

Executive Summary

Digitalization as a lever to promote entrepreneurship and business development in Tunisia



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Mashrou3i is a public-private partnership project implemented by the United Nations industrial development organization (UNIDO) funded by the United States Agency for International Development (USAID), the Italian Cooperation (AICS), and the HP Foundation with the support of the Tunisian government. The main achievements of the project, from October 2016 to September 2022, include the creation of more than 6,025 jobs, 68% of which are held by women, and more than 30,000 Tunisians have benefited from entrepreneurship training. In addition, the following activities have been carried out: coaching of more than 800 start-ups; capacity building of 130 companies in the interior regions; awareness raising and specific workshops on entrepreneurship for 2,000 students; and capacity building of 46 entrepreneurship educators in partner universities through the HP LIFE e-learning platform and online courses.

Today, there is a strong belief that the digitalisation of the economy and the spread of digital technologies have an impact on the creation of new businesses and the development of existing ones. This summary seeks to provide some answers based on lessons learned during the implementation of the Mashrou3i project. While the main objective of the Mashrou3i project was not focused on digitalization, it must be acknowledged that digitalization and the use of digital technologies have been omnipresent in the activities of the beneficiaries and the implementation of the project. The results are based on a qualitative study (25 interviews conducted with the project's beneficiaries, coaches, experts, and project partners) and a desk review of the most recently published research and existing materials on this subject in Tunisia.

In our analysis, we refer to digitalization as the process of changing an organization or system through significant improvements to its properties through the use of information and communication technologies. These changes can be continuous or discontinuous, short or long-term.

A Tunisian digital trajectory with little orientation towards business services

Since the 2000s, Tunisia has considered digital technologies to be an important lever for economic and social development. The country seeks to take advantage of digitalization to accelerate the creation of businesses and the fight against unemployment. Plans, policies, and strategies have been developed to this end. In addition, the National Strategic Plan (NSP) [Digital Tunisia 2020](#) has been put in place to unlock Tunisia's potential through digital technologies. It is based on the following four axes: Infrastructure, e-Gov, e-business, and Smart Tunisia. This plan was endowed with a budget of 5.5 billion Dinars for the period 2014 to 2020. The objective of the strategy was to make Tunisia an international digital hub and to promote ICT as an essential lever for socio-economic development. Unfortunately, the achievements that have been made have been only partial and below expectations.

A new plan [Tunisia Digital 2025](#) is being implemented given the poor performance of the previous plan. This plan aims to reduce the digital divide, promote the digitalization of education, the transition to e-administration, support entrepreneurship, and innovation, the implementation of the national cyber security strategy, and strengthen digital sovereignty.

One of the most significant advances in the last decade concerns the adoption of the Startup Act in October 2018. The new law has solved many problems for startups such as administrative issues, problems in exporting services, international money transfers, recruitment of international staff, etc. As of February 2022, 709 startups have received the startup label. One of the most relevant indicators, which highlights the development capacity of startups, is the number of jobs created. On average, each startup awarded the label employs more than 11 people.

Many other legislative advances are adopted (such as the law on crowdfunding, electronic signature, etc.) but their actual implementation is still problematic due to the legal uncertainty that surrounds them. The legislative framework has not yet made it possible to simplify the procedures for businesses today.

Innovative digitalization practices in the framework of the Mashrou3i project

Our qualitative study clearly shows that innovative practices and digitalization transformation have been progressively put in place within the framework of Mashrou3i's project in Tunisia. This has helped beneficiaries to reap the digital dividends and accelerate the development of their businesses. In particular, eight lessons are worth highlighting. We propose to return to them here in summary form.

An acceleration of digitalization during the COVID-19 period was felt by the project's beneficiaries.

For many project beneficiaries, periods of confinement or restriction of the movement were associated with the discovery of new tools, opportunities for market expansion and sales outside their (distant) home regions, online resources, and interactions with competitors and online partners. The COVID-19 crisis has focused attention on digital and associated opportunities. The shift to online learning has changed the perception of the digital world and the opportunities associated with it.

Digitalization is a powerful tool for spreading entrepreneurial culture. The increase in equipment combined with a boom in usage during COVID-19 has had a positive impact on the diffusion of the digital entrepreneurial culture in the interior regions of Tunisia. The entrepreneurial culture has been boosted by positive communication on entrepreneurship, the valorization of success stories and best practices, and their distribution on the Internet. This has influenced young people in their choices through contagion and imitation. Social networks are a powerful vector of influence on the behavior of Tunisian youth. The choice of the Mashrou3i project to rely on online platforms to promote a new entrepreneurial culture in the regions have had a significant positive impact.

To this end, Mashrou3i has developed and shared over [350 entrepreneurial success stories](#) over the years. There are more than 37,250 followers of Mashrou3i's Facebook page where these stories and economic opportunities are promoted and shared: <https://www.facebook.com/Mashrou3i.tn>

Digitalization accelerates learning in the field of entrepreneurship. The project adapted during the COVID-19 period to the new situation by offering online learning and assistance. This has been a challenge for many coaches, leaders, and learners. Overall, the adaptation was judged, by both coaches and beneficiaries, to be positive and quick. The level of digital skills required to master the platforms and functionalities of HP LIFE, Zoom, or Google Meet is low. They were mastered very quickly. Self-training was also reinforced. In addition, individuals sought to develop their skills and knowledge on their own on the internet. This form of learning has become part of daily practice and has helped consolidate many business creation projects.

Individual online coaching is possible and is increasingly accepted. For some beneficiaries, online coaching is a perfect substitute for face-to-face coaching (F2F) and gives them more flexibility. For others, however, there is no substitute for F2F coaching sessions. This preference for the F2F model was expressed by some coaches and beneficiaries. The results show that the online mode is preferred by women. The gender aspect is present. Many beneficiaries (women) reported that it helped them a lot to reconcile family and professional life. The profile of the coaches also seems to be a determining factor in the acceptance of online coaching.

The digital world: a new source of inspiration and innovation. The Internet and the digital world are a space that favors the diffusion and exchange of ideas. In this respect, it allows companies to increase the level of innovation and improve products and production processes. Beneficiaries of the Mashrou3i project have confirmed that the Internet has allowed them to find new ideas for their businesses and is an inexhaustible source of inspiration. The digital space provides access to a variety of ideas, models, prototypes, and tools. All of these elements allow entrepreneurs to develop their original ideas and find new ones.

Digitalization as a means of market expansion and business model transformation. The development of digital platforms, as well as the use of social networks, has expanded the market opportunities for Tunisian entrepreneurs and businesses. Launched in regions with small market sizes, businesses have been given new opportunities through the digital world. The Internet has made it possible to serve consumers located in remote areas. This possibility opens new perspectives for recently launched companies. Faced with this new situation, many companies have changed their business model quickly by opening up to multi-channel strategies. Online sales seem to be becoming more widespread and are becoming more commonplace.

Emerging practices in business intelligence and consumer preference knowledge are taking hold. Several beneficiaries and coaches reported increasing use of business intelligence on competitors' practices through the Internet. In addition, entrepreneurs are learning about competitors regularly by examining their digital footprints. This concerns the prices they charge, the models and offers they make, and their business strategies. This usage depends in part on the skills of the promoters. The higher the level of education of the entrepreneurs, the more this observation is reported.

Rapid learning and accumulation of digital skills by new entrepreneurs. All the interviewees reported that COVID-19 pandemic was a period of profound change in their learning practices. The shift to e-learning via platforms changed their old practices and allowed them to consolidate their digital skills. Learning was accelerated. A majority of the interviewees consider that their self-learning on other platforms has increased significantly. The Mashrou3i project has increased their desire to learn.

Unresolved problems preventing the creation and development of businesses in the interior regions

The presence of many good practices and entrepreneurial success stories cannot hide the difficulties and important challenges that face entrepreneurs and new projects in Tunisia. Many barriers still limit the full exploitation of digitalization as a means of facilitating entrepreneurship.

Network coverage remains highly uneven across the region. One of the major handicaps concerns network coverage (especially for fixed Internet networks). The interior regions are not yet adequately covered in terms of fixed and mobile networks in Tunisia. The low population density has led operators to invest less in these areas compared to other areas. As a result, the quality of the Internet connection is still low. This limits the opportunities offered by digital in the regions.

The cost-benefit logic is still unfavorable for the purchase of digital equipment and solutions. For many Mashrou3i beneficiaries, financial constraints force them to invest more in other expenses deemed to be a priority compared to digital technologies. Beneficiaries seek to prioritize and purchase essential equipment for the operation of their project first. Digital is not their priority and is perceived as expensive. The perceived value of digital contributions is still low for the target population.

Development and digitization of public administrations are not carried out from end to end. The Tunisian administration has not changed its practices since Web 1.0. It has never really moved to web 2.0 (an interactive web with users). The development of services is almost absent. An example that shows this bad experience is the digitization of tax offices and the associated formalities: "The majority of administrations use outdated methods" and have remained too focused on the paper culture. In all the administration's projects, there is always a part that is not digitized and that requires physical contact with the citizens and the use of paper.

Difficulties in e-government are greater in interior regions than in coastal regions. The administration and its relationship with entrepreneurs is a real handicap to business development. In the regions, the administration is considered to have a basic knowledge of digital technology and a paper-based culture. In theory, digitization should make it possible to homogenize approaches between disadvantaged regions and favored regions (Greater Tunis-Sahel). In some places in the south, we were told that the administration staff does not know the digital world. They don't accept digitalization, they don't think it is valid.

The lack of an online payment system is a major handicap for businesses. While private initiatives are progressing - due to advances in equipment and the use of digital technologies - there are structural barriers to the e-economy in Tunisia: the absence of an efficient online payment system. The limited development of electronic and mobile payments restricts the use of technology and hinders the development of businesses and their supplier and customer relationships.

Distrust of digital poses a structural problem for emerging companies. Tunisia is facing a structural problem of digital mistrust. This distrust has several origins including socio-cultural reasons. For some, the digital is an intrusion into the family space, ideology, and value systems. This leads them to limit its use or to question its relevance as a possible choice for the business world and entrepreneurship.

The brain drain limits the skills available in the regions. In general, digital skills are still very much a regional issue. The digital economy increases the possibilities of mobility and decisions to change location due to the increased opportunities in the digital space.

Good practices and recommendations for a more favorable entrepreneurial ecosystem and the planning of new projects

Improving the digital infrastructure is necessary that digitalization can be a vehicle for accelerating the creation of businesses and startups in the interior regions. The emergence of startups related to the digital sector in the regions is dependent on the existence of a good quality digital infrastructure.

Accelerating the digitization of public administration is vital to provide flexibility and save businesses time and resources. The public administration in Tunisia urgently needs to move to a complete end-to-end digital transformation strategy. This digitalization should provide good quality services to help companies fulfill their functions and focus on their business. This will save economic and financial resources for the companies and the country.

Implementing programs to upgrade digital skills for entrepreneurship is fundamental for mainstreaming entrepreneurship via digital. The digitalization of entrepreneurship requires new skills and programs to prepare entrepreneurs to embrace digital transformation.

Implementing new forms of blended learning (face-to-face and online courses) is an option for entrepreneurship training programs. This requires the mobilization of resources and equipment to deliver courses in both modes. A user-centered approach can optimize the tools to meet expectations.

Generalize electronic payment and m-payment systems to facilitate the payment process for entrepreneurs and startups. Providing secure online payment options would benefit businesses and consumers. This will also help limit the spread of the informal online economy.

Capitalize on the positive dynamics of entrepreneurship in the regions through good examples. The dynamics of contagion work perfectly in Tunisia. Showing young people and the unemployed good practices and success stories can enhance the appeal of entrepreneurship as a career option.

Make greater use of social media to foster an entrepreneurial culture, as demonstrated by the Mashrou3i project. Entrepreneurs need and consider it essential to use social media and share their ideas and achievements, which generates interest and enhances motivation for others. This interaction and the idea of continuing to set up and facilitate online entrepreneurial networks or clubs were strongly recommended by the project beneficiaries. Already applied in the Mashrou3i project, these practices could be adopted in other projects and the framework of state policies.

Restoring digital trust is essential for the digital transformation of businesses in Tunisia. Digital communication must be improved and requires special attention to educate consumers and employees and draw their attention to the benefits of digital.

Generalize the culture of cyber security and intellectual property rights for entrepreneurs in Tunisia. Knowledge of the dangers of cybercrime and computer security issues is considered too low among the entrepreneurs we met. A reinforcement of competence in this direction is essential.



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