I. Introduction and Context

Country Context

The transition countries in the Middle East and North Africa (MENA) region have been facing similar challenges in terms of economic inclusion and growth, competitiveness, and job creation. These challenges were made even more salient as the ‘Arab Spring’ unfolded across the MENA region.

A critical challenge for the transition countries in the short to medium term will certainly remain the increase demand for labor and the urgent need for job creation, in particular through the development of the private sector.

In contrast to many regions (East Asia, Eastern Europe, Europe, Latin America), there are relatively few economic links between MENA countries. The share of intra-MENA merchandise exports to GDP varies between 1% and 22% (for the transition countries, the average is approximately 7%).
Despite many economic, geographic and cultural features that favor cross-country links, past regional integration attempts failed. Reasons of this failure are: (i) insufficient political commitment; (ii) administrative challenges on implementation and nontariff barriers; (iii) narrow focus in terms of preferential trade coverage; (iv) low complementarity; and (v) poor trade logistics.

**Sectoral and Institutional Context**
While policy reforms are needed to expand further regional and global integration, promoting new exports is also hampered by some firm-level constraints. In a recent study, it appears that uncertainty is the major factor constraining the discovery of new export activities. These uncertainties are caused by the lack of information about demand in specific markets and the price new products or services can command. For Small and Medium Enterprises (SMEs), these uncertainties are all the greater than they have limited access finance and limited export skills. As a result, very few can afford to market their products abroad. Adding to that, the incentive for first-time exporters to experiment an export activity may be reduced by the possibility that imitators will appropriate part of their returns produced by the new activity.

**Relationship to CAS**
Each transition economy of the MENA region aims at supporting the enabling environment to boost private sector development through export promotion.

**II. Proposed Development Objective(s)**

**Key Results (From PCN)**
Tentative key indicators are related to Outreach, Growth, and Job creation:

Increase in access to market
- a) Total number of SMEs registered in the VMPs
- b) Percentage of member SMEs which never exported before joining the VMPs
- c) Total number of goods and services posted on the VMPs

Reduce the information asymmetry gap
- a) Total number of beneficiary SMEs that are “certified”
- b) Total number of buyers’ inquiries sent to the beneficiary SMEs

Growth of direct and indirect beneficiaries.
- a) Growth in sales/turnover of beneficiary SMEs
- b) Number of new jobs created in beneficiary SMEs

**III. Preliminary Description**

**Concept Description**
The project is articulated around two components: (i) a comprehensive and targeted capacity building program for Export Promotion Agencies (EPAs); and (ii) support to the Regional Implementation Agency (RIA).

Component I: A comprehensive capacity building program for EPAs
Global VMPs will be fed in a decentralized manner by Export Promoting Agencies (EPAs) (one by transition country) which could be Chambers of Commerce or the relevant Department within Ministries of Commerce of the transition countries. The roles of these units would be, in particular, to:

i. identify the beneficiary SMEs in their country,
ii. register them in the VMPs,
iii. assist them in the posting of their products and contact information,
iv. monitor the activity of the VMPs (for example make sure that all buyers inquiries are answered in a timely manner by the beneficiary SMEs),
v. assist the beneficiary SMEs in their first export transactions,
vi. deliver training in export activities to beneficiary SMEs,
vii. monitor on a regular basis and update the information made available online to the beneficiary SMEs,
viii. deliver trustworthiness ratings to beneficiary SMEs,
ix. provide beneficiary SMEs with Customer Relationship Management –CRM- services.

Component II: Support to the Regional Implementing Agency

To ensure neutrality of the project as well as its swift and coherent implementation across the transition countries, an RIA will be identified and assessed by the Bank. This RIA will be tasked with the following activities:

i. It will partner with existing VMPs;
ii. The RIA will design training curriculum and capacity building programs to assist the EPAs.

The transition countries that has expressed interest in the project are Morocco, Tunisia, Libya and Jordan.

IV. Safeguard Policies that might apply

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V. Financing (in USD Million)
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VI. Contact point

**World Bank**
Contact: Laurent Gonnet
Title: Sr Financial Sector Spec.
Tel: 5714+3014
Email: lgonnet@worldbank.org

**Borrower/Client/Recipient**
Name: Government of Jordan
Contact: Dr. Saleh Al-Kharabsheh
Title: Secretary General, MOPIC
Tel: 96264634511
Email: saleh.kh@mop.gov.jo

Name: Government of Morocco
Contact: Sabah Benchekroun
Title: Chargée de mission auprès du Chef du Gouvernement
Tel: benchekroun@affaires-generales.gov.ma

Name: The Government of Libya
Contact: Dr. Issa Tuwegiar
Title: Minister of Economy
Tel: 218213332496
Email: planning@pm.gov.ly

Name: Government of Tunisia
Contact: Mohamed Lotfi Frad
Title: Director of Multilateral Financial Cooperation, MPCI
Tel:
Email: ml.frad@mdci.gov.tn

**Implementing Agencies**
Name: TBD
Contact:
VII. For more information contact:

The InfoShop
The World Bank
1818 H Street, NW
Washington, D.C. 20433
Telephone: (202) 458-4500
Fax: (202) 522-1500
Web: http://www.worldbank.org/infoshop