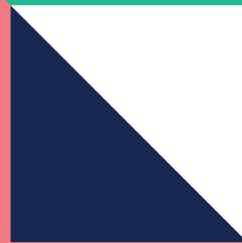


Tunisia

February 2022



CHALLENGE
FUND
FXR
YOUTH
EMPLOYMENT

Scoping Report

Contents

1. Why this report?	4
1.1 Program Description	4
1.2 Country scoping research	4
2. What does the problem look like?	5
2.1 Unemployment in Tunisia: understanding the big picture	5
2.2 Key challenges in the Tunisian labour market	6
2.3 COVID-19 impact on employment	9
3. Who are the Youth?	10
Category 1: Low-medium skilled youth in rural areas working in informal jobs	10
Category 2: Low-medium skilled youth seeking for better quality jobs in the formal sector	10
Category 3: Low-medium skilled young apprentices in rural and urban individual enterprises	11
Category 4: Medium-high skilled youth in urban areas seeking career development	11
Category 5: High skilled tech-savvy youth in urban areas interested in being self-employed	11
4. What are the main challenges and opportunities for youth access to decent employment in Tunisia?	12
4.1 Labour Demand	13
4.2 Job-related skills and matching	14
4.3 Business support and access to finance	15
4.4 Culture and social norms	16
5. Promising Sectors	17
5.1 Agri-business	21
5.2 Textile	21
5.3 Digitally enabled jobs Digitally enabled jobs (ICT, Fintechs, Edtech, Healthtech, E-commerce, offshoring)	22
6. Call for Solutions	24
6.1 Practical Example of an interesting project idea for CFYE	24
6.2 Description of Windows	24
6.3 Eligibility Criteria	27
Annex A. List of key stakeholders interviewed	29
Annex B. Bibliography	30

This report has been produced by the Challenge Fund for Youth Employment
<https://fundforyouthemployment.nl/>

The Challenge Fund for Youth Employment (CFYE) is a 6-year programme funded by the Netherlands Ministry of Foreign Affairs, managed by Palladium, VSO Nederland and Randstad.

Acronyms and Abbreviations

BPO	Business Process Outsourcing
CBT	Central Bank of Tunisia
CFYE	Challenge Fund for Youth Employment
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ETF	European Training Foundation
INS	National Institute of Statistics
ITCEQ	Tunisian Institute of Competitiveness and Quantitative Studies
MSME	Micro, Small and Medium Enterprises
NEET	Individuals who are Not in Education, Employment, or Training
OECD	Organisation for Economic Co-operation and Development
SMAG	Minimum Guaranteed Agricultural Wage
SMIG	Minimum Guaranteed Inter-Professional Wage
UGTT	Tunisian General Labour Union
WB	World Bank
WEF	World Economic Forum

1. Why this report?

1.1 Program Description

The Challenge Fund for Youth Employment (CFYE) is a six-year program launched by the Netherlands Ministry of Foreign Affairs, that aims to create a prosperous future for 200,000 young women and men in the Sahel, the Horn of Africa, the Middle East and North Africa. The Fund is looking for private sector-driven proposals that offer solutions to create and improve jobs and enable better placements for youth, with a particular focus on young women.

The Fund will be supporting initiatives from private companies, financial institutions, Venture Capital companies, and in some cases from civil society actors

such as NGOs and business associations that have scalable and sustainable solutions to create, improve and match youth to jobs and better placements. Solutions will be built around integrated approaches designed to improve young women and men access to decent work and to bridge the mismatch between the demand for high quality jobs and the supply of skilled labour.

Technical support is available throughout the application and solution implementation process. Once projects are selected for implementation, tailored technical support will be provided to maximise delivery of results and expected impact.

1.2 Country scoping research

A scoping study was conducted for Tunisia between October 2021 and January 2022. An overview of its key findings is presented in this report. The aim of this research is to identify the nature of obstacles and challenges impacting youth access to decent work in Tunisia. This is through mapping across four key domains of the labour market: labour demand, job-related skills and matching, business support and access to finance, and cultural and social norms.

The research also aims to identify the key opportunities and solutions to improve Tunisian youth living conditions in terms of access to sustainable, demand-aligned and decent work. It also provides information on strategic opportunities for the intervention of the Fund in supporting local initiatives and private sector-driven proposals through technical assistance and co-investment actions.

An analysis of the challenges and opportunities within these domains has been used to formulate an evidence-based, contextually responsive, and strategic call for concept notes. A summary of this information has been presented in this research report, and has been collected through a desk research, literature review, and interviews with employers, key public institutions and civil society representatives in Tunisia. An online survey was customized for Tunisian youth (aged 15-35) and disseminated in January-February 2022. A total of 179 completed youth surveys were used.

2. What does the problem look like?

A country of 11.7 million nestled in the northernmost tip of Africa, Tunisia has long been heralded a role model for its regional peers in terms of technological innovation and impressive growth in the decades following its independence. However, this growth failed to address the deep-rooted disparities between the coastal regions and the neglected interior and southern regions of Tunisia, leading to widespread unrest and the Jasmine Revolution of 2011.

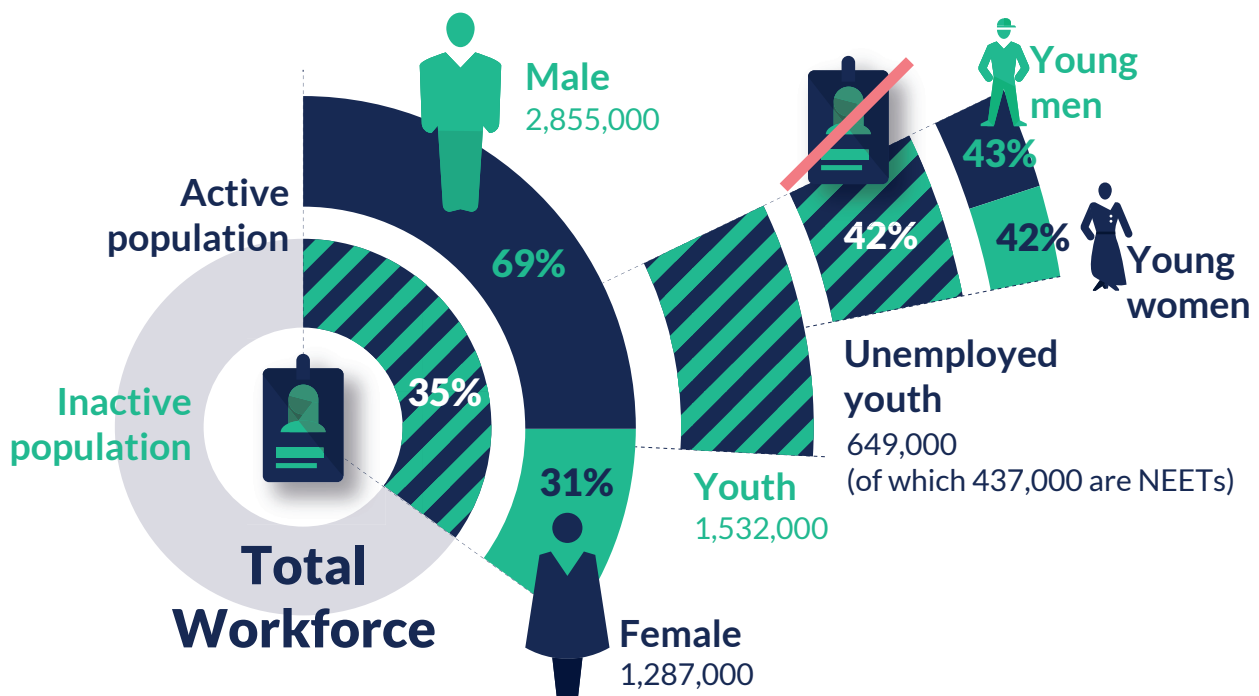
In the decade that has followed, Tunisia has faced budgetary pressures, a devaluing currency, and economic stagnation. The public sector implemented fiscal and structural reforms to boost the economy and improve its performance in key sectors, and focused on establishing robust, democratic institutions—a challenging feat due to ongoing political volatility. The COVID-19 crisis met the economy on an already weak footing, and subsequent declines in tourism, transport, and manufacturing have further contracted growth of the economy. Meanwhile, a decade after the revolution, disillusioned youth continue to demand better economic opportunities.

2.1 Unemployment in Tunisia: understanding the big picture

The deepening economic impact of the pandemic two years on, along with regional disparity, low job creation, and an education system that has been unresponsive to labor demand, has led to staggering unemployment

figures. By September 2021, the national unemployment rate stood at 18.4%. Unemployment disproportionately impacts youth, university graduates, women, and low-skilled workers.

Figure 1. Unemployment in Tunisia



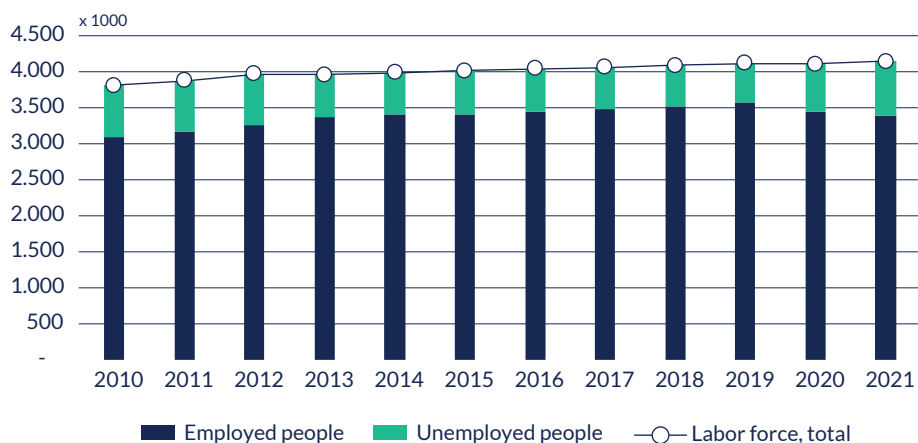
Source: INS and author's calculation, in the third quarter of 2021

2.2 Key challenges in the Tunisian labour market

2.2.1 Low job creation

The labour supply in Tunisia reached 4.1 million people in 2021, recording an increase of 8.8% since 2010.

Figure 2. Unemployment in Tunisia

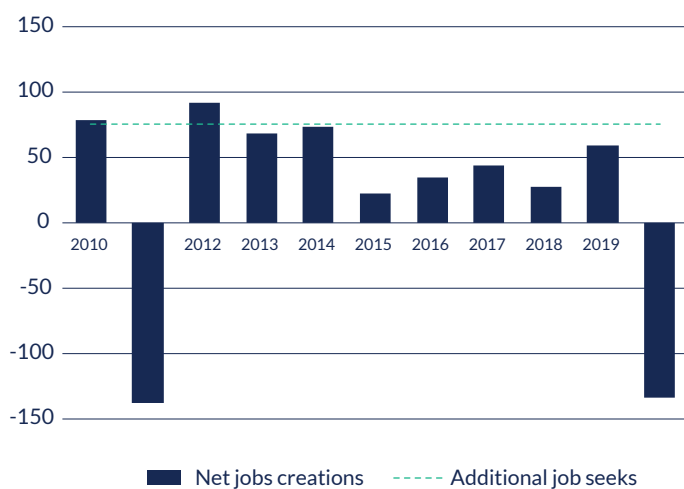


Source: National Institute of Statistics (INS)

Net job creation in Tunisia was volatile before the pandemic (27,600 in 2018 and 58,800 in 2019). Due to low economic growth rates, the gap between the number of entrants to the labour market each year and annual

net job creation has not allowed the absorption of the stock of unemployed people (on average 75,000 per year during the period 2013-2019) by the labour market (see Figure 3).

Figure 3. Net jobs creations



Source: National Institute of Statistics (INS)

Sectoral contribution to employment

Services remain the main jobs provider with a share of 52% of total employment and the main contributor to GDP (61.7%). Manufacturing is the next largest provider of employment (33.5%), with a contribution to GDP of 21.8%. While the proportion of Tunisia's total gross domestic product (GDP) that comes from the agriculture sector has been constant over the last two decades (around 10%), the proportion of the country's workforce that is employed in the agriculture sector decreased by one third. The share of agriculture in total employment dropped sharply from 20.7% in 1999 to 13.8% in 2019 (WDI, World Bank).

The private sector is the main provider of formal jobs (73%) compared to around 27% for the public sector. More than half of the total job creation in Tunisia (56%) are made by SMEs (ILO, 2020) and most of the employment opportunities are concentrated in Larger Tunis and Coastal zones. Around three quarters of jobs are created in the type of wage employment (74%), while one quarter of total jobs are self-employment jobs. Job creation has been growing mainly in the informal sectors (46% of jobs are informal).

2.2.2 Low levels of inclusion

The Tunisian labour market is characterized by low levels of inclusion of vulnerable groups such as women, youth, graduates, early school leavers, and people located in the interior regions mainly in the North-West and in the South of the country.

Youth and Graduates

Currently, more than two out of five Tunisian young people (aged 15-24) are unemployed (42.8% for young men and 41.7% for young women). Around two thirds (67%) of the unemployed youth in Tunisia are not in education, employment, or training (NEET). The unemployment rate for graduates reached 30.1% at the end of the third quarter of 2020, with a significant gender divide.

Youth face the worst odds in finding jobs in the interior and southern regions; the unemployment rate in the North-Western governorates is more than three times that in the North-Eastern governorates. The economic and political marginalization of youth in these regions was the underlying cause of the uprisings of 2011.

Women

Despite modern legislation relating to women, an economic gender divide persists, and the Tunisian labour

force remains male-dominated. The unemployment rate among women is 24.1% compared to 15.9% among men. This divide is exacerbated in the Western regions of the country where unemployment among women reaches an average of 35%. Unemployment of female graduates (40.7%) is more than double that of men (17.6%).

Moreover, female workers in the Tunisian private sector suffer from a gender pay gap. According to Mouley and Elbeshbishi (2021) and based on the National Institute of Statistics (INS), women earn on average 34% less than men. The highest pay gap is observed in electronic and electrical industries (52%) and Textile, clothing, and leather industries (39%).

The largest sector in terms of the contribution to women employment is manufacturing (42%) followed by public administration, education, and health (38%) and Finance, real estate & business services (27%).

Regional imbalances in access to employment

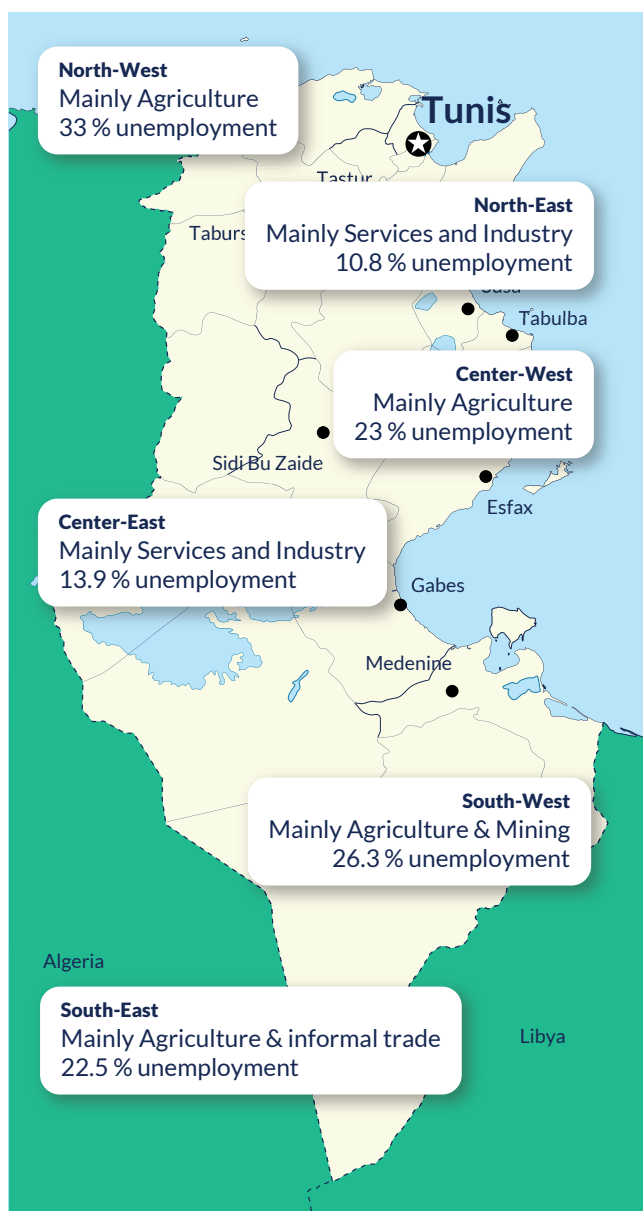
Tunisia's impressive economic growth in the 1960s and the improvement of living standards over the past few decades have been accompanied by increasing regional disparities (ITCEQ, 2018).

The highest unemployment rates are observed in the western and southern regions of Tunisia (North-West 33%, South-West 26.3%, Center-West 23%), with differences of between four and fourteen points compared to the national unemployment rate (18.4%).

Over the past years, Tunisia has been unsuccessfully trying to implement development policies while taking into consideration regional priorities based on governorates' classification, using indicators that synthesize the level of development in several areas relating to economic and social conditions for each region. This approach makes it possible to classify the 24 governorates according to the level of social and economic development.

ITCEQ (2018) examines regional disparities in terms of social and economic development in Tunisia. The study shows that Tunisia is divided into two zones which differ according to the level of development. The most marginalized governorates belong to the so-called interior zone, while areas which are relatively better developed mainly include the coastal governorates. Fourteen out of 24 governorates show development levels that are below the national average and are lagging behind in terms of number of companies, placement rate, and job offer compared to coastal governorates and the capital Tunis.

Figure 4. Regional disparities in Tunisia



One of the driving factors of high job informality is labour regulation that makes it very difficult to terminate an employment contract. Another factor is the high-income taxes on wages. Informality results in low access to vital services such as health care and access to finance.

The lack of better employment opportunities for youth has aggravated the flow of illegal migration to Europe. As of end-September 2020, it was estimated that close to 10,000 Tunisians attempted illegal Mediterranean crossing, making them the largest nationality group crossing the Mediterranean (World Bank, 2020).

Several initiatives were launched in 2019 and 2020 to improve the workers' social security coverage. Just after a tragic truck accident where 13 women agricultural workers passed away in April 2019, the government launched the initiative "Ahmini" ("Protect me") to provide social security and protection for daily and seasonal workers in the agriculture and fishing sectors. Another resolution was made in 2020 defining special procedures for people with an irregular income to encourage them to join the tax and social security systems. Although, these initiatives are expected to improve jobs quality in Tunisia, no impact studies have been conducted to examine their effectiveness.

Aiming at preserving employees' purchasing power, the Tunisian Government and the Tunisian General Labour Union (UGTT) agreed in 2020 on an increase in both minimum wages in non-agricultural and agricultural sectors, reaching 429.3 dinars (132 EUR) per month and 16.5 dinars (5 EUR) per effective working day, respectively.² The minimum wage in Tunisia is twice as low as that in Morocco.

2.2.3 Low quality of jobs

Informal workers account for 46% of the workforce.¹ Informal workers do not have an employment contract and have limited access to social protection and health care. The agriculture and construction sectors are the most affected by informality. Moreover, informality of jobs impacts women more than men.

Tunisian youth suffer considerably from employment informality. Less than one out of three young workers have a formal work contract and benefit from access to social protection.

According to youth who have participated to the online survey conducted under this scoping research, the three most relevant factors that should be considered to improve the quality of jobs and create decent employment for Tunisian young people are related to i) productive and decently paid work, ii) existence of equal opportunities between men and women, and iii) access to social protection for families (medical care, sickness benefits, work injury benefits, maternity benefits, childcare).

¹ Source: World Bank, 2020. Tunisia Economic Monitor: Rebuilding the Potential of Tunisian Firms.

² As a benchmark, in Morocco, the minimum wage is set at 260 EUR for the private sector and 190 EUR for the agriculture sector.

2.2.4 Skills mismatch

Despite their higher rates of literacy and university enrolment, a large proportion of Tunisian youth having completed post-secondary education do not possess the technical and soft skills required by employers. In addition, internships programs are difficult to find, which limits the opportunities for youth to gain experience and relevant skills.

Emigration of Tunisian youth has been causing skills shortages in certain fields. This situation is confirmed by the ranking of Tunisia in 111th place in the world in terms of the ability to retain its talents (WEF, 2019). This increasing emigration of Tunisian highly skilled youth has been impacting the availability of digital skills in the country (WB, 2020).

Both labour demand and supply actors consider the skills mismatch as a key cause of youth unemployment in Tunisia. Many companies in Tunisia declare facing difficulties to find people and graduates with the required skills to fill their vacancies. This is actually reflected in the ranking of Tunisia at 88th and 108th places worldwide in WEF (2019) indicators “Ease to find skilled employees” and “Skills graduates”, respectively.

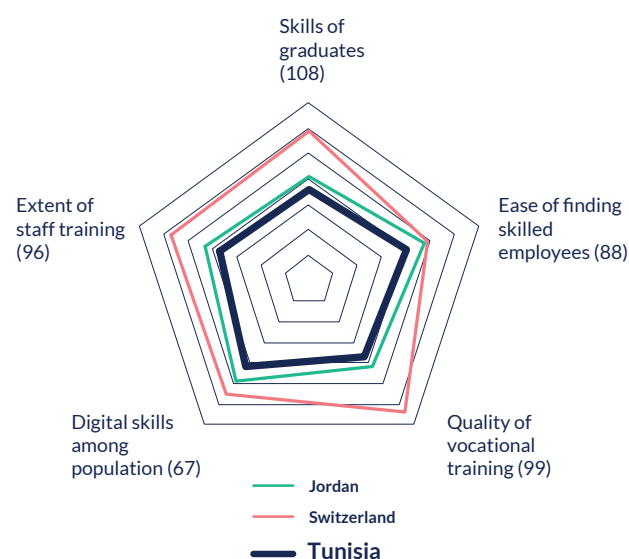
Around 69% of the respondents to the CFYE youth survey have highlighted the youth skills mismatch as the most important factor that explains limited access to employment for youth.

2.3 COVID-19 impact on employment

Compared to the pre-covid-19 crisis (in the second quarter of 2019), unemployment increased considerably in regions with a predominantly agricultural activity: the north-west (+13 points) and the center-west (+4.6 points). Although less strong, this increase was also observed in regions characterized by the presence of a service activity linked to tourism: the north-east (+1.2 points) and the center-east (+3.6 points).

The Covid-19 crisis has led to a sharp contraction in economic activities which caused an increase in the unemployment rate that reached 18.4% in the third quarter of 2021. As a result of the crisis, net job creations were negative in 2020 (losses of 133,000 jobs according to the National Institute of Statistics) resulting in an increase in the number of unemployed people that reached 725,000 in 2020 and 762,600 in the third quarter of 2021.

Figure 5. Skills mismatch in Tunisia



Source: WEF, 2019.

Despite the large number of ICT graduates (12,300 graduates per year on average over the last 5 years) and the growing labour in this sector, Tunisia is underperforming in the global ICT labour market. This is mainly due to the persistent gap between the qualifications required by employers in the sector and the skills of graduates. It is expected that this skills gap will affect more than 31,000 graduates by 2022 (IFC and UTUCA, 2017).

The COVID-19 crisis has increased the economic pressure on private sector companies which led to a negative impact on employment, as massive layoffs have been recorded at end-November 2020 in addition to reductions in the number of working hours. Around 15% of companies declared having laid off more than 50% of their workforce during the 4th quarter of 2020. These companies mainly belong to the ICT sector, hospitality, catering and café services, and to the textile and leather industries. MSMEs relied more on reductions in working hours, whereas big companies have focused on layoffs (IFC and INS, 2021).

The Government took special measures in 2020 to support the impacted workers by the Covid-19 crisis. Workers affected by partial unemployment due to the crisis and self-employed individuals who suffered from business income loss, received a temporary cash transfer of 200 TND (62 EUR).

3. Who are the Youth?

Tunisian youth have very high literacy rates and high degree of university attainment compared to other countries in the region. In the third quarter of 2021, the National Institute of statistics (INS) reported an unemployment rate among young people (aged 15-24) of 42.4%.

As part of the scoping research conducted in preparation of the CFYE call for solutions in Tunisia, an online survey among youth (aged 15-35) was conducted in January 2022. A total of 179 young people completed the survey (60% of them female, 38% male and 2% prefer not to say). Youth responses to the survey allows us to understand their perception in terms of the obstacles and opportunities for decent employment.

Tunisian youth are a heterogeneous group with diverse features and challenges in terms of access to employment. They can be roughly categorized in the following 5 groups, based on their aspirations, education and skill levels, and access to employment opportunities.



Category 1: Low-medium skilled youth in rural areas working in informal jobs

Many employed young Tunisians work in low-skilled and informal jobs, that do not require a secondary degree, in low productive sectors such as agriculture, low value-added manufacturing, construction, mines, energy, etc. Young women are more likely to work in low-skills jobs in rural areas (86%) that do not meet employment decency standards. Many young Tunisian people employed in low-skills jobs and gaining lower wages without formal work contract, consider their employment as a temporary arrangement that will help them gain some money to be invested afterwards in their own projects or to be used to finance a training program. For this category of youth, skills development is needed to help them get better access to decent employment and bridge the gap between their skills and those required by better quality jobs providers in the formal sector.



Category 2: Low-medium skilled youth seeking for better quality jobs in the formal sector

Many unemployed young people in urban and urban and rural areas are aspiring for better employment opportunities in the formal sector. They are not interested in informal and poor-quality jobs that do not meet work decency standards. This category of youth comprises a substantial proportion of the potential youth labour force in Tunisia who are facing difficulties in getting access to decent employment due to the lack in terms of the required skills and the weak jobs opportunities in the formal sector. Most of these young people are not in education, employment, or training (NEET). According to ILO (2020), more than one-quarter of young people in Tunisia (28.5%) are NEETs.

Young women are more likely to be NEETs. The problem of youth inactivity is more pronounced in rural areas than urban areas. In rural areas, half of young women are NEETs (World Bank, 2014). This group of inactive youth is composed mostly of early school leavers (83% in rural areas and 57% in urban areas). The majority of NEETS never obtain a secondary degree. Due to the lack of decent employment opportunities, young men in this group are the most likely to have considered illegal emigration to the European countries. In addition, labour demand in the agricultural sector in Southern European countries has been a driver of low-skilled youth migration from Tunisia.



Category 3: Low-medium skilled young apprentices in rural and urban individual enterprises

Youth in this category have basic education and are attending either short formal vocational training programs or informal training attached to an informal business where they are trained (e.g. hairdressers, beauty technicians, or welders). Informal apprentices are suffering from the long-lasting traineeship within informal businesses which turns, in many cases, into an informal employment with very low quality. Among the major challenges they face after completing their apprenticeships is the lack of capital to set up their own businesses.



Category 4: Medium-high skilled youth in urban areas seeking career development

Medium to high skilled youth in urban areas with university education levels are more likely to get access to employment opportunities in the formal sector. However, due to the gap between their education outcomes and the private sector needed skills, many of these young people do suffer from difficulties in terms of access to decent employment. For those graduates in urban areas who succeed in finding jobs, they usually work in fields that do not match with their qualifications or with their preferred specialties and usually receive wages that are lower than their pay expectations. Thus, this group of youth keep seeking for career development in the services or manufacturing sectors through engaging in training programs to acquire the technical skills required by the private sector.



Category 5: High skilled tech-savvy youth in urban areas interested in being self-employed

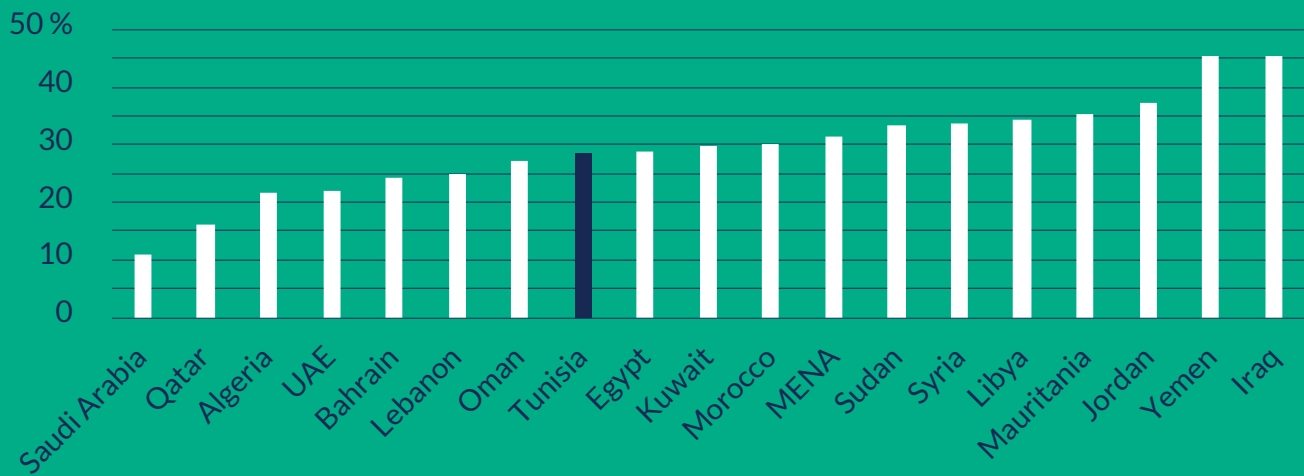
Youth in this group are highly skilled and educated, and are willing to start their own businesses. They are considered risk takers and not seeking wage employment in the public or the private sectors. They are looking for successful self-employment in their field of study. They are mainly located in urban areas (big cities, Larger Tunis, Sousse and Sfax).

They are the main target of business accelerator and incubator programmes as well as government initiatives relates to entrepreneurship development (like for instance the initiative Startup Act launched in 2018). This category of youth faces many challenges, including difficulties in terms of access to finance, access to market

in addition to the impeding barriers to entry that new private companies encounter. According to the annual report of Startup Tunisia (2020), more than 50% of entrepreneurs in Tunisia are under the age of 34. Around 70% of the founders of Tunisian startups in 2020 are university graduates and 8.1% have a Ph.D. According to the CFYE youth online survey conducted as part of this scoping research, 63% of the respondents have highlighted that they aspiring to be entrepreneurs and create their self-employment.

For this youth category, who are highly skilled and motivated to start their own businesses, providing technical assistance and access to finance related actions would contribute to the development of their projects and the creation of jobs for themselves and for other youth.

Figure 6. Share of youth not in employment, education or training (NEET) in MENA region.



Source: ILO, 2020

4. What are the main challenges and opportunities for youth access to decent employment in Tunisia?

This section maps out the challenges and opportunities of four domains of the labour market: labour demand, job-related skills and matching, business support and access to finance, and culture and social norms. The analysis of these factors will help identify those challenges and opportunities that Tunisian youth are facing with regard to access to decent employment and provide insights on where the CFYE can have the most meaningful impact. It will provide concrete guidance on the focus and type of CFYE co-funded interventions which meet its objectives in Tunisia.



4.1 Labour Demand

Key Facts

- ▶ Employment in Tunisia has gone through structural changes during the last three decades. While the proportion of the country's workforce that is employed in the services and industrial sectors increased from 47% and 30% in 1990 to 52% and 33% in 2020, respectively, the agricultural sector dropped from 22% in 1990 to 13% in 2020 (WB, 2020).
- ▶ Women have been moving from agriculture and industry to services.
- ▶ SMEs account for 56% of total jobs creation in Tunisia (ILO, 2020). 98% of Tunisian companies are MSMEs, representing only 56% of total employment and 40% of GDP.
- ▶ Around 90% of all firms are one-person firms (self-employed entrepreneurs). 77% of all firms employ between one to five people and only 2.2% of firms have more than 100 employees (Tunisia, Labour Market Profile, 2020).
- ▶ According to the National Employment Report (IACE, 2019), more than two thirds of labour demand stem from the industry sector (68%), followed by the services (12.5%), construction (5%) and agriculture (1.3%).
- ▶ There are considerable regional disparities in terms of labour demand with 70% of labeled startups in 2020 concentrated in the Grater Tunis.
- ▶ Wage employment accounts for 74% of total employment, followed by 25% of self-employment and 1% of contributing family workers.³

Challenges

- ▶ The Covid-19 pandemic led to an unprecedented economic downturn in Tunisia. Real GDP contracted by 8.2 percent in 2020 (the largest economic downturn since Tunisia's independence). Tunisia experienced contraction in activities across all sectors of the economy (tourism -77%, transportation -51% and manufacturing -27%), except for agriculture (+7%). As a consequence, the unemployment rate jumped to 18.4% at end-September 2021.
- ▶ Tunisia experienced negative net job creation in 2020 (job losses of 133,000). The most affected sectors were tourism (-30,500), manufacturing (-17,900) and transport (-12,300).⁴
- ▶ Limited growth potential of the Tunisian private sector which is mainly made up of micro firms, with low potential for growth due to their lacking competitiveness and the ability to expand activities.
- ▶ Quality of jobs is low (46% of jobs are informal).
- ▶ Most of the employment opportunities are concentrated in Larger Tunis and Coastal zone.

Opportunities

- ▶ There are ongoing initiatives aimed at developing a culture of entrepreneurship and improving business environment. For instance, the adoption in 2018, of an incentive framework for the development of start-ups in Tunisia, the "Startup Act" framework, which benefits entrepreneurs, investors and startups through several incentives. More than 500 startups created 3,222 jobs⁵ in 2 years, of which 39% were for women. However, the Startup Guarantee Fund, a guarantee mechanism for the participations of investment funds and other regulated investment organizations in startups, is not yet active.
- ▶ Efforts have been made to encourage the development of formal employment in the agricultural sector.
- ▶ Export-oriented sectors such as tourism, ICT, transportation and manufacturing provide opportunities for job creation in the post COVID-19 recovery period.
- ▶ Tunisia has well established comparative advantages in high value-added services such as business process outsourcing (BPO) and ICT related activities (well-educated and high-skilled youth) that provide opportunities for high quality jobs creation, and organic agribusiness (the first country in the world in terms of organic cultivation area).
- ▶ There is emerging labour demand for youth inclusion in the digital economy (as an objective of National strategic plan "Tunisia Digital 2021-2025," being finalized).

Relevance for CFYE

- ▶ Youth employment initiatives to be funded by CFYE should focus on:
- ▶ Supporting high-growth potential SMEs in the value chain of the agri-business and textile sectors through providing funding and technical assistance to enable them to create decent jobs for youth and women.
- ▶ Creating work opportunities in digitally-enabled services (ICT, Fintechs, Edtech, Healthtech, E-commerce, offshoring).
- ▶ Encouraging employment formalization initiatives in some sectors such as textiles, especially for women (wage, security in the workplace, social protection).

³ Source: World Bank, 2019

⁴ Source: annual report of the Central Bank of Tunisia (CBT), 2020.

⁵ Around half of these jobs are created in EdTech, Marketplace, Business Software and Fintech.



4.2 Job-related skills and matching

Key Facts

- ▶ The Tunisian labour market suffers from a mismatch which leads to high unemployment rates affecting mainly youth, women and graduates (ETF, 2019).
- ▶ Jobs skills-qualifications matching is a key driver for labour demand in Tunisia. According to a survey conducted by IACE in 2019, employers seeking to hire employees are considering the following criteria: skills-qualification matching (46.8%), relevance of the working experience (44%), the type of diploma (5.7%), gender (2, 6%) and age of employees (1%). More than three quarters of the qualification required by companies are related to technical and digital skills (77.5%).
- ▶ From the perspective of the labour supply side, more than 80% of graduates consider that market saturation in their field of expertise is the main reason for their unemployment (IACE, 2019). Other stated causes include insufficient education that does not meet employers' needs in terms of required qualifications (7.3%), difficulties to get access to job search tools (7%), and overqualification (4.8%).
- ▶ Tunisia has high education enrolment rates; reaching 97.8% in primary and 86% in secondary. However, enrolment decreases to 32% in tertiary education (with 42% for women and 22% for men).
- ▶ Despite achieving high rates of literacy and university enrolment, Tunisia's education sector is failing to meet the needs and aspirations of the youth. Young people are increasingly disenchanted with the overly theoretical knowledge they are taught, leaving them unprepared for the labour market (World Bank, 2008).
- ▶ About 30% of unemployed youth in Tunisia have higher levels of educational attainment, of at least secondary or tertiary school level.
- ▶ Higher levels of education do not seem to lead to better employment opportunities for youth.
- ▶ Support from employment promotion institutions in facilitating access to jobs opening information is limited. Around two thirds of employed graduates state that they had their first work experience through their parents and friends support (36%) and spontaneous application (28.1%).
- ▶ The Agency for Employment and Self-employment (ANETI), provides internship placement at private companies for a duration of three months, with the possibility of an extension. The aim of this program is to prepare young men and women for professional activities.
- ▶ There is an increasing focus on ICT-related training and education programs. There are more than 10,000 graduates each year in fields related to the ICT sector.

Challenges

- ▶ There is limited collaboration between Technical and Vocational Education and Training (TVET) institutions and employers in designing training programs for youth.
- ▶ Tunisia's education sector is failing to meet the needs and aspirations of the youth. More than half of the job qualifications required by companies are related to managerial and soft skills. However, managerial and soft skills related education programs represent only 12% of the skills taught on average at universities (ICF and UTICA, 2017).
- ▶ There is a predominance of public TVET institutions in terms of enrolment share. Public TVETs heavily rely on payroll tax funding. Private TVET institutions are mainly located in urban areas.
- ▶ There are several existing initiatives for developing youth digital skills such as:
 - ▶ 25 higher education institutes of technological studies ensuring the training of youth to meet digital skills related needs of companies.
 - ▶ 47 public and private institutions providing engineering training with more than 7,500 engineers graduates annually.
 - ▶ More than 60 public vocational training centers, covering the entire Tunisian territory.
 - ▶ The number of programs providing capacity building for youth in all fields, including ICT, has increased in recent years in Tunisia. These programs play a key role in the development of young people's skills to better meet employers' expectations in terms of required qualifications, which are not taught at university.

Opportunities

Relevance for the CFYE

- ▶ Youth employment initiatives to be funded by CFYE should focus on:
 - ▶ Supporting private projects in labour-intensive agricultural and manufacturing activities which have the capacity to absorb low-to-medium skilled employees and create significant employment paths out of poverty for vulnerable youth categories.
 - ▶ Support related to improving existing jobs for women, especially in agriculture and textile, as working conditions in these sectors are poor (for instance, transportation to fields causes many deaths each year).
 - ▶ Support initiatives aimed at addressing the skills gap through upskilling and subsequent job matching of the young labour force to improve the employability of youth, particularly young graduates.



4.3 Business support and access to finance

Key Facts

- ▶ Tunisian SMEs face constraints with access to finance. They are perceived as riskier than large firms due to the lower quality of their financial statements, the lack of an extended bank lending history, and lack of collateral.
- ▶ In terms of SME financing, Tunisia ranks 109th out of 141 countries in the WEF Global Competitiveness Report (2019). Non-bank financing, on the stock market through private equity instruments, remains underdeveloped in Tunisia.
- ▶ According to a recent survey conducted in 2020 by the World Bank, European Bank for Reconstruction and Development and the European Investment Bank, the top three business environment constraints highlighted by Tunisian SMEs are poor access to finance, corruption, and political instability.
- ▶ Under the Startup Act Framework, 37% of labeled startups in 2020 had access to business support by ecosystem support structures such as incubators and business accelerators. This business support made it possible to cover various stages of growth (ideation phase, pre-seed incubation, growth phase).
- ▶ 52% of startups founded exclusively by women had access to business support in 2020 under the Startup Act Framework.
- ▶ As a response to the negative effects of the Covid-19 crisis on Tunisian firms, the Government took emergency measures in 2020 to support impacted firms. Special support funds were created of 1.1 billion TND (308 million EUR) to facilitate the restructuring of companies in difficulties.

Challenges

- ▶ SMEs face high competition from the informal sector.
- ▶ Tunisian SMEs face difficulties to get access to bank funding. Non-bank financing mechanisms are still underdeveloped.
- ▶ There is a lack of information on available financing opportunities for SMEs.

Opportunities

- ▶ Many Technical and Financial Partners (PTF) provide support for SMEs development in Tunisia through capacity building programs and initiatives aimed at facilitating access to financing.
- ▶ The new incentive framework for the development of start-ups “Startup Act” offers various business support services mainly related to facilitating SMEs internationalization and access to finance. This has contributed to the the creation of 500 start-ups by May 2021. According to the Startup Tunisia 2020 report, the number of start-ups should increase to 1000 in the next five years, with the creation of 10 000 jobs.

Relevance for CFYE

- ▶ Youth employment initiatives to be funded by CFYE should focus on:
- ▶ Supporting SMEs to scale up their activities and integrate into the value chain of key exporting sectors in Tunisia (such as textiles, agribusiness and other manufacturing activities).
- ▶ Providing funding opportunities for financially constrained SMEs, especially those with less amount of collateral and women-owned companies.
- ▶ Supporting consortiums comprising SMEs and financial institutions to mitigate the risk of certain projects through joint financing.
- ▶ Support export-competitive SMEs through technical assistance and access to new markets in order to expand employment opportunities to youth.
- ▶ Providing technical assistance services for SMEs.

Practical Example of an interesting project idea for CFYE

- ▶ CFYE in partnership with a local Bank or a Leasing Company, jointly co-fund a consortium composed of promising SMEs. For instance, a consortium made of 3 to 5 agri-business SMEs creating new organic olive oil mills, scaling up their existing projects, or engaging in developing a packaging unit.
- ▶ CFYE in partnership with a VC jointly co-invest in a textile or ICT company in its extension project to increase the firm's production capacity and engage in exports activities.



4.4 Culture and social norms

Key Facts

- ▶ Entrepreneurship culture has been on the rise among Tunisian youth, especially among young men willing to start their own businesses and be self-employed. This is confirmed by the results of the online survey conducted under this research study where 63% of the respondents have highlighted that they are aspiring to be entrepreneurs and create jobs for other youth.
- ▶ Most Tunisian young women seek stable jobs in the public sector. Jobs in the private sector are viewed as risky and give low access to social and health benefits.
- ▶ In some rural areas of the country, cultural and social norms do not tolerate single young women being away from their families for professional reasons, even if there are no work opportunities in their home region. This explains the low female participation rate (28.2%) compared to men (65.8%).
- ▶ Social and cultural norms tend to play a key role in shaping women's roles in entrepreneurship. Women have been facing external barriers to founding their own businesses and tend to be risk averse. The number of startups founded exclusively by women in 2019 represented only 5.3%, while 65% of startups were founded exclusively by men, and 35% by mixed teams (Startup Tunisia, 2020).

Challenges

- ▶ Traditional Tunisian culture tends to encourage young women seeking stable jobs, limiting the entrepreneurial drive of youth.
- ▶ Young women face more challenges to enter the labour force and these challenges are mainly driven by conservative views on gender roles, especially in rural areas.

Opportunities

- ▶ Tunisia has an active civil society and legal framework encouraging the economic and social inclusion of women and working toward a modern and inclusive society.
- ▶ The new generation of Tunisian youth has an evolving and positive attitude toward entrepreneurship.

Relevance for CFYE

- ▶ Youth employment initiatives to be funded by CFYE should focus on:
- ▶ Supporting initiatives aiming at building an entrepreneurial culture in Tunisia which is crucial for generating demand for youth labour.
- ▶ Encouraging applicants to provide new opportunities for women in traditionally male-oriented jobs and activities.
- ▶ Using ICT projects as leverage to women inclusion in the job market, especially in rural and remote areas.

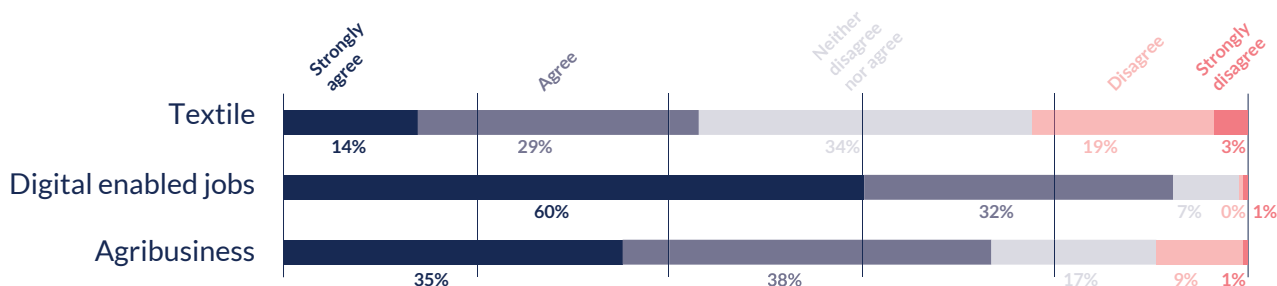
5. Promising Sectors

The scoping research is considering three promising sectors in terms of jobs creation for youth. Through the online survey conducted in January 2022, we asked male and female youth: *To which extent do you agree that the*

agri-business, digital enabled jobs and textile offer promising employment opportunities for youth?

Figures below show the survey's results.

Figure 7. Young men perception about the promising sectors.

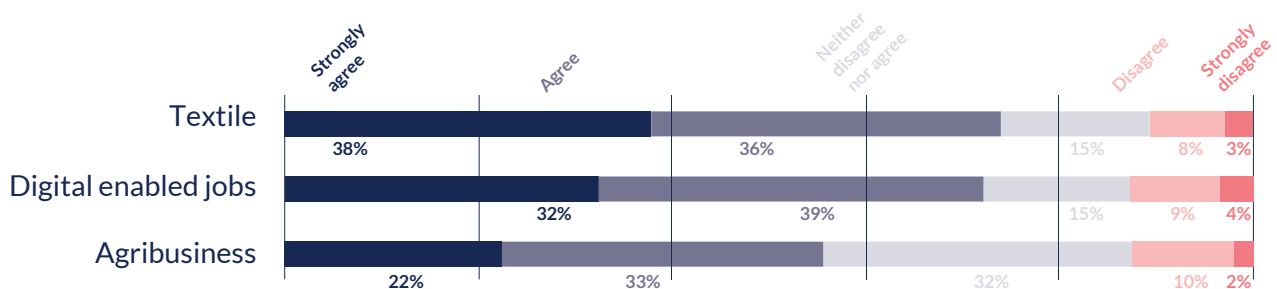


Source: CFYE Yourh online survey, 122 responses, January 2022

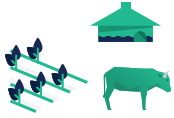
For digital enabled jobs, 92% of young men and 71% of young women agree or strongly agree on the promising employment opportunities that ICT jobs generate for youth. For the textile sector, only 43% of young men and 74% of young women agree or strongly agree on its promising employment opportunities. The relatively low

ratio for young men can be explained by the fact that the textile sector is more attractive for women than men. For the agri-business sector, 73% of young men and only 55% of young women agree or strongly agree on the promising employment opportunities that agri-business generates for youth.

Figure 8. Young women perception about the promising sectors.



Source: CFYE Yourh online survey, 136 responses, January 2022



5.1 Agri-business

Potential to create jobs for youth: Medium-high

- ▶ Engaging in agricultural products transformation and processing presents an opportunity for Tunisian SMEs in terms of their development, exports, and job creation. Thus, going beyond the low-productivity agricultural activities, agribusiness should lead to high value-added activity and structural transformation of the sector. The agriculture sector remains a major employer for young Tunisians in rural areas. Its potential in terms of job creation for youth depends on the activity's sophistication level and youth skills level.
- ▶ Structural constraints are impeding the development of the agriculture sector in Tunisia and negatively impacting the sector's potential in terms of job creation for youth. These constraints include limited access to financing, poorly organized value chains, and severe water stress combined with poor soil fertility. According to IFAD (2019), the annual cost of environmental degradation in Tunisia is estimated at 2.7 per cent of GDP and the area planted to rainfed cereal crops will be reduced by 30% by 2025.
- ▶ Employment opportunities for youth also lie in new areas at the intersection of agriculture and technology.
- ▶ More than 1,200 Tunisian graduates are trained in the fields of agriculture, forestry & fisheries as well as veterinary sciences.
- ▶ Agri-business employs more than 25% of the country's engineers.

Opportunities for women: Medium

- ▶ Women have been moving from the agriculture sector towards the service sector. The share of female agricultural workers in total female workforce decreased from 24% in 1990 to only 9% in 2020.
- ▶ Working conditions in the agriculture sector are poor especially with regard to women (transportation to fields).

- ▶ Women living in rural areas continue to have limited access to decent paid employment as only 20% of them earn their own income, compared to 65% of rural men. In addition, while women represent 58% of the agricultural workforce, only 4% of promoters of agricultural projects are women (Source: IFAD, 2019).
- ▶ Young women are typically involved in non-farm activities, with the exception of a very small number in rural areas that are involved in subsistence farming.

Interest of youth and women to work in the sector: Medium-high

- ▶ Many young rural Tunisians are uninterested in rural activities.
- ▶ Youth consider primary agriculture an unattractive sector but are more open to more sophisticated agribusiness activities.
- ▶ Agriculture is not attractive for youth and women mainly because of: low and irregular agricultural yields due to the production volatility, weak agricultural products transformation through the agri-food industry, and the absence of agricultural products pricing policy.
- ▶ Limited access of rural women to productive resources and funding.

Required skills level: Unskilled - Semi-skilled

- ▶ The agricultural sector has strong absorptive capacities for low-skilled employees with limited levels of education.
- ▶ High demand from the agri-business sector for technically skilled workers.

Promising investment opportunities in agri-business:

A. Olive oil production and packaging

A.1. Opportunities:

- ▶ With more than 88 million olive trees, Tunisia has been for many years the 4th largest producer and the 3rd largest exporter of olive oil in the world (leading countries: Spain, Italy, and Greece).
- ▶ In the 2019/20 season, Tunisian olive oil production exceeded 300 thousand tonnes, making Tunisia the world's second-largest olive oil producing country.
- ▶ Total Tunisian olive oil exports in 2019 were approximately 170 thousand tonnes. Europe is the main export destination for Tunisian olive oil (almost 80%), followed by the United States.
- ▶ Tunisia is the 1st country in the world in terms of organic cultivation area.
- ▶ The cultivation of olive trees in Tunisia represents 20% of the workforce in the agricultural sector.
- ▶ Olive oil production represents 80% of Tunisia's exported food production, with 2 billion TND in exports income on average per year

A.2. Challenges:

- ▶ One major challenge for the olive oil sector in Tunisia is that 95% of olive oil from Tunisia is exported as bulk and 5% as bottled.
- ▶ Limited financial resources of existing producers do not allow them to engage in new investments aiming at increasing their activities' value add.

A.3. Examples of investment ideas:

- ▶ Scaling up existing projects in the production of organic olive oil (increase the production capacities).
- ▶ Creating new and modern olive oil mills.
- ▶ Creating new packaging units to increase the share of exported bottled olive oil.
- ▶ Supporting services companies providing technical assistance to olive and olive oil producers to improve the product quality, food hygiene and safety, control and organic certification, conditioning and packaging procedures, in addition to facilitating access to markets (digital marketing, etc).

- ▶ Supporting organic certification agencies operating in Tunisia to help small farmers getting their production certified to improve the sustainability of their self-employment jobs.

A.4. Identified key relevant stakeholders:

- ▶ ONH - Tunisia's National Olive Oil Board.
- ▶ APII - The Agency for the Promotion of Industry and Innovation
- ▶ CTAB - The Technical Center of Organic Agriculture (CTAB)
- ▶ NWOOC - North-West Olive Oil Cluster
- ▶ PACKTEC - The Technical Center of Packing and Packaging
- ▶ APIA - Agricultural Investment Promotion Agency
- ▶ FENAAL - National Federation of Food Industry
- ▶ UTAP - Tunisian Union of Agriculture and Fisheries
- ▶ FNPO - National Federation of Olive Producers
- ▶ ZAYETA - Chambers of olive oil exporters
- ▶ UNIO - Association of organic olive oil producers
- ▶ SYNAGRI - The National Chamber of Organic Agriculture and Green Tourism

B. Dates production and packaging

B.1. Opportunities:

- ▶ The Tunisian dates production is estimated of 368 thousand tonnes for the 2021/2022 season, compared to 344 thousand tonnes during the past season, with a 7% increase.
- ▶ The exported quantities of organic dates is 120 thousand tonne.
- ▶ The governorate of Tozeur production share is of around 66 thousand tonnes, followed by Kebili with 26 thousand tonnes, Gabes with 25 thousand tonnes and Gafsa with 11 thousand tonnes.

- ✦ Tunisia exported dates to around 82 countries, including Morocco, which is the first destination with 20 thousand tonnes.
- ✦ Available female work force in the Southern regions.

B.2. Challenges:

- ✦ Difficulties in selling dates on the local market (saturated)
- ✦ Dates production volatility.
- ✦ Limited financial resources of existing producers do not allow them to engage in new investments aiming at increasing their activities' value added.

B.3. Examples of investment ideas:

- ✦ Creating new packaging units to increase the share of exported packed dates.
- ✦ Engaging in high value transformation activities for the development of dates derivatives.

B.4. Identified key relevant stakeholders:

- ✦ GIFRUITs - Interprofessional Fruit Group
- ✦ GID - Tunisian Interprofessional Date Group
- ✦ APII - The Agency for the Promotion of Industry and Innovation
- ✦ APIA - Agricultural Investment Promotion Agency

C. Preserves, semi-preserves and packaging of fruits and vegetables

C.1. Opportunities:

- ✦ The fruits of Tunisia are known worldwide and unanimously appreciated for their unique flavor.
- ✦ Tunisia has managed to maintain the cultivation of several tree species. Many products directly associated with the image of Tunisia such for instance, Maltese oranges from the Cap-Bon region, Pomegranates from Gabès and Testour, Figs from Djebba, Apples from Sbiba.

C.2. Challenges:

- ✦ Water resources scarcity and irrigation difficulties

C.3. Examples of investment ideas:

- ✦ Preserved and semi preserved fruits and vegetables.
- ✦ Packaging of fruits and vegetables.
- ✦ Freezing vegetables and fruits.

C.4. Identified key relevant stakeholders:

- ✦ GIFRUITs - Interprofessional Fruit Group
- ✦ APIA - Agricultural Investment Promotion Agency

D. Dairy industry (fluid milk, powder milk, yogurt, butter, cheese)

D.1. Opportunities:

- ✦ Increasing milk production (253 million liters in 2017) could benefit from the booming foreign demand for milk products (Libya, Algeria, and Arab Gulf countries).
- ✦ In 2017, there were 240 collection centres. Only half of which are HACCP⁶ certified). There is an opportunity for milk quality promotion by existing and new players in the sector.
- ✦ The dairy chain contributes to 35-40% of the agricultural GDP, 4-5% of overall GDP and 42.1% of agricultural jobs.

D.2. Challenges:

- ✦ There are 112,000 dairy producing farms, with 94% of the small-holder farmers have less than 10 cows leading to limited economy of scale effect on farmers' returns.
- ✦ Production is volatile due to the direct influence of climatic conditions.
- ✦ There is no specialised labour force, such as cheese dairy technicians.

D.3. Examples of investment ideas:

- ✦ Creating new milk collection centres all over the whole productive surface of country to ensure milk reception from small producers.
- ✦ Supporting small farmers and dairy producing farms to increase their production capacity.
- ✦ Increase storage capacity to handle the production volatility.

⁶ Hazard Analysis Critical Control Point: a way of managing food safety hazards.

D.4. Identified key relevant stakeholders:

- ▶ GIVLait - The Interprofessional Group of Red Meat and Milk
- ▶ APII - The Agency for the Promotion of Industry and Innovation
- ▶ OEP - Office of Livestock and Pasture



5.2 Textile

Potential to create jobs for youth: High

- ▶ The textile sector has a high demand for youth labour (it has the youngest average age for firms).
- ▶ Textile employs 163,000 employees representing one third of total manufacturing employment.
- ▶ There are regional inequalities in terms of the sector potential of job creation. Job growth in textile activities has been mostly concentrated in the Center-East region but not in the regions where there are the highest unemployment rates (North-West and southwest regions).

Opportunities for women: High

- ▶ Textile is currently one of the sectors that engages the highest number of women (traditionally viewed as a female dominated sector).

Interest of youth and women to work in the sector: Medium

- ▶ The attractiveness of the textile sector for women depends on their level of education, with high educated women not interested in this sector.
- ▶ Textile is attracting female early school leavers.

E. Other agribusiness activities include: Seafood processing

- ▶ Development of aquaculture projects for raising fish and shellfish.
- ▶ Modernization of canned tuna units.
- ▶ Production of prepared meals based on fish.
- ▶ Freezing and processing of seafood.

Required skills level: Unskilled - Semi-skilled

- ▶ Requires mostly low-skilled workers with secondary education and graduates from training centers.

Promising investment opportunities in textile:

- ▶ **Spinning** (yarn production for the local market)
- ▶ **Weaving and finishing** (production of fabric for clothing facilities, fabric finishing, production based on technical fabrics)
- ▶ **Upscale clothing** (jeans pants, new washout techniques, knitwear [sports seamless underwear], workwear ensuring high protection against chemicals, flames)
- ▶ **Hosiery** (brand mesh clothing, seamless underwear, feminine lingerie)
- ▶ **Services** (development of platforms in design and styling)



5.3 Digitally enabled jobs Digitally enabled jobs (ICT, Fintechs, Edtech, Healthtech, E-commerce, offshoring)

Potential to create jobs for youth : High

- ▶ The ICT sector is in continuous growth and recorded an annual growth rate of more than 7% over the period 2014 – 2017.⁷ The sector contributes to 7.5% of the GDP. More than 1,800 companies operate in the ICT sector employing around 80,000 people.
- ▶ ICT sector is of high priority for Tunisia with the ambition to create 50,000 jobs in the export-oriented digital sector as part of the public-private partnership program “Smart Tunisia”.
- ▶ According to the ICT Development Index, Tunisia is ranked 1st in North Africa, 5th in Africa and 99th worldwide out of the 176 countries considered (ITU, 2017).⁸
- ▶ There is high labour demand for high-skilled youth (talented youth).
- ▶ Opportunities include adopting technology to enable/enhance remote work and reach customers. Also, new industries such as fintech, ag-tech, health-tech, ed-tech and e-commerce are driving growth in the sector and in labour demand.

Fintechs

- ▶ Digital finance services and Fintechs are expected to grow rapidly with the new regulatory framework set by the Central Bank of Tunisia in 2018 for the creation of payment establishments that will contribute to the promotion of financial inclusion by providing digital payment services in Tunisia through their networks of payment agents and their technological solutions that will enable all Tunisians to carry out financial transactions. The National Strategy for financial inclusion aims to reach 3 million payment accounts active by 2022, with at least one payment agent for 20,000 inhabitants in each delegation. For these objectives to be achieved, new digital financial providers will have to establish an extended network of payment agents throughout the country.

E-commerce

- ▶ The sector is growing in Tunisia. The number of merchant web sites reached 2452 in 2020 with an average annual growth of 15%.
- ▶ 15.7% of the labelled startups in 2020 operate as Marketplaces (Retail, Services, Food, Customer Support, Logistics, Agritech, Marketing).
- ▶ 12.5% of total employment created by labelled startups in 2020 (3222 jobs) were recruited by Marketplaces.
- ▶ The development of e-commerce has strong potential in terms of job creation by the value chain sector's actors such as suppliers, traders, intermediaries and online platforms' owners, farmers, processors, logistics service providers, transporters, wholesalers, retailers.

Edtech

- ▶ 10% of the labelled startups in 2020 operate in Edtech sub-sector.
- ▶ Edtech startups represent 16% of foreign startups operating in Tunisia.
- ▶ 12.6% of total employment created by labelled startups in 2020 (3222 jobs) were recruited by Edtech startups.

Health Tech

- ▶ 8.7% of the labelled startups in 2020 operate in Health Tech sub-sector.
- ▶ Edtech startups represent 16% of foreign startups operating in Tunisia.
- ▶ 5.1% of total employment created by labelled startups in 2020 (3222 jobs) were recruited by Health Tech startups.

⁷ Source: Tunisia Investment Authority (2019), ICT sector in Tunisia.

⁸ Source: ITU, ICT Development Index, 2017.

Offshoring

- ▶ About 300 foreign companies operating in the offshoring sector in Tunisia creating more than 34 000 jobs in three fields:
 - ▶ Business Process Outsourcing (BPO) voice and data
 - ▶ Information Technology Outsourcing (ITO)
 - ▶ R&D and KPO (Knowledge Process Outsourcing)
- ▶ Existing of well-developed infrastructure dedicated to Offshoring (equipped and ICT oriented Technoparks).
- ▶ Investment opportunities include:
 - ▶ ITO activities: development of software programs, design and development of web and mobile applications, testing and validation of software programs, creative industries.
 - ▶ The development of Voice BPO activities in the fields of sales, customer relations, after-sale services.
 - ▶ Data BPO activities including the management and analysis of financial data and transactions.
 - ▶ Advanced research of information, technical and analytical services and processes of evaluation and decision-making (KPO), product R&D, engineering services and embedded systems.

Opportunities for women: High

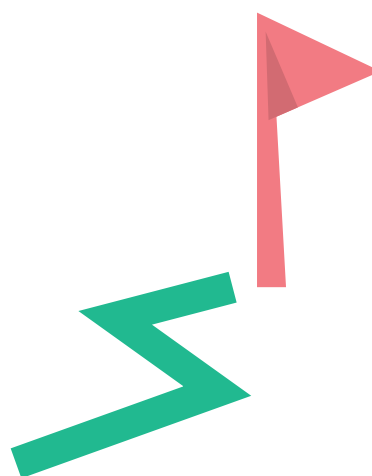
- ▶ High potential for young women as 66% of graduates are female.

Interest of youth and women to work in the sector: High

- ▶ High interest amongst youth in innovative business models and technologies.
- ▶ Perception that roles in the sector are for well-educated youth.

Required skills level: Unskilled - High-skilled

- ▶ Requires mostly skilled individuals and draws the most talent with post-secondary education
- ▶ Targeted at educated youth in urban areas



6. Call for Solutions

Creating decent, productive, and sufficient employment opportunities for youth will be key for Tunisia to embark on a path to economic recovery.

Through our scoping research, we have identified three priority windows with key opportunities for impact on

youth employment in Tunisia. Preference will be given to applicants that propose a business plan that fits within the following windows. Commercially and technically viable business plans that fall outside these windows (yet meet the eligibility criteria) will also be considered.

Table 1. Job targets

Window	Description	Minimum # of jobs impacted (during 3 years)	Minimum # of jobs for Least Developed Governorates ⁹ (during 3 years)
1	Co-investment in high-growth potential SMEs in the value chain of the agri-business sector.	250	200
2	Matching programs for digital skills development & large scale employment through digital-enabled jobs across service sectors (ICT, Finance (Fintechs), Education, Health, E-commerce, offshoring, etc)	250	200
3	Co-investment in high-growth potential SMEs in the textiles and garments sector.	300	200

6.1 Practical Example of an interesting project idea for CFYE

CFYE in partnership with a local Bank or a Leasing Company, jointly co-fund a consortium composed of promising SMEs. For instance, a consortium made of 3 to 5 agri-business SMEs creating new organic olive oil mills or scaling up their existing projects or engaging in packaging units' development.

CFYE in partnership with a Venture Capital Company such as a Venture Capital Investment Company (SICAR) or a Venture Mutual Investment Fund (FCPR), jointly co-invest in an SME in its extension project to increase the firm production capacity and engage in exports activities. For example, a textile company or an ICT company is receiving co-funding in the form of equity by the VC company and grant by the CFYE.

6.2 Description of Windows

Below is a description of the windows, rationale, and potential project examples under each of the 3 job categories that CFYE supports: Create, Match, & Improve.


⁹ The least developed governorates, according to the ITCEQ's regional development indicator (RDI) are: Kasserine, Kairouan, Jendouba, Sidi Bouzid, Béja, Siliana, Zaghuan, Gafsa, Kef, Mahdia, Kébili, Tozeur, Tataouine and Médenine.


Window 1: Co-investment in high-growth potential SMEs in the value chain of the agri-business sector.

CFYE aims to support Tunisia in its transformation of the agricultural sector to a value-adding sector with export-driven growth. This window will support the scaling-up of commercial agribusinesses to access new markets and value chains. Applicants' use of environmentally sustainable and climate resilient practices and an integrated strategy for social inclusion (for example, working with female-led suppliers or community inclusion) would be regarded favorably during evaluation.

Examples of project ideas in this window can relate to:

 **Create:** A consortium of agribusinesses in certain sub-sectors (for example, olive oil processing and packaging) with strong value chain relationships and integration with key markets are positioned to create jobs for youth at scale.

 **Match:** A consortium of agribusinesses partner with a training provider to provide youth with skills required on the job. Successful participants are matched with openings at partner companies.

 **Improve:** Solutions in this category will particularly focus on improving the decency or quality of jobs that youth are currently employed in the agri-business sector. Project ideas could include: formalising businesses that are currently informal, ideas for enabling women to work flexibly, and ideas that advance the decent work agenda for manufacturing employees, focusing on several of the following aspects:


- ▶ **Living income / wage**, in particular focusing on redressing the gender wage gap by supporting women into jobs in higher paid sectors and occupations or into senior positions within firms, and improving their career prospects in general. This category also includes introducing policies for ensuring workers are compensated for overtime and transportation.
- ▶ **Security in the workplace**, including physical safety provisions that take into account the particular needs of women (e.g. safe transport to and from work, appropriate bathroom facilities) and protection against psychosocial hazards such as sexual harassment or discrimination (e.g. social support systems for workers).
- ▶ **Social protection for families**, which does not reinforce women's traditional roles and responsibilities, but contributes to the transformation of gender relations in economic and social spheres (e.g. maternity leave, childcare provision or subsidies for working mothers or single fathers to access childcare).
- ▶ **Prospects for personal development and social integration** by conducting risk assessments of how a job or a promotion within a job might affect how a worker is perceived and treated in their family and community, and deploying strategies to mitigate against any harm (e.g. community outreach activities to protect women employees against domestic recriminations for working).


Window 2: Matching programs for digital skills development & large scale employment through digital-enabled jobs across service sectors (ICT, Finance (Fintechs), Education, Health, E-commerce, offshoring, etc)

Digital business development services using technology to create new value in business models, customer experiences, and the internal capabilities that support its core operations, has high potential to impact jobs at scale. This window covers e-commerce as well as traditional brick-and-mortar players that are transforming their businesses with digital technologies. There is also good potential for providing opportunities for women, as the work often enables remote work and flexibility in timings. Moreover, as per our scoping research, digitally-enabled jobs align strongly with youth aspirations. While direct digital business models are typically deployed in urban and semi-urban areas, this can also be a viable solution to connect with rural markets.

Examples of project ideas can relate to:

 **Create:** Companies can create job opportunities to youth for supplying or using new digital business management tools for B2B service delivery. Another example in this category is companies adopting e-commerce B2C delivery models and providing digital or logistics jobs.


 **Match:** Matching platforms can partner with SMEs to provide digital skills training and match youth to opportunities with employers that join the consortium. Note: CFYE will not support training only projects. Training institutions or matching platforms must partner with private sector companies with confirmed demand for jobs.


 **Improve:** Providing working mothers with access to flexible working arrangements, childcare, safe transportation, etc. Equality of opportunity and treatment, for example, applying a gender and inclusion lens to firms' HR practices, especially at hiring and promotion stages (avoiding highly masculinised language in job descriptions, avoiding unconscious bias in training, establishing clear evaluation criteria, etc.).

Window 3: Co-investment in high-growth potential SMEs in the textiles and garments sector.

The textile sector is the top employer in the country, adding 234,000 jobs annually. As a leading contributor to the export market, textile companies require skilled employees to fuel innovation, growth, and competitiveness. This window focuses on mobilizing human capital for medium to high-skilled jobs for growth-oriented SMEs in the textile sector. As the textile sector is a large employer for women, there is an opportunity to improve working conditions and attract more women to enter/remain in the job market. Companies incorporating renewable energy in their production processes will be regarded favorably during evaluation.

Examples of project ideas can relate to:

 **Create:** Creating work opportunities with a managerial or technical focus (e.g. technical textiles), to make them more attractive to youth.

 **Match:** TVETs or other private matching platforms can partner with SMEs to provide the requisite training skills and match youth to suitable opportunities, or design apprenticeship opportunities followed by employment. Note: CFYE will not support training only projects. Training institutions or matching platforms must partner with private sector companies with confirmed demand for jobs.

 **Improve:** See examples under Window 1.

6.3 Eligibility Criteria

CFYE is looking to co-invest in innovative and sustainable private sector-led initiatives in high potential sectors, which can meet aspirations of the youth and improve their access to decent jobs as well as enabling empowerment of women.

1. Principles

- ▶ Applicants should adhere to CFYE's guiding principles & priorities

2. Exclusion Criteria

- ▶ The project and organizations involved in delivering the project must pass the FMO exclusion criteria.

3. Applicant Profile

- ▶ We actively welcome partnerships or consortium responses to this challenge.
- ▶ We strongly invite applications from private sector companies, as we believe that private sector involvement is the most effective way to develop and test market-based solutions that respond to the challenge of youth access to decent employment.
- ▶ Business accelerators and impact investors are also eligible.
- ▶ Non-profit entities (NGOs, Business Associations and Clusters) are welcome to apply, but if they are the lead applicant, they must apply in consortium with a private-sector partner with confirmed labour demand.
- ▶ We have a strong preference to work with fast-growing small and medium-sized enterprises (SMEs).
- ▶ We encourage applicants from Least Developed Governorates.

4. Job type

- ▶ Newly created jobs should focus on wage employment or partial self-employment (working with agents).
- ▶ Jobs for youth can be at any level from low-skilled to high-skilled.
- ▶ Jobs can be full-time or part time (at least 6 months per year).

5. Decency of Jobs

- ▶ For any job created, matched or improved, the average monthly income is at least 450 Tunisians Dinars (TND), has no more than 48 hours per week of work, and jobs are maintained for at least 6 months.

6. Total Youth Job Targets

- ▶ The submitted projects for the CFYE Call for

Solutions must meet the minimum eligibility criteria for job targets shared in Table 1 under Call for Solutions, through a combination of CFYE categories: create, match or improve.

- ▶ Higher job targets showing cost-effectiveness will be regarded favorably during evaluation.

7. Women inclusion

- ▶ Of the total youth employment created, matched, or improved, at least 33% are for women. Higher women inclusion targets will be regarded favorably during evaluation.

8. Business development stage

- ▶ Applications should not be at ideation stage, but piloted concepts ready for scaling up.

9. Budget Guidelines

- ▶ The minimum contribution of the fund is €100,000. This should be matched by a co-investment that is at least equal to the contribution requested. Sources of co-funding must follow the guidance provided in the Concept Note guidance pack on the website.
- ▶ Applications that require lower co-investment by CFYE will be viewed favourably during evaluation. Suggested range for CFYE co-investment is 20-50%.
- ▶ There is no maximum grant amount stipulated, but we will consider whether the budget is realistic and whether the applicant can raise the required co-funding. We will also assess if the cost per job is competitive.
- ▶ Suggested range for Cost per job to CFYE (Total CFYE co-investment / total # of jobs created, improved, or matched) is between 300-800 Euros. Projects presenting higher cost per job than this range may be considered if there is a compelling and feasible developmental additionality (eg. high inclusion of vulnerable groups).

10. Youth inclusion

- ▶ The jobs created, matched or improved would be for youth aged 18-35 years. The proposal must demonstrate that the aspirations and requirements of youth have been taken into consideration in the design of the concept.

11. **Additionality**

- ▶ Additionality is a central consideration in the assessment of the proposed projects. CFYE co-financing must be additional to the proposed project, i.e., funding is channeled to bring about activities and further investments in youth employment which would not otherwise occur (either at all, in the same timeframe, or to the same scale or quality). The provision of funding through a contract or grant agreement must not substitute or replace an organisation's core funding, or crowd out other funding sources.
- ▶ Large enterprises are welcome to apply but must demonstrate strong additionality of CFYE co-funding.



Annex A. List of key stakeholders interviewed

<i>Name Interviewee</i>	<i>Position</i>	<i>Name of organization</i>	<i>Type of organization</i>
<i>Chiraz Arfaoui</i>	Deputy Director	Wiki Start Up	Business accelerator
<i>Chaker Slaymi</i>	Director	Collective Lab / Université Centrale	Startups incubator
<i>Khaoula Khedimy Boussama</i>	President & CEO	Enactus Tunisia	NGO
<i>Bahija Abdallah</i>	Manager	Enda Inter Arabe	NGO (local)
<i>Leith Tlemçani</i>	CEO-Founder	Herbiotech-Aroma	Private company
<i>Yousra Chaibi and Leith Tlemçani</i>	President and secretary general	National Union of Organic Sector Operators (UNObio)	NGO/Agribusiness
<i>Mehdi Klay</i>	Cluster Manager	NORTH-WEST OLIVE OIL CLUSTER	Business association
<i>Mehdi Bhoury</i>	CEO	Water Spirit	Private/Biotech
<i>Ahmed Bahlous</i>	Director	Business incubator (Beja)	Public institution
<i>Souhaib Amdouni</i>	Director	ISET Béja	High education institution
<i>Ameni Ben Zid</i>	Manager	"ELIFE" programme (Beja)	NGO
<i>Rami Hamdi</i>	Director	Espace entreprendre Béja	Public institution
<i>Yassine Khalil</i>	Director	Business center (Kef)	Public institution
<i>Mrs. Aouatef MIRAOUI and Mrs. Aida ZOUARI</i>	Head of the Entrepreneurship development and Promotion of Micro-Enterprise Department	Agency for employment and self-employment (ANETI)	Government agency (promotion of employment)
<i>Sawsen Hsine and Chemesddine Ben Abda</i>	Department of Services for Businesses at ANETI	Agency for employment and self-employment (ANETI)	Public stakeholder
<i>Ayachi Zammel</i>	CEO	Ayachi Conserverie	Private/Agribusiness
<i>Sinda Zouari and Mr Ahmed Touhami</i>	Directors	Investment and Innovation Promotion Agency (APII)	Public/Investment agency
<i>Abderahmen BETTAHER</i>	Manager	Bettaher Olive Oil	Private/Agribusiness
<i>Fatma Hassin</i>	CEO	Nawara Tex	Private/textile
<i>Marwen Cherni</i>	CEO	Prestige Hate Couture	Private/textile
<i>Anis Jaziri</i>	Chairman	Tunisia Africa Bsuiness Council	NGO
<i>Judith Li, Alaa Aridhi</i>	Global Programme Manager	Westerwelle	nonprofit organization
<i>Aymen Mtimet</i>	Expert	Deloitte	Private/consulting

Annex B. Bibliography

ILO and WTO, 2017. <i>Investing in Skills for Inclusive Trade</i> .
ILO, 2015, <i>Labour market entry in Tunisia: The gender gap</i> .
PNUD, 2020. <i>Impact Economique Du Covid-19 en Tunisie</i> .
UNCTAD, 2018. <i>Economic Development In Africa</i> .
AlAzzawi and Hlasny, 2020. <i>Vulnerable employment of Egyptian, Jordanian, and Tunisian youth: Trends and determinants</i> .
Assaad, R., C. Krafft, and C. Salemi, 2019. <i>Socioeconomic Status and the Changing Nature of the School-to-Work Transition in Egypt, Jordan, and Tunisia</i> , ERF Working Paper.
BVMT annual report (2020).
Central Bank of Tunisia, annual report (2020)
European Training Foundation (2019), <i>Marché du travail, dynamique des compétences et politiques d'emploi en Tunisie</i> .
IACE, 2019. <i>National Employment Report, 4th edition</i> .
IFAD, 2019. <i>Republic of Tunisia Country Strategic Opportunities Programmes 2019-2024</i> .
IFAD, 2016. <i>Youth-Inclusive Value Chain Finance in Tunisia</i> .
IFC et INS, 2021. <i>Business Pulse Tunisie: Impact de la crise COVID-19 sur le secteur privé formel</i>
IFC et UTICA, 2017. <i>Digital Talent: Evaluation des écarts de compétences dans le secteur des TIC en Tunisie</i>
ILO, 2019. <i>Skills and jobs mismatches in low- and middle-income countries</i> .
ILO, 2020. <i>Global Employment Trends for Youth 2020: Arab States</i> .
ILO, 2020. <i>Global Employment Trends for Youth 2020: Africa</i> .
IMF, 2021. <i>Tunisia: 2021 Article IV Consultation Staff Report</i> .
ITCEQ, 2016. <i>Bilan de l'évolution Du marché du travail en Tunisie</i>
ITCQ, 2018. <i>Indicateur de Développement Régional: méthodologie et résultats</i> .
ITU, <i>ICT Development Index, 2017</i> .
<i>Labour Market Profile, Tunisia, Danish Trade Union Development Agency (2020)</i>
Mouley, S., and Amal Elbeshbishi, N, A., (2021). <i>Addressing youth unemployment through industries without smokestacks: A Tunisia case study</i> . ECA, Africa Growth Initiative.
National Institute of Statistics (INS), 2021. <i>Employment and unemployment indicators</i> .
OIT, 2015. <i>Transition vers le marché du travail des jeunes femmes et hommes en Tunisie : Résultats de l'enquête auprès des entreprises</i> .
OIT, 2016. <i>Compétences pour le Commerce et la Diversification Économique (STED) en Tunisie : Cas du Secteur de l'agroalimentaire</i> .
<i>Startup Tunisian, annual report (2020)</i>

<i>Tunisia Investment Authority (2019). ICT sector in Tunisia.</i>
<i>UN, 2021. Rapport national volontaire sur la mise en œuvre des objectifs de développement durable en Tunisie.</i>
<i>UNICEF, 2020. Tunisie : Impact des mesures de confinement associées à la pandémie COVID-19 sur la pauvreté des enfants.</i>
<i>WEF, 2020. The Global Competitiveness Report : How Countries are Performing on the Road to Recovery.</i>
<i>WEF, The Global Competitiveness Report, 2019.</i>
<i>World Bank, 2014. Tunisia: Breaking the Barriers to Youth Inclusion.</i>
<i>World Bank, 2020. Business Pulse Tunisie: Impact de la crise COVID-19 sur le secteur privé formel.</i>
<i>World Bank, 2020. Tunisia Economic Monitor-Rebuilding the Potential of Tunisian firms.</i>
<i>World Bank, 2021. Tunisia's Economic Update.</i>
<i>World Bank, EBRD and EIB, 2020. Enterprise surveys: What Businesses experience; Tunisia 2020 country profile.</i>