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PUBLIC STAFF RESTRUCTURING THROUGH SPIN-OFF MECHANISM

ENCOURAGING ENTREPRENEURSHIP AND OUTSOURCING: STUDY
ON THE TUNISIAN EXPERIENCE

July 22, 2007

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EXPERIENCE

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5A.1.5.1 ALTERNATIVE APPROACHES TO ESTABLISHING
GOVERNMENT ENTREPRENEURSHIP PROGRAMS

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ACRONYMS:

GoT	Government of Tunisia
CAREP	National Committee for Privatization and Public Company Restructuring
SSI	Spin-off Supporting Institution
SSU	Spin-off Supporting Unit
SC	Spin-off Company
TAP	Tunisian Adjustment Program
MSME	Micro, Small and Medium Enterprises
IFC	International Financing Corporation – World Bank
WB	World Bank
SME	Small and Medium Enterprises
FOPRODI	(Fonds de Promotion et Décentralisation Industrielle). The Industrial Development and Decentralization Fund
VCC	Venture Capital Companies
FONAPRA	National Fund for the Promotion of Micro Companies
TAID	Tunisian Agency for Industrial Development
PMI	Industrial Modernisation Program
VAT	Value Added Tax
TVET	Technical Vocational Education and Training
CNFCPP	The National Center for Continuous Training and Job Upgrading
GCT	Groupe Chimique de Tunisie (Tunisian Chemical Group)
TUNISIE TELECOM	Tunisian Telecommunication Company
STEG	Tunisian Company for Electricity and Gaz
SONEDE	Tunisian Company for water supply
CIOK	Cement Company
SNCPA	National Company for Production of Paper and Cartoon
ONAS	National Office for Waste Management
LGS	Loan Guarantee Scheme
NAFES	National Fund for Enterprise Development

1 US \$ (US Dollar) = 1.25 TND (Tunisian Dinar)

EXECUTIVE SUMMARY

The Government of Tunisia (GoJ) considers development of the SME sector crucial for replacing the government's role in job creation. This is one of the most sensitive issues during the economic restructuring period, especially when thousands of people are losing their jobs.

Accordingly, the GoT reached the conclusion that the success of any staff downsizing policy and labour market restructuring mainly depends on the depth of entrepreneurship culture and strength of SMEs development reforms. To meet these challenges the government approved the set up of a Spin-Off Mechanism - a comprehensive approach tackling both public staff re-structuring and company creation regulated by Law N° 56 18/07/07

The Spin-Off Mechanism is the process followed by an institution to support and encourage its staff to take entrepreneurial risk, and start their own businesses where the supporting institution is offering new business opportunities through outsourcing some of its activities and/or technologies.

The Spin-off Mechanism is a voluntary linkage for both the supporting institution and the staff member and the later need to agree on the development and support of a Spin-off Program. Also the commitment of the concerned parties including the staff and the supporting institution is considered crucial for the success of the program.

Spin-off Companies are created by the Spin-off Supporting Institution as a means of strategic withdrawal for the supporting institution, from a non-core activity or from an industry that it is more competitive when developed separately on its own. Spin-off Companies could also be the result of bringing together researchers and industry representatives within the framework of existing incubator or research Centers.

The support to this mechanism covers the potential entrepreneur (the staff member who initiated a project idea), the Spin-off Companies and the Supporting Institutions:

The potential entrepreneur

- The potential entrepreneur keeps the right to return to his/her original employer institution within one or two years from the date of leave and in this case, this period should be treated as a normal staff member leave.
- To enforce regional development additional advantages are given to Potential Entrepreneur when he/she establishes their businesses in the regions of Tunisia.
 - Pay half the amount of the Potential Entrepreneur's salary during the first and the second years of establishment provided that the company is located in the regions.
 - Pay the social security contribution for any project created within the regional development zone.
- Provide coaching and training during the incubation period.
- Provide the necessary information on markets, technologies, business environment and regulations through available support programs.
- Support feasibility studies and technical research.
- Support market research and the participation in trade fairs.

- Provide office premises and related logistic (fax, telephone, computer and transportation within the country) during the incubation period.

For the Spin-Off companies:

- Provide coaching and technical assistance during the first two years of actual production.
- Allow Supporting Institutions to have the right to participate in the capital equity of the Spin-off Company but with the restriction of not exceeding the potential entrepreneur's share amount.
- Have the supporting institutions' commitment to secure for the Spin-off Company a volume of sales that amounts up to 100,000 TD achieved through a simplified procurement procedure, provided that these sales are included among the procurement program of the supporting institution.
- Support the transfer of intellectual property rights.

For the supporting institutions:

- Through the competitiveness Fund the GoT will subsidize 70 % of the cost for conducting studies, to accomplish the following:
 - Identify the Spin-off company creation opportunities and study the withdrawal impact from the non-core business activities on the supporting institution.
 - Conduct an organizational assessment and develop recommendations on the effectiveness, efficiency and quality of programs and management operations.
 - Align staff roles with programs, management and operations.
 - Assess the qualification of staff members and determine skill gaps required for them to effectively assume their new roles.
 - Develop detailed staff re-structuring plan to bridge the gap between staff qualifications and the skills required for their new positions.

A Spin-off Directorate was created at the Ministry of Industry, Energy and SMEs, responsible for the implementation of the Spin-off Mechanism and is coordinating the activities of the different related bodies. A spin-off unit is also created in each spin-off supporting institution.

By reviewing the Tunisian experience in implementing the Spin-off Mechanism, the Consultant formulated the following recommendations for Jordan:

- Staff re-structuring is a vital part of the labor market restructuring aiming at achieving optimal distribution of Human Resources, and leading educated and qualified staff to shift from working with the un-productive public sector towards the highly productive private sector.
- The main objective of the public staff re-structuring project should be focusing on building and strengthening a more sustainable leading position for the private sector, and making the private sector an engine of growth for the Jordanian economy.

- In order to enable labor market re-structuring and private sector development, public staff downsizing initiative should be presented as a staff re-structuring project directly linked to MSME development.
- Staff re-structuring in Jordan will bring up a highly sensitive issue, Jordan social stability, which is one of the most important comparative advantages of Jordan. Therefore, to support social stability there is a need to work on reducing the painful side effects of staff downsizing and to take a diplomatic approach to solving and limiting conflicts and problems that might rise. Accordingly, staff downsizing should be done gradually, step by step, starting with a pilot project on a voluntary basis and supported by substantial subsidies from the GoJ and or the supporting institution.
- Staff downsizing should be accompanied by a wide awareness campaign to enhance the entrepreneurship culture, to overcome the reluctance of the public staff to participating in any staff re-structuring program, and to eliminate the negative perception of businesses among new educated entrants and existing civil servants.
- The Spin-off Mechanism is an effective way to bridge the gap between the private and the public sector, to alleviate the burden of the bureaucracy and to limit its resistance towards private sector development. It increases the potential for big private companies to outsource some of their activities to MSMEs and it will help some of the privatized companies in achieving staff re-structuring and activities outsourcing. Outsourcing of the Spin-off Supporting Institutions activities will increase the public staff options and opportunities to create their own business projects.
- The Spin-off Supporting Institutions should be from both, the private and the public sectors and the projects should be public-private joint initiatives.
- The involvement of qualified expertise to advise related parties on the right activities to be outsourced, assist in identifying project ideas and, to design staff re-structuring Programs and continuously provide coaching and guidance is considered a pre-requisite for the success of the project.

The objectives of the study should include the design of:

- A Jordanian model of public staff re-structuring through a company Spin-off Mechanism taking into consideration the above mentioned findings of this study
- A pilot program led by Greater Amman Municipality (GAM) for implementing the model

PUBLIC STAFF RESTRUCTURING THROUGH SPIN-OFF MECHANISM – THE TUNISIAN EXPERIENCE

1.0 SPECIFIC OBJECTIVES OF THE WORK TO BE UNDERTAKEN

The specific objective of this assignment is to review and study the Tunisian experience in developing and implementing the Government Entrepreneurship Initiative.

1.1 Tasks and Activities

- Collect and review all the available material including laws, regulations and previous case studies related to the Tunisian experience in encouraging civil servants to explore and consider opportunities to think entrepreneurially and/or enter the private sector.
- Identify all the related stakeholders responsible for the implementation of this initiative.
- Organize and conduct meetings with representatives of the different stakeholders.
- Interview number of civil servants who can benefit from this initiative
- Prepare Final Report describing achievements of the Tunisian experience and challenges faced during implementation. The report should include the consultant's recommendations for adapting this experience to Jordan.

1.2 Deliverables and Expected Results

Deliverables include the following:

- USAID-Mandated End of Mission Report, a template for which will be provided that summarizes the consultants' assignment and results. The report should be of at least 15 pages and will illustrate the following:
 - Description of the related Tunisian Initiative
 - Regulations related to the adoption of this initiative, incentives offered, promotional and supporting activities conducted to make this initiative attractive to both, the related public institutions and to the targeted civil servants
 - Complementary measures facilitating company creation
 - Achievements of the Tunisian initiative and challenges faced
 - The Consultant's recommendations for adopting this experience in Jordan

1.3 Methodology:

The methodology followed by the consultant to achieve the above-mentioned deliverables and expected results included the following:

- Collecting and reviewing all the available material including laws, regulations and previous case studies related to the Tunisian experience in encouraging civil servants to explore and consider their opportunities to be involved in the business sectors.
- Identifying institutions related to public staff re-structuring and company creation.
- Meeting with the main related stakeholders

- Preparing Final Report documenting the following:
 - Description of the Tunisian Initiative for public staff re-structuring towards entrepreneurship development
 - Scanned copies of all the related laws and regulations, attached in Appendix
 - Business environment & complementary measures facilitating company creation in Tunisia
 - Description of the Tunisian government level of commitment and actions taken by government to make this initiative more encouraging including promotional activities and awareness campaigns conducted
 - Challenges faced in implementing the Tunisian Initiative
 - Achievements accomplished through the adoption of the Tunisian Initiative
 - The Consultant's suggestions and recommendations for adopting this experience in Jordan

2.0 THE TUNISIAN EXPERIENCE:

2.1 Rationale behind Staff Re-structuring:

In 1987, the Tunisian Government launched a comprehensive reform program aiming at freeing the Tunisian economy, boosting exports and developing the private sector to become the driving engine of economic development while limiting the public sector intervention in the economy. Part of this program included privatization and restructuring of public companies and institutions.

During the last two decades, the Tunisian Government succeeded in enabling the Tunisian economy to shift from public sector driven economy into private sector driven economy, and from closed-economy into more open-economy, and from an import substitution development model to an export-driven model. However despite of this shift in economy, the integration into global goods, services, and factor markets was accompanied by safeguards measures and regulatory framework to ensure social protection and mutually reinforce private and social interests.

The privatization and restructuring of public companies and institutions raised number of important issues and requirements, among these issues was the need to downsize the staff of these companies and institutions. However, implementing downsizing in public institutions and Companies was faced with number of social constraints and challenges that needed to be addressed including the following:

- The need to reduce the painful consequences of staff downsizing, including labor strikes, demonstrations, and drop in productivity levels. This could require offering compensation to the targeted staff and prior negotiation with related social partners (Trade Unions, Associations, and Syndicates).
- The need to implement soft approach to solve and limit conflicts and problems
- The need for developing supportive regulatory environment to control and regulate staff downsizing and avoid possible employees' abuse
- The increase in unemployment level among graduated students reducing the chance of finding new job opportunities

In 1987 the GOT, while taking into consideration the different social constrains, created the CAREP, headed by the Prime Minister to be the party in charge of negotiating with Trade

Unions, concerned public companies, Ministry of Finance, Ministry of Social Affairs, Ministry of Economics and other related governmental institutions and also to set the measures and guidelines for staff re-structuring and specify level of compensation for downsizing targeted staff.

In 1989 the GOT set up a TND 130 millions Fund (Public Enterprise Restructuring Fund) financed by the World Bank to support public institution who are defined as being not able to pay the required amounts of compensation to the staff targeted by the downsizing movement. The Fund is providing direct financial support for these institutions and companies to help them pay the financial compensation liabilities.

Around 1990 the government conducted impact assessment for the program, which revealed the fact that despite the successful results on privatisation, staff downsizing was still lagging behind and needs long term restructuring process to cover the whole public sector labour force. At that time results were still limited. The main reasons behind this were:

- Lack of awareness campaigns for public institutions and companies¹ staff
- Lack of entrepreneurship culture in public institutions and companies and among civil servants
- Absence of linkages between the staff re-structuring initiative and the company creation program

At the microeconomic level, the Tunisian labour market has been mainly affected by:

- The reduced demand on labour from the public sector
- The slow growth of the private sector demand on labour
- The growing increase in unemployment rates among young university graduates

A significant cause of the growth in unemployment rates are the limited hiring in government, the low and unrewarding salaries offered to university graduates by the private sector, and the weakness of the educational system, which prepares students for public sector jobs rather than builds the required skills among graduates. Accordingly, educated new labour market entrants continue to queue for government jobs.

The interest of educated workers in the unproductive public sector employment opportunities resulted in a misdistribution of human resources between the public and the private sector. This justifies both the drop in public staff productivity levels and the fact of being under estimated by the private sector. This tendency as well was supported by the negative perception of the business sector among educated new labor market entrants and existing civil servants. These inherited negative perceptions are a sort of internal excuse used by those who are not satisfied with the withdrawal of government interventions from the economy or with the new market system in place.

The real challenge facing the Tunisian labour market is to meet the requirements of the globalisation of the economy and the highly competitive international business environment. That implies the need for the implementation of national reforms including: openness of the economy, privatization, staff re-structuring, and the implementation of international best-practice reforms. This includes the ability to develop the private sector as an engine of economic growth, improving the business creativity and entrepreneurship to cope with the

¹ National Committee for Privatization and Public Company Restructuring

requirements of the global economy, and achieving technical progress in the information age.

With the globalization of the economy, changes can happen faster and in many directions. Proactive management is a pre-requisite for the success of any business. Previous experience proves that small firms are more efficient since they focus on changes and new small start-ups usually introduce change into the economy. Therefore, the implications for the public policy have turned into the implementation of strategies encouraging the establishment of new firms, supporting their survival, and promoting their growth.

The United States SME development policies, which started in 1970s, have led to a situation where SMEs represent a large, diverse and important part of the United States economy that was evaluated to be the leading factor behind the country's recent success in the rivalry with Europe and Japan.

The development of the SME sector is considered crucial for replacing the government role in conducting the difficult task of jobs' creation, which is one of the most sensitive issues during the restructuring period, specially when thousands of people are losing their jobs.

Accordingly the GoT reached to the conclusion that the success of any staff downsizing policy and labour market restructuring mainly depends on the depth of entrepreneurship culture and strength of SMEs development reforms. To meet these challenges the government approved the set up of a Spin-Off Mechanism - a comprehensive approach tackling both public staff re-structuring and company creation regulated by Law N° 56 18/07/07

2.2 The Spin-off Mechanism:

The Spin-Off Mechanism is the process followed by an institution to support and encourage its staff to take entrepreneurial risk, and start their own businesses where the supporting institution is offering new business opportunities through outsourcing some of its activities and/or technologies.

The Spin-off Mechanism is a voluntary linkage for both the supporting institution and the staff member and the later need to agree on the development and support of a Spin-off Program. The commitment of the concerned parties including the staff and the supporting institution is considered crucial for the success of the program.

Spin-off Companies are created by the Spin-off Supporting Institution as a means of strategic withdrawal for the supporting institution, from a non-core activity or from an industry that it is more competitive when developed separately on its own. Spin-off Companies could also be the result of bringing together researchers and industry representatives within the framework of existing incubator or research Centers.

The Spin-off Supporting Institutions (SSIs) could be a public institution or a private company. Private sector demand include several big private companies directing toward outsourcing some of their activities to SMEs, also it includes some of the privatized companies which in addition to outsourcing are also in real need for staff restructuring and has the opportunity to internally implement the Spin-off Mechanism.

The available support through the Spin-off Mechanism could also apply for the creation of companies that have no relation with the Spin-off supporting institution within the country. Support covers the potential entrepreneur (the staff member who initiated a project idea), the Spin-off Companies and the Supporting Institutions. However, support is provided to each of them in different manners:

The potential entrepreneur

- The potential entrepreneur keeps the right to return to his/her original employer institution within one or two years from the date of leave and, in this case, this period should be treated as a normal staff member leave.
- To enforce regional development additional advantages are given to Potential Entrepreneur when he/she establishes his/her businesses in the regions of Tunisia.
 - Pay half the amount of the Potential Entrepreneur's salary during the first and the second years of establishment provided that the company is located in the regions.
 - Pay the social security contribution for any project created within the regional development zone.
- Provide coaching and training during the incubation period.
- Provide the necessary information on markets, technologies, business environment and regulations through available support programs.
- Support feasibility studies and technical research.
- Support market research and the participation in trade fairs.
- Provide office premises and related logistic (fax, telephone, computer and transportation within the country) during the incubation period.

For the Spin-Off companies:

- Provide coaching and technical assistance during the first two years of actual production.
- Allow Supporting Institutions to have the right to participate in the capital equity of the Spin-off Company but with the restriction of not exceeding the potential entrepreneur's share amount.
- Provide the investment incentives provided to MSMEs by the Investment Law.
- Have the supporting institutions' commitment to secure for the Spin-off Company a volume of sales that amounts up to 100,000 TD achieved through a simplified procurement procedure, provided that these sales are included among the procurement program of the supporting institution.
- Support transfer of intellectual property rights.

For the supporting institutions:

- The GoT will subsidize 70 % of the cost for conducting studies through the competitiveness Fund to accomplish the following:
 - Identify the Spin-off company creation opportunities and study the withdrawal impact from the non-core business activities on the supporting institution.
 - Conduct an organizational assessment and develop recommendations on the effectiveness, efficiency and quality of programs and management operations.
 - Align staff roles with programs, management and operations.
 - Assess the qualification of staff members and determine skill gaps required for them to effectively assume their new roles.

- Develop detailed staff re-structuring plan to bridge the gap between staff qualifications and the skills required for their new positions.

2.3 Institutional Framework:

A Spin-off Directorate was created at the Ministry of Industry, Energy and SMEs, under the Director General of SMEs Development. The directorate is responsible for the implementation of the Spin-off Mechanism and is coordinating the activities of the different related bodies including Business Centers, the Spin-off Supporting Units, financing institutions, Department of Administrative Reform, Department of Privatization and the Public Enterprise Restructuring Fund.

Also, the directorate is in charge of the creation of a Spin-off Supporting Unit within each Spin-off Supporting Institution.

A spin-off financing fund might also participate with the Venture Capital Company (VCC) and the new entrepreneur in the equity capital of the spin-off company. The resources of this fund are provided by the spin-off supporting institutions according to the number of spin-off companies that they create.

2.4 Spin-Off procedures

Table 1: Spin-off procedures

Spin-off procedures	
Activities	Description
1. Identification of project idea	The Spin-off Unit in each supporting institution presents a list of activities that could be supported through the Spin-Off program. This can also be initiated by potential entrepreneurs who can bring in their own projects ideas.
2. Awareness campaign	Government Supporting Institution through its Spin-off unit conducts an awareness campaign for potential entrepreneurs.
3.Expression of Interest	Staff volunteer or a potential entrepreneur formally presents to the Spin-off unit his/her interest in creating a Spin-Off Company.
4. Identification and selection of entrepreneurs	The Spin-off unit assesses entrepreneurial motivations, competencies, skills, and knowledge of potential candidates using a pre-defined selection criterion.
5. Designing organization of a training program	The Spin-off unit, based on the assessment results design, organizes a training program for the selected candidates.
6. Implementation of the training program including topics on:	The Spin-off Supporting Unit (SSU) will assign experts to implement the training program and provide guidance and assistance needed to:
a. Selection of business opportunities	- Conduct market research and select the best business opportunity.
b. Technical training	- Organize and conduct field visits and technical training.
c. Preparation of the Project Report	- Train, assist, and counsel Potential entrepreneurs in formulating their projects' plans.

7.Validation of the project plan	The Spin-off Supporting Unit (SSU) will study and assess the project plan for approval. Some times the project plan might be rejected by the SSU if found not complying with the assessment requirement.
8 .Signature of an agreement	The Potential entrepreneur of the approved project plan will sign with the Spin-off Supporting Institution (SSI) an agreement stating the entitlements and obligations of each party.
9. Endorsement of the agreement by the Minister of Industry and SMEs	The agreement is then submitted for endorsement by the Minister of Industry and SMEs. Accordingly, the potential entrepreneur will get a one-year leave ² that can be renewed for another one more year.
10. Implementation of the agreement	<p>The Spin-off Supporting Institution (SSI) will provide the following support for the project potential entrepreneur:</p> <ul style="list-style-type: none"> - Office premises and related logistic (fax, telephone, computer and transportation within the country) during the incubation period - Half salary during the first and the second years of establishment provided that the Spin-off Company is located in the regions - Social security contribution for any project created within the regional development area - Coaching and training during the incubation period. - Information on markets, technologies, business environment and regulations - Market research, technical research and participation in trade fairs - Feasibility study and Action Plan development - Assistance to get subsidies approval by the Industrial Development Agency - Assistance in the financing of the project - Assistance in the creation of the project
11. Coaching and post-training support to ensure success	<ul style="list-style-type: none"> - The SSI will guarantee for the Spin-off Company technical, commercial and financing coaching and post-training during the first two years of establishment - Assist the SC to benefit from the available government programs for the training of public staff - Organize follow-up meetings to provide the SC with guidance on access to finance, raw material, machinery, market linkage and market monitoring

2.5 Supporting Regulatory Environment:

Implementation of the Spin-off Mechanism is regulated by number of laws and regulations including the following: (Scanned copies of the laws and decisions are attached in Appendix 2)

²Additional advantage is given for projects in the regions

- Law N°56 of 18/07/2005: Establishing the Spin-off Mechanism and fixing related procedures and support and incentives provided to the Potential Entrepreneur, Spin-off Supporting Institutions and Spin-off Companies.
- Law N° 57 of 18/07/2005: Organizing the creation of business centers to support investment and entrepreneurship at the regional level.
- Decision of Ministry of Finance N°95 of 16/01/2006: Authorizing the SSIs to deduct, the expenses accumulated for supporting the creation of Spin-off Companies from the income taxes with a maximum limit of 1% of their turnover.
- Decision of the Ministry of Industry and SME, dated 24 April 2006: Approving the agreement template that should be concluded between the Potential entrepreneurs, SSIs and endorsed by the Minister of Industry, Energy and SMEs. (The agreement template attached in Appendix 1.)
- Decision of the Prime Minister N°17 of 20 April 2006: Authorizing public institutions to conclude sales contracts with the Spin-off Companies using simplified procurement procedures within the limit of an annual ceiling of TD100,000 provided that the purchasing price does not exceed the usual price and is part of the company's annual procurement program.
- Agreement dated 8 February 2006 between the Ministry of Industry, Energy and SMEs and a Spin-off Supporting Institution, the Tunisian Chemical Group (GCT), defining the entitlements and the obligations of the government and the supporting institutions toward staff and toward Spin-off Company creation as well.
- The law N° 2003-20 of 17 March 2003: Complementing the law N°83-112 of 12 December 1983, organizing the payroll of civil servants and authorizing GOT to permit staff a 2-year leave for the purpose of company creation. During this period of time staff members are also authorized half the amount of salary, provided that the Spinning-off Company will be created within a regional development zone.
- The law N°2003-21 of 17 March 2003: Complementing the law N°85-78 of 5 August 1985, organizing the staff payroll of public commercial and industrial companies and permits staff a 2-year leave for company creation. Staff members are also allowed for the same period a half salary in case of the spinning company is created in a regional development zone.
- The Investment Law N°93-120 of 27 December 1993: Regulations for company creation and providing incentives for investment

For more details see www.tunisie.industrie.nat.tn

3.0 BUSINESS ENVIRONMENT & COMPLEMENTARY MEASURES FACILITATING COMPANY CREATION IN TUNISIA:

Since the first implementation of the Tunisian Adjustment Program (TAP) the GoT took serious steps toward the development of a stable and, definitely supportive environment for SME development. This included:

- Stable and simple rules of taxation
- Efficient and independent system for enforcement of contracts and other legal obligations
- Enforcement of Competition Law
- Establishment of a one stop-shop enabling company registration in 48 hours

- Simplified customs' clearance procedures reducing serving time to half day and enabling on-line export clearance services
- Supportive financing mechanisms for MSME (Micro, Small and Medium Enterprises) creation
- Macro-economic incentives for MSME development

3.1 The Tunisian MSME Financing System:

The Tunisian experience has been implemented with the assistance of the IFC (World Bank) and based on the significant American experience which started over fifty years ago, which contributed substantially to the development of the American economy by providing appropriate fund and mechanisms to finance SMEs through venture capital, investment funds, and loan guarantees. The American experience was characterized by its complete dependence on market-based mechanisms with very low default percentage (1.5%). Many countries that succeeded in attracting investments, originally adopted the American experience, including Ireland, France, Malaysia and Tunisia.

The Tunisian SMEs financing system is a comprehensive program based on six main pillars:

- The establishment of an investment fund (FOPRODI) provided by the GoT with the assistance of international donors to take part in financing the capital requirements of SMEs
- The establishment of a mechanism to develop venture capital and private investment funds and adopt a law to regulate and provide incentives for the creation of these financing tools
- Set- up of a loan guarantee scheme for new industrial investments supported by SFI and European funds
- Creation of a supportive investment climate to support the proposed mechanism, through the creation of a market parallel to the stock exchange, and by encouraging banks to establish a credit information bureau to support the current services delivered by the Central bank and provide information on the credibility of investors, credit appraisals, and other credit information, etc.
- Establishment of the SMEs Bank, which provides loans for SMEs, financing, coaching and assistance to the SMEs in the creation of their projects from the feasibility study phase through out the project implementation
- Participation of International donors: Besides Government Fund, Tunisia managed to attract funds for its FOPRODI financing program from the following sources:
 - European Investment Bank (EIB)
 - The International Financing Cooperation (IFC)
 - The French Development Agency (AFD)

3.1.1. The Industrial Development and Decentralization Fund 'FOPRODI' (Fonds de Promotion et Décentralisation Industrielle).

The FOPRODI fund is a national fund managed by Venture Capital Investment Companies since 1999. It was created to support investment and promote a new generation of Entrepreneurs. The Main objectives of FOPRODI include:

- Encouraging the promotion of new business leaders

- Encouraging the creation and development of small and medium size businesses
- Boosting regional development

Within a maximum ceiling of 3,000,000 Tunisian Dinars (1TND = 0.8 USD), Venture Capital Company and FOPRODI can jointly participate in the formation of a project.

3.1.1.1 Potential selection criteria for entrepreneurs:

New potential entrepreneurs are individuals who meet the following criteria:

- Have enough qualifications and professional experience.
- Will personally assume full time responsibility for managing the project.
- Do not have sufficient assets required for the project.
- Are undertaking their first investment project.

It is possible to have more than one new Potential entrepreneur for a single project and each of them has to meet the eligibility criteria and to assume the responsibility of managing the business on full-time basis.

3.1.1.2 Selection of Small Businesses:

Small Businesses eligible for getting fund include:

- Businesses with fixed assets and working capital not exceeding 4,000,000 Tunisian Dinars
- Enterprises having already taken advantage of investments from FONAPRA, and FOPRODI and are undertaking new investments for expansion

3.1.1.3 Conditions of the Fund's contribution to SMEs capital:

The following arrangements should be applied when providing the Fund's financing schemes:

- The Fund and the Venture Capital Investment Company should jointly contribute to the capital of the industrial company.
- A contract should be signed between the investor and the Fund by which the investor is obligated to buy the share of the Fund in the company's capital after a grace period of 5 years and to pay an interest rate not exceeding 3% of the nominal value of the shared capital.
- Funds should be distributed into several installments and to be paid to the project in alignment with its progress.
- The Venture Capital Investment Company will carry out the evaluation of the proposed projects. Consequently, it will provide recommendations on the Fund's participation in the capital of the industrial company
- The management of the Fund's assets is performed by the venture capital companies, which perceive 3 % of the committed funds.
- The financing scheme should be divided in equity of a minimum of 30% of the fixed assets and the rest can be covered by a mid/long term credit.

3.1.1.4 Summary of Financial incentives for new Potential entrepreneurs and SMEs:

The Table below summarizes the financial incentives provided to new Potential entrepreneurs and SMEs in Tunisia:

Table 2: Required contribution in Capital equity for new Potential entrepreneurs and SMEs

Equity Contribution Requirements		
Source of Fund	New Potential Entrepreneurs	Small and Medium Enterprises
From VCC (risk capital fund)	Minimum 10% of the capital for investments less than 1 MTD Minimum 20% of the capital for investments exceeding 1MTD	30% of the capital for investments less than 1 MTD 10% of the capital for investments exceeding 1MTD
FOPRODI funds	Maximum 60% of the capital for investments less than 1 MTD Maximum 30% of the additional capital for investments exceeding 1MTD	30% of the capital for investments less than 1 MTD 10% of the capital for investments exceeding 1MTD
Potential Entrepreneur's contribution	Minimum 10% of the capital for investments less than 1 MTD Minimum 20% of the additional capital exceeding 1 MTD	The difference is financed by the Potential entrepreneur and the other shareholders.

Table 3: Financial Incentives for new Potential Entrepreneurs and SMEs

Financial Incentives for new Potential Entrepreneurs and SMEs		
Source of Fund	New Potential entrepreneurs	Small and Medium Enterprises
Studies and Technical Assistance subsidy	70% of the cost of the study with a ceiling of TD 20,000	70% of the cost of the study with a ceiling of TD 20,000
Investment subsidy	10% of the equipment value with a ceiling of TD 100,000	Not eligible
Grants on the costs of the land or industrial building	1/3 of the land price or industrial building with a ceiling of 30,000 TD	Not eligible
Grants to cover the Company's contribution to the legal social security system (CNSS)	During the first five years of effective activity	Not eligible

3.1.2 Support to Venture Capital Companies:

The GoT designed and enforced a law to attract investments in Venture Capital Investment Companies; the law is specifying the following:

- Exemption of all funds invested in the Venture Capital Investment Companies from the investors' tax base. This in return encouraged many investors to reallocate parts of their profits by investing in Venture Capital Investment Companies in order to ease their tax burdens.
- Venture Capital Investment Companies should invest in new industrial companies during a maximum period of five years from the date of its imbursement.
- Allocation of a minimum of 30% of these investments in economic activities or sectors having priority in the Government Economic Plan (such as export oriented sectors, regional development activities, etc)
- Venture Capital Investment Companies is subject to the monitoring of the related government body (The Ministry of Finance/The Central Bank of Tunisia).

3.1.3 The FONAPRA:

The FONARPA Fund (seed capital fund) is aiming at financing micro projects with a capital less than TND 50,000, in the craft industry, trade and services. Eligibility is for any Tunisian national with enough professional experience and is personally assuming the responsibility of managing the project on full-time basis.

FONAPRA Fund support includes:

- Investment allowances reaching maximum TD 10,000 reimbursable over a period of 11 years with max 7 years grace period and with no interest obligations
- Investment allowances equal to 6% of the investment, paid in two installments:
 - 50% to the project owner
 - 50% to the project-launching program
- A mid-term bank loan granted based on the feasibility study. A specialized bank (Solidarity Bank) has been created by the Tunisian Government to manage this fund and finance micro projects.

3.2 The Tunisian for Company Creation:

The Center was founded in 1990 as one of the main departments of the Tunisian Agency for Industrial Development (TAID) with the objective of developing entrepreneurship and supporting the creation of new projects. Through the Center new potential entrepreneurs are supported to transform their feasible business ideas into real business, and accordingly this will open new job opportunities for the Potential entrepreneurs themselves and other workers as well. The Center's targeted projects include both industrial projects and the related supporting services projects.

The Center provides wide range of services covering the different development phases of a project; starting from the business idea and the feasibility study through out to the, business planning, financing, launching and implementation.

The Center services include the following:

- Training courses organized in co-operation with the Tunisian consultancy companies covering topics such as feasibility studies, marketing, financing, technical studies and business planning
- Providing advisory and consultancy services for new investors during the different phases of their projects
- Providing information, reading material and periodicals related to investment regulations and other related topics
- Business Incubator facilities: providing housing, managerial, technical and research services. Currently the Center is running four incubators at four universities. Each incubator benefits from workshops, research and testing facilities available at the universities

3.3 Business Centers

The GoT created 27 Business Centers, one in each governorate working as a “one-stop shop” that combine the trade information and expertise, the client-based knowledge of the Small Business Development General Directorate and the financial assistance and guidance available by the Bank of SMEs, Venture Capital Companies, Solidarity Bank, FOPRODI and FONAPRA, in addition to the technical expertise of incubators and Technical Centers.

These Business Centers work in co-operation with PMI, an EU technical cooperation project, to provide the following:

- Training courses covering topics such as feasibility studies, marketing, financing, technical studies and business planning
- Advisory and consultancy services to new investors through out the different phases of their projects

3.4 Investment Incentives granted for Industrial and Supporting Services

Details on the benefits granted in Tunisia according to TAID: Tunisian Agency for Industrial Development, to investments in industrial and supporting services. See www.tunisieindustrie.nat.tn

The summary of these benefits and related consultant's comments are as follows:

3.4.1 Common Incentives

- Tax relief for shareholders up to 35% of profit or net revenues subjected to corporate tax, or in other cases, exemption of the net personal income tax.
- Tax relief on profits re-invested back in the company up to a limit of 35% of the taxable corporate profits.
- Exemption from customs duties and similar taxes in addition to exemptions of the Value-Added-Tax (VAT at 10%) payments for imported equipment that has no locally manufactured equivalent.
- Suspension of the VAT for locally manufactured equipment purchased before the enterprise starts production and payment of VAT (10%) for locally acquired equipment will be after activating production.

3.4.2 Specific Incentives

Additional specific financial and tax incentives can be granted for the following activities:

3.4.2.1 Exports

- Totally Exporting System
 - Free zone system
 - 100% deduction of the tax base on revenues or profits generated from exports during the first 10 years of activity and a 50% deduction thereafter.
- Partially Exporting System
 - 100% deduction of the tax base on revenues or profits generated from exports during the first 10 years of activity and a 50% deduction thereafter.
 - Reimbursement of customs duties and similar taxes on goods and inputs used in the manufacturing of export products (re-export purposes)

3.4.2.2 Regional development

- Investment subsidy of 15% or 25% of the total investment excluding working capital
- Exemption of 50% - 75% of the amounts committed by the company to cover the employer's contribution to the Social Security System
- Expenses of government investments in infrastructure as a subsidy for 5 years starting from the effective activities start-up date
- Tax incentives:
 - 100% deduction from the tax base on income or profit for the first 10 years and 50% deduction for the following 10 years
 - Total tax relief for the shareholders
 - Total tax relief for companies that re-invest back in the company's activities

3.4.2.3 New potential entrepreneurs and Small and Medium Sized businesses

- Studies and Technical Assistance subsidy
- Investment subsidy
- Handling by the government the costs of the land and the industrial building
- Handling by the government the employer's contribution to the legal Social Security System

3.4.3 Training support and incentives:

The training system is supported by the private sector through co-ordination and partnership. The private sector pays contributions of 1% of the total wages of their employee and is offering the possibility to reimburse costs of training through fiscal deductions.

In Tunisia, full training support (free of charge) is provided to enterprises with less than 100 workers. In addition to a subsidy of 50% of the training costs if related to the introduction of new technology.

Tunisia is aware of the importance of globalization, the urgent need for education-industry interface and international co-operation.

The labour force in Tunisia is classified at five levels, jobs are well structured and described, 382 jobs groups are identified and sub-divided into 802 occupations.

Tunisia has acquired an advanced position (quantitatively and qualitatively) in the area of staff training. The country succeeded in securing funding for training through the effective participation of the private sector. Also, Tunisia gave priority for the development of training through the adoption of the 'dual-training' system and the establishment of specialized centers to train the trainers. Several institutions are in charge of training, planning, management and execution of the TVET system.

3.4.4 Main Training institutions:

3.4.4.1 The Tunisian Agency for Job Placement (TAP),

Assisted by specialized "labour offices", focusing at providing jobs for trainees after their graduation.

3.4.4.2 The Tunisian Agency for Vocational Training

Services cover all the specialities and main industrial governorates. They provide vocational training through specialized training centers covering all the governorates.

3.4.4.3 Center for Training of Trainers:

The Center is one of the most important centers founded by the Ministry of Vocational Training and Employment. It employs 120 staff members occupying a 900 square meter office.

Functions and responsibilities

- Development of training programs including:
 - Comprehensive upgrading and updating of existing programs
 - Designing and preparing training programs for new specializations
 - Monitoring the vocational training centers
 - Updating the training standards in the VTC
 - Conducting researches on new developments
- Instructors' Training, paying attention to:
 - Pedagogical training (instructional techniques)
 - Technical training
 - Up-grading
 - Specialized training

Training Sectors:

- Electricity and electronics
- Metal and mechanical field
- Energy and electro-mechanics
- Tourism and craft industries
- Non-solid materials
- Semi-medical devices
- Civil engineering
- Food processing

The Basic Plan for Training of Trainers:

Trainers according to the plan should participate in the following training strategies:

- Vocational training and orientation on the instructors' profession
- Placement in vocational training centers
- Placement in enterprises
- Pedagogical training
- Applied training
- Student counseling

Training Programs Development

Steps followed to design and develop training programs are as follows:

- Job analysis
- Design of the curricula covering the detailed competencies needed to perform the targeted job
- Pedagogical guide: how to teach the skills
- Organizational guide: What are the organizational conditions that should be there to undertake effective teaching
- Evaluation guide: how to evaluate the teaching process

3.4.4.4 The National Center for Continuous Training and Job Upgrading (CNFCPP)

CNFCPP is an independent public institution established in February 1993 supervised by the Ministry of Vocational Training and Employment. The institution is employing a staff of 192 members, of which 89 are involved in technical training.

Mission:

- Enhancing human resources development activities within SMEs through the implementation of continuous training programs and occupational standards
- Providing training assistance to enterprises
- Developing relations for mutual co-operation

Services Offered:

The Center offers advanced mechanisms for the basic technical training and also offers capacity building programs for the different sectors. Support is provided through the following:

- The National Program for Continuous Training:
Targeting the Small and Medium Enterprises employing less than 100 workers and providing free of charge training
- Expenditure on Vocational Training:
SME expenditure on vocational training is reimbursed by deducting the costs from the training charges and duties previously paid to the government.
- Program for Technological Investments:
The government pays 50% of the training costs if the training is related to the use of modern technology that will lead to increasing and improving productivity.
- The Vocational Qualifications and Placement Fund:
 - Refund of 70% of the costs of Training Needs Assessment Studies and Training Plan Development activities through tax deduction.
 - Refund of the costs of capacity building and training activities for new occupations (retraining).

3.4.4.5 The National Observatory for Training and Employment:

The center is responsible for issuing information, data and statistics related to the labour market. The center publications include the National Dictionary of Occupations in Tunisia classifying 382 occupational groups and sub-dividing them into 802 jobs. The guidelines for occupational standards and job classification are distributed for all SMEs and certified industries accredited by the center in addition to other certain information about:

- The level of training
- Training time
- Assessment procedures

4.0 PROMOTIONAL ACTIVITIES CONDUCTED TO PROMOTE THE TUNISIAN INITIATIVE

Public staff restructuring Initiative was treated as a first priority for the GoT supported by political consensus and personal follow up of the President of the Republic. Accordingly several awareness campaigns were organized and conducted in the different governorates of the Republic to promote the initiative among all the concerned parties including: The

Public Staff Department, Public Enterprise Department, SME Development General Directorate, Venture Capital, The SME Financing Bank, Solidarity Bank, Tunisian Agency for Industrial Development and Spin-off Supporting Institutions.

The awareness campaigns were aiming at promoting the entrepreneurship culture among targeted Potential entrepreneurs and public staff. Seminars and training courses were also conducted in universities with the aim of promoting entrepreneurial values among students and developing knowledgeable and technological entrepreneurs through the academic programs.

5.0 INTERNATIONAL BEST PRACTICES

The Tunisian experience has been guided by international best practice and was mainly based on the French experience; in addition to other Spin-off experiences implemented all over the world, including Australia, Taiwan and USA.

The unique feature of successful Spin-off Supporting Institutions and SME Development Agencies around the world was relying on having a clear underlying philosophy about their mission and the way they conduct their business. Their operational programs and actions are guided by a coherent set of principles; these principles are usually set out clearly at the time of the agency's foundation but are often updated as the agency gains more experience.

The Tunisian initiative was built around a set of guiding principles including:

- Voluntary participation
- Private Sector influence through effective participation of the Business Association in decision making
- Sustainability through demonstrated value for the economy
- Benchmarking against best international practice
- Accountability through publication of quantifiable annual targets
- Transparency through clarity and simplicity of procedures
- Cooperation with Donor Programs
- Operational freedom to execute mandate
- Outsourcing consultancy services
- Market Driven Economic Environment
- Positive 'mindset' in an entrepreneurship culture

6.0 ACHIEVEMENTS, CHALLENGES AND RECOMMENDATIONS FOR ADOPTING THIS EXPERIENCE TO JORDAN:

6.1 Achievements:

The target of the Spin-off Initiative is to create 600 Spin-off Companies, with a total investment of TDN 60M by 2009 where the investment amount per company should not exceed 4 millions TDN 4M

According to the Director of the Spin-off Directorate, achievements to date were approximately as follows:

- 115 projects, employing 1542 staff has been created and 67 of the projects were originally initiated by civil servant. For each project, an agreement was concluded between the Spin-off Company, the Spin-off Supporting Institution and the Ministry of Industry; Energy and SMEs.
- 33 Spin-off Supporting Institutions were created including: 10 public institutions (CPG, TUNISIE TELECOM, STEG, SONEDE, CIOK, SNCPA, ONAS) and 23 private companies (POULINA, DOGHRI GROUP, JILANI GROUP, BENETTON).

The Spin-off Companies are covering different kinds of projects including Micro Companies, Small and Medium in various sectors: Handicraft, industry, services (ITC, Call Centers) and agro-business. The Spin-off Fund is currently estimated at 4 millions TND.

6.2 Case study:

This case study gives an example of the proposed financial structure of a Spin-off Company producing and exporting jeans. This project has been originally promoted by a civil servant who left a public company.

Project Financing

The cost of investment is TD 300,000 (1 USD = 1.25 TND) financed through the following financing mechanisms:

- Equity Capital: TND 120,000 representing 40% of the cost of investment
- Bank loans: TND 180,000 representing 60% of the cost of investment

The Equity Capital was financed by four different parties including:

Table 3: Financing sources

Financing sources	
Organization	Contribution to the Equity Capital
Spin-off Fund	20%
SME Investor	20%
Investment Fund	40%
Venture Capital Investment Company	20%
Total	100%

Whereas the Bank loan is provided by the SME Bank, 50% of the bank loan constituting 60% of the investment is guaranteed by the Loan Guarantee Scheme.

Other Investment Support and Incentives

In addition to that, the project was receiving other investment support and incentives including:

- Investment subsidy of TND 30,000 provided by the Tunisian Agency for Industrial Development

- Half the salary of the Spin-off Company founder provided by his previous employer (public company)
- Subsidized Cost of the Feasibility Study
- Coaching and guidance on purchasing the equipments and the raw material
- Financial and technical coaching
- Vocational training for the project's employees

6.3 Challenges

The Workers' Trade Union accepted with difficulties the initiative for public staff restructuring through the Spin-off mechanism. At the time when the initiative started they seriously doubted the success of the Spin-off Companies concept and they believed the Spin-off Mechanism only served the Government in getting rid of the over sized staff. As a result of the intensive awareness campaigns, they currently accept and support the change.

The implementation of the awareness campaigns and the wide dissemination of success stories succeeded in convincing Trade Unions and civil servants about the importance of the opportunity offered by the Government.

On the other hand, the Spin-off Supporting Institutions lack the required capacity to implement the Spin-off Mechanism and staff re-structuring. The involvement of qualified expertise to assist in the identification of the activities to be outsourced by the Spin-off Supporting Institutions is a prerequisite for the success of any Spin-off project. The identification of relevant project ideas and coaching support are also prerequisites for success.

7.0 RECOMMENDATIONS FOR JORDAN:

7.1 Lessons Learned

Lessons learned from Tunisia experience in public staff re-structuring:

- The need to link public staff re-structuring to SME development activities and programs
- Staff re-structuring should be done gradually and voluntary and should be compensated by substantial subsidies
- The need to reduce the reluctance of public staff in participating and to promote the entrepreneurship culture through awareness campaigns
- The need for a supportive business environment to MSME development. This means:
 - A strong commitment to shift towards a private sector driven economy
 - Stable and simple rules of taxation
 - Efficient and independent system for enforcement of contracts and other legal obligations
 - Enforcement of Competition Law
 - Simplified investment, export and import procedures

- Supportive financing mechanisms for MSME creation
- Macro-economic incentives
- The need for highly quality services provided by supporting institutions
 - An Investment Development Agency implementing simplified procedures easing company creation, incentives approval and collection implemented by The Industrial
 - Availability of regional business centers to assist, coach and train MSME Potential Entrepreneurs during the incubation period and to enhance MSME development during the implementation phase
 - Availability of dedicated Funds to MSME facilitating access to the needed investment capital
 - Availability of strong management and vocational training institutions easily accessible by MSMEs
- The need to designate a champion to coordinate the whole activities within a comprehensive program and in a network with all supporting institutions
- The commitment of the Government and the supporting institutions is necessary for the success of the program.

7.2 Recommendations for Jordan:

By reviewing the Tunisian experience in implementing the Spin-off Mechanism the Consultant was able to formulate the following recommendations:

- Staff re-structuring is a vital part of the labor market restructuring aiming at achieving optimal distribution of human resources, and leading educated and qualified staff to shift from working with the un-productive public sector towards the highly productive private sector.
- The main objective of the public staff re-structuring project should be to build and strengthen a more sustainable leading position for the private sector, and make the private sector an engine of growth for the Jordanian economy.
- In order to enable labor market re-structuring and private sector development, this initiative should be presented as a staff re-structuring project directly linked to MSME development.
- Staff re-structuring in Jordan will bring up a highly sensitive issue, Jordan social stability, which is one of the most important comparative advantages of Jordan. Therefore, to support social stability there is a need to work on reducing the painful side effects of staff downsizing and to take a diplomatic approach to limit conflicts and problems that might rise. These could include labor strikes, demonstrations, and drop in productivity levels. Accordingly, staff downsizing should be done gradually and on a voluntary basis. It should also be supported by substantial subsidies from the GoJ.
- Staff downsizing should be accompanied by wide awareness campaign to enhance the entrepreneurship culture, to overcome the reluctance of the public staff for participating in any staff re-structuring program and to eliminate the negative perception of businesses among new educated entrants and existing civil servants.

- The Spin-off Mechanism is an effective way to bridge the gap between the private and the public sector, to alleviate the burden of the bureaucracy and to limit its resistance towards private sector development. It increases the potential for big private companies to outsource some of their activities to MSMEs and it will help some of the privatized companies in staff re-structuring and activities outsourcing. Outsourcing of the Spin-off Supporting Institutions activities will increase the public staff options and opportunities to create their own business projects.
- The Spin-off supporting institutions should be from both, the private and the public sectors and the projects should be a private and public sectors joint initiatives.
- The involvement of qualified expertise to advise related parties on the right activities to be outsourced, assist in identifying projects ideas and, to design staff re-structuring Programs and continuously provide coaching and guidance needed is considered a prerequisite for the success of the project.

7.3 Further steps:

There is a need for studying the possibility of designing a model for Public staff re-structuring in Jordan through a Spin-off Mechanism while benefiting from lessons learned through the Tunisian experience and the other international best practices in the development of MSME, public staff and institution.

7.3.1 Objectives

The objectives of the study should include the design of:

- A Jordanian model of public staff re-structuring through a company Spin-off Mechanism taking into consideration the above mentioned findings of this study.
- A pilot program led by Greater Amman Municipality (GAM) for implementing the model GAM, according to the briefing provided to the Consultant by SABEQ, is “financially independent with a significant turnover in revenues, overstaffed, and undergoing intensive re-structuring and simplification of procedures that might imply the need for downsizing of employees.”

7.3.2 Tasks and Activities

The main tasks and activities of the next study should include the following:

- Overview of mechanisms, systems and programs available in Jordan to develop MSME: The enhancement productivity program under the Ministry of Planning, the loan guarantee schemes, micro credit, venture capital, incubators, start up programs; investment environment and incentives.
- Conduct interviews with concerned public staff and overview of existing studies, policies, systems and practices regarding staff re-structuring, the role of the private and the public sectors in the Jordanian labor market, and the over staffing of government institutions and public companies and determine the related burden on the government budget.
- Assess the overstaffed situation of the GAM as well as the undergoing intensive re-structuring and simplification of procedures and identify activities that could be outsourced and performed by Spin-off Companies.

- Identify the targeted staff willing to participate in the creation of Spin-off Companies.
- Design a mechanism to identify other activities underpinning the creation of additional Spin-off Companies within available MSME supporting programs (the enhancement productivity program under the Ministry of Planning, Industrial Development Bank, Investment Funds, Venture Capital Companies, incubators, and start-up programs, etc).
- Evaluate the needed support that GAM could provide to Spin-off Companies: Fund to co-share equity with spin-off companies, logistic support, coaching, counseling and training, sales support within GAM's procurement program, leave and eventually half salary of involved staff.
- Benchmark the Jordanian MSME development system and incentives with those of Tunisia and identify improvement required for institutional strengthening, regulations and incentives to primarily support GAM staff to create their own companies and secondly, to establish a National Spin-off Mechanism for Jordan.
- Confirm the feasibility of the pilot program and determine the gains for the economy, and for GAM.
- Design for GAM a staff re-structuring and spin-off strategy and action plan with specific objectives in terms of expected number of Spin-off Companies, the targeted staff and the needed supporting budget.
- Formulate the needed Government support to Spin-off Companies, involved public staff and GAM.
- Formulate complementary measures to implement the system including training of the related staff, awareness campaigns, assistance to the creation of MMSE, mentoring and institutional support to GAM.
- Formulate the needed technical assistance to be provided by SABEQ to support the pilot program as well as the obligations of each party involved in the project.
- Present the study's findings in a workshop grouping the stakeholders.

7.3.3 Assumption:

The underpinning assumption is that the pilot project will be successful and will be replicated to many Spin-off Supporting Institutions within a comprehensive National Staff Re-structuring Program.

7.3.3 Risks:

The number of targeted GAM employees expected to create their own company and the number of identified activities that could be outsourced to be conducted by Spin-off Companies are insufficient to make the project cost effective. The importance of GAM and the diversification of its activities will make this risk minimal. In any case, the extension of the project to another highly committed company or institution will create a synergy between GAM and the other selected institution and will optimise the project results.

APPENDICES

Appendix 1 List of interviewed staff

Mohammed Aghrebi, Director General of the SME Development General Directorate, Ministry of Industry, Energy and SMEs

Tahar Lassoued, Director of the Spin-off Directorate, Ministry of Industry, Energy and SMEs

Ridha Touiti, Chaiman and CEO of the Tunisian Chemical Group, a spin-off supporting institution

Mohamed Sabbah, Director of the spin-off unit of the Tunisian Chemical Group

Mongi Jelaiel, Chaiman and CEO of SNCPA: National Company for Production of Paper and Cartoon, a spin-off supporting institution

Mahmoud Khalifa, former civil servant who leaves the Tunisian Office of Cereals to create his own company

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