



## **From Disfavored to Unique: Tunisia's Territorial Variety as an Asset**

### **Policy Note on How Tunisia Can Leverage its Regions in a Differentiated Manner for Shared Prosperity**

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This note was produced as a synthesis of six notes produced under the Tunisia Lagging Areas ASA. The notes were authored by Somik V. Lall, Ayah Mahgoub, Nahida Sinno, Anastasia Touati, Wahid Kraiem, Olivia D'aoust, Alice Duhaut, Katie McWilliams, Aymen Jaafar, Asma Bejaoui, Farah Goutali, and Mehdi Karoui. The project benefited from the guidance of Ayat Soliman, Tony Verheijen, Jaafar Friaa, Peter D. Ellis, Nancy Lozano, Jeffrey Racki, Hedi Larbi, Jade Salhab, Taoufiq Bennouna, Nabil Samir, Dorte Verner, and Garry Charlier, and the support of Victoria Bruce-Goga, Narjes Jerbi, and Salimatou Drame-Bah.

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## Executive Summary

**1. Despite a rich endowment of natural, cultural and human wealth across its territory, many of Tunisia’s governorates have been limited in their ability to offer an environment conducive for shared prosperity.** Differences in economic output across space are part of the development process, but disparities in basic standards of living and access to opportunities are not. In the wake of the Jasmine Revolution, there has been a strong imperative for Tunisia to identify and implement a sustainable model for better leveraging the assets of its different territories and improving the basic standards of living of all Tunisians, while not compromising on the efficiency needed to enable cities to play the role of engines of its economy. In its White Paper for Regional Development issued immediately after the Jasmine Revolution, the Government committed to this – to augmenting the average income of the population of disfavored regions without compromising the competitiveness of dynamic governorates on the eastern coast. Given the magnitude of the challenge, the urgency with which it seeks to deliver against this objective, and the difficulty inherent in prioritizing between the 49 propositions outlined in its White Paper, the Government requested the support of the WB to identify and prioritize a few options for achieving its objective.

**2. Not only is the impetus for better leveraging territorial diversity strong, the current period offers a mechanism that can be harnessed for a significant change in paradigm – decentralization.** The extremely centralized nature of decision-making in Tunisia constrained subnational governments and communities from tailoring economic development interventions toward leveraging local potential. It created superficial regional specializations that began to erode as soon as the fiscal incentive regime that created them began to shift (e.g. textiles in Kasserine), and limited the scope for local initiative to capitalize on local assets. The Government is currently introducing and operationalizing a system of decentralized governance more ambitious than preceding reforms of the past several decades.<sup>1</sup> It has defined a framework for shifting more local economic development responsibilities and resources to governorates and to soon-to-be-created districts – groupings of multiple regions. As such, new opportunities present themselves in terms of tailoring planning and financing to allow different regions to better leverage their assets and unrealized potential.

**3. To achieve its goal, some national policy reforms are needed.** Policies that impede factor markets from functioning efficiently are imposing disproportionate costs on many governorates that have fallen behind. For instance, trucking market fragmentation and the absence of effective regulation have driven transport costs in Tunisia significantly higher than in comparable countries. Suboptimal land markets are constraining the ability of people to increase the productivity of land, and to migrate from relatively lagging to leading areas. Centralized planning has contributed to mismatches between what local entrepreneurs need and what is furnished in their neighborhoods limiting experimentation and a more dynamic private sector. Local governments and communities need to assume a more significant role in

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<sup>1</sup> These reforms are anchored in an article in the 2014 Constitution, and in a forthcoming Local Government Organic Law.

local development planning. Further, a financing regime that focused on channeling financing to central line ministries to determine and deliver the needs of communities across the country has contributed to mismatches between the infrastructure and services provided and what is needed to unlock the potential of local economic activities. Further, the current natural resource management regime limits the ability of communities in resource rich areas to benefit from these resources. Instead, these Tunisians find themselves in resource-rich but employment-poor environments making the reality of their difficult lives more difficult to accept.

**4. Given Tunisia’s remarkable range of agro-climatic conditions, cultural and human assets across its territory, a key question as it embarks on its current territorial development structural reforms is how can it create a framework for leveraging its differentiated territorial assets? To identify and prioritize opportunities** for greater equity without compromising efficiency and growth, Tunisia would benefit from doing two things: (i) identifying the gaps between potential and performance in its different territories; and (ii) enabling development across a territorial continuum, a portfolio of cities and towns that if enabled to perform symbiotically could help the country achieve its dual objectives. For (i), an analysis of current development status and one of economic potential versus performance are two approaches that can help decision-makers develop a typology of governorates simpler than the current Tunisian Index for Regional Development<sup>2</sup> to allow tailoring development interventions. For (ii), the Government can leverage the framework for diagnosing territorial development challenges that was developed in the 2009 World Development Report “Reshaping Economic Geography”. That framework enables decision-makers to identify constraints to “three Ds” of effective territorial development: increasing **d**ensity, reducing **d**istance and reducing **d**ivision. It helps them match interventions to relax those constraints – “three Is” that map onto the three Ds: institutions to support density, infrastructure to enable connectivity, and interventions to relax space-specific constraints to development.

**5. The Tunisia Lagging Areas ASA Project was designed to identify and analyze development constraints and opportunities to improving outcomes for people in regions that have fallen behind from a spatial perspective.** It was designed to help the Government prioritize interventions by leveraging this approach. It has done so by supporting the delivery of a series of analyses and capacity building activities to Government counterparts. The first analysis was an overview of spatial development patterns and constraints in Tunisia, including a laggingness analysis, produced by the WB Global Lead for Territorial Development. The second is an economic potential analysis in which the economic potential and a proxy for performance of Tunisia’s governorates and delegations was produced. This analysis was supplemented by additional analyses including analysis of agglomeration of economic activities. The third, fourth and fifth analyses were deep dive analyses of three governorates. The governorates were identified by the Government as priority governorates based on the economic potential

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<sup>2</sup> The Government of Tunisia piloted the Index for Regional Development in the wake of the Jasmine Revolution and subsequently it asked the World Bank to support its effort to revise its approach to measurement through this project.

analysis and represent different types of regions that score below the national average on indicators that serve as proxies for development levels. They are El Kef, Kasserine, and Tataouine. The analysis focused on describing the current state of development in the respective governorates in terms of human capital, jobs, economic activities, and the constraints to their advancement (infrastructure and services, business environment, etc.). They comprised a special focus on marginalized groups such as women and unemployed youth. The sixth analysis is a review of the regional development plans included in the last three five-year national development plans, and of the regional development planning process to date. In addition to these analyses, a reflection note was prepared on recommendation two of this note in collaboration with the Maghreb Lagging Regions Task Force, and several just in time analyses were produced to inform government dialogue on priority areas including connectivity and land constraints. The capacity building support comprised policy development workshops for the regional development agencies and a national policy dialogue event that brought together all the key ministries and agencies to discuss priority challenges and opportunities with respect to enhanced regional development.

**6. What response could help Tunisia achieve the territorial development end it seeks?**

Decision-makers could implement priority interventions that could improve: (i) the institutional environment; (ii) connectivity; and/or (iii) conditions in specific lagging areas through targeted interventions. If they seek to operationalize recent decentralization reforms, they could offer a support program to finance governorates to assume their enhanced local economic development planning mandates. If they seek to enable greater complementarities across administrative boundaries, they could support a development corridor to enable areas along it to reap spillover benefits from leading nodes. If they seek to support a subset of governorates to improve outcomes within their territories, they could support development programs within specific governorates such as El Kef, Kasserine, and/or Tataouine. If they seek to influence a range of development policies affecting regional development in the long run, they could further empower an entity to have a wider-ranging policy influence.

## Introduction

**7. The event that triggered the Jasmine Revolution and the Arab Spring took place in Sidi Bouzid, one of the governorates with the worst development indicators in Tunisia, symbolizing the despair of Tunisians in such regions.** The Government that succeeded the Ben Ali regime took the grievances of Tunisians that felt they were being left behind seriously. One of the first priorities for the new Government was the development of a white paper on regional development and the inclusion of regional development as one of the five pillars of the new national five-year plan.

**8. The Government's stated objective for regional development is to augment the average income of the population of disfavored regions while further enabling the competitiveness of dynamic cities and governorates on the eastern coast.**<sup>3</sup> Its vision comprises three goals. The first is to upgrade these regions by reducing socioeconomic disparities. The second is to connect them to leading regions to exploit spillover benefits from agglomerations. The third is to insert all regions into the global economy to assure that they have a more dynamic and sustainable development.

**9. This note outlines the key findings and recommendations derived from the technical assistance project requested by the Government of Tunisia to support it in its goal of prioritizing interventions to improve outcomes for people across Tunisia's territories while not compromising efficiency.**<sup>4</sup> It is organized in seven sections. The second section describes the nature of the challenge confronting Tunisia today with respect to regional disparities. The third section outlines the drivers of regional disparities in Tunisia. The fourth section describes two typologies that can be used to characterize Tunisian regions and outlines findings of their application to Tunisia. The fifth section presents the key findings of the deep dive analyses of the three governorates the Government prioritized based on the typologies outlined in section four (El Kef, Kasserine, and Tataouine). The sixth section outlines recommendations based on the framework for analysis and is followed by a conclusion.

### I. A Tale of More than Two Territories: The Nature of the Challenge

**10. While a stark binary distribution exists for several human development indicators between Tunisia's coast and its interior, the pattern of economic potential and performance across the territory is more varied.** At first glance of a map of economic activity in Tunisia (Map 1 below), economic activity appears concentrated along the coast, especially around Tunis, Sousse and Sfax: 92% of industrial firms and 56% of Tunisian residents are located within an

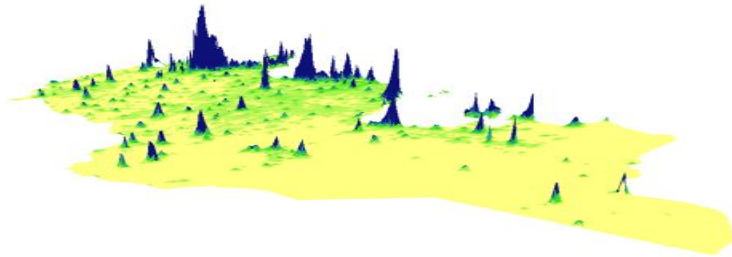
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<sup>3</sup> White Paper for Regional Development in Tunisia (2011)

<sup>4</sup> This Project offered the Government support to develop: (i) a spatial analysis of its territorial development challenges; (ii) governorate deep dive analyses in the governorates of El Kef, Kasserine and Tataouine – prioritized by the Government on the basis of the analysis in (i); (iii) a review of the regional planning process; (iv) this roadmap of policy and intervention priorities; and (v) other elements as needed to support the policy dialogue on regional development. This note is one of seven primary deliverables produced through this project.

hour drive of these three cities.<sup>5</sup> The concentration of economic activity in select agglomerations is a feature of development – agglomeration economies allow for more efficiency and greater production. What can also be observed in Map 1 is that smaller but significant agglomerations of economic activity can be observed in the interior – namely in Kairouan, Kasserine, Kef and Tataouine.

Map 1: Map of Economic Activity



Source: Gosh et al (2010)

**11. Mapping agro-climatic and geographic advantage also reveals a nuanced story.** Six agro-climatic conditions correlated with economic prosperity are displayed in Maps 2 – 7 below. As expected, Tunis, Sousse, and Sfax fare well across most if not all six agro-climatic maps. The southwest fares poorly across all six factors, which is also consistent with its low performance across key development indicators. However, several regions - namely the northwest and centerwest - appear to have an advantage across these conditions, while recording some of the lowest performance across key development indicators.

Maps 2 – 7: Six Agro-Climatic Conditions Across Tunisia

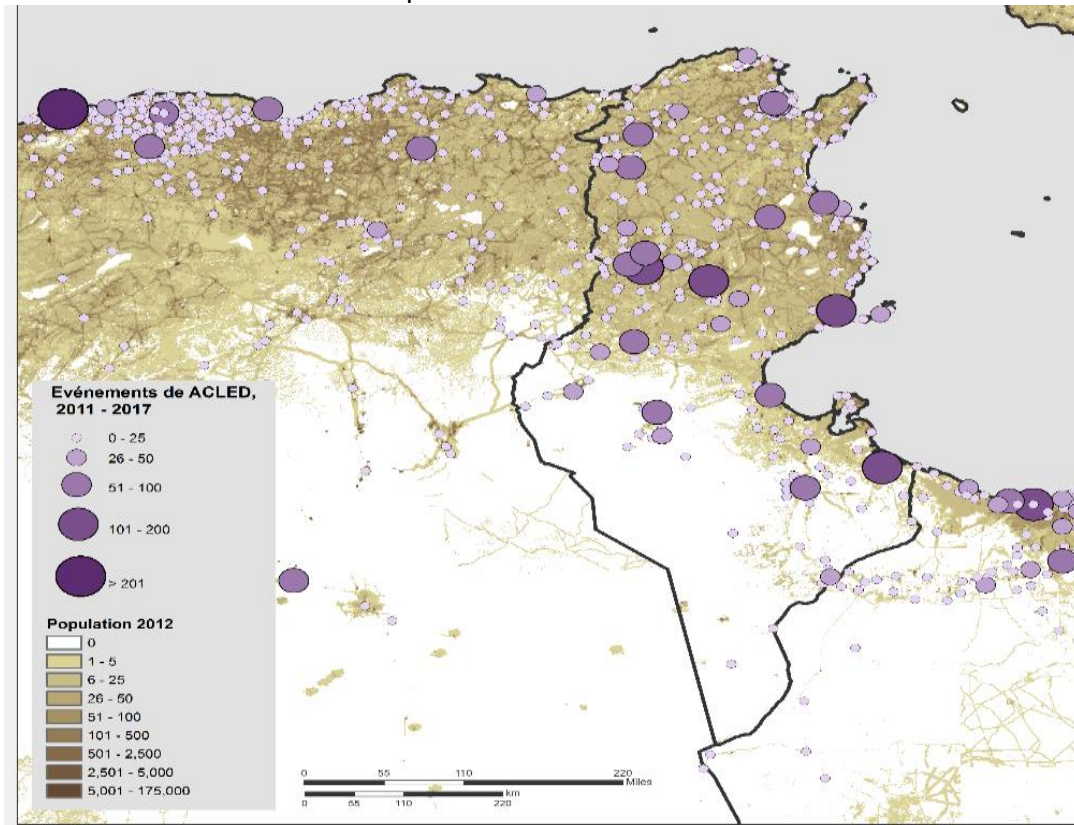


Source: Henderson et al (2012)

<sup>5</sup> Tunisia Urbanization Review (2014)

**12. A map of incidents of social unrest also reveals the diversity of settings where unrest has been prevalent.** Map 8 below depicts incidents of social unrest between 2011 – 2017 in Tunisia and neighboring countries. It reveals that the areas of greatest social unrest during this period comprise relatively leading governorates like Sfax and Medenine as well as governorates registering less economic activity and lower development indicator scores such as Kasserine and Sidi Bouzid.

Map 8: Social Unrest Events

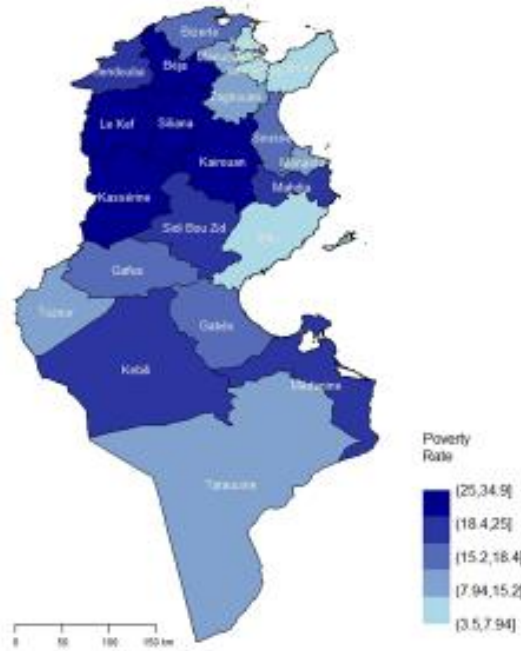


Source: ACLED and project team (2017)

**13. While a continuum of development potential across space is visible when visualizing performance and agro-climatic conditions (Maps 1 – 7 above), sharper contrasts between the eastern coast and the interior can be viewed in maps of key human development indicators such as poverty rates.** Poverty rates appear lowest along the eastern coast from Bizerte to Gabes (Map 9 below). They are highest in the western interior. The exceptions are Medenine, an eastern coastal governorate with a relatively high poverty rate, and Tataouine and Tozeur – western interior governorates with relatively lower poverty rates and relatively small populations given the difficult agro-climatic conditions in the Sahara Desert.



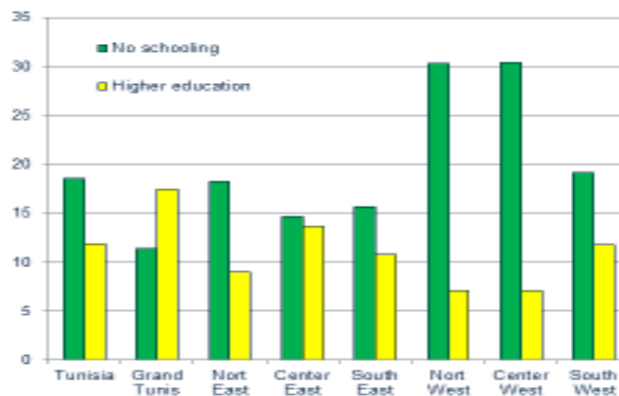
Map 9: Poverty Rate by Governorate



Source: ENBC (2010)

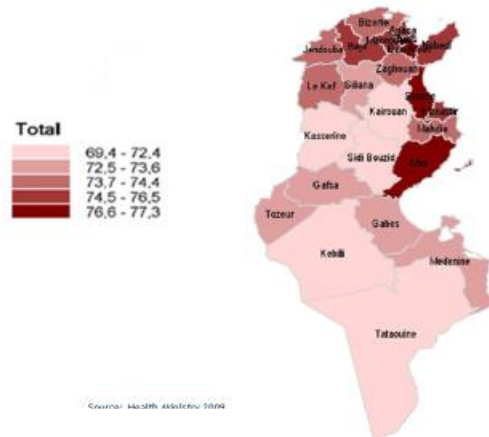
**14. Likewise, stark differences can be visualized between the coastal east and interior west with respect to human capital indicators.** Education levels vary significantly across the east-west axis. The percentage of the population with no schooling in the western regions varies from over 30% in the northwest and centerwest regions to roughly 20% in the southwest (Figure 1 below). In contrast, it ranges from approximately 12% in Grand Tunis to approximately 18% in the northeast region. The pattern reverses with respect to higher education with a range of approximately 6 – 12% of the population of the western regions completing higher education versus approximately 9 – 18% in the eastern regions. Life expectancy is highest along the eastern coast from Tunis to Sfax, and is low elsewhere except for Beja in the northwest (Map 10 below).

Figure 1: Education Level of the Population by Region



Source: Tunisia Development Policy Review (2013); INS, Labor Force Survey (2011)

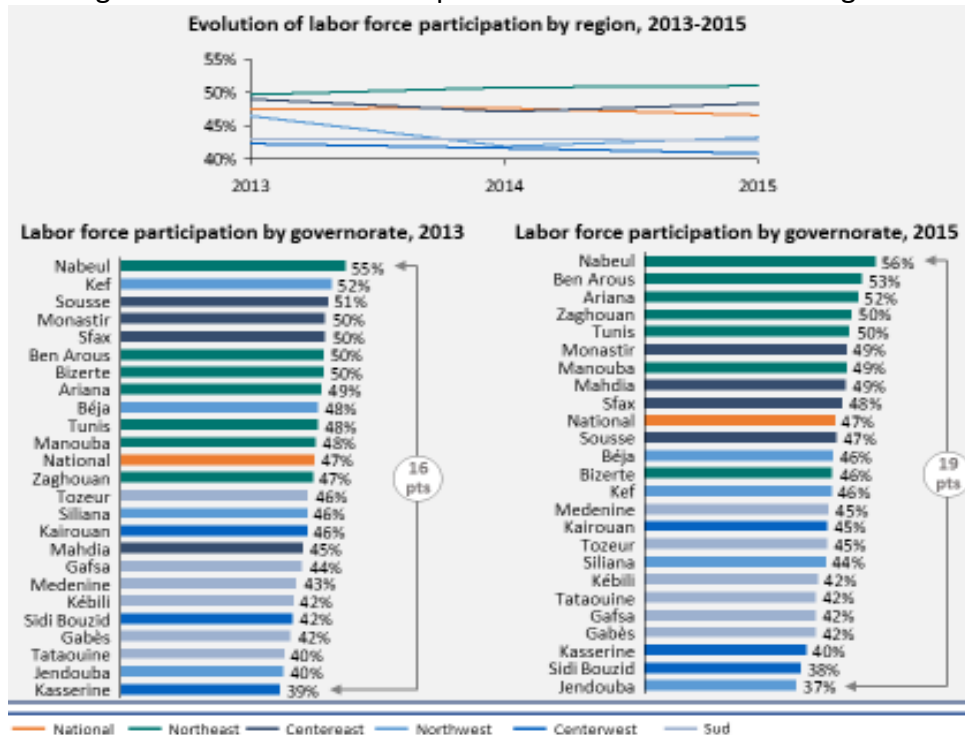
Map 10: Life Expectancy



Source: Health Ministry (2009)

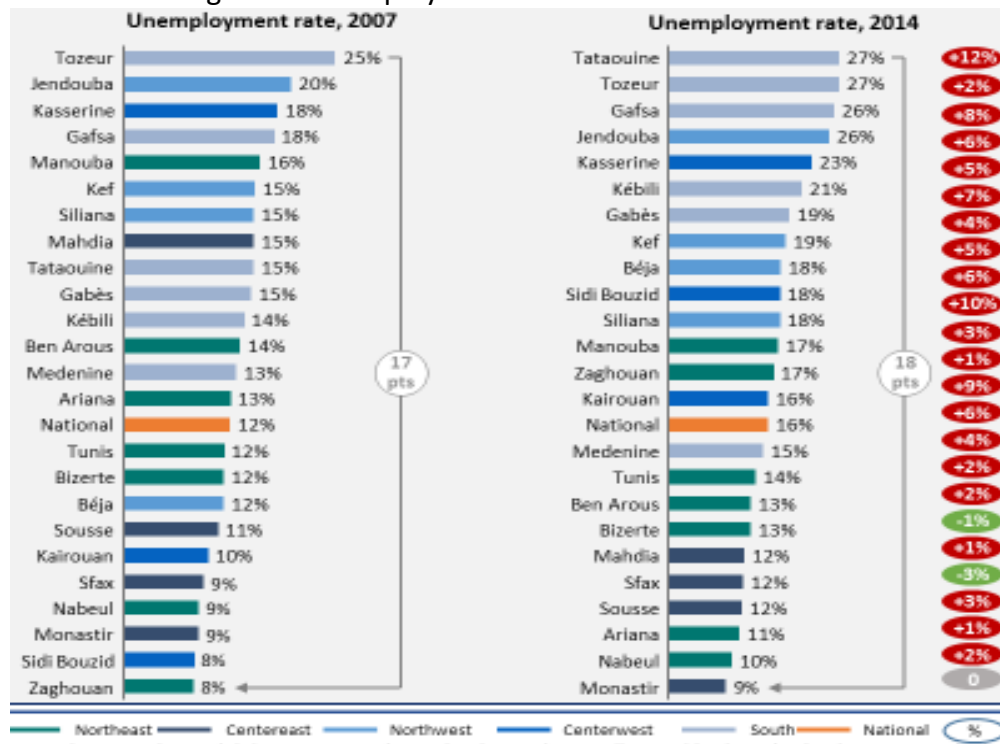
**15. Stark contrasts exist in terms of labor force participation and unemployment.** Labor force participation is relatively high and improving in the coastal northeast and center-east regions in contrast to the western interior. Western governorates had labor force participation rates lower than the 47% national average and those rates declined between 2013 and 2015 (Figure 2 below). The reverse can be observed with respect to unemployment: the highest unemployment rates and greatest growth in unemployment between 2007 and 2014 are in the south, northwest and centerwest (Figure 3 below).

Figure 2: Labor Force Participation Evolution in Tunisia’s Regions



Source: Project team, INS (2013 and 2015)

Figure 3: Unemployment Rate Evolution in Tunisia

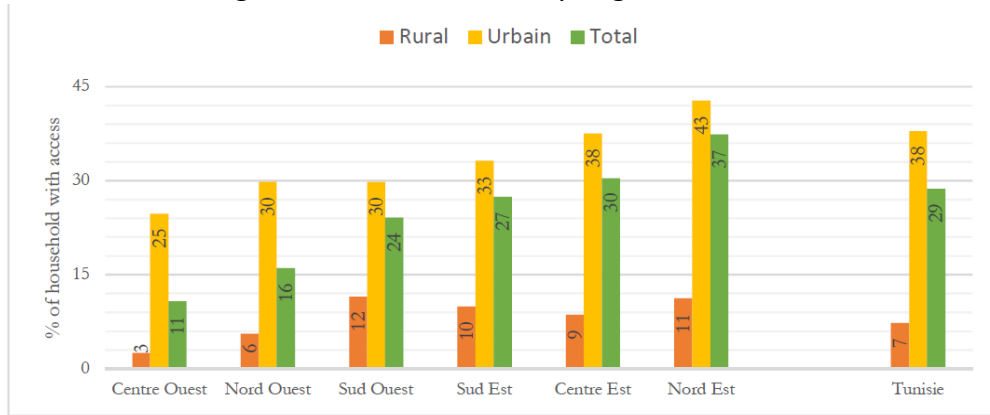


Source: Project team, INS (2007 and 2014)

**16. Despite closing the gap in certain services, access to others remains lower in the western interior relative to the coastal east.** The starkest contrasts can be viewed with respect to connectivity and access to water and sanitation. Physical distances can be large for the residents and firms of certain regions despite the country’s relatively small size because of limitations in connective infrastructure and logistics (see paragraph 19). Access to the internet ranges from 11% in the centerwest to 37% in the northeast (Figure 4 below). In terms of access to piped water only 58% of households in the centerwest have piped water access in their homes versus 92% of households in the northeast (Figure 5 below).

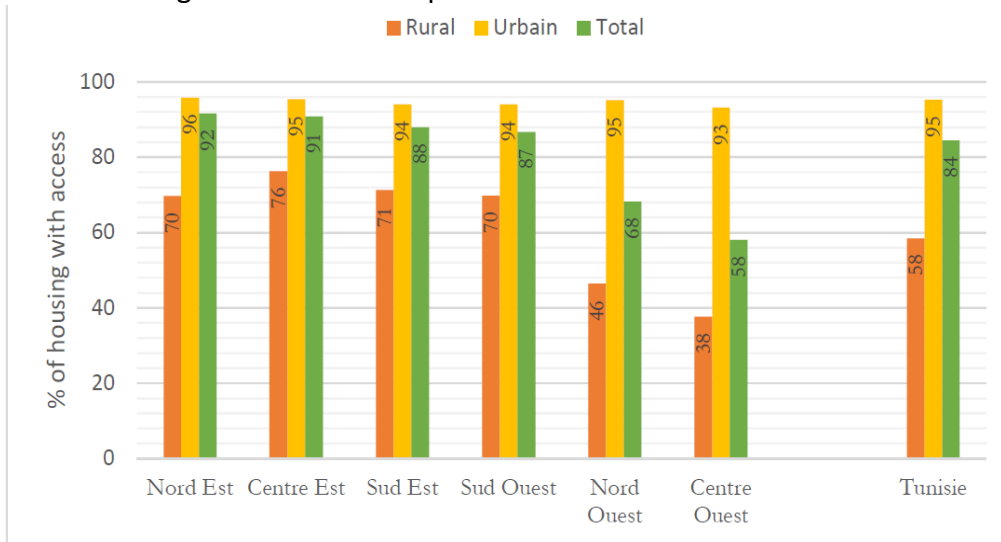
**17. The analysis in this section shows that spatial disparities demonstrate several patterns in Tunisia.** While coastal governorates have relatively higher development indicators than the average interior governorate, pockets of high performance throughout the country also indicate that there are some spatial discontinuities that can be better leveraged.

Figure 4: Internet Access by Region in Tunisia



Source: Maghreb Infrastructure Diagnostic (2018)

Figure 5: Access to Piped Water at the Household Level



Source: Maghreb Infrastructure Diagnostic (2018)

## II. What Has Been Driving Regional Disparities?

**18. In Tunisia, like in countries the world over, several features contribute to divergences in development across space.** First, natural geography allows certain areas such as Tunis to lead. Geographical features like natural ports allow certain territories better connectivity to domestic and international markets. On the other hand, regions such as the southwestern Sahara region, can experience relative disadvantage because of the difficult environment, and in the case of the southwest, difficulty accessing domestic and global markets due to the high cost of transport. Second, agglomeration economies and path dependency explain why certain areas that have a first mover advantage maintain the ability to lead relative to the average. Such is the case for Tunis, Sfax and Sousse – all which had early settlements and a density of population and economic activity that has been reinforced with time.

**19. While the Tunisian government has committed to reduce regional disparities in terms of basic standards of living in recent history, several government policies and programs have deepened rather than reduced regional disparities starting with the highly centralized nature of administration, planning and financing.** First, the nation has been subject to decades of centralized administration, planning and financing that inhibited economic activity well adapted for the different territories. In the 1960s, the Government invested in public enterprises across different regions that locked certain regions into certain industrial activities and economic production that is not necessarily well suited for the given region.<sup>6</sup> Subsequent efforts to shift from highly state-led development to more private-oriented development models still suffered from a centralized planning process that has led to a mismatch between the types of investments made and the needs of local entrepreneurs in relatively lagging regions.<sup>7</sup> Centrally-managed planning has meant fragmented delivery of infrastructure and services not completely meeting the needs of local entrepreneurs and investors. It has been paired with a fragmented administrative structure and a fragmentation of space that has not allowed for development synergies to be exploited across administrative boundaries. This centralized supply-driven planning has contributed to large public investment in industrial zones and other supply-driven infrastructure with limited demand assessments. A consequence has been that in most instances, these public investments did not crowd in the private investment sought.

**20. Second, the Government has pursued a set of policies that has had perverse effects in contributing to spatial disparities.**<sup>8</sup> Natural resource management policies have limited the role of local communities in managing or benefiting from those resources. Agricultural policies have historically favored the water-intensive crops of the northern and coastal regions at the expense of arboriculture, horticulture, and the animal husbandry activities which are labor-intensive and occurring in the western interior. The Investment Incentive Code had historically favored export-oriented activities undertaken along the eastern coast. Competition policy has constrained onshore domestic economic activity, further creating a distance between the coastally-located offshore oriented industry and onshore activities that could develop in the western interior. Labor market policies that mandated common national wages inadvertently discouraged formal employment in the western interior regions where labor productivity is relatively lower than in the east.

**21. Third, the high cost of transporting goods across the country has reinforced the disadvantage western and southern interior regions face in production.**<sup>9</sup> Although physical distances are relatively small in Tunisia, economic distances can be large with the regions of the south and centerwest experiencing significantly higher costs to transport goods (see Map 11 below). In other words, the cost of transporting goods in Tunisia is higher than in comparator countries and is comparable to the cost of transporting goods in high income

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<sup>6</sup> Positive Discrimination (2017)

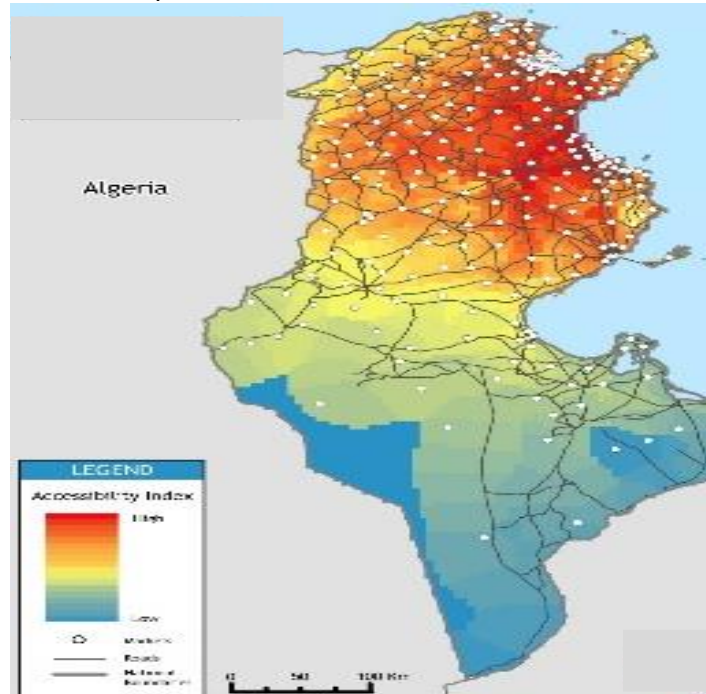
<sup>7</sup> Project survey work (2017)

<sup>8</sup> Tunisia Development Policy Review: The Unfinished Revolution (2014)

<sup>9</sup> Tunisia Urbanization Review (2014)

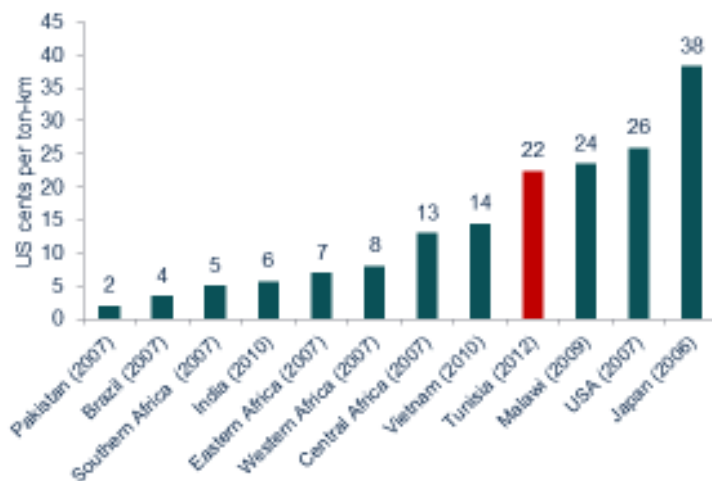
industrialized countries (see Figure 6 below). The high cost is due to several differences. First, fuel costs represent a higher share of costs in Tunisia than in most low and middle-income countries (e.g. 70% for Tunisia vs. 40 – 50% on average in Sub-Saharan Africa). This is driven by a combination of old truck fleets, poor road infrastructure, congestion, and low truck utilization because of a high share of empty return trips (approximately 72% in 2014). Second, the Tunisian trucking industry is highly fragmented and small truckers' operating costs are on average 5.4 times the costs of larger trucking companies.

Map 11: Economic Distances in Tunisia



Source: Tunisia Urbanization Review (2014)

Figure 6: Tunisian Transport Costs High Relative to Comparator Countries



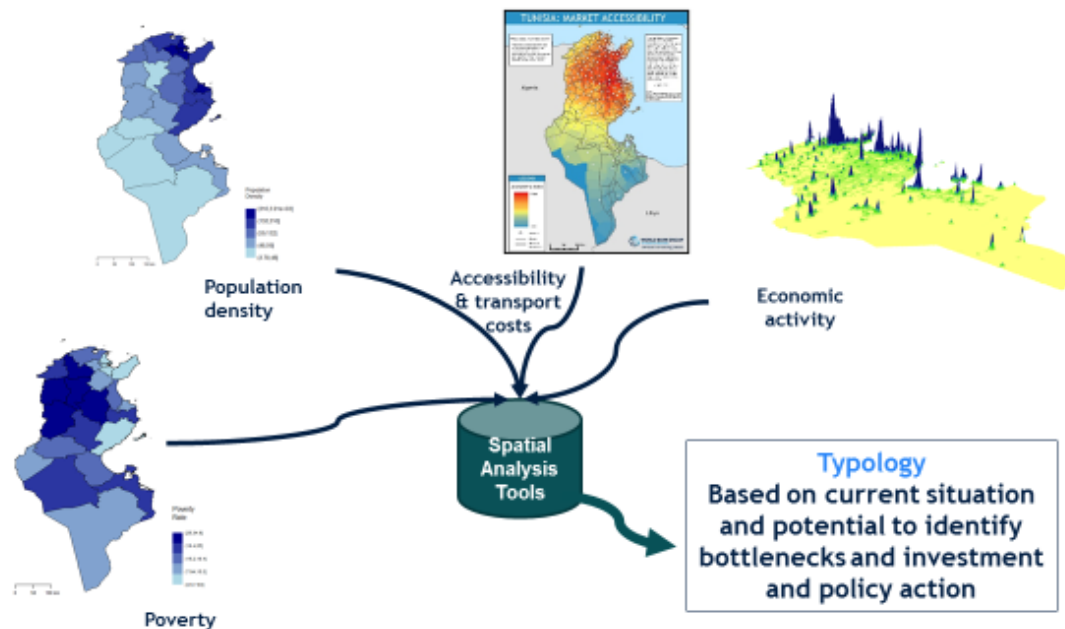
Source: Tunisia Urbanization Review (2014)

### III. Identifying Differences in Potential and Performance to Prioritize Development Interventions

**22. To guide development programs and policy-making for more effective territorial development, the Government of Tunisia can leverage tools to categorize space based on key indicators of development.** While no one indicator or composite index is robust enough to inform all territorial development decision-making, simple, transparent indicators that have demonstrated strong correlation in cross-country analysis with desired development outcomes can help inform territorial development policy-making. They do not have predictive features, but they can help orient decision-making so it is better adapted to different realities.

**23. One simple typology<sup>10</sup> to distinguish between different areas with lower performance on development indicators is the Lagginess Index.<sup>11</sup>** It is comprised of three indicators that capture different correlates of a territory's prosperity level (reflected in Figure 7 below): (i) poverty rate; (ii) accessibility and transport costs; and (iii) economic activity.<sup>12</sup>

**Figure 7: Inputs into the Index**



**24. This index applied at the governorate level for Tunisia (see Map 12 below) reveals the dual patterns outlined in the previous section.** There are two territorial bands that are clearly

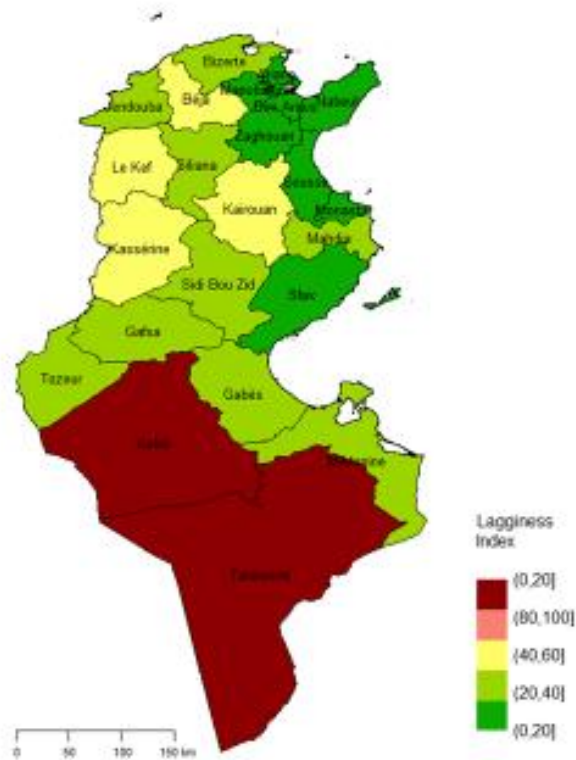
<sup>10</sup> The Government piloted an approach to doing so after the revolution in 2012 by developing the Tunisian Regional Development Index. This index comprises a range of indicators under four categories. The Government has begun using the index scores to assign capital grants to local governments under decree 97-1135 and to assign fiscal incentive regimes under the new Investment Incentive Code. After a few years of application, the Government is reviewing the experience of using this complex index to inform public and private investment spending. It seeks to simplify the index and to develop a simpler typology for territorial development levels.

<sup>11</sup> This index was developed by Somik Lall, Nancy Lozano, Olivia D'aoust, and Alice Duhaut in 2017 to offer a simple index of lagginess.

<sup>12</sup> The methodology can be found in the "Spatial Analysis" project deliverable.

leading and clearly lagging. The leading regions in the country can be found along the eastern coast from Tunis to Sfax. The most lagging regions are the southern regions in the Sahara Desert – Tataouine and Kébili. The second most lagging set of governorates occur in pockets in the northwest and centerwest regions. And the remaining relatively leading governorates occur in bands linking the coasts and the interior.

Map 12: Tunisia Lagginess Index



Source: Lall, D’aoust, and Duhaut (2017)

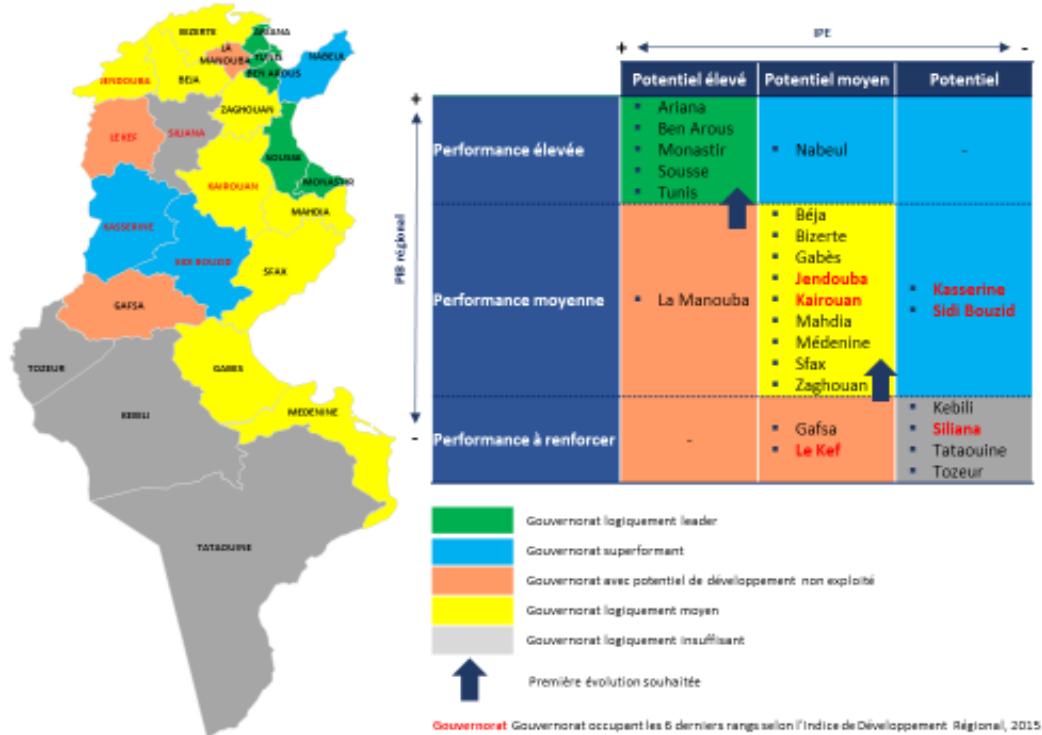
**25. A second typology that categorizes territory based on a construct for potential is the Economic Potential Index (EPI).** It is comprised of five indicators that capture different correlates of a territory’s economic potential: (i) market access; (ii) economic density; (iii) urbanization level; (iv) human capital; and (v) road density. To gain a rough indication of what the difference between economic potential and performance can be, a region’s potential score on this index can be compared to a proxy for economic performance. While this index does not offer determinative information, it offers a means for beginning to identify differences in potential across space.

**26. Comparing the EPI results for Tunisia with the Lagginess Index reveals that western interior governorates that are lagging as captured in the Lagginess Index have unexploited potential.** Further, a set of governorates that might be categorized as comparable might fare differently in terms of difference between their economic potential and performance. El Kef, Kasserine, Kairouan and Beja are all governorates that are second to last in the Lagginess Index.



In the map comparing economic potential and performance (Map 13 below), the four governorates diverge. Beja and Kairouan appear as having medium potential and medium performance. El Kef appears as a governorate with unrealized potential: it has low performance but medium potential. Kasserine appears as a governorate with low potential but medium performance.

Map 13: Economic Potential Index Compared to Performance



Source: Project analysis (2017)

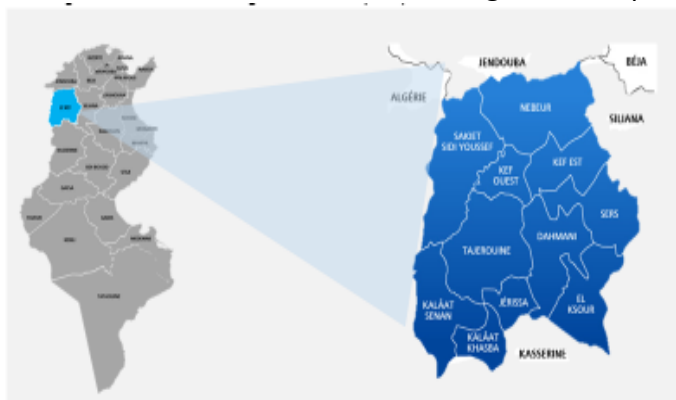
**27. Comparing the two indices also reveals that for a significant share of governorates, relative performance is consistent with potential.** Five out of six governorates that score as highest potential are also the highest performing governorates. And four out of six governorates that score lowest in terms of economic potential have the lowest performance. It would be expected that for most of these governorates, private investment is unlikely to increase significantly.

#### IV. Zooming into Three Different Types of Regions<sup>13</sup>

##### El Kef



Figure 8: Snapshot of El Kef



Gouvernorat	Le Kef	National	Moyenne <sup>1</sup> nationale
Population en nb. d'habitants	243,156	11,153,530	464,730
Superficie en km <sup>2</sup>	5,081	154,772	6,448.87
Chef lieu	Le Kef	-	-
Nombre délégations	11	264	-
Indice de Dev't Regional (MDIC) -2015	0.4 (17 <sup>ème</sup> ) <sup>2</sup> (2017) <sup>1</sup>	0.47	0.34
Taux d'urbanisation - 2014	50.70%	65.40%	55%
Taux de chômage - 2014	18.53%	16.65%	20%
Taux de pauvreté - 2015	34.20%	15.20%	23.72%

	Moyen	Communal	Non comm.
Taux d'électrification	100%	100%	95%
Taux de branchement en eau potable	71%	96%	41%
Taux de branchement au réseau d'assainissement	89%	N/A	N/A
Taux de branchement au réseau téléphonique	123%	N/A	N/A

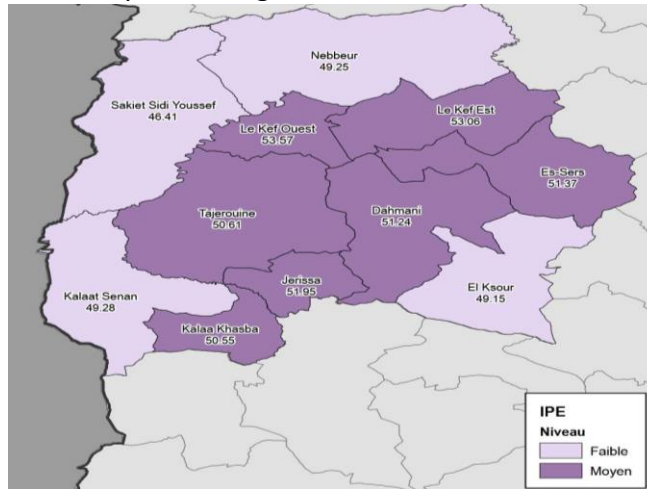
Infrastructures transport	<ul style="list-style-type: none"> <li>+ 2,206 km de routes bitumées</li> <li>+ 3 lignes de train</li> </ul>
Agriculture	<ul style="list-style-type: none"> <li>+ 483,258 Ha terres agricoles utiles</li> <li>+ 302,782 Ha terres agricoles exploitées</li> </ul>
Industrie	<ul style="list-style-type: none"> <li>+ 34,5 Ha de zones industrielles</li> <li>+ 52 entreprises industrielles</li> </ul>
Services	<ul style="list-style-type: none"> <li>+ 1 cyber parc</li> <li>+ 1 complexe technologique</li> </ul>
Santé	<ul style="list-style-type: none"> <li>+ 1 hôpital régional</li> <li>+ 6 hôpitaux de circonscription</li> <li>+ 1 clinique</li> <li>+ 38 pharmacies</li> </ul>
Education	<ul style="list-style-type: none"> <li>+ 194 écoles 1<sup>er</sup> cycle enseignement de base</li> <li>+ 27 écoles primaires</li> <li>+ 19 lycées secondaires</li> <li>+ 7 universités</li> <li>+ 5 centres de formation professionnelle</li> </ul>
Culture	<ul style="list-style-type: none"> <li>+ 10 maisons de culture</li> <li>+ 18 bibliothèques</li> <li>+ 5 théâtres</li> <li>+ 9 associations culturelles</li> </ul>

Source: INS

**28. El Kef is one of the governorates that appears to have moderate potential but relatively weak economic performance.** It ranks in the lower middle half across the five EPI indicators with a relatively elevated potential with respect to the market access variable. At the delegation level, seven out of its eleven delegations that form a band from the eastern border to the center have medium potential (Map 14).

<sup>13</sup> Disaggregated analysis in this section lower than the governorate level is mainly undertaken using delegation administrative boundaries rather than commune boundaries. This is due to data availability constraints. Delegation and commune boundaries can vary.

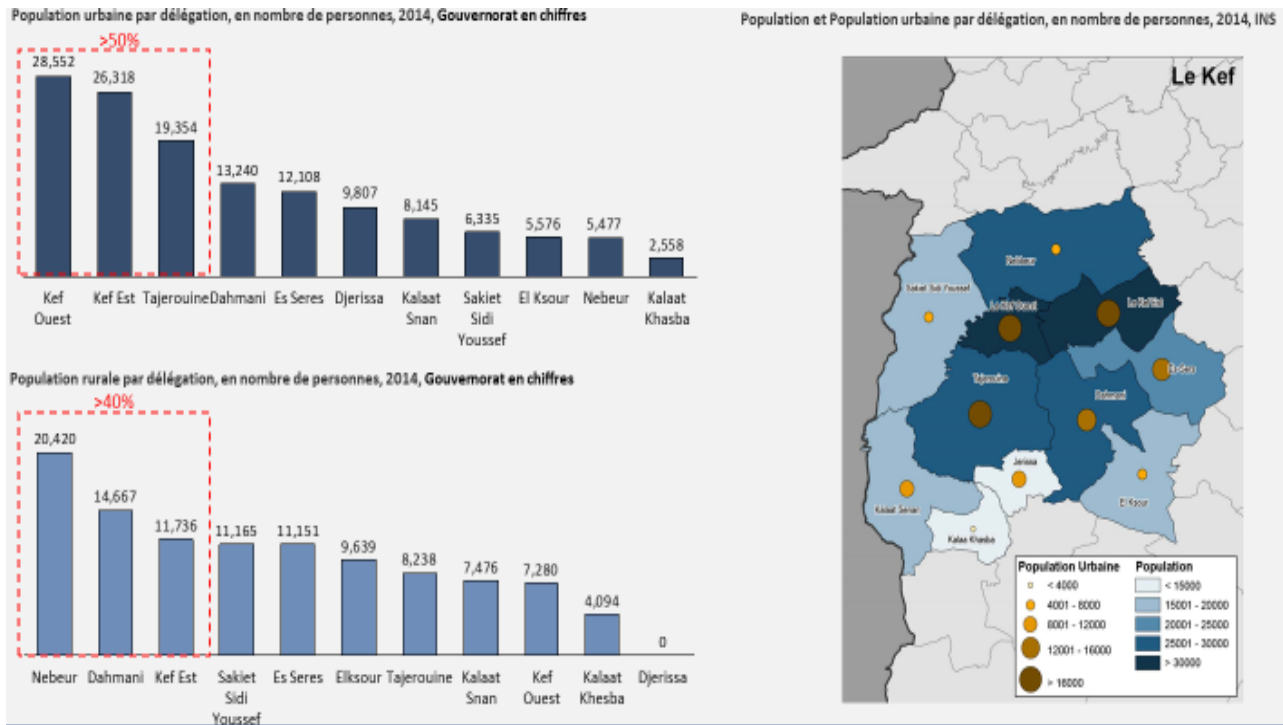
Map 14: Delegation-Level EPI for El Kef



Source: Project analysis (2017)

**29. El Kef has favorable agro-climatic conditions but relatively limited coastal access and a small but concentrated population.** The population of the governorate is approximately 240,000 and it is concentrated in the band from the east to the center that corresponds with medium potential (Figure 9). Kef East and Kef West delegations have the largest populations with more than 50% of the urban population of the governorate concentrated in those two delegations plus Tajerouine.

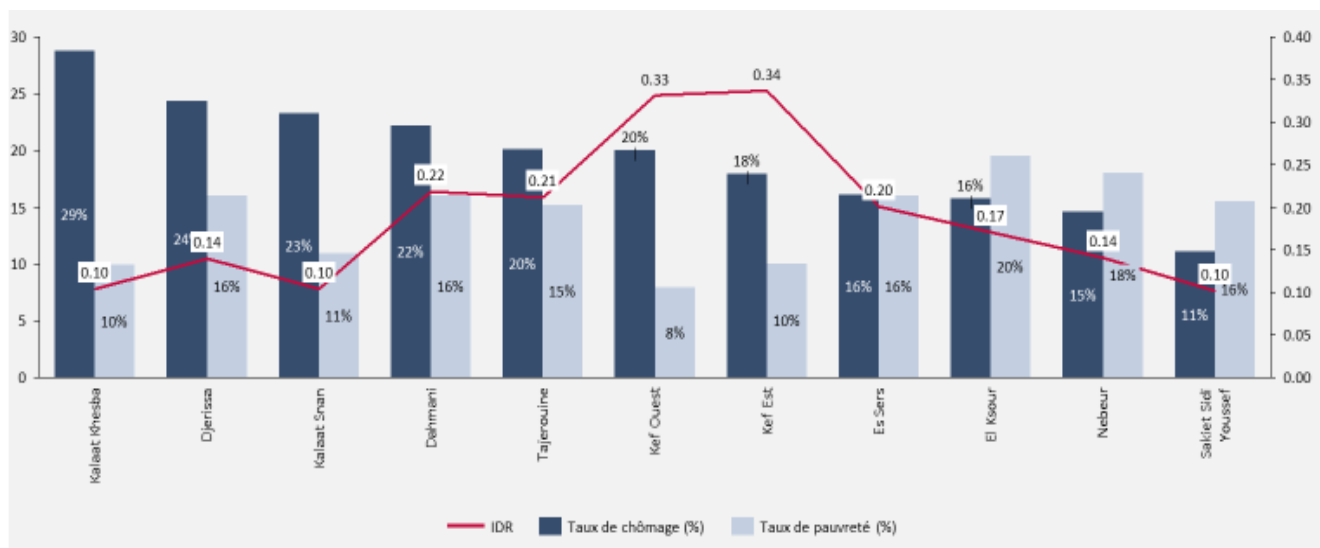
Figure 9: Population Distribution of El Kef



Source: Gouvernorat en Chiffres (2014)

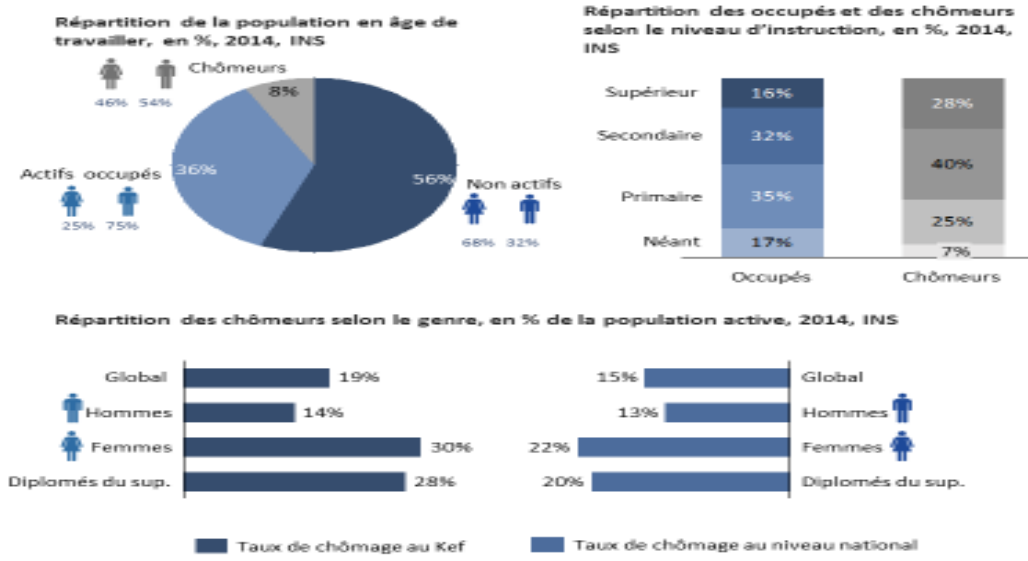
**30. Nevertheless, despite the potential El Kef possesses, its development indicators are below the national average, especially for women and residents with higher education.** The poverty rate is double the national average at 34% relative to 15%. The rate varies from a low of 8% in Kef West delegation to 20% in El Ksour (Figure 10). Likewise, at 19% the unemployment rate in El Kef is one of the highest in Tunisia. The rate varies significantly across delegations from a low of 11% in Sakiet Sidi Youssef to 29% in Kalaat Khesba. The difference is driven in large part by female unemployment: male unemployment in El Kef is consistent with the male national average (14% vs. 13%) whereas approximately 30% of female labor force participants are unemployed in El Kef versus 22% of females nationally (Figure 11). More than 2/3rds of unemployed labor force participants in El Kef have secondary or tertiary degrees whereas less than half of those employed have those degrees. Approximately 28% of unemployed labor force participants in El Kef have tertiary degrees versus 20% nationally. Over the past decade there has been a significant increase in tertiary graduates in El Kef starting with a near doubling of graduates in 2011 and a relative maintenance of that higher level since (Figure 12). Nevertheless, the population share of El Kef with tertiary degrees is approximately 3% compared to 5% nationally. Almost 2/3rds of tertiary graduates specialize in technological studies and a small percentage of tertiary graduates specialize in a field predominant in El Kef. A significantly larger share of residents of el Kef out migrate (23% versus 17% national average) and the population is aging (Figure 13).

Figure 10: Poverty Rates and Unemployment in the Delegations of el Kef



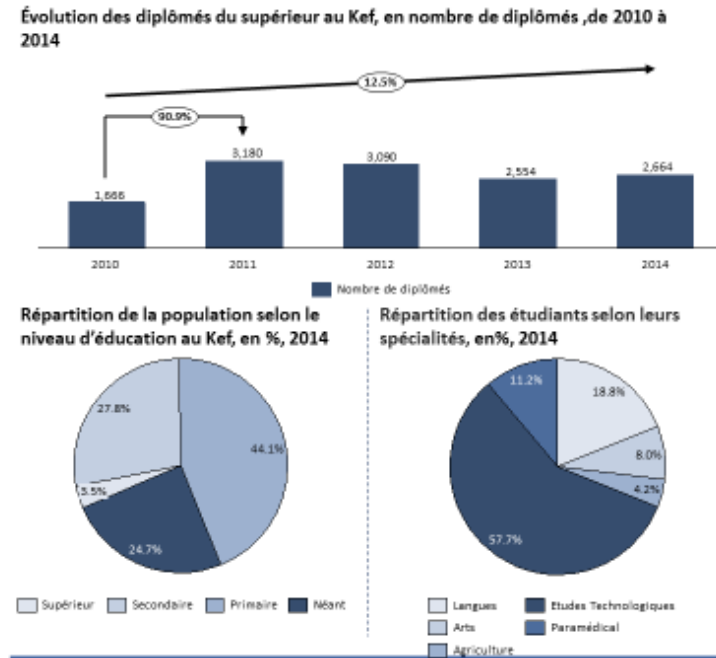
Source: INS and MDICI

Figure 11: Unemployment Rate Disaggregation for El Kef



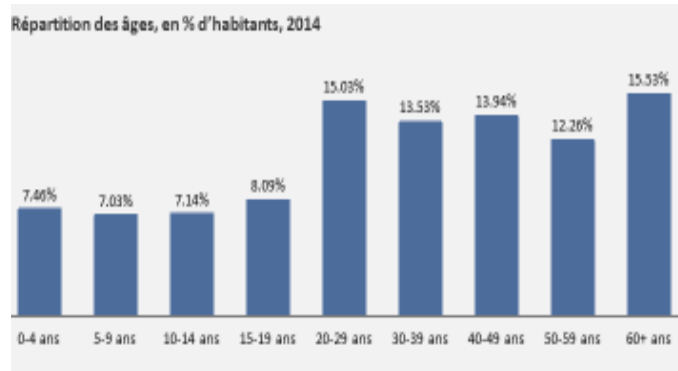
Source: INS (2014)

Figure 12: Evolution and Distribution of Tertiary Graduates in El Kef



Source: Gouvernorat en Chiffres (2014)

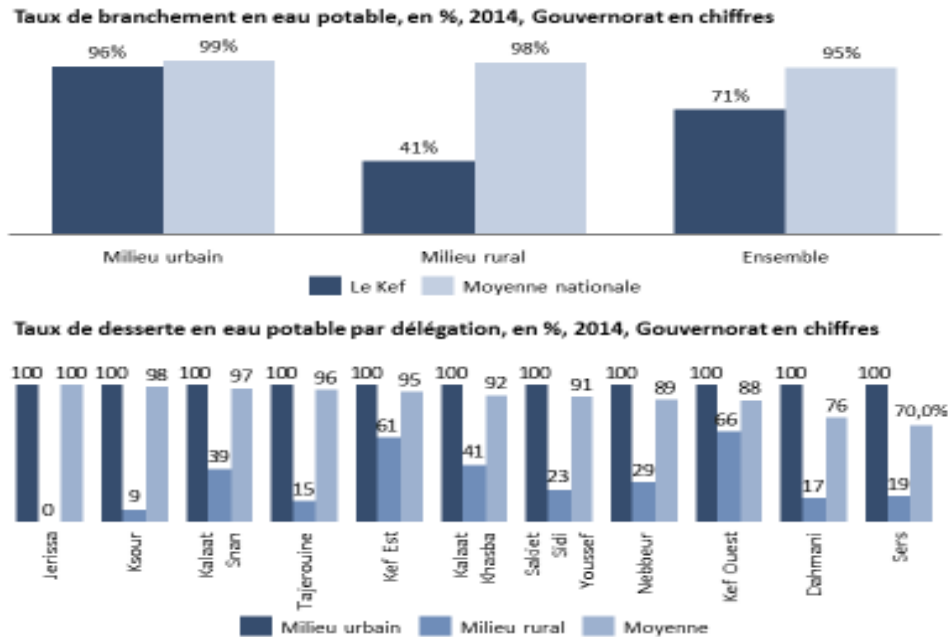
Figure 13: Age Distribution in El Kef



Source: INS 2014

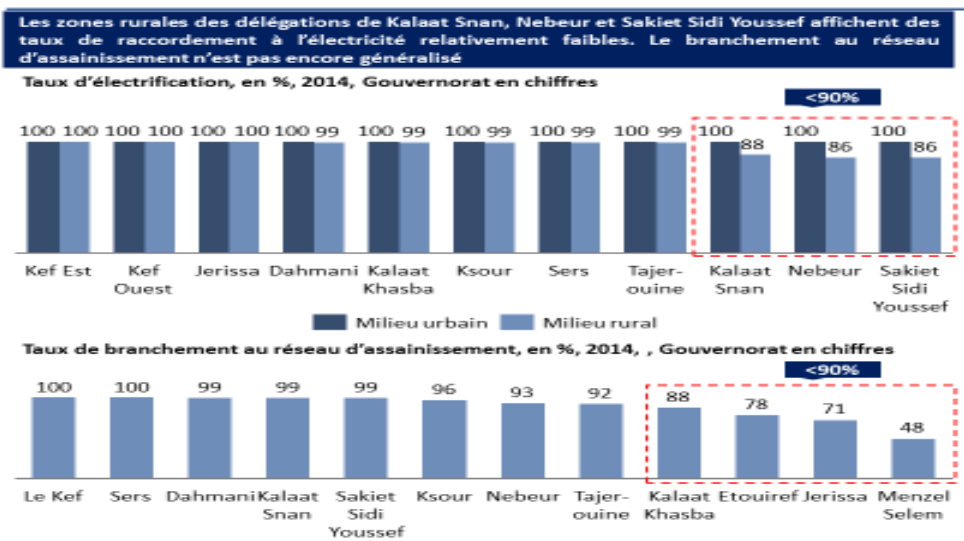
**31. Further, there are gaps and disparities in terms of infrastructure and access to basic services that affect citizens, areas of economic activity, and medical centers.** For example, despite serving as a source of high quality water for the nation, access to water networks is considerably lower than the national average in El Kef (71% versus 95%) driven by a gap in rural areas with access rates below 50% (Figure 14). There are some important gaps in terms of access to electricity in delegations with a high concentration of agricultural activity, depriving agricultural enterprises in those delegations of good access to energy sources (Figure 15). Limited access to sanitation networks in certain delegations has taken a toll on medical centers and industrial zones, among other areas of activity for which sanitation is crucial.

Figure 14: Water Access Rates



Source : Gouvernorat en Chiffres (2014)

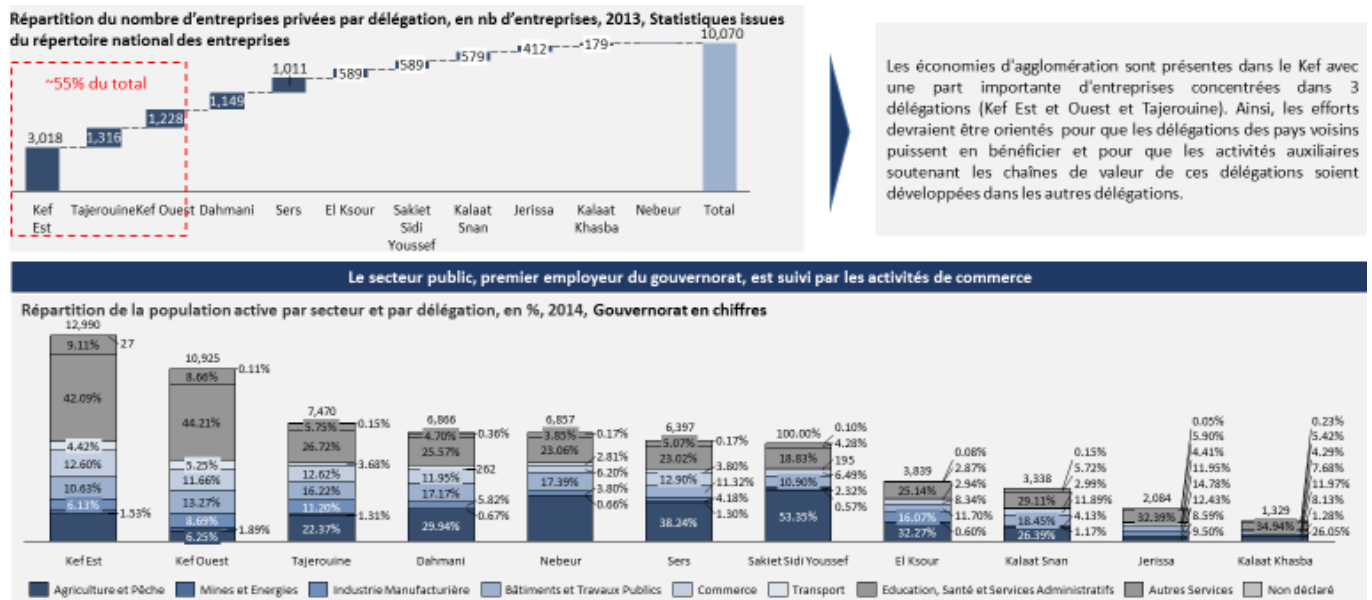
Figure 15: Electricity and Sanitation Access Rates



Source: Gouvernorat en Chiffres (2014)

32. In terms of economic activity, El Kef's is concentrated in select delegations and linked to its rich natural resources including water and minerals, and cultural heritage. The highest concentration of economic activity is in El Kef East which concentrates more than double the enterprises registered in the delegation with the second highest number (Figure 16). Altogether, almost 80% of the governorate's enterprises are concentrated in five of the seven delegations with greatest potential in the governorate.

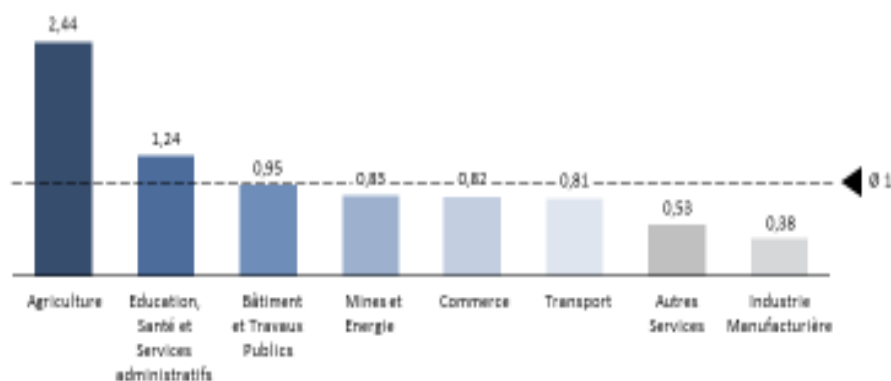
Figure 16: Distribution of Enterprises and Employees in El Kef



Source: Gouvernorat en Chiffres (2014)

**33. Employment is concentrated in agriculture and services.** The governorate's location quotients for these two sectors place the governorate as above the national average with a location quotient of 2.44 for agriculture and 1.22 for services. The high level of employment in agriculture in El Kef is associated with the basic production methods used and the constraints associated with increasing value addition in the region.

Figure 17 : Location Quotients for El Kef



Source: Gouvernorat en Chiffres (2014)

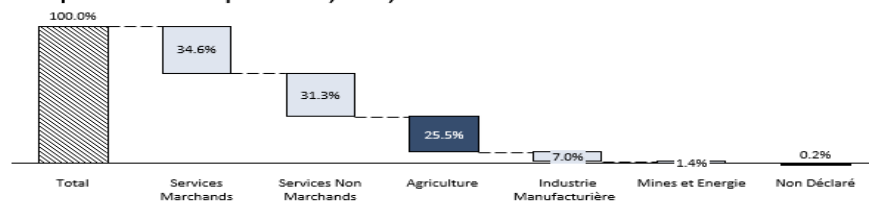
**34. The principal economic base of El Kef is agriculture, in particular grains, where the governorate produces roughly 12% of national production and where agricultural production in general is about 5% of national production (Figure 18).** Yet cereal price controls hinder the profitability of smallholders. Diversification of agricultural production is being done in a phased manner, but the effects of climate change are becoming more severe and the decline in rainfall is causing irrigation problems over the years.

Figure 18: Agricultural Production Shares and Employment Distribution in El Kef

Produits	Production <sup>9</sup> (en % de la production nationale)
Céréales	12.6%
Viande	8.1%
Tomates	7.7%
Produits forestiers	8.4%
Lait	3.3%

De plus, le secteur occupe ~17,065 personnes soit environ 25 % de la population active dans la région

Répartition de l'emploi au Kef, en %, 2014<sup>10</sup>

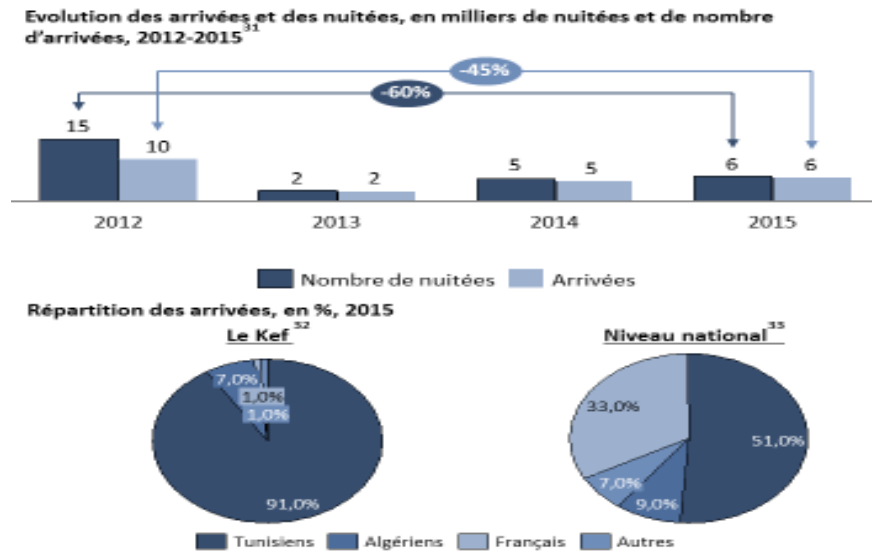


Source: Gouvernorat en Chiffres (2014)



**35. Tourism is a second sector of relatively high concentration of activity but activity in the sector has been limited relative to other governorates with tourism potential.** Tourism took a heavy dip in 2013 but has been slowly recovering since (Figure 19). El Kef offers multiple tourism offerings and opportunities for further diversification and value addition. The sub-sectors of greatest potential include eco-, sport and cultural tourism.

Figure 19: Tourist Stays and Distribution of Nationalities in El Kef



Source: Gouvernorats en chiffres, ODNO, 2014

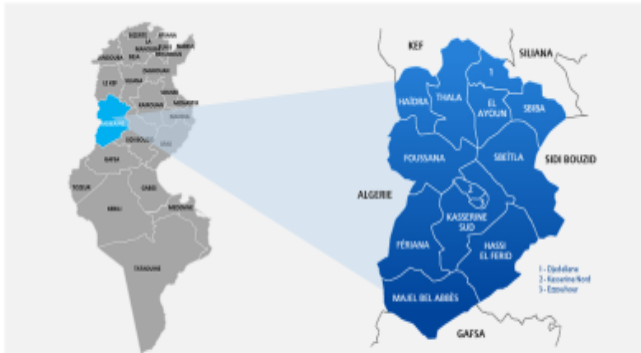
**36. Finally, the sectoral analysis reveals that although it's an important source of revenues for El Kef, mining is depressed and dominated by informality.** The depletion of natural resources has significantly reduced employment in this sector. Select measures could be taken to improve the sector, although concerted local economic development effort may deliver greater returns if channeled to other priority areas of economic activity.

### Kasserine



Figure 20: Governorate snapshot

Données générales et sectorielles sur le gouvernorat de Kasserine, 2014, Gouvernorat en chiffres



Gouvernorat	Kasserine	National	Moyenne
Population en nb. d'habitants	439 243 (4% population totale)	11 153 530	-
Superficie en km <sup>2</sup>	8 260 (5,2% superficie totale)	154 772	-
Chef lieu	Kasserine Nord	-	-
Nombre délégations	13	-	-
Indice de Développement Régional (IDR) 2015	0,23 (23 <sup>ème</sup> )	0,47	0,34
Taux d'urbanisation	43,5%	65,40%	55%
Taux de chômage 2014	22,4%	16,65%	20%
Taux de pauvreté 2015	32,8%	15,2%	23,7%

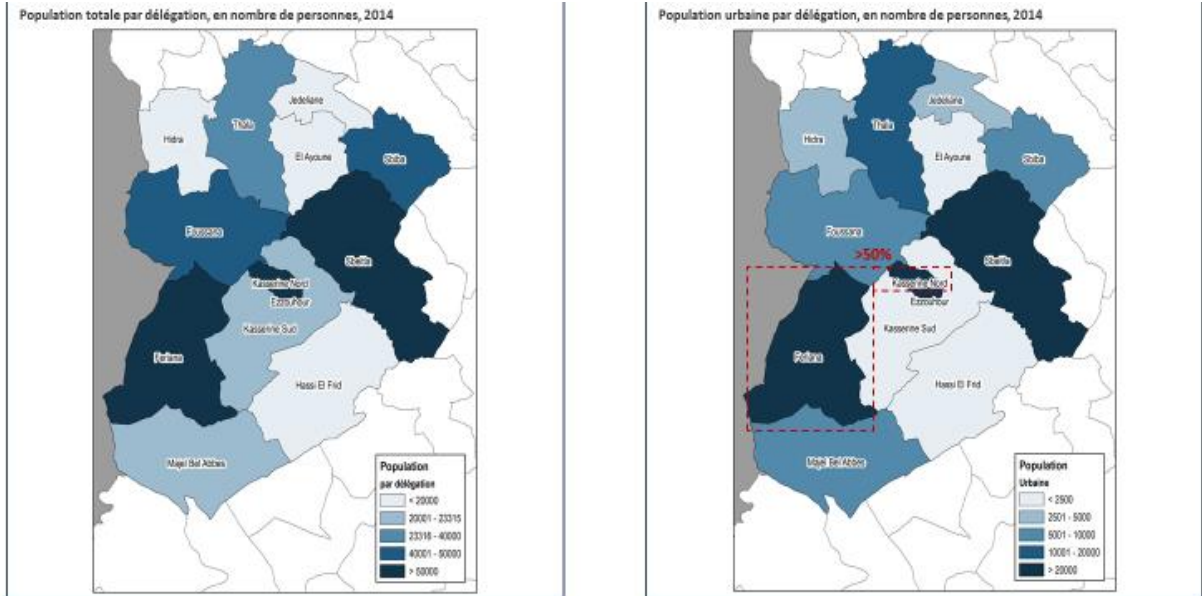
	Moyen	Communal	Non communal
Taux d'électrification	99,3%	99,9%	98,7%
Taux de branchement eau potable	97,26%	100%	94,51%
Taux branchement réseau assainissement	75%	-	-
Infrastructure transport	<ul style="list-style-type: none"> <li>• 1,688.87 km de routes bitumées</li> <li>• 3 lignes de train</li> </ul>		
Distance	Tunis	310 km – 4h30	
	Sousse	199 km – 2h57	
	Sfax	200 km – 3h09	
Agriculture	<ul style="list-style-type: none"> <li>• 826,000 Ha terres agricoles utiles</li> </ul>		
Industrie	<ul style="list-style-type: none"> <li>• 161,5 Ha de zones industrielles</li> <li>• 8 zones industrielles, dont 1 exploitée : Thala (exploitée), Sbeitla, Elkhadra, route Sbibia, route Sfax, Feriana, Thala, nouvelle Thala</li> </ul>		
Services	<ul style="list-style-type: none"> <li>• 1 complexe technologique</li> <li>• 1 cyber parc</li> </ul>		
Santé	<ul style="list-style-type: none"> <li>• 1 hôpital régional</li> <li>• 6 hôpitaux de circonscription</li> <li>• 1 clinique</li> <li>• 52 pharmacies</li> </ul>		
Education	<ul style="list-style-type: none"> <li>• 309 écoles 1<sup>er</sup> cycle enseignement de base</li> <li>• 32 collèges</li> <li>• 27 lycées secondaires</li> <li>• 4 établissements universitaires</li> <li>• 7 centres de formation professionnelle</li> </ul>		
Culture	<ul style="list-style-type: none"> <li>• 13 espaces culturels</li> <li>• 18 bibliothèques, dont 2 ambulantes</li> <li>• 9 associations culturelles</li> </ul>		

Source: Gouvernorat en Chiffres (2014)

**37. Kasserine is a case that reveals that while indices offer useful aggregate information, they often need to be supplemented with focused analysis.** While Kasserine ranks 20<sup>th</sup> of 24 overall on the EPI, and among the seven lowest ranking governorates on all the indicators of the EPI, including worst in terms of human capital, it demonstrates economic performance in the middle range of Tunisia's governorates. This position could possibly be explained by the historical focus by the Government of Tunisia during its phase of centrally-driven planning and state-led investments on developing and sustaining government-selected industries across different regions. In the case of Kasserine, the focus had been on cultivating a textile hub in the interior, away from the coastal concentration of textile establishments.

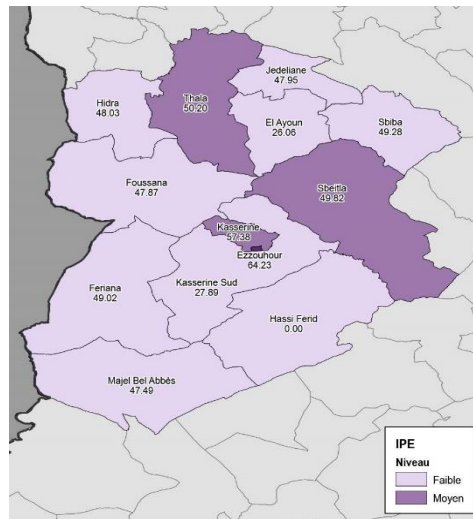
**38. Of the three governorates for which deep dive analyses have been done for this project, Kasserine is the largest and shares comparable agro-climatic conditions with El Kef, though it is further away from the nation's eastern hubs of economic activity.** The approximately 439,000 residents of the governorate are distributed in a pattern such that there are several clusters of population with about 50% of the urban population between Kasserine North and Feriana and a third concentration of population in Sbibia (Maps 15 - 16). This distribution partially aligns with the EPI results at the delegation level where Kasserine North, Sbibia, and Thala are the only delegations identified with medium potential (Map 17).

Maps 15 – 16: Delegation Populations in Kasserine



Source: Gouvernorat en Chiffres (2014)

Map 17: Delegation-Level EPI Results for Kasserine

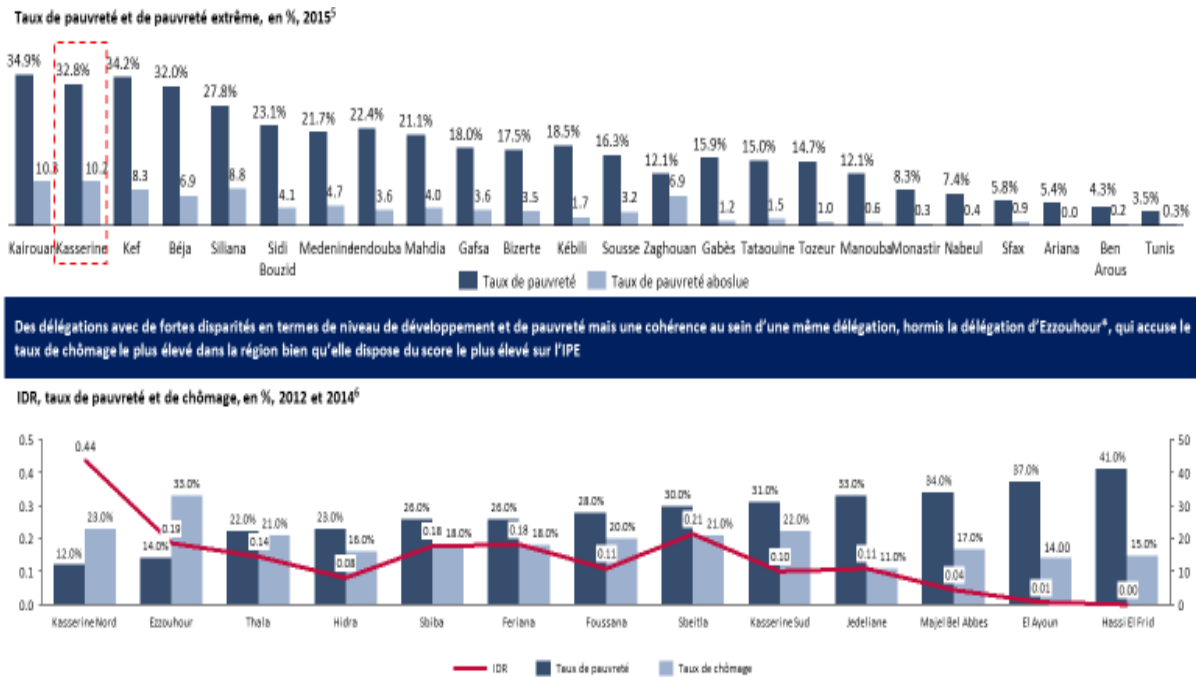


Source: Project team (2017)

**39. Kasserine suffers from high poverty and unemployment rates, especially among women and tertiary graduates, and has experienced significant social unrest since the Jasmine Revolution.** Kasserine has the third highest poverty rate (approximately 33%) in Tunisia just after Kairouan and El Kef (Figure 21). Poverty rates range from a low of 12% in Kasserine North to a high of 41% in Hassi El Frid. The unemployment rate in Kasserine is 18.5% versus a national average of 15% (Figure 22). Almost three times as many female labor force participants are unemployed as males with approximately 39% of females unemployed versus approximately 17% of males. This indicates that in Kasserine the

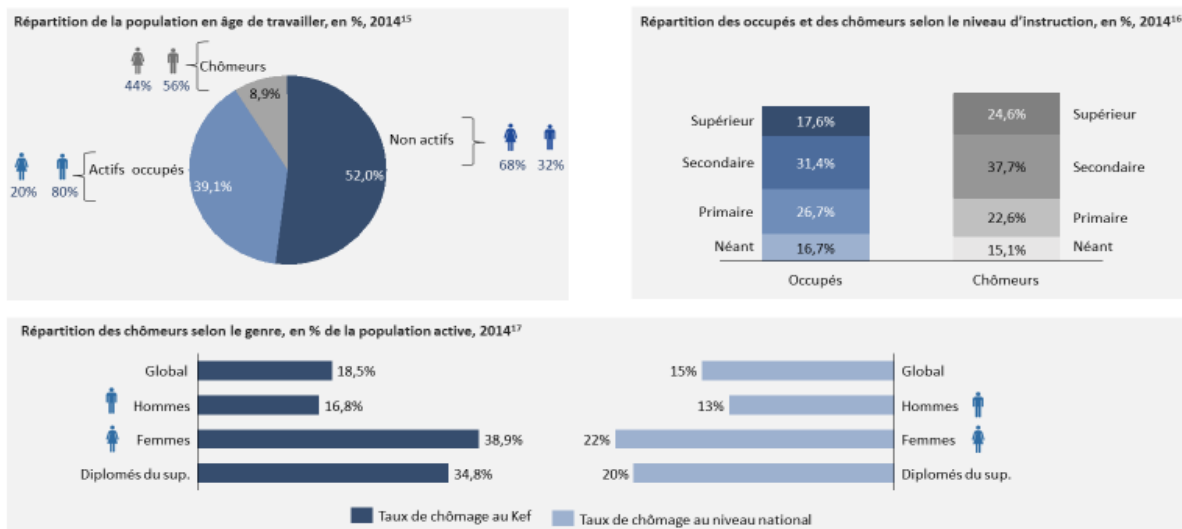
female unemployment rate is almost double that of the national average (22%) whereas for males it represents an increase of approximately 4% points. The percentage of tertiary graduates who are unemployed is also significantly higher in Kasserine (34%) than nationally (20%). At the delegation level, unemployment rates range from 11% in Jedeliane to 35% in Ezzouhour (Figure 21).

Figure 21: Poverty and Unemployment Rates in Kasserine



Source : MDICI and Recensement du gouvernorat de Kasserine, INS, 2014

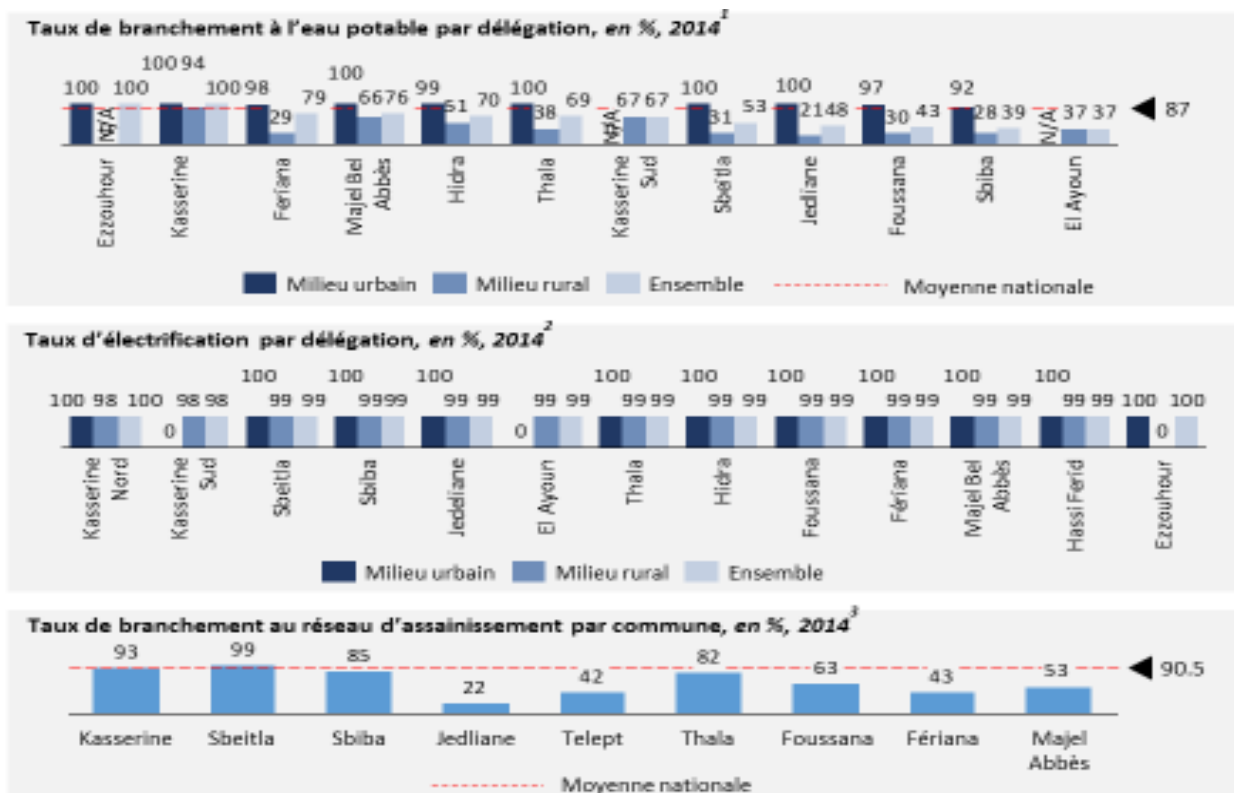
Figure 22: Unemployment Figures in Kasserine



Source: Gouvernorat en Chiffres (2014)

**40. Kasserine is characterized by relatively low access to basic services in some rural areas, and an underdeveloped sanitation network.** The rate of connection to drinking water is lower than the national average, particularly in rural areas including Sbeïtla, Sbiba, Thala and Hidra, which nevertheless have significant economic potential including tourism and agriculture in Sbeïtla and Sbiba, industry and mining at Thala (Figure 23). Sanitation coverage is low, with only two communes (Kasserine and Sbeïtla) having a connection rate greater than or equal to the national average. Access to electricity is near universal and higher than in many other interior governorates, however the governorate is confronted by frequent power outages which affect households as well as production.

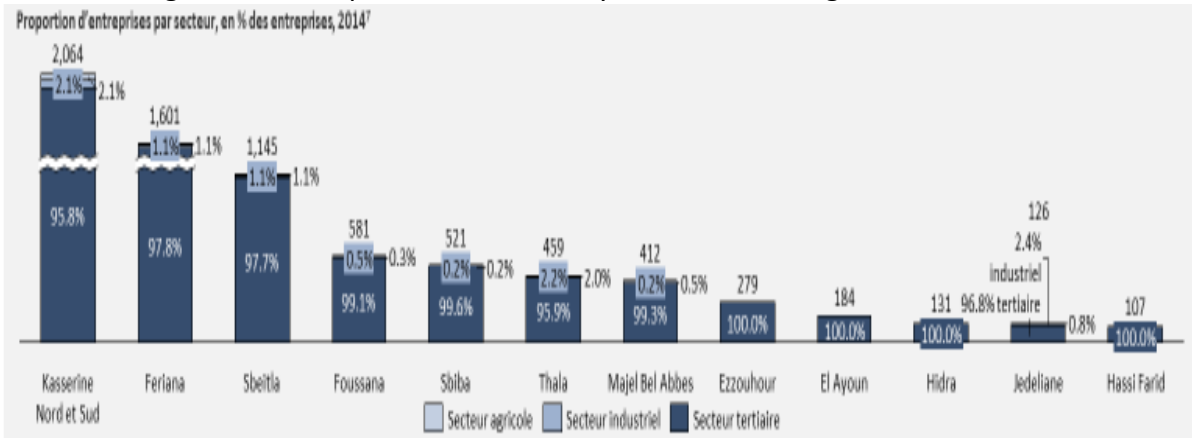
Figure 23: Water, Electricity, and Sanitation Access Rates in Kasserine



Source: Gouvernorat en Chiffres (2014)

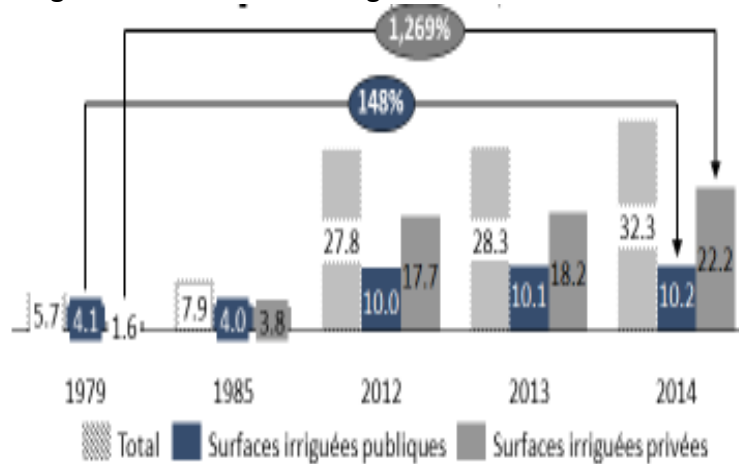
**41. The private sector, concentrated in Sbeïtla, Kasserine North and Feriana which houses more than 2/3rds of Kasserine's enterprises (Figure 24), consists of four main areas outside of the public sector and construction (the largest employers), notably agriculture, textiles, tourism and mining.** Indeed, Kasserine is distinguished by a large agricultural area (43% of the area of the governorate and 8% of the cultivable agricultural land of the country) and irrigated land has increased almost fivefold since the 1980s (Figure 25). It is the largest producer nationally of several crops including apples, barbery figs, pistachios, and rosemary oil, and is a top producer of several others (Figure 26).

Figure 24: Enterprise Distribution by Sector and Delegation in Kasserine



Source: Gouvernorat en chiffres – Kasserine, ODCO, 2014

Figure 25: Evolution of Irrigated Surfaces in Kasserine



Source: Gouvernorat en chiffres 2014 - gouvernorat de Kasserine, ODCO, 2014

Figure 26: Distribution of Agricultural Production in Kasserine

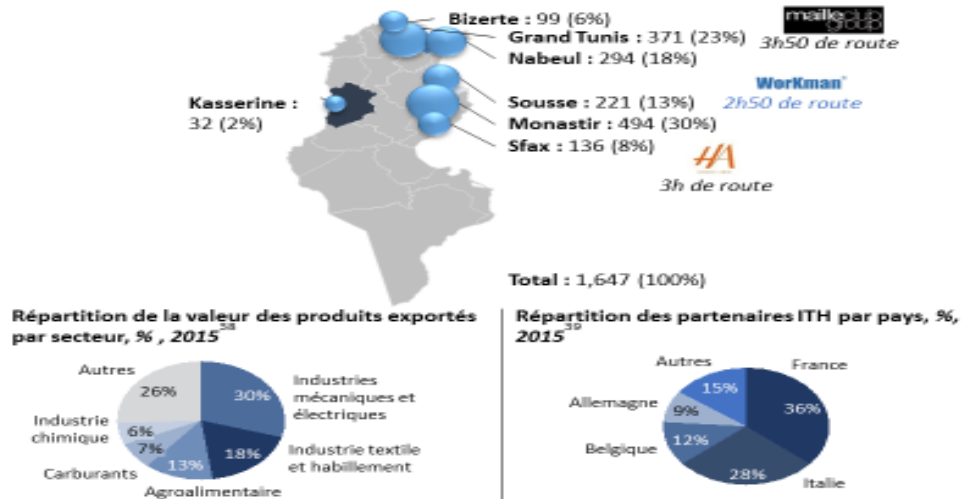
Classement et part des productions agricoles à Kasserine, en %, 2010<sup>67</sup>

Produits	Classement	Production
Pommes	1	34%
Abricots	2	26 %
Figues de barbarie	1	162,500 T
Pistaches	1	26 %
Amandes	3	11%
Huile de romarin	1	20 T

Source: Plan régional d'environnement et de développement durable, GIZ (2012)

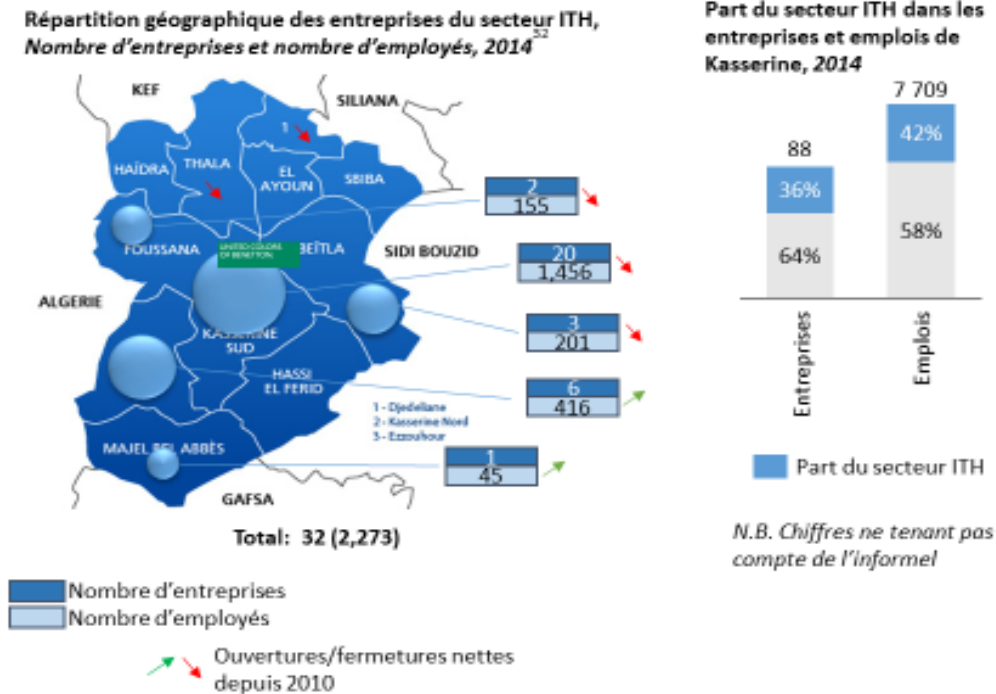
42. While textile is one of the primary sectors of industrial activity in Kasserine, it represents a small share of national production (2%) which is otherwise concentrated on the eastern coast (Figure 27). Further, it has been on the decline. There are 32 textile enterprises in Kasserine that are all contracted solely by the Italian clothing company Benetton. Benetton was incentivized to purchase from enterprises in the region beginning in 2007 through a set of financial incentives (Figure 28). Since 2010, 15% of the enterprises contracted by Benetton have closed despite generous state subsidies because of poor financial viability.

Figure 27: Distribution of Textile Firms for Tunisia



Source : Gouvernorat en chiffres 2014 (pour chaque gouvernorat), CGDR, ODCO, 2014

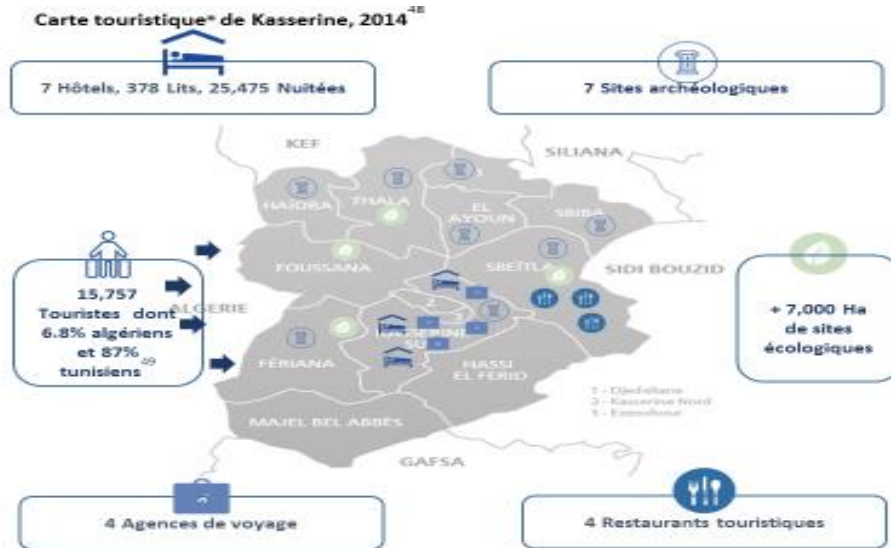
Figure 28: Distribution of Textile Firms in El Kef



Source: Gouvernorat en chiffres 2014 - gouvernorat de Kasserine, ODCO, 2014




**43. Kasserine has under-realized tourism potential (Map 18 and Figure 29).** Kasserine is home to 35% of identified archaeological assets in Tunisia. It has 24 ecological and archaeological sites that are distributed across its delegations. However, tourism has deteriorated over the past several years with a 63% decline in the aggregate hotel occupancy rate from 2012 to 2015, a reduction in the average length of stay, and several acts of vandalism.

Map 18: Kasserine Tourism Map



Source: Gouvernorats en chiffres Kasserine, INS, 2014

Figure 29: Tourism Opportunities in Kasserine

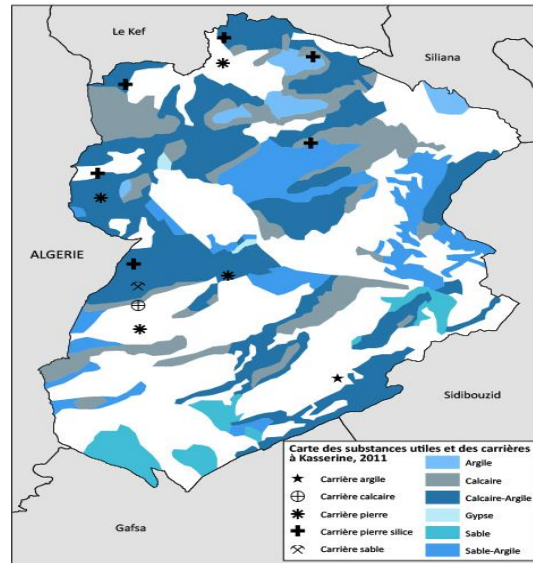
 <b>Ecotourisme</b>	 <b>Tourisme culturel et social</b>	 <b>Tourisme médical (thermal)</b>
<p><b>Opportunités :</b></p> <ul style="list-style-type: none"> <li>• Circuits de randonnées dans les forêts et les monts</li> <li>• Points de ventes des produits artisanal</li> <li>• Camping dans les aires de réserves naturelles</li> </ul> <p><b>Zones d'intérêt :</b></p> <ul style="list-style-type: none"> <li>• Parc national Chaambi</li> <li>• Thala</li> <li>• Khchem El Kalb</li> <li>• Sites ruraux</li> </ul> <p><b>Raisonnement :</b></p> <ul style="list-style-type: none"> <li>• Parc national de Chaambi inscrit comme réserve de biosphère par l'UNESCO, plus haut sommet de Tunisie qui culmine à 1,544 m d'altitude, 4<sup>ème</sup> parc au niveau national en termes de superficie (6,723 Ha)<sup>36</sup></li> <li>• Diversité des productions artisanales (tapis traditionnel, « Mergoum », nattes en alfa, tentes et des habits traditionnel), poterie, etc.</li> <li>• 24 sites ruraux (Henchir, Tamouda, Henchir el Begar, Henchir el Khima, etc.)</li> </ul>	<p><b>Opportunités :</b></p> <ul style="list-style-type: none"> <li>• Festivals et événements culturels</li> <li>• Maisons d'hôtes rurales</li> <li>• Extension des circuits touristiques pour inclure Hidra, Thala, et Thélepte</li> </ul> <p><b>Zones d'intérêt :</b></p> <ul style="list-style-type: none"> <li>• El Ayoun</li> <li>• Hidra</li> <li>• Thala</li> <li>• Thélepte</li> <li>• Sbeitla</li> </ul> <p><b>Raisonnement :</b></p> <ul style="list-style-type: none"> <li>• Traditions spécifiques à la région</li> <li>• 35% du patrimoine archéologique recensé dans toute la Tunisie</li> </ul>	<p><b>Opportunités :</b></p> <ul style="list-style-type: none"> <li>• Complexe thermal : unité thermale agréée, centre de remise en forme, unité d'hébergement, etc.</li> <li>• Stations climatiques (Prérequis : étude approfondie des paramètres climatologiques à réaliser)</li> <li>• Clinique privée</li> </ul> <p><b>Zones d'intérêt :</b></p> <ul style="list-style-type: none"> <li>• Sidi Boulâaba</li> <li>• Kraïdi</li> <li>• Zone de station climatique nécessite une étude topographique</li> </ul> <p><b>Raisonnement :</b></p> <ul style="list-style-type: none"> <li>• Sources thermales : source de Sidi Boulâaba, forage Kraïdi, etc.</li> <li>• Position à une altitude variant entre 800 et 1,500 m climat semi aride inférieur dans le nord ouest et l'étage aride supérieur dans le sur ouest</li> <li>• Activité à forte valeur ajoutée car durée de séjour moyenne à longue, et généralement, accompagné par des visites de familles</li> <li>• Frontière avec l'Algérie (tourisme médical est l'une des motivations majeures des touristes algériens)</li> <li>• Prime d'investissement aux projets de thermalisme</li> </ul>

Source: Project team (2018)



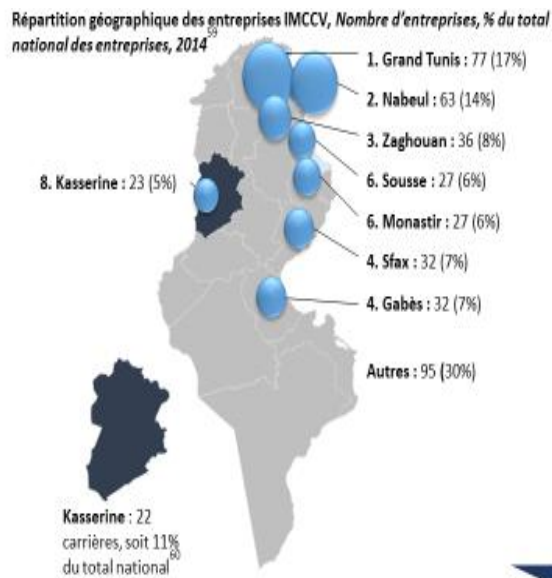
**44. Finally, there is mining potential in the governorate.** The governorate has mines for a range of resources (Map 19). It hosts approximately 11% of Tunisian mines (Map 20). The sector has not delivered against its potential for at least three reasons: (i) limited value addition in Kasserine; (ii) a high cost of transport; and (iii) significant illegal extraction.

Map 19: Stones and Minerals Available in Kasserine



Source: Atlas du gouvernorat de Kasserine, Ministère de l'Équipement, 2011

Map 20: Mining Enterprises Across Tunisia



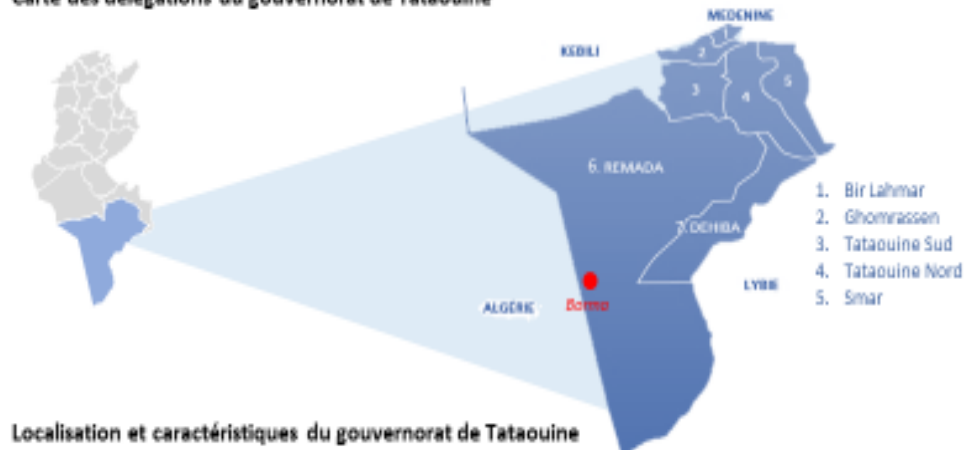
Source: Les IMCCV en Tunisie, APII, 2014

## Tataouine



Figure 30

Carte des délégations du gouvernorat de Tataouine\*



Localisation et caractéristiques du gouvernorat de Tataouine

Figure 31 : Governorate Snapshot

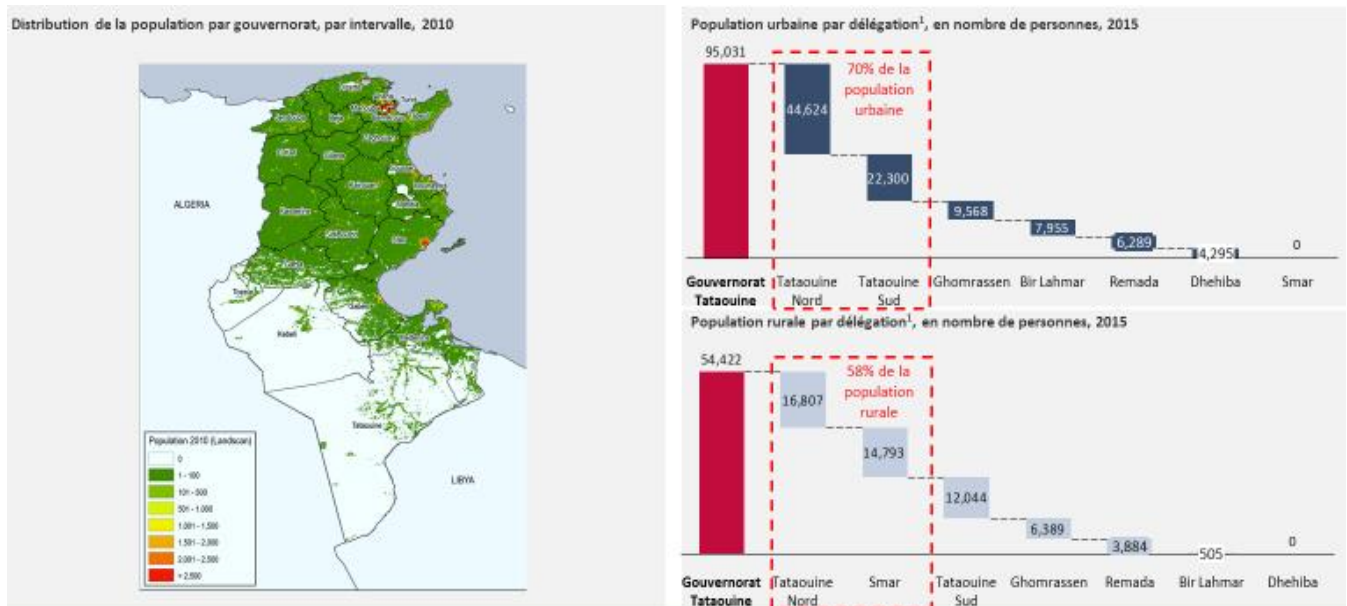
Chiffres clés par secteurs, 2014	
Infrastructures transport	<ul style="list-style-type: none"> <li>1,540 km de routes bitumées</li> </ul>
Agriculture	<ul style="list-style-type: none"> <li>1,708,303 Ha de terres agricoles utiles dont 87.8% des parcours, 0.5% des forêts, et <b>11.7% des terres cultivables</b></li> <li>25% des terres cultivables sont exploitées pour l'<b>arboriculture</b> principalement les olives (<b>48754</b> Ha soit 96% des terres cultivables exploitées pour l'arboriculture)</li> <li>92.54 mm<sup>3</sup>/ans de ressources hydriques disponibles</li> <li>2,477 puits équipés</li> </ul>
Industrie	<ul style="list-style-type: none"> <li>14 Ha de zones industrielles</li> <li>171 entreprises industrielles</li> </ul>
Santé	<ul style="list-style-type: none"> <li>1 hôpital régional</li> <li>2 hôpitaux locaux</li> <li>0 clinique</li> <li>24 pharmacies</li> </ul>
Education	<ul style="list-style-type: none"> <li>109 écoles primaires</li> <li>25 collèges</li> <li>14 lycées secondaires</li> <li>2 universités</li> <li>2 centres de formation professionnelle</li> </ul>
Culture	<ul style="list-style-type: none"> <li>6 maisons de culture</li> <li>12 bibliothèques</li> <li>1 théâtre</li> <li>48 festivals</li> </ul>

Source: Gouvernorat en Chiffres (2014)

**45. Based on the Lagginess Index and the EPI, Tataouine is one of the governorates with the lowest potential in the nation.** It fares particularly low in terms of market access (24<sup>th</sup> of 24), economic density (22<sup>nd</sup>) and road density (23<sup>rd</sup>), but ranks middle of the pack on the human capital and urbanization level indicators (15<sup>th</sup> on both). As expected EPI scores are highest in the delegations in the northeastern-most corner of the governorate at the border with Medenine – a medium potential and medium performance governorate – and decline further south and inland.

**46. Tataouine’s agro-climatic conditions make it one of the most sparsely inhabited governorates with a population density of four inhabitants per kilometer squared (Figure 33).** It is a landlocked governorate situated in the Sahara Desert, and it is the largest governorate in the country occupying approximately 25% of the territory. It is the only governorate that borders both Algeria and Libya. Its population is concentrated in the northeastern-most delegations of Tataouine North, Tataouine South, Ghomrassen and Bir Lahmar. Tataouine North and Tataouine South alone house approximately 2/3rds of the governorate’s population.

Figure 32: Population Distribution Across Tunisia and Tataouine

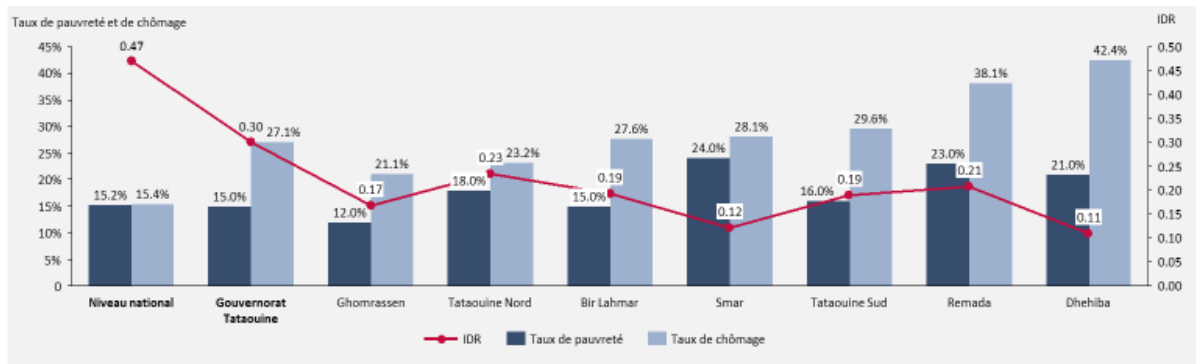


Source: Landscan (2016) and INS (2015)

**47. A large percentage of Tataouine’s inhabitants are confronted by difficult life conditions but those difficulties vary across delegations.** The poverty rate doubles in certain delegations, from a low of 12% in Ghomrassen – the governorate closest to Medenine – to a high of 24% in Smar – a rural delegation (Figure 34). The unemployment rate also doubles from about 21% in Ghomrassen to 42% in Dhehiba. Dhehiba is of particular interest because it is one of the two most active posts for informal trade in the south. Governorate-wide, unemployment rates are significantly higher than national rates with unemployment rates two times higher for women and four times higher for men in Tataouine than nationally (Figure 35). Approximately 36% of

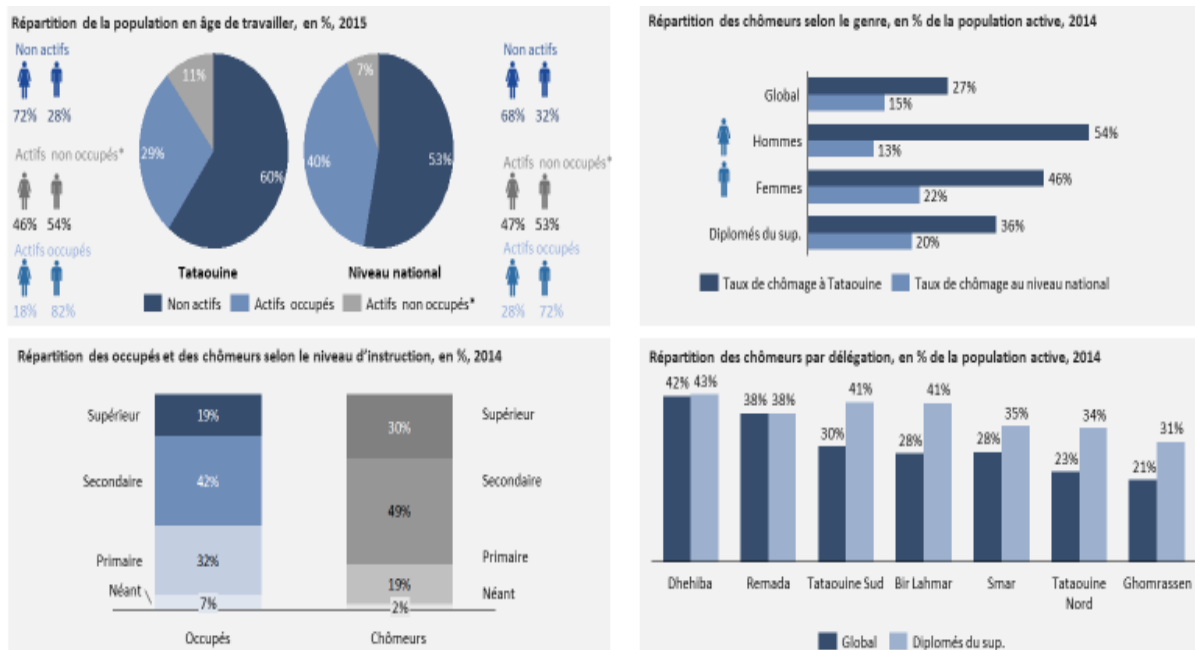
labor force participants holding tertiary degrees are unemployed in Tataouine relative to 20% nationally. Further, access to basic services and infrastructure is lower in Tataouine than most governorates and varies across delegations. For example, all the delegations of Tataouine have sanitation network access rates lower than the national average, and four out of seven delegations are not connected at all although they host 25% of the governorate's population. While these conditions are difficult, when comparing Tataouine and the nation, Tataouine's poverty rate is below the national average and the absolute number of poor is a small share of the total poor in Tunisia (Figure 36).

Figure 33: Poverty and Unemployment Rates in Tataouine



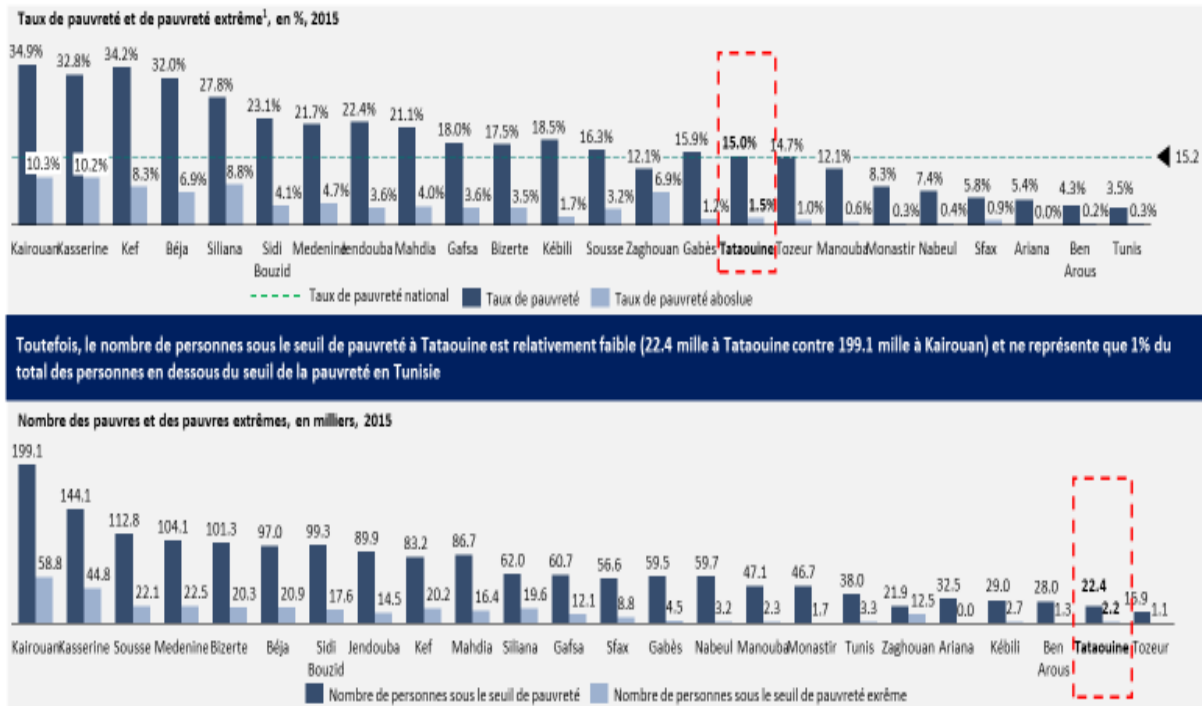
Source: Institut National De La Statistique - Flash consommation et niveau de vie, MDICI Indicateur de Développement Régional (2012)

Figure 34: Employment Distributions in Tataouine



Source : Institut National De La Statistique (2014 and 2015)

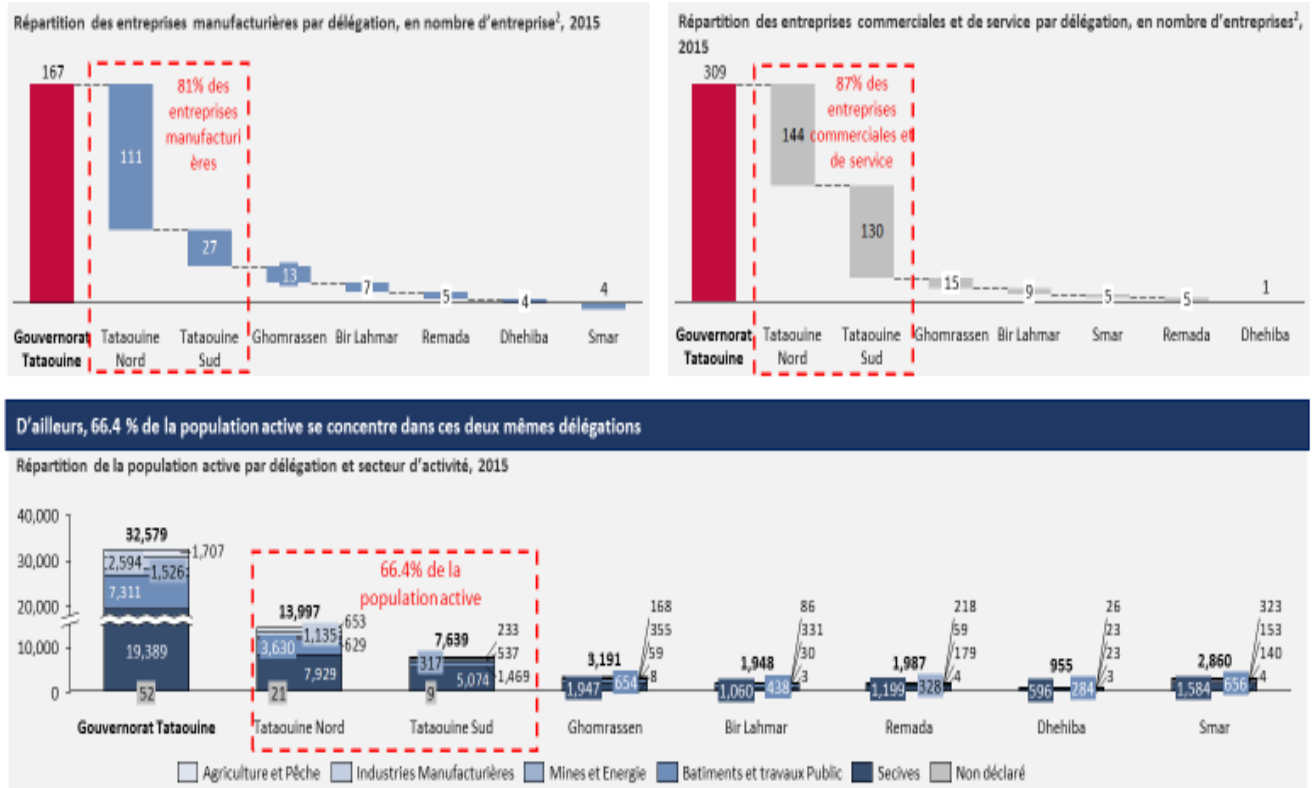
Figure 35: Poverty Rates and Absolute Numbers for Tataouine



Source: INS- Flash consommation et niveau de vie, INS gouvernorat en chiffres

**48. Economic activity in Tataouine is concentrated in two delegations and a few sectors including agriculture, energy and tourism.** Tataouine North and Tataouine South delegations host approximately 81% of manufacturing enterprises and 87% of commercial and service enterprises (Figure 37). Approximately 66% of Tataouine’s active labor force participants work in these two delegations. The agricultural sector of Tataouine is mainly dedicated to olives, which makes the governorate a major producer at the national level (7% of production in 2016), despite production irregularities. It also has significant animal husbandry and other agricultural production. The governorate also has an oil field in El Borma (annual production of 14 million barrels), which is the largest oil well and national gas field and one of the largest employers in the mining sector of Tataouine. However, social unrest in El Borma has constrained economic activity there. Further, there is significant untapped potential with respect to solar energy and the Government seeks to launch a project to create the enabling environment for private investment to unlock that potential. Finally, Tataouine also benefits from certain tourist activities thanks to its Saharan Ksour (Ksar Hadada and Ksar Ouled Soltane), its niche in desert activities, and the popular culture role it plays the setting for Star Wars. Nevertheless, tourism has declined in the recent past.

Figure 36: Enterprise Distribution in Tataouine



Source: Agence de Promotion de l'Industrie et de l'innovation (2015)

## V. Options for Improving Outcomes for Tunisians Across its Regions

**49. To improve outcomes for people across Tunisia's regions, the Government can begin by addressing the drivers that have led to the current unevenness in basic standards of living and by enabling different territories to leverage their differentiated assets.** It can do so by leveraging constraints analyses such as the one undertaken under this project to identify the key constraints to more efficient and equitable territorial development, namely the "three Ds" of enabling **d**ensity, reducing **d**istance, and reducing **d**ivision (Figure 38). Based on that analysis, it can define a set of recommendations that help prioritize "three I"s of solutions: key institutional reforms, connective infrastructure investments, and select place-based interventions that could help the Government achieve its goals. Areas that are advanced in terms of urbanization, that have dense lagging areas and divisions, and are distant from markets and small economies require the three sets of solutions: institutions, infrastructure and interventions. Examples of such areas are lagging areas in Greater Tunis. Areas that are facing intermediate urbanization, that have dense lagging areas, and that are distant from world markets require the first two solutions: institutions and infrastructure. An example of such a region is Medenine. The third type of area has incipient urbanization, sparse lagging areas and is close to world markets and benefits most from solutions focused on improving institutions. An example of such a region is Tataouine.

Figure 37: Framework for Prioritizing and Sequencing Territorial Development Policies

Geographic policy challenge	Policy priorities for economic integration		
	Institutions	Infrastructure	Interventions
L = local N = national I = international	Spatially blind	Spatially connective	Spatially targeted
1-D L. Incipient urbanization N. Sparse lagging areas I. Close to world markets	●		
2-D L. Intermediate urbanization N. Dense lagging areas I. Distant from world markets	●	●	
3-D L. Advanced urbanization N. Dense lagging areas and divisions I. Distant from markets and small economies	●	●	●

Source: 2009 World Development Report

**50. When integrating the project analysis into this framework, several priority interventions emerge.** The first is a reform to one of the key institutions influencing development outcomes across Tunisia’s regions: local economic development planning and financing. The second is a proposal to enhance and leverage connective infrastructure for select development corridors in Tunisia. The focus is on outlining a proposal for how to improve a corridor in southern Tunisia, based on the Government’s priority to improve the development dynamic in the south. The third outlines options for improving development outcomes in environments where the Government would like to take a place-based focus. In this instance, based on Government demand, the focus is on taking a lagging governorate focus. The specific proposals are focused on the three governorates – El Kef, Kasserine, and Tataouine - prioritized through the spatial analysis done within this project, and it offers a sense of how development interventions would vary based on the nature of the development challenges and opportunities in different governorates. The fourth recommendation is for an institutional reform oriented toward supporting the policy reforms prioritized through this project. These four recommendations would be designed to enable tackling several sub-issues and opportunities outlined in this note such as ways to improve local development in natural resource rich but job poor environments.

**Table 1: Outline of Note Findings**

Objective: How to better leverage different territorial assets for greater shared prosperity	
Opportunities	Constraints
Decentralization/political and social imperative	Centralized planning and financing
Natural, cultural and human wealth	Policy and regulatory distortions restricting movement of goods and people
Geography	Geography
Recommendations	
Leverage decentralization through enhanced local planning, financing and implementation	
Enable development corridors	
Support integrated development programs in governorates	
Enhance development policy formulation and revision	

## **A. Leveraging Decentralization to Improve Institutions of Planning and Financing: A Shift Toward True Local Economic Development<sup>14</sup>**

**51. The limited role of Tunisian sub-national governments, including governorates, in local economic development has shown its limits.** Investment plans have historically been developed in a fragmented manner with sectoral priorities preceding territorial ones. Governorates have played a role in investment planning, but that role has consisted of submitting investment proposals into the national five-year planning process that are frequently absorbed into the region's investment plan only when the same investment has been prioritized in sectoral investment plan submissions.<sup>15</sup> They have received extremely limited budgets primarily channeled to specific service delivery programs administered by governorates. They have had limited scope for mobilizing and deploying financing based on regional priorities.

**52. Elsewhere in the world, some extremely centralized countries that have begun decentralizing local development to sub-national authorities have seen some previously lagging regions transform.** Several countries that were part of the former USSR, such as Georgia and Poland, have regions that have seen such a transformation. One of the most notable examples is China. When the government began to decentralize local economic development, cities like Shenzhen evolved from towns to cities that make significant contributions to national GDP.

**53. Recognizing this limitation, Tunisian decision-makers have introduced legislation to assign greater local economic development planning and financing responsibility to governorates and the proposed districts<sup>16</sup>.** The new Local Government Organic Law<sup>17</sup> includes articles that assign economic development planning responsibilities to governorates. It introduces the requirement of local strategic development plans that will be further elaborated in one of the forthcoming implementation decrees but that is expected to apply to the governorate level as well as other tiers of subnational government. Further the Government has begun developing and implementing a reformed intergovernmental fiscal transfer system to correspond with its decentralization reforms. Through it, it seeks to meet the dual goals of increasing financing available to subnational governments and to incentivize better performance through the transfer system.<sup>18</sup>

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<sup>14</sup> For more information on regional planning, see the "Regional Development Policy Plan Review" that is one of the Project deliverables.

<sup>15</sup> JICA (2015)

<sup>16</sup> Districts are proposed administrative units that group multiple governorates. Their primary responsibility as articulated in the proposed Local Government Organic Law is that of helping governorates steward economic development.

<sup>17</sup> The proposed Local Government Organic Law has been approved by a commission in parliament and is currently under final review. The expected adoption date is prior to May 8, 2018 – the date of the upcoming municipal election.

<sup>18</sup> The Government has operationalized a performance based capital grant for communes, and this is funded through the Tunisia Urban Development and Local Governance Program.



**54. While a commitment has been made to undertake a shift in weight in decision-making from sectors to territorial administrative units, the exact nature of that shift has not yet been defined.** The Ministry of Development, International Cooperation and Investment (MDICI) – the ministry that is currently leading the regional development agenda and the national planning exercise – has commenced a reflection exercise to define the new local development planning paradigm. It recognizes that for such a shift in practice to materialize, it will need to develop a simple, well-defined approach to facilitate this shift.

**55. To deliver against the dual objectives of improving institutional arrangements for regional development and operationalizing those new arrangements, the Government could consider a program to support regional economic development planning and financing enhancement.** It could pair the development of the new model for regional economic development with a support program to operationalize it. Such a program could comprise three axes: (i) further defining the mandates of the regions and how the shift from a sectoral planning approach to a territorial one would occur; (ii) financing the implementation of the regional development plans leveraging the Government’s initial successes in introducing a performance-based transfer for local development; and (iii) offering capacity support to the governorates as they implement their new mandates.

**56. A unique opportunity exists for Tunisian decision-makers to define a transition from a development model in which regional and local community priorities were second to sectoral priorities.** A shift of power of this nature is not easy to achieve, and if it is not well designed and articulated, a shift in current practices may be limited at best. Such a program could offer the Government the opportunity to introduce regional contracts – a proposal outlined in the Government’s 2011 White Paper for Regional Development. That contract could, for example, shift the accountability relationship such that funds for regional development are now transferred to governorates, and governorates then enter into contractual arrangements with the sectoral agencies delivering infrastructure and services in their territories. This could serve as one mechanism the Government can further develop to help address the challenge of improving the coordination needed to deliver more effective local economic development.

## **B. Improving Connective Infrastructure: Better Territorial Integration through Supporting Development Corridors<sup>19</sup>**

**57. In addition to shifting the stewardship of development from sectoral to territorial administrations, the Government has committed to enabling more coherent development across territorial administrative boundaries.** Many Tunisian governorate boundaries cut through conurbations and territories that form coherent development corridors. Fragmented administrative authority and no mechanism for coordinating between them other than the support role played by the regional development offices of MDICI has limited the ability of

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<sup>19</sup> For more information on this proposal, see the “Tunisia South Region Development Project Framework Proposal” developed by the Maghreb Lagging Regions Task Force.

public authorities to develop territorially coherent environments for private-sector led development. To address this challenge, the Government has committed in the 2011 White Paper for Regional Development and the new Local Government Organic Law to enable more territorially integrated development.

**58. The Government could introduce a program to operationalize its priority to allow a wider set of areas to benefit from the spillovers associated with proximity to agglomerations of economic activity.** Such an approach is compelling for several reasons. First, the fact that economic distances – e.g. the cost of moving goods – are high in Tunisia despite physical distances being small indicates that targeted measures to reduce the cost of moving goods could help shift the geography of production (paragraph 19). Second, the Government has committed to helping shift the current fragmented territorial development paradigm by developing districts with administrative and budgetary authority to steward the development of groupings of regions. Since the Government expects to transition gradually to an administrative structure to support more integrated territorial development across a large territory,<sup>20</sup> a program focused on developing a corridor could allow it a demonstration effect to inform the longer term structural change. Third, the distribution of existing development poles across coastal regions and in some interior regions offer several agglomerations that could be better linked to one another in a manner that allows relatively lagging areas to benefit.

**59. A development corridor approach could be pursued to link several key transport corridors in Tunisia.** A key shift proposed is for the Government to leverage connective infrastructure investments for a more expansive set of development activities. Such interventions would target enabling territories along a corridor to benefit from the development of the corridor. Interventions could comprise improving land and municipal services, the local business environment, and institutions in these neighboring territories.

**60. Considering the Government's current focus on developing southern Tunisia, a preliminary corridor proposal has been elaborated for southern Tunisia.**<sup>21</sup> In November 2017, the Tunisian announced an ambitious program for the development of the southern region. The Government's vision is to transform this economically lagging region into a lever for sustainable and inclusive development by (i) harnessing the economic potential and natural capital of the region, and (ii) creating an enabling environment for mobilizing the private sector to develop economic activities, create jobs, and improve the quality of life of residents. The Government seeks to create the enabling environment for investments in renewable energy, agriculture and tourism. One additional Government objective it to improve the security conditions on the southern borders, and to do so by better integrating this region within the national economic tissue.

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<sup>20</sup> The Government has decided to sequence its decentralization program to begin by supporting the shift in communes, followed by regions and finally the establishment of districts. As such, districts are expected to be introduced in the medium to long term.

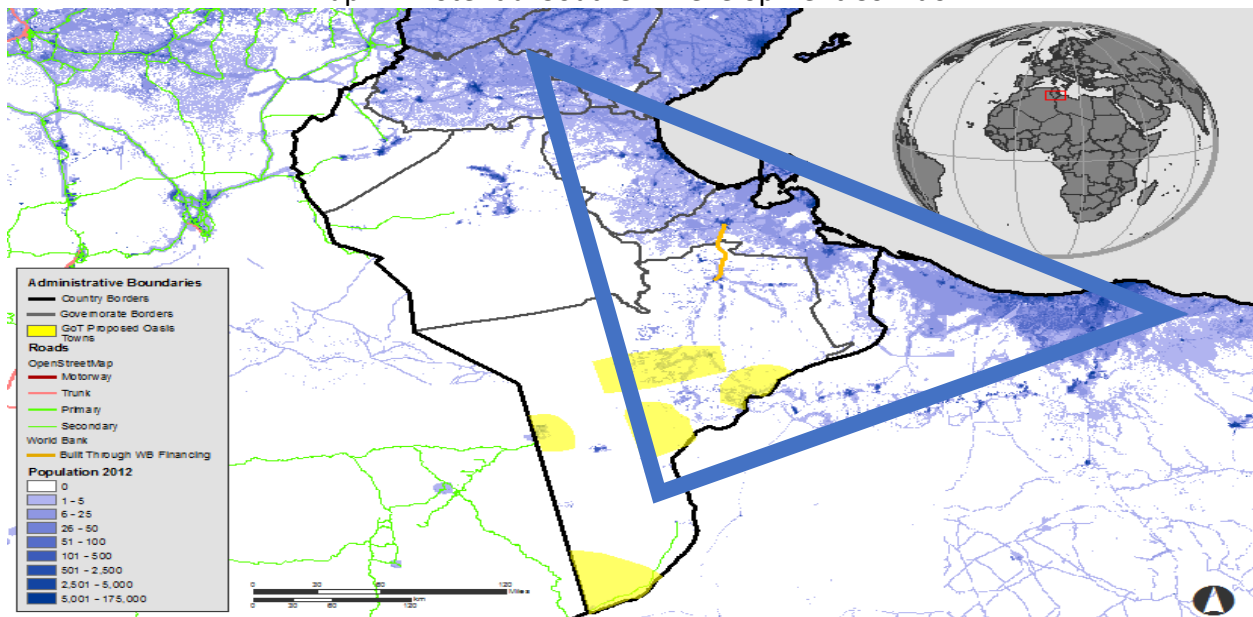
<sup>21</sup> This is one of several options the Government could pursue and it has its advantages and disadvantages relative to other potential corridors. A reflection on this option has been undertaken through the Maghreb Lagging Regions Task Force which has produced a note elaborating this reflection.

**61. The imperative to improve development in the southern region of the country is motivated by several rationales for intervention:**

- Untapped potential: Despite their geographical potential and the associated assets, their wealth of natural resources, the southern governorates have below-average economic performance coupled with relatively large informal economy;
- Social and security imperatives: the feeling of exclusion fueled protests, and discontent in the region remains important;
- Coordination challenges: the region has developed in a fragmented way, in part because of the complexity associated with the coordination of integrated development projects;
- Market failures: Some market failures, such as the difficulty of accessing information, have limited private investment and prevented inclusive growth, increasing poverty and reducing access to public services.

**62. The region's natural capital, geographic assets, and economic potential could be better exploited for the development of a triangular economic corridor therein.** Such a triangular corridor (Map 21 below) could link key agglomerations within Tunisia and could potentially have a mirror complement in northern Libya.<sup>22</sup> This corridor would be oriented to leverage the existing connective infrastructure in the southern-most coastal Tunisian governorate Medenine. The infrastructure includes the international airport of Djerba, the port of Zarzis and the free zone bordering Libya. Such a corridor program could focus on improving the enabling environment for tourism, agricultural development, logistics, and currently informal trade.

Map 21: Potential Southern Development Corridor



Source: Landsan (2012) and Open Street Maps

<sup>22</sup> This Libyan complement could be supported in the future should the situation present itself based on Libya's peace and development trajectory

**63. Such a program would aim in particular at improving territorial integration and access to markets by taking advantage of the untapped potential of the southern economic corridor, including Zarzis Port and Djerba International Airport.** It could do so by improving the capacity of relevant institutions for integrated development that will allow an increase in renewable energy, tourism, organic agriculture, as well as other sectors with untapped potential. It could increase inclusion and access to opportunities for all with focus on young people to enhance stability and security. It could be designed to be: (i) ambitious but technically, administratively, and politically feasible; (ii) modular, expandable and scalable; and (iii) adapted to current institutional capacities, but with a view to improving them.

### **C. Supporting Regional Development in Select Governorates<sup>23</sup>**

**64. At the heart of the decentralization reforms the Government is currently undertaking is the recognition that the people of different territories need to be allowed the space to prioritize their needs based on their potential and aspirations.** As such, a one size fits all approach to development in regions is no longer compatible with the new territorial development paradigm.

**65. To further its interest to adapt development to the needs and potential of different types of governorates, the Government could undertake a governorate development support program focused on a limited set of governorates.** A focus on a subset of governorates could allow the Government the opportunity to test a model and refine it before expanding it more broadly across the territory. The selection of governorates could be driven by objective criteria. One approach could be for the Government to support governorate-led development programs in the three governorates it prioritized through this technical assistance project: El Kef, Kasserine and Tataouine. The Government prioritized these three governorates because it sought regional equity (one governorate from the north, the center and the south) and to have governorates with distinctive characteristics in terms of their development challenges and opportunities. While the territorial focus would be on governorates, interventions would be oriented around improving the lives of people in these governorates – even if it means enabling them to move to better opportunities elsewhere. The following are interventions that could be undertaken in each of the three governorates.

#### **El Kef<sup>24</sup>**

**66. To enable El Kef to better realize its potential, there are three priority actions that can be taken.** First, access to critical infrastructure and services should be supported with two focus areas. The first is to equip key economic centers that have significant demand and potential – e.g. functional medical centers and industrial zones for which a demand survey indicates

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<sup>23</sup> For more information, see the deep dive analyses produced for El Kef, Kasserine, and Tataouine as a part of this project.

<sup>24</sup> The recommendations listed in this section represent a very brief overview of the recommendations elaborated in the El Kef Deep Dive Analysis produced through this project. Recommendations in that analysis comprise detailed overarching recommendations as well as granular sectoral recommendations.

sufficient demand to justify the investment. The second is to support innovations that allow for the cost of servicing lagging rural areas to decline including the possibility of leveraging non-network solutions.

**67. Second, El Kef would benefit from a better enabling environment for agricultural production with focus on increasing value add.** This would comprise three focus areas. The first is to identify key missing infrastructure, logistics support, and other services needed to enable greater productivity and higher value add. The second is to enable enhancement of production processes through more efficient methods. The third is focused on relaxing the policy and regulatory constraints affecting the sector (e.g. price controls) through national level reforms.

**68. Third, measures to improve the business environment for young professionals to engage in economic activity in the El Kef could offer a means for those not able or interested in moving away to leverage their skills at home.** Such an effort would be done not to stop out-migration but to create viable alternatives for those interested in staying, and thus help address the challenges linked with an aging governorate. The measures that could be undertaken could comprise increasing SME support including infrastructure, services and financing.

#### **Kasserine<sup>25</sup>**

**69. There are several priorities Kasserine could assume to further improve economic development within the governorate.** First, the governorate could facilitate public-private dialogue (PPD) to identify the priority actions the governorate and the central government could take to increase private investment in the leading areas of economic activity. This would help identify the priority actions needed to enable private investment in tourism, agriculture, and other areas of potential.

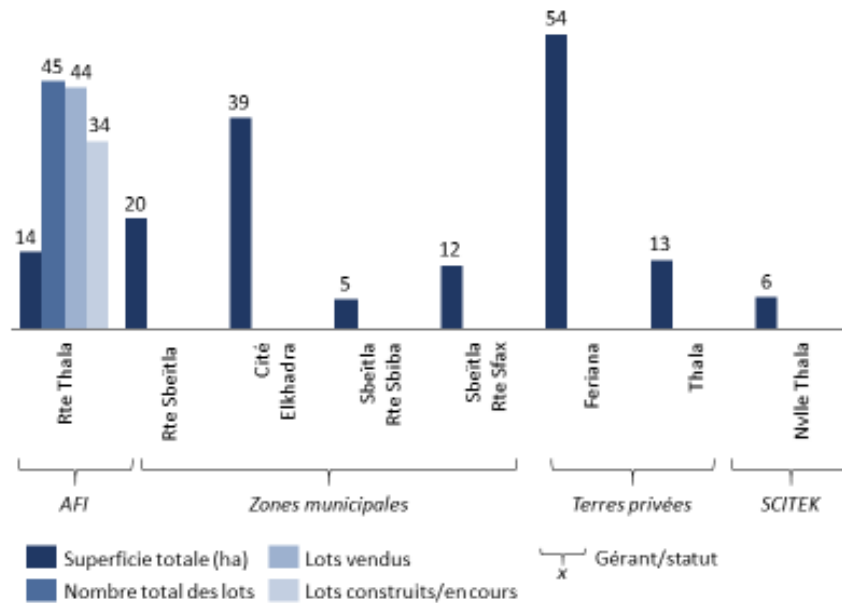
**70. Second, the governorate could shift its resources from centrally-driven local economic development-oriented investments to demand driven investments.** For instance, rather than investing in eight industrial zones that are extremely under-utilized (Figure 30), the governorate could focus investments only in the one or two for which demand studies reveal significant demand. It could then channel public expenditures toward the priority investments and expenditures identified through the above-proposed PPD and other demand assessments.

**71. Third, the governorate could prioritize the investments and interventions that will facilitate greater value addition in Kasserine – notably for mining and agriculture.** For textiles, interventions can be oriented to support a possible transition of firms toward greater value add leveraging the assets of the region (alfa and leather) or more structural shifts. The efforts made in this regard could help inform interventions oriented toward other areas of economic activity that are in precarious positions in Kasserine or elsewhere in Tunisia.

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<sup>25</sup> The recommendations listed in this section represent a very brief overview of the recommendations elaborated in the Kasserine Deep Dive Analysis produced through this project. Recommendations in that analysis comprise detailed overarching recommendations as well as granular sectoral recommendations.

Figure 38: State of Kasserine’s Industrial Zones



Source: Gouvernorat en chiffres – Kasserine, ODCO (2014)

## Tataouine<sup>26</sup>

**72. To improve the lives of people living in Tataouine and to leverage its natural resource potential, there are three priorities.** The first is to improve access to basic services and infrastructure for all. Non-network solutions for people living in sparsely populated areas will be especially critical. Efforts to improve the basic infrastructure and services that could allow for productivity gains in agriculture will be key. It could enable the viability of touristic circuits in the governorate which could help create more economic opportunities for inhabitants of Tataouine.

**73. The second priority is to enable local economic development, especially in the relatively densely populated delegations of the northeast of the governorate.** These delegations host economic activities that could be expanded should the local business environment and market conditions improve. The connective infrastructure – physical, electronic, and logistical – is suboptimal and select investments in them could better enable economic activity in and around these delegations.

**74. Finally, efforts to address citizen exclusion could help improve their wellbeing and reduce grievances that among other things have a negative impact on the energy and tourism sectors.** Efforts to integrate citizens engaging in informal activities could enable greater productivity.

### D. Enhancing Development Policy Formulation and Revision

<sup>26</sup> The recommendations listed in this section represent a very brief overview of the recommendations elaborated in the Tataouine Deep Dive Analysis produced through this project. Recommendations in that analysis comprise detailed overarching recommendations as well as granular sectoral recommendations.

**75. The Government recognizes that the previous focus of regional development policy on coordinating sectoral policies is not sufficient for Tunisia’s territorial development aspirations especially in light of the decentralization reforms the nation is undertaking.** In the 2011 White Paper on Regional Development, the Government proposed to unify the key territorial development functions under one ministry to enable a more impactful and coherent policy orientation toward territorial development. Regardless of the institutional form it takes, a priority for enabling an activist approach to territorial development policy is to equip an entity with sufficient mandates and resources to steward territorial development policy even after the Local Government Organic Law is adopted. This entity would ideally help inform the design of the range of policies that influence territorial development. It would ideally comprise think tank capabilities within it to allow it to lead national dialogue on lagging regions and territorial development. This entity could help shape future revisions of the policies and laws identified in this note that have reinforced spatial disparities including labor market, trucking sector, land, and competition policies. It would also serve as one of the key advocates for safeguarding decision-making authority of sub-national governments while the Government undertakes the long-term process of decentralizing power. This will be especially critical as there will likely be attempts to claw-back powers shifted to sub-national governments.

## **VI. Conclusion**

**76. Tunisia is at a turning point in terms of shifting the development paradigm that could enable Tunisia’s range of territories and communities to have the mandate and resources to leverage their local assets for economic and social development.** The Government has taken the difficult first step to reform the legal framework to enable decentralized decision-making and better integrated territorial development. To realize its aspiration to improve the lives of Tunisians living in lagging regions while also enabling the territorial engines of the country to pick up speed, the Government will need to seize the moment to operationalize the changes it has introduced into its legal framework. It can leverage the analytical tools and analyses developed through this project to support it to both identify the differential needs and potential of its regions and to develop spatially integrated approaches to developing its territory.

## Annex: List of Primary Project Deliverables

Spatial Analysis and Lagging Framework  
Economic Potential Index and Complementary Analysis  
Regional Development Policy and Plan Review  
Kasserine Deep Dive Analysis  
El Kef Deep Dive Analysis  
Tataouine Deep Dive Analysis

Photo: The Lost Walls of Tunisia



Source: El Seed