

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: PIDA34556

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	19-Nov-2015
Date PID Approved/Disclosed	25-Nov-2015
Estimated Date of Appraisal Completion	16-Oct-2015
Estimated Date of Board Approval	15-Feb-2016
Appraisal Review Decision (from Decision Note)	

I. Project Context

Country Context

Starting with an unprecedented revolution triggering the ‘Arab Spring’, Tunisia has embarked on a democratic transition since January 2011 with the election of a Constituent Assembly in October 2011, and the adoption of a new, inclusive Constitution on January 26, 2014, which protects basic freedoms such as religious belief, gender equality in rights and responsibilities, and commits to decentralization and empowerment of local governments. In December 2014, Tunisia completed another important step towards a fully developed democracy by electing its first President followed, in February 2015, by the nomination of a new government.

However, the country continues to face unprecedented challenges. In the aftermath of the revolution, Tunisia's economic performance deteriorated sharply 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. The OECD (2014) estimates the average length of school-to-work transition (i.e. the time it takes young people to find

work after leaving educational institutions) to be six years, with considerable variation by region and with the shortest in Greater Tunis (four years). Unemployment, a major aspect of youth frustration that led to the January 2011 revolution, increased in 2011 and is particularly elevated among the young educated. The rapid rise of extremist groups such as the Islamic State (ISIS) poses new threats to the social cohesion and economy of the country, as illustrated by the two recent attacks against tourists in March and June 2015. The recruitment of young Tunisians by militant groups, active in conflicts around the region, combined with high youth unemployment, is of great concern, including with a view to these combatants returning to Tunisia. But also where unemployment does not lead to radicalization, it results in a precarious situation of youth which affects their livelihoods and future careers.

Many higher education graduates fare poorly in the labor market. The unemployment rate for tertiary graduates aged 15-64 in 2011 was 29.2 percent, higher than that of any other education attainment group, and up from 13.3 percent in 2005. Further, long-term unemployment particularly affects those with tertiary education: 46.4 percent of the long-term unemployed had tertiary education in 2011. 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. Recent terrorist attacks might further aggravate growth prospects for the country.

Underneath the high unemployment rate are large regional disparities with higher unemployment rates in the North West and the South East than the national average. For example, while the unemployment rate stood at 13.3 percent for the country as a whole in 2013, the jobless rate was as high as 37 percent in the governorate of Tataouine. Similarly, average poverty rates remained four times as high in the interior of the country, compared to the richer coastal areas. Regional disparities have fanned the flames of political protest, with the 2011 revolution having begun in the disadvantaged cities and governorates and those hit hardest by unemployment.

Despite these challenges, the political transition has created opportunities for the country to develop a new vision for the economy and prioritize critical reforms. The new Tunisian Government is aware of the urgency to promote economic recovery and shared growth as well as to address the demands of youth in terms of more political, social and economic inclusion. The high rate of youth unemployment in particular clearly emphasizes the need to take bold steps in order to accelerate and deepen the on-going educational reforms. One of these measures includes closer partnership with the private sector, which is needed in order to ensure that the curricula correspond to the demands in the jobs market, with an emphasis on those sectors that have high potential to generate human capital intensive employment. For example, a recent World Bank (2014) study highlights how Tunisia has a comparative advantage to successfully boost high-value added segments in certain service sectors such as information and communications technology (ICT) and offshoring, professional services, telecommunications, transport and logistics, tourism, health services, as well as certain manufacturing sectors such as textile and garment, leather and footwear, electrical industry, chemical industry, glass, iron, metal materials for construction and mechanical industry, and home furniture and sanitary. In order to move into high-value added segments; however, Tunisia will need to develop adequate and highly-skilled human capital.

Sectoral and institutional Context

Tunisia has seen a rapid expansion of higher education. Education represents one of the main pillars

of Tunisia's development strategy since independence in the late 1950s. Tunisia achieved universal access to primary education in the 1990s and the Gross Enrolment Rate (GER) in secondary education reached 91 percent in 2011 from 52 percent at the beginning of the 1990s. The student population in higher education public institutions also expanded rapidly between 1995 and 2005, from 102,000 to 330,000, and as a result the GER at the tertiary level increased from 8 percent in the early 1990s to 29 percent in 2004 and to 35 percent in 2011 (UIS). This 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 further supported by demographic decline. In summary and looking at educational attainment more generally, Tunisia has an increasingly well-educated young population with higher education aspirations. While reform needs extend beyond higher education, however, other educational sub-sectors have seen increasing support by international and multi-lateral organizations like the European Union, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and the Agence Française de Développement (AFD). This is not the case for higher education.

Women, in particular, have been entering university at high rates, and those with a tertiary education degree have joined the labor force at much higher rates than less educated women. In 2011, 60 percent of university graduates were females. Furthermore, labor force participation among women with a university degree is 53 percent, only slightly below that in richer developed countries, and much higher than that of women without university degrees; average labor female labor force participation was 27 percent across all education groups. However, 40.8 percent of these female graduates are unemployed, nearly double the unemployment rate of male graduates (21.2). These drastic differences between the unemployment rates of female and male university graduates raise questions which extend beyond tertiary education supply side issues and might include labor supply side issues and cultural factors. The issue of high unemployment of female graduates might further be connected to a more wide-spread phenomenon in the Tunisian labor market: public sector queuing.

Tunisia's social contract's implicit promise of good quality public sector jobs seems to divert the flow of talent away from the private sector. Accordingly, an opinion survey in Tunisia reveals that around 45 percent of youth with tertiary education would prefer to have a job in the public sector. Along the same line, only around 10 percent of youth would prefer to have a private sector job and the gap in preferences is higher amongst young people than amongst their parents. Indeed, 55 percent of those workers with post-secondary education were employed in the public sector in 2012 (57 percent in 2010; 61 percent in 2008) (ENPE 2008, 2010, 2012). Thus, while the majority of workers with post-secondary education are in the public sector, this share is declining. The private sector was, accordingly, employing 45 percent of the post-secondary workers in 2012 with an increasing tendency and recent World Bank analysis shows that the private sector (hotels, financial services, and transport/communications) has created more jobs for high-skilled workers (nominally) than the public sector. The majority of these private sector workers with post-secondary education were employed in services (67 percent) followed by industry (24 percent). While the (still) strong role of the public sector as employer appears primarily as a labor demand side issue, education institutions will need to help overcome this situation by fostering an entrepreneurial culture and mindset amongst youth and by developing skills which are attractive for the private sector.

However, the sharp increase in higher education enrolments was accompanied by the creation of new institutions and related structures with priority being given to studies that were less costly and easier to expand. Currently, the higher education system comprises a total of thirteen public

universities (including one for distance learning), 198 public tertiary institutions, including 25 technical institutes (ISETs) under the direct supervision of the Ministry of Higher Education and Scientific Research (MOHESR). Expansion of public university sector went gradually after 1986, and hosted in 2012-2013 approximately 315,513 students. The 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.

Legislation supporting the introduction of a degree structure of higher education modelled after the Bologna Process has been adopted, but implementation is far from complete. While not being itself a signatory of the Bologna Process, Tunisia has nevertheless adopted the Licence (equivalent to Bachelor), Master, and Doctorate (LMD) model, with Bachelor degrees consisting of 180 European Credit Transfer and Accumulation System (ECTS) credits (equivalent to 3 academic full-time years) and Masters degrees of 120 ECTS credits (2 full-time years). Full implementation, however, is still far from complete. For example, 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.

II. Proposed Development Objectives

The objective of the Tertiary Education for Employability Project (TEEP) is to improve the employability of tertiary graduates and strengthen the management of higher education.

III. Project Description

Component Name

Improving employability of graduates

Comments (optional)

Component Name

Modernizing the management of higher education

Comments (optional)

IV. Financing (*in USD Million*)

Total Project Cost:	75.00	Total Bank Financing:	70.00
Financing Gap:	0.00		
For Loans/Credits/Others			Amount
Borrower			5.00
International Bank for Reconstruction and Development			70.00
Total			75.00

V. Implementation

The Ministry of Education and Scientific Research (MOHESR) is the Government's responsible entity for implementing the Project with the support of the Project Management Unit ("Unité de gestion des projets") (PMU). The MOHESR is ultimately accountable for meeting the objectives set out in the project, and providing oversight, monitoring and evaluation, and technical support to universities.

VI. Safeguard Policies (including public consultation)

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

Comments (optional)

VII. Contact point

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