Reportedly, the number of potential smaller business start-ups is growing with the return of emigrants who have amassed small amounts of capital.

Banks estimate that approximately 20-25% of new SMEs are "bankable." Service firms, in particular, have real difficulty obtaining credit to start their operations. They typically have insufficient collateral and bring little personal investment to their project.

Future portfolio diversification by banks, and the growth of private sector activities involving the SME entails training needs for both banks and SMEs:

- For banks: training in identification of projects with potential; training to assist the SME in developing a proposal which meets bank requirements, to develop creative lending mechanisms for the SME, and to monitor and follow-up with the SME.
- For SMEs: training in basic business skills across functional business areas, market studies, proposal

preparation, establishment of accounting and financial management systems, and the technical training appropriate to the nature of the firm's activity.

4. Lack of Qualified Personnel

A principal complaint of the Tunisian business owner is the lack of qualified personnel in both technical and managerial activities. This complaint has three facets: the skills that are currently lacking in the firm, the skills available in the labor market and the skills that the educational/training institutions are turning out.

To better understand the personnel question facing Tunisian business today, a comparison between the past and present, even though partly anecdotal, is useful. The consensus of the business community is that 20 years ago people were motivated and were better "armed" to go into business. By contrast, today's university graduates would rather be employed than be entrepreneurs; they seek security above all. They do not understand what an entrepreneur is: the risk taker, who mobilizes capital to start and nurture a productive, market-driven enterprise which creates employment among other things. Some business owners feel that there are very few entrepreneurs in the true sense of the word, and that there are no professional promoters in Tunisia.

Business people feels that "Tunisia's curse is its plethora of engineers, steeped in theory, but of little practical use." In fact, there are few steps between the engineer and the semi-skilled labor component of a firm's personnel, i.e., a dearth of capable middle and junior level managers, appropriately skilled technicians and foremen. Highly skilled labor, in the form of master mechanics, electricians and others is another gap. Prior to independence, trade skills were largely in the hands of Europeans; when they left, there was no one to fill the gap and it persists today. For example, large companies must have and train their own repair and maintenance personnel because the skills of private sub-contractors are substandard.

On the other hand, there is a large reservoir of low-paid unskilled and semi-skilled labor and of unemployed workers. The reservoir grows with the addition of school leavers and those who do not successfully complete high school. In addition, the liquidation and restructuring of inefficient parastatal enterprises risks adding to this pool of labor, especially the unemployed portion. Moreover, the active work force is getting old, entering the 45-55 age bracket, and it basically learned from on-the-job training. Today's concern is to prepare for the future which means new technologies -- to which it may be difficult to adapt the work force. Furthermore, foreign investors, tend to shy away when they see the lopsidedness of the skill mix. Unemployment officially stands at 14%, but in reality is higher, with some estimates as

high as 25%. Unemployment coupled with the requirements imposed by new technologies and the opening of the economy demonstrate why job creation and training are so important.

The consensus of the business community is that the educational system is not producing the skills that business needs. In addition, it does not try to determine what business needs. In fact, there is little communication between the two sectors, with the result that there is a serious mismatch between the product of the education sector and the demand of the private sector.

In summary:

- ♦ The Tunisian firm lacks management and appropriate technical skills.
- ♦ The Tunisian labor market provides unskilled and semi-skilled labor.
- ♦ The educational institutions provide:
 - a. graduates steeped in theory
 - b. engineers
 - c. technicians with inadequate skills

CHAPTER III

PRIVATE SECTOR TRAINING NEEDS AND RESOURCES

The environment for private sector development is changing rapidly in Tunisia. As noted in the previous chapter, the government can no longer afford to carry the burden of economic development and will increasingly rely on the private sector to take the lead in promoting growth and employment. The government's strategy is to transform the economy from a state-controlled, import-substituting economy to a market-oriented, outward-looking economy. This shift calls for fundamental changes in the roles of the government and business. It also calls for new approaches, new skills and new attitudes, both within government and the private sector.

As a result of having operated in a protected and non-competitive environment for many years, the Tunisian private sector must now undergo considerable change as the government proceeds with liberalization. Change at the policy level is in motion; but change at the micro level -- the enterprise level -- may prove to be more difficult. First, the business person must have the will to change; and to encourage change, the incentives must be right. Secondly, the business person must know how to change. The "how to" is where training can play an important role. Effective training can help the Tunisian private sector acquire the necessary skills to adapt to a rapidly changing and increasingly competitive environment.

The aim of this chapter is to examine the skills which will be needed at the enterprise level to make the transition to a market-oriented economy. In order to assess the training needs of Tunisian businesses the team conducted interviews with the owners or senior managers of thirty-four Tunisian private sector businesses; in addition, the team interviewed a number of commercial banks, private sector support organizations and training institutions to gain their perspective on training needs in the private sector.

A. Profile of the Businesses Interviewed

1. Sectoral Breakdown

In accordance with USAID's priorities, the team focused on dynamic and competitive firms in the agri-business sector and the export sector.

Following is a sectoral breakdown of the thirty-four firms interviewed:

<u>Sector</u>	<u>Number of firms</u>
Agribusiness	11
Services	4
Textiles	4
Leather	2
Electrical-Mechanical	6
Other Industries	<u>7</u>
	34

2. Domestic vs. Export Orientation

Of the 30 firms in the productive sector (excluding services), 13 of the firms generated at least 50% of their sales from exports. Seven firms generated at least 25% of their sales from exports.

3. Size

The 34 firms were almost equally divided among small, medium and large scale firms in terms of number of employees.

Small (1-50 employees)	11 firms
Medium (50-150 employees)	10 firms
Large (150-200 employees)	13 firms

4. Ownership: Private/Foreign/Gender

31 firms were 100% privately owned; two were at least 50% privately owned and only one firm had less than 50% private ownership. In terms of foreign ownership, 28 firms had no foreign participation; two of the firms had less than 50% foreign participation and four of the firms had at least 50% foreign ownership. Two of the firms were women-owned.

5. Employee/Gender Considerations

The team asked firms to disaggregate their staff by level in the firm and by gender. Overall, management and technical staff make up a small portion of the firms' employees relative to labor; women's participation in the management and technical tiers tends to be particularly low. However, women make up a very significant portion of the labor force in certain types of enterprises. Women made up at least 50% of the work force in ten of the firms interviewed by the team. These firms were in the following sectors: fish processing, almond processing, leather goods manufacturers, electric components production, and some garment manufacturers.

The team made a number of efforts to seek out women-owned firms for inclusion in the survey, but faced several hurdles. The first hurdle was to find women-owned firms. The team is convinced that there are probably many women-owned firms in the country; however, they are clearly much less well-known and are outside of the mainstream of the Tunisian business community. Women are not active participants in the private sector support organizations, such as the Chamber of Commerce and UTICA. Once the team identified women-owned firms, the second hurdle was actually speaking to the owner. In one case, the interview was conducted with another family member instead of the female owner.

Since the team was able to interview only one Tunisian business-woman, it could not ascertain whether women might have certain unique training needs. Nonetheless, it is clear that if women managers and technicians are to be included in training activities, there will be special marketing/communications requirements to gain their participation; they do not appear to have access to the traditional flows of information in the Tunisian business community. The team learned of the establishment of an Association of Women Entrepreneurs shortly before its departure from the field. This may be an appropriate vehicle for exploring and meeting the special training needs of women in Tunisian business.

B. Key Characteristics of the Tunisian Firm

The statistical data above give a sense of the types of firms interviewed by the team; however, they clearly do not give a feel for what Tunisian business is all about. In its discussions with Tunisian firms, the team tried to explore how Tunisians conduct business; the means of conducting business clearly has important implications for the types of training needed and desired. While each firm is a specific case, in many respects there are key characteristics that prevail in Tunisian business. The salient characteristics that emerged in the course of our discussions with firms include the following:

- ◆ **Tunisian firms are aware of changes in economic policies and laws, and they respond to those changes.**

Tunisians in the business community are keenly aware of the changes in economic policy that are taking place; this may be partially due to the efforts of UTICA and other private sector support organizations which disseminate information on recent changes. In addition, a number of private sector training institutions offer seminars to explore the implications of recent changes in law and policy on business. Whatever the source of information, many businessmen were able to identify a particular change in policy or law which encouraged them to either start or reorient the direction of their business. For example, a set of reforms passed in 1984

to encourage export development gave one businessman the incentive to create an export trading company; there are now over 300 export trading companies in Tunisia.

♦ **Tunisian firms focus on the "product" vs. the "market."**

The domestic market has been a comfortable niche for Tunisian firms for many years. Protection in the domestic market has shielded Tunisian firms from having to think in terms of market needs. The market has been a "given." Hence, until recently Tunisians could afford to focus on developing a product with little consideration for its price, its quality, and most importantly, its means of delivery to the client.

That market is changing however. A number of business-people noted that they have felt a sharp increase in the level of competition in the domestic market over the past few years. Competition seems to be coming primarily from internal sources; of particular concern to the firms we interviewed is the burgeoning number of informal sector enterprises that are able to produce goods at a low cost. As the government lowers tariff barriers, competition from imported goods on the Tunisian market has also increased. Intense competition in the domestic market has forced a number of firms to turn to the export market where they must face head-on the demands of price and quality competition - often with great difficulty.

The "product" versus "market" orientation of Tunisian firms is a critical factor for several reasons. First and foremost, it plays an important role in the staffing decisions of the business owner; production is foremost in his mind, and production requires engineers and technicians. Management and marketing are viewed as ancillary functions to the business of production; hence these functions are often taken on by a senior engineer who in fact has little knowledge of management or marketing techniques. The engineer may be able to select the best equipment and build the best plant; in contrast, his focus is not on the market and what it needs and demands. The function of marketing is relegated to the process of selling a product, in lieu of assessing what the customer wants and adapting the product to fit the needs of the customer. Real marketing involves a service orientation which is absent from most Tunisian businesses.

♦ **Tunisian firms are beginning to recognize the importance of product quality.**

The demands of the foreign buyer/partner are forcing the Tunisian business community to focus on quality production and control. This issue is particularly important in light of the fact that Tunisian products are often less competitive in price than those of other developing countries. Tunisia may therefore have to find

its niche in producing a better quality product for a reasonable price.

The question that many firms are just beginning to grapple with is "how to" improve quality. Some see the answer in the establishment of norms and standards for the quality of Tunisian products, hence the development of INNORPI (l'Institut National de La Normalisation et de la Propriété Industrielle). These are external standards, however, that provide an element of control but which do not change the internal functions needed to ensure quality.

It is also important to note that the discussion of quality in Tunisia is focused primarily on the "product." There is no doubt that product quality is critical. But as the Tunisian firm faces increasing competition, the need for quality will extend far beyond the development of a good product. Again, the question of product versus market enters the equation. The notion of quality must extend beyond the production phase to concern for developing and servicing a market.

♦ **Tunisian firms tend to focus on the short-term.**

The short-term focus of the Tunisian firm is manifested in many business practices.

1. Investment decisions tend to be driven by the prospect of short-term quick gains as opposed to long-term earnings; as soon as one company is successful in a new market, ten others jump into the game in search of the quick return.
2. The concept of long-term planning and strategizing appeared to be absent in most of the firms interviewed by the team.
3. The focus on the short-term has important implications for the private sector's approach to training. Tunisian businesses tend to view training as a means of resolving a specific problem; i.e. the machine is broken so someone is trained to fix the machine. The output is well-defined and tangible. The concept of investing in human capital to strengthen the firm requires a longer-term perspective.

♦ **Tunisian firms are tightly controlled and administered by the director of the firm.**

The President-Directeur General (PDG) is the decision-maker in the Tunisian firm. There tends to be little delegation of authority and decision-making within the firm. The PDG is often involved in nearly every facet of the business, keeping information and decision-making within his control. The PDG effectively administers the operations of the firm -- top-down -- but the question is:

does he manage the business? Administration and management in the Tunisian firm tend to be viewed as one and the same; but clearly as the size and complexity of the firm grow, effective management becomes increasingly essential.

- ♦ **Tunisian firms are adept at financial accounting, but lack management accounting and other financial management skills.**

The distinction between financial accounting and management accounting is important. Either from within or outside the firm the Tunisian business appears to have ready access to the accounting skills necessary to prepare essential financial documents (the balance sheet and the profit and loss statement). None of the businessmen interviewed by the team identified lack of financial accounting skills as a problem. Whether the financial statements of most firms are valid is a separate issue; the skills are available to prepare valid documents if so desired.

In contrast, management accounting is an essential business skill that appears to be missing in most firms. Management accounting involves the ability to analyze the firm's internal operations in financial terms; it involves analyzing the firm's cost and profit centers. The tools provided by management accounting enable the business-person to make fundamental decisions and choices about how to manage the firm's assets and liabilities, and how to finance the firm's operations through the use of either equity, retained earnings, debt instruments, bank finance or other sources. In addition, it enables the business-person to analyze the kind of return a particular investment should generate. These types of skills are fundamental to the development of financially-solid firms and form the basis for the development of financial markets.

- ♦ **Tunisian firms tend to have relatively weak links with outside institutions.**

Professional and business associations are viewed with skepticism by the Tunisian businessman, in large part because they are unable to provide the services that businesses need. The Chambers of Commerce are nascent organizations; after 25 years of dormancy, they are just beginning to come to life. Their outreach to the business community is limited, but growing. UTICA is an effective lobbying organization vis-a-vis the government and has offered valuable services to the business community; nonetheless, from the businessman's perspective, its strong political ties make it a less effective mechanism for providing services to the broader business community. Industry and professional associations in Tunisia have traditionally been weak, but appear to be growing in strength as they attempt to provide more services to their members.

Tunisian firms rely on European ties for access to technology, training, technical assistance and markets.

Due to traditional ties with Europe, the Tunisian firm continues to rely heavily on European expertise for access to information and skills. American expertise is valued, but is clearly much less accessible due to distance, language and cost.

The European ties have been advantageous to Tunisian firms in many respects. There is a certain ease of doing business -- which does not exist between Tunisia and other regions. Due to long-standing business relationships, European and Tunisian firms are familiar with each other's business styles; Europe's proximity facilitates communications and delivery of goods and services. On the other hand, reliance on European technology may not be to Tunisia's advantage in terms of competing vis-a-vis other regions, in particular, Asia. Furthermore, reliance on European markets may be problematic in light of the upcoming changes in the European Economic Community.

C. Analysis of the Tunisian Firm: Manpower Strengths and Weaknesses

The team examined manpower strengths and weaknesses at the management level and the technical level during its meetings with the thirty-four firms; in addition, the team solicited the views of bankers and other institutions involved in private sector development. The training needs of labor were not an explicit focus of the study.

1. Management Training Needs

The management cadre in the Tunisian firm tends to be a very small set of individuals at the top level of firm, including the PDG and other top executives. The mid-level and junior-level manager, as we understand management structure, is virtually non-existent in the firm. The management cadre in industry is heavily dominated by experienced engineers who often have had little to no formal training in management per se.

The lack of strong management skills training within industry appears to be linked to both supply and demand. On the one hand, the directors of most firms have a clear preference for technical skills over managerial skills in their staff; the engineer reigns supreme in industry. On the other hand, many of the newly-trained managers from Tunisian business schools seem to have a preference for banking or public administration over industry.

As noted above, the Tunisian firm tends to be hierarchical and decisions flow from the top; there is very little flow of

information from the bottom to the top, or laterally in the firm. Given the characteristics of the Tunisian firm, fundamental changes in the firm's orientation must also stem from the top. The ability of the Tunisian firm to compete effectively in a liberalized environment will depend in large part on the management team's willingness to change and adapt. If management is unwilling or unable to adapt, the firm will not adapt.

For this reason, we believe it is essential to focus on developing and strengthening the skills of management to weld a management team; these individuals will set the pace for reorienting the firm to a new set of demands in the marketplace. The key skills that are currently missing at the management level and that urgently need to be developed are the following:

a. MARKETING

Marketing was the "missing skill" most frequently cited by business-people during the interviews. The ability to assess and respond to market demands will be critical for Tunisian businesses as the economy changes. Marketing should not be viewed as an isolated function of the firm, but rather as an approach to doing business, an orientation versus a skill. For this reason, marketing skills are critical for the PDG as well as the key individuals on the management team. Understanding that the market (the customer) drives the business is critical for all employees.

b. STRATEGIC PLANNING AND IMPLEMENTATION

The Tunisian firm is just beginning to face increased competition in the domestic market; with liberalization, this competition will grow. The Tunisian firm also faces daunting challenges in the export market vis-a-vis competitors from other developing countries in the Maghreb and the Far East. Short-term actions are unlikely to generate the quick return they have in the past. In an increasingly competitive environment, the managers of Tunisian firms will need to think strategically about where the firm is going and how to get there. This calls for developing skills in long-term strategic planning and implementation.

c. FINANCIAL MANAGEMENT

The success of financial markets development in Tunisia depends in large part on the development of financially healthy companies. As noted previously, there appears to be a strong cadre of financial accountants in Tunisia who are fully capable of meeting businesses' accounting needs. The ability to analyze the company's internal

operations in financial terms for the decision-maker, however, is a skill which appears to be lacking in many firms; the ability to use financial analysis as a tool for management and investment decisions will become increasingly important.

d. MANAGEMENT OF INFORMATION

Many Tunisian companies are beginning to introduce computers within the firm. Among the firms interviewed by the team, the range of skills varied tremendously. A few firms had just bought their first microcomputer and literally placed it in the closet because they didn't know how to use it. Other firms had developed a long-range plan to gradually integrate computers into their operations -- with the assistance of local computer experts. There is a relatively strong body of computer expertise in Tunisia. What appears to be missing is the link between informatics and management. The manager must be able to know what information he/she needs and must use information generated by the computer effectively for decision-making; this is a skill which must be further developed within the management team.

e. MEASUREMENT OF PRODUCTIVITY/PERFORMANCE

A major concern of the Tunisian manager is how to measure productivity within the firm. The concern stems partially from a desire to institute incentive systems based on the productivity of workers; the manager first needs to establish a "base-line" level of productivity from which he/she can establish incentives for increased productivity. A number of business-people noted that it is extremely difficult to find individuals with the ability to undertake productivity analyses, and yet there is a tremendous demand for their services. The temporary solution? The managing director does the study himself.

f. HUMAN RESOURCE MANAGEMENT

The ability to manage human resources is probably one of the most critical needs within the Tunisian firm, but also one of the most difficult skills to impart. The relationships within a firm are closely tied to cultural and social values; hence they are unlikely to change as a result of mere short-term training efforts. Nonetheless, business-owners are very concerned about how to motivate employees. This is particularly acute in light of the constraining labor laws in Tunisia which prevent businesses from firing employees for lack of performance.

In our discussions with the PDGs of Tunisian firms, we explored the types of personal qualities needed in the management and technical staff and what they feel is missing within their firms. They repeatedly noted the following types of qualities:

The Missing Personal Qualities in Tunisian Manpower
From the Perspective of the PDG

<u>Management Staff</u>	<u>Technical Staff</u>
* Leadership	* Rigor
* Risk-taking	* Vision of the Total Firm
* Success Orientation	* Willingness to "get hands dirty"
* Vision	
* Professionalism	
* Willingness to take responsibility	

It is important to note that these are the qualities that the PDG feels are missing; but it is also important to recognize that the type of environment created by the PDG in the firm may well be one in which it is very difficult to develop these traits. Development of these skills in the management and technical staff would necessarily "threaten" the kind of control and decision-making to which the PDG is accustomed.

2. Technical Training Needs

Technical training needs are acute in Tunisia. A recent study conducted by the Institut d'Economie Quantitative and financed by the World Bank concluded that there is a relatively low level of technical skills in the Tunisian economy. Production and high-level technicians represent only 3% of the total number of people employed in all branches of the non-agricultural economy. High-level technicians plus technically skilled labor make up 13.2% of the non-agricultural labor force. Such shortages may inhibit the Government's effort to restructure the Tunisian economy. Shortages are particularly severe in industries which require high standards of quality control, modern production techniques and specialized machinery.

From the perspective of the business community, there is a severe mismatch between the training provided in Tunisian training institutions and the needs of industry. This mismatch prevails at all levels of technical training: from the engineer, through the production supervisor, to the technically skilled employee. The business community feels that technical training is much too theoretical and has little application to the realities of Tunisian business. The business-person is forced to start virtually at

ground zero to train staff to meet the technical needs of the firm. There is clearly a need for industry and training institutions to coordinate more closely in the development and implementation of training programs so that technicians at all levels are prepared to enter the work force.

The key manpower gaps in the technical area are the following:

a. MAINTENANCE AND REPAIR

Nearly all business-people are affected by the severe lack of maintenance and repair skills among Tunisian technicians. Traditionally, technical training has focused on the operations side of machinery, leaving a severe gap in the capacity to maintain and repair machines. The gap is widely recognized, and training institutions such as OFPE are beginning to respond.

b. PROBLEM-SOLVING SKILLS

The Tunisian business-person sees a lack of problem-solving skills among technical staff: the ability to ask why is "X" a problem and to assess the possible options for solving the problem.

c. MID-LEVEL TECHNICAL SKILLS

While the statistics above indicate gaps in technical skills at all levels, business-people feel that the most critical gap is at the mid-level, "l'agent de maitrise." According to the business community, engineers are readily available (although often without the industry-specific skills required). It is the mid-level technician that is difficult to find. This individual is critical, as the key link between the senior management/technical staff and the employees. Without the skilled agent de maitrise, there is little flow of communication between the top and the bottom of the firm.

d. TECHNOLOGICAL KNOW-HOW

Tunisian businessmen rely heavily on European partners and suppliers for technological know-how and training because they feel there are few internal sources of information on technological developments. In terms of training, businessmen note that Tunisian technical schools use equipment that is out-of-date and totally inappropriate to meet the current needs of Tunisian industry. As a result, new technicians lack the

knowledge of current technologies and must be re-trained once they join the firm.

D. In-Service Training in the Private Sector: Current Activities

1. Use of the Tax Rebate for Training

The Government of Tunisia has tried to encourage local businesses to adopt training programs through a tax rebate system. A tax equal to 2% of the salaries of employees is levied on the firm to support professional training activities; the tax was recently reduced to 1% for manufacturing enterprises. Firms may obtain a rebate on the tax by having a training plan approved by the OFPE (Office de la Formation Professionnelle et de l'Emploi) in the Ministry of Social Affairs.

Of the thirty-four firms interviewed by the team, eleven of the firms stated that they take advantage of the tax rebate option. These tended to be the larger firms for which the 1-2% rebate represents a significant amount of money; in addition, they tend to have the capacity to develop a training plan and follow-up on the necessary administrative procedures. Small to mid-sized firms view the administrative procedures to obtaining the rebate as more costly than the value of the rebate; they may still provide training for their employees, but choose not to request the rebate.

2. Types of Training

The Tunisian business relies heavily upon on-the-job training for the staff; this is primarily due to the fact that the kind of training provided in academic and training institutions is not well-adapted to the needs of Tunisian business. Among the firms visited by the team, only three had formal in-house training programs for their employees; these were among the largest firms interviewed by the team.

Another very important source of training for the Tunisian firm is the European partner or supplier of machinery. Training for the Tunisian counterpart is viewed as an integral part of the purchase of new equipment; Tunisian staff may be trained for a period of time in a European factory where such equipment is used or the European technical staff may be brought to Tunisia to train the staff on-site. [It is interesting to note that, according to businessmen, they are able to obtain a refund on the professional training tax if training takes place overseas, but are unable to benefit from the rebate if the training takes place on-site].

A third, but much less significant, source of training mentioned by private businesses were local institutions. A few businesses had developed relationships with local institutions to provide

continuing education for their staff; sources included local accounting firms, banks, institutes of higher education (ISG and IHEC), and private training firms.

3. Attitudes Toward Training

The Tunisian firm views access to trained and skilled personnel as a critical constraint to doing business. The businessman feels strongly, however, that the current educational and training system is ill-adapted to the needs of Tunisian industry. Its emphasis on theory as opposed to practice, and its focus on degree-training as opposed to continuing professional education, have created a severe mismatch between the skills available and the skills needed to create a vibrant private sector.

The Tunisian business-person does invest considerably in "on-the-job" training. He is less disposed to invest in training outside the firm, however, because the benefits are much less direct. The individual is seen to benefit more than the firm. As noted above, the business-person invests in training when it is tied to a tangible result such as the purchase of a new machine. The training must have a very specific objective and a very tangible result.

E. Other Training Needs Related to Private Sector Development

1. Creating the Right Environment for Private Sector Development

Although training for the public sector was not an explicit focus of this study, it is important to recognize that the development of the private sector will be contingent on the government adopting and implementing appropriate macro-economic policies. The Tunisian government has demonstrated its commitment to economic policy reform. It is clearly willing to make the necessary decisions to create the right environment for private sector development. The implementation of these decisions may prove to be more difficult however. There may be an important role for training efforts targeted specifically at particular bottlenecks.

Another aspect of creating an appropriate environment for private sector development entails developing an appropriate physical environment. The efficient operation of cities and the availability of infrastructure are essential supporting components of Tunisia's development strategy, not only to minimize private sector production costs, but also to respond to anticipated urban population growth.

The three essential ingredients of urban economic development are land, infrastructure, and capital. Controlling, mobilizing and

allocating these resources in ways which promote private sector economic activity will be the public sector's responsibility in most of the public-private partnerships upon which national economic policy now depends.

Therefore training is needed which is targeted to the main public institutions (i.e., cities, governorates, regional councils and national ministries) which might play a role as planners, facilitators, managers, or implementors of programs aimed at promoting private investment in urban areas.

Training will also be required for private sector development managers who will participate with the public sector in program development and implementation. Areas that should receive attention include:

- ◆ Infrastructure planning, management and maintenance
- ◆ Land use and transportation planning
- ◆ Project appraisal, implementation and evaluation
- ◆ "Sensitivity training" for government officials to increase their understanding of the environment which must be created to foster private sector development
- ◆ Urban governance and delivery of urban services
- ◆ Budgeting for capital expenditures and operations; financial management and cost recovery
- ◆ Appropriate environmental interventions including:
 - urban regulatory environment
 - urban policy environment
 - initiatives for economic development
 - public/private partnerships for development, including such venture as land development for economic enterprises and land management
- ◆ Design of low-cost sites and shelters

2. Entrepreneurship Development

A second important area for training is in the development of new Tunisian enterprises. As the opportunities for public sector employment diminish, new job-seekers will seek opportunities in the private sector and in the creation of their own ventures. A number of Tunisian organizations are particularly interested and active in entrepreneurship development, including the recently created Union des Jeunes Promoteurs and API.

Training for the potential entrepreneur in the creation of new enterprises will be needed to ensure the viability of new-starts. The kinds of issues that need to be explored are the following:

- ◆ How to identify a new venture
- ◆ How to prepare a realistic and effective business plan
- ◆ How to identify the business market niche
- ◆ How to finance a new venture
- ◆ How to evaluate the viability of the proposed venture

F. Educational/Training Resources in Tunisia

As noted previously, human resource development has traditionally been an important development priority for the Government of Tunisia. The country's considerable investment in education has paid off; approximately 65% of the population is literate and the country has developed a wide array of education and training institutions. These institutions are described in detail in Annex 1. To briefly summarize some of the key educational and training institutions:

Institutions of Higher Education

1. Institut Supérieur de Gestion (ISG): ISG provides undergraduate and graduate training in business management. Academic programs include basic management, accounting, computer science, finance, marketing and personnel management. A new program on exporting was developed in 1986.

2. Institut des Hautes Etudes Commerciales (IHEC): IHEC also offers undergraduate and graduate studies in business. English instruction is required throughout the four years of study. IHEC also offers continuing education classes at night.

3. Faculté des Sciences Economiques et de Gestion de Tunis: The school offers undergraduate and graduate degree programs in economics and management.

4. Ecole Nationale d'Ingénieurs de Tunis (ENIT): The school offers degree programs in engineering. Both day and night programs are available. In addition to these academic programs, ENIT has developed a series of continuing education seminars for working professionals.

5. Ecole Supérieure des Industries Alimentaires (ESIA): ESIA was established under the Ministry of Agriculture and the Ministry of Higher Education and Scientific Research. It offers degree programs in the science and technology of foods. It is also trains food technicians for quality control and production oversight.
6. Institut National Agronomique de Tunis (INAT): INAT aims to prepared agricultural engineers and future researchers and teachers in various segments of the agricultural sector.
7. Ecole Nationale d'Administration (ENA): ENA prepares mid-level and senior personnel for the civil service.

Public Training Organizations

1. Institut de Financement du Développement du Maghreb Arabe: IFID is a non-for-profit public institution with financial autonomy. Its primary purpose is to train managers for the banking and insurance sectors, some public enterprises, and the Ministry of Finance. It provides both long-term and short-term training programs.
2. Office de la Formation Professionnelle et de l'Emploi (OFPE): OFPE operates under the aegis of the Ministry of Social Affairs. Its primary function is to plan and implement vocational training programs and employment promotion policies and programs. While historically OFPE has had weak ties to the private sector, it is initiating a number of important reforms in its programs, many of which aim to create a closer link with the business community.
3. Centre Technique des Industries Mécaniques et Electriques (CETIME): CETIME is a public organization which aims to strengthen the mechanical and electrical industries in Tunisia. It provides technical assistance, primarily to the senior staff of electrical and mechanical industries. Some continuing and profession training is available through CETIME.
4. Centre Technique des Matériaux de Construction de la Ceramique et du Verre (CTMCCV): CTMCCV organizes training seminars and courses for technicians and engineers in the building materials, ceramic and glass industries.
5. Centre National du Cuir et de la Chaussure (CNCC): CNCC is a financially autonomous public organization that assists companies in the leather and shoe industry. Training activities include short-term training seminars for technicians; CNCC also works cooperatively with OFPE to improve skills in the labor force.

Research and Informatics

1. Centre National de l'Informatique (CNI): CNI specializes in microcomputer training. One of its five offices includes a center of training and documentation. Operating under the aegis of the Prime Ministry, it develops programs to serve both Tunisian companies and international organizations.

2. Institut Régional des Sciences de l'Informatique et des Télécommunications (IRSIT): IRSIT aims to conduct applied research in the field of informatics. IRSIT has received A.I.D. funds for equipment and for U.S.-based technical assistance and training.

There are also approximately 70 private training companies in Tunisia; these usually provide short-term training courses designed to address a very specific managerial or technical need.

Other training resources include programs sponsored by Tunisian private sector support organizations, such as the Chamber of Commerce and UTICA. These are described in Annex 2 to the report. In addition, almost all of the major donors sponsor training programs to promote private sector development. Donor activities are described in Annex 3 to the report.

G. Key Characteristics of Tunisian Educational and Training Resources

All of the institutions mentioned above have their unique strengths and weaknesses. The number of institutions covered during the four week field assignment did not allow the team to conduct an in-depth assessment of their respective capacity to meet private sector training needs. Nonetheless, a number of themes emerged during the course of the team's meetings with Tunisian educational and training institutions; these lay the groundwork for defining gaps in private sector training. The most important themes which emerged from our discussions were the following:

♦ **Rigidity of the Educational System**

The Tunisian educational system is tightly controlled by the government. Any changes in curriculum, including the development of a new course, must undergo a lengthy process of review and approval. While the attempt may be to ensure quality and integrity in the educational system, the net effect is to dampen the system's flexibility and its ability to respond to changes in the economy. At the level of higher education, the lack of flexibility prevents universities from developing new programs in a timely fashion;

within such a rigid structure, academia cannot possibly keep pace with economic change in the country ... and most certainly, cannot keep pace with the changing needs of the business community.

The need for change in Tunisian educational systems is widely recognized, and a major effort is underway to adopt reform. The first phase of the reform effort targets fundamental changes in primary and secondary school; the World Bank is providing support to this effort through a \$95 million educational and training sector reform program. The second phase of educational reform will focus on higher education; at this point, the plans for university reform appear to be at the conceptual level.

♦ **Lack of Client Orientation**

At all levels of education and training, the team found a general lack of orientation toward the market. Among both public and private institutions, there is a tendency to develop training programs without a good sense of the demand for such training. Most importantly, the client is rarely involved -- either from a financial or substantive angle -- in the design/implementation of programs. Part of the reluctance of higher education to examine training needs may be their inability to respond to such needs within the current system; nonetheless, even among the small training firms, training programs appear to be developed with little consideration for examining the needs of the client.

♦ **Focus on Degrees**

The Tunisian educational system is oriented to producing degrees. Within the Tunisian society, status and knowledge is often equated with degrees; the general feeling seems to be the more degrees, the better. The private sector views this "degree-orientation" in a different light. Degree-oriented education has produced a number of well-educated individuals steeped in theory, but rarely are these individuals versed in the practical aspects of conducting business. And, as noted in the previous chapter, the degree-orientation may also foster a certain unwillingness to get into the "nitty-gritty" of business. From the perspective of the graduate, the degree is assumed to offer a place behind the "big desk," rather than a place on the factory floor; from the perspective of the business-owner, the degree is assumed to offer expertise which can be readily applied to his enterprise. The mismatch is readily apparent.

♦ **Insufficient Faculty and Staff**

At all levels of Tunisian education and training, there appears to be a lack of qualified faculty and/or trainers. The problem is

both quantitative and qualitative. Tunisian universities note the difficulty they have in obtaining faculty to teach business-related courses. OFPE notes its problems in obtaining trainers to teach vocational subjects. There is a genuine shortage of professors and/or trainers to handle the training needs of the private sector.

♦ **Lack of "Real-World" Experience**

The problems of trained faculty/trainers go beyond just numbers. One of the issues that was raised repeatedly by both training institutions and the private sector was the lack of "real-world" experience in Tunisia's trainers. Again, the teachers appear to be well-steeped in theory, but have little experience in business and industry. The materials used in training institutions are out-dated and have little practical merit as pedagogical tools. There is little "cross-fertilization" between the business and the academic community that would allow for use of experienced business-people as trainers. This is a major constraint to the development of training programs adapted to the needs of the private sector.

♦ **Lack of Pedagogical Training**

Lastly, at all levels of Tunisian education and training, the team noted a lack of pedagogical skills. The development of training skills, per se, is minimal. The OFPE has recognized this critical gap in its trainers and is taking the lead in developing pedagogical skills through a teacher-training center in Rades.

CHAPTER IV

DEFINING THE GAP: NEEDS VS RESOURCES

Four major gaps emerged in examining the needs and resources for private sector training. These are:

- ◆ Linkages between Business and Training Institutions
- ◆ Management Training
- ◆ Training of Trainers
- ◆ Adult and Continuing Education

A. Linkages Between Business and Training Institutions

A constant theme which emerged in the team's discussions with the Tunisian business community was that new job-seekers don't have the skills needed to prepare them for work in industry. At all levels of the professional ladder, education and training is too theoretical; the practical component begins the day the individual starts work.

On the one hand, the private sector's tendency to expect that an employee should be productive from day one is clearly unrealistic; no matter how effective pre-service training is, some on-the-job training will be necessary. On the other, the weak relationship between training and employment is a serious problem in Tunisia. It means that, once the individual has been "trained" in the formal sense, he must be "retrained" to gain the practical skills to actually perform a job; this is a loss of valuable resources for the public sector, in terms of its investment in educational and training institutions which ostensibly prepare future employees, as well as for the private sector, which must invest resources to train people on the job when they enter the labor force.

There is an urgent need to adapt educational and training programs to the needs of the end-user. Given the current changes in the Tunisian economy, that end-user will increasingly be the Tunisian private sector, as it responds to calls to expand and create new jobs. Thus, for education and training to be meaningful investments, they must be adapted to private sector needs. To ensure that this happens, industry must be increasingly involved in the design and management of such programs.

The first step toward creating a partnership between business and education is to bring the two groups to the table. According to both the business community and the academic community, there is

a tremendous gap between the two, in large part, because they don't communicate. There have been some preliminary attempts to bring business and the academic community together; for example, a recent change in the law regarding higher education allows for the participation of a representative from business on the University's board of directors. OFPE is also beginning to involve the private sector more actively in the design and implementation of its training programs and policies. For example, it is currently negotiating training agreements with several industry associations for the development of sector-specific training centers; the training agreements will specify the roles of government and the private sector in the design, management and financing of training programs. The actual conversion of OFPE training centers to sector-specific training centers will be supported by a \$15 million World Bank program.

These types of activities are clearly steps in the right direction toward strengthening the level of dialogue between the private sector and training institutions at the vocational training level. The team did not find this level of dialogue at the level of higher education however. The level of dialogue and action between the private sector and the academic/training community must deepen however if programs are to be adapted to business needs. There are many key issues which concern both the private sector and the academic/training community which have yet to be explored jointly. Among these key issues are university reform; redeployment of redundant workers; industry-academic collaboration in training; and others. In order to address these issues, there must be:

- Increased private sector and academic collaboration and discussion on policy issues.
- Increased private sector involvement in the design of educational and training programs.
- Increased private sector involvement in the delivery of educational and training programs; for example, increased participation of the business community as teachers in academic and training institutions.
- Increased use of businesses as a site for learning and training.
- At the vocational training level, expansion of programs which enable the student to combine training and work on a continuing basis. Programs should involve a mix of training in a formal setting and training on-site in the firm on a regular and continuing basis.

- At the academic level, development of more flexible programs which enable the student to be increasingly exposed to business before entering the work force. As an initial step, internship programs should be revised and strengthened. What business-people suggest is: (a) more frequent and longer internships throughout the student's education; (b) a closer match between the profile of the student and company's needs; and (c) a well-defined plan of objectives and tasks which matches the individual's interests and the firm's needs.

Tunisia is not unique in its gap between the business and academic communities; this is common in developed and developing countries. Nonetheless, there are models of effective partnerships between business and training institutions. A premier example is the Milwaukee School of Engineering (MSOE) in the United States. The MSOE is directed by a non-profit, non-stock corporation of more than 200 business and professional leaders; they in turn select from their number 45 men and women as regents who participate in board meetings and other activities. The school has created 18 Industrial Advisory Committees who meet regularly to recommend curriculum modifications based on the changing industrial environment in the U.S. MSOE Faculty members are drawn from the business and industrial community. In addition, the school offers many opportunities to bring students together with companies as part of their education; for example, each student is assigned to a company, and during an entire year, they learn all facets of the company's operations.

An example in the developing world is the Institute for Management Education for Thailand Foundation in Bangkok. Leading Thais from the private and public sector and academia founded IMET as a non-profit, tax-exempt institution. Initial funding was provided by USAID. IMET uses the resources of four local universities to develop training programs targeted toward rural business people.

B. Management

The assessment of training needs presented in Chapter III identified important needs in both management and technical areas. While technical needs will continue to be important, a significant amount of resources is being devoted to revamping technical training programs from the Government of Tunisia and the donor community. For example, the World Bank is providing support to strengthen and reform OFPE; and the Belgian Embassy has worked consistently with OFPE over the past ten years to improve technical training.

The development of management skills, however, remains an area where considerable work lies ahead. First, there is an awareness issue. Tunisians tend to view technical skills as far more important than management and marketing skills. The profile a

business-owner often seeks in his managers is that of an engineer, even though the engineer may have little or no understanding of what management or marketing is all about.

The near-exclusive focus on technical skills may have been appropriate for the protected environment in which the Tunisians have been operating for so long; the focus of business has been and continues to be on the production side. In a more competitive environment, however, the focus of business -- the successful business -- must shift to the market. This shift will require a new set of skills in the Tunisian enterprise: fundamentally, management and marketing skills.

C. Training of Trainers

Another common theme which emerged during the team's discussions with the business and education communities is the gap in training for trainers. The primary problem is that those who are responsible for training people for work in the private sector have very little experience in business themselves; in addition, they often lack the pedagogical skills needed to design and execute effective training programs.

The need for training of trainers is found at nearly all levels. Tunisian business-people suggest training of "trainers" from within the company who can in turn train company staff. At the level of vocational training schools, such as OFPE, there is also a great need for effective training of trainers. Private training firms also lack the skills needed to effectively develop new business skills in their clients; while they may have the technical expertise, there appears to be relatively weak skills in training skills per se. Lastly, at the level of higher education, university faculty often lack the pedagogical skills needed to develop courses and programs that are relevant to the Tunisian business environment.

D. Adult and Continuing Education

Adult and continuing education is a relatively new addition to the Tunisian educational system. Some of the universities have recently added evening and weekend training programs for adults; these programs are described in greater detail in Annex 1. The directors of the programs have found that there is considerable demand for adult and continuing education programs. In a changing economic environment, adult and continuing education programs will prove to be even more critical; they offer job-seekers an opportunity to adopt new skills in accordance with the needs of the market. Efforts to expand and develop this sector should be encouraged.

CHAPTER V

A RECOMMENDED STRATEGY FOR USAID/TUNISIA

A. USAID Development Priorities

The primary objective of the USAID/Tunisia development strategy is to support the emergence of a more market-oriented and export-oriented economy. To contribute to this objective, the Mission's program targets (a) increasing productivity and efficiency of agricultural production, processing and marketing, and (b) private sector revitalization and expansion. Within the context of private sector development, the Mission has focused its activities on privatization, financial intermediation, trade liberalization, and more recently, decentralization. To summarize briefly:

1. Privatization

The Mission has been actively involved in policy dialogue to assist the Government of Tunisia adopt and implement its privatization program. A USAID-financed long-term advisor provides assistance in the following general areas: privatization planning; financial analyses and audits; company valuation; the marketing of public enterprises; and the financing arrangement involved in privatization.

2. Financial Markets Development

The Mission provides long and short-term assistance to the stock exchange to activate securities training. This assistance has an explicit training component. During the team's visit, the stock exchange was in the process of developing a detailed plan for financial markets-related training.

3. Trade Liberalization and Promotion

One of USAID's main activities has been its sponsorship of the Joint U.S.-Tunisian Commission on Trade and Investment. With USAID's assistance, a group of Tunisian and American business-people met in three major cities in the United States to discuss potential trade and investment opportunities. This will be followed by a second JCTI Mission in May of 1990 to focus on the agribusiness sector. The Mission is in the process of finetuning its trade and investment strategy.

The rationale for these three major interventions was developed in the Mission's private sector strategy; the chart on the following page, excerpted from the strategy, summarizes the rationale. The private sector training strategy presented below aims to complement USAID's on-going efforts in private sector development. The second chart describes the types of training needs which emerge from a

PROBLEM

- Limited growth potential for traditional sources of revenue
- Need to contain budget deficits
- High external debt
- Constraints in external borrowing

IMPLICATIONS FOR THE GOT

- GOT expenditures will be constrained.
- GOT will be unable to finance investment from its own resources.
- Top priority for the GOT budget will be debt obligations.
- The government will be unable to support state-owned enterprises.

IMPLICATIONS FOR PRIVATE SECTOR DEVELOPMENT

- Greater reliance on the private sector for growth.
- Resources must be mobilized from private sources.
- Financial markets will play a key role in mobilizing private capital.
- The private sector will play a greater role in the ownership of productive enterprises.

Privatization is a financial imperative.

Financial markets development is a necessary corollary to privatization.

How

- High external debt
- Weak domestic demand
- Limited growth potential for traditional sources of foreign exchange
- Protected and inward looking economy

- GOT needs foreign exchange to service debt obligations
- Growth strategy should be based on export promotion
- GOT must provide the right incentives to stimulate and diversify exports

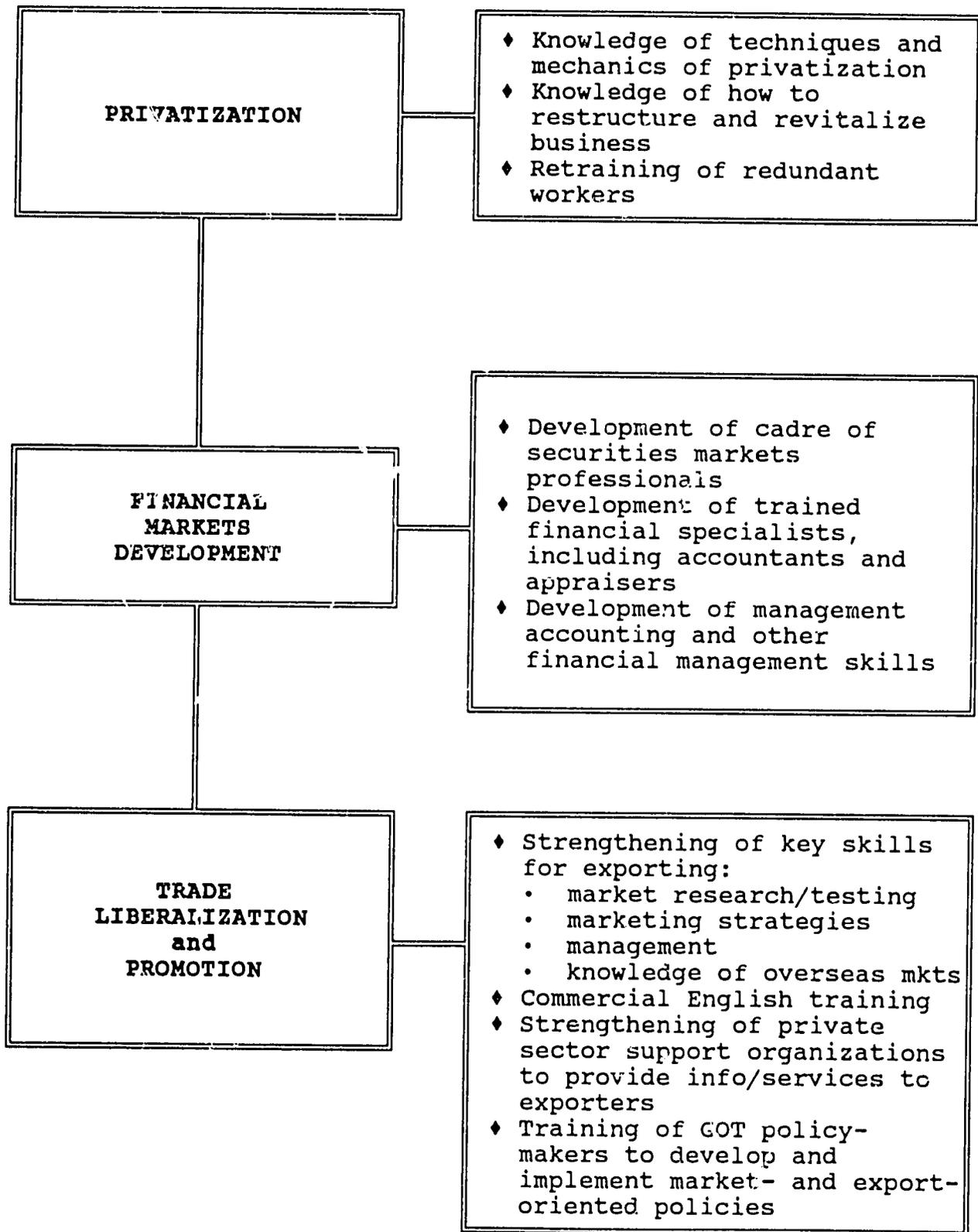
- Opportunities for private sector growth will be in export industries.
- Growth opportunities will be in non-traditional exports: manufacturing and agriculture.

Trade liberalization is fundamental to future growth.

The bottom line: privatization, capital markets development and trade liberalization will be essential for Tunisia's economic growth.

USAID PRIVATE SECTOR TARGETS

IMPLICATIONS FOR ADDRESSING
PRIVATE SECTOR TRAINING NEEDS



focus on privatization, financial markets development, and trade liberalization.

B. USAID Training Activities to Date

The USAID-funded Technology Transfer Project is primarily a scholarship program. To date, the project has sent about 1,100 students to the United States for undergraduate and graduate training; approximately 250 more students are planned for 1991-1992. There is a small short-term training component to the project.

One of the advantages of the Technology Transfer Project is that it poses relatively little management burden on the USAID staff. Candidates are selected by the Tunisian government; placement and logistics are handled primarily by MUST. Given the constraints on Mission staffing and their existing workload, this is of considerable benefit.

Until recently, there has been relatively little follow-up on students returning from the U.S., hence it is difficult to assess the impact of the Mission's investment in human resource development. There is no question that the program is valued by the Tunisian government and Tunisian students; but its impact on and contribution to private sector development in Tunisia are less certain. There are several points to be considered:

- The initial focus of the program was on engineering and other high-level technical skills. Recently, USAID altered the program to make it more responsive to the needs of Tunisia's economy; as a result, the number of participants focusing on management and business has increased. This is clearly a step in the right direction from the perspective of addressing private sector training needs.
- Many of the students leave for the U.S. with little to no work experience. When they return, they have no understanding of how to apply their skills in the Tunisian context. According to some returned participants, the lack of job orientation led them to choose majors for which there is little demand in Tunisia.
- Of greatest concern is the relatively low return rate of long-term participants, estimated at 60-65%. Given the considerable investment required for long-term training, this is a disturbing phenomenon. Determining the reasons for this low rate were beyond the scope of this study. Nonetheless, we feel that it has important implications for making decisions about how to invest in human resources for private sector development.

C. The Private Sector Training Strategy

The strategy recommended below is designed to focus directly on the needs of the Tunisian private sector, as well as on the use of Tunisia's own resources to respond to private sector needs. The strategy implies a significant departure from the type of training supported by USAID to date. However, we believe this strategy will more directly promote private sector development in line with USAID's and Tunisia's overall development objectives.

The team believes that USAID can most effectively address private sector training needs by serving as a catalyst: a catalyst for the development of education and training programs adapted to the needs of the Tunisian private sector. The Mission has neither the staff nor the resources to support major interventions in the education sector. In line with its private sector strategy, USAID can focus its resources on a few areas where it can leverage its resources for broader impact.

1. Objectives and Targets

The primary goal of the training strategy is to develop the key skills that are needed in the private sector to make the transition to a market- and export-oriented economy. The most important skills to be developed are in the areas of management and marketing.

The team recommends two targets for USAID's private sector training strategy:

- ◆ **Key decision makers in business, with a focus on export industries, agribusiness, the financial community, and urban managers and developers**
- ◆ **Private sector support organizations**

We define key decision-makers as the owners and senior managers of Tunisian firms. It is essential to focus on this group of individuals because, as noted in chapter III, decisions flow from top to bottom in the Tunisian firm. There can be little change in the firm's operations as a whole unless the Tunisian owner or manager sets that change in motion. If management is unwilling or unable to adapt, the firm will not adapt.

In the short-term, we recommend a focus on senior management. In the long-term, however, it will be important to develop a cadre of middle- and junior-level managers. This layer of management is non-existent in many Tunisian firms, with the exception of very large firms. As Tunisian firms become more sophisticated, however, owners and senior managers will be forced to rely more heavily on a core of mid-level managers which is yet to be developed.

The private sector support organizations are also an important target. Traditionally, most of these organizations have been relatively weak, and in the case of the Chambers of Commerce, virtually moribund. The recent revitalization of the Chambers offers an opportunity to provide better services to the private sector. The Chambers in Sousse and Sfax, in particular, have dynamic leadership and are committed to addressing the training needs of their constituents. Given their differing roles, there may be opportunities to work with any/all of Tunisia's private sector support organizations. Initially, however, we believe that the Chambers offer the best opportunities.

2. Types of Training

The team recommends that USAID/Tunisia's private sector training program focus on **short-term training in Tunisia**. There are several reasons for this approach. First and foremost, there is already a strong base of institutional support for training activities in the country, which if adapted and strengthened, can provide effective training for private sector managers. Secondly, if training is to have a meaningful impact on the development of the private sector, it must be geared to developing skills that are applicable in the Tunisian context. Thirdly, short-term in-country training offers the potential for maximum impact for the resources committed. Lastly, and perhaps most importantly, the focus on short-term training allows for flexibility in programming; and such flexibility will be important given the changing needs of the private sector and the Tunisian economy.

The second priority for private sector training should be **short-term U.S.-based training and third-country training**. Short-term training in the U.S. and third-countries should be focused on specific training needs that cannot be addressed in-country; included in this type of training are short-term study tours which provide exposure to successful initiatives in private sector development.

Lastly, the team believes that **long-term training** should be the third priority for the private sector training strategy. The investment required in a single individual is extremely high relative to the potential impact on Tunisia's private sector development. The team therefore recommends very limited levels of long-term training in the private sector strategy; to the extent that long-term training is provided, the team recommends training at the Master's level in the following types of degree programs:

- ◆ business management
- ◆ marketing

- ♦ finance
- ♦ industrial management/engineering
- ♦ urban planning and finance

The team does not advocate training at the Bachelor's level to support private sector development. There is a need, however, for Ph.D. level training to strengthen the number and quality of the faculty in Tunisia's business education programs.

3. Proposed Training Activities

Based on its assessment of training needs and resources in the private sector, the team has developed an illustrative outline of the types of activities to be supported by the Mission's strategy. This list of training activities should be viewed as a recommended guide for the development of future private sector training programs, rather than a definitive list of activities. One of the most important elements of the strategy should be flexibility and an ability to accommodate changes in the Tunisian economy. For this reason, we start with a set of criteria that could guide the selection of future activities. We feel that the most important criteria for identifying private sector training activities are the following:

- ♦ **Training programs must have the active support and involvement of the private sector.**

One of the most important problems identified in this assessment is the mismatch between current educational/training programs in Tunisia and the needs of business/industry. If programs are to be valued by business, they must have the active support and involvement of the private sector; it is important that the private sector take a leading role in defining the types of training it needs and in the design, and possibly, implementation of training. USAID-funded programs should therefore serve as a catalyst to create partnerships between business and education/training institutions.

- ♦ **The private sector must see a tangible benefit to participate in training programs.**

Education and training are valued commodities in Tunisia. Nonetheless, Tunisian firms rarely invest in training their staff unless there is a clear-cut and tangible result associated with the investment. The concept of investing in human capital is not widespread and the Tunisian owner is ready to see the possible pitfalls of such investments, such as the potential departure of the employee for another job. "Bonded" scholarships, in which the employee commits to remaining with a company for a certain period

of time after the firm pays for training, ensure mutual benefits to the firm and the employee. Effective marketing of the training programs will also be important to ensure that companies understand the benefits of investing in human capital.

- ♦ Training programs should be based at existing institutions and facilities with a view toward improving the quality and quantity of business-related training.

Tunisia has a wealth of education and training institutions. While each may have its unique set of strengths and weaknesses, the team sees no need to create new institutions for private sector training. Rather, existing training institutions must adapt to Tunisia's new educational needs.

- ♦ Training programs should focus on, but not be limited to management and marketing.

The team views lack of management and marketing skills as a critical constraint to future private sector development. However, as pointed out in the assessment, these are not the only constraints. In light of Tunisia's needs, as well as USAID's comparative advantage, we believe management and marketing are the most critical areas for USAID-funded training.

The following section illustrates the type of training programs recommended for funding by USAID/Tunisia.

Target 1: Key decision makers in business, with a focus on export industries, agri-business, the financial community, and urban managers and developers.

a. Development of Linkages Between Tunisian and American Higher Education

The team recommends that USAID fund the establishment of linkages between Tunisian and American institutions of higher education; recommended candidates for Tunisian counterparts include ISG, IHEC, or ENIT. The U.S. institutions should be identified in collaboration with the Tunisian institutions; this is critical to ensuring that the linkage is based on a mutually beneficial relationship. USAID funding might be used as a catalyst to fostering the linkage; however, the relationship must be based on mutual interests and commitments that go beyond USAID's start-up funds.

The objective of establishing the linkage would be to build the Tunisian institution's capacity to deliver practical management education courses. Such linkage activities might include:

- Faculty exchange and up-grading
- Study tours at U.S. universities
- Specialized training for Tunisian faculty in preparation of short-term training courses
- Development of business case study materials and other training materials adapted to needs of Tunisian business
- Joint research projects
- Curriculum development

b. Development of Linkages: Tunisian Education/Training Facilities and Tunisian Business

The team strongly recommends that linkages between Tunisian educational and training facilities and Tunisian business be an element of all USAID-funded private sector training activities.

The OFPE has taken the lead in developing linkages between business and vocational training, with the financial support of the World Bank. The same types of linkages need to be established at the level of higher education, where the gaps between academia and business may be greatest.

In recent years, U.S. educational and training institutions in a number of cities have developed collaborative relationships with business; these relationships have developed out of two needs: (i) the business community's need for trained employees; and (ii) the need to retain laid-off workers as a result of changes in the U.S. economy, particularly in cities dominated by heavy industry. Community colleges have been particularly active in the movement toward greater collaboration.

Such linkages are found in developing countries as well. In Thailand, for example, King Mongkut University and the electronics industry have established a relationship which is mutually beneficial. The electronics industry worked closely with the university to develop a curriculum which met its needs. The university offers courses on a fee-basis to employees in the electronics industry, both to new hires and existing employees; the employees have a written "contract" with the company to work for a certain period of time after the training is completed.

As a start to facilitating such linkages, USAID should consider funding a study group of Tunisian business-people and academics to visit models of collaborative relationships in other countries. Such exposure might be particularly critical in light of efforts to undertake reforms in higher education.

c. Short-Term In-Country Courses for Tunisian Managers

Local universities would develop a series of short intensive courses focusing on key issues and problems for Tunisian managers; suggested local institutions include ISG, IHEC, and ENIT. The courses would be developed in collaboration with a U.S. university or management training institution. Joint participation of Tunisian and American expertise would aim to ensure the development of a series of top-level management courses adapted to the reality of the Tunisian context. The focus of these courses will be on the needs identified in this report, specifically: measures of productivity and performance, marketing, financial management, information management, and strategic planning and implementation. The range of courses should remain flexible to ensure adaptability to Tunisia's future training needs.

To appeal to the private sector community, the courses must initially be designed to target specific areas in training that have the potential for short-term financial results for the firm; the adoption of management or analytical accounting skills in a firm is an example because of its potential for lowering costs and increasing profits. This approach is necessary to overcome the resistance of the Tunisian business owner and senior management to the idea of training and to gradually inculcate the notion of the importance of investment in human capital.

Funding required for the development of each course would be approximately \$60,000.

d. Training of Trainers

Lack of qualified educators is an important gap at all levels of private sector training. As part of its long-term scholarship program, USAID should consider funding scholarships for educators to study overseas. Candidates should enter a legally binding commitment to return to Tunisia following the training to reduce the potential for "brain-drain."

The Tunisian private sector is also a valuable resource for training of trainers; a collaborative relationship between industry and training institutions might be established in which the private sector provides practical training to trainers. Training institutions benefit from improvements in their staff; industry can benefit from improved training for future employees.

e. Business Internships in the U.S. for Tunisian Business-Owners and Managers

The team recommends that each year up to eight business-owners and managers be selected to participate in A.I.D.'s Entrepreneurs International (EI) Program. Under this program, Tunisian entrepreneurs are matched with U.S. firms that are similar in activity and scale for a period of two to four weeks to learn U.S. firm's operations and management. The objective is to learn management and production techniques from the U.S. counterparts.

The Tunisian Mission has had one participant in the program to date. While the participant had a fruitful experience, he would have preferred to select the firms he visited. The lesson from this first experience is that it is critical to make the appropriate match between the Tunisian and American firm. Many Tunisian businessmen will view EI as an opportunity to develop an investment or trading relationship with a U.S. firm, hence the match must be appropriate.

The team recommends that USAID/Tunisia initiate the Entrepreneurs International Program under the short-term funding allocation of the Technology Transfer project. Each EI Program costs approximately \$6,000. Preference should be given to candidates from the food-processing industry, the electro-mechanical sector, export manufacturers and SMEs. Candidates for the EI program must speak English.

f. Development of Executive Management Seminars/Retreats

In conjunction with the short-term management seminars, a series of executive management retreats could be planned to focus on timely issues of concern to business-owners. The design must be such that the CEO relates the topic to his company's current bottom-line, but also grasps the importance of the subject matter for the long-term survival of the firm. A series of seminars related to the advent of Europe 1992 is an example of a topic which is on the mind of all Tunisian executives.

The mechanism for developing these seminars will be the same as described for the management seminars: Tunisian university and U.S. university/management training institution collaboration.

Target 2: Private Sector Support Organizations

a. Study Tours/Short-Term Training/Technical Assistance: Members and Staff of the Chambers of Commerce

The team recommends that USAID/Tunis fund a study tour for the staff of the four Chambers of Commerce to visit an active chamber in another developing country (for example, Thailand) and explore new methods of providing services to their members. The staff of the Chambers should also travel to the U.S. to visit U.S. chambers and obtain a better understanding of the short-term training and internship opportunities that are available through USAID financing, including Entrepreneurs International, Project Sustain, the Tunisian American Chamber of Commerce and others.

The study tours should be followed by UNCTAD/ITA in-country consultation on the mechanics of establishing and operating business services for members. UNCTAD has experience in strengthening local chambers of commerce and business associations in a number of developing countries; their particular strength is assisting institutions develop new services to members. This is clearly a strong need in the case of the Tunisian Chambers.

b. Technical Assistance

To establish the Chambers of Commerce as an effective "clearinghouse" of information between the business community and educational/training institutions, the team recommends that USAID/Tunisia finance technical assistance from a local institution to upgrade and develop the skills of the Chambers of Commerce. Specifically, skills should be developed with the Chambers to:

- Survey and assess the training needs of businesses in the Chamber's specific geographic region;
- Maintain and up-date information on a regular basis.
- Collaborate with local education and training institutions in the design of training programs appropriate to the needs of local businesses;
- Assist in the identification of appropriate work-study programs to create linkages between training institutions and business.

c. Development of Chamber-Based Training Programs

All of the Chambers of Commerce are interested in serving as training vehicles for the private sector. As an initial effort to assist the Chambers in developing training programs, USAID/Tunisia could provide assistance to strengthen the nascent "junior management" training program in Sousse. Assistance could be provided to train trainers in appropriate pedagogical techniques and content; to develop/adapt courses in the principal business functions (management, marketing, financial management, accounting); and to incorporate professional work experience into the program.

4. Adjunct Training Activities

The Association of Professional Bankers will launch a major effort in 1990 to draw banks' attention to the credit needs of SME borrowers. USAID should consider assisting APB by funding a training of trainers program in the design and implementation of SME lending programs. As part of this effort, training materials would be developed and/or adapted.

5. Management of Private Sector Training Activities

As noted previously, one of the advantages of USAID's long-term scholarship program is that the management burden is on MUST, as opposed to the USAID Mission. Given its many advantages, USAID may wish to continue to channel long-term training through MUST. We suggest that USAID continue to collaborate closely with MUST in determining the type and level of long-term scholarship training to ensure that private sector needs are taken into account.

The development of in-country training programs will require additional management time. To reduce the burden on USAID staff, we recommend including one full-time "training advisor" in the Mission's future training project. This individual would work

closely with the Advisory Board to design and manage training programs to promote private sector development. In addition, s/he would serve as a catalyst in creating the linkages discussed previously.

6. The Private Sector Advisory Board

A "Private Sector Advisory Board" should be established to assist in identifying and implementing USAID-financed private sector training activities. This type of advisory group has been established in a number of countries as part of A.I.D.'s Human Resource Development Assistance Project in Africa. It has frequently served as a first step toward bridging the gap between the business and academic communities. Given that the strategy above rests on bridging this gap, the team strongly recommends the creation of a private sector advisory board. The Board would also serve to remove some of the management burden from the AID Mission.

The team recommends that the Board include no more than eight individuals, including four business people representing key sectors of interest to USAID (export, agri-business, finance and urban/regional development), two persons from the education sector (ISG, ESIA for example); and a representative from the Ministry of Plan. The USAID/Tunisia private sector officer might serve as technical advisor to the Private Sector Advisory Board. The Private Sector Advisory Board would meet regularly to carry out the following functions:

- Review proposed private sector training activities.
- Screen and select candidates for upcoming programs.
- Determine the appropriate use of media and institutions to disseminate information on future training programs.
- Serve as a link between key players in business, education, and government involved in private sector development.

7. Evaluation and Follow-up

An important part of the USAID/Tunisia private sector strategy should be evaluation and follow-up. There should be an evaluation component to each in-country training program. Participants travelling overseas should be interviewed immediately upon their return in order to assess the usefulness of training. The private sector advisory board should carefully assess the evaluations of training programs to adjust subsequent activities as needed.

In addition, the Mission should seek to establish a "tracking" system for its participants, particularly long-term training participants. This need not be a major effort; preferably, it could be managed under contract to an organization such as AMIDEAST, which is already involved in providing post-training services to participants.

ANNEX 1

TRAINING RESOURCES:

EDUCATIONAL AND TRAINING INSTITUTIONS IN TUNISIA

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EDUCATIONAL AND TRAINING INSTITUTIONS IN TUNISIA

A. Tunisian Education and the Need for Reform

Tunisia allocates about one-third of its budget to education. Approximately 65% of the population is literate. Nonetheless, serious problems in the educational system impede the development of human resources to meet the needs of Tunisia's changing society. Problems include, for example, an educational system that does not encourage enrollment past primary school. Only 1 in 3 children progresses beyond the sixth grade. Only 1 out of 20 students gains entrance to Tunisia's extremely competitive higher education system. Of those who do go on to higher education, approximately 75% drop out before graduation (Maamouri, 1988, p. 27).

The GOT's current education and training reform program is being implemented in two phases. The first phase will focus on the reform of primary and secondary schools. Basic education will be extended to ninth grade, and there will be improvements in the tenth through thirteenth grades. The second phase will introduce changes in the higher education system. This phase is referred to as "the university reform." Its main objective is to restructure the university system in order to introduce increased flexibility in university programs and staffing, and accommodate the expected increase in the number of university students in the future.

Underlying each of these reforms is a recognition by the GOT that education and training must be restructured so that Tunisians are able to adapt to a rapidly changing society and contribute to the economic and social development of their country.

B. Institutions of Higher Education

1. Institut Supérieur de Gestion (ISG)

The ISG was established in 1969 as a graduate management program based on the American model. An undergraduate program was added in the 1970s in order to increase the managerial capacity of Tunisian business. Today, over 200 students are enrolled in the graduate programs and approximately 1550 are in the undergraduate programs. The faculty for 1989-90 includes 79 full-time and 54 part-time staff.

At the undergraduate level, the academic programs include basic management, accounting, computer science, finance, marketing, accounting, and personnel. The graduate program includes

management and accounting. A new program on exporting was started in 1986. A Management Information Systems (MIS) program will begin in November 1989 with an enrollment of 30 students.

The graduate level exporting program is described as a "kind of MBA with a professional spirit." The program is still awaiting government approval; thus, the students who have graduated since 1986 do not have their diplomas. About 70 students, including the current year's enrollees, have been trained to date. Admission is determined in part by personal attributes of the applicant and is based on an "exporter's personal profile." This assessment tool is a subjective source of information, as is the personal essay the applicant is asked to write. Additional admission assessment is based upon test scores and objective data.

The program lasts two years and is comprised of 650 hours, divided between theory and practice, as well as a two-month internship abroad. Two courses in English are required: one dealing with exports and the other dealing with negotiations.

Because most of the students in this program work, and are sponsored by their employers, there is a direct link with companies, which also act as a source of part-time faculty. Scheduling flexibility, as well as the cooperation of the companies, allows the students to complete the program while they are working.

Constraints to further program development include a lack of faculty in specific areas, such as international business policy. The program could be enriched by allowing students to learn about American markets and how to access them.

ISG has received considerable financial support from USAID over the years. The form of this assistance has varied and has included support for study tours, curriculum development in 1984 and sponsorship of three seminars on the needs of SMEs and exporters in 1984-1985.

2. Institut des Hautes Etudes Commerciales (IHEC)

IHEC is reputed to be one of the most demanding and selective universities in the country. It accepts one in twenty-two applicants. Undergraduate degrees are offered in accounting and business. The graduate program in certified accounting was started in 1977. Of the 80 faculty members, only 10 are part-time.

In the undergraduate business program students study general business with program options in finance, marketing, and international business. English instruction is required throughout the four years. The curriculum prepares business generalists, and includes internships as an integral part of the program.

IHEC offers both day and night classes in accounting for those with a high school diploma who are working. About half of the total student enrollment (approximately 1100) follows the night program, which takes five years to complete. Night students earn the same degree as the day students: a "Maitrise de Gestion Comptable". Approximately 35% of the day students are enrolled in the accounting program. Students in the graduate program in accounting take a year of courses while working in a firm. Class times are arranged to accommodate their work schedules.

IHEC's continuing education courses at night address the scheduling needs of working professionals. Active involvement of alumni in career placement, initiatives such as seminars, and a three year-old program in tourism, show institutional flexibility. Because of the constraints of the university system ("system is rigid"), however, other new program initiatives are not likely to be introduced soon.

One of the difficulties with introducing new programs is that they are not easily approved by the GOT; until a program is approved, diplomas cannot be awarded. Thus, because the tourism program at IHEC does not carry GOT approval, students who have finished the program have yet to receive formal documentation of completion.

3. Faculté des Sciences Economiques et de Gestion de Tunis

The Faculty of Economic and Management Sciences offers undergraduate and graduate degree programs in economics and management to approximately 1,000 students. Classes are taught during the day-time only. The school tries to teach students a way of thinking and a methodology of working which will adapt to any situation.

During the first two years of the undergraduate degree (first cycle), students follow a common program including an introduction to management course. The next cycle includes options within the area of specialization; one of the options is management.

A questionnaire was sent to the managers of companies in order to obtain feedback about the school's graduates, however, the study was not available for the team's review. Response to the program was said to be generally favorable. Even though companies know of certain deficiencies among the graduates, they are hired nonetheless. Most of the school's students are hired by banks.

Limited documentation was available for review, but the results of the end of year exams (1987/1988) were recorded, including the number of students, numbers admitted for the exam, and the pass percentages. Undergraduate management courses appear to be very competitive: 46% passed the second year and 34% passed the fourth.

4. Ecole Nationale d'Ingénieurs de Tunis (ENIT)

ENIT was founded in 1968. The school has three degree programs: Engineering (6 years), Technical Engineering (4 years), and Technician or "Technicien Supérieur" (2 years). Both day and night programs are offered. Currently, 1,000 students are taught by 150 faculty, 80 of whom are part-time (60% Tunisian and 40% foreign). Approximately 3/4 of the students are registered for the day program, and 1/4 of the students participate in a night program.

Night classes have been offered since 1984 to address the scheduling needs of technicians (technicien superieur). Classes prepare them for a degree in either civil or electro-mechanical engineering. Based on 1986-1987 statistics, the pass rate of the night school students is impressive. For example, civil engineering students had an 82% pass rate.

In addition to the regular academic programs (including the night school), ENIT has developed a series of continuing education seminars on engineering and related topics. For example, the 1989-1990 program includes 23 seminars, 5 of them -- 2 to 3 days each -- are on industrial informatics. These seminars are offered on a fee basis. Regional courses involving ENIT have been held as well and have included participants from Algeria, Morocco, and Tunisia.

ENIT has linkages with enterprises through several channels. Companies, 90% of them industrial, are used as sites for internships in the students' academic program, as well as for their "world of work" project during the last academic semester. Another linkage arises from faculty conducting research for and with companies. This collaboration is growing, benefitting both the companies and the faculty, who can be paid a limited amount for their services. Students are also occasionally involved in these research projects.

With respect to preparation of engineers as managers, ENIT has a quasi-management course which, according to the director, is relatively unimportant. Students in industrial engineering receive preparation in management through their coursework. Overall, there does not seem to be a perception of need for engineers to have academic preparation for future roles as managers.

5. Ecole Supérieure des Industries Alimentaires (ESIA)

ESIA was established in 1976 under the Ministry of Agriculture and the Ministry of Higher Education and Scientific Research. It offers two degree programs in the science and technology of foods. Until 1985, ESIA offered a two-year program preparing technicians for the food industry. The program was stopped in 1985 and re-started in 1987, under pressure from the food industry, which needed technicians for quality control and production oversight.

The four-year program, which was begun in 1985, prepares technical engineers for the food industry. It was developed in order to meet the growing needs of the food industry for more qualified personnel. More recently, a third cycle has been added to ESIA's programs.

Currently, approximately 160 students are enrolled in ESIA's programs, 40 of whom are in the two-year program. Boarding facilities are provided. Teaching support consists of 45 faculty (30 full-time), of whom at least three hold doctorate degrees from US universities. The campus buildings include well-equipped laboratories for food technology and are used by the food industry.

ESIA has extensive contact with the food industry, especially in the placing of its students for internships during the course of the degree programs. Food industry personnel are sometimes used for teaching at ESIA.

Specific outreach activities are made by ESIA, as well. Representatives of the food industry are invited to meet and discuss their needs and problems. ESIA is proactive in this regard and desires to establish other, more fruitful, linkages with the food industry. Informational seminars or short-courses on issues related to exporting may be a viable way to proceed.

ESIA has created areas of international cooperation. For instance, there is an on-going solar energy project with a U.S. university that developed out of the research of one of ESIA's professors. Other projects involve cooperation with Japan, Canada, Iraq and France. Regional projects involve cooperation with Morocco and Algeria.

6. Institut National Agronomique de Tunis (INAT)

Established in 1898, INAT was the first engineering school in Tunisia and the first institution of higher education in agriculture on the African continent. It is under the Ministry of Agriculture and the Ministry of Higher Education and Scientific Research.

Graduate and undergraduate programs are offered through nine different departments, such as horticulture, aquaculture, and agronomy. The highest degree that can be earned at INAT is the "Doctorat d'Etat." INAT's purpose is to prepare agricultural engineers and future researchers and teachers in various segments of the agriculture sector.

Until 1985 or 1986 the majority of INAT's graduates became civil servants. Of the school's 2,428 graduates between 1898 and 1982, 65% found jobs in the Ministry of Agriculture, 22% became teachers and researchers and only 6% entered the private sector. Recently

the situation has changed. Statistics indicate that 75% of the 60 undergraduates chose to go on for graduate studies; the remaining 25% or 15 students chose to enter the job market, but only 5 students were able to find employment.

INAT's faculty are not prepared for the changes that have taken place since 1986, especially with regard to working with the private sector. The problems are both attitudinal and substantive. According to the team's interviews, INAT's directors believe that the faculty is not ready. "They don't know the culture of companies and the needs of society; they have autonomy and are used to that." Moreover, recruitment of faculty is a serious constraint. Thus, the ability of the institution to adapt its programs to meet the changing needs of the Tunisian economy is very limited, not only because of the rigidity of the university system in Tunisia, but also because of internal constraints.

7. Ecole Nationale d'Administration (ENA)

ENA was created 40 years ago to prepare mid-level and senior personnel for the civil service. Although based in Tunis, ENA has regional centers. Approximately 7,000 to 8,000 personnel have been trained since 1940. ENA is under the direct control of the Prime Minister.

Enrollment in ENA has been as high as 1,200 students; currently about 600 are enrolled. The admissions process is rigorous and highly selective. ENA's 250 faculty members are part-time only. They are drawn primarily from the Ministries, although some come from Tunisian universities (for example, ISG and IHEC).

ENA's curriculum, for the most part, is a general core for the first year of the program. Specialization begins in the second year. During the third year students have assignments in various ministries or parastatal companies in Tunisia. Since 1982 ENA has been equipped with micro-computers and considers the ability to use computers essential.

Practical experiences in-country and internships abroad are integral components of ENA's programs. For example, students in the health field may have internships in hospitals in England or Quebec. ENA has linkages with Canadian enterprises, such as Hydro-Quebec, the largest electrical company in Canada. These enterprises serve as sites for training abroad for some ENA students.

Currently, ENA is working on a modular design of its curriculum so that students do not have to be away from work for an extended period. Night classes are not available to the students, but ENA does offer correspondence courses. ENA can tailor training for the Ministries, based on the future responsibilities of civil servants.

ENA has a center of studies that organizes seminars, conferences, and study groups, and also facilitates research on administrative problems.

The continuing education program has been in existence since 1985 for administrative staff (general training). Since 1987 there has been specialized training for employees of the finance ministry. This training can be used for promotion purposes either within a professional category or from one category of responsibility to another.

ENA's current programs are under review. Until now, ENA has reacted to needs expressed by the ministries; it is now being pushed to change its programs. The nature and scope of these changes is not known at this time.

C. Public Training Organizations

1. Institute for the Financing of Development in the Arab Maghreb (IFID)

IFID, located in Tunis, is a not-for-profit, public institution with financial autonomy. It was created in 1981 by international agreement. It is linked with a similar training institution in Algiers. Four Tunisians and four Algerians, including representatives of the Ministries of Finance and the Central Banks of both countries, are members of the Board of Directors. IFID is considering increasing its scope to cover all of the Maghreb.

The main mission of IFID as it now exists is to train top managers for the banking and insurance sectors, some public enterprises, and the Ministry of Finance. In Algeria, the institute deals with customs and taxes.

IFID in Tunisia offers two types of training: long-term and continuing education. Research is also an important component of IFID's programs, as are activities in international cooperation.

IFID's funding sources and its financial flexibility allow it to recruit the best teachers and trainers on the market, according to the school's director. Funding is provided by the sponsoring enterprises. For example, for the long-term program, companies pay 3,000 TD a year in tuition for their students and pay their students a "pre-salary".

a. The Long-Term Program

The long-term program lasts two years and begins in January. With respect to Tunisia, the primary purpose of the program, which includes both academic and practical components (internships and

training abroad), is to prepare high-level executives for work in banks and insurance companies in Tunisia. Students completing the two year program receive a diploma ("Diplome d'etudes superieures specialisees"). The first students completed their coursework in 1984.

Admission is rigorous and highly selective. Only 50 students, mainly Tunisian and Algerian, with a few Moroccans and Mauritians, are accepted for each class. For this and other reasons (such as attrition during the early weeks), the rate of success is very high. Special assistance is provided for those experiencing academic difficulties.

At its inception, IFID's long-term program was only for those already working. Today, only the Algerian students take leave from their jobs to attend IFID. Tunisian students come fresh from the university. They fear that if they go to work first, and then take leave to attend IFID, they will lose their positions in the interim.

b. Short-Term Programs

IFID offers a variety of short-term programs for professionals in the banking, insurance, and finance areas. Seminar subjects are suggested by the sectors themselves. Also, specialized training, as requested by banks and insurance companies, is provided on specific topics.

The 1989 program includes 6 seminars (most of them 2 to 4 days long) and one course extending over two semesters (3 hours a week in two class meetings). This longer course is Business English for Managers and utilizes a variety of pedagogical techniques, such as case study methodology. The other short courses use similar techniques.

IFID is starting to set up a case study center (including a case study "bank") to develop studies on topics such as finance, management, and project evaluation. Development of cases specific to Tunisian businesses would be useful.

c. Research and Projects

Within the area of research there are three units: a project-analysis unit, an insurance unit, and a "deposit bank" unit. Applied research is promoted by organizing research workers of the Maghreb into teams to work on topics of common interest. Use of computerized teaching is encouraged. Research is conducted on specific areas of interest, such as a two-year project on "Mobilization of International Saving Resources and the Financing of Development in the Maghreb Countries" (January 1986 - December

1987).

USAID has contracted with IFID to conduct employment policy research, specifically addressing the employment issues of redundant parastatal employment, youth unemployment, displaced agricultural workers and the relationship of training to employment. Throughout the research process, it is required that data, analysis and policy proposals explicitly address implications for women.

IFID's programmatic responses are based primarily on demand; it is a reactive, rather than a proactive approach. It does want to establish links with the US, for instance by sending its teachers to the US and having US bank officials come to Tunisia. It is particularly interested in a link with Georgetown University and has made contact with USAID about the feasibility of such a connection.

Another area of interest within IFID is training of trainers. IFID would like to train trainers and send them to the institutes of other countries as trainers.

2. Office de la Formation Professionnelle et de l'Emploi

OFPE is a public entity which operates under the aegis of the Ministry of Social Affairs. Its primary function is to plan and implement vocational training programs and employment promotion policies and programs. Under a recent change in Tunisian law, OFPE was designated the sole organization responsible for coordinating and managing all vocational training activities in Tunisia. In 1988, approximately 6,000 individuals were trained in OFPE's 70 training centers.

Historically, the OFPE has had very weak ties to the private sector; its training centers offer numerous vocational training programs, but they are generally ineffective in preparing workers for future employment in industry. Among the businesses interviewed by the team, virtually no one felt that OFPE training centers provided the kind of skilled workers and technicians needed for industry. They noted that the training tends to be too theoretical and not well-matched to their needs; the technology and equipment used in the centers is out-of-date and inappropriate for training; most importantly, the trainers in the OFPE are poorly trained. The trainers' backgrounds are theoretical with little hands-on experience, hence they are unable to teach the technical skills needed by businesses.

Recognizing these problems, OFPE has begun to initiate a number of important reforms in its programs, many of which aim to create a closer link with the business community. Some of the reforms include the following:

a. Private Sector Participation in Policy Decisions

The Government has established a high-level vocational training committee to design and coordinate vocational training policies. The committee will include representatives from the relevant ministries and public organizations, as well as representatives from industry, agriculture and services. In addition, private sector participants are to be included in OFPE's Board of Directors.

b. Private Sector Participation in Program Design

OFPE is currently negotiating training agreements with several industry associations for the development of sector-specific training centers; the training agreements will specify the roles of government and the private sector in the design, management and financing of training programs. The actual conversion of OFPE training centers to sector-specific training centers will be supported by a \$15 million World Bank program.

c. Development of New Programs

OFPE has created a new unit, the **Centre de Resource et d'Ingénierie Pedagogique** (CRIP). CRIP will identify, design and prepare training programs, with a focus on meeting the needs of industry. Employers are to be closely involved in the design of new programs.

OFPE is in the process of developing "dual training" programs (formation a l'alternance), whereby students spend time in formal training as well as on-the-job training in a business. OFPE and the National Federation of Textile Industries recently signed an agreement to provide dual-training for employees in the textile sector. OFPE is in the process of negotiating similar agreements with other industry associations as well.

OFPE has also begun to develop training modules with an emphasis on the acquisition of a very specific skills. These modules will allow for greater flexibility in OFPE's programming, including the participation of employees from the private sector for short-term professional training. Short-term training modules geared toward up-grading the skills of employed workers have been developed at several OFPE centers in collaboration with the Belgian Embassy's assistance.

d. Reform of the Vocational Training Tax

A tax equal to 2% of the salaries of all employees is levied on firms; the tax has recently been reduced to 1% for manufacturing industries. Its proceeds support professional training activities in Tunisia. Businesses may benefit from a rebate on this tax if they present a formal training plan to OFPE. According to a number of businesses interviewed by the team, the procedures for obtaining

the refund are cumbersome and time-consuming; many businesses, particularly small and medium enterprises, would rather pay the tax and train their staff than apply for the rebate.

In terms of reform, future tax proceeds are to be allocated to three different areas: the development of dual-training programs undertaken by OFPE and industry associations; apprenticeship training; and a new program to stimulate employment of young graduates with diplomas (Stage d'Initiation a la Vie Professionnelle).

These proposed reforms are clearly steps towards improving the relevance and availability of vocational training programs in Tunisia. It is important to recognize, however, that OFPE is an extremely large and poorly-equipped bureaucracy that has provided training for years with little recognition of the need to serve Tunisian employers. It will take time and "will" before these reforms filter through the OFPE bureaucracy.

3. Centre Technique des Industries Mécaniques et Electriques (CETIME)

CETIME is a public organization established in 1982 to strengthen the mechanical and electrical industries in Tunisia. CETIME provides technical assistance, primarily to senior staff of 300 electrical, mechanical, and electronic companies. CETIME has a staff of 150 persons, 30% of whom are engineers. Of those, 3 were trained in the US, 2 in Canada, and many in France. The main showroom and test prototypes are in Sousse; administrative offices are in Tunis.

There are two major problems which underscore the need for technical assistance within the mechanical and electrical industries. First, only about 10% of Tunisian companies have R&D capabilities and only about 15% have quality control departments, both of which require engineering and technical expertise. Companies do not yet feel a need to employ engineers in these divisions. If they do, they expect the engineer to be immediately operational within the company, or at least by the end of the second month. Second, for the most part owners of the companies do not see any need to change the way they are operating. They continue to use old equipment and old methods, and are not interested in new technologies.

CETIME's assistance is proactive. It offers the companies assistance and shares state-of-the-art technologies relevant to their specific needs. Examples of CETIME's technical assistance include examining the impact of robotization on production; working out solutions to specific technical problems; designing and building prototypes to be manufactured by the companies; and, helping to develop research and development departments.

Some continuing education/professional training is available through CETIME. Two 15-day courses (one on quality control) and 5 seminars (1 to 2 days each) have been given during the past year. Also, CETIME has hosted regional conferences. CETIME involves owners of companies in Tunisia in these meetings as much as possible. They are a valuable form of on-going executive development.

4. Centre Technique des Matériaux de Construction de la Céramique et du Verre (CTMCCV)

CTMCCV is a public technical training center, under the auspices of the Ministry of the Economy. CTMCCV organizes seminars, refresher courses, primarily for technicians and engineers in the building materials, ceramic, and glass industries. Companies within these industries do not, for the most part, have engineers, but rather mid-level employees who are promoted through seniority and examination. This lack of personnel trained in both theory and practice contributes to the shortage of qualified mid-level technicians for these companies. Thus CTMCCV's training programs address the lack of mid-level technicians in Tunisian building, ceramic and glass companies. CTMCCV is the source of technical training for over 200 public and private companies (800, if those that produce quarry products are included).

Although the center was created in 1982, the training function only began [two or three years ago] after adequate training equipment was purchased. In addition to training employees in the building materials industries, CTMCCV provides technical assistance and conducts research for companies.

There are five types of training that are currently used by CTMCCV or will be used in the near future. They include:

- An introductory course, training technicians on the use of new equipment and updating their knowledge and skills. These courses usually last one week.
- Lecture-formats aimed at those involved in the building materials industry. Participants include engineering faculty, university teachers, and others from the industry. These specialized courses are taught by both foreign and Tunisian experts. The main constraint to further developing these courses is a lack of foreign specialists who can speak French.
- Practical courses given in specific areas, such as construction materials. Participants are students at selected universities, such as ENIT and ENIS. Courses last two weeks.

- Long-term training lasting one to two years. This is available to only one or two students for doctoral work at selected foreign universities. CTMCCV provides the practical components for the program.
- A program to address the shortage of mid-level technicians, which will be developed over the next two years. The plan is to take a small, select number of high school graduates and prepare them in ceramics through theory and practice. Graduates would have official diplomas as "advanced ceramics technicians."

5. Centre National du Cuir et de la Chaussure (CNCC)

CNCC is a financially autonomous public organization that assists companies in the leather and shoe industry, which is primarily privately-owned. Training encompasses all activities of the sector, including the treatment of leather and shoe production. The Center's laboratories are available to the companies for testing purposes.

Training activities include short-term training seminars for technicians. They range from one day to a full week. About 10 to 12 seminars are held every year. By working in close collaboration with the sector itself, CNCC identifies specific training needs.

To meet the training needs of lower-level employees, CNCC works cooperatively with the OFPE. One example of this cooperation is the project that developed out of a meeting in December 1988. OFPE, CNCC, and sector representatives reached agreement that CNCC would set up a pilot training center to meet the specific needs of the leather goods sector. The project will be financed through a US \$1 million World Bank loan. The GOT will provide the building. The new center's administrative board will have representatives from OFPE, CNCC, and from the industry. The center is to be run by a private professional manager.

Training of high-level technicians for the leather treatment activities is conducted in cooperation with universities. Thus it is under the direction of the Ministry of Higher Education and Scientific Research. The CNCC organizes and sponsors the practical part of that training.

Since the shoe and leather industry is rapidly developing, there is an increasing need for engineers and high-level technicians. Scholarship support would assist in training technicians and engineers abroad for various kinds of specializations that are not available in Tunisia. Management training is another clear need.

D. Research and Informatics

1. Centre National de l'Informatique

The CNI offers a wide assortment of program options, especially in the area of micro-informatics. The center of training and documentation is one of five offices of the CNI. Operating under the aegis of the Prime Ministry, it develops programs to serve both Tunisian companies and clients, as well as international organizations. Both public and private companies are served, although the percentage of private companies using CNI is low (about 10%), according to the training and documentation director. Training programs are offered in Tunis, Sfax, and Sousse.

On average, seminars last 1 to 2 days. Competitive fees are charged. Individually-tailored courses are available to companies who, in collaboration with CNI, work out an appropriate program to meet specific training needs.

Training is provided, as requested, for the public ministries. For example, special programs have been developed for those employees who have extensive experience in data processing but who lack a solid background in theory. Since 1983, CNI has offered a few of these programs, including one for the army). They were reported to be very successful.

CNI also develops programs to help international organizations. For example, a program on international information networks was designed for UNESCO; another program was designed for the Islamic Congress Organization on micro-informatics. CNI is currently planning a program to be offered in Niger.

The CNI is a training resource in its areas of expertise, especially micro-informatics. The Center houses a library and has a number of classrooms and offices available for use. Furthermore, it has the flexibility to provide tailor-made courses for clients. A night course was recently offered which was reportedly very well attended.

2. Institut Regional des Sciences de l'Informatique et des Telecommunications (IRSIT)

IRSIT is a public institution, created in 1986 by the GOT with the cooperation of USAID. It was formed to conduct applied research in the field of informatics. The GOT wanted to create one small applied research center that could be an example of a technology gateway. IRSIT has received AID funds for equipment, and for U.S. technical assistance and training.

Criteria for selection of staff include an advanced degree and extensive American work experience (preferably 5 to 10 years

experience). Most of the full-time staff earned their advanced degrees from American universities under the long-term training project (USAID's Technology Transfer Project).

As a channel of technology transfer, IRSIT utilizes technology developed in the United States for both commercial and non-commercial uses in the Tunisian context.

Technology projects that have commercial uses include the design of a video text terminal and the development of technology that allows for the recognition and generation of Arabic speech. IRSIT has designed what is called an Arabicized version of a video text system. The text is in Arabic and the terminal can be used as part of the public information system. A design prototype has been produced by IRSIT which can be turned over to the PTT for manufacture. Part-time faculty are used, as needed, for these projects. For example, a linguist from Bourgiba Institute, who has experience at Bell Labs in the US, is working on the development of the speech technology project.

An example of a project that has both commercial and non-commercial uses is satellite mapping. IRSIT is on the verge of making its first satellite map. When Tunisia has its own satellite maps, it will be able to conduct locust control and produce agricultural yield forecasts, benefitting the agricultural sector. In terms of commercial applications, satellite mapping may be able to be used to track schools of large fish. For this project, IRSIT employs professors from universities, especially ENIT, who work part-time at IRSIT and part-time at the university; students also assist.

IRSIIT acts as a training resource, providing about 15 internships a year, lasting from 6 to 9 months. These provide interns opportunities for practical experience. In the future, these and other opportunities could be explored further. For instance, IRSIT could provide support and assistance for the design and delivery of specific courses for professionals, such as Management of Information Systems (MIS). Equipment, classroom space (20-25 participants), logistical support, and marketing assistance could be utilized to insure that course offering(s) are specific to the Tunisian context.

E. Private Training Companies

There are approximately 70 private training companies in Tunisia, most of them in Tunis. One of the biggest companies has over 100 permanent staff; it was founded in the early 1970s. Due to its success, others followed suit. As one small owner said, "Tunisia is a small country, and because of this, the idea spread rapidly." The owners of about 10% of these firms were interviewed. It is on the basis of that sample, not randomly selected, that the following comments are made.

A number of the companies were started by business professors and by those with background in specialized areas, such as micro-computers. Training is given in the area of the owner's specialty, or in areas where expertise can be readily obtained through adjunct staff. Most of the firms offer consultative services in computers, accounting, auditing, financial management, productivity, and areas relating to business management. The typical format is a 2 to 4 day seminar, sometimes given at a local hotel. Most commonly, fees are charged on daily basis (on average 100 to 150 dinar a day). While the employees of both private and public companies are clients, it is more common to have public companies use the services of these private training firms.

The plethora of training companies is symptomatic of a more general problem - that of the "me-too" mentality seen in Tunisia. An individual entrepreneur enters a new business field, succeeds, and many others rush in to try to copy the success. The problem of the majority of training companies is that they lack real-world experience in this activity, as well as the necessary pedagogical skills. Thus, they can not offer the kind nor the quality of training the businessman requires. Furthermore, they are typically undercapitalized; many work out of their homes with just a telephone. As such, they do not have the "structure" -- office, secretary, and the other accoutrements -- which legitimize a company in the client's eye.

The team believes that the most effective way to strengthen private sector training institutions would be to foster competition in the sector. Granted, there are already many firms competing against one another; however, due to the tax rebate system discussed previously, their market is a "given." Large firms, in particular, prefer to send their employees for marginal training than pay the tax. As a result of this ready-made market, private training firms don't need to improve their services to win the clients as much as they would in a truly competitive environment; they don't need to test the market for what is really needed among their clients; and lastly, there is little need to market their programs. Clearly, the problems of these firms reflect many of the problems facing the private sector as a whole.

Possible areas of assistance to strengthen private sector training firms would be in the following areas:

- Identification of market needs and market testing;
- Training of trainers;
- Development of effective publicity strategies; and
- Export of services to other countries in north and west Africa.

ANNEX 2

TRAINING RESOURCES:

PRIVATE SECTOR SUPPORT ORGANIZATIONS

ANNEX 2

TRAINING RESOURCES

PRIVATE SECTOR SUPPORT ORGANIZATIONS

A variety of private sector support organizations exist in Tunisia, including four Chambers of Commerce, a large federation of employers (UTICA), professional associations, and various GOT agencies for business promotion, lending, investment and export activity. A number of these organizations are described below. Certain of them are candidates for training and other related assistance.

A. The Chambers of Commerce

After two decades of inactivity, Tunisia's chambers were reactivated in 1988. Operating under the aegis and financing of the Ministry of Economy, the four chambers are composed of 25 representatives; each is elected by his/her respective industry/trade/service association. Representatives work on a voluntary basis; however, each chamber has paid professional staff to carry out the work that members request. The chambers cover Tunis, northern (Bizerte), southern (Sfax) and central (Sousse) Tunisia. Formal contact between them is maintained by an inter-chamber advisory committee.

Generally, the chambers' activities cover information dissemination and public relations. Subjects addressed by the information dissemination typically include the economy and changes in the customs code and duties. Information is distributed to the wider membership, including formal sector businesses, each of which is registered with a chamber of commerce.

All three chambers visited by the team have made training a desired activity on their agendas. Following is a capsule description of the principal activities of each chamber (Tunis, Sousse and Sfax) and what they plan to do in the future:

1. Tunis

This chamber currently is conducting a study of the import code and tariff schedule; its objective is to convince the GOT to simplify the code and to lower tariffs as a means of promoting investment. In the longer run this would result in more tax revenues for the GOT. The chamber sees training as a desirable activity, but has not yet targeted a specific area.

The chamber would like assistance in:

- staff training to establish and operate a data bank of supplier/market information
- staff training in trade fair organization
- staff training in legal arbitration and freight forwarding matters
- finding and training a librarian/documentalist

2. Sousse

The chamber in Sousse recently carried out a training needs assessment in conjunction with an "inventory" of all the industries in the area. It intends to set up on-going "roundtables" to maintain a dialogue between the university community and business, and between government and business.

This chamber has just received GOT approval to open a training school for junior level management; it will be started in late 1989. This activity responds to a severe lack of management talent available to companies in the Sousse chamber's region. The school will be open to those who have the equivalent of a high school degree and to university "leavers." The first class will have 25 students who will attend school for 16 months, including an in-company training period of one and one-half to two months. After completion of the 16 months, the graduates will go to work for the company in which they have "interned," in the position of administrative assistant to a manager. Students will pay a token tuition of 25 TD/month, with the chamber covering the balance.

The chamber would like assistance in:

- training of trainers for the above-mentioned management training school, as well as for industry; assistance in curriculum development for the school
- developing staff capacity to do marketing studies for companies in their "region"

3. Sfax

Sfax's chamber is currently teaching typing, basic accounting and English in Sfax, and typing, accounting, English, German and Italian in the Gabes branch. Since Sfax has a severe shortage of technically skilled people in garment manufacture, the chamber is considering the training of young women in seamstress skills. The

chamber also plans to take a service oriented approach for its members.

The chamber would like assistance in:

- establishing a computerized information system that its members can access
- establishing a wide range of services for its members
- training skilled workers for the garment industry

B. UTICA

Created in 1946, UTICA is the federation of employers for Tunisia, including industry, commerce, services and artisinal activities. Only agriculture is excluded, as farmers have their own autonomous professional organization. UTICA is made up of more than 60 industry/trade/service associations, as well as industry and service federations, e.g., The Federation of Textile Businesses, The Federation of Hotel Operators, The Federation of Exporters (which cuts across industry lines). UTICA has regional offices throughout Tunisia. Its main activities are at the industry level, rather than the company level, and are as follows:

- Advocacy vis-a-vis government and the labor unions; to make government policy makers understand the impact of current and proposed policies on UTICA member industries; and to make the administration understand how policy implementation and procedures affect member industries.
- Conduct of technical, financial, fiscal and socio-economic studies.
- Training in specific areas of interest; for example, a course in the requirements and procedures of exporting for CEOs reportedly was well received.
- Arbitration between member professional associations.
- Public relations, documentation, publication and dissemination of information germane to the activities/needs of members

One of UTICA's principal activities, in collaboration with Catholic Relief Services and USAID, has been to provide technical and training assistance to SMEs via a center set up to help this subsector. This work began in January 1985 as a pilot project to help SMEs in the greater Tunis area and has since evolved into a larger project entailing technical assistance to SMEs in Tunis as well as in Sousse and Sfax.

C. CEPEX

CEPEX was created in 1973 under the Ministry of National Economy to assist Tunisian companies wishing to export. It is organized in four industry sections: agro-industrial, textiles, electro-mechanical and "diverse." Its principal activities are the provision of market and foreign tender information, export promotion, foreign trade shows and fairs, establishing contacts between Tunisian exporters and potential foreign importers, receiving foreign delegations and preparing market studies. Market studies are done at the suggestion of the GOT and individual companies, and cover new products and the penetration of new markets.

In addition, CEPEX collaborates with ISG and helps finance a program in export management for students from the private sector, SOEs and banks, as well as students without work experience. During the program, overseas in-company training is provided.

D. Association Professionnelle des Banques de Tunisie (APBT)

Established in 1964, the Professional Banking Association represents all the development and deposit banks in Tunisia; it will soon add the offshore banks to its roster. One of its principal activities is training for bank employees. During any given year, it has approximately 800 students in training spread over an elementary program (two years in duration), a mid-level program (four years) and an advanced program (three years). A second component of training offered is a yearly seminar series for bank management on timely and pertinent topics.

A new activity undertaken recently was the establishment of a unit to deal with the multitude of project proposals held by FONOPRAM, the government agency dealing with and financing SSEs and artisans. Staffed by engineers, and both Central Bank and banking sector management, the unit opened on October 1, 1989. It will evaluate proposals for financing, and monitor and follow-up those financed.

In the context of Tunisia's new economic policy directions, banks are recognizing the wisdom of portfolio diversification. In consideration of this, the APBT plans a major effort in 1990 to focus banks' attention on the needs of and the opportunities offered by SMEs, as their position in economy improves. Banks must become, to a degree, SME specialists. As a part of this effort, the APB wants to train bank management in SME lending - which requires different thinking as well as new and modified lending techniques and instruments. The APB is seeking assistance in:

- finding "practitioner-specialists" (those with hands-on experience) in SME lending to train bankers, to train trainers and to develop pedagogical material.

- making contact with the appropriate US banking associations to gain experience in American (Anglo-Saxon) methods of bank management, in particular dealing with the smaller, riskier client.
- finding a means (establishing an insurance company) to cover the banks' risks, and at affordable premiums, from lending to SMEs.

Finally, the APB reports that a venture capital fund for SMEs and young entrepreneurs will be established by the banking community, with initial EEC capitalization of 1,000,000 ECU. It will be open to other donor participation.

ANNEX 3

TRAINING RESOURCES:

THE DONOR COMMUNITY

ANNEX 3

TRAINING RESOURCES

THE DONOR COMMUNITY

A. The World Bank

The World Bank has recently concluded a \$95 million loan agreement with the Government of Tunisia to support educational and training sector reform. The program has two distinct components.

- (1) Support to the Ministry of Education to undertake a series of policy reforms and investments in the primary and secondary educational sector (app. \$80 million).
- (2) Support to the Office of Vocational Training and Labor (OFPE) to develop sector-specific vocational training centers in collaboration with industry associations (app. \$15 million).

The second component is particularly important in light of private sector training needs. In collaboration with OFPE, the World Bank will finance the conversion of existing vocational training institutions into sector-specific centers to target the needs of a particular industry. The conversion of training centers will be based on a series of sub-projects to be prepared by OFPE in collaboration with industry associations. Each sub-project must contain a training agreement which outlines the respective roles of government and industry in defining training programs and in managing and financing the training centers. The aim is to ensure industry participation in the design of vocational training programs. Upon approval of each sub-project, the World Bank will finance the purchase of new equipment and technical expertise to convert the centers.

The type of training to be provided in the sector-specific training centers will also be adapted to meet the needs of industry. The centers will offer "pre-service" training for young people in preparation for their entry into the work-force; more importantly, they will also offer apprenticeship training or dual training programs (50% training and 50% work experience) for already employed workers. Flexible training programs based on modular approaches will be developed for employed workers. The centers are also expected to be used as resource bases for the development of training programs and training of trainers for other centers.

World Bank assistance will finance the conversion of approximately 12 centers. Two sub-projects have already been prepared in collaboration with industrial associations to convert a leather and shoe industry center in Tunis and an agro-industry center in Soliman.

B. The Embassy of Belgium

Professional and vocational training is an important element of the Belgian technical assistance program in Tunisia. The Embassy allocates approximately 20% of its annual assistance to training activities.

The Embassy has worked closely with the Office de la Formation Professionnelle et d'Emploi (OFPE) for over ten years to strengthen the quality of vocational and technical training centers. Until recently, however, there was no explicit attempt to relate training programs to the needs of the business sector. The Embassy's current training activities are explicitly geared toward creating a link between the OFPE training programs and the Tunisian business community through the development of continuing education programs and short training modules for employed workers. In addition, training programs are now targeted on developing maintenance and repair services in Tunisia. These new directions are an important step toward developing a capacity in OFPE to address private sector training needs.

Examples of the type of assistance provided by the Belgian Embassy include the following:

1. Centre National de la Plomberie, du Chauffage et de la Climatisation, OFPE, Kairouan

Since 1975, the Center has offered a series of 11-14 month courses to develop skilled labor in the installation and maintenance of plumbing, heating and air-conditioning equipment. With Belgian assistance, the Center recently created a "continuing education unit." The unit has begun to offer a series of short-term training programs for the employees of local businesses to up-grade their skills in the maintenance and repair of equipment. The courses are approximately one to two weeks long, and may be conducted either at the Center or on-site in a business. One of the most important aspects of this new approach is that the Center must now market its services to businesses, and hence, must respond more effectively to their needs.

2. Centre National des Engins de Chantier, Mornaguia

Technical training offered by this OFPE Center has been marked by two distinct phases. Initially, the OFPE and the Belgians developed a "classical" kind of technical training program providing training to young unskilled workers in tractor operations. While the program had its merits, it did not address several critical problems in Tunisia: (a) the lack of skilled workers trained in maintenance and repair of machinery; and (b) the lack of mid-level technicians (as opposed to engineers and unskilled labor).

The second phase of the program, initiated last year, is structured to target these problems. In addition to long-term training, the Center now offers short-term technical training programs tailored to the needs of business; the programs focus on maintenance of machines. In the first year of Phase II, the Center provided training for nearly 150 employed mechanics.

3. Centre National de Formation de Cadres Moyens et Agents de Maitrise, Gabes

This program aims to develop a cadre of skilled technicians in electrical and mechanical maintenance. A series of short-term courses are offered at the center or on-site in businesses to mid-level technical employees.

In its newest program, the Belgian Embassy will provide three long-term advisors to CETIME to promote industrial maintenance in Tunisian businesses; in the process of working with businesses, the advisors will also assess technical training needs. This information will be relayed to a second group of Belgian advisors, who will assist OFPE in the planning and development of new training programs. This type of liaison will help to ensure that OFPE's future technical and vocational training programs respond more effectively to the needs of industry.

C. Embassy of Canada: Agence Canadienne de Developpement International (ACDI)

Human resource development is one of the two principal components of ACDI's bilateral program in Tunisia. The bilateral program includes the following activities:

1. Overseas Scholarship Program

ACDI provides partial scholarships for post-graduate studies in engineering, management, computer science and economics in Canada. Up to 200 students may be financed under the program in any given year. The length of study averages two to three years, and may not exceed five years. The program is managed by the Ministry of Higher Education, and all overseas coordinating activities are handled by MUST in Washington, D.C. ACDI's role in managing the project is very limited; it coordinates with the Ministry to determine the types of study to be financed under the project.

One of the program's weaknesses is that there is no system to follow-up on students once they have completed their studies. ACDI has no information on returnee rates and/or career choices upon completion of studies. It is therefore difficult to assess the impact of the scholarship program. This will be one of the issues to be examined in an up-coming evaluation of the project.

2. Short-Term Training and Technical Assistance

ACDI also provides partial finance for short-term Canadian technical assistance to the Tunisian private and public sectors, as well as short-term training or study tours to Canada. During the first phase of assistance, most of the Tunisian participants were from the public sector. During the past three years, however, ACDI has attempted to reorient the short-term training and technical assistance program to strengthen the Tunisian private sector. It is important to note that ACDI has had difficulty generating interest from the private sector, and hence, has not drawn down on the funds for this program as rapidly as planned.

3. Institutional Linkages

Several Canadian universities have established linkages with Tunisian universities with the support of ACDI. L'Ecole Polytechnique de Montreal and l'Ecole Nationale d'Ingenieurs (ENIT), for example, have established a three-year agreement to support faculty and student exchange programs. In addition, the University of Ottawa and l'Institut Supérieur de Gestion (ISG) signed an agreement this past month to strengthen institutional linkages. The focus will be on strengthening educational programs in international business.

4. Credit Lines

ACDI encourages commercial linkages between Tunisia and Canada through lines of credit to finance the purchase of Canadian goods and services. One of the lines of credit, the Fonds d'Appui a la PME (FAPME), aims to create joint ventures between small and medium-sized enterprises in Canada and Tunisia; since its creation in 1984, there has been minimal drawdown on the funds.

ACDI also provides assistance to Tunisia via its contributions to multi-lateral programs. Of particular interest is the "Programme de Cooperation Industrielle" which finances the cost of conducting feasibility studies for possible joint ventures between Tunisian and Canadian firms. To date, nearly 20 studies have been initiated; only one joint venture has been concluded through the program.

D. The United Nations Development Program

The UNDP finances ten projects that directly concern the private sector in Tunisia. These projects fall into the following three areas: investment promotion, trade liberalization and growth, and promotion of the private sector through the introduction of technology. Specific activities are outlined below.

1. Investment Promotion

- Establishment of an Industrial Data Bank at API to centralize data on industry and make it available to industrialists and promoters, banks, universities, government officials, and private sector support organizations.
- Development of a subcontracting exchange at API to maximize the use of local capacities, improve quality through competition, promote inter-enterprise relations and partnerships on a national and international level.
- Development of legislation and regulations for the Tunisian stock market, stock market brokerage, tax incentives, and investor protection. Training for brokers and financial journalists.

2. Trade Liberalization and Growth

- Assistance to INNORPI to develop and promote exports through improvements in the quality of packaging.
- Assistance to CEPEX to establish a computerized system of commercial information for exporters, entrepreneurs and promoters.
- Assistance to OCT to improve import management; the project provides technical assistance to enterprises, including practical guides on import management and training in import management techniques.

3. Introduction of Technology

- Assistance to create new industries based on biotechnologies and the transfer of technology to the industrial/production sector.
- Development of CETIME's capacity to provide assistance to industry on the design/manufacture/testing of new products; development of capacity to train company personnel in management and marketing, and development of new enterprises.
- Establishment of an operational unit at CETIME for computerized design and manufacture unit of molds for plastics, shoes and tools.

- Assistance to CETIME to strengthen its capacity to provide technical assistance on molds for plastics, to train technicians and factory workers, and to strengthen its collaboration with the private sector.

UNDP has also organized a series of high-level meetings and seminars on timely private sector issues. Participation included representatives of the private sector organizations and businesses. Five meetings have been held since the beginning of 1988. One of meetings focused on "Tunisian Women Entrepreneurs." It was jointly sponsored by UNDP and the National Union of Tunisian Women (UNFT), and received wide media coverage. A report of that meeting indicated that there are over 2,000 women entrepreneurs in Tunisia, based on 1988 statistics, and that UNFT has plans to create a management training center for businesswomen in Tunisia.

E. U.S. Agency for International Development

The Technology Transfer Project is a \$45 million project which began in August 1981 with the objective of institutionalizing technology transfer in engineering and other technical fields. The project's completion date is September 30, 1992. For the first six years it supported four major areas:

- strengthening selected Tunisian institutions of higher education;
- a student training program (undergraduate and graduate in the US) which developed into the project's most important component;
- student placement to handle the placement and supervision of those in the student training program; and
- manpower planning studies which also assessed market demand and placement service needs of the graduates of the student training program.

The Technology Transfer project has evolved into a scholarship program mainly at the GOT's request. To date, the project has sent approximately 1,100 students through US universities with 250 more planned for through 1991-92.

Recently, USAID has altered the project design to make it more responsive to the needs of Tunisia's economy, especially in the areas of management and business. The altered design will likely include a mechanism to follow-up the students who are nearing graduation with regard to their job/career plans after graduation. Amideast has proposed a plan to do this focusing on both cultural adaptation for the returnees, as well as assistance in the job search. Identifying needs and opportunities before a student returns to Tunisia is an important part of that strategy.

ANNEX 4
INDIVIDUALS INTERVIEWED

ANNEX 4

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ANNEX 5
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ANNEX 5

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