INTEGRATED SAFEGUARDS DATA SHEET
CONCEPT STAGE

Report No.: ISDSC1352

Date ISDS Prepared/Updated: 21-Feb-2013
Date ISDS Approved/Released: 09-Apr-2013

I. BASIC INFORMATION
A. Basic Project Data

<table>
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<th>Country:</th>
<th>Tunisia</th>
<th>Project ID:</th>
<th>P132381</th>
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<tr>
<td>Project Name:</td>
<td>TN-Competitiveness and Export Dev. (P132381)</td>
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<tr>
<td>Task Team Leader:</td>
<td>Djibrilla Adamou Issa</td>
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<td>Estimated Appraisal Date:</td>
<td>15-Apr-2013</td>
<td>Estimated Board Date:</td>
<td>20-Jun-2013</td>
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<td>Managing Unit:</td>
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<td>Lending Instrument:</td>
<td>Specific Investment Loan</td>
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<td>Sector(s):</td>
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<table>
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<tr>
<th>Financing Source</th>
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<td>LOCAL BENEFICIARIES</td>
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<tr>
<td>Total</td>
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<tr>
<td>Is this a Repeater project?</td>
<td>Yes</td>
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B. Project Objectives

The project’s development objective is to help increase and diversify exports by supported enterprises in the identified sectors.
This will be done through support to improve the investment climate, the diffusion of innovation for trade, and support to improve access to export markets and finance.

Project Beneficiaries

The ultimate project beneficiary is domestic private sector firms (roughly 2000 industrial firms and 1000 services enterprises), particularly firms in the identified value chains, which will benefit from improved trade logistics and support to export innovative products to new markets. A complementary benefit will be improvement in the ways of working and processes of several Government Agencies and ministries which are key for export development in Tunisia (CEPEX, MTH, Customs, MoT) which will help lead to increased exports and contribute to employment generation.

C. Project Description

Project components

The proposed project would consist of 3 components:

Component 1: Support to improve the business climate and the diffusion of innovation for trade competitiveness (US$ 13.0 million)

Sub-Component 1.1: Support for the restructuring and modernization of customs (US$5 million)

Upgrading the Customs Information (SINDA). The project will finance (i) consultant services to assess the system and compare it to international best practices; (ii) equipment and software; (iii) and technical assistance and trainings to customs to update the system.

Introduction of a comprehensive computerized risk management system. The proposed project will finance: (i) technical assistance and consultancy services to help develop interactive analysis of risk factors; (ii) experts services to incorporate external (domestic and international) data and intelligence into the customs risk management systems to promote an integrated risk management model for all international transactions; (iv) consultancy and expert to regularly benchmark Tunisian risk management function against other comparable foreign models and make required upgrades; (v) procurement of equipment and software for the implementation of the risk management function; and (iv) TA and training to develop a risk management and change management program for all units involved in implementing the selectivity and in selectivity management.

Development of the authorized economic operator (AEO) approach. The proposed project will support the following activities: (i) finance experts and consultancy services to develop methods for auditing enterprises to qualify them for AEO status; (ii) finance the corresponding training for customs officials responsible for monitoring such enterprises; (iii) finance experts and consultants to prepare a computerized approval mechanism and guideline; and (iv) finance the preparation of tools and instruments for Tunisia to expand the AEO approach, in accordance with international standards, to enhance the security of the supply and logistics chain.

Support for the improvement of procedures manuals and guidelines. The project will (i) finance technical assistance for conducting an inventory of all procedures; (ii) consultancy for carrying out a
critical analysis of processes and a subsequent streamlining; and (iii) experts to prepare and publish a manual of procedures, users’ guide and downloadable forms and documents on the Customs website.

Operationalization of Logistic Zones procedures and computerization. The Ministry of Transport in Tunisia is now developing Logistical Zones. A first pilot zone will be near Rades, and a larger one is planned for the 2020 at Infida. Logistics zones are defined under the Custom’s Code as areas under Customs control. From a Customs perspective legislation now needs to be introduced to incorporate the existence of these logistical zones, and expertise to control operators inside the zone needs to be developed. The project will support customs with (i) technical assistance for the preparation of regulations and standardized operating procedures and the publication of procedures and reporting guides; (ii) a special computerized control system encompassing the handling, movement, and trading of goods within the area and in transit to and from the zone; and (iii) equipment for a perimeter control and tracking system.

Development of Mutual Recognition Agreement (MRA) with other countries. This would imply that Tunisian exports do not have to face conformity control when exported to a partner (to the agreement) country. This project will finance: (i) background analysis reports on key trading partner countries for which the signature of such MRA would boost Tunisian exports, (ii) training for staff negotiating such agreements.

Sub-Component 1.2: Improvement in internal logistics (US$4 million)

The objective of this sub-component is to help the Government improve trade logistics to lower the cost of exports for Tunisian enterprises. The project will finance the following activities:

Help the Ministry of Transport better define the need for improvements in the port of Radès. Because Radès is Tunisia’s main port of entry/exit, it will be given special priority with a view to achieving a critical mass and economies of scale. The project will (i) first finance a detailed study comparing the port with the main competitors in order to identify critical bottlenecks, and will (ii) then support the implementation of measures designed to reduce the overall stay of goods in the port. The delivery of this support should make it possible to shorten the average wait-time of containers from an average of 6 days today to 3 days.

Support the Ministry Transport in the implementation of its Logistics Zones development strategy. The objective of this sub-component is to facilitate the implementation of logistics zones in order to provide areas for logistics operations. The project would specifically finance technical assistance for (i) helping to prioritize and optimize the establishment of logistics zones in Tunisia; (ii) preparing a regulatory framework to encourage domestic and foreign private logistics companies to invest in and do business in Tunisia; (iii) developing Ministry of Transport capacities based on a priority list of experts prepared by the Ministry of Transport; (iv) providing support for the establishment of an institutional framework, including a coordination unit to coordinate the development of logistics zones and monitor their performance.

Management and tracking of containers. The average wait time of container in the Rades Port is now 6 days on average. While customs clearance time has been reduced over the years, the main difficulties reside now in the time it takes the port of Rades public operator (Société Tunisienne d’Acconnage et de Manutention STAM) to track containers, and/or produce them, when necessary, to Customs. Another well-known factor for delay is the time taken to remove goods from the port after their release by Customs. STAM is putting in place a global management system for
movements within the port, which includes Radio-frequency Identification (RFID) technology, container location and tracking, and rationalizing movements of goods according to different requests. The system would also help in identifying overtime containers (1) Containers not declared within the statutory limits to Customs, or not removed after clearance. According to latest figures, more than 40 percent of containers remain in the port after release by Customs. The project would support the development of the interface between the STAM system and SINDA, thus eliminating manual inputs and cross-checks. It would contribute significantly to reducing administrative delays in the clearance and release of goods.

Developing efficient logistics operators. The objective of this sub-component is to facilitate the emergence of modern operators in the identified value chains. The project will provide: (i) technical assistance for the creation of a certification of logistics expert, through the training of trainers and awareness; and (ii) the training and effective certification of experts in the logistic chains.

Component 1.3: Support innovation and its dissemination (US$4 million)

Innovation is an important component that can help Tunisian industries climb the value chain and penetrate new foreign markets. Moreover, innovation in certain industries such as information and communication technologies (ICTs) will make it possible not only to help industries adopt new technologies but also enable Tunisia to further develop ICTs as exportable services, based on its competitive advantage. Innovation in and of itself cannot be effective without an ecosystem of resources, infrastructures, services, and a business climate that facilitates market access.

The project will finance the following activities:

Creation of an appropriate framework and a partnership for the dissemination of innovation: The project will finance the following activities aimed at supporting active business/university/research center partnership initiatives for the development of innovation to produce new tradable goods and services on the international market, including in particular: (i) technical assistance for technology transfer offices; and (ii) support to the Gazala Technopole (technical assistance, capacity building, software, databases, information and data dissemination system).

Support for INNORPI (National Standardization and Industrial Property Institute) as the public authority responsible for the dissemination of innovation, intellectual property services, and the assessment of export compliance. In particular, the project will finance the following activities:

(i) Expert services and training for the creation of an INNORPI central trade register for property right and the dissemination of information to facilitate their access by companies;

(ii) Strengthening of INNORPI capacities and competencies in respect of the quality and assessment of export compliance by providing technical assistance to INNORPI to align it with international standards to ensure that its certifications are recognized regionally and internationally;

(iii) Support for the establishment of a system for the traceability, certification, and accreditation of goods and services destined for export (such as agro-industrial products, construction materials and electromagnetic compatibility, medical clinics, etc.). More specifically, the project would finance for each sector (i) an analysis of the system/need for traceability, certification and accreditation by sector/product/service; (ii) the preparation of traceability/certification manuals (Hallal, EPC Global, etc.); and (iii) the dissemination of theses manuals. This latter part complements the business
development services that directly support enterprises for their certification/accreditation and the improved traceability of their products and services (see Component 2.1 FIDEX, below)

Component 2. Provision of financial and nonfinancial services to export enterprises (US$34million)

Component 2.1. Export Finance Guarantee (Dhamen Finance) (US$8million)

One of the main obstacles to the development of Tunisian exports – particularly to new markets – is access to financing. EDP II established a guarantee fund (Dhamen Finance, managed by COTUNACE [Tunisian Foreign Trade Insurance Company] for shipment loans to promote the development of exports. Since its creation, Dhamen finance has guaranteed 784 export financing operations for 234 export enterprises. The total amount of loans guaranteed to date is TND 83.8 million, while the figure for exports is TND 215.7 million.

The guarantee mechanism will be revised to respond to the new challenges and objectives identified and supported by the Project, and resources will be allocated to the fund to increase its size.

Activities under this sub-component will include:

Capital increase. Dhamen capital will be increased by US$7million with funds coming from the proceeds of the loan (2) This number is set after the findings of a specific study recently completed on the current PEFG (Étude Économique Conseil (July 2010). Analyse des institutions de promotion des exportations et du fonds de garantie de financement des exportations avant expédition en Tunisie, Rapport Final, Montréal, Canada). This would allow raising the guarantee ceiling from TND 750,000 for goods and TND 200,000 for services to TND 1 million (goods and services) per operation;

Technical assistance to simplify the guarantee mechanism and procedures. At present, guaranteeing a full cycle (ex and post-export) involves 2 different agencies and 2 different contracts: Dhamen Finance for pre-financing and COTUNACE for buyer’s risk coverage. The idea would be to have banks deal with a single entity (COTUNACE) and a single contract. This work, which will require a legal analysis and will be supported by the project.

Technical assistance to improve the governance and risk monitoring approach. The project will finance TA to review the governance of the fund in order to incorporate a risk monitoring/assessment and management system. This will require revising the procedures manual prior to effectiveness; (single contract forms; procedures manual).

Create a Foreign Establishment Guarantee product [Garanties des Investissements à l'Étranger FGIE]. The objective of this activity is to help finance companies to open representation offices in their destination market in order to actively expand their client’s base and therefore internationalize more. The proceeds of the loan would specifically finance for COTUNACE: (i) the development of a specific operational manual for this new guarantee product component and an implementation roadmap; (iii) the capital required for this new tool as part of the guarantee fund; and (iii) the basic operating costs and marketing campaigns.

Setting up of regional representatives and market the Dhamen finance in the regions. A pilot experiment is proposed, consisting of establishing one Dhamen representative in each of two underserved regions (Bizerte and Gabes) to identify SMEs with export potential, to offer them export
finance guarantee services and ensure that the operations are properly carried out. The project will help prepare the business plan and its implementation.

Staffing, operating costs. The loan proceeds would specifically finance the staffing (2 experts and 1 assistant), basic operating costs and marketing campaigns of experts assigned to Dhamen finance.

Component 2.2. Export Development Innovation Fund (Fonds d’Innovation et de Développement des Exportations FIDEX) (US$22million)

The project will provide nonfinancial services, in the form of partial subsidies (matching grant, to enterprises/groups/associations involved in the industries/sectors identified and supported by the project. It would specifically provide non-reimbursable co-financing of 50 percent for individual firms and percent for professional associations, on a demand-driven basis, with the remaining 50 percent mobilized from participating private sector firms and professional organizations.

The component includes: (i) capital increase (US$20 million); and (ii) support to CEPEX in managing the fund, with acquisition of equipment and technical support in the preparation of export plans, training for the staff in charge of implementing the scheme, and monitoring and evaluation by following the group of enterprises throughout the project implementation period (US$1million).

The fund will finance on a cost sharing basis up to 50 percent of the cost associated to the following services for enterprises and associations respectively:

Support to enterprises producing organic and/or traditional products (appellation d’origine contrôlée, Hallal, etc.), particularly for obtaining certification and for the development and implementation of business and export marketing plans;

Support to enterprises seeking special accreditation for exports of goods and services (electromechanical industries, medical and pharmaceutical services, ICTs, university education/training, high-value-added tourism such as medical tourism, bed and breakfasts, etc.);

Support to enterprises that have projects to open subsidiaries/agency in foreign markets (Maghreb, Middle East, Sub-Saharan Africa, etc.): the fund will help enterprises develop strategies for establishing branches/subsidiaries abroad in high-priority or promising markets;

Support for enterprises exporting innovative goods and services, support for young entrepreneurs (start-ups, etc.) including coverage of some of the costs related to the development and marketing of new goods and services. In cooperation with chambers of commerce and private sector associations (TACT [Tunisian Association for Communication and Technology], UTICA [Tunisian Union of Industry, Trade and Handicrafts], etc.), CEPEX will organize annual business plan competitions to identify and support new enterprises or entrepreneurs proposing projects with strong innovative potential and able to respond to the new requirements of the regional or international market;

Support to enterprises operating in regions other than Tunis. The project will finance (i) an annual competition among projects originating from other regions of Tunisia to identify those that are most promising; and (ii) will then provide technical assistance to enable them to develop and tap into the domestic market and then the export market;

Support to enterprises for the hiring and capacity building of workers (particularly new graduates to
be recruited) to involve them in the export process and increase their;

Support to logistical operators to promote the development of partnerships between Tunisian and foreign operators (BtoB meetings, training on the requirements for doing business in the logistics zones being created by the Ministry of Transport); training for domestic transports companies and consultants (transport rules and standards, so as to better manage administrative requirements, available IT systems and productivity building software – TMS [transportation management system], WMS [warehouse management system], barcodes, etc.).

Component 2.3. Strengthening of the Export Promotion Center (CEPEX) as a sustainable export development services provider (US$8million)

The results of a recent study (3) Étude Économique Conseil (July 2010). Analyse des institutions de promotion des exportations (CEPEX) et du fonds de garantie de financement des exportations avant expédition en Tunisie, Montreal, Canada; show that the effectiveness and impact of CEPEX are hindered by the fact that: (i) many processes are carried out manually, (ii) some services could undoubtedly be better handled by professional associations and private sector than by CEPEX itself and are in fact are not cost effective for the institution and its limited public resources; (iii) most of its activity is still essentially focused on industry and not enough on services; and (iv) the market studies and publications are not yet sufficiently developed. In this latter area, CEPEX offers several services that are often viewed as simplistic and not always responsive to private sector needs. Aware of some of these limitations, CEPEX is currently engaged in a gradual process of improving certain of these processes and information systems.

Also, CEPEX underwent a peer review assessment by the International Trade Center. The study benchmarks CEPEX to other peer institutions in the world and come up with action plan for reforms. Area of reforms include (i) a revision of its governance structure to bring in more private sector and private associations; (ii) a change in business model from a solely government funded entity to a service provider based on private sector needs and able to market some of its services to enterprises.

The subcomponent is aimed at helping the authorities (i) improve current CEPEX functions; and (ii) reform CEPEX to become a sustainable export development agency.

The project will finance the following activities for CEPEX:

An institutional audit to update the two studies mentioned above, to come up with action plan and facilitate Public Private Dialog (PPD) to agree on the way forward. The action plan will define CEPEX priorities; propose reforms (governance and operations) to have it become an institution that is more focused on its customer base. It will also help CEPEX define a list of essential business services that it should provide directly and those that should be outsourced (based on the current best practices model, e.g. ProChile, MATRADE, etc.). Most importantly, the project will provide and TA to organize PPD to discuss and validate the action plan by the Government in collaboration with the private sector.

Implementation the action plan. The project will then provide technical assistance, institutional support, and equipment for the implementation of the strategy and the action plan. To ensure the long-term viability of CEPEX, assistance to the project will be phased out and gradually be replaced by the funds that CEPEX is expected to generate by providing services to private enterprises and the contributions/membership fees from private enterprises.
Technical assistance to improve current CEPEX functions, particularly in the field of market studies. This will be done by (i) performing an analysis that would map specific private sector needs and serve as a roadmap for the type of information to be generated by CEPEX; (ii) support CEPEX to subscribe to international databases in these fields and digitizing the existing essential documentation available with CEPEX; (iii) developing an appropriate IT system, including the possibility of online registration to enable users to access data as well as the possibility of on-site consultation.

Component 3: Support to the ministries of trade and investment for coordination and management of the project (US$4 million)

This component will finance activities designed to strengthen the capacity of the Project Coordination and Management Unit (PCMU), as well as the implementing agencies. The project will finance the following activities: (i) training in procurement and financial management for staff of the PCMU and the key implementing agencies, as required by the Bank procedures; (ii) consultancy services (a financial management consultant, an accountant, and an expert to assist the coordinator with implementation of the project), to enable the PCMU to successfully perform tasks such as the coordination of implementing agencies and the monitoring of project performance indicators, the provision of information and reports to the project Steering Committee and the World Bank; (iii) financing of steering committee meetings; and (iv) IT hardware and office equipment for the project coordination unit.

It will also support the Government, particularly the ministries of trade and industry, for the implementation of export development studies and strategies, including in particular: (i) procurement of equipment to connect the DQPC (Directorate of Quality and Consumer Protection) to Tunisie Trade Net (TTN); (ii) expert services for the DGCE (Directorate General of Foreign Trade) for the drafting of texts governing e-trade in Tunisia; (iii) technical assistance to the DGCE for an assessment to update its database of trade facilitation legislations and the preparation of a trade procedures manual/guide.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Nationwide

E. Borrowers Institutional Capacity for Safeguard Policies

33. The key implementing agency would be the Ministry of Commerce and Handicraft which now has a long experience in implementing World Bank’s project since 2000 (with EDP I-II). As the key implementing institution, the Ministry of Commerce is considered a low risk implementing organization given its experience and commitment. In addition, the project is a Tan nature and would not any major safeguard issue. Nevertheless, it includes TA to strengthen, as necessary, relevant stakeholders’ capacity to meet any safeguard requirements.

F. Environmental and Social Safeguards Specialists on the Team

Abdoul-Wahab Seyni (MNSSD)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

<table>
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<th>Explanation (Optional)</th>
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III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 12-Mar-2013

B. Time frame for launching and completing the safeguard-related studies that may be needed.
   The specific studies and their timing\(^1\) should be specified in the PAD-stage ISDS:
   N/A

IV. APPROVALS

<table>
<thead>
<tr>
<th>Task Team Leader:</th>
<th>Name: Djibrilla Adamou Issa</th>
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**Approved By:**

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<tr>
<th>Regional Safeguards Coordinator:</th>
<th>Name:</th>
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<tbody>
<tr>
<td>Sector Manager:</td>
<td>Name: Simon C. Bell (SM)</td>
<td>Date: 04-Mar-2013</td>
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\(^1\) Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.