



Territorialization of industrial policy and inclusive growth in North Africa



United Nations
Economic Commission for Africa

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¹ This report is an unedited English translation of the original French.

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Acronyms and abbreviations

AMDI	Moroccan Investment Development Agency
AMDIE	Moroccan Investment and Exports Development Agency
ANAPEC	National Agency for the Promotion of Employment and Skills
ANDI	National Investment Development Agency
ANDPME	National Agency for the Development of Medium and Small enterprises
ANIREF	National Agency for Land Intermediation and Regulation
ANPME	National Agency for the Promotion of Medium and Small enterprises
APC	Commune People's Assembly
API	Agency for the Promotion of Industry
APII	Agency for the Promotion of Industry and Innovation
APW	Wilaya People's Assembly
AREP	Regional Agency for Project Implementation
BSTP-Center	Algerian Subcontracting and Partnership Exchange of the Center
CCG	Caisse centrale de garantie
CCIS	Chambers of Commerce, Industry and Services
CEPEX	Export Promotion Center
CGEM	Morocco's General Confederation of Enterprises
CL	Collectivité locale -- Local Authority
CONNECT	Confederation of Corporate Citizens of Tunisia
CRI	Regional Investment Center
CT	Collectivité territoriale --Territorial Authority
EU	European Union
FDI	Foreign Direct Investment
FOPRODI	Fond for Industrial Promotion and Decentralization
GDP	Gross Domestic Product
GPBM	Groupement professionnel des banques du Maroc—Banking Association of Morocco
GUD	Decentralized Central Window
HDI	Human Development Index
IAP	Industrial Acceleration Plan
ICT	Information and Communication Technologies
IDF	Industrial Development Fund
IMF	International Monetary Fund
INS	National Statistics Institute
IPF	Investment Promotion Fund

ITCEQ	Tunisian Competitiveness and Quantitative Studies Institute
ITHCC	Textile, clothing, leather and footwear industry
MDG	Millennium Development Goals
MEI	Mechanical and electrical industries
MENA	Middle East and North Africa
MICIEN	Ministry of Industry, Trade, Investment and the Digital Economy
OCP	Office chérifien des phosphates
OFPPT	Office la formation professionnelle et de la promotion du travail
OMPIC	Moroccan Industrial and Commercial Property Office
PMN	Programme de mise à niveau --Upgrade Program
PNEI	Pacte national d'émergence industrielle --National Plan for Industrial Emergence
RDI	Regional Development Indicator
RTE	Territorial State Representative
SDL	Société de développement local - Local Development Agency
SDR	Société de développement regional --Regional Development Agency
SEGMA	Service de l'État géré de manière autonome--Autonomously managed State Authority
SICAR	Venture capital investment company
SME	Small and medium-size enterprises
UNDP	Unites Nations Development Program
UTICA	Tunisian Confederation of Industry, Trade and Handicrafts
VSE/SME	Very small/ small and medium size enterprises

Preface

Industrialization remains a priority for North African countries, although not all countries have experienced the same trajectory. Whereas Egypt, Morocco and Tunisia have been able to boost their industrial fabric and export industrial goods, the economies of Algeria, Mauritania and Sudan are still dominated by natural resources.

Industrialization is a key factor in the structural transformation needed by countries in the sub region to diversify their economies and reduce the volatility of their growth. Structural transformation is also crucial to addressing the many social challenges they face, such as unemployment, especially among young people and graduates. In 2014, the youth unemployment rate exceeded 20% in all the countries of the sub region. Such high rates question the degree of inclusion of economic growth in North Africa. Indeed, North African countries have made notable progress towards MDGs, but efforts are still needed in terms of inclusive development, particularly through a reduction in regional disparities in terms of poverty and access to the labor market.

The report deals with the contribution of industrial policy to more inclusive economic development. It also examines the territorialization of industrial policy in order to understand the extent to which the inclusion of the territory in the design, implementation and management of industrial policy can generate inclusive growth.

It reviews the state of industrial policy in North Africa and examines the territorialization of industrial policy in three countries (Algeria, Morocco and Tunisia). It highlights the fact that, to varying degrees, these three countries do not have adequate institutional architecture (particularly in terms of local governance) to make the territory a full player in industrial development. Industrial policy always obeys a top-down approach, which fails to make the best use of local capacities and resources. Moreover, it does not take into account territorial specificities. The report concludes with recommendations likely to increase the effectiveness of territorialization and industrial policy towards achieving more inclusive economic development.

Omar Ismael Abdourahman, Acting Director
Sub-regional Office for North Africa (ECA-NA)

1. General introduction

North Africa faces numerous challenges in terms of economic and social development. Unemployment is endemic in the countries of the sub-region. The unemployment rate exceeds 10% in most countries (Table 1).

Table 1

Overall unemployment rate (%)

	2010	2011	2012	2013	2014
Algeria	10	10	11	9.80	9.50
Egypt	9	12	12.7	13.2	13.2
Mauritania	31.10	31.10	31.10	31.10	31
Morocco	9.10	8.90	9	9.20	10.20
Sudan	14.60	14.60	14.60	14.60	14.80
Tunisia	13	18.30	14	13.30	13.30

Source: World Bank Database (World Development Indicators), August 2016.

Unemployment affects youth more (Table 2), exceeding 20 % in all countries in 2014.

Table 2

Unemployment rate among 15 to 24 year olds (%)

	2010	2011	2012	2013	2014
Algeria	22.20	22.50	26.30	20.40	20
Egypt	26.30	33.90	37.90	41.70	42
Mauritania	46.70	46.70	46.50	46.60	46.60
Morocco	17.70	17.80	18.50	18.40	20.20
Sudan	22.80	22.70	22.70	23.00	23.30
Tunisia	29.40	42.70	32.80	31.30	31.80

Source: World Bank Database (World Development Indicators), August 2016,

In the area of human development, North African countries have made significant progress in achieving MDGs. All countries have exerted significant efforts to invest in human capital, which has contributed to a substantial reduction in poverty. The latest Human Development Report (2015) published by the UNDP (Table 3), shows that among North African countries, Algeria ranks highest (83^d), with an index of 0.736, followed by Libya (94th) with an index of 0.724, Tunisia (96th) with an index of 0.721, Egypt (108th) with an index of 0.690 and Morocco, which ranks 126th globally, with an index of 0.628. Mauritania, with an HDI of 0.506, and the Sudan, with an index of 0.479, rank 156th and 167th respectively.

Table 3

Evolution of the Human Development Index (HDI)

	Global ranking in 2014	HDI 1990	HDI 2000	HDI 2010	HDI 2014
Algeria	83	0.574	0.640	0.725	0.736
Egypt	108	0.546	0.622	0.682	0.690
Libya	94	0.679	0.731	0.756	0.724
Mauritania	156	0.373	0.442	0.488	0.506
Morocco	126	0.457	0.528	0.611	0.628
Sudan	167	0.331	0.400	0.465	0.479
Tunisia	96	0.567	0.654	0.714	0.721

Source: *The Human Development Report published by the (2015).*

Although poverty has declined, results are however different from one country to another. Indeed, a first group of countries comprised of Algeria¹, Libya, Egypt, Morocco² and Tunisia³ can be considered to have met the goal of reducing poverty. A second group, including Mauritania⁴ and the Sudan, has not been able to achieve this goal (Table 4) although these countries have significantly reduced poverty.

Table 4

Absolute poverty rate in percentage of the population

	Algeria	Egypt	Libya	Mauritania	Morocco	Sudan	Tunisia
Rate	0.4	4.4	N/A	25.9	0.3	26	3.8

Source: *National MDG Reports.*

High and sustained economic growth remains the best way to reduce poverty (Kraay, 2004). In terms of GDP growth, the performance of countries in the sub-region is variable (Table 5). Moreover, growth remains volatile, particularly as a result of dependence on natural resources.

¹ UNDP Algeria, 2014. MDG Report. <http://www.dz.undp.org/>.

² HCP, 2012. National MDG Report.

³ INS Tunisia, 2013. National MDG Report.

⁴ Permanent survey on the living conditions of households in Mauritania (PSHC), 2008.

Table 5

Growth rate (in percentage)

	2010	2011	2012	2013	2014	2015
Algeria	3.6	2.9	3.4	2.8	3.8	3.8
Egypt	5.2	1.8	2.2	2.1	2.2	4.4
Mauritania	4.3	4	7	5.7	6.4	3.1
Morocco	3.8	5.2	3	4.7	2.4	4.5
Sudan	5.2	1.9	1.4	4.4	3.6	3.5
Tunisia	3	-1.9	3.7	2.4	2.3	1.1
North Africa (excluding Libya)	4.3	2.4	2.7	3	3.6	3.8
Africa	5.2	0.9	5.3	3.4	3.7	3.7

Sources: Compiled data from national administrations, UNDESA 2016. North Africa growth: ECA calculation.

The region's economies are insufficiently diversified in terms of exports. Their growth depends on primary sectors or natural resources. Algeria, Sudan, Mauritania and to a lesser extent Egypt, have exports that are highly concentrated on low value-added products (Table 6).

Table 6

Share of main exports in total exports in 2014 (in percentage)

Algeria	Hydrocarbons	95
Egypt	Fuel, oil, derivatives	48
Mauritania	Gold, fisheries, iron	78
Sudan	Oil, gold, animals	77

Source: National data (Statistics authorities).

In contrast, Morocco and Tunisia began a relative diversification of their exports (Table 7). Capital goods account for more than 16% of exports in both countries, and consumer goods more than 28%.

Table 7

Share of main exports in total exports in 2014 (%)

	Morocco	Tunisia
Capital goods	16.77	16.95
Raw materials and semi-finished products	17.81	29.91
Consumer goods	28.89	32.75
Food	17.81	7.21

Source: National data (Statistics authorities).

The low diversification of North African economies is a major obstacle to the development of the sub-region. The economies of the region, which are dependent on a limited number of low value-added sectors, are unable to commit themselves to endogenous, sustained growth, capable of: (i) harnessing growth potential; (ii) generating sufficient and stable incomes to finance development, (iii) creating decent jobs to absorb the flow of young graduates, (iv) creating a spillover effect on the region's innovation capacity, and (v) making the best use of resources throughout the country.

In the process of economic development, structural transformation, that is the reallocation of resources (labor and capital) from the least productive to the most productive sectors, is an important determinant of economic growth (see example McMillan, Rodrik and Verduzco-Gallo (2014)⁵). In this process of structural transformation, industry plays a key role. However, to varying degrees in different countries, it is the “poor relation” in the development policies of countries of the sub-region. To best integrate into globalization and respond to the challenges of more turbulent global growth, North Africa must expedite its structural transformation and adopt better suited development policy governance practices. Globalization has, in fact, challenged development policies designed and implemented using the top-down approach. Territories are more than ever a critical space for designing, implementing and steering development policies.

This report is the first step in a work program initiated by ECA, through its sub-regional office for North Africa, on territorialization of industrial policy and inclusive growth. By territorialization of development policies, we mean its sensitivity to the specificities of the territory, and the place it gives to the participation of territorial actors in the formulation or implementation of public policies. Its purpose is to analyze the extent to which the territorialization of industrial policy can not only accelerate the process of structural transformation of countries of the sub region but also contribute to more inclusive growth.

The report is organized as follows. In the first section, we conduct a literature review to set the framework for the report on territorialization and inclusive growth. The second section presents an overview of industrial policy in North Africa and its territorialization. As for the third section, it examines, in much more detail, the case of three countries (Algeria, Morocco and Tunisia). We analyze the role of the territorialization of industrial policy given the imperative of inclusive growth. A final section concludes with recommendations on the reforms necessary for industrial policy to generate more inclusive growth in the sub-region.

⁵ Margaret McMillan, Dani Rodrik, and Inigo Verduzco-Gallo (2014), “Globalization, structural change, and productivity growth, with an update on Africa”, NBER Working Paper No23378, Issued in May 2017

2. Literature review: territorialization and inclusive growth

2.1 Inclusive growth

Poverty reduction requires sustained growth over time, as many studies have shown (Deininger and Squire, 1998. Dollar and Kraay, 2002). According to Kraay (2004), average income growth accounts for 70% of the change in short-term poverty reduction and nearly 97% in the long run. However, growth generates short-term inequalities, in part because some individuals are able to exploit wealth creation opportunities better than others. Growth can also be a source of inequality if it is geographically localized, or if it excludes certain populations, for example because of their ethnic origins. In the short term, inequalities can fuel growth, for example, by allowing an unskilled labor-intensive industry to benefit from low wages. Of course, public policies have an impact on the degree of inequality generated during the process of economic growth.

In the long run, poverty and inequality can be a major constraint to growth, as shown by Lanchovichina and Lundstrom (2009), Berg and Ostry (2011). Redistributing the fruits of growth to reduce poverty and inequality can therefore contribute to sustained growth over time (Lopez, 2004). The term "pro-poor growth" quickly came to the fore in the literature. Pro-poor growth is a generic formulation that gives rise to at least two definitions. The first considers the effect on poverty in absolute terms: growth is pro-poor when it contributes to reducing the poverty rate. A second defines the impact of growth on poverty in relative terms: growth is pro-poor when the income of the poorest grows faster than that of the rest of the population, in other words when it reduces inequality. Taking the first definition, a targeted redistribution policy in favor of the poorest can achieve inclusive growth. However, this is no longer the case under the second definition. Reducing inequalities requires an increase in the income of the poorest populations, which necessarily means increasing their qualifications and access to more productive employment opportunities.

With respect to inclusive growth, there are many definitions. White (2012) notes that the notion of "inclusion" has at least six meanings in the literature: a more egalitarian distribution of income, a reduction in absolute poverty, an internalization of growth externalities, greater equality in access to opportunities generated by growth (access to education, financing, etc.); reduction of North-South inequalities; and a greater role for emerging countries in the governance of international financial institutions. For the purposes of this study, only the first four are of interest to us. The first two refer to the definition of pro-poor growth. The subsequent two refer to broader concepts that identify the complexity of the "inclusion" dimension.

The Commission on Growth and Development's 2008 report on *Strategies for Sustained Growth and Inclusive Development* notes that the concept of inclusion encompasses equity, equality and protection in access and transition to employment. Overall, productive employment is a central pillar in defining inclusive growth.

Inclusion is often defined based on one or more outcomes (e.g. income growth), but it can also include the process leading to these outcomes. Inclusive growth refers to both the rate of growth and the structure of growth. Strong and sustained growth is needed to reduce poverty, but is not necessarily sufficient to be inclusive. If, for example, growth is geographically localized or little diversified, it will certainly affect only a small part of the population. On the other hand, growth can create many jobs that can be unproductive or destroyed over time. Inclusion thus encompasses a productive dimension that is both static and dynamic. Inclusion also involves a structural transformation of the economy that allows a broader population to: (i) find an employment opportunity in which their skills can be fully utilized; (ii) adapt to technological

progress and therefore to the process of job creation and destruction it entails; (iii) create new employment opportunities; and (iv) make the best use of available resources.

Khan's paper (2007) presents a number of case studies and shows that structural change capable of reducing poverty is characterized by a rapid increase in industrial employment and a significant decline in agricultural jobs in favor of non-agricultural rural employment, or an expansion of agricultural employment when the modern sector fails to absorb labor. In contrast, Melamed et al (2011) studied 12 cases of countries (spanning the 1980s) where growth had an impact on poverty. They show that in the majority of cases, employment in the services sector increased, and industrial employment increased in half of the cases. Agricultural employment increased only in half of the cases. Regardless, the transformation of the economy's structure is an important factor for economic growth. Imbs and Wacziarg (2003) highlight the fact that there is no country that has sustained long-term growth without structural transformation.

Inclusion also refers to the process that engenders growth, and can then be understood in terms of participation in the policy-making process related to growth and in the decision-making processes leading to public policy choices. Thus inclusive growth can also be seen as a participatory process, which is all the more important as it relies on an efficient exploitation of existing resources and the development of other resources over time. It is therefore a question of identifying the potential sources of growth and the constraints that weigh on it. This implies not only combining public policies at macro and microeconomic levels, but also the availability of appropriate public governance. Decentralization has thus become important for inclusive growth. Beyond the impact it can have on "results", it allows for an "inclusion" of citizens in the process of wealth creation. Moreover, the existence of externalities in the development process at the local level requires the kind of public policies governance that makes the best possible use of these externalities. As regards decentralization and poverty, the empirical link is not clearly established. For example, Jutting et al. (2004) carried out a case study of 19 countries and showed that the impact of decentralization on poverty has been positive in some cases and negative in others.

Decentralization affects poverty through the impact of local development policies on growth (including better services and infrastructure at the local level, efficient mobilization of resources, etc.). Local development, in turn, depends on the quality of local governance, including political representation at the local level, effective and accountable local government, effective citizen participation in public decision-making, public-private-communities partnership, and the capacity of local institutions to mobilize resources and direct them towards productive investment. Thus, the quality of governance and country specificities are very important in assessing the impact of decentralization on the degree of inclusion of economic growth.

2.2 Territory and inclusive development

The term "territory" originates in the Latin "jus terrendi", which means the one who holds the right to terrify. Historically the concept stems from notions of power and domination. The contemporary definition of "territory" depends on the social, political, cultural and linguistic context. To this end, there are two approaches: the Anglo-Saxon approach and the French institutional system.

Neil Brenner (1999) defines the territory by taking into account the evolution of capitalism. He introduces the notion of (de) -territorialization to account for diminishing territorial forms of regulation in favor of greater trade fluidity. The notion of (re)-territorialization has been put forward by the author to express the necessity of deployment of capitalism, new forms of territorial regulation, but at scales other than States (metropolises, regions, etc.).

Whereas this Anglo-Saxon conception of territory comes as a response to the crises stemming from the extension of capitalism (Brenner, 2004), the definition of the word "territory" in the

French institutional environment is closer to the semantic field of public policies, with a terminology extended to concepts of "territorial" or "territorialized" policies.

2.2.1 Territory and development

Development policies have often been viewed as "universal" policies focused on developing infrastructure - roads, railways, access to water and sanitation, electrification - and on the State's financial support mechanisms and instruments aimed at attracting large firms to least developed territories. These development policies came as a response to a need expressed by citizens and also provided the advantages of simplicity and visibility. They often led to the promotion of investment in infrastructure as a means of improving access to the market in remote areas or assisting areas deprived of physical capital on the basis of the assumption that the return on investment would be high. However, these policies with a strong focus on developing infrastructure and introducing mechanisms are often carried out according to a top-down approach, with no special regard for the specificities of territories. They are "one size fits all" policies. As such, they are incapable of achieving sustainable development (Ascani A. et al., 2012; Barca et al., 2011).

Indeed, many studies have pointed out that, despite their positive impact, infrastructure development policies have often led to polarization and economic agglomeration. Despite the external economies generated by these agglomerations, they are also at the root of increasing economic marginalization. Many peripheral regions where significant investments in infrastructure have been made both in Europe (Vanhoudt et al., 2000, Puga 2002, Dall'erba and Gallo, 2008) and in emerging countries (Roberts et al. 2010 for China) offer illustrations of such marginalization. Similarly, development policies based on fiscal and financial incentives encouraging firms to settle in less industrialized regions have shown their limits (Trigilia, 1992; Viest, 2000). Indeed, firms found themselves located in regions that were unable to accommodate such investments because of the lack of competent and qualified human resources and institutional weaknesses.

The failure of "one-size-fits-all" traditional development policies, carried out according to a top-down approach to meet the needs of local development (Barca et al., 2011), coupled with the growing awareness of the importance of local characteristics in shaping development trajectories, fundamentally undermines one of the main characteristics of policies implemented according to the top-down approach: the transferability of "universal" strategies to all regions, regardless of local weaknesses and strengths. In this context, alternative approaches to regional economic development based on the bottom-up approach (Pike et al., 2006) constitute a good alternative, despite the lack of a clear theoretical basis supporting the aforementioned approach (Barca, Crescenzi and Rodríguez-Pose, 2011). According to this approach, the implementation of development policies raises a few questions. In this context, what is the role of the territory? Is the territory simply a geographical unit of economic policy implementation or a full-fledged economic player, which is endogenously part and parcel of the whole process of developing and implementing public policies for development?

Taking the territorial dimension into account in development policies makes it possible to distinguish between territorialized policies and territorial policies (Autés, M., 1991). Policies are "territorial" when "public policies themselves spell out the territorial players" (Faure and Douille, 2005). Policies are said to be "territorialized" when "central bodies become sensitive to the specificity of the environments and allow the participation of territorial players in the formulation or implementation of public policies" (Daniel Behar, 2000).

"Territory" can thus be defined as "space for public action, political mobilization and economic change" (Keating and Loughlin, 1997). Another definition describes it as "... the result of a process of construction by players" (Pecqueur, 2005). Construction is about development and growth, as pointed out by Scott (2003). Indeed, Scott defines territory as "the node of critical processes of development and growth".

Territorialized policies require a geographical redistribution by the State of sectorial actions through organizations or administrative bodies distributed evenly across the area of jurisdiction. Territorial policies, on the other hand, cover all actions that can be carried out at the level of the central State and local authorities in order to promote the growth and development of the territories composing a country (Ménard F., 1997).

Territorialization can be defined as a transfer of public policies from the State to local governments. The latter are both guarantors of public action differentiation across territories and responsible for ensuring public policy cohesion within the territories (Béhar D., 1997). Thus, territorialization of public policies in general, and territorial development in a particular, imply a transition from a single policy where the same rules apply across all territories to an integrated spatial, multi-sectorial policy that is adapted to the specificities and characteristics of each territory. The contribution of local players acting at several levels (design, implementation, monitoring, evaluation, etc.) provides local added value to development efforts at the national level. Territorialization attaches particular importance to relations with citizens and local players who are involved in defining and implementing public policies in line with the specific needs of each territory.

In theory, implementing territorialization has three requirements:

- Scales of territorial division: territorial division must be institutionally-based (in Tunisia for example, the administrative geographical division is in regions, governorates and delegations);
- Sectors included: whether it is partial territorialization (affecting a limited number of sectors of activity) or comprehensive territorialization covering all sectors. This depends on degree of deconcentration in the country in question;
- Terms of involvement of local players: they may vary from total absence of consultation with the local players to their total involvement and partaking in defining and implementing differentiated policy. This depends on the level of decentralization of the country in question.

Thus, territorialization of development policies is closely linked to the local governance mode adopted by each country, comprising two dimensions: decentralization and deconcentration. Everything depends on how the central State and the territories intervene to design and implement public actions. Whereas deconcentration enables States to transfer power from central authorities to their own local or regional divisions, it does not always yield necessary and sufficient leeway to local authorities to design and implement public policies that are suited to the specificities of territories. The virtues of deconcentration alone are limited to decongesting administrative activity at the central level. Decentralization is the other indispensable and complementary condition for the implementation of a public policies territorialization approach. Indeed, decentralization reflects the capacity of local authorities to design and implement public policies that meet territorial concerns and needs. It is defined as a transfer of power from the central state to local governments. This transfer implies a change in the design of public policies, from a top-down approach to a bottom-up approach. Full knowledge of the specific needs of each territory by local authorities makes decentralization an excellent means of implementing public policies, which are completely adapted to the specificities and cultural and socio-institutional needs of the territories. This translates into positive impacts and effectiveness gains in territorial economic development.

Indeed, decentralization is the institutional framework that led to the emergence of territorial-based economic development policies. These forms of intervention, known as local economic development (LED), were created in response to the social and economic

issues resulting from persistent development problems linked to local specificities (Nel, 2001). Local economic development programs are therefore forms of intervention centered on inclusive territorial development. These are policies that address the specific needs and preferences of local populations (Paddison, 2002), but do not focus on endogenous, self-centered development that emphasizes survival and poverty reduction rather than participation in the global economy, competitiveness and the search for niche markets (Binns and Nel, 1999). This type of pro-poor development does not produce the expected results in terms of job creation and sustainable economic development (Hinderson, 2003). Conversely, development strategies that combine bottom-up and local economic development seek to achieve a balance between four interrelated dynamics, namely: (1) improving the competitiveness of local firms, (2) investment promotion, (3) improving human capital and skills for the labor market, and (4) improving infrastructure (Rodriguez-Pose, 2002).

It is therefore important to note that the implementation of local economic development policies strongly depends on the level and type of decentralization adopted. This requires a synergy between territorial development and the involvement of local players in the design and implementation of public policies. In fact, decentralization reforms exclusively driven by the imperatives of exercising power and institutional arrangements for political legitimation generally result in councilors who are elected but are confined to deliberative roles, poorly equipped in terms of development tools and excessively focused on the provision of local services and equipment, and administrative and taxation skills (Leonard G. Romeo, 2012). This approach to public action territorialization exacerbates opposition between the stakeholders, in particular between local and regional authorities and representatives of the State. In this regard, Giguère (2004) lists five areas in which governance can be improved in order for decentralization to promote inclusive territorial development:

- Rigidity in defining objectives: State representatives at territorial level define their objectives according to their contribution to the public policy's national objectives. They therefore ignore the constraints of the territory and its aspirations for inclusion.
- Pursuit of efficiency and effectiveness: State representatives at the territorial level generally use benchmarks for performance measurement that are exclusively focused on budgetary efficiency, which hinders the implementation of inclusive public policy.
- Vertical accountability: State-level clerks at the territorial level report to their supervisors, in the administrations, without binding obligations to local authorities and other development stakeholders.
- Legitimacy: State actors and local authorities tend not to share information with the private sector and other stakeholders, especially in the absence of representation frameworks for them.
- Monitoring and evaluation: Since local assessment processes are not included in the measurement frameworks for the State's territorial entities, they are not part of the evaluation, despite being necessary for future projects.

The purpose of territorialization is to introduce development policies that are well adapted and defined in collaboration with the territories, in order to promote coherent, effective public action that enables equitable and inclusive economic development. In other words, territorialization can be seen as an approach to public policy in general, and in particular, to development policies that value the specificities and resources of each territory. The basic idea being that the territory, rather than the state apparatus, is now the locus of definition and resolution of public issues.

Territorialization has become a fundamental dimension of public policy. Major national programs can be replaced by a differentiated approach to local territories. Territorial and local authorities have often taken over the role of full-fledged public policies coordinators at local level from central administrations. They are therefore essential in the implementation of public policies. As the territory becomes a tool for development, decentralization and analysis of situations become essential to enable relevant public action.

According to David (2007), there are two possible distinct rationales to the implementation of public policy territorialization:

- A rationale driven by geographical priority, where public action targets specific territories, the outlines of which are often delimited. This approach is based on various economic and social criteria and the nature of issues to be dealt with (unemployment rate, poverty rate, academic delay, etc.). The efforts exerted in these territories areas therefore proportional to the magnitude of the difficulties identified;
- An incentive-driven rationale aimed at territories capable of defining a coherent and comprehensive development program. In this case, local social difficulties are no longer decisive, but territories are provided with support depending on their project and the will of local players.

While decentralization and deconcentration partly explain the growing role of territories in development, globalization provides a complementary analysis of the paradigm shift, which has come together with the changing reality of development and territory.

Indeed, the notion of "territorial development" emerged in the mid-1990s in response to globalization and the liberalization of markets characterized by economic openness and a relative withdrawal of the State. Paradoxically, instead of marginalizing territories, the new context accentuated the role of local specificities, given the importance of functional economic integration (Storper, 1995). Local forces thus became essential to the unleashing of economic development (Storper, 1997).

Territories' new position in development has been confirmed over time. Globalization has in fact made the "integration of territories" into global networks and flows a necessity (Koop, 2007), and local institutions have been more able to mitigate and exploit the disruptive potential of global forces (Pike et al. 2010). This can be explained by at least two phenomena inherent to globalization:

- The role of knowledge and innovation in growth and development. While globalization is responsible for the drop in communication costs thanks to new information technologies, it has also shown that tacit knowledge is useful to territories and its economic value is increasingly important given that it is scarcer than codified knowledge (Sonn and Storper (2008)). Territories provide spatial proximity that allows for tacit knowledge to be successfully transmitted, absorbed and reused (Storper and Venables, 2004 and McCann, 2008).
- The international mobility of capital, which has made it possible to link territories to resources and external markets (McCann and Acs, 2009), thus favoring both the emergence of Global Production Networks in developed countries and access to knowledge and learning for territories in developing countries. For the latter, access to knowledge, particularly through foreign direct investment, enables territories to further their tacit knowledge and thus promote local development (Bathelt et al., 2004) and Pietrobelli and Rabellotti (2009).

The paradigm shift due to globalization partly explains the increasing role of territories in economic development (Crafts, 2004 and Sala-i-Martin, 2006).

However, another salient feature of this paradigm shift is heightened intra-country disparities (Rodriguez-Pose and Gill, 2006; Brakman and Van Marrewijk, 2008). Indeed, growth at the national level is driven by a few innovative and fast-growing territories--generally, metropolises. Other regions do not meet the requirements of opportunities offered by globalization and find themselves on a slower track in terms of development and growth.

Countries such as the United States or regions such as the European Union are not immune to these intra-country disparities (Carlino et al., 2001; Crescenti et al., 2007). China is also another example of the disparities caused by globalization where the gap between urban areas in coastal provinces and inland agricultural areas is widening (Fleisher and Chen 1997, Kanbur and Zhang 1999, Zhang and Kanbur, 2001, Zhang and Zhang, 2003).

In short, the failure of traditional development policies based on top-down approaches to cope with rising unemployment and regional disparities has led to alternative development strategies capable of promoting growth (Roberts, 1993). Due to their focus on investment in infrastructure and large-scale industrial projects based on a top-down approach, these strategies failed to integrate agglomerations and take into account the importance of physical distance, learning, innovation and institutions. Moreover, they do not meet the economic development needs of regions in a globalized environment (Barca et al., 2011). Some authors go so far as to label them waste policies (Rodriguez-Pose and Arbix, 2001).

Despite the advantages of top-down policies (simplicity, tangibility and popularity among decision-makers), the investments they make in tangible and physical capital have demonstrated their limitations in terms of inclusive development. The findings in Seville (Pike et al., 2006) and Mezzogiorno in Italy (Trigilia, 1992; Viesti, 2000) demonstrate that lack of skills and capacities and institutional weakness are factors that hinder the ability to take into account local strengths and weaknesses.

Moreover, the focus on transferring universal approaches to development (top-down approach) has proven to be very limited in scope. It has led to bottom-up strategies. These strategies emphasize "a process in which local players shape and share the future of their territory ... a participatory process that encourages and facilitates partnerships between local stakeholders, enabling the joint design and implementation of strategies, mainly based on the competitive use of local resources, with the final aim of creating decent jobs and sustainable economic activities "(Canzanelli, 2001).

Local inclusive development requires both decentralization capable of taking into account local interests and steering interactions between stakeholders, and a deconcentration able to provide the means and ability to intervene of the State at the local level. To this end, it is essential to align policy coordination processes at the horizontal level between the territorial community and other stakeholders, and at the vertical level between the different decentralization tiers, at the national or supranational level in the case of regional country groupings (Rodriguez-Pose, 2002).

2.2.2 The case of the territory in industrial policy

Industrial policy is now at the heart of economic development policy. It aims to foster structural transformation within the economy and accelerate growth in the industrial sector as well as in the economy as a whole. Its definition is however controversial, which gives rise to multiple definitions. This multiplicity of definitions is largely due to the main ideological trends in economic and industrial history. It also raises the question of the role of the State in the industrial development of a country. There is disagreement as to the

usefulness of industrial policy, whether voluntary or involuntary, whether of a general or selective nature, or whether it is horizontal or vertical.

From a neutral standpoint, industrial policy refers to any policy designed to produce an impact on the evolution of industry (ECA, 2016), particularly the manufacturing sector. It also covers other sectors such as mining and electricity. However, economic debates tend to refine this definition by specifying the content of industrial policy, including targeting policies, which are referred to by most economists. Discussions on the relevance of an industrial policy and its effectiveness are tied to theoretical differences.

The debate on the contours and scope of industrial policy raises questions about the extent to which it is territorialized. Recognition of the importance of local conditions and specificities in any development scheme makes it essential to take the territory into account in an industrial development strategy. To what extent is the local dimension taken into account in the process of industrial development? Is the targeting strategy in an industrial policy sufficient to ensure inclusive development? Is it possible to envisage the territorialization of a horizontal versus vertical industrial policy? What are the prerequisites for the territorialization of industrial policy? A historical review of industrial policy shed useful light on the role played by the territory.

In most developing countries⁶, industrial policy has been a lever for structural change, which made it possible to accelerate job creation (Lin and Chang, 2009). It was regarded as a voluntary distortion by the State in a market organized according to conditions of pure and perfect competition (Baldwin, 1969). The main objective of industrial policy was the creation and launching of new activities through measures such as protectionism, nationalization of enterprises, public investment, direct subsidies, financial and tax incentives, relative price distortions or regulation (Pivetau and Rougier, 2011). It adopted a top-down approach, was disconnected from the territory, prompting the State to adopt a market forces substitution strategy and to seek out intersectoral spillover effects. As a result, the State restricted imports through protectionist measures.

In this context, industrial policies during the 1960s and 1970s were strongly characterized by import substitution policies, influenced by the writings of, *inter alia*, Prebisch (1950) and Singer (1950), who argued that trade with developed countries was unfair due to unfavorable trading terms resulting from dependence on primary products for exports and manufactured goods for imports. States therefore played a role in transforming the structures of these economies by adopting import substitution strategies. However, the failure of the State interventionist model in sectors that are productive for most developing countries has been used to question the role of the State in industrial development. At this stage, the territory was seen as a simple administrative and geographical division acting as a mere “receptacle” of industrial policies, which were still devised and thought at the central level.

Focusing on a more liberal, less state-led approach and underlying the structural adjustment plans introduced in most developing countries in the 1980s, subsequent industrial policies did not place territories in the forefront. These policies are based on the assumption that markets are more efficient than the State in allocating resources and that the appropriate role of the State should be to provide an enabling environment for private sector development. Structural transformation is seen as a natural process. Openness to international trade is reflected in the reallocation of resources to activities that are capable of increasing national income. Once institutional arrangements (competitive markets) are made in order to generate efficient resource allocation, investments are left free.

⁶ This is the case in three North African countries, Algeria, Morocco and Tunisia, which, following independence, adopted measures to industrialize their economies.

Therefore, the State must allow private producers to operate through market mechanisms and limit its participation to products and services for which it has an advantage over private agents (Wade, 1990). In this context, and due market fundamentalism, industrial policy has no *raison d'être*. It is a taboo subject in debates about national development policies. As a result, the territory is completely absent from theoretical reflection, and its role in industrial development underestimated. Market forces are expected to attract industrial investment to the territories with greatest appeal. Public policies are therefore focused on improving the attractiveness of territories through incentives that are neutral in terms of industrial development.

Finally, market imperfections, combined with the emergence of high performance new industrialized countries, particularly East Asian countries with pro-active development policies such as in Japan, South Korea and Taiwan, brought into question the underlying assumptions of structural adjustment policies and demonstrated that the role of the State in the industrial development of a country should not be ignored. This made the case for a revision of the traditional vision of industrial policy. Of course, the public policies deployed as part of these proactive strategies are today constrained by adherence to trade agreements, such as the WTO for example.

For Rodrik (2004), industrial policy is back in a new form, especially in countries that pursue renewal and economic development efforts. In these countries, the State favors the development of industrial activities whose social benefits are higher than private benefits. According to the same author, a good model of industrial policy is not that of an autonomous government applying Pigouvian⁷ taxes or subsidies, but rather the model of strategic collaboration between the private sector and the government (Rodrik, 2012), the aim being of identifying obstacles to restructuring and the types of intervention likely to eliminate them. Similarly, the analysis of industrial policy must focus not on the results of the policy, which cannot be known ex-ante, but on the means of adjusting the political process. This new shift in industrial policy rehabilitates the role of the territory and sheds light on the prerequisites for territorial development.

The first prerequisite relates to the fact that territorialization is based on an in-depth analysis of local characteristics in terms of economic and institutional resources. Indeed, thanks to their better knowledge of the specificities and needs of their regions as compared to the central government, local governments are able to formulate appropriate public policies by integrating a bottom-up approach. Thus, faced with territories endowed with different resources and development paths, general, one-size fits-all policies focused on the development of infrastructures fail to meet local needs. What is needed instead are differentiated industrial policies. For example, the policy of targeting growth sectors, or "clustering" policy, would gain in efficiency and relevance if they were carried out in accordance with local needs and resources. The second prerequisite relates to the degree of involvement of local players in the design, implementation and management of industrial development strategies. This involvement is closely linked to the level of decentralization: the more actively a local player gets to participate in industrial policy, the stronger the principles of good governance, transparency and accountability.

⁷ Pigouvian taxes are based on the polluter-pays principle to internalize the social cost of polluting activities. In this study, a Pigouvian subsidy would take the form of a tax incentive to correct market imperfections related to territorial attractiveness. For example, in Tunisia, companies benefit from financial and tax subsidies when they establish themselves in a priority development regions.

3. Territorialization of industrial policy: a few stylized facts about North Africa

3.1 Overview of industrial policy in North Africa

For North Africa, industrialization is essential to accelerate structural transformation. However, with an industrial sector whose competitiveness is based on low production costs, that is low productivity, little connected to global value chains and with marginal participation in domestic and international markets, industrialization has been a long and difficult process. Although services have surpassed agriculture and industry as the first revenue-generating sectors in North African countries, it has not been possible to create a large number of skilled jobs, which are traditionally concentrated in higher added value industrial activities.

Industrial policies adopted by North African countries share similarities, such as the focus on external markets and the development of export industries. However, there are significant national specificities, which largely explain the differences in terms of results observed.

3.1.1 Structural transformation of the economy: a few key graphs

Industrialization can be seen as an important source of employment as well as a tool for poverty reduction and promotion of regional policies for inclusive growth.

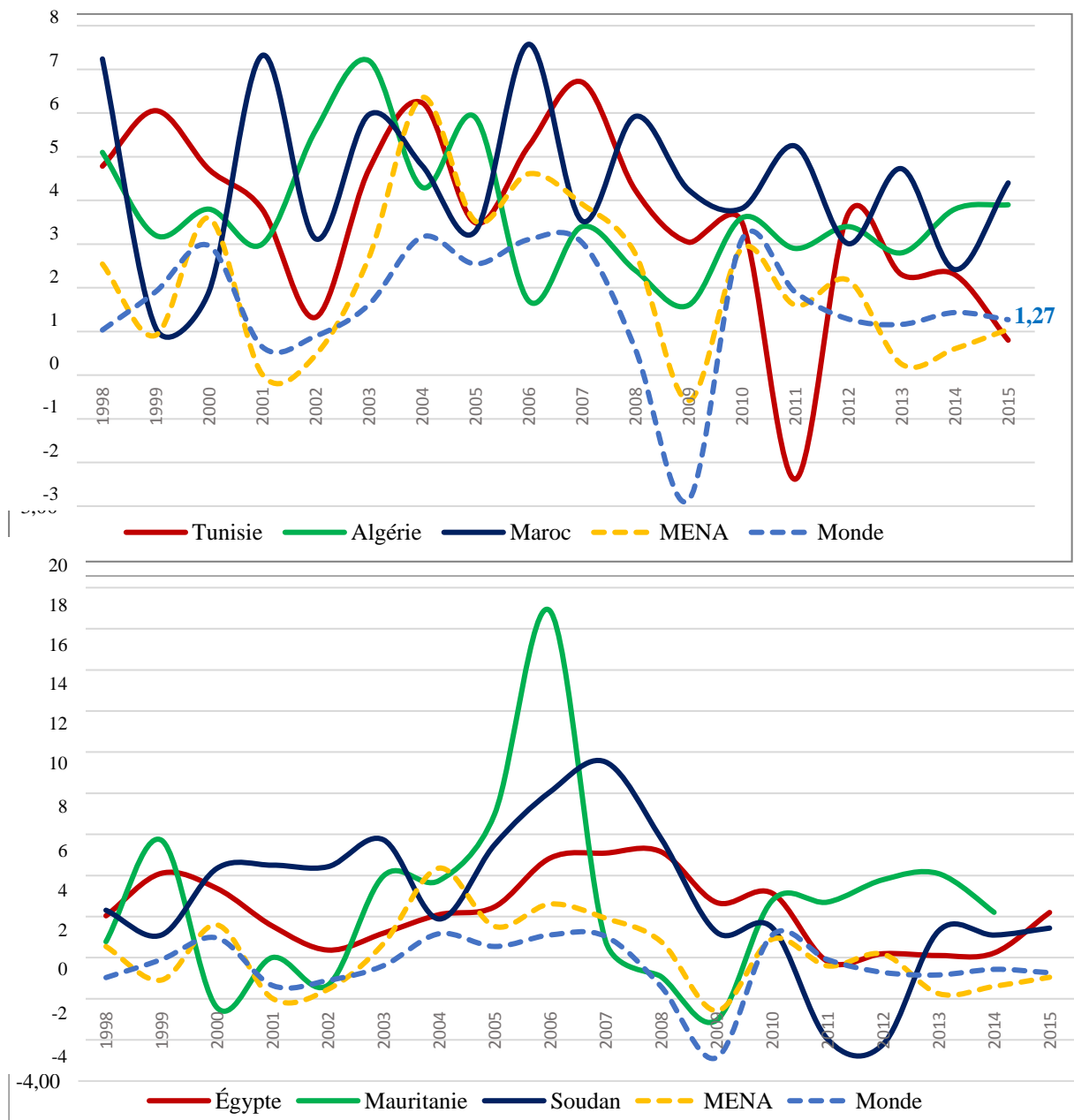
GDP growth dynamics

During the first period of 1998-2006, the GDP growth rates of the North African countries remain higher than those achieved during the 2007-2014 second. During this second period, economic growth falters.

The general downward trend over the period 2007-2014 is linked, in addition to the context of political instability, to the slowdown in the world economy (with the subprime crisis), and to the decline in oil production in Libya. In 2016, the sub-region recorded growth of 2.6% (non-Libya), compared to 3.6% in 2015, mainly due to a decline in growth in Morocco (1.6%, compared with 4% in , 5% in 2015) and a slight decline in growth in Algeria (3.5%, compared to 3.8% in 2015).

Graph 1

GDP Growth Rate, 1998 – 2015



Source: Calculations based on the World Bank database, 2016. World Development Indicators. August 2016.

The GDP per sector breakdown makes it possible to evaluate the role played by the industrial sector in the economic growth of each of the six North African countries (except Libya), and assess the level of structural transformation of their economies.

GDP structure and structural transformation

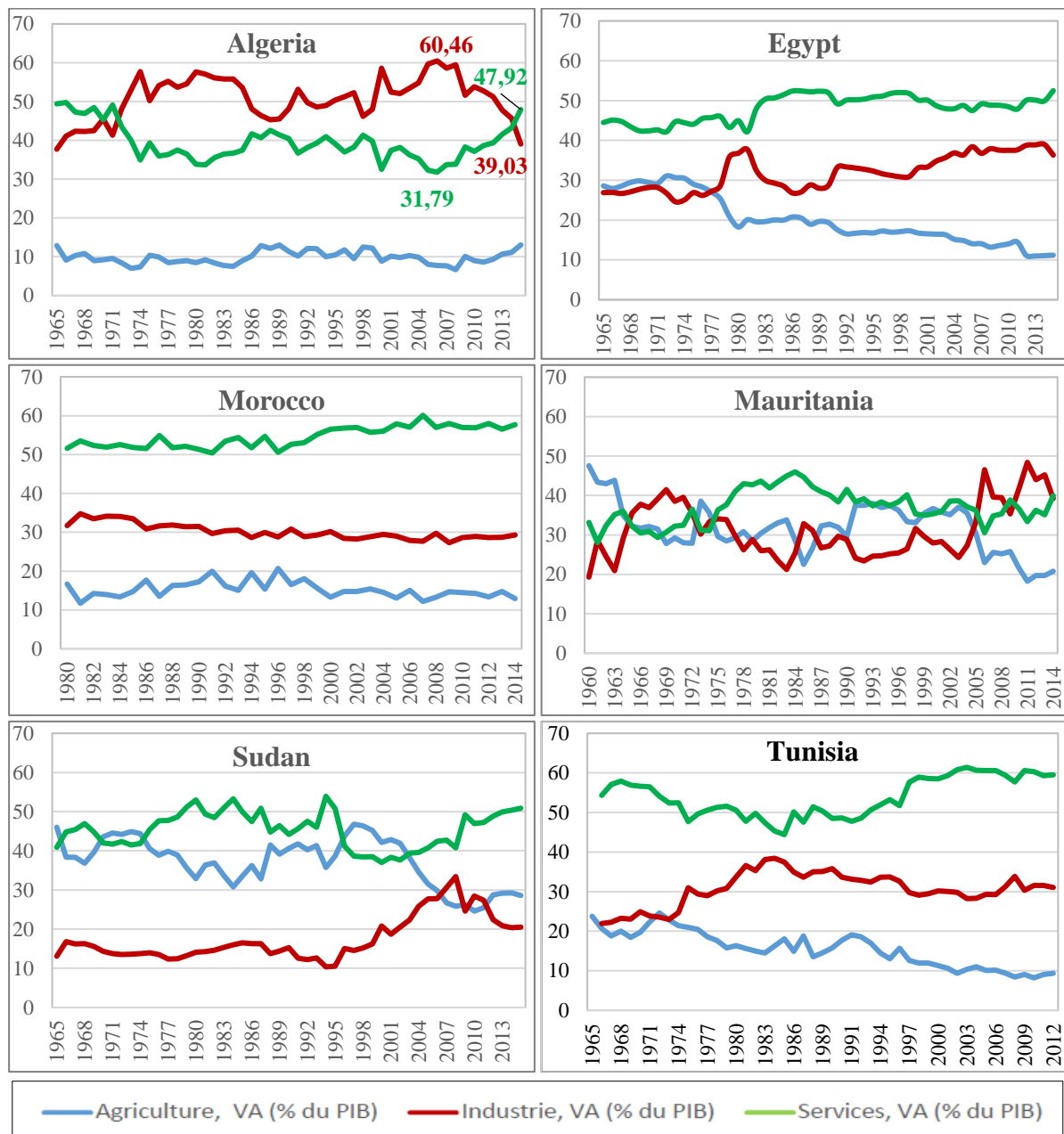
We find that for Egypt, Morocco, Tunisia and the Sudan, the services sector's share in GDP remains the highest, reaching shares of more than 50% (Graph 2). Similarly, in all six North African countries, the share of agriculture in GDP remains low (between 10 and 20%) with a downward trend. The industrial sector's contribution to GDP is on average 30%. In Algeria, the manufacturing industry represents only 5% of the GDP, and reaches 50% if one counts the hydrocarbons sector. The services sector experienced significant growth between 2006 and 2015, with a contribution to GDP rising from 31.79% to 47.92%.

In the case of Mauritania, the share of the industrial sector between 1960 and 2015 varied between 20% and 50%, thus demonstrating an instable contribution of different sectors to the formation of GDP. This instability is linked to the fragility of the Mauritanian economy, which remains dependent on the extraction of its natural resources. Indeed, the share of extractive activities (oil, iron, gold, copper, etc.) in GDP, which stood at 19.7% in 2006, was 15% in 2010 and 11.6% in 2014 (National Statistics Authority, Mauritania). The sectoral breakdown of GDP highlights the challenges of structural transformation of North African economies. Indeed, the data in Graph 2 show that only Egypt and Tunisia have experienced significant decline in the share of the agricultural sector in GDP, in favor of an increase in the share of industry⁸. In Mauritania and the Sudan, structural transformation is hampered by an unstable industrial sector which does not contribute much to GDP. In general, the industrial sector of North African countries is dominated by extractive industries (mining and oil) and by low added value activities. Countries in the sub-region seem to be seeking an acceleration of the structural transformation process through stronger innovation, significant improvement in total factor productivity and strategic positioning in dynamic, high added value markets. This would translate into structural gains in terms of competitiveness.

⁸ We can also consider that Morocco has undergone a structural transformation of its economy. This transformation is especially visible based on the statistical data covering the 1960s. Unfortunately, the World Bank Database we used provides the sectoral breakdown of GDP in Morocco only as of 1980.

Graph 2

Sectoral composition of GDP



Source: Calculations based on the World Bank database, 2016. World Development Indicators, August 2016.

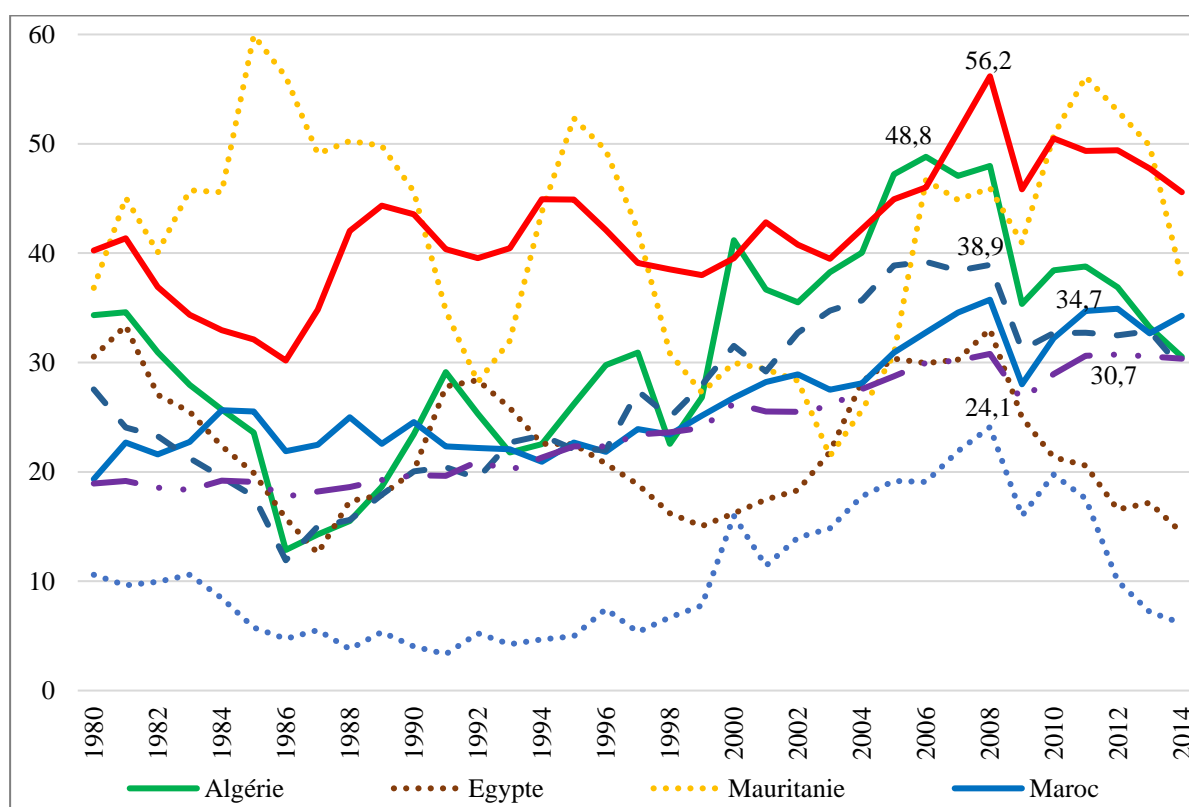
Countries in the sub-region seem to be seeking an acceleration of the structural transformation process through a stronger role for innovation, a significant improvement in total factor productivity, and a strategic positioning in dynamic markets and more. high added value. This would translate into a structural gain in terms of competitiveness.

Exports evolution and structure in North Africa

The data in Graph 3 show that over the period 1986-2014, exports of goods and services (in percentage of GDP) from Algeria, Morocco and Tunisia grew faster than those of the world. In Egypt and Sudan, exports of goods and services do not exceed 30% and 20% of GDP, respectively. Mauritania's exports of goods and services, on the other hand, were characterized by variability, confirming the country's dependence on trade in minerals and metals. Indeed, in 2013, exports of minerals and metals accounted for 75.01% of Mauritanian merchandise exports. Mauritania's industry is largely dominated by mining and its manufacturing sector is also mainly comprised of informal activities⁹. The sector is made up of about 1,000 informal small and medium-sized enterprises (SMEs) employing approximately 5,000 people. They cover many manufacturing, industrial, craft and service activities. As for the formal manufacturing sector, it is composed of nearly 200 SMEs. This sector, which focuses on valorizing a few local and import substitution goods, is only slightly diversified and employs around 5,000 people—that is, the same as the informal sector in terms of the number of jobs. The prominence of the informal sector confirms the fragility of the Mauritanian economy and the relative failure of the role played by the public sector.

Graph 3

Evolution of exports in goods and services (as a percentage of GDP)



Source: Calculations based on the World Bank database, 2016. World Development Indicators, August 2016.

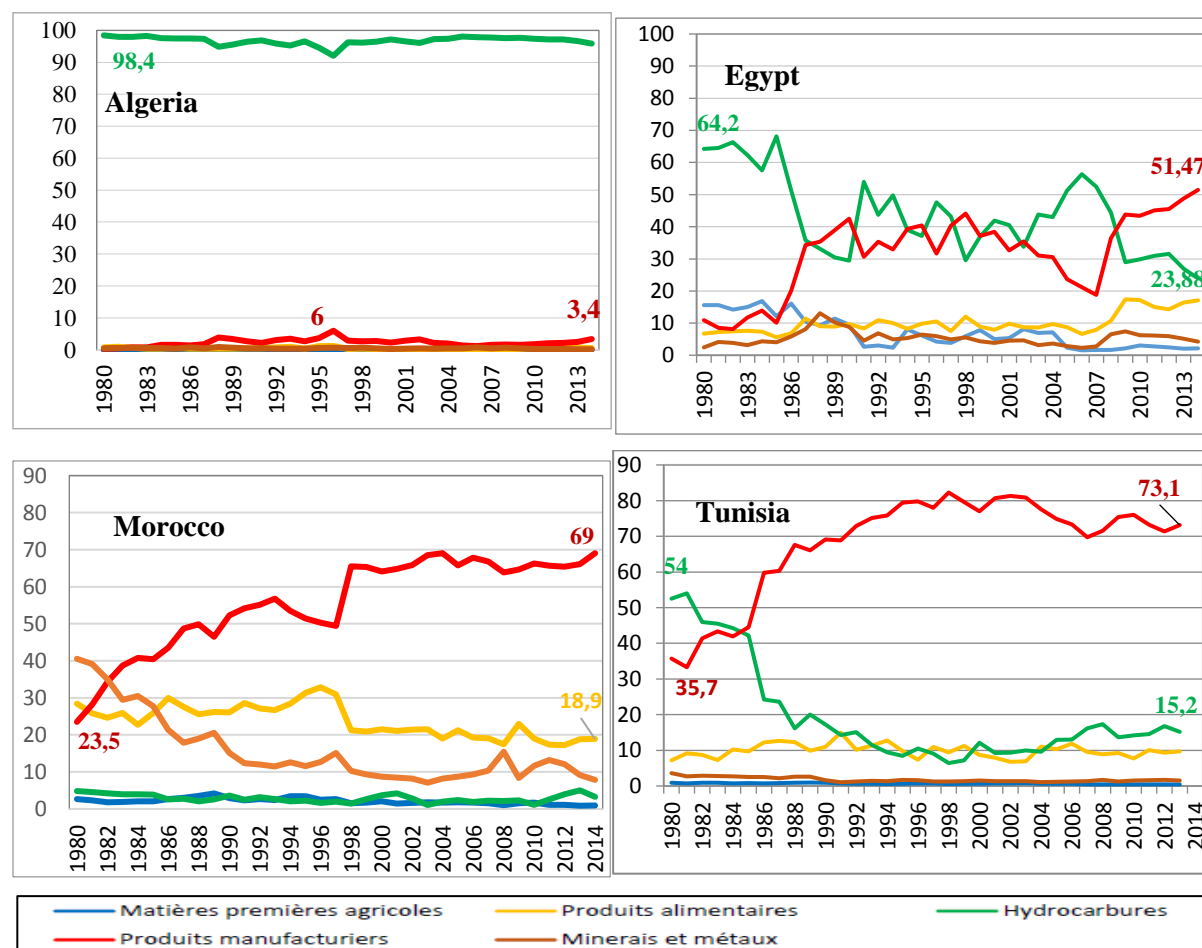
⁹ Ministry of Trade, Industry and Tourism, 2015: "Strategy for the development of the industrial sector in Mauritania: 2015-2019", Nouakchott, page 4.

In summary, the results of Graph 3 show that despite fluctuations, there is an upward trend in exports of goods and services as a percentage of GDP.

Statistical data on the distribution of exports per sector (Graph 4¹⁰) show that exports from Algeria are highly concentrated in hydrocarbons. The share of manufactured goods does not exceed on average 3% of Algeria's total exports, with hydrocarbons accounting for between 96% and 98% of total exports, indicating the weight of the hydrocarbon sector in the Algerian economy. In the case of Egypt, the share of manufacturing in total exports of goods rose from 10.9% in 1980 to 51.5% in 2014. This increase was offset by a drop in hydrocarbon exports from 64.2% to 23.88% in 2014. The share of exports of agricultural, food and mineral goods does not exceed 10%. Conversely, in Morocco and Tunisia, the share of manufacturing in total exports increased sharply during the period 1980-2014. Indeed, the share of manufacturing products in total exports exceeds 70% in Morocco and 80% in Tunisia. This result confirms the fact that the industrial policy of both countries is driven by the promotion of exports of industrial products.

Graph 4

Structure of exports of goods



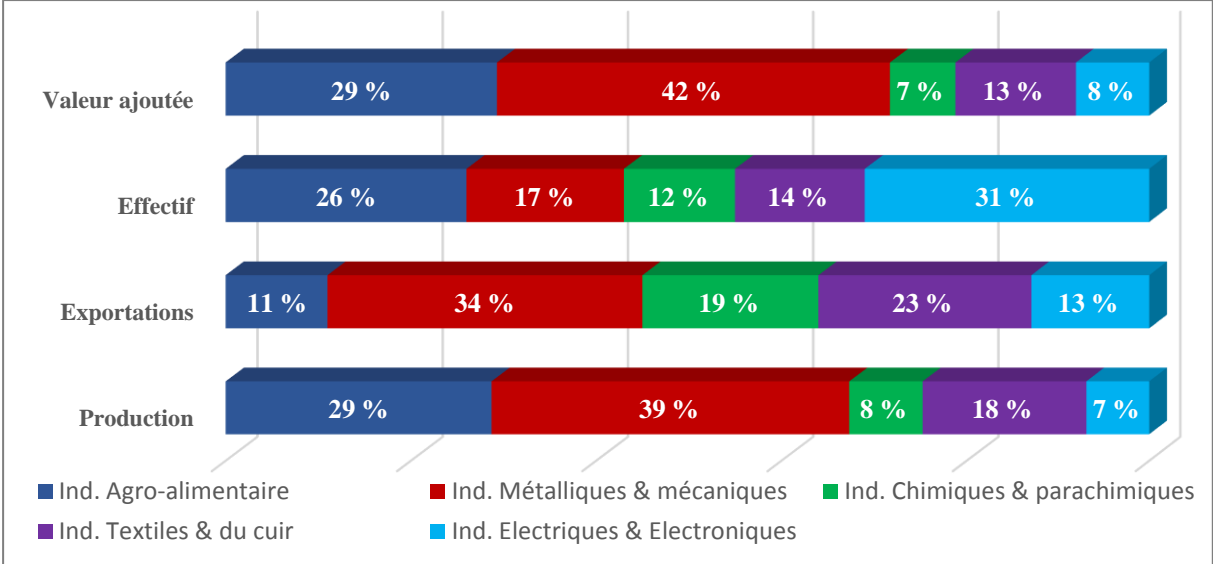
Source: Calculations based on the World Bank database, 2016. World Development Indicators, August 2016.

¹⁰ Due to the absence of complete statistical data, the structure of exports of goods by sector for Mauritania and the Sudan is not illustrated in Graphs 3 and 4.

In the case of Morocco, an analysis of the contribution of the industrial sector to value added, production, employment and exports, respectively, in economic variables during 2014¹¹ (Graph 5) shows that the chemical and para-chemical industry plays an important role. This industry contributes 42% of value added, accounts for 39% of manufacturing exports, and generates 17% of jobs. In addition, exports from the chemical and para-chemical industries account for 39% of total exports of industrial products. Moreover, the agro-food industry contributes 29% of value added and accounts for 29% of total employment.

Graph 5

Contribution of industries to economic variables in Morocco in 2014



Source: Ministry of Industry, Trade, Investment and the Digital Economy (MCIEN).

It should be noted a change in the structure of Moroccan industry, with the faltering of traditional activities, such as textiles, and the emergence of new activities, such as automotive, or aeronautics. The share of the mechanical, metallurgical and electrical industry in industrial value added increased from 23.2% in 2007 to 28.9% in 2016. The agri-food industry and the chemical and para-chemical industries are also activities whose relatively high growth helps offset the decline in traditional activities.

In the case of the Tunisian economy, Graph 6, which illustrates the structural transformation of the manufacturing sector, shows that the GDP contribution of the textile, clothing and leather and footwear industry (ITHCC) rose from 2.5 % in 1983 to 6.1% in 2002, and subsequently to 3% in 2014. On the other hand, the contribution to GDP of the mechanical and electrical industry (IME) rose from 3% in 1983 to 5.6% in 2014, an increase of 86.7%.

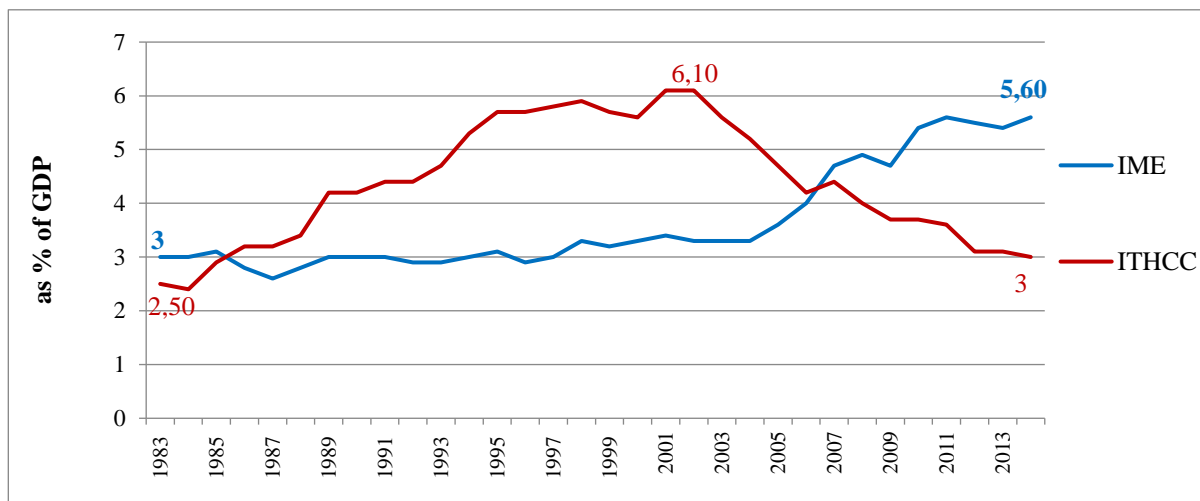
In terms of contribution to exports, textiles increased from 46.6% of total exports in 2000 to 22.3% in 2016, while the share of EMIs increased from 16.5% in 2000 to 45.5% in 2016.

This result shows that, despite relative stability of the industrial sector in GDP (see Graph 2), the industrial sector has undergone significant changes notwithstanding the relative stability of its share in GDP. Indeed, the manufacturing sector experienced a gradual diversification, at the expense of the textile sector and to the benefit of the mechanical and electrical industries, which are now the leading export sectors. The structural transformation of the Tunisian economy was mainly conducted in the industrial sector.

¹¹ Detailed statistical data is only available for 2014.

Graph 6

Structural transformation of the manufacturing sector in Tunisia, 1983-2014



Source: The Tunisian National Statistical Authority's database (INS).

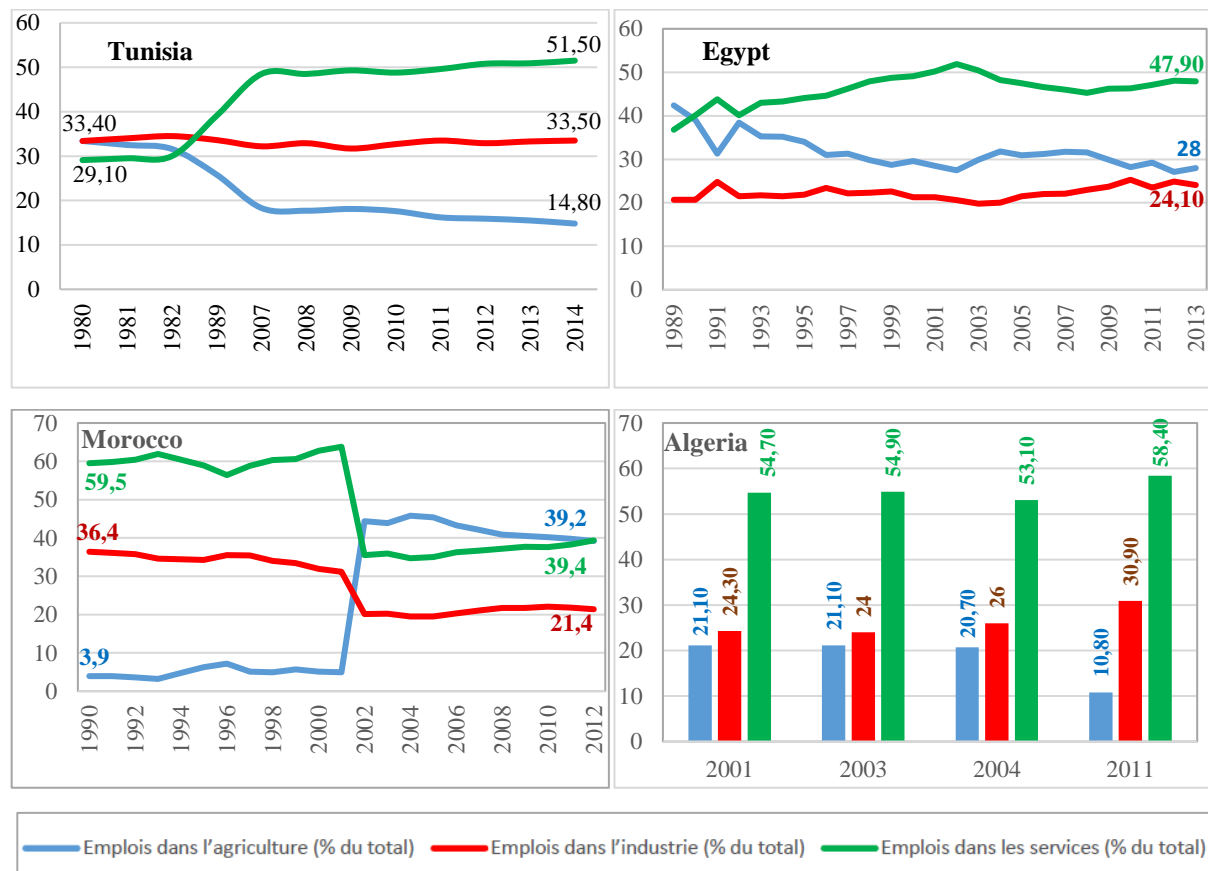
Employment dynamics by sector

Structural transformation contributes positively to economic growth and enables significant job creation. Graph 7, which illustrates the distribution of employment by sector, shows that a significant proportion of the population of Algeria, Egypt, Morocco and Tunisia is employed in the services sector. As mentioned above, this confirms the limited nature of structural transformation in North African countries. Theoretically, structural transformation should bring about a reduction in the share of agricultural employment and the transfer of workers to more productive sectors of the economy, namely the industrial sector.

In 2015, jobs created by the industrial sector in Tunisia did not exceed 33.5% of total employment. Between 1980 and 2015, employment in the services sector increased sharply, from 29.1% to 51.5% of total employment, while employment in the agricultural sector declined. Conversely, in the case of Morocco, employment in agriculture increased sharply from 39.2% in 1990 to 33.7% in total employment in 2014. This increase is due to the fact that, unlike other North African countries, Morocco's food exports account for, on average, more than 20% of all exports of goods (Graph 4). In Algeria and Egypt, there have been no significant changes in the distribution of employment by sector of activity. The share of the industrial sector in terms of jobs created does not exceed on average 24.1% in Egypt and 30.9% in Algeria.

Graph 7

Distribution of employment by sector of activity



Source: Calculations based on the World Bank database, 2016. World Development Indicators, August 2016.

Further to this analysis of the data, it appears that the economies of North African countries have experienced relatively limited structural changes, with disparities between countries. This is largely due to an industrial sector dominated by the extraction of natural resources (hydrocarbons, minerals and metals), and the production of low added value goods. Some countries, such as Tunisia, have however experienced a structural transformation within the industrial sector.

The dependence of most of these countries on natural resource extraction has meant that the potential for promoting exports of manufactured goods is not fully exploited. Jobs are concentrated in the services sector and the share of the industrial sector remains below its potential as a real driver of economic growth.

3.1.2 Main features of industrial policy

North Africa's industrial history is comprised of several phases. These phases refer to clearly defined industrial policy choices and shifts, generally related to broad and proactive economic development policies. This implies that the State plays a direct and dominant role in industry or, on the contrary, that it limits its role to supporting the development of the private sector.

The first phase was characterized by controlled and planned economies with a highly interventionist state. This was the case of Maghreb countries in the 1960s. In Egypt, this phase began with the rise of Nasser's Arab nationalism in the 1950s.

The main thrust of industrial policy was in favor of greater protectionism and much more prominent role of the State. During this phase, the establishment of heavy industry and an imports substitution industry justified numerous nationalizations. In Morocco and Tunisia in particular, the State played an especially important role in industrial development through massive public investment, given the absence of a private entrepreneurial class capable of making such investments at the time. The major industrial policy choices were therefore made in favor of developing an import substitution industry through a deliberately interventionist policy and a number of protectionist measures.

Post-independence Algeria also made industrial development one of the State's priority areas of focus. The State played an active role by controlling the industrial sector and developing an industrial strategy capable of securing major industrial outputs such as steel, building materials, fertilizers to meet the needs of the agricultural sector, chemicals, and any industrial activity it considered as a priority and a substitute for imports. However, industrial development focused mainly on the hydrocarbon sector, which absorbed more than 60% of the investments. Very little was done to diversify the economy or develop the private sector, which was mainly focused on the traditional crafts sector.

In Mauritania in the 1960s, industry was not a development policy priority area. For the most part, it played second fiddle to other public policies.

Egypt's industrialization policy followed much the same trends as other Maghreb countries in the 1960s. It was however a continuation of a long historical tradition dating back to the colonial period, at the beginning of the 20th century. Moreover, State interventionism in Egypt was much more pronounced. Initially, the State was inclined to nationalize industry. This was in response to the rise of nationalism in the early 1910s. From that date up to the mid-1970s, the aim was for the State to progressively substitute itself for the private sector within industry. This initially involved setting up key institutions such as the Government Commission on Trade and Industry, Misr Bank and the Federation of Egyptian Industries, to support the process of industrialization. In this context, an import substitution manufacturing industry was developed to meet Egypt's desire for independence from foreign markets. It mainly consisted in production of primary and intermediate goods (chemicals, metals, paper, steel, fertilizers and textiles) as well as consumer goods with technological components (televisions, radios, pharmaceutical industry). Ancillary measures related to taxation, customs and subsidies, etc., were also adopted. The nationalization policy reached its peak in the 1950s (in the aftermath of the 1952 revolution), period during which industry became truly the government's priority: massive public investments were made, and industry started occupying playing an important place in the economy. During the 1960s, industry became completely nationalized, in an assertion of Arab nationalism and socialism and of the desire for independence from the outside world, and most of all, from the West. Political alliances were forged with the former USSR. However, as a result of this policy, although industry played an important role in the economy, Egypt's dependence on imported products remained high and the industrial sector did not truly play its role as driver of economic growth.

In the 1970s both Morocco and Tunisia initiated an attempt to open their economies and encourage private initiative through a number of measures and laws in favor of a more liberal industrial policy. In Tunisia, for example, this second phase focused on developing an export-driven manufacturing industry, setting up funds and institutions in charge of providing support and guidance to private companies, such as the Agency for Exports Promotion (API) the Export Promotion Center (CEPEX) and the Fund for Industrial Promotion and Decentralization (FOPRODI). Tunisia also passed legislation to encourage export activities through tax incentives for export projects (Law 72). This attracted significant private investment in manufacturing,

mainly textiles and leather. However, despite this policy of openness, industry remained relatively protected. It was a mixed industry in which, alongside the development of a manufacturing industry geared for export, the authorities also continued to develop industry with a view to substituting imports. In Morocco, openness to foreign direct investment was accompanied by incentives for private initiatives aimed, ultimately, at replacing FDI.

In the 1970's, Egypt's policy choice to open its economy marked a radical turning point. President Sadat spearheaded this policy of openness onto the West, *Infitah*, which came alongside a change of political alliances, in 1974. It constituted a real break with that Arab socialism, insofar as it emphasized a willingness to liberalize the economy and a progressive transition from an interventionist and centralizing State to one at the service of private sector development. In general, the strategy adopted is one of openness to the West, liberalization of the economy, stimulation of the private sector and attraction of foreign capital. Measures undertaken aimed at easing procedures for domestic and foreign private investors: equity stakes in public enterprises, facilitation of international trade procedures, access to land ownership for foreign investors, etc. However, upon assessment, the *Infitah* policy fell short of expectations, particularly in terms of developing a manufacturing industry. Foreign investments were below expectations and private sector's share of industry remained relatively modest. The reasons are mainly related to the business environment: corruption, administrative red tape and unfair competition between a heavily subsidized public manufacturing sector and a non-subsidized private one. The structure of industry did not change, remaining largely dominated by large companies with more than 100 employees, in both the public and private sectors. Similarly, industry remained largely concentrated around Greater Cairo, the Delta and the Suez Canal. Manufacturing failed to generate growth and sufficiently boost employment.

In Algeria, the 1970s were a decade during which the active role of the State was confirmed. The first quadrennial development plan of 1970-1973 and subsequent plans reaching until the mid-1980s laid the foundation for the industrialization of the Algerian economy. This was mainly achieved through the creation of major public industrial groups, which built priority sectors in industry and agro-industry, in accordance with the development plan recommendations. This period, characterized by the Algerian State's grip over industry, with little room for the private sector, was nevertheless the golden age of Algerian industry, which began to run out of steam from the mid-1980s.

The attempt to open up and liberalize started in the 1970s was consolidated during a third phase in the 1980s and 1990s, under the influence of the structural adjustment plans implemented by the International Monetary Fund (IMF) in North Africa.

In Tunisia, this policy of openness and investment promotion (both domestic and foreign) resulted in the introduction in 1993 of a new investment incentive code (unifying the former Sectoral codes and fostering investment in the so-called priority sectors). The signing of the free trade agreement with the EU in 1995 required a restructuring and modernization of Tunisian industry so as to bolster its companies' competitiveness. This was done through three major programs:

- 1) An upgrading program (PMN) for the Tunisian industry in terms of production techniques, management, etc. spanning two economic and social development plans (from 1996 to 2006);
- 2) An industrial modernization program between 2003 and 2008 aimed at financing intangible investments such as technical assistance and expertise;
- 3) A program to support business competitiveness and facilitate market access.

Generally, Tunisia's industrial development strategy, from independence to the 2000's, was a horizontal strategy. Through it, the State sought to create the right conditions for private sector development (especially in the 1970s). From a policy perspective, the strategy was characterized

by two key actions: Law 72 and the investment incentives code, as well as the Upgrading Program, which was also a key element of this strategy. The State also established the institutional structure and mechanisms necessary for the supervision, support and monitoring of industrial projects.

In Morocco, the structural adjustment plan also led the authorities to adopt the World Bank and the International Monetary Fund's (IMF) new development policy standards in the 1990s. These standards were in favor of a less interventionist State and the establishment of the principles of an open market economy (private property, opening up national markets and competition). They also implied a partial implementation of the Washington Consensus' structural reforms (liberalization of foreign trade, deregulation of the financial sector, and privatization). In parallel with the liberalization of trade, free trade agreements were concluded, in particular the agreement with the European Union signed in 1996 and implemented in 2000.

Algeria also embarked on structural reforms in the 1990s, with the support of the IMF, placing it on a path of further liberalization of its economy. These reforms were motivated by the crisis in the mid-1980s due to the oil counter-shock. Characterized by a virtual stagnation of economic activity, an external debt crisis and social unrest, this crisis led to necessary economic reforms undertaken within the framework of the structural adjustment plan. At that time, many state-owned industrial enterprises closed down. Heavy industry remained dominated by the public sector, but its share in the value added of public industry declined. The share of the private sector grew even though private industrial investment remained concentrated in the consumer goods industry. This desire for reform and transformation of the economy towards greater liberalization did not yield the expected impact, although it did foster some degree of change and challenged the Algerian industrial model. Up until the 2010s, Algerian industry was not diversified. It remained heavily concentrated in the hydrocarbon sector and with a public sector stronghold in heavy industry.

In Egypt, the 1990s were characterized by continuity, if not a strengthening, of the openness and liberalization policy, with the implementation of a structural adjustment plan in 1990. The objective was, in particular, to boost exports and reduce Egypt's dependence on the outside world, while, in terms of industrial policy, privatizing state-owned enterprises and making investment laws more flexible. This plan involved a vast program of privatization of all state-owned enterprises, with the exception of some deemed to be of national interest, such as the pharmaceutical industries, for example. Deep reforms were undertaken in manufacturing industry.

Incentives were introduced to promote the development of SMEs, with the aim of "transferring the entire manufacturing sector to private enterprises"¹². This policy was fruitful in the sense that the private sector did begin to gain ground starting in the 1990s. With the exception of the chemicals and base metals industry, still dominated by the public sector, the private sector took over in other industrial sectors, such as: textiles, agri-food and metal goods. However, this private sector was mainly comprised of large enterprises, and the incentive program for SMEs in industry fell short of expected results. SMEs suffered from difficult access to bank financing.

In the case of Mauritania, in parallel with a policy aimed at developing extractive industries, a choice was made in the early 1980s to encourage private investment through an incentive mechanism and financing facilities for industrial projects. This new orientation was part of a fourth economic and social development plan for the period 1980-1985 whose aim was to further develop the manufacturing industry, foster SMEs and make better use of natural resources.

¹² Cottenet-Djoufelkit, H. (2001). Industrialization in Egypt in the 20th Century, Egypt / *Monde Arabe*, N. 4-5. pp 135-171.

Currently, the industrial choices made by various North African countries converge on the need for economic structural transformation and for more sophisticated exports. These choices stem from the policy of openness, which started in the 1970s and continued over the two following decades.

Building on its industrial achievements since independence, Tunisia, for its part, devised a new, rather vertical industrial strategy, whose objectives were: upgrading and increasing the level of sophistication of exported products, diversification, developing business incubators in cross-industries (Mechatronics, bioinformatics, biotechnology applied to the pharmaceutical industry, etc.), and substantially increasing exports and investments. The State also chose to develop a number of technological hubs with a view promote clusters and encourage innovation. Managed through public-private partnerships and located in various regions of the country, these clusters catered to different areas of specialty: biotechnologies, ICT, textiles, mechanics, etc.

In Morocco, the 2000s also marked a turning point in terms of the role of the State in the design and implementation of industrial policy. This turning point was influenced by the experience of new Asian industrialized countries, where state intervention was instrumental in boosting the competitiveness of domestic industry. Thus, during the first half of the 2000s, Morocco introduced measures to promote investment as well as tax exemptions. The Emergence Plan was launched in 2005 and updated in 2009 to become the National Pact for Industrial Emergence (PNEI). It targeted specific sectors such as automotive, aeronautics, electronics, textiles, the agri-food industry, etc. It was used to direct exports to high-growth markets. Incentives for domestic and foreign investment were provided for economic and social development. Beginning in 2014, the Ministry of Industry, Trade, Investment and the Digital Economy (MICIEN) adopted a new program, the Industrial Acceleration Plan (IAP) 2014-2020, which introduced a new industrial ecosystems-based approach. Their role was to foster the development of targeted and mutually beneficial strategic partnerships between industry leaders and VSEs/SMEs (Very Small, Medium-Sized Enterprises).

In Algeria, the Government and economic and social partners signed a National economic and social growth pact in February 2014. It is mentioned as the reference framework for industrial policy in the so-called "Government's industrial policy in the field of Industry and mining". The Government's choices regarding industrial policy are part of the five-year plan for 2015-2020, which sets out as a growth area "the pursuit of efforts to integrate the national economy into its external environment by giving priority to the national productive sphere in order to achieve the fundamental objective of gradual elimination of dependence on hydrocarbons." From an industrial policy perspective, the plan reflects, on the one hand, the desire to consolidate the industrial capital already in place, and on the other, the beginning of greater diversification of Algeria's industry. Thus, the objectives are to develop the industrial and mining sectors, strengthen industrial competitiveness and bolster a pro-industrial investment environment. The sectors emphasized within the industrial policy are:

- The production of cement, phosphate, fertilizers, iron and steel products and metal constructions for a higher added value use of natural resources;
- Industries that supply strategic sectors such as energy, hydraulics and agriculture;
- The pharmaceutical industry, as a prominent example of an industrial sub-sector exposed to import substitution policy. The Algerian market ranks first among southern Mediterranean countries¹³ and the objective set by the public authorities is to reach a market coverage rate of 70% in local production (via local and foreign investments).

¹³ According to the ANDI (National Investment Promotion Agency)

Conversely, industrial development was not a main priority for the Mauritanian authorities in the 2000s, despite the implementation of a strategic framework to combat poverty. Nevertheless, sector strategy¹⁴ papers were adopted, including, inter alia, strategies for better competitiveness of manufacturing industries, improving the business environment, public-private partnerships, etc.

A new strategic vision has been defined for the period 2015-2019. This vision is that of an integrated industrial policy, in line with the post-2015 development agenda in terms of growth, inclusion, fighting inequality and poverty, and on which the national development strategy is based. Its objective is to significantly increase the contribution of industry to GDP by developing manufacturing industry, diversifying industrial activities, improving the quality and competitiveness of industry, etc.

3.2 Territory and industrial policy in North Africa

3.2.1 Regional distribution of industrial activity: key figures

Analysis of the regional distribution of industrial activity in the countries under scrutiny reveals the existence of regional disparities within each country.

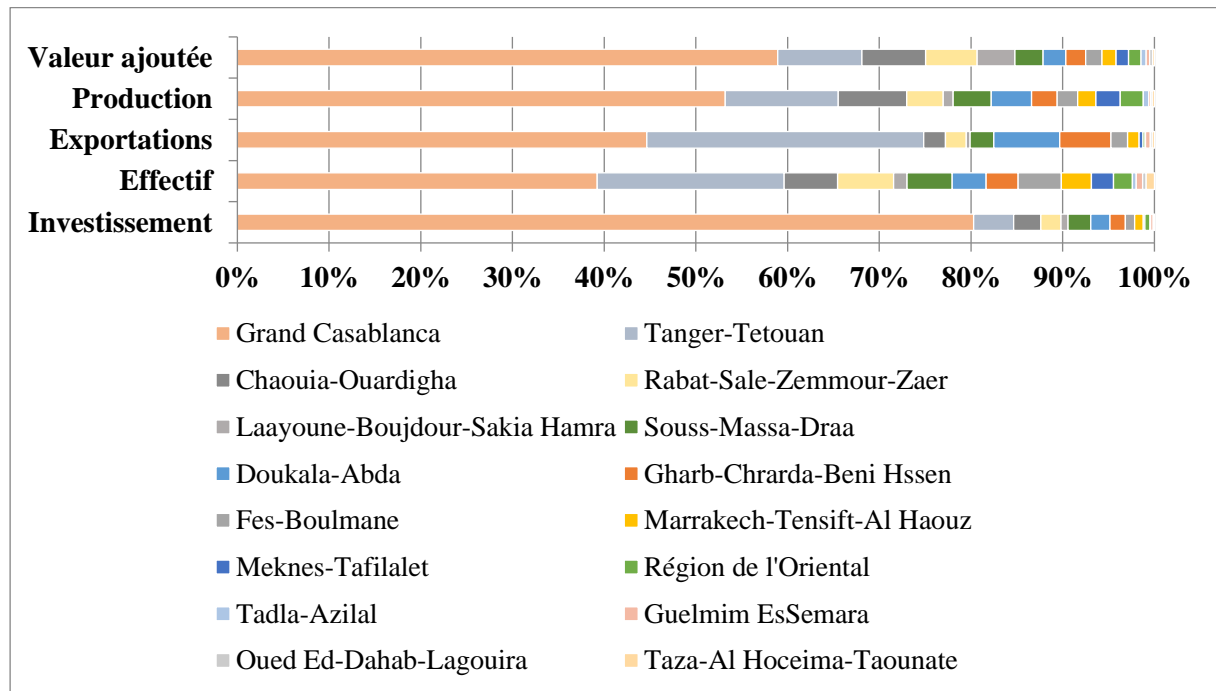
In Morocco, the Greater Casablanca region accounts for almost 60% of industrial added value (with a regional GDP of more than 66 billion MAD), 40% of industrial employment (with a workforce of circa 235,000 people) and 80% of industrial investment (25 billion MAD), as shown in Graph 8. Nevertheless, new industrial clusters in the Tangier region, in the north of the country, have emerged. The automotive sector is booming in this region. Indeed, it accounts for 30% of exports (38 billion MAD) and employs 20% of the industrial workforce (more than 120,000 people). It should be noted that the industrial policy implemented by Morocco in recent years has achieved significant results in the automotive sector, the leading export sector. This sector has grown to sustained levels of growth over the past decade, even exceeding that of phosphates in 2015.

The aerospace sector has also proven to be credible. In this regard, Morocco and Boeing signed an agreement in 2016, which provides for the establishment of more than 120 of Boeing's major suppliers in Morocco's aviation groups for an export turnover of more than one billion USD and the creation of nearly 8,700 direct jobs. The agreement is expected to double the export capacity of the sector by 2020.

¹⁴ Ministry of Trade, Industry and Tourism (2015). Strategy for the Development of the Industrial Sector 2015-2019. Islamic Republic of Mauritania.

Graph 8

Regional distribution of industrial activity in Morocco (2014)

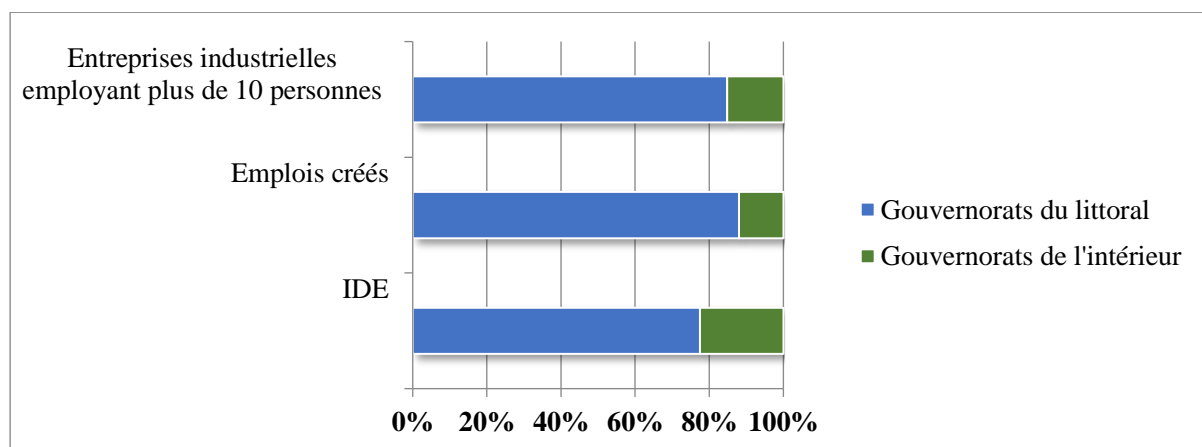


Source: Ministry of industry, trade, investment and the digital economy (MICIEN), Morocco (2014 regional division prior to the advanced regionalization reform which decreased the number of regions from 16 to 12).

In Tunisia, there are significant disparities between coastal and inland governorates. In 2012, coastal governorates concentrated 85% of industrial enterprises, 88% of employment and 77% of foreign direct investment (FDI), as shown in Chart 9 below.

Graph 9

Regional distribution of industrial enterprises (employing more than 10 people), related jobs and FDI in Tunisia (2012)

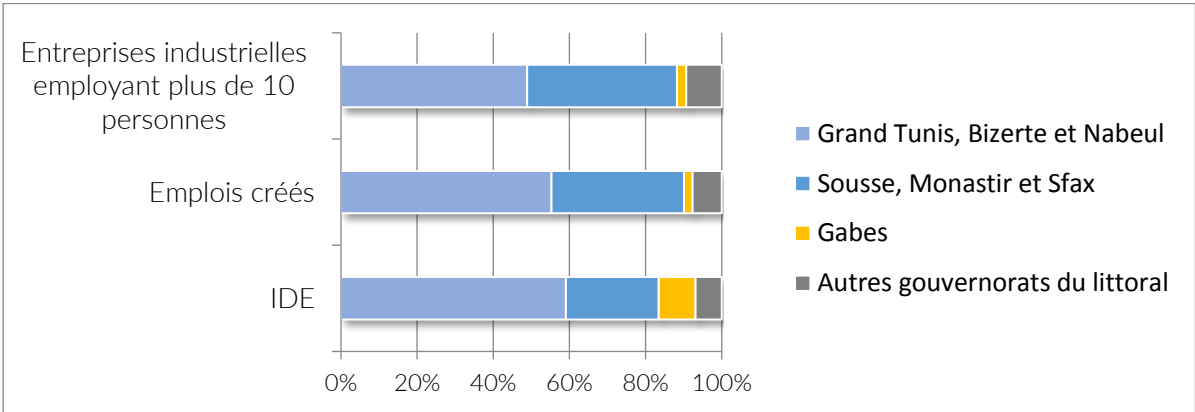


Source: Agency for the Promotion of Industry and Innovation (APII) and Agency for the Promotion of Foreign Investment and Innovation (FIPA) for the FDI sections

Within coastal governorates, there are two main distinguishable centers, as shown in Graph 10. The northern coast governorates (Greater Tunis and neighboring governorates) concentrate about half of industrial enterprises and jobs created, whereas one third of enterprises and jobs are located in the eastern coastal governorates (Sousse, Monastir and Sfax). The same trend is observed in the distribution of FDI in the industrial sector. It should be noted, however, that the governorate of Gabes, which is the hub for the country's chemical phosphate processing industries, attracts an encouraging share of FDI.

Graph 10

Focus on the distribution of industrial enterprises (employing more than 10 people), jobs and FDI in coastal governorates in Tunisia (2012)



Source: Agency for the Promotion of Industry and Innovation (APII) and Agency for the Promotion of Foreign Investment and Innovation (FIPA) for the FDI sections.

In Egypt, there is a concentration of industrial zones and employment areas in Greater Cairo, Alexandria, the Delta and the Nile valley. Although many industrial zones have been created, they remain mostly concentrated in Upper Egypt.

Similarly, investments in Algeria are located in the northern regions of the country (north-central, northeast and north-west), with 67% of investment projects and 77% of jobs generated over the period 2002-2012. The Eastern and the Southeastern Highlands are the second largest region with 11% of investment projects and 8% of jobs generated in each region. The Central, Western and Southwestern highlands, which traditionally "lag behind," account for 3% each. (National Investment Development Agency data).

In the Sudan, 65% of industrial activity is located in the state of Khartoum (capital), followed by Elgezira, Nile, South Darfur and Red Sea states (20%). And the remaining 15% is distributed unequally among the other 12 States.

Concentration is even more pronounced in Mauritania where manufacturing industries are mainly located in Nouakchott and in the Nouadhibou free zone due, in particular, to the density of populations with purchasing power in these two cities, the existence of production factors and ease of export thanks to available port infrastructures.

Beyond these regional disparities, however, public authorities have an important role to play to achieve a geographical rebalancing of industrial activity in Morocco and Tunisia.

The technological hubs set up in Tunisia in 2006 have played an important role in enhancing the specificities and resources of each region and have served as drivers of regional development. In addition to the objective of covering the whole country, the choice of location for each cluster

was made in line with the economic specificities of each region. Ten technology centers have now been established in Tunisia.

In Morocco, industrial policy has since 2005 been supported by of a national infrastructure development plan aimed at servicing various new emerging industrial areas. This strategy has resulted in a significant improvement in infrastructure and readiness of industrial areas throughout the country. It has also enabled the establishment of global industrial leaders, increasing foreign direct investment (FDI) to an average annual rate of 23% since 2009.

In Egypt, since 2002, industrial zones, parks and priority economic zones (ZEPs) have been developing. They have benefited from preferential tax provisions (exemptions) on the importation of capital goods and raw materials, considerably simplified administrative procedures and adequate infrastructure, etc. The industrial zones were restructured as part of the 2006 development program for long-term management by public-private partnerships in charge of spatial planning and operation of these areas.

Lastly, Algeria has also adopted a program, which aims to establish 50 industrial parks to increase the supply of land available for industry. These parks are designed to include zones dedicated to SMEs and be built by the State. In addition, the national spatial planning scheme (SNAT) aims to provide necessary conditions for industrial revival and economic diversification by strengthening competitiveness through *Pôles d'attractivité (PA)* or hubs. These hubs may include several *wilayas*, and be comprised of integrated industrial development zones (ZIDI) and technopoles (technology centers).

3.2.2 Industrial policy governance mode at the macroeconomic level

In each of the countries under scrutiny, industrial policy design is the purview of the Ministry of Industry. Alongside this major player in industrial policy, there are also public institutions or national agencies that play an important role in Morocco, Algeria, Tunisia and Egypt. Table 8 shows that these four countries each have several public institutions. Their missions focus on industrial policy: promotion of investment, promotion of exports, SME support and promotion, land ownership regulation, industrial property, etc. Conversely, in Mauritania, there are no institutions in charge of overseeing and supporting industrial activities from a technical, technological and commercial perspective. There are therefore some shortcomings in the institutional structure. The new 2015-2019 industrial strategy must endeavor to strengthen the institutional framework. Lastly, the case of the Sudan differs from the other countries studied given the fact that there are two types of government in this federal state, the federal government (comprising a federal department of industry) and the governments of the various states.

In addition to the aforementioned national institutions, companies are also major players, whether they are employers' organizations representing the private sector as is the case in Morocco (with the General Confederation of Enterprises of Morocco) and in Tunisia (with the Tunisian Union for Industry, Commerce and Handicraft or the Confederation of Citizen Enterprises of Tunisia) or public enterprises operating in industry as is the case in Algeria. The Algerian public industrial sector is made up of twelve industrial groups or specialized operators in specific sectors, operating within the framework of the industrial policy of redeployment in so-called strategic sectors.

Significant industrial policy players are also present at the territorial level. Some local and regional authorities have, for example, recently seen their role in economic development expanded. This is particularly true of regions in Morocco. In addition, some decentralized departments of ministries or regional branches representing national public institutions also play a prominent role, especially in terms of investment. This is the case for the Regional Investment Centers in Morocco, Decentralized single windows in Algeria and regional directorates of the Agency for

the Promotion of Industry and Innovation (APII) in Tunisia. In most of the countries studied, it is also important to underline the promotion and coordination role shouldered by regional general-interest representatives of the State (Walis in Morocco and Algeria, governors in Tunisia, etc.).

It should also be mentioned that, in some of the countries studied, thematic groups also exist. These groups enable greater integration between large and small enterprises. Examples include: Moroccan industrial ecosystems, where the global industry players are present, the Algerian subcontracting and partnership Exchange for the Center, and the Tunisian technology centers whose roles are detailed in Table 8.

With regard to available industrial policy consultation, implementation and steering mechanisms (detailed in Table 8 below), it should be noted that Morocco is equipped with a three-tier governance system: an inter-ministerial coordinating committee, chaired by the Head of Government, a steering committee chaired by the Minister of Industry, and a monitoring committee that ensures industrial strategy implementation, in collaboration with federations, so as to better structure the existing industrial fabric. Algeria has a National Investment Council chaired by the Head of Government. The Council focuses on strategic decisions relating to investment and the examines investment projects of interest to the national economy. In Mauritania, where the institutional component of industrial policy is still lacking, the onus is on the new 2015-2019 industrial strategy to endeavor to strengthen the institutional framework in order to optimize coordination between various stakeholders. To this end, provision is made for an institutional mechanism based on three bodies: a National Council of Industry chaired by the Prime Minister, a Steering Committee that monitors strategy implementation and Strategic Sector Committees entrusted with examining their sector's challenges, ensuring compliance with industry and government commitments, identifying actions to be deployed as a priority, and reporting back to the steering committee level.

Table 8

Industrial policy institutions and players in North African countries

Country	National players			Territorial players			
	Ministries	Public institution/authority/ agency, etc.	Enterprises, associations, think tanks, etc.	Local authorities	State services at the territorial level	Regional public institutions or regional bodies representing national public institutions	Competitiveness centers/ thematic groups/ regional ecosystems, etc.
Algeria	<ul style="list-style-type: none"> - The tasks of the Ministry of Industry and Mines include "proposal of elements of national policy in the fields of industrial policy, industrial competitiveness, promotion of support services, management of the State's shareholding in the public industrial sector "(Decree No. 14-241 of Aouel Dhou El Kaada corresponding to 27 August 2014). The Ministry is also responsible for strengthening the productive capacities of industrial enterprises, encouraging intra- and inter-sectoral integration 	<ul style="list-style-type: none"> - The National Agency for Land Intermediation Regulation (ANIREF) has as its main tasks the management, promotion, intermediation and regulation of land, notably in connection with investment promotion. - The National Investment Development Agency (ANDI) was established in 2001. It is in charge of investment promotion and facilitation, and the provision of information and assistance to investors. - The National Agency for the SME Development 	<ul style="list-style-type: none"> - The industrial public sector is comprised of public enterprises of an industrial character, of which there are twelve (12). These industrial groups specialize in different sectors and operate within the framework of the industrial policy aimed at redeployment on so-called strategic sectors. - Created in 1992, the Algerian Sub-contracting and Partnership Exchange of the Center (BSTP-Center) is a non-profit professional association (law 90-31) of public utility. It is made up of public and private Algerian companies. It is responsible for 	The People's Assemblies of the Wilayas (APW) may, by law, contribute or initiate investment promotion initiatives	The Wilayas, in the deconcentrated sense, whose Wali is responsible for the territory's overall equipment budget and decentralized services; in particular, the Wilaya's director of industry. The Wilaya is the repository of all sectoral public policies, including industrial policy. The Wali's institutional role is to coordinate all related action within the framework of the Wilaya Council.	<ul style="list-style-type: none"> - Decentralized Single Windows (GUD), which are the territorial representations of the National Agency for Investment Development (ANDI). For any investment, the ANDI coordinates the participation of various ministries through the GUDs. - The regional offices of the National Agency for Land Intermediation and Regulation (ANIREF) 	

	<p>programs, promoting industrial partnerships and encouraging the emergence of subcontracting activities.</p>	<p>(ANDPME) is responsible for implementing the strategy for SME promotion and development. It should be noted that the new law on SMEs provides that all the existing support structures shall be placed under the authority of ANDPME.</p> <ul style="list-style-type: none"> - The main task of the National Office of Legal Metrology (ONML), established in 1986, is to ensure the reliability of instrument measurement requiring legal qualification and directly affecting trade fairness, health, safety, the environment and the quality of industrial production - The National Industrial Property Institute (INAPI) - The Algerian Standardization Institute (IANOR) - The National Productivity and 	<p>linking industrial companies with subcontracting VSE/SMEs and, to this effect, it has regional offices in Constantine for the Eastern Region, Oran for the West and Ghardaïa for the South.</p>				
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		<p>Development Institute (INPED)</p> <ul style="list-style-type: none"> - The Algerian accreditation organization (ALGERAC). 					
Egypt	<ul style="list-style-type: none"> - Ministry of Trade and Industry - Ministry of Investment 	<ul style="list-style-type: none"> - The Internal trade development agency (ITDA) is in charge of promoting companies with a focus on the domestic market - The National Quality Council ensure compliance with national quality standards and norms - The Industrial Training Council is in charge of ensuring the training of workers and entrepreneurs - The Industrial Modernization Centre's mission to provide financial support to companies - Technology and Innovation Centers provide technical support - The Export Council the Export 	Information unavailable	Information unavailable	Information unavailable	Information unavailable	Information unavailable

		<p>Development Bank promote exports</p> <ul style="list-style-type: none"> - The Industrial Development Agency (IDA) is in charge of aspects related to land tenure and infrastructure - The General Authority for Investment and Free zones (GAFI) is in charge of promoting foreign investment and facilitating/assisting medium size companies 					
Mauritania	<ul style="list-style-type: none"> - The Ministry of Industry 	<ul style="list-style-type: none"> - There are no institutions in charge of the supervision and support of industrial activities at the technical, technological, maintenance and commercial levels. The institutional component is still lacking. The new industrial strategy 2015-2019 should strengthen the institutional framework. 	<ul style="list-style-type: none"> - The Chamber of Commerce, Industry and Agriculture, the trade unions and employers' organizations were formed in the crucible of the Federation of Industries and Mines, a professional association of local investors. - The private sector and civil society, like the administration and its partners, take part in endorsing industrial policy. 	Communes, which are the only decentralized level in Mauritania, play no significant role in industrial policy.	The Wali plays the role of general coordinator of State action at the regional level.	-	-

			<p>They are also members of steering committees for certain aspects such as upgrading companies, improving quality, competitiveness, etc.</p> <p>The State has also set up an Investment Committee, which provides a framework for consultation with the private sector.</p>				
Morocco	<p>- The Ministry of Industry, Trade, Investment and Digital Economy (MICIEN) is in charge of designing the strategy to develop the industrial sector, its implementation into operational programs, as well as steering and implementing this strategy (Decree No. 2-10-74 of 23 1431 (6 July 2010)).</p>	<p>- The Moroccan Export Promotion Center, also known as Morocco Export, was established in 1976 and is designed to promote exports.</p> <p>- The Moroccan Investment Development Agency (AMDIE)¹⁵, also known as Invest in Morocco, was created in 2009. Its main mission is to market investment in Morocco.</p>	<p>- Morocco's General Confederation of Enterprises (CGEM), founded in 1947, represents the private sector before government and institutional authorities. It has 88,000 members and defends the interests of Moroccan companies with public and social authorities. CGEM is also committed to improving the business and</p>	<p>The region, as a territorial authority, (and the bodies stemming from it such as Regional agencies for the execution of projects or Regional Development Agencies), plays a leading role in industrial policy. This role is bestowed upon it by its remits and powers in terms of regional economic development (support for enterprises, organizing economic activity zones,</p>	<p>- At the regional level, the Wali and the Regional Investment Center (CRI), which is a decentralized department of the Ministry of the Interior under the responsibility of the Wali, play an important role in decentralized investment management. It should be noted that the Royal Letter addressed to the Prime Minister on 9</p>	<p>- The 28 chambers of commerce, industry and services (CCIS): these are public institutions under the supervision of the Ministry of Industry and whose governance is provided by elected representatives. Their historical purpose is to ensure that the business world is represented with the public authorities and to structure the profession. They</p>	<p>- Industrial ecosystems, launched in 2014 as part of the Industrial Acceleration Plan for 2014-2020, are designed to foster targeted and mutually beneficial strategic partnerships between industry leaders and very small, medium and small enterprises (VSE/SMEs). They aim to strengthen sector competitiveness and</p>

¹⁵ It should be noted that a reorganization is underway in Morocco to create the Moroccan Agency for the Development of Investment and Export (AMDIE), which will emerge from the merger of AMDI, Morocco Export and the Casablanca Office of Fairs and Exhibitions (OFEC).

		<ul style="list-style-type: none"> - Morocco-SME (formerly ANPME) was set up in 2002. It is the government's operational instrument for the development of SMEs. It provides them with support in their process of modernization and improvement of their competitiveness. - The Moroccan Office of Industrial and Commercial Property (OMPIC) is in charge of the protection of industrial property (trademarks, patents, industrial designs) and maintenance of the Central Trade Register in Morocco. 	<p>investment environment at the international level through its 43 business councils.</p> <ul style="list-style-type: none"> - Morocco's think tanks, such as the Center for Social Science Studies and Research (CERSS), <i>the Office Chérifien des Phosphates (OCP)</i> Policy Center, the Royal Institute for Strategic Studies (IRES), the Amadeus Institute, The Mediterranean Studies and Research Group (GERM), etc. 	<p>attracting investment, vocational training, continuing training and employment, improving the attractiveness of territorial areas and enhancing competitiveness, etc.) and territorial development.</p>	<p>January 2002 created CRIs. The Royal Letter focused on decentralized management of investment and brought about a fundamental reform of territorial investment governance policy. CRIs serve as "one-stop shops". They fulfill two essential functions: help in setting up businesses and provide assistance to investors.</p> <ul style="list-style-type: none"> - Provincial Trade and Industry delegations. Totalling 30, these delegations serve as decentralized services of the Ministry of Industry, Trade, Investment and the Digital Economy (MICIEN). 	<p>also carry out public service tasks on behalf of the State, such as a number of authorizations or certifications</p> <ul style="list-style-type: none"> - The National Agency for the Promotion of Small and Medium Enterprises'(ANPME) RIMANE network is made up of stakeholders from the provincial trade and industry delegations, distributed according to the regional industrial density and responsible for relaying ANPME's action in the area of communication and regional promotion of SME counseling and support programs. 	<p>integration between the large companies and the VSE/SMEs. Although ecosystems primarily stem from a sector-based rather than a territorial rationale, in the strict sense of the term, as they are implemented, they are both regional and sectoral in scope. In particular, many ecosystems have a precise geographical location and are thus de facto a key player of industrial policy in the territory in question.</p>
Sudan	<ul style="list-style-type: none"> - The Federal Department of Industry - State governments. 						

<p>Tunisia</p>	<ul style="list-style-type: none"> - The Ministry of Trade and Industry. Since 26 August 2016, it has been in charge of both designing industrial policy and promoting exports. 	<ul style="list-style-type: none"> - The Agency for the Promotion of Industry and Innovation (APII), established in 1972, is designed to support companies and project developers. Its mission is to implement industrial policy. It is also involved in services related to industry. It serves as the one-stop shop for business start-up. It manages all the perks granted such as investment premiums, exemptions, etc. - The Export Promotion Center (CEPEX) was established in 1973 to provide support to Tunisian exporters. - The Foreign Investment Promotion Agency (FIPA) was established in 1995 with the aim of supporting and promoting foreign investment in Tunisia. 	<ul style="list-style-type: none"> - The Tunisian Union for Industry, Commerce and Handicrafts (UTICA) is the Tunisian employers' association. It was created in 1964 and represents all professional operators in commerce, industry, services and crafts. UTICA assists its members in finding investment opportunities through its information mission and reports their concerns. - The Confederation of Corporate Citizens of Tunisia (Conect) is a second employers' organization created after the January 2011 Revolution. It provides Tunisian SMEs and large companies with a platform allowing them to express their concerns as well as assistance (economic plans, Financial, legal, etc.) - Think tanks also play a leading role in 	<p style="text-align: center;">-</p>		<p>The APII operates through 5 centers and 24 regional offices. It also manages around 30 operational incubators.</p>	<ul style="list-style-type: none"> - Technological centers have also played a leading role, particularly in terms of showcasing the specificities and resources of each region. Although they do not play a key role in the design of industrial policy, they do constitute regional development drivers. They were first implemented in 2006 as part of a broader focus of the 10th Economic and Social Development Plan towards the knowledge economy. The approach is to house, within a given geographical area, companies, training centers and public and private research units, working in partnership so as to create synergies within a market and a technological or scientific field, thus fostering competitiveness and industrial innovation. Key sectors of the
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		<ul style="list-style-type: none"> - The Upgrading Office was set up in 1996 to manage the upgrading program launched as a result of the free trade agreement with the European Union with the aim of improving the competitiveness of Tunisian industrial enterprises. - The Industrial Property Agency (AFI) is responsible for the creation and development of industrial areas equipped with the necessary facilities for the implementation of industrial projects and the construction of flexible industrial premises for Tunisian and foreign investors. - Technical centers provide technical assistance to companies operating in specific industrial sectors. They carry out expertise missions on behalf of authorities in the framework of monitoring 	<p>influencing strategic industrial policy choices in Tunisia. They include the African Institute of Business Leaders (IACE), the Kheireddine Circle or the Tunisian Institute of Strategic Studies attached to the Presidency of the Republic.</p>				<p>economy are targeted by this strategy aimed at implementing competitiveness clusters.</p>
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		<p>mechanism linked to release of funding from dedicated national funds. They perform upgrade diagnostics and train company executives. These centers are co-managed by the authorities and the profession.</p>					
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Table 9

Design, consultation, steering and implementation mechanisms and instruments for financing industrial policy in North African countries

Country	Institution in charge of design	Consultation mechanisms and bodies	Steering mechanisms and bodies	Monitoring and implementation	Financing
Algeria	Ministry of Industry and Mining	<ul style="list-style-type: none"> - The National Investment Council was created by the Ministry of Industry and Investment Promotion, which provides its secretariat. It is placed under the authority of the Head of Government, who chairs it. Since 2006, this council has dealt with strategic investment decisions and examined investment projects of interest to the national economy. Members of the Council include local authorities, relevant ministries, i.e., ministries of finance, industry, trade, energy, small and medium-sized enterprises, regional planning, environment and tourism. The National Investment Development Agency sits on the Council as an observer. - The National Economic and Social Growth Pact of 2014, which followed that of 2006, constitutes the framework of reference for institutional consultations regarding economic and social policy in general. The five-year plan is the country's planning tool, which reflects a public policy concept in which the central government is the main player. - This plan forms the basis of the sectoral policy plans, including those of industry and spatial planning, which are, in principle, included in the plans prepared by the Wilaya People's Assemblies, especially in matters relating to the territory. - Industrial development is also part of the SNAT with a master plan for industry 			<ul style="list-style-type: none"> - The SME Credit Guarantee Fund (FGAR) - A National Investment Fund with agencies in the wilayas. Not all of them are functional yet. Regional financial institutions manage the funds of several groups of wilayas.
Egypt					The Social Fund for Development (SFD) proposes a small business incubation program, including start-ups and the informal sector.
Mauritania	Industrial policy is designed at the ministerial level. However, responsibilities are heavily diluted within the department.	<p>In general terms, institutions involved in the industrial sector are: the Ministry of Industry, the General Directorate for Private Sector Promotion, the Nouadhibou Free Zone, the Chamber of Commerce, Industry and Agriculture, trade unions and employers, which were formed in the crucible of the Federation of Industries and Mines, a professional association of local investors.</p> <p>There are no institutions in charge of supervising and supporting industrial</p>	-		

		<p>activities at the technical, technological, maintenance and commercial levels. The institutional component is lacking.</p> <p>The new 2015-2019 industrial strategy seeks to strengthen the institutional framework in order to foster coordination between various stakeholders. To this end, provision is made for "the establishment of a monitoring and evaluation system for the strategy [...]. The institutional mechanism is organized around the three bodies:</p> <ul style="list-style-type: none"> i) The National Industry Council chaired by the Prime Minister and overseeing the entire strategy implementation process; ii) The Steering Committee which monitors strategy implementation, both in terms of technical aspects as well as in terms of fostering and consolidating the participatory approach; iii) The sectoral strategic committees, which examine the sector's challenges, outline commitments made between industry and the State, identify the actions to be deployed as a priority and report back to the steering committee. 			
Morocco	The Ministry of Industry, Trade, Investment and the Digital Economy (MICIEN)	An inter-ministerial coordination committee, whose permanent members are the Head of Government, the Minister of the Interior, the Minister of the Economy and Finance, the President of Morocco's General Confederation of Enterprises (CGEM) Banking Association of Morocco (GPBM) and the President of Chambers of Commerce, Industry and Services (CCIS). This committee also includes Sector Ministers as ad hoc members (agriculture and fisheries, equipment and transport, energy / mines / water / environment,	The Steering Committee, chaired by the Minister of Industry, Trade, Investment and the Digital Economy, is composed of Ministers delegated to the Minister of Industry and the Secretary General of MICIEN.	The Monitoring Committee, composed of relevant directors from the central offices of MICIEN, the Director General of ANPME, and the directors of AMDI and Morocco Export (whose merger is in progress), oversees industrial strategy implementation, in collaboration with the	<ul style="list-style-type: none"> - The Industrial Development Fund (IDF): It is an instrument for financing industrial policy, created under the 2015 Budget. It has an funding envelop of MAD 3 billion per year over the period 2014-2020, allocated based on calls for projects. - The Investment Promotion Fund (FPI) enables the Government to partially incur

		<p>education and vocational training, etc.). The inter-ministerial coordination committee oversees the implementation of initiated projects and the execution of agreements concluded between various partners.</p>		<p>federations / sectors to better structure the industrial fabric, and with the support of external firms for specific missions.</p>	<p>certain expenditures related to the acquisition of land, external infrastructure and vocational training.</p> <ul style="list-style-type: none"> - The Hassan II Fund for Economic and Social Development offers subsidies of up to 15% of the total investment, capped at MAD 30 million - Tax exemptions - Banking financing: a partnership agreement concluded between the State and the banking sector, which undertakes to accompany industrial enterprises (competitive rates, restructuring support, support for internationalization, etc.) and to provide necessary guidance and support to project developers. - Industry guarantee products developed around bank loans and leasing contracts as well as industry co-financing products offered by the <i>Caisse centrale de garantie</i>.
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Tunisia					<ul style="list-style-type: none"> - Industrial Competitiveness Development Fund (FODEC) - Industrial Promotion and Decentralization Fund (FOPRODI) - TASDIR + Export Market Access Fund (FAMEX) - Export Promotion Fund (FOPRODEX) - Fund for the promotion of packaged olive oil (FOPROHOC) - SME Finance Bank (BFPME) - National Guarantee Fund (NGF) - SICAR
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4. State of industrial policy territorialization: in-depth analysis, Algeria, Morocco and Tunisia

4.1 Inclusive development: some key figures

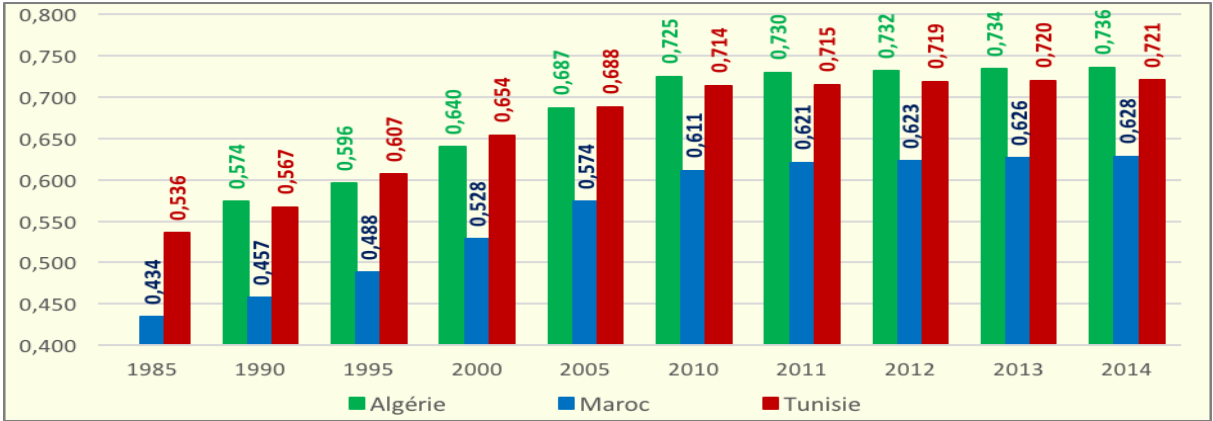
Some of the Millennium Development Goals (MDGs) North African countries committed to achieving include: reducing extreme poverty and hunger, providing universal primary education, promoting gender equality and empowering women, reducing maternal and infant mortality, ensuring environmental sustainability, etc. North African countries have made significant progress towards achieving these MDGs, however, more efforts are still needed in terms of inclusive development, particularly through the reduction of regional disparities in poverty and access to the labor market. This section analyzes some key figures pertaining to inclusive development.

The state of human development

The Human Development Index (HDI)¹⁶ is one of the most commonly used indicators to measure economic and social development. Graph 11 illustrates the evolution of HDI over the period 1985-2014 in the three countries under consideration (Algeria, Morocco and Tunisia). Results show that, for the three countries, HDI has increased significantly. During 2014, Algeria's HDI was 0.736 and Tunisia's 0.721, which are levels close to those achieved by developed countries. Indeed, according to the Human Development Report for 2015¹⁷, Algeria ranked 83rd in the world and Tunisia 96th, out of a total of 188 countries. These rankings place these two countries among the group of countries with a high human development index. On the other hand, with a HDI equal to 0.628, Morocco ranks 123rd. It is therefore in the category of countries with average human development.

Graph 11

Evolution of the Human Development Index, 1985 - 2014



Source: UNDP Database (<http://hdr.undp.org/fr/data#>).

¹⁶ HDI is a composite statistical index, created by the United Nations Development Program (UNDP) in 1990 to assess the level of human development in countries around the world. HDI was based on three criteria: GDP per capita, life expectancy at birth and education level. The concept of human development is broader than HDI, which is a single indicator.

¹⁷ UNDP, (2015). "Human Development Report 2015: Work for Human Development", New York, USA, pages 213 and 214.

Evolution of social and human development indicators

Although an analysis of the evolution of HDI reflects a certain type of performance by the three North African countries, it is useful to analyze the evolution of other social and human development indicators. Table 10 shows that in Algeria, Morocco and Tunisia, the percentage of urban population increased during the period 1980-2015. This trend occurred at the expense of rural population, which dropped due to emigration and rural exodus. As for the poverty rate, it was cut by about half, in all of Algeria, Morocco and Tunisia. A detailed analysis of the evolution of the poverty rate is presented below.

Table 10

Evolution of a few social and human development indicators

Indicators	Algeria		Morocco		Tunisia	
Urban population (in percentage)	43.54 (1980)	70.13 (2014)	41.21 (1980)	60.20 (2015)	50.57 (1980)	66.84 (2015)
Poverty rate (percentage of the population)	12.10 (2000)	5.50 (2011)	16.30 (1998)	8.90 (2007)	32.40 (2000)	15.50 (2010)
Health						
Life expectancy at birth	58.16 (1980)	74.81 (2014)	57.51 (1980)	74.02 (2014)	62.02 (1980)	74.14 (2014)
Child mortality rate, under 5 years of age (per 1,000)	148.1 (1980)	25.50 (2015)	133.8 (1980)	27.60 (2015)	95.70 (1980)	14.00 (2015)
Education and labor market						
Literacy rate for youth (15-24) (in percentage)	74.33 (1987)	91.77 (2006)	44.14 (1982)	81.51 (2011)	74.28 (1984)	97.30 (2011)
Secondary school enrollment for girls , (in net percentage)	32.31 (1984)	51.00 (1997)	37.22 (2005)	53.11 (2012)	16.76 (1980)	26.23 (1985)
Secondary school enrollment for boys , (in net percentage)	44.97 (1984)	54.16 (1997)	42.17 (2005)	59.04 (2012)	27.55 (1980)	38.38 (1985)
Unemployment rate	20.60 (1991)	9.50 (2014)	12.50 (1991)	10.20 (2014)	16.80 (1991)	13.30 (2014)
Unemployment rate, male	18 (1991)	8 (2014)	12.30 (1991)	9.90 (2014)	15.60 (1991)	12.40 (2014)
Unemployment rate, female	39.60 (1991)	16.8 (2014)	13.10 (1991)	10.90 (2014)	20.90 (1991)	15.80 (2014)
Unemployment rate, youth (15-24)	39.50 (1991)	20 (2014)	17.70 (1991)	20.20 (2014)	33.70 (1991)	31.80 (2014)
Unemployment with primary education	54.60 (1991)	55.70 (2011)	53.50 (1991)	50.10 (2012)	47.70 (1994)	22.40 (2011)
Unemployment with secondary education	25.60 (1991)	18.50 (2011)	22.70 (1991)	23.30 (2012)	26.10 (1994)	42.50 (2011)
Unemployment with higher education	5.80 (1991)	23.10 (2011)	11.60 (1991)	18.50 (2012)	1.70 (1994)	30.90 (2011)
Access to services						
Internet users (pour 100 people)	0.49 (2000)	18.09 (2014)	0.69 (2000)	56.80 (2014)	2.75 (2000)	46.16 (2014)
Access to electricity (percentage of the population)	98 (2000)	100 (2012)	71.10 (2000)	100 (2012)	95 (2000)	100 (2012)
Access to improved drinking water (percentage of the population)	91.50 (1990)	83.60 (2015)	72.60 (1990)	85.40 (2015)	82.50 (1990)	97.70 (2015)
Access to sanitation (percentage of the population)	80.30 (1990)	87.60 (2015)	52.40 (1990)	76.70 (2015)	72.60 (1990)	91.60 (2015)

Source: World Bank database, 2016. World Development Indicators, August 2016.

Regarding health indicators, life expectancy at birth increased considerably in all three North African countries. In 2014, it was slightly over 74 years old. Similarly, the infant mortality rate (under-five mortality rate) dropped considerably. For the section on access to services (drinking water, electricity, sanitation network and internet), Table 10 shows that considerable progress was made. For example, the rate of access to electricity has reached the 100% threshold since 2012 in Algeria, Morocco and Tunisia. These results confirm that there have been significant improvements in basic infrastructure and health for the Algerian, Moroccan and Tunisian populations. These achievements are part of a process in which all three countries have made social progress towards achieving the Millennium Development Goals (MDGs).

Regarding education and labor market indicators, the literacy rate has increased. In 2011, it reached 97.3% in Tunisia, while it does not exceed 81.51% in Morocco. Girls 'and boys' enrollment rates in secondary education¹⁸, have improved in all three countries, but significant disparities persist between boys and girls. Indeed, the percentage of boys enrolled in secondary education is consistently higher than that of girls. On the other hand, although unemployment rates in Algeria, Morocco and Tunisia have dropped, the 2014 rates (13.3% in Tunisia, 10.2% in Morocco and 9.5% in Algeria) remain relatively high, thus confirming the need for further action to foster labor market inclusion. This is due, in large part, to the relatively high numbers of unemployed women, as compared to men. Thus, differences in terms of education (enrollment in secondary education) and access to the labor market (or unemployment rate) among men and women confirm the existence of a gender gap in Algeria, Morocco and Tunisia.

Employment and inclusion

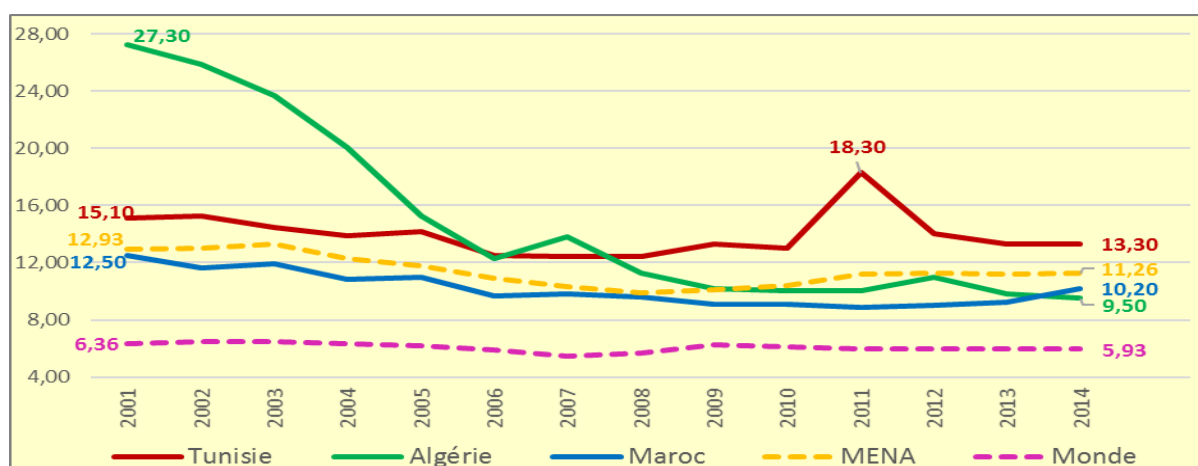
During the period 2001-2014, unemployment rates in Algeria, Morocco and Tunisia were well above the worldwide unemployment rate, at about 6% (Graph 12). Morocco and Algeria are, however, in a relatively comfortable situation. Indeed, since 2001, their unemployment rates have been steadily declining, reaching 10.2% of the working population in 2014. The unemployment rate in Morocco is slightly lower than that of the MENA region, which is around 12%. By 2015, the unemployment rate in Morocco was 8.7%, but it still affects one in every five young people at the national level and one in three young people in urban areas. Table 10 illustrates the efforts made by the Moroccan authorities in recent years in the area of gender equality. Indeed, in 2014, the unemployment rate of men was 9.9% while that of women was slightly higher (10.9%). Moreover, in 2012, unemployment among those with primary education was 50.5% and 23.3% among secondary school graduates. It was 18.5% for higher education graduates.

In the specific case of Algeria, the unemployment rate dropped significantly from 27.3 % in 2001 down to merely 9.5 % in 2014. Over the past few years, Algeria's unemployment rate has been one of the lowest in the MENA region.

¹⁸ According to the World Bank, the net enrollment ratio is the ratio of school age children (according to the 1997 International Standard Classification of Education) enrolled in school relative to the total population of that age.

Graph 12

Unemployment rate (percentage of the total population)



Source: Calculations based on the World Bank database, 2016. World Development Indicators, August 2016.

While it had dropped significantly from 29.5% in 2000 to 10% in 2010-2011, unemployment rose to 11.2% in 2015. The unemployment rates among 15-24 year-olds went from 22.4% in 2011 to 29.8% in 2015. One of the current causes of unemployment is related to the nature of economic growth. Indeed, as it is very little diversified, growth is not creating enough productive jobs for all young graduates. In addition, economic activities and services are heavily concentrated on the coast in and around the capital Algiers. The unemployment rate among youth aged 15-24, did drop from 39.5% in 2001 to only 20% in 2014, however one in every five young people is excluded from the labor market currently. The distribution of unemployment by level of education shows that unemployment affects 55.7% of the population with primary education, 18.5% of those with secondary education and 23.10% of those with higher education. These results confirm that, despite the efforts made in Algeria to reduce unemployment, there are persistent disparities based on gender and education level. Lastly, the drop in unemployment rate achieved during the period 2001-2014 was accompanied by a simultaneous reduction in unemployment of men and women. However, by 2014, male unemployment was 8%, while that of women was around 16.8% (Table 10).

In Tunisia, since 2001, the unemployment rate has steadily declined, with the exception of 2011, year of the revolution. That year, it rose sharply to 18.3%. Youth unemployment (aged 15-24) remained relatively high, reaching 31.8% in 2014 (Table 10). Moreover, between 1994 and 2011, unemployment among those with primary education fell sharply, from 47.7% to 22.4%, respectively. In contrast, unemployment among those with secondary education increased from 26.1% to 42.5%, respectively. Similarly, unemployment among university graduates increased sharply from 1.7% in 1994 to 30.9% in 2011. This is due to the fact that in 2014, higher education graduates accounted for 36.6% of the unemployed population. A gender analysis confirms that while women make up 67% of university graduates (2008-2009), only 25% have access to the labor market¹⁹. On the other hand, 26 % of unemployed women are not seeking a job.

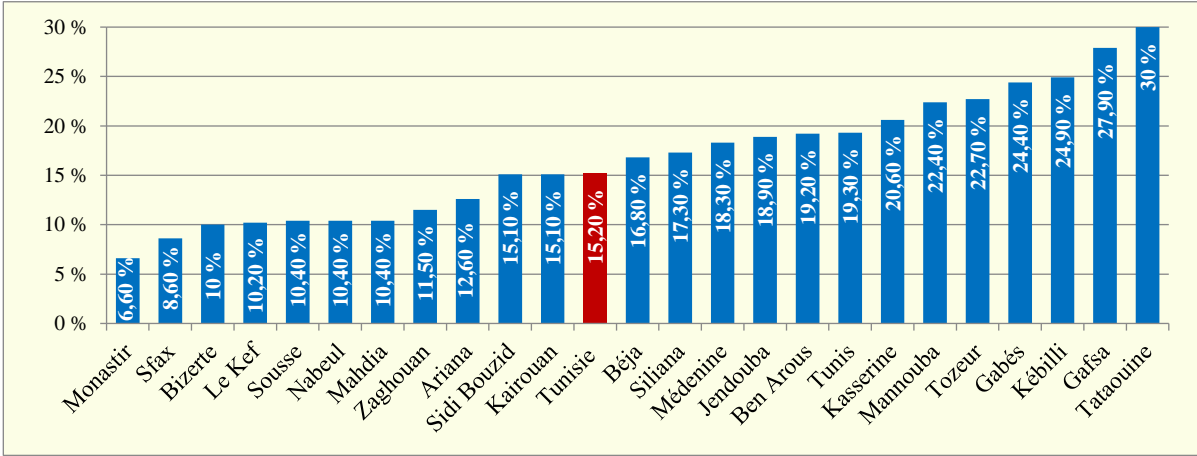
Results demonstrate the existence of strong discrimination in the labor market, of which Tunisian women are victims. Approximately one-third of young people (aged 15-24) are excluded from

¹⁹INS, 2015. General census of the population and habitat.

the labor market. In addition, there are also disparities in unemployment depending on level of educational attainment (primary, secondary and higher).

In 2015, the unemployment rate rose to 15.5% (Graph 13), with strong regional disparities. The unemployment rate within Tunisian governorates ranges from 6.6% in the governorate of Monastir to 30% in the governorate of Tataouine. In fact, unemployment rates in inland governorates are much higher than those of coastal governorates. The inhabitants of inland governorates consider themselves to be generally and structurally excluded from growth and development in Tunisia. The structural imbalance between coastal and inland regions was at the origin of social tensions, which led to the events of 14 January 2011 in Tunisia.

Graph 13
Unemployment rate per governorate in Tunisia, 2015



Source: National Statistics Authority database (INS).

Poverty reduction efforts

The Poverty rate in Algeria²⁰ decreased from 12.1% in 2000 to 5.5% of the working population in 2011 (see Table 10)²¹. Poverty reduction is one of the cornerstones of inclusive growth in North Africa. This reduction in poverty is due to the implementation of a social development policy and the fight against poverty, which made it possible to improve the living conditions of the population in general and a significantly reduce poverty in particular. Social transfers (from the State budget) reached almost 9% of GDP in 2014. Blanket subsidies and social transfers accounted for 32% of GDP in 2014. However, given the country’s significant wealth (hydrocarbons), further efforts are needed to further reduce the poverty rate.

As for Morocco, the poverty rate went from 16.3% in 1998 to 8.9% in 2007. In this country, poverty is continuously declining. According to provisional data of the 2013-2014 National Survey of Consumption and Household Spending 2013-2014, the national poverty rate has been reduced to 4.2% (with 1% in urban areas and 8.9% in rural areas).

However, at the regional level, there are still large disparities, with a poverty rate ranging from 18.5% in Gharb - Chrarda - Beni Hssen to 0.9% in Chaouia - Ouardigh. In Tunisia, on the other

²⁰ According to the World Bank, the poverty rate is measured by the ratio of the poor to the national poverty line (percentage of the population).

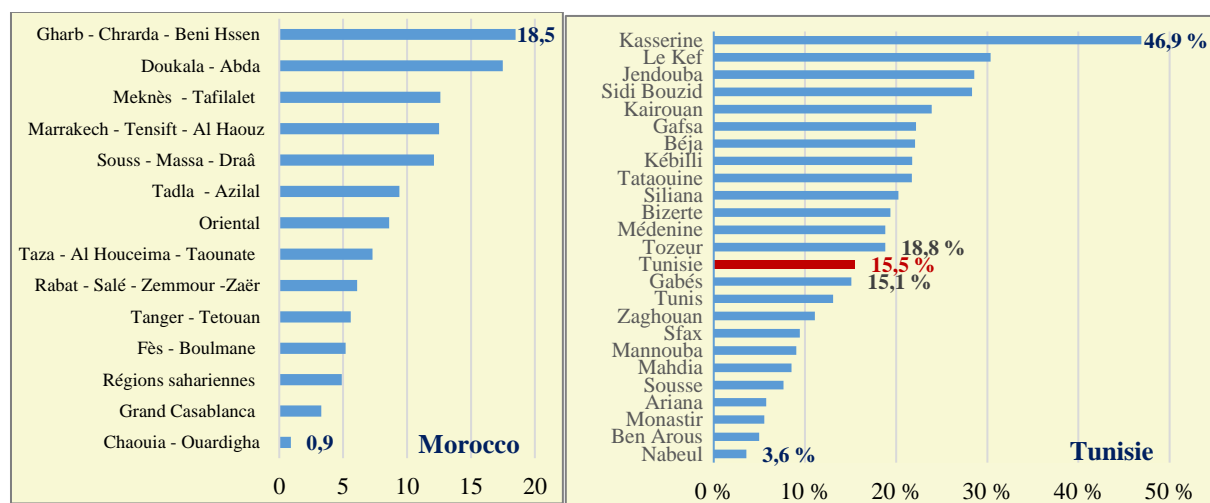
²¹ World Bank, (2016). World Development Indicators

hand, poverty, as measured by the proportion of individuals living below the national poverty line, was halved, dropping from 32.4% in 2000 to 15.5% in 2010.

Although Morocco and Tunisia have succeeded in significantly rolling back poverty, there are persistent regional disparities. Graph 14 shows that in Tunisia, there are huge disparities in terms of poverty between coastal and inland governorates. The latter have poverty ranging from 18.8% in Tozeur to 46.91% in Kasserine. These rates exceed by far the rates for Tunisia as a whole (15.5%). On the other hand, poverty rates in coastal governorates vary from 15.1% in Gabès, to only 3.6% in Nabeul. These statistics show that national poverty rate reduction conceals territorial disparities. In summary, poverty has declined in Morocco and Tunisia, but at the level of governorates in both countries, the results are mixed.

Graph 14

Poverty rate per region in Morocco in 2007 and poverty rate in 2010 per governorate in Tunisia



Source: High Planning Commission (Morocco) and the National Statistics Authority (Tunisia).

Local development indicators in Tunisia

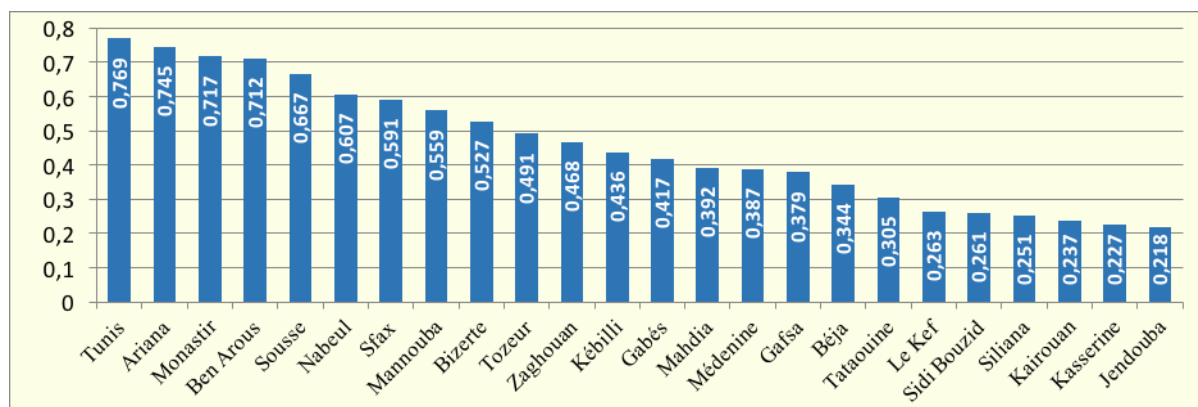
As mentioned earlier, there are substantial disparities in terms of unemployment and poverty rates between regions. The existence of such disparities calls for an analysis of the indicators used to measure local development. In Tunisia, the 2011 revolution shed light on significant disparities between coastal regions and inland regions, in terms of infrastructure, education, employment, access to basic public services and so on. In order to better assess these disparities, the Tunisian authorities developed a regional development indicator (RDI). Assessed at the governorate level, the RDI is a synthetic index calculated by compiling four thematic indices: services, socio-demographic aspect, labor market size and human capital. It is calculated on the basis of statistical indicators produced by specialized institutions (INS). More specifically, the regional development indicator is the simple average of 18 variables (for example: unemployment rate, poverty rate, access to drinking water, access to sanitation networks, telephone density, education and health services, etc.) referring to the above-mentioned four areas.

Graph 15 showcases the RDI of Tunisian governorates. It ranges from 0.769 for the capital Tunis, to 0.218 for the inland governorate of Jendouba. Overall, results show that the country is divided into two groups or zones, with contrasting levels of local development. Indeed, the most marginalized governorates belong to the so-called inland zone, whereas, the relatively more

developed areas are essentially coastal governorates. According to the ITCEQ (2016)²², this gap between governorates is mainly due to differences in equipment, road infrastructure, health and opportunities for access to the labor market.

Graph 15

Regional Development Indicator (RDI) in Tunisia in 2015



Source: Tribune de l'ITCEQ, N. 8. September 2015.

Ultimately, the three North African countries studied - Algeria, Morocco and Tunisia - have made significant progress in terms of economic development (health, education, poverty reduction, reduction of unemployment, human development, etc.). This is illustrated by the evolution of HDI, which shows that Algeria and Tunisia belong to the category of countries with high human development. However, further efforts are needed to consolidate results and address shortcomings. Regional statistical data (Morocco and Tunisia) show that: (i) there is a gender gap in access to education and the labor market; and (ii) the development process has been achieved with notable progress but is not territorially inclusive (due to some persistent disparities between governorates in each country).

4.2 Role of local institutions in the design and implementation of industrial policy

4.2.1 Local institutions

In Morocco, the territory is comprised of 12 regions, subdivided into 83 prefectures and provinces with 1503 communes. Regions and provinces/prefectures are both a level of decentralization (evidenced by the existence of territorial authorities endowed with legal status, administrative autonomy and elected councils: the Regional Council and the Provincial/Prefectural Council) and deconcentration (reflected in the existence of devolved departments of the various ministries: regional or provincial/prefectural delegations or branches). Communes constitute only a level of decentralization (the deliberative assembly elected being the communal council). There are also State services at the sub-provincial/prefectural level, but these are levels of representation, not administrative deconcentration (circles and caidats in rural areas, Pachaliks and administrative annexes in urban areas).

In Algeria there are also three administrative tiers: wilaya (48), daïra (548) and commune (1541). Wilayas and communes are endowed with legal status and administrative autonomy, while the daïra is an administrative entity. The wilaya is both a territorial authority, with an elected

²² Tunisian Institute of Competitiveness and Quantitative Studies, (2015): "Regional development: priorities and measures" *Tribune de l'ITCEQ* n°8. September 2015.

deliberative assembly, as well as a level of deconcentration of the State under the command of a Wali who represents the central authority. The commune is a territorial authority with an elected assembly. In some wilayas, administrative districts are created and placed under the authority of a delegated Wali who inherits the prerogatives of the Wali in the constituency. Although delegated wilayas do not have any elected bodies, they combine all deconcentrated authorities services of the State much like a wilaya.

Tunisia has an administrative division into 24 governorates (wilayas in Arabic), broken down into 264 delegations, which are subdivided into 2073 sectors (imadas in Arabic). Article 1 of Organic Law No. 89-11 of 4 February 1989 on regional councils states that "the governorate is a State territorial administrative constituency. It is also a public authority with legal personality and financial autonomy, managed by a regional council and subject to the supervision of the Minister of the Interior." It should be noted that, following the adoption of the new Constitution in 2014, a new division should complete this configuration (governorates - delegations - sectors) through the creation of districts in accordance with the provisions of Article 131 of the new Constitution of 2014.

4.2.2 Decentralization and the role of territorial authorities

In Morocco, the 2011 Constitution enshrines the principles of subsidiarity and free administration of local and regional authorities, as well as their participation in development policies. Article 1 of the Constitution states that "the territorial organization of the Kingdom shall be decentralized, based on advanced regionalization", and Article 135 specifies the three levels of territorial authorities, namely regions, prefectures/provinces and communes. Regional and communal councils are elected by direct universal suffrage, whereas the councils of the prefectures/provinces are indirectly elected by the members of the communal councils within the territorial jurisdiction of the province/prefecture in question. Each council elects from among its members a chairperson, who wields executive power and is the authorizing entity for the territorial authority's budget. The arrangements for the management of the three (3) levels of territorial authorities, their powers, governance and financial resources are laid down by organic laws²³ and are summarized in Table 11 below. It should be emphasized here that the recent reform of advanced regionalization has made the region preeminent. Article 143 of the Constitution states that: "in the preparation and follow-up of regional development programs and regional spatial planning schemes, the region shall, under the helm of the chairperson of the regional council, play a predominant role in relation to other local authorities, in keeping with their respective powers." The region exercises core powers related to industrial policy (see below) and is therefore the relevant territorial level for industrial policy in Morocco.

In Algeria, within the context of decentralization, there are two types of territorial authorities endowed with legal personality and financial autonomy: the wilaya, which has an elected deliberative assembly called the People's Assembly of the wilaya (APW) and the commune, which also has an elected deliberative assembly called the People's Assembly of the commune (APC). These two types of territorial authorities are governed by the provisions of specific laws²⁴, which are summarized and outlined in Table 11 below. It should be noted there is a certain degree of duality between State administration and decentralized administration in Algeria's territorial structure. Indeed the Wali, who represents the State and serves as the delegate of the Government, holds the executive power of the APW and is also the authorizing officer of its budget. Similarly, the Chairperson of the commune is also the representative of the State in the

²³ Organic Law No. 111-14 on Regions, Organic Law No. 112-14 on Prefectures and Provinces and Organic Law No. 113-14 on Communes.

²⁴ Law No. 11-10 of 20 Rajab 1432 corresponding to 22 June 2011 on the Commune and Law No. 12-07 of 28 Rabie El Aouel 1433 equivalent to 21 February 2012 on the Wilaya.

territory and holds the prerogatives of the administrative and judicial police in the jurisdiction under his/her command.

Tunisia is in a transitional phase which should lead to more advanced decentralization. Thus, the new Constitution of 2014 includes several provisions (Articles 131 to 142) for the establishment of a new mode of local power. However, implementation texts have yet to be adopted, and the implementation of decentralization is still a significant work in progress. In particular, some of the provisions of the new Constitution worth highlighting are those enshrining the principle of free administration and the creation of three levels of local government: municipalities, regions and districts. Elected councils will govern all three tiers. Municipal and regional councils will be elected by direct universal suffrage, while members of municipal and regional councils will indirectly elect district councils. It is also worth recalling that since independence and until the 2011 revolution, the Tunisian administration remained very centralized, despite the consecration of local authorities in the previous constitution (which recognized regional councils²⁵ chaired by governors – who are the State representatives within the governorate--, as well as municipal councils, but which wielded no real local power in the sense of decentralization.

²⁵ It should be noted that these regional councils differ from the regional councils set up by the 2014 Constitution. The regional councils were chaired by the governor and made up of deputies from the governorate, mayors, chairmen of rural councils, as well as representatives of technical services of ministerial departments.

Table 11

Powers, governance bodies, resources and means of action of decentralized bodies in Morocco, Algeria and Tunisia

Country	Level of territorial authority	Powers	Governance bodies	Financial resources	Means of action
ALGERIA	Wilaya	<ul style="list-style-type: none"> - The Wilaya is competent in the fields of educational equipment and vocational training (construction and maintenance of secondary, technical and vocational training schools), social work, housing, agriculture and water, tourism, and some economic infrastructure. - In 2012, Law 12-07 granted APWs stronger powers for investment, initiatives aimed at attracting investors and setting up businesses. In terms of economic development, the APW develops a medium-term development plan that outlines the objectives, programs and resources mobilized by the State within the framework of State projects and communal development programs. Within the framework of this plan, the APW identifies industrial zones to be created, facilitates economic operators' access to economic real estate, facilitates and fosters the financing of investments in the wilaya, contributes to boosting state-owned enterprises located in the wilaya and promotes synergy and networking activities between economic operators, training and scientific research institutions and local administrations, with a view to encouraging innovation between economic sectors and providing an investment friendly environment. 	<ul style="list-style-type: none"> - The Wilaya has an elected deliberative assembly, the People's Assembly of the Wilaya (APW) - The Wali (State representative) exercises the executive power. He is the authorizing officer of the Wilaya's budget. 	<ul style="list-style-type: none"> - According to the provisions of Law 12-07, Wilayas are financed through State grants or their own assets. - Most of the wilayas' own financing comes from the turnover tax (TCA). This is collected by the State and then repaid in proportion to the contribution of each wilaya to the TCA. Redistribution among wilayas is conducted through two funds (special appropriation funds), which manage the redistribution among territorial authorities. 	<ul style="list-style-type: none"> - As the Wali exercises executing authority, he/she discharges this responsibility through deconcentrated administration. Thus, the APW Chairperson has a cabinet and civil servants chosen from among the wilaya's (article 68 Law 12-07). However, members of the APW may petition deconcentrated departments and divisions through written questions (Article 37 Law 12-07). - The wilaya may set up public institutions needed for the exercise of its powers. These entities may be of an administrative, industrial or / or commercial nature. The use of concessions is also possible. These provisions are not implemented directly by the APW whose role is limited to deliberation. The Wali is responsible for execution.
	Commune	<p>The Commune is a territorial authority, i.e., a space in which local democracy is exercised. Its main responsibilities are related to planning and development; urban planning, infrastructure and equipment; education, social protection, sports, youth, culture, leisure and tourism; hygiene and sanitation.</p> <p>The Commune's activities are focused on providing local services including urban public transport, public lighting, as well as local facilities such as slaughterhouses. The Commune has a Communal Development Program (PCD).</p>	<ul style="list-style-type: none"> - The Commune has an elected deliberative assembly, the People's Assembly of the Commune (APC) - Its Chairperson is the authorizing officer of the budget and holds executive power. He/she is also the representative 	<p>The Commune's financing system is almost identical to that of the Wilayas. Article 173 of Law No 11-10 also provides for: 'financial allocations for equipment through grants from the State, the wilaya budget or the joint fund of local authorities'. Article 211 of the same law provides for two funds for inter-communal</p>	<p>The Commune's administration is led by the General Secretary of the commune, under the authority of the Chairperson of the CPA. Like the Wilayas, the commune may be provided with communal public administrative, industrial and commercial enterprises. These public industrial and commercial</p>

		As regards communal powers related to economic development, Article 111 of Law 11-10 stipulates that: "The Communal People's Assembly shall initiate all action and shall take all measures to promote and encourage the development of activities economic, in line with the Commune's potential and development plan. To this end, the communal People's Assembly shall implement any measure likely to encourage and promote investment. "Article 118 of the same Communal Act also provides that the Commune " may also carry out or contribute to the development of spaces intended to house economic, commercial or service activities".	of the State in the territory and holds the prerogatives of the administrative and judicial police in the jurisdiction under his/her command.	solidarity, territorial equalization and to guarantee a certain level of revenue so as not to impede the quality of services rendered to citizens: to achieve inter-communal financial solidarity and to guarantee tax revenues, communes have two funds: - the communal solidarity fund; - the guarantee fund for local authorities. "	enterprises must balance their expenditure and revenues.
MOROCCO	Region	With the adoption of advanced regionalization, the region, as a territorial authority, enjoys expanded specific powers, particularly in the areas of regional economic development (support for businesses, domiciliation and organization of economic zones in the region, attraction of investments, etc.), vocational training, continued training and employment (creation of regional training centers and regional centers for employment and skills development for integration into the labor market), rural development, the environment (promotion of renewable energy initiatives, etc.), transport (in particular the organization of non-urban passenger road transport services between local and regional authorities in the region), development, etc. The region, as a territorial authority, is responsible for drawing up and monitoring the implementation of the Regional Development Program and the Regional Spatial Planning Scheme.	The Region has a deliberative assembly elected by direct universal suffrage: the Regional Council - The Council elects from among its members a Chairperson who is the authorizing officer of the budget, as well as an executive committee headed by the Chairperson.	The regions benefit from large financial transfers from the State (5% of IS (corporate income tax) and IR (income tax) income, 20% of the proceeds from the tax on insurance contracts and the financial allocations from the general budget of the State). A gradual increase in financial transfers from the State to the regions is expected to reach 10 billion MAD/year from 2021. In addition, the region has its own resources (taxes, levies, remuneration for services rendered, etc.) and can borrow in accordance with regulations in force.	- The regional administration (territorial civil servants), - The Regional Agency for Project Implementation (AREP), which is a legal entity under public law, with administrative and financial autonomy and subject to the supervision of the council of the region. It is responsible for providing advice and assistance to the region and for implementing development projects and programs. - It is possible to create companies called "regional development companies," established as public limited companies, to manage industrial and commercial activities within the remit of the region.
	Province/prefecture	Missions related to promoting social development, including the setting up and implementation of programs to reduce poverty and precariousness, both in rural and urban areas.	- The Province/Prefecture has a deliberative assembly elected by indirect suffrage: the Provincial/Prefectural Council - The Council shall elect from among its members a chairman who is the authorizing officer of the	For the exercise of its powers, the prefecture or province has its own financial resources, financial resources allocated to it by the State as well as proceeds from borrowing.	- The provincial /prefectural administration, - It is possible to create "development companies", established as joint-stock companies, or participate in their capital, in order to carry out activities of an industrial or commercial nature within the

			budget and an executive committee headed by the Chairperson.		jurisdiction of the province/prefecture.
	Commune	Missions related to the provision of community services to populations. It is responsible for setting up and implementing the commune's action plan. Other responsibilities include the creation and management of public services and facilities (drinking water and electricity distribution, urban public transport, public lighting, sanitation, cleaning of streets and squares and waste management, etc.). To this end, it can use delegated management, create of local development companies or contract with the private sector.	<ul style="list-style-type: none"> - The commune has a deliberative assembly elected by direct universal suffrage: the Communal Council - The Council shall elect from among its members a chairperson who is the authorizing officer of the budget and an executive committee headed by the chairperson. - It is possible to resort to intercommunal co-operation through the creation of "intercommunal co-operation bodies", endowed with legal personality and financial autonomy (for example for the management of networks of urban services) 	For the exercise of its powers, the commune has its own financial resources, financial resources granted to it by the State (30 % of added value tax) and proceeds from borrowing.	<ul style="list-style-type: none"> - Local administration, - It is possible to create, "local development companies", established as public limited companies, or participate in their capital, for the management of a public service or equipment
TUNISIA	District	To be defined by future legislation.	The District has a deliberative assembly elected by indirect suffrage: the District Council.	Article 135 of the 2014 Constitution stipulates that local authorities have their own resources and resources delegated by the central authority. Specific modalities are to be defined by future laws.	To be defined by future legislation.
	Region	To be defined by future legislation. (According to article 2 of Organic Law No. 89-11 of 4 February 1989 on regional councils, regional councils are responsible for drawing up regional development plans which must be integrated into the framework of the national economic and social development plan, spatial planning plans outside communal areas and the review of the governorate's urban master plan).	The Region has a deliberative assembly elected by direct universal suffrage: The Regional Council. (Current regional councils are chaired by the governor and are comprised of deputies from the governorate, mayors,	To be defined by future legislation (same remark as for districts). (Currently, two laws govern the financial management of local authorities: a 1975 organic law	

			chairpersons of rural councils, as well as representatives from the technical divisions of the ministerial departments.)	on local authorities budgets and a 1973 law promulgating the public accounts code. The regional council's budget is mainly financed by public transfers mainly from the State in the form of a quota on the local authorities' common fund, equipment grants, particularly <i>from</i> the Regional Development Program, appropriations transferred by ministries; tax and non-tax revenue.)	
	Commune	To be defined by future legislation.	The commune has a deliberative assembly elected by direct universal suffrage: the Municipal Council.	To be defined by future legislation. (same remark as for districts).	

4.2.3 Role of deconcentrated sectoral State services

In Morocco, regional, provincial or prefectural divisions and the offices under them²⁶ are the ministerial departments' administrative bodies at the decentralized level. Unlike decentralized entities, deconcentrated authorities of the central administration are not endowed with their own legal personality. Moreover, they serve as representatives for, and extensions of, the central authorities. As regards the distribution of powers, the central administration is entrusted with a mission of design, steering, organization, management and control, while deconcentrated authorities are responsible for the implementation of government policy at territorial level²⁷. Following the establishment of advanced regionalization, the Moroccan Government must adopt an Administrative deconcentration Charter. This Charter is intended to enshrine the pre-eminence of the regional level and to strengthen public policy coherence and steering at the territorial level. Indeed, currently, the degree of deconcentration varies greatly from one ministerial department to the other, in terms of territorial networks, skills, human and financial resources. For example, the Ministry of Industry, Trade, Investment and the Digital Economy (MICIEN) is represented through what are known as "Provincial Trade and Industry Delegations," of which there are 30. They are entrusted with several tasks conferred upon them by Decree No. 1300-94 of 8 April 1994. Since 2011, the Ministry has also introduced one-year contracts between delegations and the central divisions of the Ministry, which set out a matrix of objectives and corresponding means, as well as a monitoring requirements and a quarterly report to be submitted to a steering committee chaired by the Minister.

Moroccan legislation bolsters the management autonomy of State authorities by turning them into Autonomously Managed State authorities (SEGMA), provided that they have their own resources. This status ensures that they remain integrated in public administration and does not bestow upon these authorities their own legal personality. On the other hand, it allows them access to an autonomous budget, independently from the budget of the Ministry under the purview of which they are. This is particularly the case for the Regional investment centers (CRIs), which are deconcentrated services of the Ministry of the Interior, which benefit from the SEGMA status and are overseen by regional Walis. CRIs fulfill two core functions: they provide assistance for business start-up and support investors. As such, they play an important role in deconcentrated investment management. Their creation, through the royal letter addressed to the Prime Minister on January 9, 2002, is considered to be a fundamental reform in the territorial governance of industrial investment. This letter refers to the deconcentrated management of investment.

Unlike Morocco, where administrative deconcentration is strongly defined by sector, Algeria and Tunisia, as will be further developed in the following sub-section, have opted for deconcentration schemes, in which the territorial representative of the State is the key decision maker at the territorial level, both on behalf of the State and on behalf of local and regional authorities. However, in Algeria, ministerial departments are represented by directors at the level of the wilaya (including a director of industry), and by delegated directors in the case of the delegated wilayas. In Tunisia, on the other hand, delegates at the governorate level represent ministries.

With regard to the division of responsibilities between central and decentralized authorities, and given the traditional role of the State, most programs and policies are designed by the central government. Implementation at the territorial level is carried out under the leadership of the Wali (Algeria) or the governor (Tunisia).

²⁶ In accordance with the provisions of Decree No. 2-05-1369 of 02/12/2005 laying down the rules governing the organization of ministerial departments and administrative deconcentration

²⁷The distribution of powers between the central level and State deconcentrated authorities is specified in Decree No. 2-93-625 of 20/10/1993 on administrative deconcentration.

4.2.4 Role of public institutions at territorial level

Public institutions play an important role in the sub region. Their action complements, and in some cases replaces, that of decentralized departments of ministries. Territorial offices of public institutions responsible for investment promotion also play an important role in implementing industrial policy in Algeria and Tunisia. Thus, Algeria's Decentralized Single Windows (GUD) represent the National Agency for Investment Development (ANDI) in the regions, while in Tunisia, the Agency for the Promotion of Industry and Innovation (APII) operates nationally through 24 regional offices. Algerian GUDs are not matched to wilayas, but rather to regions, in the same way as regional offices of the National Agency for Land Intermediation and Regulation (ANIREF). However, it should be noted that a major project aimed to simplify and improve administrative procedures is under way in Algeria, on the initiative of the Prime Minister. In the future, ANDI will also be entrusted with facilitating the intervention of various ministries' regional offices within the GUDs in matters related to investment.

The deconcentrated management of investment is done differently than in Morocco. As mentioned above, Morocco has selected the model of Regional Investment Centers (CRIs) as the decentralized authorities representing the Ministry of the Interior. These centers are managed autonomously. On the other hand, public institutions, such as the Agency for the Promotion of Small and Medium-Sized Enterprises (ANPME), have regional offices within the deconcentrated departments of the Ministry of Industry.

4.2.5 Role of the Territorial State representative (RTE): a general purpose and coordination role

In Morocco, the Walis of regions and the governors of prefectures or provinces are the State's territorial representatives with general-purpose mandates. They are appointed by Dahir and are under the authority of the Ministry of the Interior. Article 145 of the 2011 Constitution stipulates that "in territorial authorities, the Walis of regions and the governors of provinces and prefectures represent the central power. They enforce laws, implement government regulations and decisions, and exercise administrative control on behalf of the government." The Dahir establishing Law No. 1-75-168 of 15 February 1977 governs the Governor's remit. The Wali of the region, who is at the same time governor of the prefecture/province, that is *chef-lieu*, or main town, of region, holds the prerogatives of Governor on the territory of the province/prefecture, that is *chef-lieu* of the region. These prerogatives revolve around the maintenance of order and regional responsibilities, such as investment. They are in line with the royal letter to the Prime Minister of 9 January 2002 referring to deconcentrated management of investment and the decree of 26 December 2003 which places Regional Investment Centers (CRIs) under the authority of the regions' Walis. Under the provisions of this royal letter, the region Wali has become a major player in the area of investment, and especially in industrial investment. In this capacity, he/she is endowed with the necessary powers to make decisions, to sign acts, authorizations, contracts, etc.

As regards the relationship between Walis/governors and the sectoral representatives of the State at territorial level, the last paragraph of Article 145 of the 2011 Constitution states that "under the authority of the ministers concerned, they (Walis and governors) coordinate the activities of deconcentrated offices of the central administration and ensure their proper functioning." Morocco has thus chosen a deconcentration model based on the territorial State representative's coordinating function. However, this does not exclude the possibility of strengthening his/her authority over deconcentrated offices, insofar as he/she fulfills these tasks under the authority of relevant ministers. The latter may, if they wish, delegate power to the Wali/governor and not directly to the regional, provincial/ prefectural heads. As for mechanisms for coordinating State action at the territorial level, a prefectural or provincial technical committee is composed of the heads of the deconcentrated offices of the central state

administrations and directors of public institutions. Another draft deconcentration charter is aimed at strengthening the consultation and coordination arrangements under the Walis/governors purview at the territorial level.

Regarding the relationship between Walis / governors and decentralized bodies, article 145 of the Constitution stipulates that Walis and governors "assist presidents of local and regional authorities and presidents of regional councils in the implementation of development plans and programs." In addition, territorial authorities and the State may agree on a joint action program within the framework of contracts with the State.

In Algeria, and in accordance with Article 110 of Law 12-07 on wilayas, the Wali serves as State representative and the Government delegate in the territory of the wilaya. The Wali is appointed by the President of the Republic, on the proposal of the Minister of the Interior, under the purview of which the Wali's mandate is placed. He/she is the guarantor of public order and security and is responsible for executing government decisions and instructions received from ministers.

Unlike Morocco, which chose a model entrust the coordinating function to the territorial State representative, Algeria chose a scheme that places the Wali at the center of the deconcentration and decentralization process. Although the Wali does not have hierarchical authority strictly speaking, he/she is nevertheless invested with power over deconcentrated State sectoral authorities. The Wali coordinates and controls these deconcentrated entities. Moreover, it is the Wali (and not the heads of decentralized authorities as is the case in Morocco) who is the authorizing officer of the budget of all sectoral departments in the territory of the wilaya. As a result, regional directors operate under his/her authority. The Wali is also entrusted with a decision-making power regarding land allocation for investment projects. Thus, the Head of industry at Wilaya level will receive the investment file, and provide an opinion. The Wali then subsequently decides on the allocation of land, without approval from the central authorities.

In addition to being the authorizing officer of the capital budget of all decentralized authorities, the Wali is also the authorizing officer of the budget of People's Assembly of the wilaya (APW), a decentralized body which he/she chairs. Indeed, while the decision-making process is subject to deliberations within the APW, execution is the responsibility of the Wali, who serves as the authorizing officer of the wilaya-territorial authority - in addition to his/her function as State representative in the geographical territory of the wilaya. Regarding coordination and coordination mechanisms, the Wali chairs the Wilaya council, which is also comprised of directors and representatives of State authorities in the Wilaya. The Wilaya council executes the decisions of the national government and the APW.

Lastly, in some wilayas, administrative districts are created under the authority of a delegated Wali who inherits the prerogatives of the Wali in the territory of this constituency. Delegated wilayas do not have elected bodies like the APW. However, this constituency integrates all State deconcentrated authorities, much like a wilaya, with, at their heads, delegated directors. In accordance with article 2 of Presidential Decree No. 15-140, delegated directors may receive a delegation of signature from the Wali of the wilaya. The delegated Wali and directors are required to report to the Wali of the wilaya, regarding all actions carried out within the administrative district. As regards coordination mechanisms within the administrative district, the delegated Wali in turn presides over the council of the constituency, on which delegated directors sit.

In Tunisia, the Governor (Wali in Arabic), is the State representative in each governorate. He/she is appointed by the Head of Government, based on the proposal of the Minister of the Interior, under whose authority he/she serves, as is the case in Morocco and Algeria. On the one hand, the Governor serves as the head official in the governorate, which is a deconcentrated authority of the Ministry of the Interior, and on the other hand, he/she represents the State as a whole. The Governor is thus bound to follow the directives and orders given to him/her by ministers in

their respective sectors. He/she is personally responsible for the general administration of the governorate. As is the case in Algeria, the Governor is the authorizing officer of the sectoral budgets of the State in the governorate and is assisted by the regional authorities, local delegates and *omdas* (heads of sectors). In addition, as mentioned above, the Governor presides over the regional council. Tunisia’s model is somewhat similar to the Algerian model. However, with the adoption of the Constitution of 2014, changes are expected to occur in the years to come. These changes will pertain to the relationship between the territorial State representative and the local authorities, much like the structure set up in Morocco.

4.2.6 Summary: Role of the territory in economic development policies and industrial policy territorial players

At the close of this description of the territorial institutional landscape in the three countries, one can emphasize that the territory plays a crucial role economic development and industrial policies. The main territorial players in each country, presented in Table 12 below, are aware of their role. This first listing of players will subsequently be supplemented by an analysis of the role of thematic groups and business associations, notably that of industrial ecosystems in Morocco, regional offices of the Algerian Sub-contracting and Partnership Exchange of the Center (BSTP-Center) and competitiveness clusters in Tunisia.

Table 12
 Role of the territory in economic development policies, relevant territory and main territorial players in industrial policy in Morocco, Algeria and Tunisia

Country	Role of the territory in economic development policies	Territory relevant to industrial policy	Key industrial policy players at the territorial level
Algeria	The territory is on the receiving end and primarily in charge of implementing development policies devised by central authorities	Wilaya	The Wali, the People's Assembly of the wilaya (APW), Decentralized Single Windows (GUD) and regional offices of ANIREF
Morocco	With the implementation of advanced regionalization, a transition to territorial participation in the design of economic development policy has been underway	Region	The Region as a territorial authority, the Wali of the region, the Regional Investment Center, (CRI), deconcentrated Ministry of Industry offices and ANPME representatives
Tunisia	Role of execution at the moment. Awaiting the start of a transition following the implementation of decentralization as provided for in the new Constitution	Governorate	The Governor, the Regional Office of the Agency for the Promotion of Industry and innovation (APII)

4.3 Role of local institutions in the design and implementation of industrial policy

In the three countries of the Maghreb, namely Algeria, Morocco and Tunisia, industrial policy has always been devised at a centralized level. Territories have hitherto only played a secondary role in the design of industrial policy. They were always thought of as being on the receiving end of strategies and actions devised at central level. In recent years, the trend seems to have changed, with the territorial dimension becoming increasingly important, especially given the reforms and decentralization process under way, particularly in Morocco and Tunisia.

What role does the territory play in the design, implementation and financing of industrial policy? In order to answer this question, it would be necessary to conduct a crosscutting examination of the extent to which territories are involved at each stage of the process, and include an analysis of the local players involved and the way in which they coordinate with other public policies.

In all three Maghreb countries, the Ministry of Industry carries out industrial policy design centrally. Various Ministry of Industry offices in the regions serve more as a vehicle for the transmission, execution and monitoring of industrial policy within the territory. Other associated entities play a supporting role in industrial policy.

In Tunisia, the territory does not actively participate in designing industrial policy. It is involved in the thinking process but is on the receiving end of industrial policy devised at the central level. The approach is therefore consultative and rather non-participatory. Policy design is the responsibility of central authorities, with only certain, partial instruments placed under the authority of the territory, but exclusively for administrative follow-up purposes. On the other hand, industrial policy transmission vehicles are quite efficient in Tunisia. Thus, the best expression of territorial industrial policy is the competitiveness clusters (*pôles de compétitivité*) whose purpose was to serve as drivers of regional development. Several clusters were established in the coastal regions: Bizerte, Sousse, Sfax, but also Greater Tunis. In the inland regions, industrial and technology complexes were developed. These clusters are financed by public-private partnerships and public enterprises. The objectives of each of these clusters are defined on the basis of a performance contract with the Ministry of Trade and Industry. This contract is the basis against which each cluster is monitored and evaluated. The objectives stem from studies carried out and projects designed at central level. In addition to competitiveness clusters, local entities under the purview of the Ministry of Industry also play an important role in supporting and monitoring industrial policy. The entities in question are technical centers or the 24 regional offices of the APII. Territorialization thus fulfills the following four functions: 1) a single window for business creation; 2) management of benefits such as investment premiums, exemptions, etc. 3) a business incubator located within the technological clusters but also in engineering schools; 4) communication. While it does not play a decisive role in the design of industrial policy, the territory is nevertheless an important player in its implementation. In Tunisia, decentralization was enshrined in the Constitution of 2014, which contains a whole chapter devoted to local power. The reform process is under way and tends towards a greater involvement of local player in public policy in general and in industrial policy in particular. To this end, the methodology used to develop the economic and social development plan for 2016-2020 was in fact based on a participatory process. It involved participation of all stakeholders (including civil society and social partners) in all regions. The novelty of this plan, as compared to previous ones, is that, in addition to the national plan, 24 regional economic and social development plans, one per governorate, have also been outlined.

In Morocco, decentralization has already gone through several stages, the last being advanced regionalization. The relevant territorial level for industrial policy is the region. In accordance with the Constitution, the region plays a leading role in the areas of regional development and regional spatial planning and exercises most powers relating to industrial policy. Thus, providing support to enterprises, setting up economic zones, attracting investment, providing vocational training, etc., all are among the region's responsibilities. These powers have less to do with design of, than

with implementation and support to, industrial policy. In terms of design, Morocco is currently in a transitional phase. Prior to the introduction of advanced regionalization, sectoral industrial policy strategies were designed in accordance with the so-called "push" rationale, in which the decision-making power rests with the Government. In other words, industrial policy is devised at national central level, and territories were involved in the sense that their specificities were taken into account. Despite a sound ability to implement flagship projects and efforts to cater to various needs and reach balanced regional development, coordination was lacking, as was the capacity to take into account the constraints and objectives specific to each region, despite their highly significant regional economic impacts. Ownership was insufficient among local authorities, momentum was lacking in certain sectors and potential was not harnessed at the national level. Since 2015, regional momentum has emerged, in a "pull" effect, in which regions are central players in territorial economic development. Moreover, as part of the industrial acceleration plan, industrial ecosystems are increasingly taking charge of the design and implementation of industrial policy by sector and by region. Specific objectives are set for ecosystem enterprises, in the framework of performance contracts concluded between the holders of ecosystem projects and the State, in terms, in particular, of job creation, added value and export capacities. In exchange, the State undertakes to provide appropriate and specific support for each activity, in particular for the mobilization of land, the training of resources and the financing of projects.

In the case of Algeria, the role of the central government is decisive in industrial policy design. The State is in charge of designing and implementing industrial strategy at the territorial level, – i.e. territorializing–, and provides visibility to national investors, foreign direct investors and local authorities. Hence, the State must develop:

- *Pôles d'attractivités* or hubs (grouping several wilayas) and integrated industrial development zones (geographical areas concentrating a number of companies operating in diversified or specialized industrial activities). This initiative aims to foster synergies between regional innovation, entrepreneurship and cooperation networks;
- *Technopôles*, or technology hubs, in which industrial zones are home to one or more large-scale enterprises operating in a specific sector of activity;
- Districts and technological parks within new cities to leverage spaces equipped with global connectivity equipment, which constitute an advantage in terms of mastering advanced technologies

Implementation is coordinated by the various entities, under the leadership and authority of the Wali, in the territory under his/her jurisdiction. The regional offices of the bodies²⁸ involved in industrial policy are in charge of implementation, support and monitoring at the territorial level. The Wilaya serves as a "receptacle" of all sectoral public policies, including industrial policy. The Wali coordinates all action within the framework of the Wilaya Council.

Local and regional authorities, in particular the APW (People's Assembly of the wilaya), include investment promotion measures, inter alia, in their development plan, which also include projected funding to be appropriated by the Wali. As the authorizing officer of the budget, the Wali also manages land issues without necessarily referring them to a central level.

Local authorities' initiative to create mini-zones of activity through their land agencies was encouraged by the Ministry of the Interior in a circular addressed to all local players. To this end, a first installment of 50,000 plots was programmed for 2017 intended to host investments carried out by SMEs and VSEs.

²⁸ The National Agency for Investment Development (ANDI), the Decentralized Single Windows (GUD), the National Agency for Land Intermediation and Regulation (ANIREF).

As regards the financing of industrial policy at local level, territories play different roles in the three countries analyzed. In Tunisia, for example, the territory does not intervene in financing because local resources are very scarce. Some industrial policy areas are financed through public-private partnerships, as is the case for competitiveness clusters. That said, there are no instances of co-financing between the territory and the State. Budget management is done exclusively at the central level. There are, nevertheless, instances of co-financing between the private sector and territories through regional venture capital firms (SICARs).

In Algeria, the Wilaya has its own resources, which it can allocate to economic development and activities directly linked to industrial policy. These resources come mainly from the turnover tax (TCA) paid by companies. As the authorizing agent of the State's capital budget, the Wali can mobilize resources within the framework of planned development projects. Communes may make use of their own resources under the same conditions and within the framework of annual and multiannual programs. The Solidarity and Guarantee Fund for Local Authorities²⁹ may also contribute to the financing of industrial policy by means of loans granted to the Wilayas or as part of financial arrangements, in particular for wilayas, which do not have sufficient financial resources for the creation of industrial zones. Private initiative was encouraged in the Budget Act for 2017, which granted legal entities under private law the opportunity to invest in the creation and development of industrial areas.

In the case of Morocco, local and regional authorities have considerable financial resources, which they can use to finance or co-finance various industrial policy aspects. They benefit from significant financial transfers from the State (5% of corporate income tax and income tax revenues, 20% of proceeds from insurance contracts tax as well as financial allocations from the general budget of the State). As a result of the reform of advanced regionalization, regions are increasingly becoming partners in the financing of major industrial development projects, alongside the State and the private sector. In this context, performance contracts are concluded between the State and ecosystem leaders, according to co-financing schemes between the State, the private sector and relevant local authorities.

Coordination between industrial policy and other associated public policies is currently insufficient, at least in the case of Tunisia. Within the framework of the economic and social development plan 2016-2020, various ministries are working together; however, there is no clear coordination strategy. The ministries of employment and vocational training, equipment and transport are better equipped when it comes to coordinating industrial policies and public policies. Indeed, within these ministries, coordination takes place within central sectoral committees. In general, all ministries directly and indirectly involved in industrial policy, as well as employer and associative bodies, are represented within each region and each governorate, which, theoretically, should provide a suitable framework for good coordination. However, coordination on the ground is not always optimal. It would benefit from being developed with the help of vocational training. Indeed, industry ought to be more responsive in terms of sectoral needs, so vocational training can be adapted to its specific needs.

In Morocco, the provincial technical committee is the body generally responsible for coordinating public policies in the territory. Most players are represented at the regional and provincial or prefectural levels, which facilitates administrative organization networks involving all players. However, most of the shortcomings stem from the actual level of deconcentration, which varies significantly from one department to another.

In Algeria, the coordination of State public policies at the territorial level is carried out within the Wilaya Council or that of the administrative district under the authority of the Delegated Wali.

²⁹ The Solidarity and Guarantee Fund for Local Authorities is a public administrative institution with legal personality and financial autonomy. It is under the authority of the Ministry of the Interior and is governed by Executive Decree No. 14-116 of 24 March 2014 on the creation, missions, organization and functioning of the Solidarity and Guarantee Fund for Local Authorities.

Both bodies are responsible for implementing the Government's instructions and the APW's deliberations. Given the degree of autonomy granted by the Wali's --or the Delegated Wali's-- prerogatives, as the State representative and authorizing officer of the APW, as well as his/her power in planning the State's equipment budget, the Council the wilaya or the administrative district as a jurisdiction should serve as the ideal space for the coordination of industrial policy with other public policies. However, main national agencies do not systematically always adopt the wilaya as their territorial division, but rather the regions, which can pose a risk of discordance between the various tiers. Coordination is carried out in relation to four types of public policies: employment, vocational training, infrastructure and entrepreneurship and innovation.

4.4 Conclusion: how inclusive is industrial policy in these three countries?

In accordance with Millennium Development Goals (MDGs), Algeria, Morocco and Tunisia have made significant progress in improving basic infrastructure, combating poverty, reducing unemployment, and so on. Assessment of these performances takes into account the human development index, which currently ranks Algeria and Tunisia as part of the group of countries with high human development.

The previous analysis leads to three conclusions: i) there are persistent gender disparities in terms of access to the labor market in Algeria and Tunisia³⁰. Indeed, results confirm that women in the Maghreb are strongly discriminated against in the labor market; (ii) young people (aged 15-24), and more precisely young higher education graduates, have difficulty accessing the labor market. For example, in 2014, one in five young people in Morocco and one in three young people in Tunisia were unemployed; (iii) there are wide regional disparities in terms of poverty and integration into the labor market. These results confirm that although significant, the economic development process in Algeria, Morocco and Tunisia is not sufficiently inclusive.

Regarding the territory's role in industrial policy and its impact on inclusive development, the history of industrial policies in the three Maghreb countries demonstrates that territories have in the past been, and to this day continue to be, on the receiving end of policies designed at a central level.

Decentralization is currently at a more or less advanced stage in the three countries of the Maghreb. In Morocco, the process of decentralization has reached an advanced level of maturity in communes and regions play a more active role. In Tunisia, decentralization was enshrined in the Constitution in 2014 and drafting of the Economic and Social Development Plan for 2016-2020 reflects a wish to proceed differently. Indeed, the regions have been involved during the thinking process as well as all other stages of the Plan's development. The Plan is not only national in scope but also includes development plans for each governorate. Despite this, however, territorial involvement remains relatively low. In Algeria, the process of decentralization is under way, but it is not as advanced as in the other two countries.

Despite strong determination to reform and strengthen local power for a more active role in the development of the regions in all three countries, the following can be observed:

- i) The territory remains confined to its status of "receptacle" due to a lack of coordination between central bodies and local players, the absence of a clear coordination strategy between the various ministries at central and local level;
- ii) Local governance does not grant sufficient autonomy to territorial institutions in Algeria and Tunisia;

³⁰ The statistics in Table 10 show that the unemployment rate of women in Algeria and Tunisia is much higher than that of men. On the other hand, these differences are negligible in the case of Morocco.

- iii) An active role in the design, implementation and monitoring of industrial policy implies the existence of appropriate instruments at local level, as well as strengthening of local skills, which are sometimes lacking and jeopardize the inclusiveness of territorialized industrial policy.

In the following section, the inclusiveness of industrial policy is analyzed in each of the three countries, from two focus points: (i) inclusion from an industrial policy design and management perspective; and (ii) inclusion from a territorialization perspective.

4.4.1 Case of Algeria

Focus 1: Inclusion in terms of design and implementation/steering

Although there are spaces for consultation, such as the tripartite meeting (annual meeting of public authorities, civil society, employers' associations, trade unions, etc.), as well as five-year development plans, Algeria does not have a comprehensive roadmap that sets out a medium-term and long-term vision for the country. This lack of vision implies that industrial policy is not really part of a comprehensive strategic development plan. However, the National Spatial Planning Scheme (SNAT) does include sectoral master plans, including one that is focused on industry and another on harmonizing infrastructure development. The industrial sector development plan is also part of the government's overall action plan, which highlights industry and mining as key sectors in the economic diversification policy. Thus, industrial development is considered as a national ambition of primary importance. The ultimate purpose for industrial development is to increase the contribution of the industry and mining sectors to national GDP, given that the government has set a target of 7% growth by 2019. The five-year plans do not, strictly speaking, include quantified targets for inclusive development. However, the objective of the SNAT is to make sure development is balanced. The SNAT guidelines are: 1) foster sustainable territories, ii) create necessary dynamics for a better balance between territories, iii) create conditions for competitiveness and attractiveness of territories, and iv) achieve territorial equity.

The Council of Ministers and meetings of the Government carry out coordination of public policies. Social partners and trade unions are also involved and spaces dedicated to consultation and dialogue (tripartite summit) have been created. Thus, within the framework of the "intersectoral" approach, industrial policy is constantly monitored in cooperation with all relevant departments and agencies. For example, the preparation of any regulatory or legislative text on the implementation of industrial policy requires broad consultation with all ministerial departments. Industrial policy design is therefore the exclusive prerogative of the Ministry of Industry, with de facto limited coordination with other sectors.

Industrial policy is designed according to a top-down approach, a sectoral approach and crosscutting tools. There is no effective participation of territories, although industrial policy does try to take into account the industrial and mining potential of each wilaya as well as SNAT guidelines for 2030. There are also varying investment incentive schemes according to the specificities of the regions to be developed (North, High Plateau, South). Varying industrial and mining potential is also taken into account in existing sectoral support schemes.

The territory is perceived as centerpiece in the implementation of industrial policy. Industrial policy indeed grants particular importance to territoriality, as it contributes to balanced regional and local development, and to consolidating social cohesion through better distribution of growth and added value. Through the extensions of the central administration of the Ministry of Industry, Mining and related bodies, industrial policy is equipped with a dense network of entities, support and promotion bodies across the country. These entities were set up with the aim of fostering proximity and closer ties between economic operators and local development players.

Focus 2: Territorialization and inclusion

The territory is not really consulted during the design of industrial policy. It neither participates in, nor is associated with, industrial policy development.

The territory does not have any real initiative in terms of local industrial development either. The Director of Industry at Wilaya level simply monitors the implementation of industrial policy locally. However, in terms of autonomy, the Wali is now independent in his/her decisions on granting industrial land.

In terms of resource mobilization autonomy, the territory does not, strictly speaking, levy any local taxes, with the exception of *TAP*, which the tax on turnover, collected by the State on behalf of wilayas. It is allocated to wilayas in proportion to their contribution. However, it is not sufficient to cover the expenses of wilayas, which still depend heavily on the State budget. Moreover, since local authorities cannot take on debt, their budget is necessarily balanced through the State budget. In this context, wilayas take up about 40% of The State's equipment budget.

Lastly, wilayas have no public policy instruments at their disposal to stimulate activity at the local level.

In terms of accountability, there is the People's Assembly of Wilaya (APW), which is the deliberative body of the wilaya. The communal and wilaya's People's Assemblies are elected for a five-year term, by proportional list.

The People's Assembly of the Wilaya forms standing committees on the following areas:

- Education, higher education and vocational training;
- Economics and finance;
- Health, hygiene and environmental protection;
- Communication and information technology;
- Land-use planning and transport;
- Urban planning and housing;
- Hydraulics, agriculture, forestry, fishing and tourism;
- Social, cultural, cultural, *wakfs* (endowments), sports and youth affairs;
- Local development, equipment, investment and employment.

Although decisions regarding the capital budget granted to the executive (Wali) are subject to the oversight of the Wilaya's People's Assembly, the latter *de facto* only endorses the administration's decisions. Moreover, there is no participatory approach to the management of local and regional authorities. Public policy coordination is carried out by the representatives of ministries at the level of the wilaya, with a council chaired by the Wali. For industrial policy, the Director of Investment is the link between the local level and the ministry.

Communes have no actual leeway in terms of economic decisions. They have neither autonomous resources nor capacity to mobilize resources. Moreover, local and regional authorities do not usually have territorial projects, which may seek to showcase the territory, and involving all local and national players in a shared vision of local development. Human and financial resources are lacking, as is a framework of territorial governance.

However, within the framework of the efforts to promote and implement a new proximity policy, the Ministry of Interior has initiated a pilot phase with a view to encouraging the emergence of a participative approach at local level by: (i) finalizing a pilot effort to integrate the participatory approach in socio-economic audits to be conducted in 250 communes, (ii) finalizing integrated local development support programs within 6 pilot wilayas (Mila, Setif, Khenchela, Tipaza, Batna, Oum El Bouaghi).

4.4.2 Case of Morocco

Focus 1: Inclusion in terms of design and implementation/steering

In Morocco, the 2000s were the years during which a new vision for the country's development was defined. This coincided with the advent of the new monarch. Thus, a new generation of public policies emerged, in the form of sectoral development programs, giving rise to a programmatic dimension within the vision of development as a whole.

From the first so-called "emergence" plan in 2005, industrial policy was devised with a sector specific approach within the overall vision for the country's development, with the aim of structural transformation and to make the best of opportunities offered by globalization. A precise programmatic approach was therefore adopted, with clear objectives in terms of jobs and contribution of the industrial sector and its various branches to GDP. In fact, implementation constraints and hiccups in the world economy compelled Morocco to adapt its industrial policy and to constantly update its objectives and methods of intervention through three strategic plans in 2005, 2009 and 2014.

The process of designing industrial policy was based on consultations with private and public operators and mobilized international expertise alongside the Ministry. However, while the approach adopted for the first generation industrial policy plans favored international competitiveness, attracting foreign direct investment and including the private sector in small and medium-sized enterprises, the last most recent plan, as it is formulated, places more of a focus on the inclusion of very small, medium-sized enterprises (VSE/SMEs). This approach has placed more emphasis on localization of projects, involving local and regional authorities in upstream negotiations.

The design is structured based on a bottom-up approach, with a key role played by the supervisory ministry, the central authorities, in a word, the Government. These include the Inter-ministerial Coordination Committee, which oversees the execution of agreements signed with partners and is chaired by the Head of Government, the Steering Committee chaired by the Minister of Industry and the Monitoring Committee composed of various relevant bodies, including *MarocPME* and the Moroccan Investment Development Agency (AMDI).

As far as implementation is concerned, the current operating procedure is inclusive. Following the reforms introduced in the Investment Charter in 2003, national and local institutions were indeed able to mature and gain from cumulative learning effect of the first two industrial plans of 2005 and 2009. National and local public and semi-public entities had an opportunity to clarify skills and improve methods of intervention. They also benefited from a significant increase in financial, human and administrative resources.

The use of so-called performance contracting since 2014 allows the State, alongside other players, to manage the implementation of industrial policy based on precise objectives, with defined time and space targets. Special attention is paid to the objectives of inclusion and job creation. The achievements of the 2014 industrial acceleration plan (IAP) confirm this. Indeed, the IAP, which foresees the creation of 500,000 jobs by 2020, is already at 83% of jobs contracted under precise investment agreements with world leaders and national champions in several industrial sectors. The implementation rate reached 32% in the summer of 2016, i.e. 160,000 jobs created.

Focus 2: Territorialization and inclusion

The role of territories as industrial policy players has evolved in line with the decentralization and deconcentration processes. The 2000's witnessed the deconcentration of investment with a key role granted to the Wali – representative of the State within his/her territory and in charge of the State' decentralized offices, including the Regional Investment Centers. As for the territorial authorities, their role was limited to contributions defined by texts governing their direct

attributions. For example, even if a commune already possessed confirmed means and genuine financial and legal autonomy to make its choices and honor its commitments, decisions regarding it were still made within the regional deliberative council, the authorizing officer of which is the Wali, representing of State.

Since the 2011 constitutional reform, the 2015 organic laws on local and regional authorities and the 2015 local and regional elections, regional and local authorities have been given a leading role in coordinating and boosting economic development with strong decision-making autonomy and broader use of financial and administrative resources. Thus, industrial policy implementation processes have become more inclusive of the territory thanks to territorial reforms adopted and to the growing role of territories in the design or negotiation of industrial policy. The experience of advanced regionalization, with only one year of implementation since 2015, further bolsters this process.

Accountability is exercised at two levels of decentralization : regions and communes. However, there are many discrepancies in the coordination of implementation at the territorial level, given the differences in managerial culture between the state bodies at the decentralized level and the administrative and technical entities under the responsibility of local and regional authorities.

4.4.3 Case of Tunisia

Focus 1: Inclusion in terms of design and implementation/steering

In Tunisia, the economic and social development plan has always been the basis for public policy development. The 12th Economic and Social Development Plan (PDES) 2010-2014 was drawn up just before the revolution. The first PDES after the revolution covers the period 2016-2020. It focuses much more on decentralization than previous plans. In fact, regions took part in reflections on the components of the Plan and proposed region-specific investment projects. Much like the plans that preceded it, the PDES 2016-2020 clearly states targets in terms of economic growth, increased investment, higher individual incomes and job creation. It also includes elements pertaining to inclusion such as quantified targets for reducing unemployment and the poverty rate. The industrial policy led by Tunisian authorities is part of this plan. In addition, the new investment code voted in September 2016 in the People's Representatives' Assembly also refers to a list of priority sectors for strategic positioning in global value chains, local value chain development and better connections to markets.

Coordination between industrial policy and other public policies is conducted by committees, which bring together all ministerial departments directly and indirectly concerned by industrial policy, such as Ministries of Equipment, Employment and Vocational Training, etc. However, the territorial dimension is absent from this coordination. Thus, to the question of whether industrial policy is designed in the light of territorial specificities, it is possible to answer that the only regional differentiation instruments used to date in Tunisia are financial and fiscal incentives that make it possible to direct investments to specific regions.

Competitiveness clusters also constitute a means of developing territories according to their specific resources. In addition, the territory (including local civil society organizations, which have gained in importance since the revolution) is involved in the formulation of industrial policy through regional consultations aimed at obtaining information on concerns, needs and plans of each region, and reporting back to the Government. While the management of industrial policy at the local level is carried out exclusively by the regional extensions of the Ministry of Industry, territorial institutions intervene in the implementation and monitoring of industrial policy measures. Civil society organizations are also involved. They are involved in the implementation of major projects in the regions.

Focus 2 : Territorialization and inclusion

The coordination of public policies and industrial policy at the local level is not optimal. This is due to the current decentralization scheme (which is more akin to deconcentration). The history of industrial policies in the three Maghreb countries demonstrates that the territory has in the past been, and to this day continues to be, on the receiving end of policies thought out and devised at the central level, even though today, there is a will to move closer towards a territorial dimension in public policies in general and industrial policy in particular. Decentralization is at various degrees of advancement in the three Maghreb countries. In Tunisia, it was constitutionalized in 2014 and the experience of developing the PDES 2016-2020 reflects a wish to proceed differently by involving local players in the thinking process regarding each stage of development of this Plan. The Plan is not only national in scope but also includes development plans for each governorate. Despite all the good will and efforts, the territory's involvement remains minimal and the territory is confined to its status of "receptacle". This is due to a lack of coordination between central bodies and local players and the absence of a clear coordination strategy between various players, ministries and local officials. The situation prevailing in Tunisia is rather one of deconcentration of administrative offices, with the aim of relieving congestion in central administrations. Moving towards a more active role in the design, implementation and monitoring of industrial policy presupposes the existence of local competences, which are sometimes lacking and jeopardize the inclusiveness of territorialized industrial policy.

In terms of local governance effectiveness, local and regional authorities only enjoy partial autonomy due to limited local resources and limited capacity to collect resources. The ongoing decentralization will certainly give more weight and financial autonomy to local officials. The regulations in force grant local authorities the power to collect local taxes such as taxes on immovable property, undeveloped land, industrial, commercial or professional facilities, hotel tax, etc. However, the fixing of levy rates or creation of new taxes remains the privilege of the central authority. On the other hand, as regards autonomy in the construction of infrastructure, large projects at local level are considered to be national projects. Territorial authorities do not have the necessary resources on the one hand, and such projects are profitable only in terms of their impact at the national level, on the other. Similarly, territories do not have autonomy in the development and conduct of local public policies, because, to date, all public policies are devised at a central level.

5. Overall conclusion: some recommendations for making industrial policy more inclusive

Each of the three countries, Algeria, Morocco and Tunisia, is at a different stage in terms of territorialization of its industrial policy.

In Algeria, although governance is still centralized, there is a clear desire to implement greater public policy decentralization and integrate territories into a coherent economic and social development vision. The SNAT has two major objectives: (i) to address imbalances between the location of populations and activities within territories; (ii) to make territories attractive, particularly through the provision of equipment and availability of services. Economic vitality and job creation are at the heart of the concerns of officials at all levels. The strategy to be implemented is to be based on "the improvement and diversification of infrastructure supply, the development of scientific and technological capacities and innovation, while ensuring the development of territories' assets." The strategy underlying the SNAT focuses on setting up territorial programming zones (EPT), fostering the emergence of clusters or *pôles d'attractivité* (PA) and creation of integrated industrial development zones (ZIDI) and new towns. Despite efforts to decentralize, for example with a delegation of powers to the Wali in industrial property matters, industrial policy remains centralized. Local governance reform is therefore necessary to equip territories with economic and political assets enabling them to be both a partner and a player in industrial development.

In Tunisia, since the 2011 revolution, there has been a genuine willingness on the part of public authorities to more closely involve regions in the design and implementation of public policies. However, the current decentralization scheme does not enable industrial policy to have a significant impact on inclusive development, even though it has a territorial dimension. Deconcentration, which currently describes the interrelations between central and territorial institutions, is not the most appropriate decentralization scheme to guarantee inclusive development of regions because it translates into a simple provision of public services at the local level. It is therefore important to adopt a comprehensive decentralization scheme that is consistent with the new Constitution of 2014. This requires a process of decentralization that goes beyond the simple effort to relieve congestion within administrative offices at the local level. Regions must be able to be involved in their own development and in the decisive economic and social choices for them, while ensuring proper coordination between regional development plans and the national development strategy. They must also be involved in the direction and design of public policies at their level.

As for Morocco, is at a more advanced stage of territorialization. The country is in its 3rd industrial plan since 2005, with tangible results in terms of foreign direct investment, value added and exports. Territories are better equipped and able to play an increasingly important role in economic development and industrial policy. They are driven by the new institutional dynamics introduced by the process of advanced regionalization, the effects of local democracy and accountability. However, in terms of inclusion, the governance model deserves to be further improved and refined.

In order to make industrial policy more inclusive, in particular by ensuring that territories are partners and key players in industrial development, a number of reforms are needed in the three countries

Algeria

In Algeria, the territory, as an autonomous entity capable of defining its economic and social development, and making the best use of resources at the local level, does not yet exist in public policy governance or in the country's development model. In the light of the analysis of industrial policy territorialization, recommendations are in favor of establishing a type of local governance that can make it possible to better tap into the potential of territories.

Recommendation 1: Involve local players in industrial policy design

Industrial policy governance should make it possible to aggregate information at the local level. As a priority, a genuine process of dialogue with all local stakeholders (territorial institutions, employers' associations, civil society, etc.) must be established at the appropriate territorial level in order to identify each territory's development potential, obstacles, resources to be mobilized and public policies to be implemented. This process should also allow for dialogue with all agencies supporting industrial policy.

The aim is to make ensure that a social and solidarity-based economy (SSE) serves as an industrial policy territorialization lever, by:

- Encouraging the development of SSE projects at the commune level under the aegis of the President of the People's Assembly of the Communes;
- Involving civil society in these projects.

This would require an intermediate level between the local and central levels.

Recommendation 2: Create “economic regions”

The creation of economic regions (not in the sense of administrative tiers) could also foster synergies in territory development, internalize externalities that are generated locally, achieve economies of scale and ensure better mobilization and exploitation local resources, as well as more effective public policy coordination. These regions could be based on the territorial programming zones defined in the SNAT. The region would thus be where industrial development proposals are discussed and formulated within the local consultation process. In addition, these economic regions would also serve as drivers for a policy focused on building economically diversified hubs, inspired by what are elsewhere described as *pôles de compétitivité*, or competitiveness clusters.

Recommendation 3: Revitalize SNAT governance

To make the SNAT more efficient, it is recommended to entrust it's steering to the highest-level administrative authority (Prime Ministry or Presidency of the Republic). This would give it sufficient "administrative" power to ensure better sectoral coordination. The recommendation would be to revitalize master plans for territorial programming zones and sector specific schemes, particularly, that relating to industry, as well as Wilaya development plans.

Recommendation 4: Implement local taxation

Wilayas and Communes do not enjoy any degree of autonomy in terms of mobilizing financial resources. Their budgets are heavily dependent on the State budget. Local taxation should be introduced, enabling local and regional authorities to have their own resources. This will increase their awareness and accountability regarding local development issues.

Recommendation 5: Reform local governance

Reforming local governance is an imperative for all three countries of the sub region. In the case of Algeria, this imperative is dictated by the country's efforts to cope with the fall in oil prices and to diversify the economy. The decline in the central government's resources highlights the

very real issues of economic and social development financing sustainability and public spending effectiveness. Governance reform must make it possible to better harness and use the potential of territories and increase the leverage effect of public expenditure. This reform must:

- Grant greater autonomy to local authorities in economic planning at the territorial level;
- Enable gradual financial autonomy by mobilizing and allocating financial resources;
- Introduce an obligation to define a territorial development project in the statutes of local authorities;
- Build human capacities within local and regional authorities in the field of local economic development.

Morocco

The Industrial Acceleration Plan adopted in 2014 is the country's 3rd industrial plan since 2005. It aims to consolidate the achievements of industrial policy while strengthening industrial fabric integration through an ecosystems approach. In parallel, the reform of deconcentrated investment management, implemented through the creation of Regional Investment Centers in 2002, is a reflection of a desire to better involve territories in industrial investment decisions. The determination to further include territories came to full fruition with the recent advanced regionalization reform, which positions the region, as a territorial authority, as a key player in regional economic development, with broadened powers and greater resources.

What is needed now is to consolidate and bring these two industrial and institutional dynamics together in order to guarantee an advanced territorialization of industrial policy. This will require completing the reform of both decentralized and deconcentrated territorial administrations and strengthening mechanisms for the coordination and inclusion of territorial authorities in industrial policy governance. It is now necessary to consolidate and bring these two industrial and institutional dynamics together in order to guarantee an advanced territorialization of industrial policy by completing the reform of territorial administration, both decentralized and deconcentrated, and by strengthening mechanisms coordination and inclusion of territorial authorities in the governance of industrial policy.

Recommendation 1: Strengthen mechanisms for coordination and partnership between territories and central bodies responsible for industrial strategy design and implementation

The Industrial Acceleration Plan (IPA), launched in 2014, provides for a clear and well-structured governance structure with an inter-ministerial coordination committee chaired by the Head of Government, a steering committee chaired by the Minister of Industry, and a monitoring committee in charge of industrial strategy implementation, in collaboration with federations/sectors so as to better structure existing industrial fabric. The IPA also introduced a new financing instrument dedicated to industrial policy: the Industrial Development Fund (IDF) in 2015. The IDF's resources are allocated based on calls for proposals and in accordance with precise specifications. Selected projects are then subject to performance contracts between the State and professional federations. They set precise objectives for project owners, whose implementation is a prerequisite for gradual disbursement of State support schemes. However, the governance system thus established makes no explicit mention of the role of territories and their inclusion in the consultation and coordination process. It would therefore be necessary to:

- Establish a consultation and contractual framework at regional level, under the authority of the Wali, between the regions, as territorial authorities, the Department of Industry and the private sector representative bodies. This would allow for better synergies between regional development plans and IPA objectives.

Recommendation 2: Ensure that better support is given to local and regional authorities, in particular regions, by the government for the effective implementation of advanced regionalization

The recent advanced regionalization reform enshrined the primacy of the region as a territorial authority. The region is endowed with its own special powers in the areas of regional economic development and regional land planning. In addition, regional territorial authorities now enjoy significant financial resources and stronger means of action, through the creation of Regional Agencies for Project Implementation (AREP) and the possibility of setting up Regional Development Agencies (SDR). In order to consolidate this reform and implement advanced regionalization in an effective way “in the field”, Government support to local and regional authorities in particular is required. Such support would create conditions conducive to the professionalization of management methods and the emergence of ambitious and responsible development programs. This support should in particular:

- Create a support mission within the supervisory department (Ministry of the Interior) to support the development of regions and autonomy of related bodies;
- Resort to State/region contracts to design and co-finance development programs.

Recommendation 3: Adopt a new blueprint for the deconcentration of State administration that is consistent with the advanced regionalization reform

In addition to the central government sponsored support for the regionalization process, it is also important to complement this reform at the territorial level. To do so, the State administration must reorganize so as to clearly position the region as the main tier of the decentralized State. The region must be an effective interlocutor for territorial authorities, in particular, the region as a territorial authority. The new deconcentration blueprint to be adopted should:

- Enshrine the role of the regional tier of the deconcentrated State in building synergies and steering public policies at the territorial level. This would require:
 - o Set up an administrative entity, attached to the region’s Wali and responsible for assisting the Wali in the tasks of:
 - Coordinating State action, i.e. external services, in the region;
 - Coordinating the action of provincial and prefectural governors;
 - Coordinating action with the region, as territorial authority.
 - o Bolster mechanisms for coordinating State action at the regional level with the Wali of the region, in particular by setting up a coordinating and consultative unit chaired by the Wali and bringing together various sector representatives of the State at the regional level and by developing a common and coherent program taking account of State action at regional level;
 - o Bolster State coordination mechanisms at the regional level, in collaboration with the regional territorial authority. Ensure coherence and complementarity between the Regional Development Program and the regional spatial planning scheme developed by the regional authorities on the one hand, and the State action program at regional level, on the other.
- Harmonize deconcentration procedures between various sectoral ministerial and between different regions, taking into account any sectoral or regional specificities.

Recommendation 4: Position the Regional Investment Centers (CRIs) as investment development players at the territorial level

The establishment of CRIs in 2002 constituted a fundamental reform in terms of deconcentration and territorial governance of investment. CRIs made it possible to significantly reduce the time needed to set up a business and greatly contributed to the evolution of mindsets on the ground, specifically regarding the importance of granting support to investors. Their creation also made it possible to attract and develop skilled human resources at the territorial level. Today, the experience of CRIs seems to be sufficiently mature and their role should be strengthened to cover the entire value chain of investment development at the territorial level. In addition to their current role focused mainly on assistance to investors and administrative facilitation, CRIs could also intervene further upstream, in the promotion and pursuit of investments and projects, and further downstream, through post-implementation monitoring and evaluation. This would require:

- Expanding CRI missions to cover the entire value chain of investment development at the regional level. For example, CRIs could cover post start-up assistance activities;
- Clarifying and strengthening mechanisms for coordination between CRIs and central bodies involved in investment promotion, including the upcoming Moroccan Agency for Investment and Export Development (AMDIE);
- Clarifying and strengthening the coordination mechanisms between CRIs, the deconcentrated State administration and the regional territorial authority (CT). The State, the regional territorial authority and the CRI must work together to develop a common vision of regional economic development, in which each entity' action program is integrated;
- Strengthening the budgetary and management autonomy and the material and human resources of the CRIs. A change in the legal status of CRIs should be considered, to move from the current status of Self-Governing State Service (SEGMA) to the status of a public institution, for example.

Tunisia

The implementation of decentralization in Tunisia, as provided for in the 2014 Constitution, allows for territorial entities to be granted the prerogatives of designing and implementing an industrial policy in line with the specificities and resources of territories. In the light of these prerogatives, central authorities define the main cross-cutting priorities of industrial policy, such as added value, support for the competitiveness of private sector companies, opening up to the international market, and so on. However, the prioritization of activities and design of instruments necessary for the implementation of industrial policy are the responsibility of territorial authorities. Such an approach allows territories to identify priority sectors and promising niches to enable the endogenous development of the region, which is based on both the mobilization of local resources and access to dynamic markets at the international level. To this end, the following measures should be taken:

Recommendation 1: Enhance territories' participation in the design of industrial policy

- Involve regions in the design of key aspects of industrial policy at national level, according to a participatory approach;
- In collaboration with all stakeholders, define and design industrial policy implementation instruments taking into account the national development strategy and the local resources of each territory;

- Allow local authorities to prioritize economic activities in order to foster the development of local value chains, thereby increasing local added value and enhancing the territorial resources of each region;
- Extend the prerogatives of territories beyond implementation. Monitor public policies and industrial policy in particular at local level with a view to identifying priority projects for each region.

Recommendation 2: Enhance the capacity of local players (local authority, professional association, etc.) in the design and implementation of territorial development projects

In accordance with the principles of decentralization of the 2014 Constitution, central authorities must support and guide local officials in the preparation and implementation of territorial development projects. The design and implementation of development projects must be carried out in five stages: diagnosis, design, planning, implementation and monitoring and evaluation. The implementation of the different stages must be carried out in perfect coordination with central authorities, based on a participatory approach. To this end, territories must be assured of their effectiveness in the formulation and implementation of industrial policy. In fact, local authorities must be equipped with the necessary skills and resources to succeed in this mission. It is therefore important to strengthen capacities and competences likely to ensure that stakeholders are able to participate fully in the process of territorialization of industrial policy. The aim is to assist local players in the design and implementation of territorial development projects through:

- Strengthening the human capacities needed to design and implement various components of industrial policy;
- Strengthening the technical and logistical capacity of local players in budgeting, management and implementation of one or more components of industrial policy;
- Enhancing tools available for steering, evaluating and monitoring the implementation of industrial policy, so as to empower local players.

Recommendation 3: Foster the adoption of good governance practices at local level, in accordance with the new 2014 Constitution

In accordance with Articles 131-142 of the new 2014 Constitution, good governance practices should be complied with in order to facilitate the participation of local authorities in territorial development. The local governance system must be transparent and based on participatory governance that involves all stakeholders. In addition to public institutions, the system must involve various civil society players, private institutions and professional associations. The multiplicity of players requires strategic choices and a participatory approach to development programs. In other words, multi-level and multi-actor local governance is needed.

In order to ensure inclusive development, the local good governance system must lead to the following actions:

- Institutionalize public private dialogue in order to sustain the participatory approach between various stakeholders (representatives of relevant ministries, local authorities and the private sector, etc.);
- Establish a mechanism to ensure transparency in the implementation of industrial policy to avoid discretionary practices;
- Adopt monitoring and evaluation as well as accountability mechanisms at the level of local management;
- Ensure better coordination between central and local authorities regarding objectives and mechanisms.

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