

This Case Story was submitted to the 2016 CLA Case Competition. The competition was open to individuals and organizations affiliated with USAID and gave participants an opportunity to promote their work and contribute to good practice that advances our understanding of collaborating, learning, and adapting in action.

Adaptive Management in the Context of Job Creation, Tunisian Business Reform & Competitiveness

Jim Defay

The Pragma Corporation



ARAMYS, a Tunisian company that received assistance from the project. USAID BRCP Project.

What is the general context in which the story takes place?

As a middle-income country with an established economy and democratically elected government, Tunisia is a key advocate for stability and democracy in a conflict-affected region. However, Tunisia's economic development is hindered by structural inefficiencies, poor resource allocation, and low productivity. Tunisia's economic challenges, the persistence of corruption and cronyism, and lack of inclusion have contributed to regional disparities and unemployment which disproportionately affects youth, university graduates, and women.

Tunisia, like other Middle East countries, faces a youth bulge. Over 15% of the population is between the ages of 15 and 24. Meanwhile, youth unemployment is over 30%, and unemployment for college graduates is nearly 50%. Yearly, 60,000 college graduates enter the labor market, while only 35,000 jobs are created. The Government of Tunisia's efforts to address these problems in the post-Arab Spring environment have fallen short of expectations, fueling widespread disaffection.

The USAID Business Reform & Competitiveness Project (BRCP) is a 3-year job creation program (2014-2017) implemented by the Pragma Corporation. Through an organized learning process built around feedback from both the local environment and within the project, Pragma is successfully

implementing a highly structured program to effectively target key competitiveness constraints facing Small and Medium Enterprises (SMEs) in high potential sectors of the economy. Key stakeholders are private enterprises, educational institutions, banks, and public institutions at both the Ministry and Agency level. While the focus of the activity is at the firm level, the ultimate beneficiaries are the unemployed, who will have more possibilities for real and sustained jobs.

What was the main challenge or opportunity you were addressing with this CLA approach or activity?

BRCP's main goal is the creation of robust, sustainable employment for people in Tunisia. The project was originally designed to focus on leveraging job creation through work with enterprises and through job matching. One area of initial focus for enterprise work was the skill gap in Tunisia. The Tunisian educational system is state-run, focuses heavily on theoretical knowledge, and over time has come to face real challenges in terms of the quality of education. Standards in languages, for example, have fallen; even highly-educated graduates with tertiary degrees may lack common soft skills such as collaboration, as well as basic ICT skills like word-processing. As a result, there are many otherwise highly qualified candidates who lack certain, specific skills. The strategy was to identify enterprise needs and design volume-based training those areas in order to unlock the potential of the workforce to drive business competitiveness and thus create more jobs.

However, this formally structured pre-employment training was not delivering the expected results. Through close work with the enterprises, and ongoing feedback from these relationships, project management began to focus on market exigencies and management constraints within the companies, which led to the first significant adaption in the project's approach. In order to spur hiring, the project began focusing technical assistance to enterprises on accessing existing market demand. That is, BRCP sought to work with management to identify promising market opportunities, and then to focus on technical assistance geared towards allowing enterprises to meet this demand, grow, and hire.

The approach that was subsequently developed allowed the project to function very effectively in an environment with high uncertainty. In addition to social, political, and security uncertainty in post-revolution Tunisia, there is also a large division between the coastal and interior regions in terms of economic development. In short, the most-resource effective way to help create jobs may depend on the company's geographic position, or on the effect of the security environment with foreign buyers in the sector, as well as conditions endemic to the Tunisian economy. A buyer-led approach, focusing on marketing demand, allowed the project to communicate very effectively with enterprise partners as it naturally aligned project goals of employment creation with enterprise partner business goals. It also demanded flexibility (being able to respond a variety of types of technical assistance, and later overall assistance, according to the opportunity) and made information flow a key component of initiative structure as technical assistance agreements required shared vision as an input.

The current approach to enterprise assistance, based on an evolution of this process, is to identify key constraints to the ability of SMEs in high-potential value chains to grow their companies and create jobs, to work closely with these partner enterprises to build a shared vision, and to provide



USAID
FROM THE AMERICAN PEOPLE



co-funded technical assistance to improve the competitiveness, growth, and hiring of partner enterprises.

Describe the CLA approach or activity, explaining how the activity integrated collaborating, learning, adapting culture, processes, and/or resources as applicable.

As the project unfolded, there were a series of adaptations not only in enterprise assistance, but in other components of the project, as well as project-wide. Collaboration was a key part of the early project design. The implementing corporation, COR, and stakeholders were involved in the shaping of the program. Beginning with the initial 100 enterprises, they triangulated a cost per job indicator, which allowed a threshold to be set for cost sharing with the firms. This cost-sharing formula, and the development of a value proposition (the needs of the partner firm, how they will be addressed, expected results), were a result of a successful collaboration to meet project efficiency goals, as well as ensure buy-in and satisfaction with the process from partner enterprises.

The flexibility allowed by this close collaborative working environment allowed the project to begin to adapt. Based on these management targets, BRCP recognized early flaws, responded to partner feedback, and began to alter its approach to improve the results of tracking. At its most basic, the goal of the project's main component was to provide technical assistance linked to job creation. This raised a variety of questions, including how to gather information about enterprise needs, how to prioritize types of technical assistance, and how to verify results. The initial approach, based on general observations about the Tunisian economy, proved to be rigid and less practically effective than anticipated. The focus then began to shift to the enterprises to find out why the technical assistance interventions were not meeting project goals, which in turn led to a focus on the self-identified demands of partner enterprises, as corroborated by existing market demand for particular competitiveness enhancements. Following this, enterprise information and relationships became very valuable. A new, improved partnership agreement (PA) was designed, together with a more central role for M&E in designing PAs to ensure both traceability as well as compliance by being upfront with potential partners about what information and processes would be expected from them. The project came to rely more heavily on local staff who proved more effective at meeting and establishing relationships with potential partner enterprises. In brief, by continually targeting project performance goals, and being willing (and able) to change the approach and design of the project, the project has improved measurably and has now successfully reached a variety of ambitious goals despite an uncertain environment.

The same approach was also successful with job fairs. Job matching is typically accomplished through large job fairs with the goal of achieving economies of scale, however tracking revealed the success rate of the job fair approach – through a number of different attempts – was extremely low at 3%-5%. Through collaboration with partners, a variety of problems were identified including weak candidates who were not appropriately pre-screened or prepared, as well as enterprises utilizing the job fairs as broad publicity exercises rather than approaching them with urgent, well-defined hiring needs. The teams worked through a series of potential ideas before settling on far more successful models involving more intensive collaboration with motivated partners, more up-front time with candidates, and smaller enterprise and career days.



USAID
FROM THE AMERICAN PEOPLE



The project now has several strong feedback loops into the project design, which share information from different project components. For example, the enterprise information and experiential database created from working with over 250 enterprises has been a valuable tool in prioritizing market-relevant educational curriculum reform work. The project's job creation, job matching, and access to finance components regularly share information, participating in other component meetings and communicating with M&E in a structured manner in order to efficiently follow leads and identify opportunities.

Were there any special considerations during implementation (e.g., necessary resources, implementation challenges or obstacles, and enabling factors)?

There were a variety of challenges in project implementation, most notably the uncertain and changing environment in Tunisia. The changes in the security environment following the attacks in Sousse, Bardo, and Tunis were substantial. These impacted project areas of focus (such as tourism) as well as the network of partners with which the project worked. One goal the project is still in the process of working out is how to effectively generate more robust penetration into the interior of the country. This effort was set back by the uncertain security and political environment; however, the project is optimistic that it will be able to continue to respond to the different conditions in these areas by continuing to utilize the approach of learning-based adaptation.

There were also endogenous economic factors, including the continued weakness of traditional European export markets for Tunisian products and the investor uncertainty associated with multiple terrorist attacks, which negatively impacted export-related sectors. Based upon targeted demand analysis, and a prioritized focus on the key technical/training support needs of partner firms to meet that demand, BRCP provided strategic technical collaboration resources designed to facilitate export and job expansion in key sectors, including certifications for international business and trade missions to help Tunisian enterprises penetrate major export markets. This helped counteract the impact of soft demand in Central European markets in critical sectors such as textiles, for example, and helped spur export and job expansion in the face of major constraining exogenous factors.

With your initial challenge/opportunity in mind, what have been the most significant outcomes, results, or impacts of the activity or approach to date?

During its first two years:

- BRCP generated approximately *10,000 jobs* – more than doubling initial targets, at an extremely low cost per job - *\$1000/job*. This is the equivalent of approximately 10% of net new jobs created in Tunisian economy. About 35% of all jobs leveraged have been filled by women
- Established a network of 32 Career Development Centers to support job matching activities.
- Facilitated approval of 12 market-relevant curricula with tertiary educational institutions.



USAID
FROM THE AMERICAN PEOPLE



Monitoring & Evaluation (M&E) became a central part of the project. The project M&E team operates during the design of initiatives in order to ensure the existence of proper tracking approaches as well as to spot potential areas of concern early. Once a partnership agreement is signed with a firm, the project M&E team tracks the performance of the agreement frequently (basically in “real-time”) over its life. This allows the management team to adjust its approach if efficiency targets are not being met, and provides a source of information for comparison to later tracking in order to provide a perspective on the assistance.

The M&E team also serves as an information center for the project, managing information flow throughout the project. BRCP has a variety of feedback loops within the project to enhance the functioning of project components. The monitoring team, for example, is in constant contact with the job creation team. This allows the team to identify quickly if targets for cost per job or number of jobs created are unlikely to be met. With this knowledge, the business advisor can return to the company during the PA implementation to address the issues.

The monitoring team also tracks project activities and the active pipelines in order to identify opportunities for components to work together or with one another’s prospected leads.

What were the most important lessons learned?

Elevating the role of Monitoring

From the beginning BRCP has placed the monitoring team inside of management – they are a core part of the management decision making process. This role has only increased, due to the centrality and importance of information gathering and processing within the project, often in near-real time.

Don’t over-design the implementation approach up front

The initial design for BRCP dictated end results, but left the implementation approach to Pragma. There was little opportunity for on-the-ground management as USAID did not have a presence in country. Therefore, Pragma had significant leeway to learn and adapt through trial and error. Nevertheless, the relationship between Pragma and USAID has been positive and highly collaborative.

Facilitation skills are difficult to find

During year one the team discovered that it was difficult for expatriate advisors to play the type of facilitation role called for by the approach. Gradually, the activity came to rely on dual citizen and local resident Tunisians, who are adept at facilitating, brokering, and negotiating with local enterprises.

Flexible mechanism is needed.

This activity needed flexibility to be able to dramatically alter the implementation approach and create its unique monitoring framework. The contract mechanism was sufficiently flexible to achieve results by taking advantage of realistic intervention opportunities, with a network of partners that were never originally envisaged.



USAID
FROM THE AMERICAN PEOPLE



How will your organization use this experience moving forward?

One of the project's primary goals is now to use this experiential database and this adaptive design to approach a higher-level impact across sectors and regions. That is to say, looking at constraints that affect sectors and regions in the same adaptive feedback-oriented way, and then tailoring project intervention through cross-provision of services and information sharing, to enhance project impact across designated sub-sectors, sectors, and/or regions.

The CLA Case Competition is managed by USAID LEARN, a Bureau for Policy, Planning and Learning (PPL) mechanism implemented by Dexis Consulting Group and its partner, Engility Corporation.

