

PROJECT INFORMATION DOCUMENT (PID) CONCEPT STAGE

Report No.: PIDC18575

Project Name	Tunisia Tertiary Education for Employability Project (P151059)
Region	MIDDLE EAST AND NORTH AFRICA
Country	Tunisia
Sector(s)	Tertiary education (80%), Vocational training (10%), Other social services (10%)
Theme(s)	Education for the knowledge economy (80%), Improving labor markets (20%)
Lending Instrument	Investment Project Financing
Project ID	P151059
Borrower(s)	Ministry of Development and International Cooperation
Implementing Agency	MINISTRY OF HIGHER EDUCATION, RESEARCH & TECHNOLOGY
Environmental Category	C-Not Required
Date PID Prepared/ Updated	10-Mar-2015
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Concept Review Decision	Track II - The review did authorize the preparation to continue

I. Introduction and Context

Country Context

Over most of the 2000s, Tunisia enjoyed a 4.8 percent average annual growth in GDP and was considered as one of the most successful economies in the MENA region. This performance was the result of structural reforms which were undertaken in the early 1990s in order to diversify the country's economy away from oil toward light manufacturing, tourism and, later electronic mechanical engineering. Tunisia's impressive economic progress was, however, marred by widespread corruption, coercion and political interference and ended up benefitting mostly the very connected few. In December 2010, an unprecedented and spontaneous wave of massive civil resistance occurred which was largely fueled by widespread anger and frustration over high unemployment, corruption, and lack of political inclusion and freedom of speech. The intensity of the protests ultimately led longtime ruler President Ben Ali to step down in January 2011. Since then, Tunisia has embarked on a democratic transition but in the aftermath of the revolution,

Tunisia's economic performance deteriorated sharply in 2011, just as it had started recovering in late 2010 from the global financial, fuel and food price crisis.

Unemployment, in particular among the young educated population, remains a major challenge for the country. Unemployment increased in 2011 and is particularly elevated among young educated people, especially women. According to the National Statistics Institute (INS), the number of youth with tertiary education who are unemployed has reached more than 30 percent over the past six years . While growth is expected to recover gradually to reach 3.5 percent in 2015 (from 2.7 percent in 2014) , it will not be sufficiently strong to absorb the rapid rise in formally qualified labor supply. The lack of job opportunities and creation is due to various factors, including structural issues, a segmented and distorted Tunisian market, but also a still prevailing mismatch between the education and skills students obtain and the opportunities offered by the job market.

Tunisia is today at a turning point, facing unprecedented challenges and opportunities. Since January 2011, Tunisia has embarked on a democratic transition and a new Government, democratically elected, was confirmed on February 2, 2015. The political transition has opened the doors to greater opportunities for the country to develop a new vision for the economy and prioritize critical reforms. There is a sense of urgency for the Tunisian Government to promote economic recovery and shared growth as well as to address the demands of the youth in terms of political and social inclusion. The high rate of youth unemployment in particular, clearly emphasizes the need to accelerate and deepen the on-going educational reforms.

Sectoral and Institutional Context

The higher education system in Tunisia has experienced a rapid expansion of the student population in the higher education public institutions between 1995 and 2005 (102.000 to 330.00). GER at the university level increased from 8 percent in the early 1990s to 29 percent in 2004 and to 35 percent in 2011 , though this remains lower than the increase in gross secondary enrolment rates that took place over the same period (increase from 52 percent beginning of the 1990s to 92 percent in 2011). As a result, new institutions and sections were created, with priority given to studies that were less costly and easier to expand. This inflationary process has slowed down since 2006: the student population only increased by an average of 2 percent per year over 2006-2009 and students' enrolment (as well as the number of graduates) has dropped since 2009 .

The higher education system comprises a total of thirteen public universities (including one for distance learning), 198 public tertiary institutions, including 25 technical institutes (ISET) under the direct supervision of the Ministry of Higher Education, Scientific Research, and Information and Communication Technologies (MESRSTIC). Public universities were created gradually after 1986, and hosted in 2012-2013 approximately 315 513 students. ISETs are also a fairly recent phenomenon, as the first ones only opened in 1992. However, since 2009, the total number of ISET students started decreasing and reached 27 559 students in 2012/2013. Private tertiary education institutions are rapidly developing and in 2012/13, the 44 private establishments attracted 6.5 percent of the approximately 340,000 students enrolled in Tunisian universities .

While not being a signatory of the Bologna Process, Tunisia has nevertheless adopted the Licence (equivalent to Bachelor), Master, Doctorate (LMD) model with Bachelor degrees of 180 ECTS (3 academic years) and Masters of 120 ECTS (2 years). Legislation governing the implementation of ECTS has been introduced but Tunisia is still far from full implementation. Indeed, ECTS is used in more than 75 percent of institutions and programs, but the credits are in practice mainly based on

contact hours (hours spent by students on activities guided by teaching staff, i.e. according to a teacher-centered approach) or a combination of contact hours and student workload, rather than student learning outcomes as foreseen under the Bologna reforms.

University Governance

Since 2000, universities saw their pedagogical, administrative and financial prerogative enhanced in the context of a progressive decentralization. The 2008 Higher Education Law, in principle, also opens the way to greater autonomy of universities with the introduction of the “EPST” status (public establishment of scientific and technological nature). This new status seeks to increase HEIs’ financial resources and autonomy, notably through the implementation of public private partnerships . However, in practice only one university was able to access this status and further legislative reforms and practical measures will be needed in order to make university autonomy a reality. The Law also foresaw the creation of an independent agency by 2012 in charge of external quality assurance; its establishment is still underway. Finally, the measures taken after the revolution, notably the n°31-2011 and n°683-2011 Decrees which enabled the election of academic institutions’ managers are a major step towards the recognition and endorsement of good governance principles in the Tunisian university. Universities, however, still suffer from a lack of autonomy in their daily management.

Another important change concerns the introduction of a new kind of contractual relationship between the Ministry and Higher Education Institutions (HEIs), which goes beyond the previous administrative and financial supervision scheme . Initially, 4-year performance contracts were signed by the Ministry with 13 universities in 2009, as well as with 9 research centers. The topic was taken up again in 2014, in particular in through a workshop which was cohosted by the Ministry and the World Bank and held in October 2014, and the World Bank is currently supporting the evaluation of the 2009 experience with performance contracts in Tunisia.

Quality Assurance

In 2013 and 2014, the World Bank supported – through the IBRD-financed Second Higher Education Reform (PARES II) and related Technical Assistance – the establishment of the IEAQA (Instance nationale de l’Evaluation, de l’Assurance-Qualité et de l’Accréditation). However, in spite of this support, the agency still seems to be in a process to find its role and it is difficult to determine its current activities, timeline towards a fully functioning agency and specific needs at this point. University-internal quality assurance units were previously created; however, also this initiative needs to be revitalized under a new initiative. PARES II also supported the creation and operationalization of a quality assurance mechanism and institutional autonomy through the use of competitive block grants awarded directly to the investment budgets of universities (Programme d’Appui à la Qualité (PAQ)). These grants led to a constructive new mentality of competition among institutions and programs that is likely to deliver longer-term benefits going beyond the financial support provided under the project. Many of the institutions that participated in the PAQ competitions were not able to develop strong proposals in the early rounds, but improved their submissions and succeeded in obtaining grants in successive rounds of the competition. Developments towards quality enhancement and quality assurance are perceivable but unevenly implemented across the institutions, calling for the reinforcement and scaling up of the PAQ. Another quality enhancing measure developed under the PARES II are ‘co-constructed’ (i.e. with university and employer involvement) programs; an approach worth scaling up under a new operation.

Employability of students

The employability of students is a persistent challenge in Tunisia. Unemployment particularly affects young and educated individuals, reflecting a structural mismatch between the demand for labor, largely tilted toward the unskilled, and a growing supply of skilled labor. In the first half of 2014, 31.4 percent higher education graduates were unemployed, and women are particularly vulnerable (21.2 percent for men vs. 40.8 percent for women; INS, 2014). Unemployment is due to several factors, including: (i) the quality of available jobs remains low and informal employment is wide spread in the country (the Tunisian economy is still, to a large, extent focused on low-skill activities); lack of appropriate competences: the quality of workers' skills is identified as a leading constraint to firm operations by 39 percent of employers interviewed in the 2012 Enterprise Survey. Many firms indicated that candidates do not meet their expectations with regard to required qualifications. Nevertheless, as Tunisia seeks to move up the value chain into higher value added activities, it will be important to reform the education system to improve learning outcomes and to ensure a closer alignment between the skills and competencies acquired by graduates and the demands of the private sector. PARES II and the PAQ in particular have helped establish a foundation for modernized quality programs and their alignment with employers' expectations. Curricula have been revised in accordance with new market paradigms, certification of programs has expanded, enabling graduates to validate and apply their education and skills on the job market. Competence-based teaching has been introduced while pedagogical approaches have been renewed. Above all, a student-centered approach is gaining momentum and PARES II and PAQ have paved the way for the redesign of programs and upgrading of teaching skills. Consolidation and scaling up of these achievements will be instrumental to ensure better employability of future of graduates.

Entrepreneurship in Tunisia

Since the mid-1990s, projects and programs to promote entrepreneurship have been implemented in Tunisia. A new entrepreneurship track was mainstreamed into the applied undergraduate ("Licence appliquée") curriculum in 2009. This entrepreneurship track provides the first experimental evidence on the effectiveness of entrepreneurship education targeted at university students, as well as the first evidence on entrepreneurship-support interventions in the MENA Region (Angel-Urdinola et al., 2010). Increasingly, government's incentives and policies seek to help university graduates to create new businesses but also aim to develop the entrepreneurial leadership and the personal efficiency of students, e.g. through professionalized higher education (co-constructed programs) and develop entrepreneurial leadership and entrepreneurial culture through regional workshops, business plan and entrepreneurial ideas contests. Initiatives are emerging to support small businesses, and the financial capacities of the banking sector to invest in small and medium size enterprises, as well as in very small businesses have improved. However, institutional and structural factors are still hampering entrepreneurship's development and, overall, employability of students. Several conditions still have to be met in order for entrepreneurship to take off, including: improved governance; a better application of research and development to serve regional development; and a better quality of teaching.

Relationship to CAS

The World Bank Group's Interim Strategy Note (ISN) 2013/14 sets out the enhanced strategic engagement in Tunisia in support of the country's short and medium-term priorities. The three ISN strategic areas are: (i) laying the foundation for sustainable growth and job creation; (ii) promoting

social and economic inclusion; and (iii) strengthening governance: voice, transparency and accountability.

While the new Country Partnership Framework (CPF) is currently under development, it is expected that this operation will play an important role in contributing to the CPF outcomes related to skills-building, youth employability and related education reforms.

II. Proposed Development Objective(s)

Proposed Development Objective(s) (From PCN)

The objective of the proposed new project is to improve the employability of future graduates and modernize the management of higher education.

Key Results (From PCN)

This objective will be reached through measures to support university-internal and external quality assurance, performance-based steering of the sector and employability-supporting measures at higher education institutions.

The project will build on results and lessons learned from PARES II and will continue to support reform activities relevant for the future development of higher education by scaling them up to the country level. In particular, the project will support initiatives focusing on better employability – defined as skills of these graduates applicable in the labor market - and at adapting the higher education system better to local and global challenges, taking into account labor market considerations and demand-side issues.

III. Preliminary Description

Concept Description

The project would seek to improve the employability of future graduates by supporting innovative programs, and to modernize the higher education system by enhancing its quality assurance, governance and performance –based financing mechanisms. The project would have two main components:

Component 1: “Improving employability of graduates” would support – through a competitive grant scheme - projects related to: (i) university autonomy and reinforcement of their capacity in management; (ii) modernization of teaching and learning with a focus on general and specialized skills expected to enter the labor market ; (iii) application of the Bologna Process (in the form of LMD); (iv) research and innovation (including for higher education); (v) entrepreneurial university, education and training of self-entrepreneurs ; (vi) ‘young’ universities" and HEIs contributing to regional development ; (vii) transition programs and any other activities supporting the transition between secondary and higher education ; (viii) internships and other activities linking higher education to the labor market. The competition would be open to all HEIs, including the ISETs, and would give preference to projects promoting public-private partnerships; (ix) the reinforcement of co-constructed programs (prepared in collaboration with employers and HEIs) which were developed and piloted under the PARES II with the aim to align higher education with labor market needs. The grants could also finance the provision of needed equipment and materials for labs and the renovation of obsolete installations.

Under Component 2 “Modernizing the management of higher education”, the project would seek to

support: (i) the full implementation of a university internal and external quality assurance system (including a fully-developed Bologna-compatible quality assurance agency and revitalization of university-internal quality assurance units); (ii) the increased autonomy of universities through, inter alia, the creation of external advisory boards to reinforce the relationship between employers and other external entities and HEIs and support of legislative measures to allow universities to access the “EPST” status; and (iii) the development of performance-based steering mechanisms for the higher education sector, e.g. through the (re-)introduction of performance contracts and development and piloting of performance-based financing (PBF) mechanisms; (iv) assist the implementation agency to reinforce its coordinating capacity by recruiting - on a competitive basis – additional qualified and experienced technical staff fully dedicated to project components and/or sub-components.

The overall risk for the project is “Substantial.” The overall risk is “Substantial”. The five key risks are described as follows: (i) Political and Governance: even though the newly elected government (including the new Minister of higher education) is keen to pursue higher education reforms and address issues related to the employability of graduates, the situation remains politically challenging and it may be difficult to reach some administratively complex reforms inherent to the project; (ii) Strategies and Policies, Technical Design: the proposed project focuses on entrepreneurship and quality of higher education, two elements that are intertwined and call for a stronger governance capacity of universities and skills improvement of rectors, faculty and administrative staff as well as actors who have remained peripheral to higher education, i.e.: employers. Thus, the success of the project will depend on the careful planning of inter-related activities meant to complement each other. Past projects, including PARES II and PAQ, suffered from a lack of consistency that was expected for a deep transformation of human capital in Tunisia, and same risk applies for this project: the consistence of initiatives, strongly anchored in an articulate framework, will be conditional to the project’s success; (iii) Institutional capacity and Fiduciary: even though the new proposed project will not involve any infrastructure - but will be limited the provision of equipment, material, and some minor renovation - there's still a significant risk that universities may face serious capacity issues in terms of procurement implementation, as this was the case under PARES II. During the preparation phase, the Bank team will make sure that, as a result of the procurement and financial management assessments, an action plan be prepared to reinforce the capacity of universities and the implementing agency in those areas.

IV. Safeguard Policies that might apply

Safeguard Policies Triggered by the Project	Yes	No	TBD
Environmental Assessment OP/BP 4.01		✗	
Natural Habitats OP/BP 4.04		✗	
Forests OP/BP 4.36		✗	
Pest Management OP 4.09		✗	
Physical Cultural Resources OP/BP 4.11		✗	
Indigenous Peoples OP/BP 4.10		✗	
Involuntary Resettlement OP/BP 4.12		✗	
Safety of Dams OP/BP 4.37		✗	
Projects on International Waterways OP/BP 7.50		✗	
Projects in Disputed Areas OP/BP 7.60		✗	

V. Financing (in USD Million)

Total Project Cost:	70.00	Total Bank Financing:	70.00
Financing Gap:	0.00		
Financing Source			Amount
Borrower			0.00
International Bank for Reconstruction and Development			70.00
Total			70.00

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