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**The Promotion of Services Exports in Tunisia  
Presentation of a Success Story: FAMEX**

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## **THE PROMOTION OF SERVICES EXPORTS IN TUNISIA PRESENTATION OF A SUCCESS STORY: FAMEX**

The Tunisian Ministry of Commerce and Artisans and the World Bank created in 2000 a new support tool for exporters: FAMEX (Export Market Access Fund). CEPEX (the Tunisian Centre for the Promotion of Exports) was entrusted with the execution of the programme, which, in turn, confided the management to a team of independent private sector consultants. The consultants (one Canadian and two Tunisians) were recruited through international tender calls. Each of the consultants had a minimum of ten years hands-on experience in the field of international commerce.

This programme lasted four and a half years and had a budget of \$25 million: of which \$14 million was financed by World Bank credit, \$1 million through the state budget and \$10 millions in cost sharing were paid by the benefiting enterprises.

Many questions are posed concerning FAMEX. Why was FAMEX created? What are its objectives? How did FAMEX aid the small and medium size enterprise and more particularly those in the services sector to become an exporting enterprise? What were the criteria for eligibility to benefit from the programme? What are the results obtained by the programme? What lessons have been drawn from this experience at the end of four and a half years of activity? Following, given space constraints, is but a summary overview providing in brief the responses to these questions and insight into a four year long programme rich in impact and experiences.

The idea to create FAMEX germinated from two simple observations. First, over 80% of Tunisian exports were concentrated to four countries: France, Germany, Italy and Belgium. Therefore it was necessary to encourage the enterprises to penetrate new markets. Secondly, many SMEs had the potential to export but did not export for one reason or another. Therefore it was necessary to break through the psychological barrier that kept them from developing their international activities.

Based on these observations, the objectives of a programme were fixed as follows: (1) to aid 350 enterprises to export or to diversify their markets, (2) to have a ratio of \$10 in exports for \$1 in subsidies, and (3) to favour the development of the local consultancy sector.

The support provided by FAMEX to the enterprises benefiting from the programme was realized in two successive steps.

The first step consists of aiding the enterprises to define their objectives and to formulate an action plan through the preparation of an exporting plan. The support of FAMEX in this first phase consisted of the granting of a subsidy of 70% up to a maximum of \$ 8 000 per enterprise. This subsidy allowed the enterprise to call on the services of a consultant to aid with the preparation of an exporting plan. This subsidy was accompanied by technical assistance from the FAMEX experts.

The second step consisted of supporting the enterprises in the implementation of the actions identified in their exporting plans. This support was in the form of subsidy of 50% of costs up to a ceiling of \$80 000. This subsidy was as well accompanied by technical assistance from FAMEX experts.

The actions that can be financed by FAMEX are those that allow the enterprise to enter onto international markets with the best chances of success. Among such actions for example would be the preparation of a website or a product catalogue, the realisation of prospecting missions, visits or participation in professional trade shows, invitations for buyers, the adaptation of the product and packaging to the targeted country, etc. One of the most important actions that is highly encouraged by FAMEX and which is part of the actions reimbursable under the programme, is the recourse to the expertise of consultants specialized in international commerce.

In order to benefit from FAMEX, an enterprise must be from the private sector and have been in activity at least two years, have an exportable product, have a minimum of \$150 000 in turnover and have sufficient resources to penetrate foreign markets. These criteria constituted the general rule. Exceptions to the rule were accorded by the FAMEX Piloting Committee, notably for enterprises from the services or handicrafts sectors and which presented the potential for important development. For these enterprises the Piloting Committee accepted that the enterprises could have been in activity for only one year or have just \$75 000 in turnover.

During their mandate, the FAMEX consultants treated over 1100 requests to participate in the programme. Among these requests, 600 resulted in the preparation of an exporting plan and the realization of the actions proposed in the plan, which corresponds to 170% of the objective fixed in terms of the participation of enterprises in the programme.

Among these 600 enterprises, 100 were from the services sector (studies firms, private universities, information and communication technology, private clinics, consulting firms, marketing, communication...). It is noted therefore that the services sector strongly benefited from FAMEX aid. As a point of comparison, there were as many benefiting enterprises from the services sector as there were from the sectors of clothing manufacturing (100 enterprises), mechanical and electrical industries (90 enterprises) and agro-foods (80 enterprises). This result is exceptional considering that the clothing manufacturing sector is composed of over 2000 enterprises and represents close to 50% of Tunisian exports.

This performance is the fruit of strong promotion campaign with specific targeting of service sector enterprises realized by the FAMEX management team, who called upon the services of a marketing and communication agency which carried out numerous direct mailing informational programmes to service sector enterprises. Numerous meetings were organized to build awareness about the opportunities offered by exporting and the support that could be provided by FAMEX. For major enterprises, one-to-one meetings were organized at the locale of the enterprise.

The services sector enterprises participating in the programme benefited from substantial technical assistance provided to them by the permanent experts of FAMEX who aided them to define their objectives, formulate their needs, prepare their specifications, identify and select their consultants, follow the execution of programmed actions, adjust their plans in mid- course as necessary, etc.

In addition to accompaniment work, the FAMEX experts, in the majority of cases, had to readjust the original action plans presented by the enterprises, to assure the best balance between the different promotional actions linked to approaching of a new market on the one hand; and on the other hand, to create within the enterprises the prerequisite conditions permitting their structuring and the perpetuation of their activities on the international markets.

The experts equally, and in almost the totality of the cases, made corrections in the original budgets and requested subsidies, to make them compatible with the real possibilities of the benefiting enterprise in order that they did not disperse their efforts but instead concentrated their means solely on actions that would allow them to reach their fixed objectives.

The service enterprises benefiting from FAMEX are, in general, relatively small in size and many were taking their first steps towards exporting. In these very small SMEs, a great number of the owners are reticent to delegate, staffing is weak, and exporting units or departments are non-existent. As a result of this situation the average timeframe for the realization of an action plan was between 18 and 24 months demonstrating the difficulty of the enterprise to engage in sustained actions on the international markets conformant to the objectives and the implementation planning established at the outset. A second result is that the enterprises were constantly requesting modifications to their action plans and rarely used more than 70% of the budgets that they were allotted. Finally, a third and final result is that the enterprises required a

great amount of technical assistance from the FAMEX consultants in order to optimise the benefits derived from the programme.

Despite all these difficulties, preliminary impact studies revealed that tangible results had been achieved in exporting. Many enterprises had begun to obtain exporting contracts for amounts that far surpassed the amount of their subsidies, for certain enterprises, by tenfold.

Above and beyond these preliminary results, it is important to note that FAMEX introduced a dynamic at the level of the benefiting enterprises. It instilled in the enterprises the culture of exporting that will bring them step by step, and in an irreversible manner towards the internationalisation of their activities in a preliminary step and in the second step to diversify their international activities.

In parallel to the work realized with the services enterprises, FAMEX has strongly contributed to the development of the local consultancy sector.

This development was accompanied by the creation and the establishing by the Ministry of Commerce and Artisans the status of Exporting Consultant. Experts and consultants in international commerce in accepting to dedicate their totality of their activities to the promotion and development of exports benefited from the status of Exporting Consultant. The law that regulates this new activity accords to these professionals the exoneration from taxes in compensation for their specialization in the domain of exporting.

The network of exporting consultants developed in parallel to the activities of FAMEX, through: the preparation of exporting plans; the following of action programmes and exporting plans; coaching and technical assistance provided by FAMEX permanent experts and training.

Through the preparation of exporting plans the consultancy sector generated turnover of over \$1 million of which 70% amounting to \$700K was covered by FAMEX.

Concerning the following of the action programmes and exporting plans, FAMEX strongly encouraged the enterprises to call upon exporting consultants for:

- Technical assistance within the enterprise (creation and setting up of a web site, a product catalogue, an exporting unit, etc.);
- The following of the FAMEX programme (piloting and the following of actions, oversight and the realization of the action programme within the deadlines fixed);
- Accompanying the enterprises into the targeted markets (identification of potential buyers, setting up of meetings, etc.).

The actions met with success with the enterprises, in particular when they called upon the services of a consultant having perfect mastery of the targeted market and introductions and contacts within the market. This technical assistance, following and accompaniment actions represented a budget totalling \$2.4 million of which 50% amounting to \$1.2 million was covered by FAMEX.

In terms of coaching and technical assistance provided by the FAMEX experts, the actions undertaken consisted of the setting up of specialised, practical, sustained and targeted training on issues relative to exporting. This action consisted as well of individual "coaching" with the exporting consultants; encouraging their specialization by geographic zones and/or by sector of activity; favouring the development of partnership relations between the Tunisian consultants; and, supporting cooperation between Tunisian and foreign consultants by inciting the creation of binominal specialisation in specific product/market coupling.

In terms of training, the exporting consultants benefited from specific training in the form of 16 modules treating specifically the subjects directly related to exporting. Each module lasted an entire day and allowed the participants to update their knowledge and practical know-how and experience in international commerce. For example, seminars treating the topics of the role of

incoterms, the legal aspects and security of exporting operations, methods and means of international payment, the preparation for international trade and the management of cultural differences, the effective participation in an international exhibition, sources of information on the Internet, ...

Additionally they benefited from specific training on the practical methods of developing an exporting plan, the identification and access to sources of strategic information on products – markets. This training was dispensed in the form of three modules, each requiring five half days.

Finally, a programme specific for the transfer of know-how was set up in collaboration with the Canadian Fund for Private Sector Development which provided for the training of 8 exporting consultants on the practical methods of the setting up of exporting units in the enterprises from the sectors of agro-foods and the new information and communication technologies.

Resulting from these different actions, a consulting elite with veritable know-how in the field of exporting commenced to emerge. The development of this hard core of exporting consultants represents an important asset and constitutes appreciable resources, which can be called upon to support future actions of exporting enterprises.

Another important action realized during the FAMEX programme, of which the goal is the development of the exporting of services, consisted of the organization of the first International Exhibition for the exporting of services, SISE 2004. This event was organized by CEPEX (the Centre for the Promotion of Exports) and UTICA (Tunisian Union of Industry, Commerce and Handicrafts). FAMEX played a key role in the design, the setting up and the organization of this event. The FAMEX Director Coordinator was designated as the General Commissioner of the exhibition and the FAMEX management team strongly contributed to the preparation and organization work for the event.

Part of the preparation work for SISE was entrusted to the top performing exporting consultants. This experience allowed them: (1) to acquire a good level of expertise in the services sector which is very important as it is a sector that is developing rapidly within the national market and as well for the export market, and (2) to live the experience of organizing of an international exhibition which is equally of importance given that, within the context of their work, the consultants must be able to aid the enterprises to organize their participation in international fairs and exhibitions

The objectives of SISE 2004 were to promote the services on the one hand, and on the other hand to develop south-south exchanges between African countries.

To reach these objectives, the organizers of the exhibition met during two days with public and private sector decision makers from African countries in order to better know and to construct networks, as networking is incontestably the key to success in the services sector considering the intangible character and the great number of its activities. In addition to bringing together the major decision makers and sector professionals, thematic workshops treating subjects related to the development of Africa were organized. For example, the World Bank, which actively supported the project, animated a workshop to present the Bank's strategy for action for Africa over the next years. The International Trade Centre, which had as well supported the organization of SISE 2004, participated as an exhibitor and in the animation of the workshops.

The numerous service sector enterprises participating in the exhibition were essentially from the branches of engineering (studies firms, engineering firms, construction and civil engineering entrepreneurs, architects and interior decorators), information and communication technology (computer services and engineering companies, entrepreneurs in telecommunications), health care (health care establishments, private clinics, medical equipment installers), education (private universities, professional training schools, editors) and finance (banks, insurance, leasing companies, trading companies).

Completing the private sector participation, organisms and agencies in the domains of electrification, potable water and water resources distribution and management, environment, infrastructure, road networks, railway networks, petroleum services, cinematography production, tourism, solidarity, family planning and the National Programme for Industrial Modernization also took part in the exhibition.

The event as well attracted the participation of funding institutions and international organisms such as the World Bank, the International Trade Centre, and the African Development Bank. Certain developed countries such as France, Belgium, Canada, Germany, etc...interested by the development of triangular cooperation projects were represented as well at the event.

In total, some over one thousand persons participated at SISE 2004. Four hundred foreign visitors representing 30 countries of which 21 were African countries, 185 Tunisian exhibitors, six funding institutions, and international organisms took part in the activities of SISE 2004. An evaluation survey of the exhibition indicated a participation satisfaction rate of 82% while over 90% of the exhibitors declared that they would be willing to participate in a second edition of SISE, which will be held in Tunis, Tunisia in June 2006.

Within the context of the exhibition, important contacts between participants from the different sectors and countries were created and a number of cooperation contracts were established. Missions of Tunisian businesspersons were conducted following SISE 2004, including to Mauritania, Mali, Chad, Ivory Coast and to Senegal. Certain projects were made concrete, such as the signing of a cooperation accord between the Schools of Medicine of Tunis and Bamako, the creation of a Maghreb Consortium of Computer Enterprises, the signing of contracts for the realisation of roads, hydro-agricultural outfitting of numerous hectares of land, the fitting out of an industrial zone, maintenance of road networks, the publishing of school books, computerization and the development of information systems for public administrations and organisms... Finally, SISE enhanced the image of Tunisia as a country that has service enterprises with international level competence. Another result of Tunisia's enhanced image is that today it has been easier for many Tunisian enterprises to be short listed for international tender calls.

In conclusion, at the closure of the FAMEX programme in December 2004, the results were overall very positive. This success incited the Tunisian government and the World Bank to create a second programme, FAMEX 2. This new programme was launched into activity in March 2005 for a duration of four years. The FAMEX 2 programme has a budget of \$37.5 million and above all enormous credibility with the authorities, the World Bank and the Tunisian SMEs.