



Inclusive business in Tunisia

**WITH A FOCUS ON
EDIBLE FAST-MOVING
CONSUMER GOODS**



IBAN

Inclusive Business
Action Network



CONTENT

| | |
|--|----|
| Figures and tables | 3 |
| Abbreviations | 3 |
| Acknowledgements | 4 |
| Executive summary | 5 |
| Introduction | 6 |
| Objective and structure of the report | 7 |
| Methodology | 7 |
| Context for inclusive business in Tunisia | 9 |
| Economic situation of Tunisia. | 9 |
| Social situation of low-income groups. | 10 |
| Concept of inclusive business | 11 |
| Fast-moving consumer goods in Tunisia | 12 |
| Consumer habits | 13 |
| Edible FMCG production companies | 15 |
| Tunisian retail companies. | 16 |
| Inclusive business and the FMCG ecosystem. | 17 |
| Implementation support | 17 |
| Investment | 19 |
| Incentives | 20 |
| Information | 20 |
| Designing business models for low-income customers. | 21 |
| Affordability. | 21 |
| Acceptance | 22 |
| Availability | 23 |
| Awareness. | 24 |
| Designing business models with low-income suppliers and entrepreneurs 25 | |
| Sourcing and production | 25 |
| Design and packaging | 27 |
| Distribution and retail. | 27 |
| Marketing and sales | 28 |
| Waste management | 28 |
| Outlook. | 29 |
| Annex A: FMCG inclusive business stakeholder mapping | 30 |
| Annex B: Interview list | 33 |
| Annex C: Literature list | 34 |
| Footnotes | 35 |
| Imprint | 36 |

FIGURES AND TABLES

| | |
|---|----|
| FIGURE 1 <i>Company value chain.</i> | 8 |
| FIGURE 2 <i>Inclusive business ecosystem diamond</i> | 8 |
| FIGURE 3 <i>Market accessibility in Tunisia.</i> | 9 |
| FIGURE 4 <i>Regional income disparities.</i> | 9 |
| FIGURE 5 <i>Income distribution in Tunisia.</i> | 10 |
| FIGURE 6 <i>Share of calories provided by main food items</i> | 13 |
| FIGURE 7 <i>Market shares of modern and small retailers in Tunisia</i> | 16 |
| FIGURE 8 <i>Inclusive business ecosystem diamond</i> | 17 |
| FIGURE 9 <i>Company value chain.</i> | 25 |
| TABLE 1 <i>Rather selected Tunisian national statistics.</i> | 9 |
| TABLE 2 <i>Selected agri-food companies in Tunisia and their activities around inclusive business.</i> | 15 |
| TABLE 3 <i>Overview of Tunisian modern retail actors.</i> | 16 |

ABBREVIATIONS

| | |
|--------------------|---|
| AHK TUNISIE | <i>German-Tunisian Chamber of Industry and Commerce</i> |
| APII | <i>Agence de Promotion de l'Industrie et de l'Innovation</i> |
| ATUPEE | <i>L'Association Tunisienne Pour l'Entrepreneuriat et l'Essaimage</i> |
| BOP | <i>Base of the Pyramid</i> |
| ONECT | <i>Confederation of Tunisian Citizen Enterprises</i> |
| EU | <i>European Union</i> |
| FAO | <i>Food and Agriculture Organization of the United Nations</i> |
| FMCG | <i>Fast-moving consumer goods</i> |
| IBAN | <i>Inclusive Business Action Network</i> |
| IHEC | <i>Institute of Business Studies Carthage</i> |
| MCC | <i>Milk collection centres</i> |
| MENA | <i>Middle East and North Africa region</i> |
| NGO | <i>Non-governmental organisation</i> |
| PPP | <i>Public-private partnership</i> |
| RIBH | <i>Responsible and Inclusive Business Hub</i> |
| SME | <i>Small and medium-sized enterprises</i> |

INCLUSIVE BUSINESS ACTION NETWORK (IBAN)

The Inclusive Business Action Network (IBAN) promotes inclusive business globally – by supporting the scale and replication of inclusive business models and engaging all different types of stakeholders. To trigger collective action IBAN ‘connects the dots’ between the

vast number of businesses, existing initiatives, networks and stakeholders around the world. On a global, regional and national level, it facilitates access to knowledge and information, enables peer-learning and exchange formats and fosters partnerships.

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PARTNERS

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EXPERTS

Experts on inclusive business and fast-moving consumer goods from consultancies, academia and business organisations active in the field contributed to this publication, providing their feedback and also sharing their experience in interviews. We are particularly grateful to Sara Ballan and Katrine Ruby Bødiker of the BoP Learning Lab for their valuable advice.

COMPANIES

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EXECUTIVE SUMMARY

The fast-moving consumer goods (FMCG) sector is one of the largest industries in the world. It is defined as an industry producing and selling low-cost products that are in constant high demand, such as food, beverages and personal care and household cleaning items. The sector plays an important role in the Tunisian economy: despite the limited purchasing power of Tunisia’s six million low-income customers, the FMCG market segment is considerable, with Tunisians spending on average 36% of their income on food alone.



This report assesses how businesses active in the FMCG sector – more specifically, in the agri-food industry – include low-income groups in their company’s value chains. This concept is known as inclusive business. Inclusive business models are commercially viable and replicable business models that include low-income consumers, retailers, suppliers or distributors in core operations. Targeting low-income people as customers and producers enables companies to reap benefits from new sales and supply markets, and simultaneously provides these people with greater product choice and access to incomes and markets.

In Tunisia inclusive business exists but this specific term is not currently used to describe it. And while the concept of social entrepreneurship in particular is being increasingly seen as an instrument for tackling large development gaps, the ecosystem to support these kinds of activities is still nascent. FMCG products are generally widely available in Tunisia and people with a low income can mostly

afford to buy them. However, the level to which FMCG companies include low-income groups beyond farming activities is limited. Currently the research and data available on low-income groups is very limited. However, there are examples of FMCG companies working to integrate this target group into their core business by opting to source primarily from smallholder farmers. For instance, a number of agri-food companies provide smallholders with training, financing and access to equipment and machinery, and guarantee long-term trade relationships. For the farmer this ultimately results in higher productivity and income. The company in turn benefits from a steadier and better quality supply of raw material.

Successful FMCG companies have a culture that promotes the use of customer insights to create the next generation of products or, in some cases, new product categories. Given the size of the low-income market in Tunisia, it is important to ensure that low-income groups are better included.



1 Introduction

Groupe Délice, a Tunisian company that produces milk, butter and juices, sources its milk from 60,000 farmers, of which 83% are smallholder farmers owning five or fewer cows. This provides these farmers with a reliable income and a better livelihood. In addition, smallholders benefit from training on cattle rearing and financial planning, and receive cheaper access to milking equipment and access to finance. Groupe Délice, in turn, benefits from larger quantities of better quality milk, as well as a more reliable supply chain.

Companies like Groupe Délice are said to be operating inclusive business models – i.e. commercially viable and replicable business models that include low-income consumers, entrepreneurs and/or suppliers in core business operations. By adopting these models, companies build the capacity of low-income businesses and entrepreneurs, increase income and access to finance for businesses, create or adapt products to meet local needs and requirements, and develop innovative distribution approaches for hard-to-reach communities. Far from philanthropy driven, these business models can form part of a successful long-term growth strategy that creates new market-based opportunities, eliminates market inefficiencies, consolidates supply chains and builds future brand loyalty.¹

One sector that offers a lot of opportunities for inclusive business is the fast-moving consumer goods (FMCG) sector, which includes items like

food and beverages, personal care and household cleaning products, etc. As the sector is characterised by low profit margins and high sales volumes, the majority of FMCG products are affordable to those with low spending power. The FMCG industry has many touchpoints with low-income groups: the food industry often sources from smallholder farmers, distribution relies on micro-entrepreneurs who sell products in rural areas, and some companies design their products to specifically address the needs of low-income groups.

Low-income groups represent a large market for FMCG companies. Two thirds of the world's population is reliant on a low income, and these low-earners collectively spend more than USD 5 trillion a year, which is more than the middle and higher consumption segments combined. USD 2.3 trillion per year is spent on food and beverages, which constitutes 40% to 50% of total household consumption.²

OBJECTIVE AND STRUCTURE OF THE REPORT

This report presents a baseline assessment and value chain analysis of the FMCG sector for low-income groups in Tunisia with a focus on edible goods. It aims to understand where and how low-income groups are integrated into companies' value chains and how inclusive business models are shaped. The report therefore serves as a starting point for the further development of inclusive business models within Tunisia's FMCG sector. To understand the current landscape and identify the potential for inclusive business models in the FMCG sector, the following research questions were identified:

- How does inclusive business contribute to economic growth and an improved standard of living for those on low incomes? How can it have a positive impact on the reputation and productivity of companies?
- What is the current status of inclusive business and the FMCG sector in Tunisia?
- What types of products and business models can create a development impact for low-income groups? What design features need to be considered?
- Which part of the FMCG value chain has the potential for innovation and the scaling up of new models? How are companies addressing this already?

The first chapter explains the methodology of the report. Chapter 2 takes a look at the current status of inclusive business in Tunisia and introduces the characteristics of low-income groups in the country. Chapter 3 describes the fast-moving consumer goods sector in Tunisia. Chapter 4 outlines the country's ecosystem for inclusive business in the FMCG sector and presents the most important players. Chapters 5 and 6 provide insights into business models from a demand and a supply perspective respectively and point to opportunities for business model innovations. Chapter 7 concludes by looking at presently untapped opportunities and the topics relevant for the future of inclusive business.



METHODOLOGY

This report is based on primary and secondary research and focuses on the edible goods section of FMCG. The interest in the edible goods section is motivated by GIZ's active engagement in the development of the Tunisian agricultural sector, which is key for Tunisia's FMCG sector. In all, 27 interviews were conducted with public and private stakeholders of inclusive busi-

ness and FMCG in Tunisia. They included representatives of companies, government, business associations, donors and market research institutions as well as low-income customers (see Appendix B for a complete list of interviewees). Secondary research included a review of the existing literature and data on FMCG and inclusive business or related concepts in Tunisia.

This report relies on the three research frameworks that guided the primary research:

1 The so-called 4A Framework was used to understand the way in which, from a consumer perspective, successful inclusive business models are designed. The 4A Framework provides insights into consumer preferences and purchasing behaviours, looking at:

AWARENESS – What information needs to be shared to make products and their benefits understood?

AFFORDABILITY – Are the price points affordable to low-income consumers? How are products designed to make them affordable?

AVAILABILITY – Are products available in local grocery stores in low-income neighbourhoods and thus to low-income consumers?

ACCEPTANCE – How do low-income groups accept new products? How is their purchasing behaviour? What are the demand drivers? What level of product quality is required to convince consumers?

2 The value chain approach was employed to explore the good practices of business models that include low-income groups as producers or service providers. With this approach each step of the value chain can be examined and touch-points with low-income groups identified. The value chain in Figure 1 displays the activities that a company operating in a specific industry carries out in order to deliver a certain product. Each activity adds value to the product and is linked to the other activities.

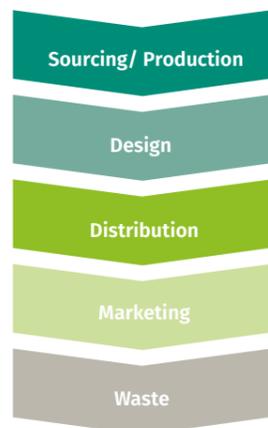


Figure 1. Company value chain

3 Last but not least, the ecosystem diamond, developed by the UNDP³, was used to analyse the support environment of inclusive and social businesses in the edible goods sector. Specifically, the ecosystem diamond (see Figure 2) was used to identify the different roles actors may have in the support environment or support ecosystem, determining whether they can provide:

INFORMATION – Who provides companies with the awareness, know-how and technology required to operate in low-income settings?

INVESTMENT – Who provides financial resources to companies that operate in low-income markets, which are often perceived to be a risky investment?

INCENTIVES – What is done to encourage companies to venture into low-income markets (e.g. the rewarding of positive externalities, reductions in the cost of doing business)?

IMPLEMENTATION SUPPORT – Who provides business support services that enable companies to operate in different environments?



Figure 2. Inclusive business ecosystem diamond

2

Context for inclusive business in Tunisia

Tunisia has witnessed steady growth rates over the past few decades, with per-capita incomes higher than those of other MENA countries such as Egypt and Morocco. This has led to decreasing levels of poverty, dropping from 32% in 2000 to 16% in 2010, and has significantly improved the per-capita income of the lowest 40% of the population. However, the state-led economic model, characterised by limited competition and active state intervention, began hindering Tunisia's economic activity as the country passed certain development stages in education, income and industrialisation. The country's economic and social problems, including rising unemployment, stark regional inequalities (see Figure 3) and high levels of corruption, were at the root of the revolution in 2011 and continue to be challenges for Tunisia.⁴

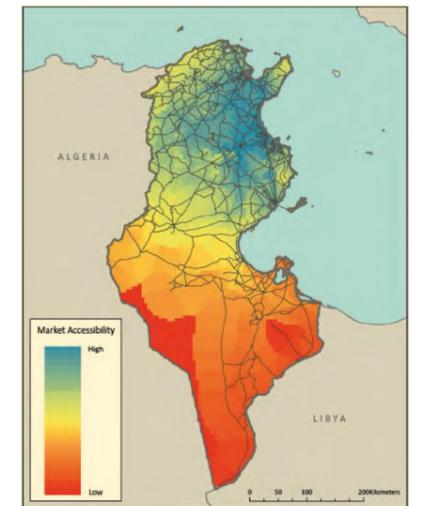


Figure 3. Market accessibility in Tunisia

ECONOMIC SITUATION OF TUNISIA

The economic potential of Tunisia, a country with a population of 11 million people, has long been recognised.⁵ A young and skilled workforce, including many foreign-educated graduates, a solid infrastructure, including roads, ports and airports, and a strategic location close to the European market are just some of the factors that provide Tunisia with the potential for greater economic prosperity.

However, this potential has yet to be realised. Over the past decade the economy has suffered persistently weak economic development and high levels of unemployment that have particularly affected young people. Indeed, these two factors laid the ground for the 2011 revolution.

Tunisia is slowly starting to recover, with GDP growth rates expected to reach 3% by 2018.⁶ The coastal areas are home to most of the country's companies and are thus the main motor for economic growth. Conversely people in Tunisia's arid southern and interior regions have not seen their incomes improve. Average incomes in the coastal governorates are up to four times higher than those in the country's interior (see Figure 4) and around 85% of Tunisia's industries are based in these governorates.^{7,8} This regional inequality is a root cause of Tunisia's persisting unrest.⁹

| | |
|--|----------------|
| POPULATION | 11 million |
| POPULATION GROWTH RATE | 1.01% |
| GDP | USD 47 billion |
| GDP GROWTH RATE | 2.3% |
| INFLATION | 4.95% |
| UNEMPLOYMENT | 13.3% |
| POVERTY HEADCOUNT RATIO AT USD 1.9 A DAY (PPP, % OF POPULATION) | 2% |
| MEDIAN AGE | 32 years |

Table 1. Some Tunisian national statistics

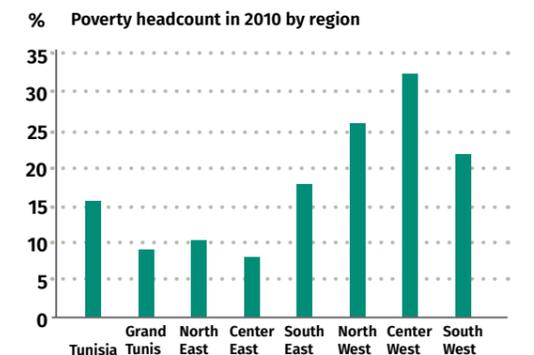


Figure 4. Regional income disparities

SOCIAL SITUATION OF LOW-INCOME GROUPS

The positive economic development achieved over recent decades has helped Tunisia to attain most of its Millennium Development Goals and a high score in the Human Development Index.¹⁰

Yet, according to the World Bank, almost 60% of Tunisians live at the so-called base of the economic pyramid (BoP), which the IFC defines as comprising persons who earn an individual income of up to USD 9 a day, adjusted for purchasing power parity.^{11,12} This group, excluding those living in absolute poverty, is the group targeted by inclusive businesses and considered for the purposes of this study.

Figure 5 shows the distribution of income in Tunisia. The target group of inclusive business constitutes the majority of the Tunisian population: 59% of Tunisians, or around 6 million people, live on between USD 1.90 (global poverty line) and USD 9 per day, adjusted for purchasing power parity.

While more than 50% of the population in Egypt and 40% in Morocco live in rural areas, more than two-thirds of Tunisia's overall population lives in urban areas. The cities are also home to most low-income people: about two-thirds live in urban areas.

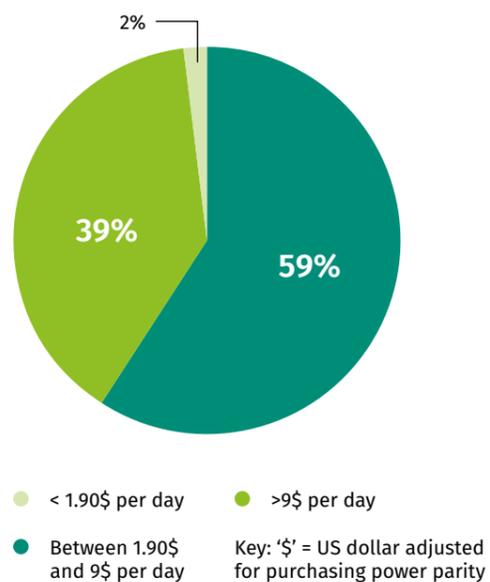


Figure 5. Income distribution in Tunisia

Regional differences in economic development have also affected the social development of the country. Poverty levels have mainly fallen in coastal areas, whereas the hinterlands have largely failed to experience any growth in incomes. Regional disparities also manifest in the concentration of public services in coastal areas, including basic health care provision and education. The concentration of doctors is up to 10 times higher in coastal governorates than in those of the interior. This has serious impacts: life expectancy in rural areas is seven years shorter than in urban areas. The inequality of incomes also extends to the quality of health care people can afford. With a significant proportion of health expenditure to be paid out of pocket (amounting to 40%) and vast differences in the quality of care between public and private sectors, quality health care is often not affordable for many low-income households.¹³

Agriculture plays a central role in Tunisia's development and is crucial for inclusive growth. One fifth of all employed Tunisians work in this sector and, in the regions of the interior, this ratio becomes one in every two.¹⁴ Small and medium-sized family farms dominate Tunisian agriculture. More than half of all farms are smaller than five hectares, and around 90% of farms are less than 20 hectares.¹⁵ Despite this, many farmers are not very well off. A lack of productivity, insufficient agricultural training for smallholder farmers and a lack of access to markets all contribute to keeping revenues low. The one-third of Tunisia's poor who live in rural areas derive their incomes primarily from agricultural activities.¹⁶

Working in agriculture or staying in rural areas is no longer attractive for rural young people. In urban areas 38.8% of working young people have permanent contracts (which provides full access to social protection) whereas in rural areas the figure is well under half this, at 15.3%.¹⁷ For this reason, people are moving in increasing numbers to the capital and coastal regions in search of paid work. However, owing to their lack of education and expertise, these migrants' visions are rarely fulfilled and they often end up with precarious employment based on fixed-term contracts or day labour.

CONCEPT OF INCLUSIVE BUSINESS

With their aim to reduce poverty, inclusive business models have the potential to address Tunisia's inequality and unemployment challenges. Particularly in the interior of the country, inclusive business models and their related activities have the potential to create transformative change.

People living in poverty represent a major untapped resource of potential producers, distributors, retailers and consumers. This shift in perspective moves beyond the traditional view that focuses purely on financial returns, and can be beneficial both for the poor and for companies. The benefits companies can derive from inclusive business include the establishment of new, growth-intensive supply and sales markets, enhanced reputation, employee retention, and the capacity for innovation. People at the base of the economic pyramid, in turn, are better able to satisfy their basic needs and increase their productivity, income, self-confidence and feeling of security.¹⁸ However, inclusive business models require a conducive ecosystem to achieve scale. Often, on top of the business constraints that commonly arise in emerging markets, inclusive businesses face specific barriers related to working in low-income communities. Common challenges include unconducive regulation and policy, a lack of financing solutions, weak infrastructure and human capital, and an absence of information and networks. Where these factors are improved, inclusive businesses can make a significant contribution to furthering development.

In Tunisia business activities with a positive impact on society are generally referred to as 'social

entrepreneurship' – an approach that is receiving increasing attention, especially since the 2011 revolution. While the term 'inclusive business' is not used in Tunisia, a considerable number of companies are pursuing activities that could be classified as such. In recent years Tunisia has witnessed an increase in events promoting social business as a model of development, including the World Social Forum Tunisia, the Forum du Futur for a more inclusive and equitable Tunisian economy, and the Congress on Social and Solidarity Economy Med'ESS.¹⁹ Tunisian companies also know the concept of corporate social responsibility (CSR), in particular because the Confederation of Tunisian Citizen Enterprises (CONNECT) organises a regular conference on CSR with the goal of promoting regional development.²⁰

Other concepts include the social and solidarity economy (économie sociale et solidaire – ESS), where economic activities are driven by values of solidarity, serving marginalised populations before making profit. In Muslim countries many companies also follow the tradition of zakat, the third pillar of Islam. This constitutes both a religious duty and social responsibility and involves donating a set amount, determined through pre-determined calculations regarding profits, to the poor and people in need. The Tunisian Association of Zakat helps companies and individuals to calculate their zakat.²¹

WHAT IS INCLUSIVE BUSINESS?

Inclusive business models are commercially viable and replicable business models that include low-income consumers, retailers, suppliers or distributors in core operations. By adopting the models, companies build the capacity of low-income businesses and entrepreneurs, increase access to finance for businesses and consumers, create or adapt products to meet local needs

and requirements, and develop innovative distribution approaches for hard-to-reach communities. Far from philanthropy driven, these business models can be part of a successful long-term growth strategy that creates new market-based opportunities, eliminates market inefficiencies, solidifies supply chains and builds future brand loyalty (IFC 2014).



3 Fast-moving consumer goods in Tunisia

The fast-moving consumer goods (FMCG) sector is one of the largest industries in the world.²² It is defined as an industry producing and selling low-cost products that are in constant high demand. Typically these comprise non-durable goods with a short shelf life such as food, beverages, and personal care and household cleaning products. From a sales perspective, the size of the FMCG market is relatively unaffected by economic downturns and the sector is described as a low-margin, high-volume business.²³

THE FOOD SECTOR IN TUNISIA

While the food sector in Tunisia is growing quickly, it should also be noted that a considerable amount of food is also bought and sold in informal markets in local communities where farmers sell their vegetables and women their home-baked bread. Domestically manufactured packaged food dominated sales in

2015, performing strongly against the leading international competitors.²⁴ The industry is slowly recovering from the geopolitical instability of recent years. Tunisia's location and good climate present opportunities to grow fruit and vegetables for export to Europe and to its two neighbouring countries, Algeria and Libya.

Photo: Zvonimir Atletic/shutterstock.com

CONSUMER HABITS

In Tunisia the demand for processed, packaged food is substantial and growing for several reasons: 67% of the population already live in urban areas where people typically buy their food in supermarkets and the annual urbanisation rate stands at 1.4%.²⁵ Demand for FMCG products is further accelerated by women's increasing participation in the labour market, which boosts demand for convenience and processed food as time-savers. In addition, more and more people own refrigerators that enable them to store perishable foods like milk and cheese.²⁶ While income growth in rural areas increases the demand for basic FMCG products, growth in urban areas shifts the purchasing trend towards premium products.

According to the Tunisian National Statistics Institute, Tunisians spend almost USD 4.9 billion on food per year, mainly to purchase staple foods like bread, pasta, semolina, cooking oil and dairy products.²⁷ The low-income households interviewed for this study spend on average USD 5 per day on FMCG. Extrapolating this with the number of households earning between USD 2 and 9 per day, the estimated size of the FMCG low-income market is around USD 2.5 billion.²⁸

Tunisians spend on average 36% of their income on food, and this percentage rises significantly among the poor and in rural areas. This is due to the fact that a higher average income allows people to spend their earnings on more than

just basic needs like food.²⁹ The share of wheat (bread, couscous, pasta) in Tunisian people's food consumption patterns is high, providing almost half of the calorie intake (see Figure 6).

The consumption of animal products has increased over recent decades among all income groups. However, the level of consumption varies by region and poverty levels. Households in urban areas consume twice as much dairy produce than households in rural areas. In contrast to richer households, low-income households consume relatively more poultry than the more expensive red meat.³⁰

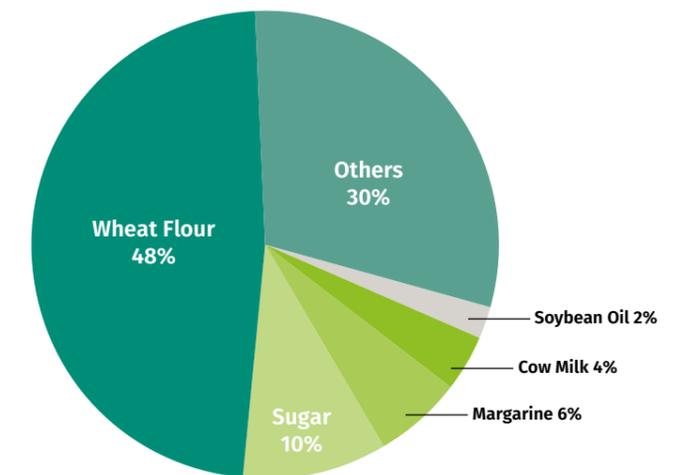


Figure 6. Share of calories provided by main food items

GOVERNMENT FOOD SUBSIDIES

The government has set up a subsidy scheme for stabilising key staple food prices, including wheat-based products, sugar, milk and vegetable oil, and tomato concentrate. These have cushioned household expenditures and prevented a potential decrease in demand! While food subsidies have self-targeting me-

chanisms through product quality, such as subsidising only low-quality bread that is only bought by low-income households, FAO analysis shows that only a limited share of the benefits goes to the lowest income quintiles.

FAO (2015), Egypt, Jordan, Morocco and Tunisia. Key trends in the agrifood sector

Low-income consumers have specific consumer preferences and needs. The two examples below describe a typical urban day-worker male and a rural female and their consumption habits.



The urban day worker

- This man has moved from the countryside to the city in search of better work opportunities in areas like bricklaying, security, waiting tables or factory work.
- He is married with children and aims to make enough money to bring his family to the city. The reason he wants to move his family is to enable his children to have a better education and brighter future.
- His food consumption is very basic and he only buys cheap products. His meals consist of cold foods: harissa (paprika concentrate), vegetable oil, canned sardines, eggs, canned tomatoes, canned tuna, cheese portions and bread. A healthy diet is not a priority.
- His consumption habits are different during religious events when the family spends a lot of money on food (e.g. Ramadan). His favourite leisure activity is spending time in popular men-only cafes.

Low-income people in Tunisia buy FMCG in local grocery stores, which is where predominantly women buy foodstuffs. This is mainly due to the proximity of these stores and the ability to buy on credit, usually over a period of one month.³¹ Low-income groups irregularly frequent supermarkets to buy products that require an uninterrupted cold chain (something that local grocery stores cannot always guarantee) or subsidised products that are not available in local grocery stores, or they may simply visit for recreational purposes.

The countrywoman

- This woman lives in the countryside and is responsible for all the household chores. She works on the family-owned plot, cooks for the family and is responsible for cleaning. She might also pursue some income-generating activity, which usually pays little.
- With five children, her family is larger than typical urban families.
- She cares about the quality of the food she gives her children and tries to maintain a balanced and healthy family diet. She prefers to grow fruit and vegetables herself rather than buy them from the market. She makes cheese from her own cows' fresh milk and she bakes her own bread.
- She buys the non-subsidised, prestige-brand olive oil because she knows it is healthy. She is open to branded products and is influenced by advertising and her children, but she remains aware of and averse to unhealthy products. Even when packaged products are available in her area, she tends not to buy them. Processed food is not something she aspires to feed to her family.

In general, people go shopping once a week, mainly in order to buy basic food items such as bread, vegetables, oil, tomato paste and milk, and also personal care items.

In urban areas packaged goods are generally considered to be healthier and of higher value, which reflects the trend in these areas towards westernisation. A survey conducted by the Tunisian news agency Turess revealed that consumers are mostly influenced by brand reputation and their social environment, including their children, and less so by traditional broadcast media such as television and radio.³²

EDIBLE FMCG PRODUCTION COMPANIES

The food industry in Tunisia has more than 1,000 companies with 10 or more employees, which collectively make up almost a fifth of the country's industrial production.³³

The added value generated by this sector amounts to around 20% – a figure that has grown steadily over recent decades. This can mainly be explained by improved household purchasing power, an increase in the export of processed products and the development of new products with a higher added value.

Around 200 companies produce exclusively for export. Tunisia's leading agricultural exports are olives and related products (48% of exports), processed fish (12%) and dates (17%).³⁴ Export markets represent an opportunity for high-value-added product manufacturers to develop a competitive and labour-intensive smallholder sector but,

at present, the value added to Tunisian exports is limited. In some cases, primary products are exported with no further value added. Olives, for instance, are often exported to Italy to be converted into Italian olive oil in that country's processing factories. The domestic bottling and packaging of olive oil is highly underdeveloped.³⁵ In addition, farmers concentrate on the production of subsidised products. The World Bank estimates that removing market distortions would result in a shift in production towards olives and citrus fruits. This would serve to boost exports, benefitting almost 70% of farmers and particularly those operating in the driest central and southern regions of the country.³⁶

Desk and field research revealed that several Tunisian manufacturers engage in inclusive business activities, mainly by sourcing from smallholder farmers. These activities are summarised in Table 2.

| COMPANY NAME | SUB-SECTOR | INCLUSIVE BUSINESS ACTIVITY |
|-------------------|--------------------|--|
| CUOR DI LATTE | Dairy business | Helps low-income dairy farmers by training them on the job and providing them with a better standard of living |
| GROCERY BELHAJ | Retailer | Sells FMCG to low-income customers |
| GROUPE DÉLICE | Dairy business | Sources milk from smallholder farmers and provides training, equipment and access to finance |
| IRIS TECHNOLOGIE | Technology company | Installing technology to increase the productivity and product quality of small beekeeping enterprises |
| MAGASIN AZIZA | Retailer | Sells FMCG to low-income customers |
| MAZRAA MARKET | Retailer | Sells FMCG to low-income customers and trains employees to set up their own Mazraa franchise shop |
| SOCIÉTÉ EL MARAII | Dairy business | Collects milk from smallholder farmers and provides training |
| SICAM | Tomato business | Sources from smallholder farmers and designs packaging in line with the needs of low-income customers |
| VACPA | Date exporter | Sources dates from smallholder farmers and provides training on organic growing methods and technical support on compliance with certification |

Table 2. Selected agri-food companies in Tunisia and their activities around inclusive business

TUNISIAN RETAIL COMPANIES

While independent small grocers are still the dominant retail distribution channel (see Figure 7), the situation is slowly starting to change. Modern supermarkets, both local market players and international brands, are increasing in number in urban areas and are offering products at different price points.³⁷

In 2012 there were around 280 modern food retail outlets in Tunisia, including two hypermarkets (with sales floors larger than 5,000 m²), some 180 supermarkets (with between 500 m² and 5,000 m²) and around 100 'superettes' (with less than 500 m²). However, that year, modern retailers only took 18% of retail industry sales, with most foodstuffs being bought in the country's 250,000-plus small local grocery stores. The government has set up a development plan to increase the market share of modern supermarkets to 50% by 2016, encouraging more investors to open supermarkets and hypermarkets. Major actors are the UTIC Group (Carrefour), followed by the Mabrouk Group (Géant, Monoprix) and the Tunisian Magasin Général Group (Magasin Général, Promogros, Magro), which together make up 99% of Tunisia's modern retail market (see Table 3 for more detail).³⁸

Carrefour's introduction of the hypermarket shopping format represents a step-change in Tunisia's modern retail industry, revolutionising urban shopping behaviour and transforming grocery shopping from a chore into an event or outing.³⁹

The fast growth of modern retail outlets, which is expected to continue in line with the growth of the urban middle class, threatens the existence of small store owners. Responding to the complaints of small-scale grocers, in 2009 the government adopted first-of-its-kind legislation on the organisation of the distribution sector, which sought to improve the retail business climate and ensure a balance between the different interest groups. The law aimed to help modernise the retail industry and meet the requirements of retail sector development. It also regulates franchising and central purchasing.⁴⁰

The availability of FMCG in Tunisia's rural areas is facilitated by the country's good road infrastructure. While well-developed motorways only run along the coast, road infrastructure in the hinterland is also decent.

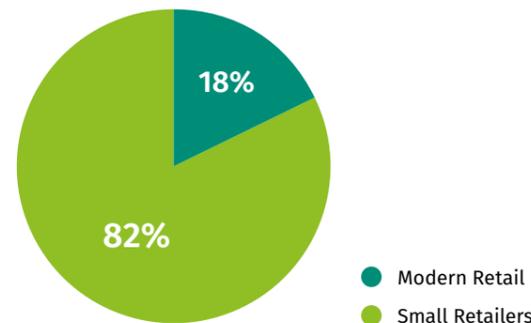


Figure 7. Market shares of modern and small retailers in Tunisia

| | RETAIL OUTLET NAME AND TYPE (NUMBER OF OUTLETS) | OWNERSHIP | ESTIMATED SALES IN 2012 |
|-----------------------|---|---|------------------------------------|
| UTIC GROUP | Hypermarket Carrefour (1) Carrefour Market and Carrefour City (46) | UTIC Group (80%) and Carrefour France (20%) | USD 380 million |
| MABROUK GROUP | Géant Hypermarket (1) Monoprix supermarket chain (71) | Group Mabrouk under license from the French retailer CASINO | USD 120 million USD 320 million |
| MAGASIN GÉNÉRAL GROUP | Magasin Général supermarket chain (56) Promogros (6) Magro (5) | Group Bayahi and Poulina | USD 480 million |

Table 3. Overview of Tunisian modern retail actors



4

Inclusive business and the FMCG ecosystem

The low-income markets in which inclusive businesses operate are challenging business environments. To overcome these challenges, a supportive ecosystem is required, formed of interdependent actors that enable inclusive businesses to operate successfully and generate impact at scale. These actors include governments that promote conducive policies and regulations, business associations that represent the economic sector's interests, financial institutions that invest in companies, and research institutions that provide the necessary information. The inclusive business ecosystem diamond defines the four primary areas of support.⁴¹

IMPLEMENTATION SUPPORT

Implementation support actors provide (micro-) business support services that enable inclusive businesses to operate in challenging environments.

Tunisia has several institutional mechanisms in place to support and promote entrepreneurial development, including the provision of training and research, and facilitating partnerships between the private sector, investors and research institutions. Examples of these kinds of mechanisms include business centres (centres d'affaires), incubators (pépinières) and techno parks (technopole), which are under the supervision of the Ministry of Industry and Technology.⁴² While these currently only address entrepreneurship in general, a number of structures such as the Tunisian Center for Social Entrepreneurship are working to identify potential social entrepreneurs and connect them with local and international stakeholders.



Figure 8. Inclusive business ecosystem diamond

TRAINING PROVISION

Tunisian companies have developed different solutions for training their employees and suppliers. Some firms, like the dairy company Groupe Délice, have sufficient financial resources to be able to invest in training events for farmers. Once a year the company trains its farmers in cattle rearing techniques and in how to generate a higher income through the production of better quality milk.⁴³ Another approach involves partnering with other organisations. Groupe Délice, for example, is in the process of agreeing a public-private partnership (PPP) with GIZ aimed at improving the milking practices of more than 1,000 smallholder dairy farmers in the west of Tunisia by enrolling them in training at a farmer business school. The training will include modules on preserving milk quality, improving milk production management and understanding the costs of milk production. The Tunisian subsidiary of the French Danone Group, Délice Danone, which is part of a strategic alliance with Groupe Délice, has joined forces with the French microfinance institution ADIE and the French Livestock Institute to work on the professionalisation of dairy farming in Tunisia by providing technical and management training and access to micro-credits. This enables farmers to expand their operations and develop better farming practices, and it helps to secure Délice Danone's milk supply.⁴⁴

BUSINESS NETWORKS

Although there are no business associations dealing solely with FMCG in Tunisia, several other associations play an important role in the agri-food sector. The Tunisian Confederation of Industry, Trade and Handicrafts (Union Tunisienne de l'Industrie, du Commerce et de l'Artisanat – UTICA) and the

Tunisian Union of Agriculture and Fisheries (Union Tunisienne de l'Agriculture et de la Pêche – UTAP) represent farmers' interests and play a major role in representing agribusiness companies. UTAP is represented in all of Tunisia's governorates and runs capacity-building projects that engage vulnerable groups (mainly young unemployed graduates, small farmers and rural women) in income-generating activities.⁴⁵

The organisation CONECT, which brings together small, medium and large public and private companies, launched a CSR labelling system that enables its members to benchmark, identify and promote social engagement.⁴⁶ The Tunisian government's Agency for the Promotion of Industry and Innovation (Agence de Promotion de l'Industrie et de l'Innovation – APII), which acts as a business support structure implementing government policy on industrial sector promotion, was also part of this effort.

Established in 2013, the Laboratory for a Social and Solidarity Economy (Lab'ESS) works to build the capacity of Tunisian associations and social entrepreneurship project developers through incubation, consulting, training and networking. Lab'ESS aims to support and promote the creation and financial empowerment of social enterprises, and to foster collaboration and multi-stakeholder synergies among civil society organisations and private and government enterprises.⁴⁷



Photo: Dmitry Chulov / shutterstock.com

INVESTMENT

For businesses considering ventures in low-income markets, investment is paramount; however, in Tunisia it is particularly challenging to obtain. The country has some 44 lending institutions, including commercial banks, leasing companies and offshore banks. However, these only lend to larger companies that can offer collateral, which means they compete for around 10,000 possible Tunisian clients. When it comes to lending to SMEs, the MENA region ranks low: only 20% of the region's SMEs have a loan or line of credit, which is the second lowest figure in developing and emerging markets after sub-Saharan Africa. On average, SMEs represent less than 8% of bank portfolios in the MENA region.⁴⁸

Due to a lack of collateral, access to credit for micro-entrepreneurs is more complicated than for larger businesses. Before the revolution in 2011 there was only one private microfinance institution and the public Tunisian Solidarity Bank (Banque Tunisienne de Solidarité), which provided most of its loans to the president's entourage. However, the interim government installed following the revolution identified microfinance as one of 17 priorities for the country, and a new regulation adopted in 2013 has since improved the situation.⁴⁹ It has become considerably easier for a microfinance institution to obtain a license and operate, and the regulatory agency set up to supervise them is now independent of the Ministry of Finance. As a result, over the past three years the number of private microfinance institutions has increased to seven, opening up more sources of capital for entrepreneurs.⁵⁰ One of these newcomers, established in 2015, is the microfinance institution Centre Financier aux Entrepreneurs (CFE), which currently focuses its operations on the Grand Tunis area, but aims to expand into rural areas.⁵¹

Given that formal financial institutions are averse to offering lines of credit to smallholders, companies such as Groupe Délice often step in, providing their smallholder farmers with micro-credit that enables them to grow their business, or they partner with microfinance institutions to provide collateral to their farmers.

Several non-governmental organisations provide social businesses with equity, including the Yunus Social Business (YSB) foundation. YSB is one of the most important support institutions for social business in Tunisia. The body researches, carefully selects and accompanies social entrepreneurs in their endeavours, providing incubation services and financing.⁵² YSB was also involved in the launch of the social business accelerator iBDA, set up in 2013 by the African Development Bank and YSB. The iBDA includes both a business accelerator programme and a financing programme for social entrepreneurs.⁵³

Private equity investors such as Africinvest (formerly Tuninvest) focus on making growth-capital investments in SMEs that are well positioned in their local markets and have the potential to scale up their activities beyond their own country's borders. Agro-industry companies including smallholder farmers such as Vitalait and Sopat (M'liha) have received growth capital from Africinvest.⁵⁴ This investor also promotes and is a shareholder of the CFE.



INCENTIVES

Governments have an important role to play in creating the conditions required to stimulate inclusive business. They can remove regulatory barriers, can reward businesses that integrate low-income groups into their value chains and can invest in infrastructure, information and education. Current government incentives, including tax exemptions for setting up companies in certain regions, are limited to entrepreneurship in general.

A legal framework for the encouragement of social enterprise and inclusive business in Tunisia has yet to be put in place. However, certain institutions such as the Tunisian Center for Social Entrepre-

neurship are advocating for the creation of a legal status and tax exemptions specifically for social enterprises.

According to the World Bank, Tunisia's industrial and agricultural policies have biased investments towards low-value-added and uncompetitive activities. In addition, corruption has discouraged entrepreneurship, with time and resources being spent on activities like bribing officials, rather than on productive entrepreneurial activities. Correcting the country's interventionist policies has the potential to incentivise investments in the hinterland and thus support its development.⁵⁵

INFORMATION

Information and awareness about inclusive business and social enterprise is low, but the companies in these sectors that are succeeding are working hard to replicate these business approaches and to communicate their activities and results. For example, the Tunisian inclusive agri-business Acacia for All featured as a best practice case study in a book on social enterprises, which served to share their experiences operating an inclusive business.⁵⁶

There are currently three universities active in this area: the Institute of Advanced Business Studies of Carthage University (Institut des hautes études

commerciales de Carthage – IHEC), the Higher Institute of Management (Institut Supérieur de Gestion de Tunis – ISG) of Tunis University, and the Tunis Virtual University (Université Virtuelle de Tunis). These universities offer masterclasses in social business and promote PhD-level research in this area.

As mentioned in section 2.3, several events and conferences on social entrepreneurship are held in Tunisia, which are mostly organised by local organisations such as the Tunisian Center for Social Entrepreneurship, Lab'ESS and, to a lesser extent, international organisations like the Friedrich-Nauermann Foundation.

5

Designing business models for low-income customers

A business model describes how an organisation creates, delivers and captures value. Customers must understand how they benefit from the product or service, and this benefit must outweigh the costs involved. The 4A framework, with its four dimensions of affordability, acceptance, availability and awareness, shows how FMCG business models bring value to low-income customers in Tunisia.

AFFORDABILITY

Companies venturing into low-income markets need to offer products or services that customers perceive to be affordable. Given consumers in these markets have low and often irregular incomes, they tend to prioritise their spending on a daily basis, and the purchase of food and household items needs to be carefully managed. The low-cost nature of FMCG means that the level of spending power required to afford these goods is fairly low. Traditional consumer financing is therefore of little relevance for this sector; there are, however, cases in which retailers will allow consumers to accrue debt to be paid off over time. Income levels do, however, influence the frequency of FMCG purchases and consumer behaviour with regard to the trade-off between cost and quality.⁵⁷ And while products are generally affordable, the high inflation rates experienced in the aftermath of the revolution – currently standing at 5% – mean these products increasingly consume a relatively larger share of the budget.

In Tunisia three common solutions have been deployed to make FMCG more affordable:

The Tunisian government is cushioning the effect of inflation by **subsidising basic products** made from wheat, sugar, milk, vegetable oil and toma-

to concentrate. However, this has created other problems: producers are paid fixed prices that do not take account of the quality of produce delivered, production has shifted to non-competitive but subsidised sectors, and it is the large landowners and not the smallholders who are benefiting. Strategies to make FMCG affordable also include offering products in **smaller pack sizes** that make it possible to target multiple price points. Most companies interviewed – including the tomato processor SICAM, the dairy firm Groupe Délice and rural small grocery stores – offer their products in different pack sizes in order to match small budgets. In addition, **offering a mainstream and a premium product line** enables companies to address both low-income and higher-income target groups.

A third strategy involves connecting producers more directly to consumers by **cutting out inefficient intermediaries**. This approach has been adopted by the chain store franchise Aziza, which buys directly from wholesalers and passes on its savings to customers, selling products at cheaper prices than are found in most small grocery stores.

CHALLENGES

- Low and often irregular income flows
- Trade-off between cost and quality
- Inflation, which makes FMCG relatively more expensive over time
- Intermediaries who add to the cost of non-subsidised products in rural areas

SOLUTIONS

- Provide government subsidies
- Offer small pack sizes that are affordable for those with limited means
- Offer products at different prices: mainstream and premium brands
- Cut out the intermediaries

ACCEPTANCE

Companies seeking to design products that will gain acceptance among low-income consumers need to understand the market context in which they are operating and adapt their products to match the market's needs and customer preferences. Overall, there is only slight differentiation between customer segments in the Tunisian FMCG market, and large companies do not specifically target low-income groups, which leaves a significant share of the market untapped.

Délice Danone and Coca-Cola both launched competitions that sought to engage their Tunisian consumers in the design of their products – namely, a new yoghurt for the former and an anniversary bottle for the latter.⁵⁸ **Including customers in product design** increases the level to which they accept and identify with the product in question. This approach can also be used to target low-income groups and increase their acceptance of lesser-known products.

In urban Tunisia, packaged goods are considered to be of better quality than non-packaged goods. And while the shopping baskets of Tunisia's low-

income customers mainly contain traditional and basic products, these customers are open to new products. A behaviour observed in Tunisian cities, as opposed to rural areas, is that urban low-income groups often aspire to copying the purchasing behaviour of wealthy consumers. Companies such as SICAM, aware of low-income-consumer demand for basic-quality tinned tomatoes, **produce different quality products that can be identified due to their differing can designs** that indicate the quality level of the contents.

The lack of a reliable cold chain can deter Tunisian low-income consumers from buying quickly perishable and dairy products. Either they do not own a fridge or the local grocery store is not able to guarantee uninterrupted refrigeration. One solution, mentioned in the previous chapter, is for companies to **offer small pack sizes**, such as half-litre milk bottles and smaller cans, so as to make products both affordable and acceptable for their target group. Another solution is to only offer food and beverages that do not require cold chains, such as ultra-heat treated (UHT) milk.

CHALLENGES

- Lack of refrigerators and no reliable cold chain
- Limited variation in everyday food
- Rural people do not generally aspire to buying packaged food

SOLUTIONS

- Include customers in product design
- Create a quality low-cost brand
- Design products to suit different consumers' storage facilities

AVAILABILITY

In Tunisia FMCG products are, in general, widely available and most consumers can purchase them in their immediate vicinity. In 2012 there were around 280 modern food retail outlets in Tunisia, most of which were located in urban areas, and 250,000 small neighbourhood grocery stores. Rural grocery stores sell basic food items like tinned tomatoes, harissa, vegetable oil, dairy products, soft drinks, eggs and wheat products. Urban grocery stores are generally better stocked with fresh foods and have more food products that require refrigeration. In addition, urban grocery stores are not solely oriented towards low-income customers, given their catchment area is likely to also include wealthier people.

The distribution of FMCG in Tunisia in both urban and rural areas is facilitated by the country's good road infrastructure. While motorways only run along the coast, the road infrastructure in the hinterland is also decent.

As rural areas have low population densities and thus a lower level of demand, certain products may not be readily available in these locations, as the cost of delivering to these areas often outweighs the returns companies can make on selling their products there. One solution has been the **retail**

on wheels concept, where trucks refashioned as small mobile grocery stores travel around the countryside selling products that were previously unavailable in these less populated regions.

Major food companies, such as the joint venture between Dr. Oetker GmbH and GIAS S.A., report that they have no problems in distributing their products in slums and rural areas because they have a countryside distribution network that supplies their products through both supermarkets and small grocery stores.⁵⁹

Distributors like Mazraa Market and Aziza Shops guarantee the provision of low-cost products in mostly urban and some rural areas through a franchise network. Their employees are also provided with training that ultimately enables them to set up and run their own shop.

At present, more than 80% of retail sales in Tunisia take place in small grocery stores. If the Tunisian government wishes to move towards a more modern retail structure, it will therefore have to proactively shape the sector's development and buffer the inevitable effects of this move on small shop owners.⁶⁰

CHALLENGES

- Low population density in rural areas
- In some areas, interrupted cold chains mean that fresh products are unavailable
- Small informal shops will eventually be threatened by supermarkets

SOLUTIONS

- Operate mobile shops in rural areas
- Develop the national distribution network of existing grocery stores (épiceries or hanout) and supermarkets
- Get franchise chains to run small shops in urban and rural areas

AWARENESS

In low-income markets people often lack awareness and education about a healthy diet and have limited means to find relevant information. Companies can enhance consumer awareness about their products by providing information and education, which can often be delivered in concert with partners such as NGOs.

There is a sharp contrast between urban and rural dwellers' diets. While Tunisia's mostly young urban population (including those on a low-income) increasingly enjoys salty and sweet snacks, rural inhabitants consume more traditional and less western-style food products. This difference is reflected in the country's diabetes prevalence rates, with twice as many people suffering from type 2 diabetes in urban areas than in rural areas. Diabetes prevalence rates also sharply increase in line with the increasing affluence of households.⁶¹ Tunisian companies have not yet adapted their advertising to reflect this development.

While awareness raising in Tunisia's rural areas is mostly conducted through the radio, television and community events, in its urban areas communications are moving beyond the traditional broadcast media to include digital and below-the-line methods such as social media, text messages, flyers and supermarket promotions. Retailers such as Aziza Shops and Mazraa Markets use a combination of these approaches, whereas Nestlé has used local entertainers to market their products. Some Tunisian companies broadcast messages from doctors that offer an expert's view on the product, and they use local accents to reach different communities.⁶²

In order to make rural inhabitants aware of new products, large companies such as Coca-Cola and Délice Danone **regularly sponsor trucks, which travel through rural areas to promote and distribute their products.** Délice Danone employed just such an approach when launching its Danup yoghurt range.

CHALLENGES

- Low level of awareness about healthy diets
- The growth of the middle class is changing people's lifestyles, leading to a higher prevalence of non-communicable diseases such as diabetes and heart disease

SOLUTIONS

- Hold awareness-raising campaigns in urban areas that, instead of the traditional broadcast media, use digital (social media, text messages) and below-the-line (flyers, supermarket promotions) approaches
- In rural areas, communicate messages through radio and television as these are still the most commonly used media
- Broadcast advice from doctors and experts using local accents
- Set up partnerships with NGOs
- Use roadshows to launch products in rural areas



6

Designing business models with low-income suppliers and entrepreneurs

There are many examples of Tunisian agri-food sector companies sourcing their produce from smallholder farmers. There are however fewer examples of these companies including low-income groups further along the value chain. Looking at the value chain of an FMCG company (see Figure 9) helps with determining how companies can incorporate good practices in a structured way.

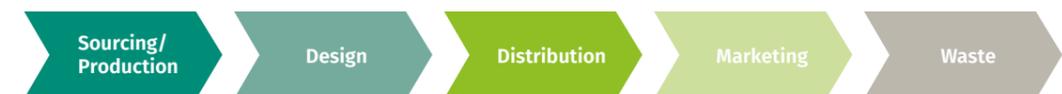


Figure 9. Company value chain

SOURCING AND PRODUCTION

Many Tunisian and international companies active in Tunisia source their produce from smallholder farmers. All the food processing companies investigated for this study source from smallholder farmers, either directly or, in the case of dairy companies, through milk collection centres. This includes both Tunisian as well as multinational companies such as Nestlé and the Tunisian subsidiary of Danone, Délice Danone, which is part of a strategic alliance with Groupe Délice.

These companies interact with a large number of farmers. Take the Tunisian dairy company Groupe Délice: of the 112,000 farmers it sources milk from, 83% have fewer than five cows. As such, they are considered to be smallholder farmers.⁶³

In most cases this is not a simple purchasing relationship, but rather one that involves a much

deeper level of engagement that benefits both the company and the farmer. Smallholder farmers are often not aware of farming best practice and have difficulties in raising productivity, delivering continuous quality output and maintaining hygiene standards. In addition, many lack the managerial skills required to plan their business activities, raise finance and secure access to machinery and equipment. Inclusive businesses provide support structures to help smallholders overcome these challenges. This may include training, the provision of credit and farming inputs, and logistics support. In return, the businesses benefit from a steadier supply of quality produce. The inclusive agri-business Acacias for All raises awareness by running campaigns in local communities that seek to promote improved farming practices. Similarly, the social enterprise TuniBee provides beekeepers with training that helps them to produce more and better-quality honey.⁶⁴

A major challenge for small milk-farmers, especially in the hottest periods of the year, is the maintenance of the cooling chain: if the milk exceeds the maximum bacterial count prescribed by the Tunisian government, the milk will be rejected by the collection centres. Several approaches have been developed to tackle this issue. One involves dairy companies such as Groupe Délice providing their suppliers with access to affordable cooling tanks, which helps to ensure the quality of milk supplies. Another is a public sector project that is currently field testing innovative solar-powered milk-cooling solutions to promote greater efficiency in the dairy subsector. The project is targeted at small and medium-sized farms in Sidi Bouzid, an area responsible for about one-sixth of the national milk production.⁶⁵

VACPA, an exporter of organic dates, provides technical support to its farmers that helps them to comply with organic standards. Gebana, a Swiss exporter of Tunisian organic dates, pays its farmers fair prices and nurtures long-term relationships with them. The company provides advance financing as well as training and consultancy on organic farming practices.⁶⁶ The social business TuniBee, in cooperation with Iris Technology, works with rural beekeepers to increase their production and its quality, and thus improve their livelihoods.

Cuor di Latte, a producer of cheese products, trains its mostly female employees in cheese-making techniques as well as business management and accounting. The company's goal is that, following a few years of apprenticeship, these employees will become entrepreneurs in their own right.

COMPANY SNAPSHOT: GROUPE DÉLICE

Groupe Délice, a dairy firm producing UHT milk, butter and juice, employs 3,000 permanent and 600 casual staff. In Tunisia milk is collected from 112,000 smallholders of which 83 % own 5 or fewer cows. Most of the milk is collected through a network of 235 milk collection centers (MCC) located around the country. These MCC are either private entities or belong to farmer cooperatives. The MCC store the milk at 4°C and then sell it to the dairy industry. Groupe Délice buys its milk from 121 such MCC that collect milk from around 60,000 smallholders. In Tunisia milk is subsidised for both the consumer and the farmer. The subsidy is paid to the MCCs, which retain a small percentage for the collection and cooling services they provide to the dairy industry. The subsidy guarantees farmers a fixed price with no further negotiations. While the system works well in ensuring a stable income independent of market milk prices, challenges arise in maintaining milk quality in a system that does not incentivise it.

Groupe Délice's support to farmers is mostly delivered through the MCCs. The company trains technicians to support the MCCs in their work, which includes promoting best practice on raising, feeding and breeding cattle, preserving milk and ensuring livestock welfare. The MCCs then pass on this knowledge to the farmers. In addition, Groupe Délice provides interest-free loans to MCCs for the procurement of cooling tanks.

Groupe Délice is in the process of building a partnership with a microfinance institution and the MCCs that will provide farmers, who are often not able to access the conventional banking system, with access to collateral. This will enable farmers to grow their businesses.

Another way of supporting farmers is to use the company's bargaining power to negotiate prices and buy equipment in bulk. This equipment, including milking machines and buckets, is then sold on to farmers at cost, giving them cheaper access to relevant farming inputs.



DESIGN AND PACKAGING

Designing products so that they reflect customers' tastes is closely linked to the issue of customer acceptance mentioned in the previous chapter. A challenge concerning rural low-income groups is that, in general, they do not aspire to buying packaged products and do not associate packaged goods with higher quality, as is the case in urban areas. As a result, the proliferation of packaged goods in rural areas has been much lower.

To meet the needs of low-income target groups, Tunisian companies use a number of tried-and-tested product design approaches such as adapted pack sizes and visual designs that highlight the

product's value for money. However, only on a few occasions have companies sought to co-create products with their customers and make those buying their products central to the design process. Délice Danone, for example, launched a competition for its drinking yogurt Danup that engaged its customers in designing the product – the aim being to strengthen its position in the youth market. Similarly, Coca-Cola invited its young customers to produce visual designs for their iconic bottles. In this way, Coca-Cola supported Tunisian culture and arts and helped to identify promising young artists. So far, however, these kinds of product co-creation approaches have not specifically been used with low-income groups.

DISTRIBUTION AND RETAIL

Depending on a country's infrastructure, distributing goods to more remote areas can be a considerable challenge. High last-mile distribution costs can limit the availability and affordability of FMCG products for low-income customers, as can a lack of uninterrupted cooling chains, particularly for dairy products. To overcome this last-mile distribution challenge, companies often develop alternative channels by bundling products or piggy-backing on other distribution chains. In Egypt the dairy company Fan Milk operates a large fleet of bicycle vendors who are able to negotiate narrow urban streets. Another example is Unilever's Egyptian project Safeer, which employs 450 young motorcyclists as micro-franchisees tasked with delivering Unilever products to small grocery stores in remote villages.⁶⁷

The distribution of FMCG in Tunisia's rural areas is generally good. While a wide selection of products may not be available, basic FMCG provision

is decent. No examples have been identified in Tunisia of a company that integrates low-income groups as distributors. In many countries Coca-Cola works with networks of locally owned, low-cost micro-distribution outlets that are linked to the domestic Coca-Cola bottling company. However, in Tunisia Coca-Cola works with large wholesalers.

Although food retail is mostly provided by entrepreneurs running small grocery stores, Mazraa Market is one example of a small supermarket chain that integrates low-income people into their business model. Mazraa Market is a franchise supermarket chain that began operating three years ago and now runs nine outlets. Mazraa trains unskilled labour as sales staff who then gradually acquire the management and accounting skills required to become entrepreneurs in their own right. Mazraa is currently aiming to develop a franchise chain of local stores operated by small entrepreneurs.⁶⁸

MARKETING AND SALES

Customers with low-income backgrounds lack what anthropologists call the 'cultural competence' for product consumption – i.e. they are not used to experimenting and trying out new products. As a consequence, if marketing and sales efforts are to be successful, they will require a substantial number of skilled sales personnel to convince customers of a product's benefit.⁶⁹

The marketing of FMCG products in Tunisia is divided into mainstream and premium brands, with no further distinction for low-income customer groups. In contrast, small grocery store owners have strong community links and know their customers well, but have little resources to scale.

In order to gain access to a wider market, avoid retail costs and build customer trust, some companies opt for door-to-door sales services. In Tunisia there are a number of direct-sales companies that provide mostly female entrepreneurs with the opportunity to earn a living selling cleaning products and cosmetics. This strategy works well in low-income settings, where sales representatives come from the local community and are thus better received. A prime example of this is the multinational cosmetics company Oriflame, which, by selling its fragrances directly, benefits from the current popularity of this form of shopping and, at the same time, enables female entrepreneurs in Tunisia to generate their own income.⁷⁰

WASTE MANAGEMENT

The number of initiatives set up by entrepreneurs and associations to recycle and sort waste – and in so doing reduce pollution in Tunisia – have been growing in recent years. Several of these initiatives employ women to sort waste so that valuable materials can be recycled and then sold.

Tunisie Recyclage is an NGO operating in a suburb of northern Tunis that began life in 2012 as a project to test people's awareness of waste separation and recycling. Since then the project has grown substantially, with more than 1,000 households currently enrolled. Tunisie Recyclage collects waste from these households and transfers it to a waste sorting facility where it is processed by unskilled

women, thus creating jobs and opportunities for income generation. After sorting and treatment, the waste is sold to the National Agency for Waste Management (Agence Nationale de Gestion de Déchets) or to industry, which then recycle the resources.⁷¹ Tunisie Recyclage gives its employees permanent contracts, pays social security benefits and ensures yearly holidays.

Another example is Eco-Gad, a profitable business that focuses on recycling packaging materials and mainly employs women in its sorting operations. Despite its potential profitability, recycling is still in its infancy in Tunisia and has yet to be fully exploited.⁷²



7 Outlook

The size of the low-income market in Tunisia is considerable, with around 60% of the population earning less than USD 9 per day in purchasing power parity. At the same time, the number of FMCG companies that specifically cater to this target group is small, and research and data available on this target group is very limited. Given that FMCG are offered at low prices, the affordability of these kinds of products is generally not an issue in Tunisia.

There is, however, the potential to better engage low-income people earlier on in company value chains. By properly engaging smallholder farmers as producers in the agri-food industry, companies can secure a steady supply of quality products and, at the same time, give farmers the means to grow their business. Involving low-income customers in the design of products that meet their needs will help to ensure that these products are relevant for and accepted by such target groups. One interesting solution would be to engage micro-entrepreneurs in collecting market intelligence on informal markets and thus to advise companies on how to design and market their products in low-income or rural environments. Involving low-income customers in the development of marketing messages and understanding how informal markets work may also be a potential field for companies to explore. Including low-income people in sales activities can improve a company's reach, and employing them in waste collection and recycling activities generates income and ensures environmental sustainability.

Companies in the FMCG sector should be mindful of changes in consumption patterns. Companies that continue to do well are those with a culture that promotes the use of customer insights to create the next generation of products or, in some cases, new product categories. For example, many Tunisians are becoming increasingly aware of the negative health impacts of high sugar

consumption. This has led to an increased demand for 'healthy' products, such as bottled water and no-added-sugar fruit juices, and to the appearance on the market of beverages with reduced sugar or added vitamins, minerals and calcium. This trend is expected to continue.⁷³

In the current political climate, there is still room for change and political decision-makers are open to dialogue. The time is therefore ripe for international organisations and development partners to engage with economic actors in Tunisia and promote the adoption of inclusive business approaches as an effective way to combat inequality and poverty, particularly in rural areas.



ANNEX A: FMCG INCLUSIVE BUSINESS STAKEHOLDER MAPPING

| ORGANISATION | TYPE | INCLUSIVE BUSINESS ACTIVITY | WEBSITE |
|------------------------------|----------------------|--|---|
| CONECT | Business association | CONECT accredits companies that want to work on CSR, and it works on entrepreneurship in general with no special focus on social entrepreneurship. | http://www.conect.org.tn/ (in French) |
| DEYMA | Company | Sources dates from small farmers. | http://www.deymagift.com/fr/24-nos-gourmandises |
| GEBANA AG | Company | The date exporter Gebana sources its produce from smallholder farmers and offers them long-term trade relationships, financing and training. | http://gebanashop.ch/ (in German) |
| SICAM | Company | Sources tomatoes from smallholder farmers and trains them to produce better quality tomatoes. | Website currently not available. |
| TUNIBEE | Company | TuniBee is a social business that aims to improve beekeeping practices and thus increase beekeepers' livelihoods. | http://tunibee.weebly.com/ (in French) |
| VACPA | Company | VACPA promotes good practices in organic date growing and plant treatment. | http://www.boudjebeldates.com/En/accueil/46/4 |
| WARDA | Company | Sources wheat from small farmers. | http://en.warda.tn/default.aspx |
| ALYSSA FRUITS | Company | Sources fruit from small farmers. | http://www.alyssafruits.com/fr/ (in French) |
| JOUDA | Company | Sources tomatoes from small farmers. | http://www.jouda.com.tn/site/index.php (in French) |
| MH REFLEXION | Company | Market research institute that conducts surveys on consumer habits (no focus on low-income). | https://www.facebook.com/REFLEXION5?fref=ts |
| LIXCAP | Company | Provides consultancy on impact investing. | http://www.lixcap.com/en/ |
| CUOR DI LATTE | Company | Helps low-income people by training them on the job. | https://www.facebook.com/cuordilattetunisia |
| GROUPE DÉLICE | Company | Sources milk from smallholder farmers and trains them in good practices for milk hygiene and quality. | http://www.deliceholding.tn/Fr/ (in French) |
| SOCIÉTÉ EL MARAI | Company | Sources milk from smallholder farmers, provides them with training and helps them financially. | Website currently not available. |
| SORIL YOGO | Company | Sources milk from small farmers. | Website currently not available. |
| VITALAIT | Company | Sources milk from small farmers. | Website currently not available. |
| PÂTISSERIE MASMOUDI | Company | Provides training to low-income people and recruits them. | http://www.masmoudi.tn/ (in French) |
| WIKI START-UP | Company | Promotes entrepreneurship. | http://www.wikistartup.tn/ |
| IRIS TECHNOLOGY | Company | Trains beekeepers and instils good beekeeping practices by using the latest technology to monitor the status of remote hives in real time. | http://www.iris-tech.tn/ (in French) |
| MLIHA | Company | Provides training to low-income people and recruits them. | Website currently not available. |
| POULINA GROUP HOLDING | Company | Provides training to low-income people and recruits them. | http://www.poulinagroupholding.com/en/index.php |

ANNEX A: FMCG INCLUSIVE BUSINESS STAKEHOLDER MAPPING

| ORGANISATION | TYPE | INCLUSIVE BUSINESS ACTIVITY | WEBSITE |
|--|-----------------------|---|---|
| EL MAZRAA MARKET | Company | Provides training to low-income people and recruits them. Provides training for small farmers. | http://www.elmazraa.com/quiz.php (in French) |
| GROCERY BELHAJ | Company | Recruits and develops a large number of less-skilled people. | Rural grocery store – no website available |
| MAGASINS AZIZA | Company | Sources a number of products from small farmers and rural dwellers. | http://www.aziza.com.tn/ (in French) |
| COCA-COLA | Company | Offers branded products at better prices. | http://tunisia.coca-cola.com/fr/home/ (in French) |
| GIZ | Development agency | Coca-Cola provides Enactus with USD 15,000 of sponsorship funding each year to encourage entrepreneurs to develop projects for low-income people and families in need, with a focus on social, economic or/and environmental impacts. | https://giz.de |
| BANQUE DE FINANCEMENT DES PETITES ET MOYENNES ENTREPRISES | Financial institution | Provides technical support to foster inclusive business and employment, with a special focus on women and agriculture. | http://www.bfpme.com.tn/ (in Arabic and French) |
| BANQUE TUNISIENNE DE SOLIDARITÉ | Financial institution | Finances projects (over TND 150,000). | http://www.bts.com.tn/ |
| BOP INNOVATION CENTER | Foundation | Finances projects (up to TND 150,000). | http://www.bopinc.org/ |
| LAB'ESS | NGO | Supports start-ups, SMEs and multinationals to create commercially and socially viable business models and activities that include the people at the base of the pyramid (BoP) as consumers, producers and entrepreneurs. | http://www.labess.tn/ (in French) |
| YUNUS SOCIAL BUSINESS | NGO | Supports and finances social business. | http://www.yunussb.com/ |
| ASSOCIATION DE RECHERCHE ENVIRONNEMENT ET BIO INNOVATION | NGO | Promotes social entrepreneurship. | http://www.arebi.tn |
| ENDA INTER-ARABE | NGO | Promotes entrepreneurship. | |
| INITIATIVE ÉCONOMIQUE ET SOCIALE DU GOUVERNORAT DE GAFSA | NGO | Contributes to the financial empowerment of marginalised populations, including women and young people, by offering a range of financial services, and promotes entrepreneurship. | http://www.endarabe.org.tn/ |
| IRADA | NGO | Trains and coaches low-income people to develop their projects in rural regions. | http://gafsainitiative.blogspot.com/ (in French) |
| PEOPLE FOR TUNISIA | NGO | Supports and trains women in rural areas. | https://www.facebook.com/Association.IRADA/ |
| TUNISIAN AMERICAN YOUNG PROFESSIONALS | NGO | Provides financing, training and coaching for low-income people. | http://www.peoplefortunisia.org/ (in French) |
| | | Promotes entrepreneurship. | http://tayp.org/home/ |

ANNEX A: FMCG INCLUSIVE BUSINESS STAKEHOLDER MAPPING

| ORGANISATION | TYPE | INCLUSIVE BUSINESS ACTIVITY | WEBSITE |
|--|---------------|---|---|
| TUNISIAN CENTER FOR SOCIAL ENTREPRENEURSHIP | NGO | Promotes social entrepreneurship. | http://tnsocent.org/team-member-page |
| TUNISIE RECYCLAGE | NGO | Tunisie Recyclage collects household waste, which is then sorted and treated by unskilled women. | http://www.tunisierecyclage.org/ (in French) |
| IBDA | Programme | Social business incubator and accelerator. | https://fr-fr.facebook.com/IBDAsocial/ |
| AHK TUNISIE | Public sector | Provides training on sustainable development. | http://tunesien.ahk.de/fr/ (in French and German) |
| AGENCE DE PROMOTION DE L'INDUSTRIE ET DE L'INNOVATION (APII) | Public sector | Promotes entrepreneurship. | http://www.tunisieindustrie.nat.tn/fr/home.asp (in French) |
| L'ASSOCIATION TUNISIENNE POUR L'ENTREPRENEURIAT ET L'ESSAIMAGE (ATUPEE) | Public sector | Provides training, consultancy, coaching and incubation for entrepreneurs. | http://atupee.org/ (in French) |
| ESPACE ENTREPRENDRE | Public sector | Promotes entrepreneurship. | http://www.emploi.nat.tn/fo/Fr/global.php?menu1=10 (in French) |
| MINISTRY OF AGRICULTURE, WATER RESOURCES AND FISHERIES | Public sector | | http://www.tunisie.gov.tn/index.php?option=com_ministeres&Itemid=382&task=view&id=23&lang=french (in French) |
| MINISTRY OF HIGHER EDUCATION | Public sector | | http://www.mes.tn/?langue=fr (in French) |
| MINISTRY OF INDUSTRY | Public sector | | http://www.tunisieindustrie.gov.tn/ (in French) |
| APII INCUBATORS | Public sector | Promotes entrepreneurship. | http://www.tunisieindustrie.nat.tn/fr/doc.asp?mcat=16&mrub=138 (in French) |
| EU | Public sector | The EU supports low-income groups through intermediaries and partnership programmes. | http://eeas.europa.eu/delegations/tunisia/index_fr.htm (in French) |
| FAO | Public sector | Works on capacity building and the development of value chains. Supports youth employment and regional development. | http://coin.fao.org/cms/do/fr/office.html?officeCode=SNE |
| TUNIS VIRTUAL UNIVERSITY | University | Provides training on social entrepreneurship. | http://www.uvt.rnu.tn/l-universite/presentation (in French) |

ANNEX B: INTERVIEW LIST

| ORGANISATION | CONTACT POSITION | CATEGORY |
|---|---|-----------|
| ACT CONSULT | Manager | Ecosystem |
| AHK | Agri-food expert | Ecosystem |
| APII | Director of the Entrepreneurship Support Centre | Ecosystem |
| ASSOCIATION DE RECHERCHE ENVIRONNEMENT ET BIO INNOVATION | President and Founder | Ecosystem |
| ATUPEE | Strategist and Social Manager | Ecosystem |
| AZIZA MAGASINS | Manager | Company |
| BOP LEARNING LAB, CONFEDERATION OF DANISH INDUSTRY | Learning Lab Manager | Ecosystem |
| BOP INC. | Inclusive Innovator | Ecosystem |
| COCA-COLA | Operations Marketing Manager | Company |
| CONECT | Vice-Chairman | Ecosystem |
| CUOR DI LATTE | Manager | Company |
| DR OETKER-GIAS | Marketing Manager | Company |
| EL MAZRAA MARKET | Manager | Company |
| EU | Project Manager | Ecosystem |
| FAO | Technical Officer, Production and Plant Protection | Ecosystem |
| FINANCIAL SERVICES VOLUNTEER CORPS | Regional Director | Ecosystem |
| GIZ | Head of the GIZ Responsible and Inclusive Business Hub in the MENA | Ecosystem |
| GIZ | Technical Advisor at Innovations pour l'Agriculture et l'Agro-alimentaire (IAAA) | Ecosystem |
| GIZ | Project Coordinator at Promotion of women's groups in rural areas for food security and income generation | Ecosystem |
| GIZ | Head of the EconoWin Programme in Tunisia | Ecosystem |
| GROCERY BELHAJ | Owner | Company |
| GRUPE DÉLICE/ DÉLICE DANONE | Milk development engineer/ Manager Senior Finance | Company |
| IRIS TECHNOLOGY | CEO and Founder | Company |
| LIXCAP | Managing Principal | Ecosystem |
| MH REFLEXION | Manager | Ecosystem |
| MILK COLLECTION CENTRE | Owner, President of the National Federation of Milk Collection Centres | Company |
| MINISTRY OF AGRICULTURE | Director of Support for Women in Rural Areas | Ecosystem |
| MINISTRY OF HIGHER EDUCATION AND SCIENTIFIC RESEARCH | Project Manager | Ecosystem |
| MINISTRY OF INDUSTRY | Deputy Director of the Department for the Transformation of Animal Products | Ecosystem |
| PEOPLE FOR TUNISIA | President | Ecosystem |
| SICAM | General Director | Company |
| TUNISIAN CENTER FOR SOCIAL ENTREPRENEURSHIP | Founder | Ecosystem |
| TUNISIE RECYCLAGE | Vice President | NGO |
| VACPA | CEO | Company |
| TUNIS VIRTUAL UNIVERSITY | Professor of Economics | Ecosystem |
| WIKI START-UP | Project Manager | Ecosystem |

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