



WORKING PAPER

The Social and Solidarity Economy in Tunisia and its role in formalising the Informal Economy: a qualitative survey

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Abstract

This study attempts to better understand the functioning of the Social and Solidarity Economy (SSE) establishments in Tunisia, the economic and social role they played, the main constraints and challenges they faced and, especially, their role in formalising the informal sector.

To meet these objectives, in addition to reviewing the available works dealing with this field, we have conducted interviews with 31 SSE organisations.

The results suggest that the development of the SSE contributes to the formalisation of the informal sector via many channels. The main channels are: better organisation and generating returns from scale by regrouping into a social and solidarity structure; easier access to finance; better integration into value chains; training; supporting and coaching of micro units; jobs creation in the SSE and many initiatives to open up job opportunities; and proposals emerging from the SSE and local communities to simplify and change the legal framework in order to promote formalisation.

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INTRODUCTION: THE SOCIO-ECONOMIC CONTEXT

On March 11, 2020, the World Health Organisation (WHO) qualified the COVID-19 virus, which originated in China in December 2019, as a pandemic. Since that date, it has circulated across all continents and to the vast majority of countries and territories around the world (based on the United Nations Geoscheme list of countries and territories).

Since the fall of the Ben Ali regime in 2011, numerous studies and reports have highlighted the weaknesses of the development model used in Tunisia. This has led to non-inclusive growth that has excluded entire regions of the country (notably western Tunisia) and marginalised a large part of the population, especially in agricultural regions. Despite efforts to reverse this situation, economic logic has taken over: indeed, it is difficult to invest in these disadvantaged regions that are deprived of even minimal infrastructure and characterised by poorly educated people. This lack of private investment does not, in turn, allow these regions to develop, thus leading to an infernal circle that the state has not been able to solve until now.

In addition, the isolation of some workers in agricultural areas and in handicraft activities, the lack of organisation, the lack of integration into value chains and the limited use of new technologies have all led to low productivity activities that fail to tackle poverty. This situation of precarious employment and massive unemployment is, nevertheless, contradictory with the natural potential of these regions (aromatic and medicinal plant, honey, wood, mushrooms, etc ...). These regions often have untapped or poorly used natural resources, which do not allow enough income to be generated, the creation of employment or the reversal of the migratory flows between the governorates.

Since the revolution, the number of SSE organisations has increased as a result of more political openness and freedom. The SSE sector steps to fill gaps in private sector investment and to overcome the lack of public sector resources.

The social economy is considered to be a key actor in providing decent employment opportunities and improving living conditions for vulnerable groups; especially the young, women and the workers in the informal economy. The SSE offers them a “dynamic of transition towards the formal economy” by providing them with education and training and by empowering them through the democratic control, (Roelants, 2015).

The SSE could contribute to the formalisation of the informal sector by grouping small informal units and leveraging their collective capacities and resources, as well as via many other channels which we will try to identify through a questionnaire and interviews with a number of SSE structures.

The aims of this study are to improve our understanding of the functioning of SSE establishments, the economic and social role they play, as well as the main constraints and challenges they face. A special interest is given to their role in formalising the informal sector. How can the SSE help informal entities to formalise?

The paper is organised as follows: section 2 presents a summary about the SSE’s role, contribution and challenges in Tunisia; section 3 describes the survey methodology and analyses its main results, particularly regarding the SSE contribution to the formalisation of the informal sector. Section 4 provides the conclusion.

THE SSE IN TUNISIA

Despite the availability of several definitions for the SSE, no consensus has yet been reached regarding their areas of activity. However, the different definitions agree about their main characteristics. SSE organisations are generally involved in non-profit community-value activities with social, societal and/or environmental impact. They have participatory governance and they are close to local and marginalised populations and their needs.

The approach of the social and solidarity economy is interesting at the microeconomic level, to the extent that it regroups workers in order to take advantage of the returns of scale and to achieve a better integration into the value chains. The social and solidarity economy must enable certain sectors, in regions dominated by poverty, to organise and develop projects in a win-win spirit.

SSE contribution

In the 1960s, Tunisia had a bad experience of cooperatives. A new approach is now needed to better organise the work of many people in rural areas with a common goal of project development, compliance with sanitation rules (on sensitive products such as milk), social security coverage and income improvement so that they can live in better conditions.

The main structures that can evolve in Tunisia's SSE are the "GDAP", "SMSA", associations and mutuals. The GDAPs (agricultural development and fishing groups) are non-profit associative entities working in the field of agriculture; they were created following the 1999 framework law. These groups (there were around 2900 GDAPs in 2018) are also responsible for the management of natural resources, specifically water resources.

The SMSA (Mutual Agricultural Service Companies), mainly located in coastal regions, were created following the law of 18 October 2005 governing the restructuring of professional agricultural organisations. There were 316 SMSAs in 2018. Their mission is to provide services to "farmer" members, to upgrade agricultural production and improve production management. They provide, for example, the purchase of raw materials, inputs, collection, processing and marketing.

In this context, a study under the ENPARD (European Neighbourhood Programme for Agricultural and Rural Development) initiative was launched in 2018. The aim is to provide recommendations to facilitate the positioning of SMSAs and GDAPs in agricultural value chains, as well as providing access to credit and to national and international markets.

In Tunisia, the economic weight of the SSE is very low, it represents around 0.6% of the employed labour force and, at most, 1% of GDP⁴ (Haddar, 2017). The Agricultural activities are very prevalent in the SSE via the GDAP and SMSA. The dynamic of job creation is very

⁴ Source : <https://www.leaders.com.tn/article/26150-il-est-temps-de-systematiser-l-economie-sociale-et-solidaire-en-tunisie-l-exigence-d-instituer-une-politique-publique>

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weak, with a majority of SSE structures employing less than 10 people, mainly involving volunteers. As shown in table 1, the SSE sector covers about 22,350 structures (Associations, Cooperatives, SMSA, GDAP, Mutuels) employing around 21,000 workers (wage earners), of which 58% are involved in associations. This remains very low compared, for example, to the French SSE sector that represents 10% of GDP and 10.3% of employment, with more than 200,000 enterprises and 2.3 million employees, according to El Hidhri (2017).

Since the revolution, the number of social enterprises (social businesses) has grown with the support of several structures and NGOs. However, there is a lack of information on their number, size and realisations. Social companies are not included in the studies dealing with economic contribution and the structure of SSE.

Table 1: Number of employees in SSE

	Associations	Cooperatives (SMSA, GDAP, UCPA)	Mutuels	Total ESS
Number of organisations	19154	3152	48	22,350
Number of salaries	12368	8790	n.a	More than 21,158
Salaries per organisation	0.6	2.7		0.9

Source: report, Haddar 2017

The objective of the public authorities is to rapidly promote the growth of the SSE. This is an integral part of the government's five-year plan for 2016/2020. Despite its current limited size, it could be a lever for creating sustainable jobs, especially for young people and women in rural or disadvantaged areas. The Ministry of Employment has set a target of 5% in terms of the SSE's employment contribution for 2020, which would allow the SSE to become the third economic pillar of the country, after the public and private sectors.

SSE difficulties

The Tunisian SSE is fragmented and poorly coordinated. It is characterised by the presence of several actors and the absence of a unified and structured institution⁵ bringing a common vision for the SSE as a whole. In Tunisia, we find the same problem of scattering embryonic institutional initiatives. This lack of coordination is all the more felt because the SSE is, by definition, cross-sectorial. There is an absence of organs and structures that would promote the visibility and socio-political image of the social economy and institutionalize

⁵Several ministries and departments intervene, relying on various legislations and dispersed initiatives.

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specific cross-sectorial policies. As noted by El Hidhri⁶ (2017), the SSE in Tunisia is not really the subject of a structured public policy, it involves multiple actors, which presupposes a different set of visions and approaches. However, the SSE has developed as far as it has, thanks to the support of civil society.

Moreover, there are a lack of consolidated statistics and in-depth information regarding this sector.

Several factors explain the low standing of the SSE in Tunisia, such as a regulatory framework that remains unfavourable to the development of the sector, cumbersome administration, a strong focus on specific sectors, small players, unskilled human resources, governance problems and limited access to financing.

Access to finance remains one of the major constraints for the development of SSE structures. As MSME's, SSE structures face a problem of accessing finance, which is explained by the reluctance of financial institutions to finance collective initiatives that lack assets and credit guarantees.

In 2017, the Workers' Union (UGTT) initiated a draft organic law on the SSE. This project was submitted to the government and to the parliament in 2018. However, it took a long time to be discussed and was finally adopted on 17 June 2020. However, more progress on the implementation of certain provisions of this law is needed. This delay prevents advancing and promoting the development of the SSE in Tunisia. The new law regulates and legitimises the SSE sector in Tunisia. It implies the creation of a public structure devoted to the SSE, with the name of the "Tunisian Social and Solidarity Economy Authority". This law promulgates the first legislative framework regulating the sector, in order to develop its contribution to job creation and economic growth. It legitimises the SSE entities, allowing them access to appropriate funding.

SSE experiences in Tunisia: a value chain approach

Many findings at the regional level have first identified the weaknesses that hinder investment, job creation and project development in some parts of Tunisia. Important paradoxes have been identified at the local level between high poverty and significant economic potential. Studies have linked the SSE as being a potential solution to these problems, but under certain conditions. These conditions are often linked to fine analysis of the value chains at each sector level. It is necessary, therefore, to identify the different links that make up a value chain and to involve the SSE in all the steps that characterise a particular activity. This approach is based on a simple observation: the isolation of certain producers, the lack of complementarity between the various links and even the absence of certain essential links in the value chain.

⁶C.A-Perspectives on Tunisia No. 03-2017 | cap-lmu.de

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Value Chain example on Honey:

- Production of equipment (beehives, bee tracking equipment, wax recycling machine, various equipment)
- Acquisition of bees
- Breeding queens
- Honey production and certification AOC (protected designation of origin) and IP (indication of origin)
- Packaging
- Marketing with the establishment of sales outlets

To ensure long-term viability and sustainability, the SSE must be articulated around the various links that make up a particular value chain, in a complementarity between the different actors. The aim is to introduce greater efficiency in project management, improve product quality and ensure greater financial profitability. In Tunisia, honey is still sold on the roadside, in pots standing in the sun for hours at a time and with no guarantee of their quality and origin.

Thus, the SSE could intervene at several points in the chain, to create jobs and develop the entire sector (see Ben Braham & El Elj, 2017):

- The production of modern beehives
- Improving hive yields
- The operation of a wax-recycling machine
- Setting up a packing activity

Some pilot experiments have been initiated by international organisations (ILO, GIZ etc..) and economic associations, to develop the social and solidarity economy through a value chain approach. We can mention the Tunisian-Danish project, initiated in 2014 for the installation of refrigeration on the farm in the governorate of Béja, which ensured that the quality of milk could be maintained and then developed a payment scheme for milk producers, according to the quality of the milk.

This was based on the observation that a lot of milk was rejected at the collection center, due to its low quality because a relatively long time elapsed between the milking of cows and the time the trucks took to transport the milk to the collection center. The establishment of refrigeration on the farm, in a framework of the social and solidarity economy between the different neighbouring producers, made it possible to solve this problem and to lower the rejection rate.

For its part, the PROMESS project (Promotion of the Social and Solidarity Economy) developed by the ILO and covering the four governorates of the North-West (Beja, Jendouba, Kef and Siliana), also aims to finance projects in relationship to the potential of the region, in a social and solidarity economy framework, where young people can gather around a project and receive funding and training for optimal management of their project.

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These initiatives, however, require a structure dedicated to the SSE in order to organise the sector and to facilitate its operation and development.

In 2018, the LAB'ESS laboratory (Laboratoire de l'Economie Sociale et Solidaire created in 2013) launched a digital platform (chabaka.tn) to give greater visibility to the SSE. It involves the networking of the various actors working in the field of the SSE (social entrepreneurs, associations, groups and mutuals). This comes in response to the lack of coordination between the actors and the lack of support and technical support.

THE QUALITATIVE SURVEY

Interviews methodology

The main objective of this study is to better understand the following points:

- The functioning of the SSE: How do SSEs work? What are their motivations and objectives?
- The socio-economic role of the SSE: What is the economic and social role played by the SSE? Do they **play a role in formalising the informal sector**? Are they providing formal and sustainable jobs? What is the degree of their financial inclusion?The main challenges and future perspectives of SSEs: Are these organisations sustainable? What are the main constraints and challenges they are facing? How do they see their future and their development potential?

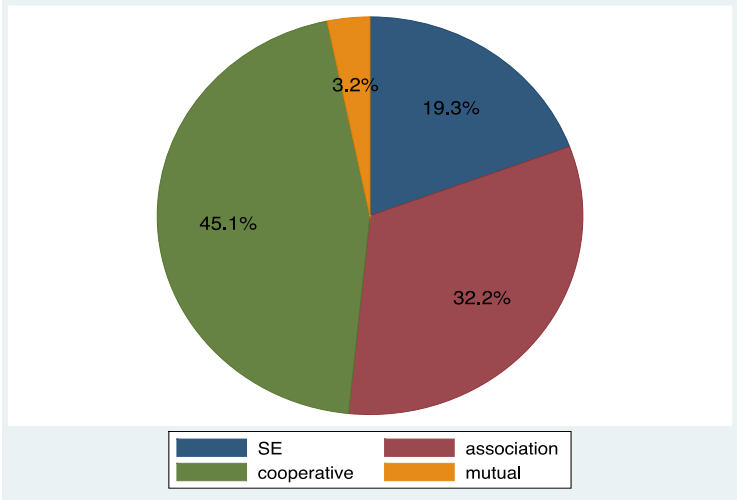
In order to address these issues, we conducted face-to-face and telephone interviews in May and June 2019, with a non-random sample of 31 social and solidarity organisations, given the time limit and the absence of a survey framework (an exhaustive list of SSE structures). We relied on a basically qualitative questionnaire, with 4 sections. The first section is dedicated to the organisation profile. Section 2 focusses on job creation and job characteristics. Section 3 is devoted to the role of SSE organisations in formalising the informal sector. The last section deals with the financial inclusion of the surveyed institutions.

Our target organisations included Cooperatives, Mutuals, Associations but also some Social Enterprises.

Survey results

SSE structure distribution in our sample shows that 45% are cooperatives (SMSA +GDAP) and 32% are associations (see graph 1).

Graph 1: SSE structure distribution by types

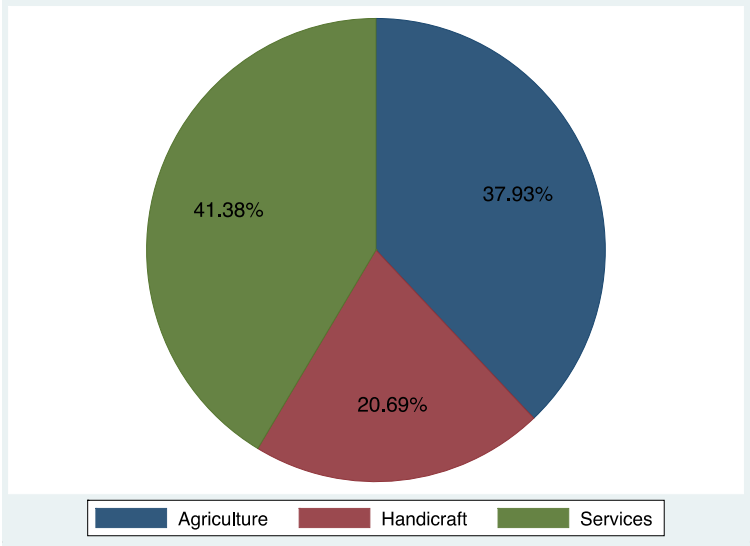


The majority of respondents are founders, managers or board chairmen with a high level of education; 77.4% of interviewed have a tertiary level of education.

In addition, those interviewed are aged between 26 and 60, with an average age of 42. Furthermore, 60% declared that their current activity was not their first one. They often had an experience in other sectors or other structures.

The majority of SSE structures interviewed evolve in the area of agriculture and services. This result confirms the fact that the SSE in Tunisia is mostly concentrated in agriculture, even if some initiatives are developing the SSE in other sectors, like handicrafts.

Graph 2: SSE structure distribution by sectors

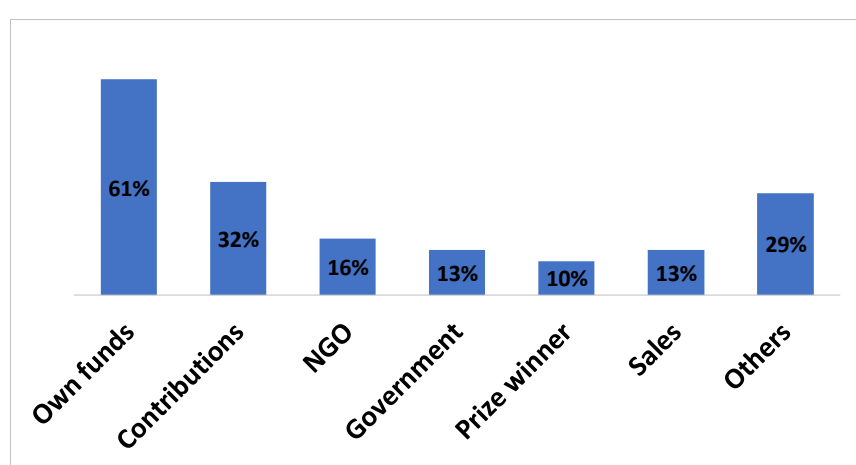


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Most of the observed SSE organisations were created after the revolution of 2011, which indicates the dynamics and mobilisation of civil society initiated by more freedom and political openness. The large majority of firms are relatively young (70% under 10 years). Our sample is far from being representative at the national level, but it confirms a national tendency.

As shown in graph 3, own funds are the most important source of finance. It is worth noting that other different financing sources were often cited as complementing their own funding. This is logical in the context of lack of “traditional financing” such as bank credit. The vast majority of interviewed organisations have never had access to bank credit.

Graph 3: Source of finance



Furthermore, the entire stock of interviewed organisations claim to have a social or/and an environmental impact through their:

- Support for small farmers, crafts and rural women’s activities, giving them more visibility, more value, access to markets, technical training, cost control, price fixing, and enhanced know-how.
- Consumer protection
- Protection of ancestral know-how (handicrafts)
- Supply of social services and social protection
- Job creation, additional training for new graduates to enhance their employability
- Environmental protection: water saving, organic products etc....

The main challenges faced by the interviewed organisations are: financial difficulties and restricted access to finance, which is common throughout micro and small enterprises with limited bank guarantees (Ben Ayed and Ghazali, 2018). Indeed, SSE organizations are considered the same as any for-profit private sector company, without any special treatment.

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Lack of regulatory framework and cumbersome bureaucracy also restrict the SSE, especially because these organisations suffer from a lack of recognition, according to their answers. There is a big gap between political speeches and real-life practicalities.

Another problem that has been mentioned on several occasions is of a cultural nature: the lack of community spirit that makes some people individualistic and distrustful with regards to collective activities.

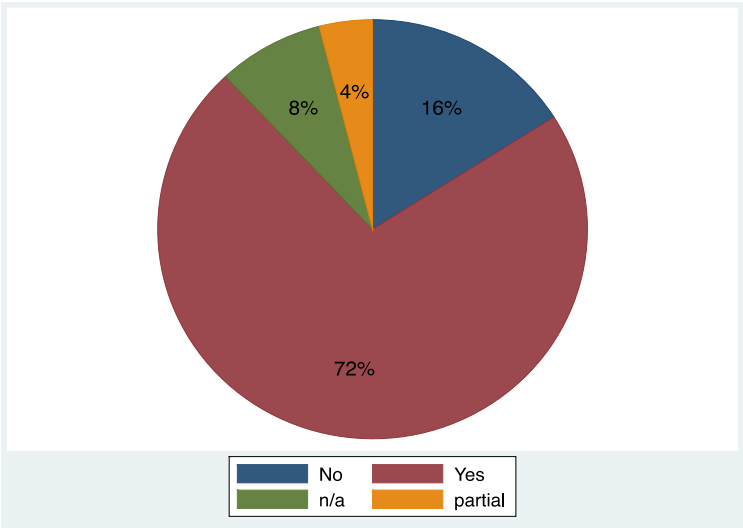
In terms of job creation, the majority those contacted in the SSE are micro, small or medium structures with limited job creation (see table 2). However, in most situations, created jobs are permanent, structured and covered by social security. In fact, almost 72% of SSE structures pay social security contributions (see graph 4 below). Our sample is not representative at the national level, but it is important to note that, at this level, SSE structures could be a vector of formalisation.

SSE enterprises involved in agriculture and tourism provide an important number of temporary jobs.

Table 2: Descriptive statistics for permanent and temporary jobs

	Mean	Q3	Min	Max
Permanent	7.1	5	0	60
Temporary	10	10	0	100

Graph 4: Social security contributions



In terms of financial inclusion, almost all the contacted organisations have a bank account (90%) and use bank services to pay employees and for their different transactions.

However, few SSE organisations (7%) were able to benefit from a bank loan, which confirms the difficulties they face in accessing credit.

How could the SSE help informal entities to formalise?

Regarding our main question about the formalisation of the informal sector, everyone interviewed thought that the development of the SSE contributes to the formalisation of the informal sector via multiple channels (as declared by interviewees) which we summarised, as follows:

- ✓ **Better organisation, returns to scale:** the regrouping and clustering of informal micro structures (small farmers, small traders, artisans etc...) within a federal and strong SSE structure, would be better organized, be able to take advantage of economies of scale, share experiences, have more resources, find it easier to access finance and, with more supervision, could push micro units to structure and to regularise.

The presence of cooperatives and/or associations in an area encourages the smaller units to adhere, via the imitation effect, in order to better organise and regroup, and to upgrade for greater durability. This also applies to small farmers and breeders as well to craftswomen seeking guidance, information and support.

- ✓ **More integration in the value chain:** to take advantage of the returns to scale and to have better integration in the value chains, several associations supervise artisans and micro units, encouraging and supporting them to form groups and organise themselves as social enterprises. This brings together different know-how and upgrades the value chain. Amongst the interesting experiences we have encountered, we can cite a group of rural women (3 or more), each one positioning itself and specialising in a chain: the first woman produces (oil, spices, bee products, local products etc...), the second woman is in charge of packaging and the third one (often unmarried) is in charge of distribution and sales.
- ✓ **Training, supporting and coaching micro units:** Many SSE organisations offer technical training sessions (jewellery, carpets, embroidery, agricultural skills, etc), thus helping women and young people to have a profession and know-how, a business card or a patent and to access market spaces and fairs. This supports the access of micro and informal units to markets and their integration in local, national and international networks of suppliers, customers or producers, with a view to sustainable growth.

SSE organisations also intervene to advise small craftsmen on improving quality, diversifying or changing design (“les potières de Sejnane”). The example of the women potters of Sejnane is uplifting; a community of craftswomen has emerged from

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anonymity and isolation to become known internationally, active on the web, and with many of them having social security coverage or becoming regularised.

“Extending social protection to informal workers, developing and recognising their skills, providing them with credit and markets and, last but not least, organising them in order to have their voice heard, are the main pillars of policies addressing the transition of the informal economy (Charmes, 2018)”.

Many SSE organisations provide training programmes on accounting, sales techniques, taxation, fiscal and social obligations, personal and professional development.... They also offer coaching services to project leaders and help them to create their businesses in the structured sector. They provide legal and accounting support for the micro units, helping them in their formalisation.

Recognition, support, training and valorisation of micro activities are necessary conditions for their formalisation. At least two of the social enterprises in the survey have moved from the informal sector to the formal sector, with the help of ESS support structures (such as LABE’S...).

- ✓ **Information, Awareness and Advice:** Several associations offer information on available training, support programmes, investment incentives, tax exemptions, jobs and business opportunities, thus reducing the information asymmetry. In addition, some associations organise information sessions on the different modalities of social protection. They collaborate with the Ministry of Social Affairs to find social coverage solutions that are adapted to the situation of micro-entrepreneurs. They organise information sessions whilst major national decisions are being taken, such as on tax amnesty to encourage regularisation and formalisation. Several associations and SSE organisations play an awareness and advisory role on the benefits of formalisation: in terms of access to finance, access to markets (sales in supermarkets, exports...). They also help with awareness on the economic and social role that micro units need to play, by developing their sense of responsibility and citizenship and making them less passive.
- ✓ **Financing:** The development and contribution of micro credit associations in the financing and upgrading of micro-structure projects (equipment, packaging, inputs...) improve their sustainability, help them to grow and could encourage them to gradually leave informality behind. In addition, the regrouping of informal microstructures and their organisation into cooperatives, mutuals or associations give them more recognition and could facilitate their access to funding.
- ✓ **Job creation and job insertion:** the development of the SSE directly offers some opportunities for young people, women and vulnerable groups, thus limiting their reliance on informal activities and the development of the informal sector. On the other hand, several associations provide complementary training to unemployed young

people, to improve their employability in the formal sector, helping them avoid moving towards the informal sector.

- ✓ **Advocating a regulatory framework that encourages formalisation:** Civil society makes reflections and proposals to simplify and change the legal framework, in order to promote formalisation. Some proposals to that effect, often driven and suggested by local actors, have been made.

Finally, the majority (67%) of the contacted SSE organisations think that their future could be promising, presenting a range of projects and expansion opportunities. However, this is conditional on the development of a legal framework that brings more visibility, real recognition and support to the SSE. In fact, this sector has noble social, societal and environmental development goals and needs special treatment.

CONCLUSION AND RECOMMENDATIONS

This study attempts to better understand the functioning of the SSE establishment, the economic and social role they play, the main constraints and challenges they face and especially their role in formalising the informal sector.

To meet these objectives, in addition to reviewing the available studies that deal with this field, we conducted interviews with 31 SSE organisations.

The majority of those contacted are micro, small or medium structures with limited job creation. However, most of the time, when jobs are created, they are mainly permanent, structured and covered by social security.

Almost all the interviewed organisations have a bank account and use bank services in their different transactions. However, few of them are able to benefit from a bank loan, which confirms their difficulties in getting access to credit. They also face a lack of a unified and structured institutional and regulatory framework.

The results of the interviews suggest that the development of the SSE contributes to the formalisation of the informal sector via many channels. Notably, we can cite: better organisation and returns to scale generation by regrouping into a social and solidarity structure, an easier access to finance, a better integration in the value chain, training, support and coaching of micro units, job creation in the SSE and many actions for job insertion and, through proposals emerging from the SSE and local communities to simplify and change the legal framework in order to promote formalisation. The support of associations and NGOs is also important, as some of the contacted micro entrepreneurs declared, having actually transited from the informal to the formal sector as a result of their assistance.

The SSE alone cannot be a magic solution to the problems caused by decades of poor economic policy choices, but it can help some governorates to catch up in terms of development

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and it can contribute to a better organisation of micro-structures and to supporting their transition to the formal sector.

More progress in the implementation of certain provisions within the SSE law, adopted in 2020, is needed. The SSE should be integrated into a national strategy to boost activities with high added value in sectors such as agriculture and handicrafts, which are today badly organised, do not generate enough income, and where some workers are exploited, especially women.

In addition, this requires both a micro and macroeconomic approach, based on relevant evaluation indicators related to the objectives of job creation and the fight against informality and poverty. The micro approach is about enterprise organisation, profit-sharing, minimum project size, increasing returns to scale, and avoiding problems related to “free ride” behaviours that risk endangering the viability of the business. The SSE must improve human capital for better productivity, higher returns and, thus, the possibility of being covered by social security.

For its part, a macroeconomic approach must be concerned with the impact of the SSE at local and regional level. The mechanisms put in place must be sufficiently robust to create growth-dynamic entities as part of a global value chain; this includes financing, technical assistance, etc.... The SSE can participate in the improvement of the entire region’s image through the products it markets.

A better recognition and promotion of the benefits of groupings, in order to increase adherence to cooperative and other regrouping, is also needed. The importance of grouping through the production of local goods enables artisans to escape their isolation, upgrade their products and facilitate their access to new markets.

A simple and incentivised legal framework is also necessary, as well as training and broadening the capacity of SSE managers and actors.

Easier access to funding, through the promotion and development of an investment fund dedicated to the SSE, is needed. Government also has to play a more active role towards the lack of SSE assets, with more flexible credit conditions (interest rates, guarantees etc...). Indeed, the SSE sector deserves special treatment, because it has many noble social, societal and environmental development goals.

Moreover, encouraging formality through the creation of a legal and institutional framework (procedures, fiscality etc ...), as well as providing a more attractive and competitive business environment for MSMEs, remains crucial to further motivate large numbers of informal enterprises to join the formal sector. Stability, visibility and simplification of the fiscal system are highly recommended.

The COVID crisis and the confinement measures taken to limit the virus spread, have particularly affected businesses and workers in the informal sector, highlighting their vulnerability and insecurity and the urgent need to act, in order to facilitate their transition to the formal sector.

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ABOUT EMNES

The Euro-Mediterranean Network for Economic Studies (EMNES) is a network of research institutions and think tanks working on socio-economics policy in the Euro-Mediterranean. EMNES is coordinated by the Euro-Mediterranean Economists Association (EMEA).

The research conducted by EMNES Researchers, Associates and Fellows aims to design sound and innovative socio-economic models that are inclusive, sustainable and employment creative, to devise new models for regional integration and to provide policy recommendations towards this goal.

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- Private sector, micro, small and medium –sized enterprises development, entrepreneurship and social business;
- Digital economy;
- Healthcare policy;
- Human capital development, education, innovation, skill mismatch and migration;
- Labor markets, employment and employability;
- Finance, financial inclusion and the real economy;
- Sustainable development;
- Regional integration;
- Euro-Mediterranean economic partnership;
- Scenarios analysis and foresight.

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