CETTEX

DEVELOPMENT OF A STRATEGY,

A ROADMAP AND POLICY RECOMMENDATIONS TO SET SUSTAINABLE TEXTILE AND CLOTHING INDUSTRY

TUNISIA

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STAND Up!

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Introduction. General context of the textile industry in Tunisia

The textile sector is one of the pillars of the Tunisian economy. With over 1,600 companies, most of them exporting to the EU, the sector is a major growth driver, encompassing flagship sectors such as jeans, lingerie and swimwear, workwear, knitwear and technical textiles.

Between 2015 and 2018, the Textile & Clothing sector experienced a downturn, even a crisis, with falling investment and exports, job losses (around 40,000 jobs) and a drop in the ranking of EU suppliers, overtaken by competing countries in the Euromed zone.
One of the reasons for this situation is the delay in implementing the sector strategies previously drawn up. This delay is mainly due to a lack of implementation, governance and steering capacities to address the various challenges facing the textile & clothing sectors in terms of integration, training, promotion, infrastructure, business environment and governance.

2019 was a year of inflexion for manufacturers in the sector, with the development of a plan to revive the textile sector (2019-2023) designed around a public-private partnership pact.

This pact defined the commitments between the Tunisian government and the Fédération Tunisienne du Textile et de l'Habillement (FTTH), focusing on governance, strategic projects, training, infrastructure and the business environment.

However, implementation of the public pact has not been very effective, as it has been driven more by individual private initiatives and hampered by a number of factors, including:

- the country's overall economic and political context,
- the repercussions of the covid crisis
- a limitation linked to the governance model put in place: the final model, anchored in the Ministry of Industry, was not the one initially recommended, stipulating a public-private steering body with the involvement of public and private players in decision-making and implementation.)

The covid crisis has had an impact on the sector in terms of difficulties and challenges, as well as opportunities and implications.
The sector's resilience and adaptability were put to the test to address new market access challenges and promising niches, notably those linked to the digital and green transition.

The key trends in the covid crisis can be summarized as follows:

- Change in sourcing strategies, more focused on ***local imports*** according to new criteria including flexibility, design services, logistical responsiveness and sustainability.

- Inflationary trends in material costs and logistics services

- The development of e-commerce has led to increased interest in logistical responsiveness (restocking of small and medium-sized production runs, need for stock services from suppliers, etc.).

- Increased demand for ***eco-friendly*** textile products and ***market access conditioned*** by environmental measures (Carbon Footprint, Digital Passport, etc.) and social and environmental responsibility (SER) compliance.

- Initiatives and commitments by customers to ***protect the environment and develop the circular economy***

- Development of processes and concepts for an ***Eco-Friendly textile*** industry: natural dyes, water saving, recycling, biodegradable packaging, Re-Use, block chain traceability, etc.

- New product developments and more and more niches (Made to Measure, new materials, products made from recycled materials, etc.).

- Higher ***level of*** product and service ***sophistication***, driven by technology (automation, B-to-B and B-to-C platforms, access to creators, etc.).

- Increased development of technical textiles applied to various sectors, including healthcare

- Growing demand for comfortable clothing / senior clothing and adaptive wear

- Increased demand for ***second-hand products and recycled textiles***

- Emergence of ***new business models and consumer practices***: Re Done, Re Use , Leasing, Refurbishing , second-hand, up-cycling, recycling

- Less spending on apparel and countries more focused on small and medium production runs

Faced with these key trends, the textile industrial fabric has since initiated actions and initiatives, mostly on an individual basis, carried out mainly by leading companies.
It should be noted that, in view of the data recorded, the Tunisian textile sector has been one of the most resilient, with remarkable growth in exports.
The value of exports by the Tunisian textile-clothing industry stood at 2.62 billion dinars ($862.4 million) in the first quarter of 2023, exceeding for the first time its level achieved during the same period of 2019.
These exports were up 16.7% on the first quarter of 2022 and 22.1% on the first quarter of 2019.
The sector's recent dynamism was demonstrated at the last congress of the Tunisian Textile and Clothing Federation, held in July 2023 and entitled "From yarn to the future: building a sustainable, supportive, responsible and economically viable industry".

The initiatives undertaken by public and private players with the support of financial backers (including ITC, Switchmed, Stand Up , GIZ, etc.) reflect this strong commitment to boosting sustainable, eco-innovative textiles.

The recommendations of this strategic note have taken into account feedback and lessons learned from the Stand Up! open eco-innovation initiative for the textile sector, in which textile companies launch eco-innovation challenges to find startup solutions to their environmental problems and challenges.
A dozen companies and support structures launched 19 challenges covering the textile sector's priority challenges: water optimization, waste management, energy optimization and the use of new eco-friendly processes and materials.

The work of this latest mission, carried out with CETTEX and CITET as partner structures, identified and confirmed the eco-innovation potential of the textile sector: more than ***20 solutions were received*** in response to a dozen challenges.

Legal framework for the circular economy in the Textile AND Clothing sector

This strategic note is based on the findings of the following studies:

- Mapping key players
- Documentary review of related regulations, studies and publications :
  +15 documents used
- In-depth interviews :
  + 22 interviews conducted
- Online survey of startups:
  19 answers from startups
- Capitalize on Switchmed & Stand UP actions:
  NS, Task force finance, Open eco-innovation
- Exchange and synergy workshop
  50 participants from the Textile, Environment and Entrepreneurshi & Innovation ecosystems

This work has confirmed the critical shortcomings holding back the development of the circular economy in general, and circular textiles in particular.
The shortcomings identified by public and private players point to a restrictive regulatory framework that lacks clarity and incentives and/or coercive measures to catalyze the development of circular projects.

- **The absence of a specific regulatory framework governing circular economy activities**
- **Cumbersome and unclear** authorization **procedures** for environmental projects (as extensions of core activities of industrial companies).
- **Very slow validation processes for impact studies** and unclear roles between the players involved (ANGED, ANPE, other structures).
- **Customs barriers** to local recovery of waste from fully exporting / off-shore companies
- **Unclear framework for recycling thrift store products**
- **A Startup Act framework not adapted to environmental activities,** at least in terms of financial support and facilitation of prototyping and R&D activities.
- **A regulatory framework with few incentives**

At this stage, and at the time of writing this strategic note, the regulatory framework for the circular economy is under review and construction.
A number of initiatives have been launched in this direction, confirming the national trend towards encouraging and promoting the circular economy.
Green Tech has been identified as a strategic growth niche on a national scale.
Sector and cross-sector strategic studies confirm this, and place the digital and green transition at the heart of future economic development.
Changes to the regulatory framework are underway, but are either not very effective, are in the process of being decided/ promulgated, or are currently being studied.

– Provisions to promote green transition

- Proposals from the Assises de l'Innovation to support green projects by startups and SMEs
- Integrating sustainability requirements into public procurement (Sustainable Procurement Action Plan)
- New finance law including green economy provisions awaiting activation

- Support for SME financing

– Current and projected changes to the regulatory framework

- Existence of a circular economy bill
- Switchmed initiative to review the regulatory framework for the circular economy
- Bill on extended producer responsibility (EPR)
- Polluter pays tax under development
- Revision of the Start up Act

The national strategy for ecological transition has recommended some fifty measures, of which the following extract relates to the green and circular economy.

- Create and install a **high authority for ecological transition**, chaired by the President of the government, with a role of arbitration between sectors within the framework of the **future environmental code**.
- Adopt the Environmental Code and its implementing regulations, in particular the Strategic Environmental Assessment (SEA) tool.
- Restructuring and strengthening **specialized environmental organizations**
- Create a **joint ecological and energy transition fund** restructuring several existing funds
- Create a **bank specialized in green finance** and a **green sovereign wealth fund**
- Adopt measures to ensure that banking regulations serve the ecological transition, in particular by introducing a **new macro-prudential framework.**
- Adopt and implement the 2020-2035 strategy for **integrated, sustainable waste management** based on the circular economy
- Introduce an **R&D tax** with rebates to companies carrying out R&D projects in the fields of ecological transition

Challenges and opportunities for developing circular textile businesses in relation to startups and SMEs

This strategic note is based on the findings of various diagnostic and benchmarking studies focusing on key levers:

- Governance & development strategy for circular textiles
- Innovation, Talent and Training
- Access to financing
- Promotion & Marketing of the circular economy
- Regulatory framework for environmental industries and the circular economy

Interviews with companies, a survey of startups and an exchange and synergy workshop enabled us to share and confirm the challenges and opportunities for promoting and developing eco-innovative circular textiles. Triggering and limiting factors for the growth of circular textiles are presented for the various key levers mentioned above.

A. Triggering factors

An examination of international trends reveals a key factor in the acceleration of circular textiles in Tunisia, which is related to market access requirements, particularly from the EU.

The circular economy is also an international trend that generates a wide range of opportunities:

- International policies and restrictive measures to accelerate circularity (countries, leading brands, funds, NGOs, etc.)
- Awareness of the impact of "Fast Fashion" models
- Development driven by **new technologies: IOT, AI, B2B platforms, etc.**
- Increased emergence of **new eco-friendly products, materials and processes**
- Collaborative ecosystem/cluster approaches that encourage the development of **federative projects with a high environmental impact** and mobilize public, private and civil society players.
- Recycling projects **benefit** businesses

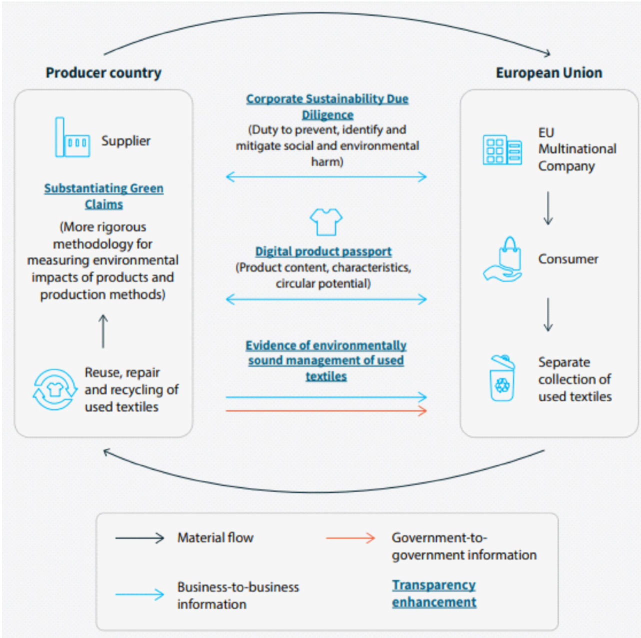
European policies are accelerating the green transition of international value chains.
The green and circular transition of the global textile industry is a confirmed direction for both industry leaders (including major international fashion brands) and players in regional and global textile value chains.

By way of illustration, the southern Mediterranean region has seen a strong development of "Fast Fashion", which has had quite harmful repercussions on the environment, particularly in terms of textile waste and the consumption of natural water resources.

Today's trend is narrower and more "Slow Fashion" oriented, with eco-friendly, more sustainable materials and new consumption and marketing models.

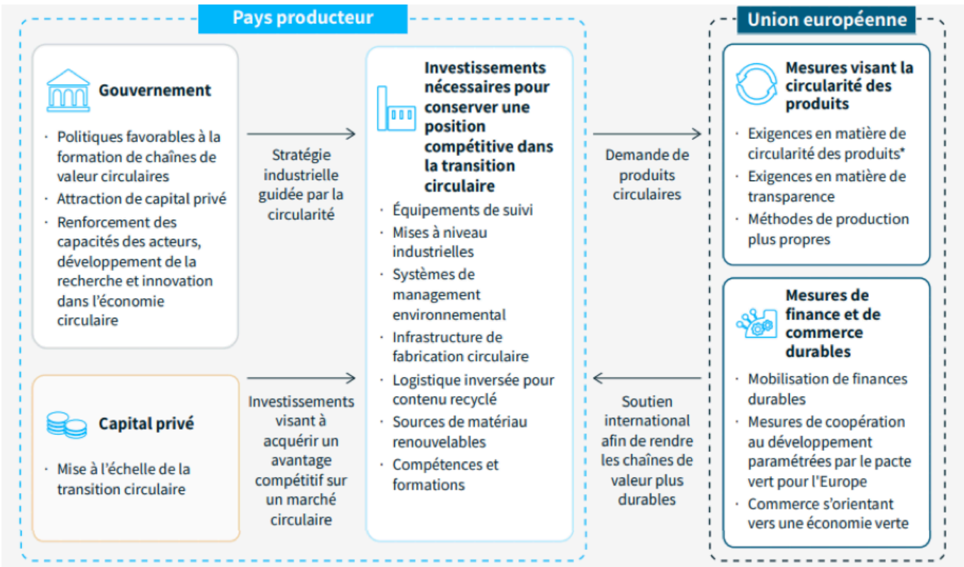
Donors and international NGOs are strongly behind this trend, with specific mechanisms and programs to support the sector's sustainable development challenges.

In addition, EU policies have introduced restrictive environmental measures such as carbon footprint adjustment mechanisms and the Digital Product Passport, which conditions access to the European market for textile products from supplier countries.



These measures, taken by both EU governments and fashion industry leaders, will result in significant upgrading needs for textile industrial companies, particularly in the following areas:

- Use of recycled materials
- Optimization of resources (water, energy, etc.) and carbon footprint
- Waste treatment and recovery
- Product lifecycle management



The environmental measures governing access to the international market represent both a source of opportunities for players who position themselves there, and a threat to the industrial fabric that does not undertake the necessary preparation and upgrading.

The opportunities offered by the circular economy are being seized by leading destinations in the textile industry, which have taken a lead that could have a considerable impact on the attractiveness and competitiveness of the Tunisian textile sector.

On a local level, there are encouraging signs that the eco-innovative circular textile industry is taking off in Tunisia.

1. A **proactive approach to** the green transition
2. **Individual initiatives** by leading companies
3. Preparing for new market access **measures**
4. International **success stories** from Tunisian startups in the field of circular textiles (e.g. Save Your Wardrobe)
5. A **dynamic startup ecosystem with an increasingly** international outlook
6. **Emerging open innovation practices** (Stand UP! initiatives)
7. A **Public-Private Pact** in the textile sector, but not very active
8. A **range of donor programs and initiatives** in support of the green and circular economy, but insufficiently optimized
9. **Support mechanisms for R&D projects**
10. Start of **collaborative ecosystem approach** (PNS Initiative National network of partners)

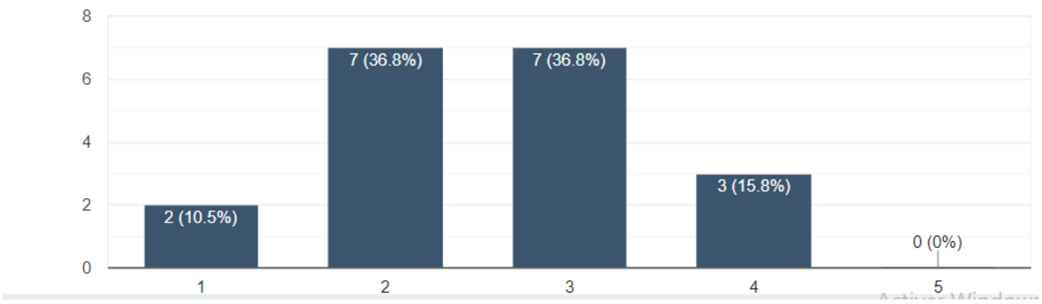
B. Limiting factors

The development of the circular economy, involving several stakeholders and economic sectors of activity, remains limited and immature despite the national guidelines in favor of green and circular transition reflected in several national strategic studies. This development is limited to individual initiatives by leading textile players, through environmental projects undertaken as part of their innovation and development strategy and taking into account market access measures and the constraints of international customers.
In the absence of dedicated sectors, including national leaders or large-scale pilot projects, the circular economy is still in its infancy, and is not taking advantage of the opportunities offered on a local and international scale.

The startups in the survey have identified the main obstacles to the development of circular textiles.

47% of startups surveyed described the textile sector's need for eco-innovative solutions as low and insufficiently visible.

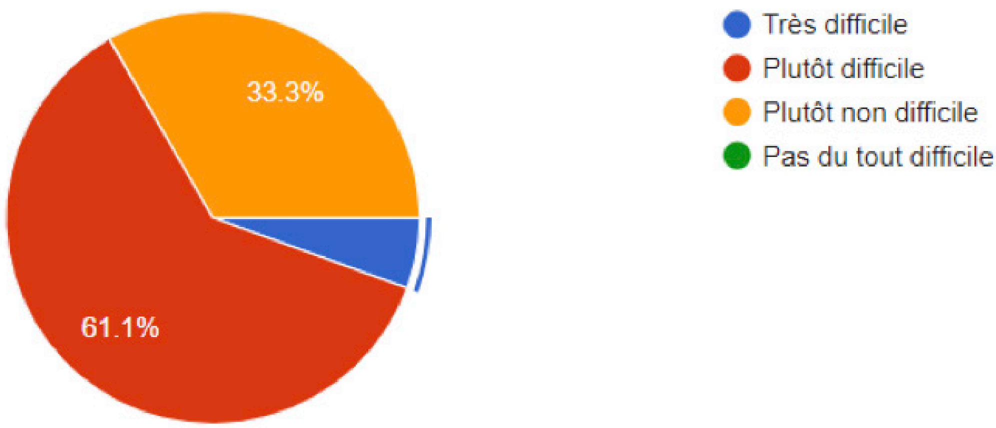
Comment qualifiez-vous la visibilité et l'information sur les besoins du secteur textile en solutions co-innovantes?



More than 67% of startups consider it difficult to implement eco-innovative projects in the textile sector.
The main obstacles cited were access to financing (73% of responses), the inadequacy of the regulatory framework (68% of responses), the lack of market data (63% of responses) and bureaucracy and the slowness of administrative procedures (60% of responses).

Other impediments are raised in second rank and concern in particular difficulties linked to activities and the absence of incentives for innovation, socio-cultural impediments and difficulties of access to expertise.

Comment qualifiez vous le niveau de difficulté du projet par rapport aux freins rencontrés?



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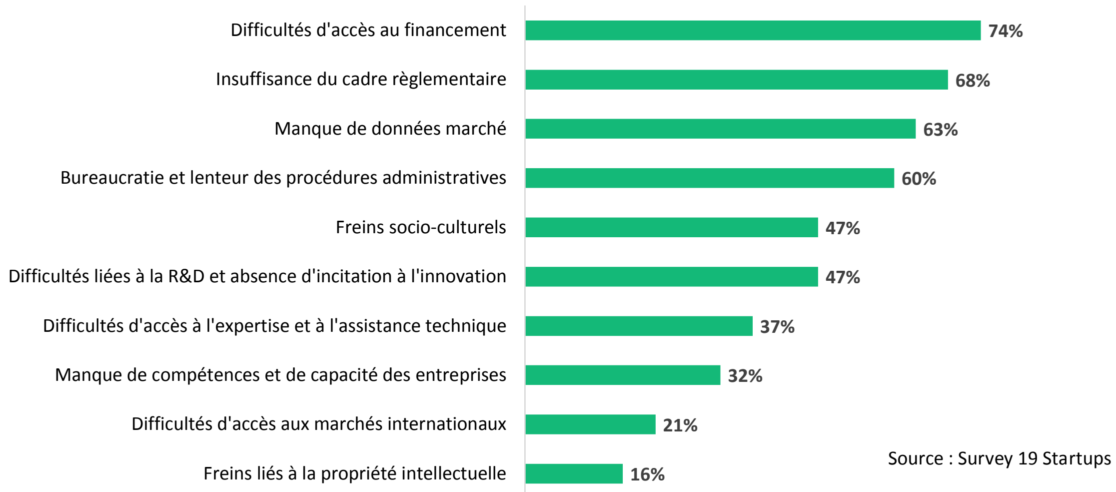
Selon vous quelssont les freins au développement du textile circulaire en Tunisie?



Atelier d'échanges et de synergies pour le développement du textile circulaire éco-innovant

In the following, we detail the various obstacles identified by the diagnostic work on the different key levers.

- Governance & development strategy for circular textiles
- Innovation, Talent & Training
- Access to financing
- Promotion & Marketing of the circular economy
- Regulatory framework for circular economy environmental sectors

Governance & Strategy

The diagnostic work confirms a major finding, highlighting the governance, strategy and implementation deficit hampering the growth of eco-innovative circular textiles. The difficulty lies in the lack of connection, coordination and collaboration between the various players involved in the Textile, Environment and Entrepreneurship & Innovation (E&I) ecosystems.

This is reflected in the following feedback and lessons learned:

- Sectoral and cross-cutting strategies insufficiently implemented and not very operational
    - Multitude of players, lacking shared vision and coordination
    - Lack of coordination between cross-functional players (particularly in the environment and innovation fields) and sectoral players (including the textile sector).

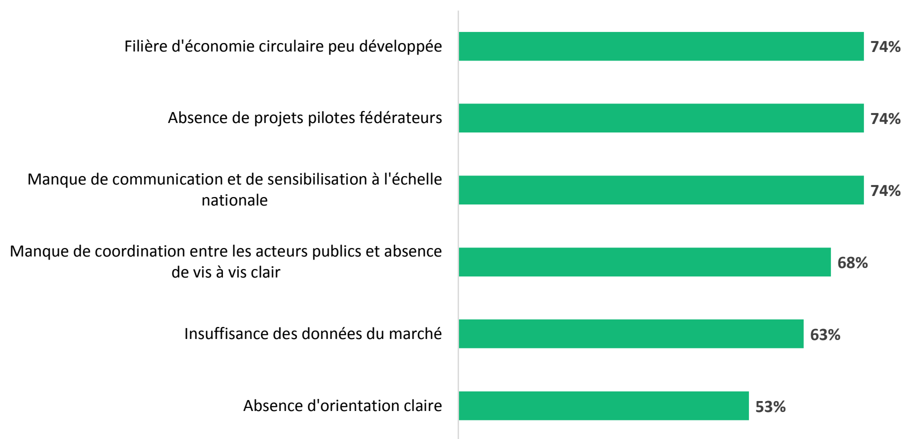
- A multitude of donor initiatives and programs for public-sector players, insufficiently optimized and coordinated
- Discontinuity in public action at national and regional level

- Lack of integrated vision for sector development, regional planning and circular economy projects

    - Lack of vision to organize waste collection, sorting and recovery processes between industrial players, managers of industrial zones and communities / Municipalities
    - Textile waste from thrift stores is increasingly heavy, larger than industrial production waste and insufficiently treated and recycled:
        - Unclear framework for recycling activities
        - Lack of waste recovery projects
        - Beginning of initiatives to exploit alternative fuels for cement plants
- No pilot projects of national interest :
    - Capacities of national players insufficiently exploited, as in the case of SITEX's recycled fiber business
    - Projects of national interest identified by previous strategic studies have not been implemented (e.g. recycling projects identified by the Switchmed - Med Test II program).
- No nomenclature dedicated to green and circular economy activities
- Lack of communication and awareness-raising on a national scale to encourage the development of startups' environmental and eco-innovative projects.

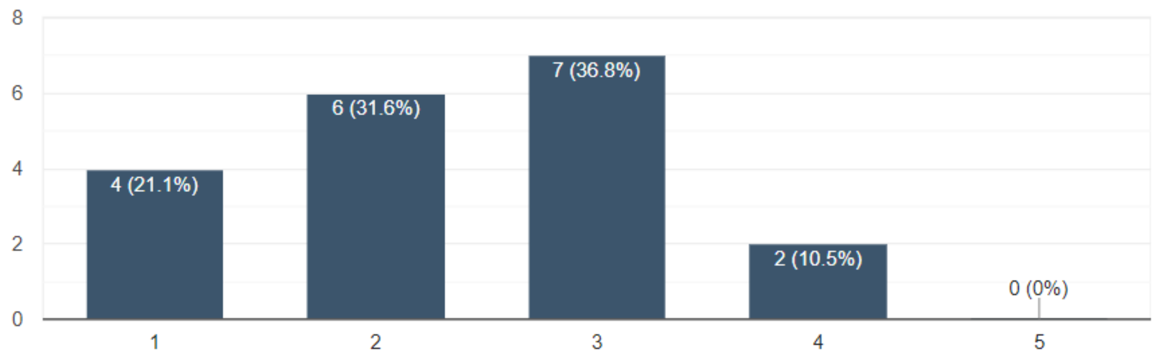
The responses from the startups questioned on this subject confirm this state of affairs.

Quels sont les problèmes majeurs liés au système de gouvernance et de stratégie de développement?



Source : Survey 19 Startups

Comment qualifiez vous le niveau de difficulté du projet par rapport aux freins rencontrés?



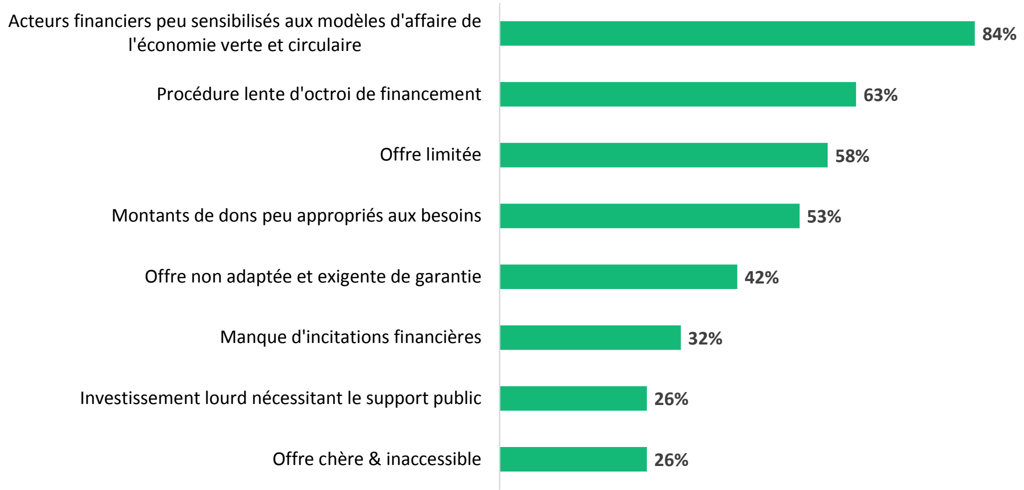
The National Impact Task Force, initiated by the Switchmed program to adapt and improve the supply and regulation of financing for green economy projects by SMEs and startups, has highlighted the main shortcomings after examining the various mechanisms and the expectations of startups and SMEs.

- **Lack of in-house expertise and skills among financing players**
- **Limited and unsuitable financing for startups / entrepreneurs**
    - Insufficient donations
    - Few innovative financing models and instruments (blended finance, soft loans, solidarity savings, etc.).
- **Traditional and expensive financing for SMEs**
    - Inaccessible offer (requiring guarantees, expensive rates, etc.)
    - Few specific products
    - Few innovative financing models and instruments (blended finance, new players in renewable energies, etc.)
- **Diversified donor programs, but poorly optimized and inaccessible**

Interviews with startups and the survey confirm this state of affairs and highlight the following major findings:

- Financial players with little awareness of green projects
- Slow procedure for granting financing
- Limited offer
- Inappropriate donation amounts
- Unsuitable and demanding offer
- Lack of financial incentives

Quels sont les problèmes majeurs liés à l'offre de financement des projets circulaires et éco-innovants?



Source : Survey 19 Startups

Because of the challenges of competitiveness and the profitability of sometimes heavy investments, the financing of circular economy projects requires new approaches, in particular linked to the following levers:

- Mobilization of stakeholders to make projects profitable and improve integration of value chains
- Involvement of the public sector to support projects directly or indirectly
- Partial coverage of project costs, including impact studies
- New public-private financing arrangements involving public-private partnerships in financing and construction
- Facilitation of financial conditions (e.g. subsidized rates)
- Tax breaks and financial incentives
- Capacity building to ensure project success
- Facilitating activity authorization procedures
- Raising awareness among financial players
- Attracting new players and financial mechanisms (primarily Impact Investors)

Promotion & Marketing of the circular economy

Due to socio-cultural barriers and a lack of consumer and business awareness of the circular economy as a crucial lever for sustainable development, the take-up of circular and eco-innovative practices remains slow.
Changing behaviors and practices is a nationwide project that needs to be addressed by a major national effort, primarily from the public sector.

The players interviewed emphasize the importance of a national campaign to raise awareness and promote the circular economy, and the need to prime :

- Waste sorting
- Collection: via generalized collection points
- Waste recovery
- Traceability
- Durability
- New product consumption models

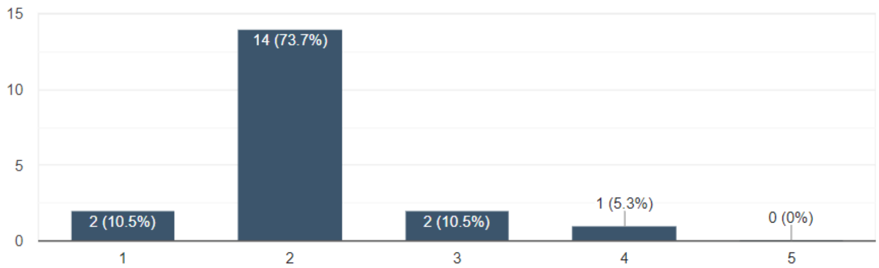
Communication is the key lever in this national effort.

Regulatory framework for environmental industries and the circular economy

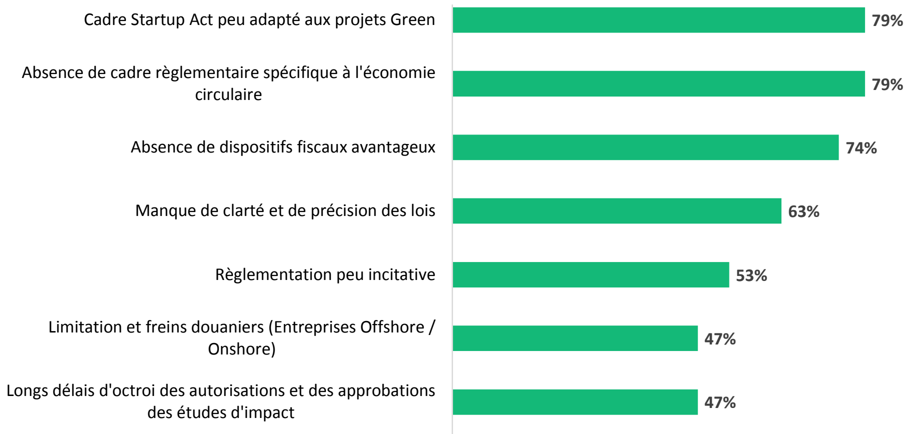
The feedback gathered from the players interviewed, as well as the responses from the startups surveyed, show a very low level of satisfaction with the existing regulatory framework governing the environmental and circular economy sectors.

Over 80% of startups surveyed and stakeholders interviewed clearly expressed dissatisfaction with the existing framework.

Quel est votre niveau de satisfaction actuel du cadre règlementaire actuel de l'économie circulaire?



Quel sont les problèmes majeurs liés au cadre règlementaire des filières et activités environnementales?



Source : Survey 19 Startups

The main findings concern :

- The absence of a specific regulatory framework governing circular economy activities
- Cumbersome and unclear authorization procedures for environmental projects (as extensions of industrial companies' core activities).
- Validation processes for impact studies are very slow, and the roles of the players involved (ANGED, ANPE, other structures) are fairly clear.
- Customs barriers to local recovery of waste from fully exporting / off-shore companies
- Unclear framework for recycling thrift store products
- A startup act framework not adapted to environmental activities, at least in terms of financial support and facilitation of prototyping and R&D activities.
- A regulatory framework with few incentives

Challenges and opportunities for the development of circular textile enterprises in relation to policy makers

In light of the above, policy-makers would do well to take into account the accelerating factors and limiting factors raised by start-ups, SMEs and other players in the Textile, Environment and Innovation ecosystems.

A. Triggering factors

The national guidelines in favor of the green and circular economy, as well as incentives to boost innovation in various economic sectors including textiles, are encouraging premises for the promotion of circular and innovative textiles.

These orientations need to be operationalized and implemented with a collaborative public-private approach, taking into account the cross-cutting nature of circular economy issues while drawing on public and private implementation resources and new modes of governance and action.

Triggering factors for the development of circular textiles and in relation to political decision-makers:

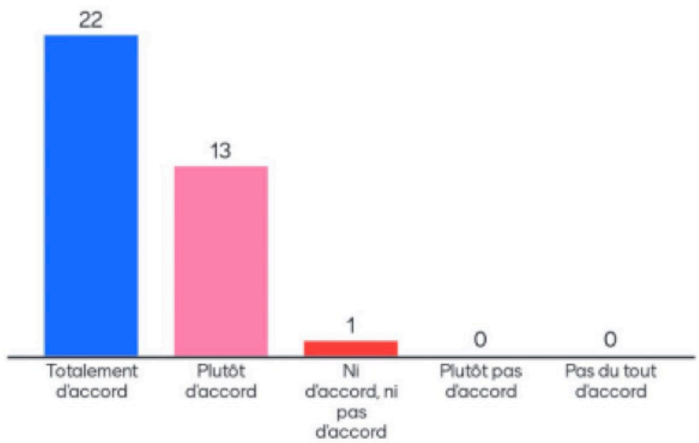
- A growing public-private collaboration approach
- Capitalizing on the public-private pact in the textile sector
- National guidelines for the green and circular economy
- Measures and proposals formulated in national sectoral and cross-sectoral strategies, including those of the national ecological transition strategy (June 2023)
- Awareness of the impact and necessity of collaborative approaches between players
- Projections and current changes in the regulatory framework: new environmental codes, CSR law, regulatory framework for the circular economy

B. Limiting factors

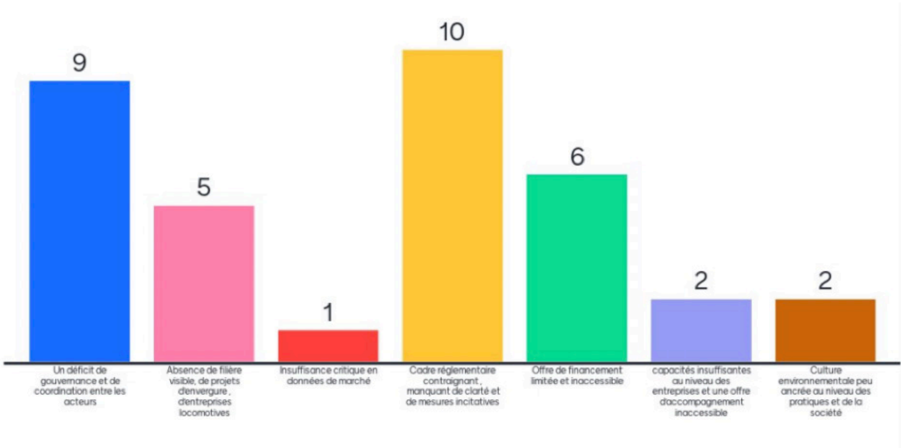
The exchange and synergy workshop validated the main findings and qualified the criticality of the various limiting factors:

1. A **lack of governance and coordination** between players and the Textile, Environment and Entrepreneurship & Innovation ecosystems
2. Under-exploited potential in the absence of a **visible industry, large-scale projects and leading companies**.
3. A critical shortage of **market data**
4. A **restrictive regulatory framework**, lacking clarity and incentives or coercive measures to catalyze the development of circular projects.
5. A **limited and inaccessible financing offer**
6. **Insufficient capacity at** company level, and a **lack of visible and accessible support services**
7. A **weakly rooted environmental culture in** practice and society

A quel point êtes-vous d'accord avec les constats évoqués?



The critical obstacles identified are linked to the regulatory framework in first place, followed by the governance deficit and difficulties in accessing financing.



Strategies and recommendations for promoting circular textile companies

This strategic note expresses a vision, orientations and strategic initiatives capable of considerably boosting the promotion and development of eco-innovative circular textiles according to :

- A clear, agile public-private governance framework involving players from the textiles, environment and entrepreneurship & innovation ecosystems.
- Concrete, high-impact strategic projects generating a ripple effect across the various ecosystems involved.
- Key recommendations based on :
    - Governance and strategy
    - Innovation, talent and training
    - Access to financing
    - Promotion and marketing of the circular economy
    - Regulatory framework for environmental industries
    - A 2-year implementation roadmap

This note is based on recommendations made by public and private players, and the lessons learned from diagnostic work and benchmarking of international best practices.

The international benchmark highlighted the framework approach and the importance of innovative, agile collaborative models to address the challenges and opportunities of the circular economy.
Circular and eco-innovative textiles are based on concepts and strategies applied to end-to-end value chains, with the ultimate aim of optimizing resources, minimizing environmental impact and using sustainable business models.

The focus in this note will be on all segments of the textile value chain, in particular :

- Raw materials sourcing
- The design
- Production
- Distribution
- The sale
- Product use and customer relationship management
- Product lifecycle management (second life & end of life)

Due to the specific impacts and innovation potential of each value chain segment, the development of circular textiles hinges on different strategies, leading to the emergence of new models for collaboration between players, and new business and marketing models for textile products.

These strategies can be summarized as follows:

- Minimizing pollution and optimizing resources
- Using textile waste as an input and second-life raw material
- Extending the use of resources and products and minimizing waste
- Raising awareness of demand for circular products and services
- Migrating to the use of recycled inputs and renewable energies

Circular and eco-innovative textiles thus require a structured approach involving textile players, consumers and related stakeholders (public sector, entrepreneurship and innovation ecosystem players, civil society, others).

The following are examples of how countries and international players are promoting circular textiles:

Players / Countries	Best practices
	Turkish Circular economy platform A platform that provides knowledge, technical support, material exchange and collaboration platforms for all stakeholders. **Technical cooperation** The aim is to promote cooperation between Dutch and Turkish companies for circular textiles, through the **"Partners for International Business"** program. **National recycling champions**
	Certification incentives The Moroccan government has begun offering **incentives in 2019 for** companies to obtain sustainable certification to meet sustainability targets set by Inditex **Circular Textile projects** A recycled fiber spinning mill and recycling plant in Tangier, with the aim of recycling over **1 million kg of textile waste per year.**

	The Egyptian Coton Project UNIDO initiative to promote the sustainability of the Egyptian cotton sector along the value chain through **BCI certification** **Re.jeanaration Project** Project to recycle denim yarn from pre-consumer waste in Egypt
Countries, NGOs, Global fashion players	**Several fund programs and initiatives in support of the circular economy** • **Refashion Fund (€150 million, 30% subsidized repairs)** • **EU: "Right to repair**
Business models of innovative players, startups and companies	**Several innovative business models supported by incentives, technology platforms and promotional practices** • **I:CO (I:Collect) - A company offering global solutions for the collection, sorting, reuse and recycling of used clothing and footwear.** • **Sawe Your Wardrobe: technology platform for clothing repair services**  • **OhLook -start-up offering a men's clothing rental subscription service.**

The interviews and the exchange and synergy workshop showed strong support and alignment on the importance of developing eco-innovative circular textiles as a pilot sector in the deployment of the circular economy in other business sectors.

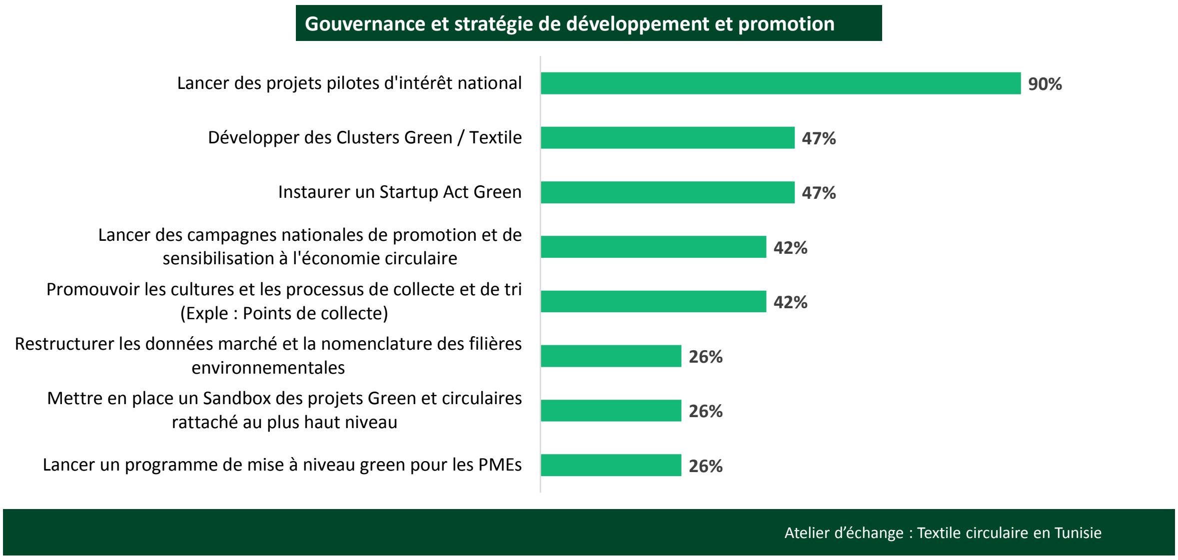
A. Strategies and strategic actions

More than twenty proposals were discussed, qualified and prioritized during the exchange and synergy workshop, by strategic lever: governance, talent & training. Promotion, access to financing and regulatory framework.

Area 1: Governance, development strategy and promotion

Startups' expectations in this area led to the identification of the following key acceleration factors:

Parmi les propositions suivantes, qu'est ce qui serait en mesure de booster le textile circulaire en Tunisie?



The main recommendations in this area are :

1. Setting up a **national task force with public-private governance** on the circular economy

- This approach is in line with the national strategy for ecological transition (Haute instance de la transition écologique).
- The Task Force needs to be anchored at the level of the Prime Minister's Office
- This model will ensure the overall coherence and management of circular economy initiatives for the various players involved and the international donors supporting these initiatives.
- It is a multi-sector ad-hoc model, due to the cross-sectoral nature of the circular economy, and covers circularity development plans by sector and between sectors of activity (agriculture, industry, tourism, etc.).
- This model relies on internal and external resources and expertise, both public and private, mobilized in a project-mode organization (project manager for each initiative).
- This model would involve a core group concerned with the textile sector and encompassing the key players:

1. Ministry of Industry
2. Ministry of the Environment
3. CETTEX
4. CITET
5. FTTH
6. Technoparks (MFcpole, Technoparc Borj Cedria)
7. Leading companies and startups

2. Launch of large-scale **national** PPP **pilot projects** to kick-start circular economy chains
    - 4-5 strategic projects identified by startups or companies to be boosted with public and private support, in particular projects involving several players in the value chain or complex projects that cannot be carried out by startups or SMEs without the involvement of public players (infrastructure, legislation, financing, etc.).

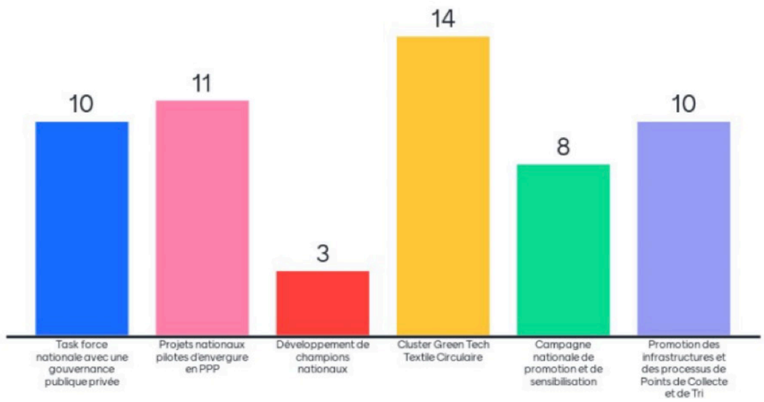
3. Development of **national champions**, particularly in recycled inputs, with the involvement of leading companies and the mobilization of companies in the sector (SITEX capacities to be boosted).
    - Development of the Circular industry, encouraged by the emergence of leading locomotive companies (following the example of the development of major recycling companies in Turkey).

4. Launch of the **Green Tech Textile Circular Cluster** with key players from the Textile, Environment and Entrepreneurship & Innovation ecosystems
    - An internationally-proven governance model (a public-private cluster with a mission, shared development objectives and a defined mode of governance, with public and private leadership and financing resources).
    - Development supported by technological platforms (Open Innovation platform, collaborative platforms, marketplaces, etc.)
    - Dedicated resources needed

5. **National campaign to promote and raise awareness** of the circular economy
    - A major challenge that can't be met by startups and SMEs, and that needs to be tackled on a national scale by the public sector, with the support of the private sector.
    - A communication campaign aimed at the general public and companies/economic players

6. Development and promotion of infrastructure and processes for **collection and sorting points** for second-life textile products
    - A recommendation to address the growing impact of used products and thrift stores.
    - An action to be coupled with the communication campaign
    - Launch of a pilot project in a region/industrial zone or local authority

The majority of these actions were adopted and supported at the exchange and synergy workshop, with priority given to the development of the cluster model, followed by the promotion of large-scale pilot projects, the setting up of a national task force and the promotion of collection point infrastructures.



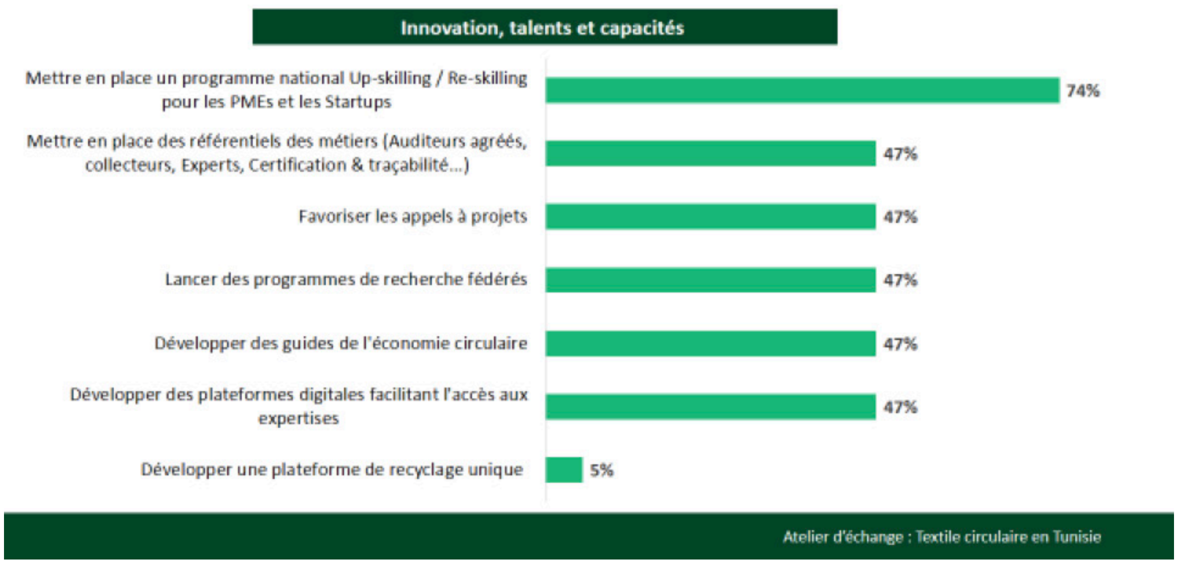
Other proposals include:

- Setting up a Multi-actor One-Stop Shop for circular projects
- Development of collaborative platforms (Private/ Public/ Startups)
- Development of a strategic intelligence organization in this field

Area 2: Talents, training & skills

The expectations of startups in this area have enabled us to identify the key factors for acceleration:

Parmi les propositions suivantes, qu'est ce qui serait en mesure de booster le textile circulaire en Tunisie?



The main recommendations in this area are :

1. National **Up Skilling and capacity-building** program **for SMEs and support and financing players** for circular economy projects
    - Recommendations for a flagship program similar to the industrial modernization and upgrading program, and in line with the development and implementation guidelines of the PMN Innov program (currently being drawn up).
    - Successful international practice of countries in their digital and green transition strategies and plans (e.g. Portugal)
    - Umbrella program based on a public-private fund and optimized mobilization of international donor programs and initiatives
    - Program to be carried out with a central network of experts and referenced support providers
    - Program covering SMEs and support and financing players involved in circular projects

2. Development of **national practical guides and nomenclatures/referentials** for circular textile activities
    - Guides developed by public-sector support bodies with leading companies in the sector, capitalizing on the experience and practices of international contractors
    - Efforts to make nomenclatures and reference systems easier to understand and more comprehensible to SMEs

3. Develop **collaborative digital platforms,** such as Open Innovation Platforms and B2B Marketplace, to put startups and SMEs in touch with financing and support players.
    - International best practices confirmed
    - Feedback from the Stand Up initiative to promote open eco-innovation (including the digital open innovation platform component)
    - Capitalize on the experience of private players (SMEs and startups) and international funding agencies in developing and/or using similar platforms.
    - Launch of a partnership approach and public-private collaboration in the development and management of similar platforms

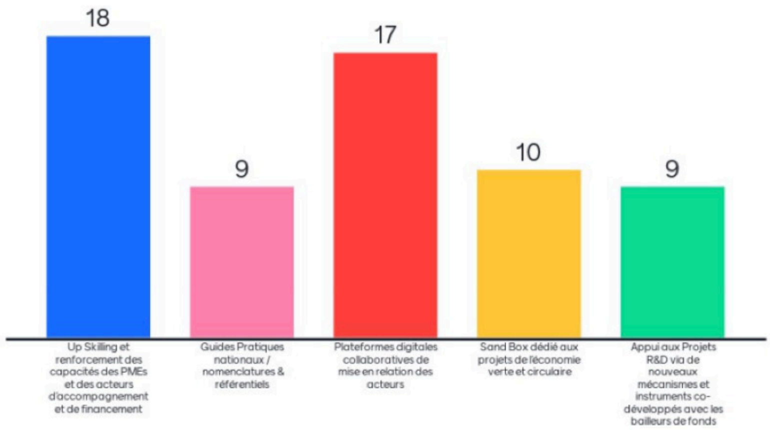
4. Support for R&D projects through new mechanisms and instruments co-developed with funding agencies
    - The aim is to encourage and facilitate collaborative development projects between startups, SMEs and innovation players (technoparks, R&D centers, etc.).

5. Launch of **Sand Box dedicated to green and circular economy projects** with public and private players for the design and implementation of value chains and Circular Textile projects (involving local authorities, manufacturers, industrial zones, startups, recycling players, etc.).
    - A concept similar to the Sand Box Fintech launched to develop and test Fintech startup solutions for financial institutions.

- An action to be coupled with the development of flagship projects of national interest, mobilizing several players in the value chain.

The majority of these actions were adopted and supported during the exchange and synergy workshop, with priority given to the following recommendations:

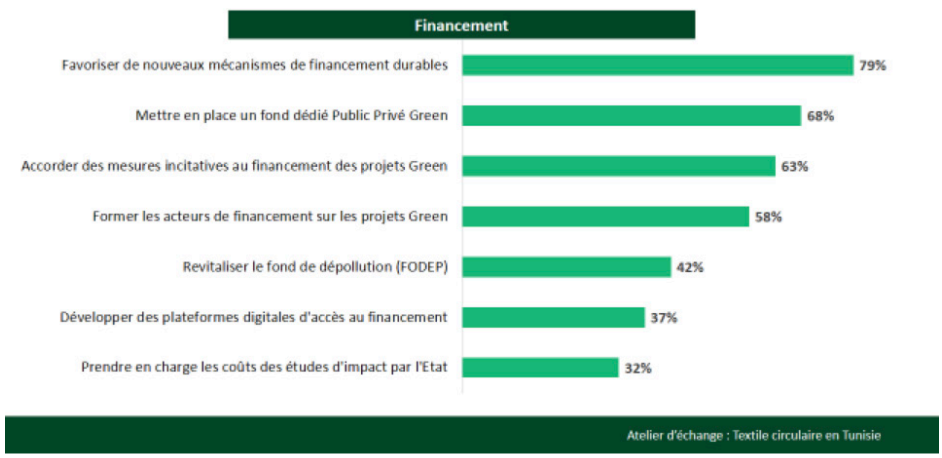
1. Up Skilling program for SMEs and support and financing players
2. Collaborative digital platforms to bring players together
3. Sand Box Green & Circular
4. Support for R&D projects via new instruments co-developed with funding agencies
5. Practical guides, Nomenclatures & reference systems



Area 3: Access to financing

The expectations of startups in this area have enabled us to identify the key factors for acceleration:

Parmi les propositions suivantes, qu'est ce qui serait en mesure de booster le textile circulaire en Tunisie?



The main recommendations in this area are :

1. A P**ublic-Private Fund dedicated to eco-innovative circular projects** and mobilized as part of **a national umbrella program for environmental upgrading of SMEs and ecosystem players.**
    - This fund, mobilized from public and private, national and international donors, underpins the umbrella UP skilling support program for SMEs, as well as support and financial players in circular projects.
    - Incentives for circular projects are financed through this program, such as partial coverage of the costs of expert services.
    - Proposed subsidized rates and facilities for circular projects
    - Proposal in line with developments in sustainable finance mechanisms and involving impact investors and Blended Finance instruments
    - Set up a fund management steering committee involving institutional and private-sector players in qualifying the flow of projects to be financed.
    - Integration with other funds and programs, such as Smart Capital's Startups and Innovative SMEs program

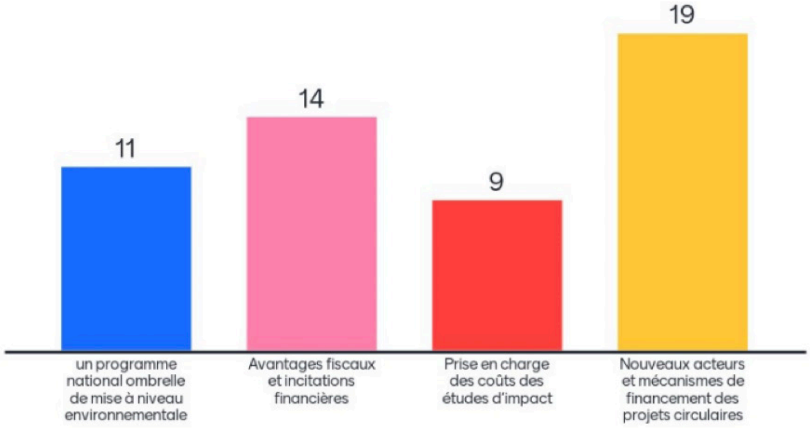
2. **Tax benefits and financial incentives for** circular eco-innovative projects
    - Proposals for direct tax benefits on circular economy activities based on a nomenclature and reference system approved by ecosystem players.
    - Proposal in line with national policy guidelines set out in the Finance Act
    - Examples of tax benefits: reduced VAT, exemption on purchases of materials and equipment needed for environmental projects and prototyping activities for startups.

3. Attracting new **players and financing mechanisms** for circular projects
    - Attracting funds from impact investors
    - Operationalization of new financing mechanisms for green projects (such as CDC's Green Bond mechanism, Blended Finance, Islamic Finance, crowdfunding)
    - Attracting new financing models and vehicles for large-scale infrastructure projects

4. **Covering the costs of impact studies using a national base of certified experts and auditors**
    - A proposal to stimulate SME interest and awareness of project impact and profitability
    - A proposal to be coupled with the implementation of an umbrella program to support and up-skill SMEs in green and circular projects.

The majority of these actions were adopted and supported during the exchange and synergy workshop, with priority given to the following recommendations:
1. Attracting new players and developing new financing mechanisms for circular projects
2. Tax and financial benefits
3. Umbrella national environmental upgrading program

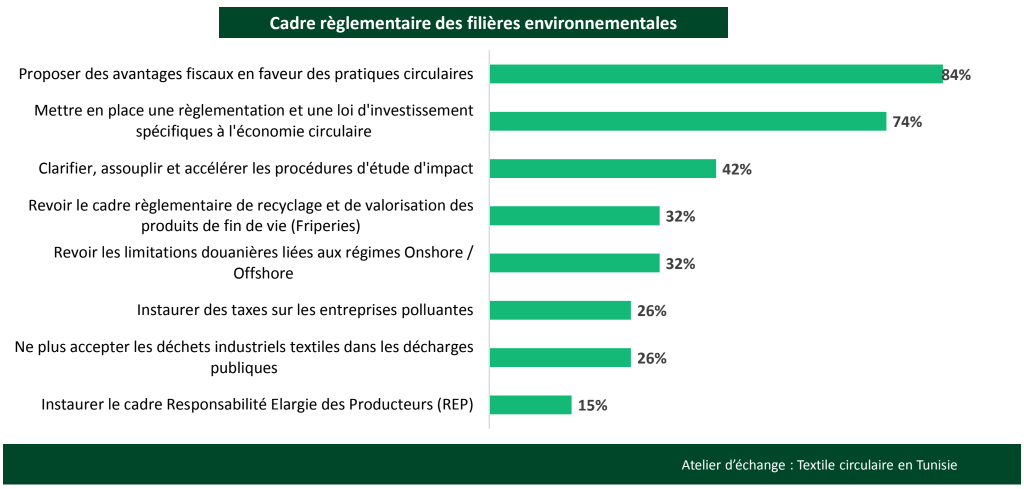
4. Coverage of impact study costs



Area 4: Regulatory framework for environmental and circular economy sectors

The expectations of startups in this area have enabled us to identify the key factors for acceleration:

Parmi les propositions suivantes, qu'est ce qui serait en mesure de booster le textile circulaire en Tunisie?



The main recommendations in this area are :

1. **A specific regulatory** framework for the circular economy
    - A proposal in line with national guidelines and ongoing initiatives to develop a regulatory framework for the circular economy covering all economic sectors
    - The textile sector is a first pilot sector through which adjustments to the regulatory framework will be recommended and concretely implemented on circular projects.
    - An in-depth focus on the treatment of Friperie

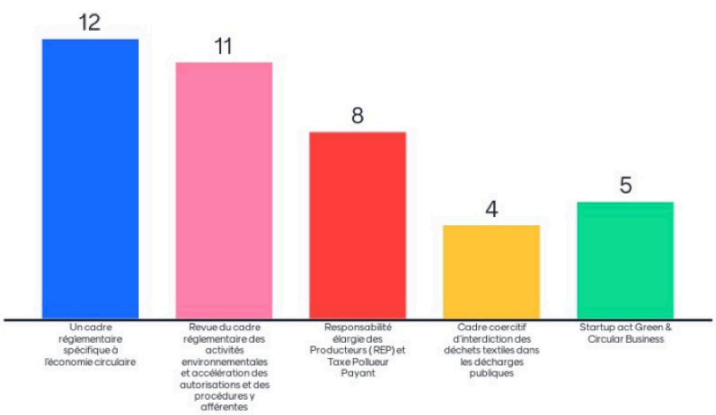
2. Review of the regulatory framework for environmental activities and acceleration of related authorizations and procedures: On Shore / Off Shore, impact study deadlines, definition of second-life products, recycling of second-hand goods
    - In-depth focus on critical bottlenecks in projects awaiting authorization or approval.

3. Implementation of **Extended Producer Responsibility** (EPR) and the **Polluter Pays Tax**
    - Proposal in line with initiatives currently under consideration and development

4. Coercive framework **for banning textile waste from** landfills under a transition plan
    - Plan a transitional, multi-year implementation scheme before full rollout within 5 years
    - A proposal to be coupled with the development of collection and processing infrastructures and the positioning of national champions in recycling sectors

5. Setting up **Startup act Green & Circular Business**
    - Proposal to be integrated into ongoing work on adjusting the Startup act framework to take account of the expectations and needs of circular projects (R&D activities, prototyping, etc.).

The majority of these actions were adopted and supported during the exchange and synergy workshop, with priority given to the following recommendations:



B. Recommendations for policymakers

The action plan for the promotion of eco-innovative circular textiles is based on recommendations for strategic initiatives that political decision-makers should initiate in close collaboration with the private sector and civil society, and with the support of public and private funding agencies.
Political decision-makers need to initiate a paradigm shift and a change in action mode to address the challenges and opportunities of circular textiles, by acting through an ecosystem of stakeholders (cluster) and by implementing a model of public-private collaboration in the proposal, decision and implementation of the circular textile development plan.

The strategic initiatives advocated in this note can form the basis for experimenting with and implementing this public-private approach to cluster action in the textile sector, and generalizing it to other sectors. The cluster approach encompasses all the relevant players in the Textile, Environment and Innovation ecosystems, and involves both support and financing players.

The action of the National Task Force and the Circular Textile Cluster will focus primarily on some twenty priority initiatives, which have been identified and summarized as follows:

Governance & strategy

1. Mise en place d'une **Task force nationale avec une gouvernance publique privée** sur l'économie circulaire
2. Lancement de **projets nationaux pilotes** d'envergure en PPP pour amorçage des filières d'économie circulaire
3. Développement de **champions nationaux** notamment sur les intrants recyclés avec l'implication des entreprises locomotives leaders et la mobilisation des entreprises du secteur (Cas des capacités SITEX à booster)
4. Lancement de **Cluster Green Tech Textile Circulaire** avec les acteurs phares des écosystèmes Textile, Environnement et Entreprenariat & Innovation

Promotion & Marketing

1. **Campagne nationale de promotion et de sensibilisation** sur l'économie circulaire
2. Développement et promotion des infrastructures et des processus de **Points de Collecte et de Tri** des produits Textiles de deuxième vie

Talent, training & capacity building

1. Programme national de **Up Skilling et de renforcement des capacités des PMEs et des acteurs d'accompagnement et de financement** sur les projets de l'économie circulaire

2. Développement de **Guides Pratiques nationaux et de nomenclatures / référentiels** des activités de textile circulaire
3. Développer des **plateformes digitales collaboratives** de type Plateformes Open Innovation et Marketplace B2B mettant en relation les startups et les PMEs avec les acteurs de financement et d'accompagnement
4. Appui aux Projets R&D via de nouveaux mécanismes et instruments co-développés avec les bailleurs de fonds
5. Lancement de **Sand Box dédié aux projets de l'économie verte et circulaire** avec les acteurs publics et privés pour conception et mise en œuvre des chaines de valeur et des projets de Textile Circulaire (impliquant Collectivités, Industriels, Zones industrielles, startups ,acteurs recyclage,...)

Access to financing

1. Un **Fond Public Privé dédié aux projets circulaires éco-innovants** et mobilisé dans le cadre **d'un programme national ombrelle de mise à niveau environnementale des PMEs et des acteurs de l'écosystème**
2. **Avantages fiscaux et incitations financières** en faveur des projets circulaires Eco-Innovants
3. Attraction de nouveaux **acteurs et mécanismes de financement** des projets circulaires
4. **Prise en charge des coûts des études d'impact avec le recours à une base nationale d'experts et d'auditeurs certifiés**

Regulatory framework for environmental and circular economy sectors

1. Un cadre **réglementaire spécifique** à l'économie circulaire
2. Respedu dures y alemente de sacre tor snore, démistes et ace impot, desaiton sations et produits de seconde vie , recyclage de la friperie
3. Mise en œuvre de la **Responsabilité élargie des Producteurs** (REP) et de **Taxe Pollueur Payant**
4. Cadre coercitif **d'interdiction des déchets textiles** dans les décharges publiques suivant un plan de transition
5. Mise en place de **Startup act Green & Circular Business**

Because of their structuring nature, we strongly recommend launching the following actions first:

- **Mobilization of stakeholders** to communicate circular textile development issues (with capitalization on stakeholders' planned events)
- **Establishment of the National Task Force and the Circular Textile Cluster** with a clear governance model and allocated resources
- **Reactivation and updating of the Public-Private Pact** for the Textile Sector, including the development of circular textiles as a strategic lever in the plan to revive the textile sector.
- Initiation of discussions with donors for the **design and mobilization of funds to support the UP Skilling program for SMEs**

- Identification and definition of **pilot circular** PPP **projects** and reactivation of related infrastructure projects
- **Implementation of a project-based organization** defining the process for steering and monitoring the implementation of strategic initiatives (project manager, resources, etc.).

The first core of the National Task Force includes the following players:

- Ministries: Industry, Environment, Higher Education
- Support structures: CITET, CETTEX, APII
- Private sector: FTTH, startups, leading companies
- Technoparks: MFCPOLE, Technoparc Borj Cedria
- Support players: Startup Support Organizations (SSOs), experts
- Financing players: lenders, smart capital

The National Task Force for the Promotion of Circular Textiles will draw on public and private resources and expertise, and will be tasked with steering the implementation of the short- and medium-term action plan according to a roadmap drawn up and shared with the stakeholders concerned.

C. Recommendations for financial players

Given the importance of access to finance as a key strategic lever for the development of circular textile projects, financial players stand to gain from being more involved in the plan to promote innovative circular textiles:

- Involvement in the activities of the national Task Force, in particular on levers for access to financing (project management, contributors and proposals, etc.).
- Helping to set up public-private funds to support SMEs
- Development of new, more accessible financial instruments to support SME and startup projects
- Contribution to the financing of large-scale pilot projects
- Training of financing players in circular businesses and projects (Nomenclatures, green business models, impact investment, etc.)
- Promoting sustainable finance instruments
- Contribution to the national effort to promote circular projects
- Promotion and development of projects and digital platforms for access to financing and support services

The financial players to be mobilized as part of the plan to promote circular textiles are first and foremost:

- Caisse des Dépôts et des Consignations (CDC)
- Instance nationale des projets PPP
- International donors: EU- Switchmed, AFD, GIZ, WB, EBRD, ITC, EU-Innovi, IFC , Hivos
- Venture Capital (VCs)

- Impact Investor
- Banks
- Microfinance
- Crowfunding platform

D. Recommendations for business and startup support organizations

Access to expertise and support services is a strategic lever for promoting circular textiles. Capacity building for startups and SMEs, as well as for support structures and service providers, is a key factor in the success of eco-innovative circular textiles.

The National Task Force for Circular Textiles requires the mobilization of support players to ensure the design and implementation of strategic initiatives, particularly in the areas of Talent, Training & Capacities.

The collaborative approach between public and private players represents a new mode of action that requires a process of animation and change management.
In the current configuration, the lack of governance and coordination between the various players involved in circular textiles is a critical obstacle.
The National Task Force & Circular Textile Cluster action frameworks are able to address this deficit with an agile organization and a structured leadership and steering process.

The leading support structures for circular textiles, namely CETTEX and CITET, are part of the first core of the Task Force and will collaborate with leading private-sector players (FTTH, startups, SMEs) and innovation players (technoparks, R&D centers, etc.) to design and implement initiatives such as ;

1. National **Up Skilling and capacity-building** program **for SMEs and support and financing players for** circular economy projects
2. Development of **national practical guides and nomenclatures/referentials** for circular textile activities
3. Develop **collaborative digital platforms**, such as Open Innovation Platforms and B2B Marketplace, to put startups and SMEs in touch with financing and support players.
4. Support for R&D projects through new mechanisms and instruments co-developed with funding agencies
5. Launch of **Sand Box dedicated to green and circular economy projects** with public and private players for the design and implementation of value chains and Circular Textile projects (involving local authorities, manufacturers, industrial zones, startups, recycling players, etc.).

DEVELOPMENT OF A STRATEGY,

A ROADMAP AND POLICY RECOMMENDATIONS TO SET SUSTAINABLE TEXTILE AND CLOTHING INDUSTRY

TUNISIA

August 2023

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