



SOCIAL ENTREPRENEURSHIP IN TUNISIA

Achievements and Ways Forward



WORLD BANK GROUP

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ABSTRACT

This paper examines the current state of the social enterprise sector in Tunisia and its potential for contributing to the country's development objectives. The paper is based on a literature review, mapping of SEs in Tunisia, a series of interviews with social entrepreneurs and local experts, and an in-depth study of four SEs. The study draws on international policy experiences to provide conclusions and recommendations regarding the role that the government and donors could play to promote social entrepreneurship in Tunisia.

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1 INTRODUCTION

Since the “Arab Spring” in 2011, Tunisia has undergone tremendous social and political change. However, the government has been slow to respond to meet the high expectations and demands from society. This response has led to frustrations, as illustrated by upheavals in early 2016 to demand better services in the interior governorates.

Spatial disparities in access to services and opportunities are among the key drivers of the revolution and continued social unrest in Tunisia. They limit the nation’s growth potential and ability to improve outcomes among lower-income populations by increasing social unrest and limiting the productive potential of local economies and the individuals and firms they host. Spatial disparities in access to opportunities and outcomes in Tunisia are stark, with the interior governorates underperforming across a wide range of development indicators. For instance, the poverty rate varies from approximately 8 percent in the center-east region to 32 percent in the center-west region (World Bank , 2015). There is almost a 20 percent gap between unemployment rates in leading and lagging governorates (World Bank , 2015).

At the same time, a booming civil society and youth have been at the forefront of re-imagining their role in a new post-revolution context. Some of this energy is being directed at creating social enterprises (SEs) as a way to bring services to the poor and marginalized communities through switching from charity-based organizations to revenue-generating and sustainable enterprises. This energy comes from the recognition of SEs’ role in improving development outcomes. In this report, SEs are defined as mission-driven organizations whose activities are focused on social-value creation through sustainable business models. While social enterprise places emphasis on social value creation through marketplace endeavors, there remains great variation in the degree to which social enterprises are market-driven, client-driven, self-sufficient, commercial, and business like, and they can have many legal forms (e.g., non-governmental organization, faith-based, company, cooperative, etc.) but are not public organizations and are not informal. Social enterprises are a key component of the concept of social and solidarity economy.

A review of international experiences by the World Bank (2016) show that an increasing number of governments include commitments to promote SEs in their policy agendas to address institutional and market failures in service delivery to the poor and to promote sustainable and equitable growth dynamics.

The new World Bank Strategy for the Middle East and North Africa (MENA) calls for a global coalition of the World Bank Group, the UN, EU and other bilateral and multilateral organizations to mobilize resources and expertise to promote peace and stability in MENA. This new strategy proposes a set of regional and country programs strengthening: (i) the competition of domestic markets, permitting small enterprises to grow and create jobs; (ii) the skills and protection of the labor force through new improved labor and entrepreneurial regulations; (iii) the quality of service delivery through greater collaboration with non-state providers and local governments; and (iv) a more inclusive policy-making process by enabling cross-cutting reforms and legislation, setting-up independent accountability institutions, ensuring greater access to internet and incorporating citizen feedback and beneficiary engagement in all World Bank projects (World Bank, 2016).

In the context of rising social demands and frustrations toward the government response to the pressing needs of underserved populations, social entrepreneurship has been assigned with ambitious

objectives. Indeed, it has often been presented as a solution to many challenges in the country, ranging from addressing poverty and boosting the economy through job creation to being a catalyzer for achieving political and administrative decentralization and regional development (Beyond, Reform and Development et GIZ, 2014).

This report seeks to draw early lessons from these international experiences and an assessment of the SE sector in Tunisia. While some studies have to date been carried out on the macro-level dimensions of the sector, the added value of this report is to combine a comprehensive ecosystem diagnostic, interviews with social entrepreneurs and country experts, and in-depth analysis of four representative cases.

By shedding light on the systemic factors that affect SE activities and performance, this report will help assess the potential of the SE sector in contributing to the achievement of social and economic goals in Tunisia. The report emphasizes understanding the perspectives of key actors in the SE ecosystem—SEs themselves, their customers and beneficiaries, business sector, government, and supporting organizations (or enablers of SEs)—and covering a broad geographical and sectoral scope of SEs operating in Tunisia.

The report is organized as follows:

- Part 1 presents an overview of the SE sector in Tunisia by discussing (i) the definition of SEs in the Tunisian context; (ii) results of the SE mapping; and (iii) a preliminary ecosystem analysis, including aspects related to policy and regulation, financing, infrastructure and human capital and information and networks¹. These findings are based on a desk review of recent documents available on the ecosystem (see bibliography in annex 5.1) and a series of in-depth interviews with government officials, business enablers, SEs and beneficiaries (see the list of persons met and interviews in annex 5.2).
- Part 2 presents four SE case studies. To facilitate comparative analysis, the case studies were prepared following a standardized approach. They are based on multiple sources of information, including in-depth interviews with social entrepreneurs and beneficiaries, document analysis and site visits.
- Part 3 presents a set of conclusions that draw from the information generated through this exercise and international experiences. The recommendations identify the way forward for SEs in Tunisia, by focusing on support initiatives, policies and regulatory aspects.

¹ A review the literature on the SE sector shows that SEs are actors in a complex ecosystem in which factors in the enabling environment (regulatory, financing, information and human capital) constrain or support SEs in their effort to link the demand (in many cases coming from the disenfranchised populations) with supply of solutions (products and/or services), and where various actors (businesses, financial institutions, governments and other organizations) affect SEs and their activities (World Bank, 2016).

2 SOCIAL ENTREPRENEURSHIP IN TUNISIA— AN OVERVIEW

2.1 Rationale for the SE Sector in the Tunisian Context

In the wake of the Jasmin Revolution, the social entrepreneurship ecosystem in Tunisia has witnessed a strong growth in both the for-profit and not-for profit spheres. This can be attributed to five factors:

- 1) a growing social entrepreneurship movement worldwide;
- 2) the emergence of a number of business enablers solely focused on SEs;
- 3) a wave of international competitions with an emphasis on social impact;
- 4) a growing number of NGOs that compete for dwindling donor funding and need to adopt sustainable revenue-generating models (i.e. 9,000 registered NGOs in 2010 which increased to 15,000 in 2014) (PISM 2014); and
- 5) a private sector more and more interested in social impact to restore public trust and improve its image;
- 6) the private sector that were once tightly regulated by the government are experiencing more freedom to operate, as traditional barriers to entry are easing.

These factors contributed to a socio-economic environment more amenable to social entrepreneurship, drawing both companies and not-for profit sector to experimenting with social entrepreneurship in Tunisia. While NGOs are adopting entrepreneurial values like self-reliance and financial independence, companies are increasingly taking social purpose into account in their core business decisions. This convergence could be a significant driver of inclusion of disadvantaged populations like youth and women into economic activity through participation in such a way that social equity and environmental sustainability issues are accurately factored into economic processes, such as in doing business, in economic policymaking and in financial policy. Social entrepreneurship can generate a “triple bottom line” for Tunisia: achieving social and environmental benefits by employing an entrepreneurial approach.

Since social enterprises operate based on the business principles, they constitute a part of the private sector development agenda. SEs can create considerable economic value and inclusive job opportunities, especially for marginalized segments of the labor market such as youth and women. Social enterprises also contribute to other development agendas like regional development and decentralization of service delivery. For example, the SE sector has an important opportunity to deliver services, especially in rural areas (e.g., transportation, short value chain and access to markets).

Due to the growing number of SEs in Tunisia, the concept is garnering attention from corporations and the government. While SE activities remain largely unknown to the general public, a growing number of organizations appropriate the concept of SE. Existing incubator programs play an important role in the dissemination of the SE concept, since they often target and serve socially minded businesses or NGOs using financially sustainable models.

Although the SE ecosystem is expanding, there is no systematic data about SEs in Tunisia. One of the fundamental issues is the lack of a unified definition of SEs in Tunisia. The term “social enterprise” covers heterogeneous practices and organizational arrangements ranging from traditional non-profits to traditional for-profits. Most of the institutions that label themselves as SEs are NGOs that carry out revenue-generating activities.

In terms of the organizational form, in the absence of a legal definition of SEs, the SEs currently exist as private enterprises, associations or hybrids (e.g., associations with independent private enterprise ventures or vice versa). In agribusiness and handicrafts, SEs are more likely to adopt the status of cooperatives, but it is a rare form for SEs in other sectors.

Because no clear definition of SEs exists in the country, some companies carrying out corporate social responsibility (CSR) activities consider themselves as SEs (these are not included in this analysis). There are also some non-profits with a sustainable business model that do not realize they can be considered as SEs. As a result, they might have been excluded from the mapping of SEs conducted as part of the ecosystem analysis.

2.2 Methodology for Analysis of the SE Sector

This report is part of WBG operational engagements in Tunisia, and broader engagements with the social enterprise sector globally. The research for the study was conducted in three phases.

The first phase was based on a literature review of the SE sector in Tunisia to better understand the enabling environment for SEs in the country. Publications covering areas related to social entrepreneurship, social economy and social innovation were also included. The literature review considered recent reports on other Maghreb countries.

A firm level assessment to partially map the presence of SEs in various stages of enterprise development was also undertaken in this phase to understand the current status of the sector in Tunisia. The mapping was non-exhaustive, and does not reflect the total number of social enterprises operating in Tunisia. The Tunisian Center for Social Entrepreneurship estimates that there are up to 30,000 social enterprises in Tunisia in 2015, and the number is continuously increasing.

The literature review was structured around key parameters of the SE ecosystem, which encompasses the networks of interconnected, interdependent players whose actions determine whether or not a SE will succeed (Figure 1).

Figure 1: Ecosystem Framework for Analysis (World Bank, SEI, 2016)



This network includes direct business partners, including employees, suppliers and customers, as well as more indirectly related players, such as the government, media, business associations, competitors or intermediaries (WBG, 2016).

This literature analysis identified existing information and knowledge gaps related to the following questions:

- **Policy and regulation:** What are the main policy drivers or barriers for SEs? Including policy strategy, regulation and level of public-private collaboration.
- **Financing:** What are the sources of funding for SEs as well as for their clients? Including commercial funding, consumer finance and grant funding.
- **Infrastructure and human capital:** What are important infrastructure issues that affect the operations of SEs? What is the skill level available for SEs? Is the sector able to attract relevant talent?
- **Information and networks:** Which organizations, incubators, networks, training, etc. are available to build awareness, knowledge and capacity among SEs, or advocate for SEs' needs?

In the second phase, findings from the literature review were furthered through:

- **23 interviews** with SEs, government representatives, agencies providing funding and enabling services to SEs, and experts from think tanks and academia
- **Case studies of four SEs** representative of various sectors and regions

In the third phase, findings from the ecosystem analysis were compared with international lessons of experience to bring out actionable insights on drivers, needs, gaps, challenges and opportunities for SEs in Tunisia.

2.3 Findings of the Literature Review

Although several reports argue the importance of the SE sector for Tunisia development, and for the Middle East more generally, there is limited information that allows to understand the key drivers and constraints for social entrepreneurship in the country (Boughzala et al., 2016; British Council, 2016; Buckner et al., 2012; Jamali et al., 2015; OECD, 2015).

Most of the important contributions from the literature speak to the rationales for government support to social entrepreneurship in Tunisia:

- **Driver for sustainable job creation for the disadvantaged.** While SEs create fewer jobs than regular businesses, have a slower growth rate and rarely achieve scale at a national or global level, they employ a disproportionately larger share of people that would otherwise be excluded from the labor markets: youth, women, the disabled and rural or low-income communities that often suffer from high unemployment. SEs also help embed illegal workers into the formal economy. While SEs rarely compete for salaries with the business sector, they offer sustainable and higher-quality jobs that often include perks, such as on-the-job training. Besides the direct benefits that could be quantified as number of jobs created, SEs also provide indirect benefits, notably in terms of the demonstration effect of opportunities that could be created for women and the disabled. SE jobs are often the stepping stones for youth or women: by acquiring professional experience and on-the-job training through SEs, the previously unemployed become more competitive on the labor market. Finally, SEs generate self-employment opportunities—some reports note the interest in volunteerism, preference to being self-employed or own a business in Tunisia and interest of youth in improving their communities (Boughzala et al., 2016; Buckner et al., 2012)
- **A force for regional integration and resilience.** SEs are often embedded in local communities and help build their capacity, activate local markets, and increase the competitiveness of local economies. SEs contribute to building inclusive value chains, optimize distribution channels and

foster grassroots innovation. SE business models are often rooted in the cultural and social heritage of the communities, contributing to the dignity of indigenous populations and creating sustainable livelihoods. In Tunisia, SEs are particularly active in sectors such as cultural and eco-tourism, handicrafts and traditional medicine, which have the potential to re-energize rural communities. By stimulating local drivers for entrepreneurship and creativity, SEs could contribute to sustainable and inclusive growth and increase resilience to external economic shocks. Enabling citizen participation in social and economic activities could also strengthen civic engagement, rebuild public confidence in government institutions, contribute over the longer term to state legitimacy and reduce the chances of future conflict by addressing its structural causes (Baird, 2010).

- **A vehicle for decentralized service delivery.** While the public sector remains the primary source of service delivery in Tunisia, the government faces critical challenges in providing universal access to quality public services, especially in rural areas and lagging regions. For instance, while 97% of the households in Greater Tunis in 2005 had piped water in their dwelling as their main water source, only 61% of households in North West and Center West and only 40% of rural households in North West did. Similarly, more than 90% of households had a toilet in their dwelling in Greater Tunis and the South West, but only 66% of households in the Center West did. And, while by 2004, almost 93% of homes in Tunis were connected to a public sanitation network, only 12% enjoyed the same in the Center West. Overall, nearly 25% of Tunisian households lacks connections to a public sanitation network. Close to 80 percent of household heads in Greater Tunis and the Center East have some form of education, compared to less than half in the North West. Access to health care is also concentrated near large cities and have significant barriers to access in remote lagging areas. 77% of the country's public basic health care centers are in localities (délégations) within an hour of a large city; less than one percent are in localities that are more than two hours from a large city, even though such localities account for nearly 20 percent of the country's population. (World Bank, 2014).

The decentralization agenda provides an important opportunity for leveraging SEs for service delivery, especially for the rural and lagging regions where the gap exists. The potential of SEs to serve these disadvantaged populations has been documented in the MENA region, including Tunisia (British Council, 2016). SEs can help address government and market failures in service delivery by supplementing public services to provide specialized care to marginalized populations (e.g., elderly and disable care) and improving quality and cost-effectiveness through innovation and increased flexibility to meet customer needs. SEs tend to remain small and the sector is not well organized in Tunisia, which often poses problems for entering into public-private partnerships at the central government level. However, at the local government level, multiple successful examples demonstrate the potential for public-private collaboration around service delivery.

These findings are consistent with international literature on the SE sector (World Bank, 2016). The SE mapping, interviews and case studies provide additional insights on the current state of the SE sector in Tunisia, and the role the government could play for unleashing its untapped potential.

2.4 Young and Growing: Mapping of SEs in Tunisia

As part of this report, a mapping exercise was undertaken to identify existing SEs in Tunisia. This was the first mapping exercise in Tunisia to date, and it mainly draws on consultations with local experts, and semi-structured interviews conducted with SE enablers and incubators to identify key SEs in Tunisia. In the absence of a commonly agreed legal or operational definition in Tunisia, we included organizations legally registered in Tunisia (irrespective of the legal form) that met all of the following criteria:

- Have a clear social or environmental objective that benefit the poor or disadvantaged people

- Directly engage in the production and/or sale of goods and services and have paying customers
- Maximize social and/or environmental benefits and are willing to accept below-the-market return on investment and limit distribution of profits
- Are voluntarily created and managed
- Seek financial viability, but are exposed to competition and economic risks
- Have paid workers (may combine voluntary and paid workers)

Based on the results of the mapping, there is a strong post-Jasmine Revolution growth of the SE sector in Tunisia. While in absolute terms the sector is still very small, in terms of growth rates the sector demonstrated a strong potential. The sector employs a disproportionately large number of youth and women compared to small- and medium-sized enterprises (SMEs). For example, women run more than 40 percent of the mapped SEs.

The mapping is non-exhaustive, but it covers a variety of SEs in terms of the geographical and sectoral spread and representative across different organizational forms. , The mapping can be used as a basis for future attempts to list, classify and analyze SEs in Tunisia. The mapping document is available in annex 5.3 of this report. The mapping identified 51 SEs at different stages of growth. The pool was representative across sectors (see Figure 2), but with a heavy concentration in Tunis (22 SEs, or 43 percent).

Figure 2 Sectoral spread of the social enterprise mapping in Tunisia

Sector	Number of SEs	Percentage
Environmental safety and waste management	9	18%
Agriculture and livestock	8	16%
Ecotourism and cultural tourism	7	14%
Education and training	7	14%
Traditional arts and crafts	6	12%
Health and well-being	5	10%
Human rights and disability	5	10%
Food and nutrition	4	8%
Total	51	100%

The mapping reviewed key characteristics of the SE sector: vision and mission of the enterprise; sectoral and geographic focus; key beneficiaries; scale of results achieved and future targets; the maturity of the SE based on the year of foundation and solidity of business model; partnerships, including government collaboration; and use of innovation and technology in operations. The main findings are as follows:

- **Maturity:** The SE sector is a relatively new phenomenon in Tunisia. The majority of SEs were created post “Arab Spring”: 72 percent of the analyzed SEs were founded in 2011 or later, and 25 percent are less than two years old. Almost half of the SEs (25 out of 51) are still at the ideation or early piloting stage, and only 7 percent of the organizations reported having “scaled” their operations. The oldest SE in the database, *La Ferme Thérapeutique pour Handicapés* in Ariana, was founded in 2008.
- **Scale:** The SEs are generally small in size, with fewer than 50 employees on average. A third of the SEs have five and fewer paid employees but often rely on voluntary help from communities.
- **Sectoral spread:** The main sectors where the majority of SEs operate in Tunisia are agriculture, handicrafts, tourism and environment. The provision of basic services by SEs is still rare, however the majority of SEs target disadvantaged populations (youth, women, disabled and elderly) as their core beneficiaries.
- **Regional distribution:** With a concentration of 45 percent of SEs, the Tunis region is the most prominent SE hub in Tunisia, but the geographical scope of SEs is large, which includes the

interior regions, such as Sidi Bouzid, Medenine (in the southeast) and Jendouba (in the northwest). Naturally, the SEs located in the rural region have a higher concentration of agriculture, livelihood, ecotourism and handicrafts.

- **Innovation:** A common thread in the SE activities is the introduction of service delivery innovations. The case studies in Part 2 of this report provide examples of how SE innovations fill a service delivery gap (e.g., elderly care) by enhancing the efficiency of service delivery (e.g., waste recycling business leveraging informal economy actors) or improving reach by bringing services to remote areas (e.g., health services). Additional examples of SE innovation in Tunisia include: citizen-led consumer buying coop, start-up style networking area, small-scale livelihood creation and education and transportation for vulnerable groups.
- **Use of technology:** Few SEs are effectively using technology, however, there are examples of SEs that leverage IT opportunities to reach underserved populations at scale (health diagnostic) and to transform environmental challenges into opportunities (water hyacinth removal).
- **Government collaboration:** There are examples of SE participation in municipal services. For example, in solid waste management where a number of SEs are involved in the joint collection of waste with municipalities. However, the relationship with local governments is not yet formalized. For example, there are rarely formal agreements between social entrepreneurs and the municipalities (Mayaux, 2016).

2.5 Understanding Ecosystem Conditions

The SE sector in Tunisia is young and its ecosystem is still in its early stages of development. There is a recent expansion of supporting infrastructure for SEs provided by the public sector, academia, donors and philanthropies. Although the enabling services for SEs are expanding, the overall capacity of the SE sector remains low, and funding agencies note the lack of a strong pipeline of SEs that passed the early ideation and piloting stage and are fully operational. At the same time, access to finance remains one of the core challenges, especially for SEs that target customer segments with low paying capacity. The lack of systematic support and collaboration from the government limits the potential for the SE sector to contribute to the service delivery agenda, where return on investment is low due to the low acceptance of paying for basic services from the local population. Although there is increasing recognition of the importance of social entrepreneurship, the demand for SE products and services is still low both from the government and potential beneficiaries.

2.5.1 Policy and Regulations

To date, there is no specific legal framework for SEs in Tunisia and no specific policies and regulations have been put in place to support the sector. However, there is a number of initiatives that demonstrate the increased interest and support of the government towards the social entrepreneurship concept as part of the broader agenda on social solidarity economy (*Économie Sociale et Solidaire*) which are:

- The contract signed by the Government of Tunisia stating the construction of a solidary-based and integrated economy which promotes economic recovery and creation of more employment opportunities. This aims to improve business climate, investment, innovation, entrepreneurship and the creation of sustainable enterprises with high added value, competitiveness and employability. This contract also refers to the strengthening the role of mutual societies in order to alleviate social gaps.
- The national tripartite conference on social solidarity economy organized on May 19, 2015 and its declaration.
- The Five-Year Development Plan of Tunisia 2016 – 2020 which includes a section on how to foster the development of the social economy in the country.

- The declaration of employment by the Tunisian government on March 29, 2016 in presence of the Secretary-General of the UN, the President of the World Bank and the Director-General of the ILO.
- The Carthage Agreement which defines the priorities of the government on July 13, 2016 by the General Union of Tunisian Workers (UGTT), the Tunisian Union of Industry, Commerce and Trade Crafts (UTICA), the Tunisian Union of Agriculture and Fisheries (UTAP) and the main political parties.

The policy dialogue launched by the Tunisian Government on SEs includes the Tunisian General Labor Union (UGTT) and other relevant stakeholders including SE incubators. In early 2016, the UGTT has prepared a proposal for new legislation that outlines the principles of social enterprises:

- Democratic management;
- Fair treatment of employees
- Independence from the State

The proposed law was developed by an expert group, and the SE legal form was being discussed with the government (as of July 2016). If adopted, the utility and impact of this legislation will depend on implementation arrangements including the establishment and functioning of an accreditation body, clarity and enforcement of legal status, and appropriateness of measures to prevent potential opportunistic behavior among profit-driven entrepreneurs who might seek SE status to reduce taxation.

2.5.2 Financing

To date, there are no dedicated financial institutions for the SE sector in Tunisia and SEs heavily rely, especially in the ideation and pilot stages, on grants from international organizations such as GIZ, AfDB, Oxfam, UNDP, AfD and the European Union. Several options for accessing capital and financing from commercial and government sources exist, but the interviewed SEs reported that the application process for commercial loans takes a lot of time and effort with uncertain results, and even more so in case of the government funding. It is due in part to the fact that state or state-backed funding channels (BTS, BFMPE) are largely targeting traditional SMEs, and have no specific funding windows for SEs.

As a result, at ideation and pilot stages, social entrepreneurs rely on (i) funding from friends and families; (ii) seed capital primarily in the form of preferential loans/grants (e.g., Réseau entreprendre) and angel funds (although the latter remain quite limited in Tunisia, Carthage Business Angels being the only example²); (iii) investment funds like Yunus Social Business (YSB) which also received financing from a Tunisian source, the Arab Tunisian Bank, and (iv) more rarely commercial bank loans (Charfi, 2016). Sometimes, SEs successfully secure a mix of foreign and domestic investment. Enda is also initiating a financing mechanism for SEs (Samad, 2016).

At the growth stage, SEs traditionally reach out to commercial banks. However in Tunisia, traditional financial institutions are reluctant to lend to SEs because of the risk associated with low profits margins and the participatory governance structure of SEs (Mayaux, 2016).

Recently, the Ministry of Investment Development and Cooperation has announced in the 1st Forum on Crowdfunding in October 27-28, 2016 that the draft law that is being prepared in Tunisia on the participatory financing mechanism (e.g. crowdfunding etc.) in the context of financing social enterprises and finding innovative financing mechanisms

² Carthage Business Angels is the first business angel community in Tunisia that supports early-stage enterprises with funding and incubation. Yet, this business angel is not solely dedicated to SEs.

Based on the interviews with investors, there is a lack of pipeline of SEs that present attractive opportunities for investment. The pipeline issue is not limited to SEs, but to the SME sector in general, and could reflect on a combination of two factors:

- Lack of flexible and diversified financing instruments adapted to various maturity stages of SEs
- The early stages of development of SE sector in Tunisia and lack of viable business models

2.5.3 Infrastructure and Human Capital

The physical infrastructure is generally good in Tunisia and does not represent an impediment to SE activities.

The general level of education is high in terms of quantity, however quality presents an issue, especially the lack of practical skills of recent university graduates. Entrepreneurial culture is generally weak and there is a limited flow of early stage ideas that grow into quality SEs. Additionally, the Tunisian labor market lacks managerial skills, which is a major constraint to SEs during their growth stage, because they cannot compete for wages with profit-driven businesses.

A promising development is that IHEC Carthage, a business school in Tunis, recently launched a Master's degree in entrepreneurship with a specialization in creating a SE (<http://www.ihec.rnu.tn>). Additionally, there is a wide range of offerings in business and entrepreneurship higher education in Tunisia (not specifically targeted to social entrepreneurship):

- Institut Supérieur de Gestion de Tunis (ISG),
- Master in entrepreneurial marketing at the Université de Sousse,
- Master in entrepreneurship in Sfax,
- Master in entrepreneurship at l'Ecole Supérieure de Commerce Business School in Manouba,
- Innovation orientated program at Ecole supérieure d'ingénieurs de Tunis – Engineering School and ENACTUS.
- Professional Master in Social and Solidarity Economy offered by the National Institute of Labor and Social Studies (www.intes.rnu.tn/content/En/14/Mastre-Professional.html)

However, data on how many graduates are employed by SEs or are establishing their own SEs is missing.

2.5.4 Information and Networks

Tunisia has a dynamic movement of SE enablers, organized as networks of SEs often established as NGOs that provide networking, training and incubating services. A mapping of SE enablers in Tunisia is presented in annex 5.3. Some findings from this mapping includes:

- There are a total of 4–6 SE networks in Tunisia providing training and networking services.
- The existing intermediaries are more equipped to support start up and small-scale SEs, but not to grow and scale existing SEs.
- The enablers are relying on international organizations (GIZ, EU) and international SE networks for funding or expertise and methodologies.
- Some intermediaries focus on specific sectors or regions to match government or donors' focus.
- There are no financially sustainable SE enablers in Tunisia, although several networks are exploring additional sources of revenue.

The most active programs include:

- **LAB'ESS:** In 2013, Développement sans frontières Tunisie (DSF Tunisia) [Development without borders Tunisia] launched the LAB'ESS [Laboratory for a social and solidarity-based economy]. The objective of LAB'ESS is to build capacity of Tunisian NGOs and SEs through networking opportunities, facilitation of dialogue between the socially-driven companies and NGOs, and advocacy. LAB'ESS also hosts:
 - The BAC: Bureau Associations Conseil [office of associations consulting]: providing training and technical assistance for Tunisian NGOs;
 - IMPACT: An incubator that surfaces and supports SEs through its 12-month coaching, hosting and networking program.
- **iBDA:** The first accelerator program launched in 2014 in partnership with the African Development Bank.
- **Yunus Social Business:** Established a business acceleration and the Tunisian social business fund to provide support and funding (USD 50,000–USD 350,000) to the most promising SEs.
- **Tunisian Center for Social Entrepreneurship:** Its mission is to create an enabling environment for social entrepreneurship and unlock social innovation and impact investment in the country. TCSE is playing a central role in the SE advocacy, awareness and education of the public in Tunisia in particular, youth, government officials, universities (Jamali, 2015). TCSE also developed a social network for that connects SEs with corporates and other actors of SE ecosystem. A collaborative internet platform that will connect SEs from Morocco, Algeria and Tunisia is also under development (www.taqamoul.org).
- **DEPART** project of ILO (Développement économique et plan d'action régional pour l'emploi décent en Tunisie) (2013 – 2015) supported local economic development through regional social and solidarity projects.
- **The Way Forward after the Revolution:** Decent Work for Women in Egypt and Tunisia. ILO project that supported social enterprises addressing the women employment challenge (2013-2016)

Additionally, international development and donor agencies, such as the WBG, UE, BC and GIZ, contribute to data gathering and analysis to understand (through stakeholder mapping, case studies) and support the SE ecosystem (through pilot project support).

3 COMPARATIVE CASE STUDIES

The SE case studies selected are four SEs operating in coastal and leading urban areas (Tunis and Sfax governorates) as well as SEs operating in more remote and lagging regions (Jendouba governorate in the Northwest and Medenine in the South), to explore how SEs face different opportunities and challenges and to address spatial disparities. The four cases are also representative of different sectors of activity, legal forms and partnerships with the government.

The core parameters in the case analysis are:

- Development challenge that the SE addresses
- Solution and value added
- Costs, revenues and other funding sources
- Results and cost-effectiveness
- Challenges
- Scalability of the solution

Figure 3 provides information about the four cases followed by case snapshots and comparative analysis of the experiences.

Figure 3 Case Studies Basic Information

SE Organization	Sector	Legal Form	Foundation	Employees	Beneficiaries	Financial Model
Dar Ellama	Health: Assisted living facilities	Limited Liability Company	2006	27 full-time	147 elderly and their families	Not-for-profit
Envitou Stas	Waste: Solid waste management	Limited Liability Company	2009	67 full-time	Municipal governments	For-profit
Nidaa El Kheir	Community development	NGO	2011	33 total, including 21 part-time	Community of 2,000 rural poor	Not-for-profit
Kolna Hirfa	Handicrafts and livelihoods	Limited Liability Company	2014	20 originally, 10 currently	25 women	For-profit

3.1 Dar Ellama: Provide Medicalized, Affordable Assisted Living for the Elderly



Figure 4 Elderly have affordable, medicalized facilities

Development Challenge. Tunisia has seen a demographic transition that makes the country the oldest population in Africa: the proportion of people over 60 has reached approximately 11 percent, and the projections indicate that this should double before 2019.³ At the same time, for more than one million elderly, the public sector supports 11 retirement homes equipped with 725 beds, most without assisted medical facilities. Private sector provision is limited, with only six private retirement homes that are not affordable for local populations (price range is USD 1,000–1,700 per month).

As a result, many elderly live in poor conditions, especially those with age-related degenerative and incapacitating diseases requiring special care, such as dementia and

³ <http://www.ins.tn/fr/resultats>

Alzheimer's disease. The entry of an elderly person to a retirement home is often considered to be a sort of abandonment, and their relatives can be strongly stigmatized as a result. However, the evolution of lifestyles is leading people to reconsider their thinking and the demand for supervision of the dependent elderly. A particular issue is that elderly care traditionally falls on the women in the family, which reduces their time and opportunities for employment.

SE solution. Retired French teacher Leila Gargouri created Dar Ellama in 2006 out of long sensitivity to the difficulties met by the elderly and their families. She used her own savings and loans from family members. Dar Ellama (literally “the house in which we meet each other” in Tunisian dialect) manages two assisted living facilities in Greater Tunis: one in a middle- and upper-class area and one in a lower-income area.

The private retirement homes offer a safe and dignified family living environment. In addition to full board, medical services, and supervision by qualified nurses, the facilities organize leisure and team activities (such as artistic workshops, card games, dominoes), specialized medical visits, and regular assessments by supervisory teams.

Leila identifies three types of beneficiaries of the facilities: dependent elderly (often older than 70 years, although no criteria of age has been introduced); residents’ families since the centers are placed in charge of the individuals whom families can no longer take care of; and the caregivers (two years’ post-secondary training) who have limited opportunities in their sector.

Operating costs. Each house represents a monthly expense of about 14 000 dinars, with key cost factors the rental costs of facilities conforming to requirements for retirement homes (20 percent), staff salaries (40 percent) and the running costs (40 percent for food, maintenance, utilities and VAT). Dar Ellama employs, across its two facilities, 27 full-time individuals. The monthly salaries contribute to a large share of the expense. The salaries are lower than the national average,⁴ which contributes to high personnel turnover despite professional development opportunities offered by Dar Ellama.⁵ Operating costs are lower than for government facilities, and living conditions are of higher quality.

Revenue and financing. Since 2009, Dar Ellama generates up to 1 000 dinars of monthly profits. The main revenue stream is payments from the residents or their families, ranging from USD 275 to USD 550 per month, depending on the facility and selection of service supplements. For the moment, there are only 30 paying customers, with an upcoming expansion in a third location with an additional 17 residents. Dar Ellama is self-sustainable and is covering all of its operating costs from customer payments, but profits remain insufficient to make significant investments. The expansion is financed through a microcredit.

Results. The key results achieved are improved living conditions for the elderly and their families, but the numbers remain very low. To date Dar Ellama has assisted 147 elderly since its creation. Leila testifies of her pride “*in solving on a daily basis significant social problems*” through her project, “*which answers a growing need which few structures concern themselves with*”. As proof of the importance of the stakes and the lack of appropriate availability, Dar Ellama has already been contacted repeatedly by families that would like to see a facility in that particular region.

Constraints. The key factors limiting the expansion of the model are:

⁴ The highest Dar Ellama monthly salary does not exceed USD 180, while a certified nurse would earn on average USD 225 according to Tunisia News, and the gross national income per capita is USD 335 (World Bank, 2014).

⁵ Through contracts for upgrading of professional qualifications (*Contrat d’adaptation et d’insertion professionnelle, CIAP*) in collaboration with the Tunisian National Employment Agency (ANETI).

- **Acceptance:** Living in a retirement home is considered abandonment by the family, and the latter can be stigmatized as a result.
- **Affordability:** Although low compared to commercial rates, the average monthly rate for a Dar Ellama resident is high compared to the average salary in Tunisia. The elderly are often not capable of paying themselves and depend on their family and relatives for support.
- **Human resources:** Certain caregivers lack motivation, in part due to the low monthly salary. The low incomes also generate a strong personnel turnover, which harms the smooth running of the facilities. Male workers are difficult to find, and they are needed for more strenuous tasks.

Scalability. Without addressing the above challenges, the model will be difficult to scale. Partnerships, including with government and other SEs, could help address acceptance issues (for example, through awareness-raising campaigns) and affordability issues (through collaboration with the government and local communities that can help reduce the operating costs). However, this would require collaborative leadership skills from the management and openness to partnerships.

3.2 Envitou STAS: Improve Waste Management through Technology Adoption and PPP



Waste is safely and efficiently managed in municipalities

Development Challenge. Waste management has become an increasing challenge in Tunisia. Municipalities that are responsible for waste management are underfunded. Many municipalities became unable to ensure the daily removal of waste because of strikes and general lack of capacity, generating an increase in unregulated and illegal rubbish dumps and black spots in public spaces covering the national territory.⁶ In 2014, 4.5 percent of waste collection and transport in municipalities was undertaken by private sector providers, and this statistic is unlikely to rise (at least in the short term) due to tensions within the sector.

SE solution. Wafa Bouddaga, a secondary school teacher, discovered the technology of semi-buried containers on a trip to Germany in 2006. Convinced of the ecological, economic, and social importance of its characteristics, she became the representative in Tunisia of a Finnish company that produces these containers. In 2009, Wafa launched the Envitou enterprise using her own savings and a small funding from the Finnish partners, and commercialized 16 semi-buried containers produced by the same company.

Launched in 2014 for municipalities, Envitou STAS replicates the model widely used in Germany and other developing countries. Semi-buried containers allow economical and environmentally safe collection and removal of large amounts of garbage with the following advantages:

- Cost of waste management can be reduced because of reduced frequency of (weekly rather than daily), and durability and low maintenance costs of the installations.
- Improved control of odor and bacterial contamination compared to current temperature-controlled installations required for hotels, clinics, supermarkets, private residencies, etc.

⁶ [GIZ, Report on the management of solid waste in Tunisia, April 2014](#). The utilization of transfer centers and dumps is entirely handled by private sector: municipalities contribute 20 percent of the costs of transfer and disposal, and the rest is subsidized by the state budget.

- Option for selective sorting at source can promote environmentally friendly waste treatment. Recycling: each container can be color-coded according to the type of waste.
- Improved lifestyle from smaller exposed part of the container and better aesthetics. The containers are not that visible, intended to integrate into the landscape. Their hermetic seal prevents problems with rodents, insects, etc.

Envitou STAS created a tripartite partnership with 11 private companies (pay for the containers and their maintenance) and their respective municipalities (purchase adapted equipment from third parties, and assures the regular waste removal). Envitou STAS provides free technical feasibility studies for prospective clients; installation of containers and training of staff on use and maintenance; and regular surveys of the collection circuits to optimize waste collection scheduling for municipalities. Envitou STAS also developed a portable panel to simplify waste removal, which is currently offered free of charge to municipalities.

Operating costs. After the initial investment in the technology license, the key operating costs come from the partial manufacturing (vats) and export of parts and assembly of the containers. Wafa says, "We based our approach on the polluter pays principle, whereby the producers of waste, and in particular the companies, had to finance a more significant proportion of the total costs of the collection of solid waste. This participatory approach was well received." Labor, R&D, and marketing costs are higher than for a purely profit-driven business because Envitou STAS invests in customer awareness (for example, about the importance of waste triage) and free services to its partners.

Revenues and other sources of financing. The key revenue stream is from sales of the semi-buried containers. The customer base is steadily expanding after the success of the initial PPP. Envitou STAS is also diversifying its product offerings to move to a new client base: residencies that require more aesthetically appealing containers, smaller-scale installations, etc. Envitou STAS uses commercial credit for expansion.

Results. The key results come from savings to Envitou STAS partners: 30 percent of savings from the reduced frequency of waste collection by the municipalities and an additional 20 percent from reduced cost of waste management to businesses. Indirect benefits occur from improved waste triage (by 4 out of 11 private companies) and reduced pollution from previously uncollected waste. Envitou STAS desires to standardize the system of semi-buried containers in residential areas, first by targeting private residences under construction, to improve the lifestyle of citizens and encourage recycling and selective sorting.

Constraints. As Envitou STAS continues to grow, it will need to address the challenge of awareness about good waste management practices:

- Triage of the waste is not yet a routine activity in Tunisia, and the general population and businesses need to be sensitized regarding its importance.
- Other municipalities might be less motivated to enter into partnership agreements, which is successful for the Envitou STAS model.

Scalability. Solid waste management represents a large market opportunity in Tunisia, but the success of SEs and other private providers will depend on the willingness of municipal management to adopt and replicate innovative solutions. There is also a question for profitable SEs such as Envitou STAS about balancing social and environmental benefits on the one hand and economic gains on the other.

3.3 Nidaa El Kheir: Address Service Gaps and Stimulate Jobs in Rural, Remote Communities



Local medical service and employment gaps are addressed

Development challenge. Beni Khedashine is a rural municipality that has some of the nation's lowest development indicators: unemployment is at 22 percent, poverty is at 20 percent, and 90 percent of the population lives in rural areas.

Access to basic services is limited, especially to medical facilities.

SE solution. The Nidaa El Kheir association (literally "appeal to charity") was created in summer 2011 in Beni Khedache by local actors who also provided the initial funding with the objective to provide much needed activities and services that had been virtually non-existent at the municipality level.

Nidaa El Kheir provides a broad range of services that fill gaps in service delivery and promotes sustainable livelihoods for youth, women, and people with chronic diseases:

- Free transportation of people with chronic diseases to medical facilities for regular treatments.
- Scholarships for poor youth to encourage completion of secondary and vocational education.
- Career training for women (in seaming, physiotherapy, etc.) and establishment of service centers in partnerships with national companies (such as textile companies that employ the trained women) and the government (such as two physiotherapy centers that are registered with the National Health Insurance Fund and allow for treatment reimbursement).

Operating costs. Donations from the local population, Tunisian diaspora, and international donors and NGOs provided the initial investment capital that covered capital costs and pilot stages of operations. The SE is registered as a non-profit NGO and is exempt from corporate tax. Revenues from the textile and physiotherapy centers cover operating costs. Scholarships for youth are funded partly from the SE's revenues. Nidaa El Kheir also subsidizes physiotherapy for poor customers who cannot afford the treatment.

Revenues and other sources of financing. The physiotherapy centers are the main revenue-generating activities. After a slow start and some investment in an awareness-raising campaign about the benefits of physiotherapy, the demand for services is steadily expanding. The price per treatment is 50 percent below private sector rates and is partly reimbursed by social security (with prescription). The sewing center provides additional revenue and covers the salaries of its staff. Nidaa El Kheir relies on donations for a part of its activities: scholarships, capital expenses for new facilities, and technical training programs for women.

Results. Nidaa El Kheir attends to the medical needs of almost 200 rural poor: 22 people benefit from transportation to treatment centers (three times per week per patient), and the rest benefit from affordable physiotherapy. The SE also provides sustainable income to 33 qualified staff and is planning to expand the physiotherapy centers. New premises are currently in the process of installation in Beni Khedache: they will host the physiotherapy center as well as the headquarters of the association. The sewing workshop currently employs 21 seamstresses part-time, who have benefited from seamstress training in the region.

Constraints. Its NGO status limits the SE's expansion of revenue-generating activities. For example, the physiotherapy centers are a separately registered entity, and the incorporation of other medical services into Nidaa El Kheir's activities is not allowed by its legal status.

Beneficiaries also need to be made aware of the benefits of the activities. For the physiotherapy centers, one physiotherapist said, *"The biggest challenge was to convince people of the utility of our actions, because they did not know what physiotherapy was. The doctors helped us a lot, by referring their patients to us."*

Scalability. According to one member of the association, "All our projects are replicable to other regions which are experiencing similar difficulties of access to specialized health care, due to the limited involvement of the public sector and private sectors in remote areas." However, this community-based model would seem to have limited opportunities for scale, since it relies so heavily on donations for expansion, and the growth of the revenue-generating activities is limited by its legal status. The model for scaling the livelihoods and training activities is not clear, and the SE might benefit from clarifying its business model and customer base.

3.4 Kolna Hirfa: Empower Women through Upskilling Traditional Handicrafts



Rural women are empowered in a livelihood program

Development challenge. The artisanal sector employs 11 percent of the total Tunisian population, of which 85 percent are women, and generates 350,000 jobs in Tunisia (mostly part-time). Productivity and value of the sector is low, and it only represents 4.6 percent of the Tunisian gross domestic product and 0.1 percent of its exports.⁷ Contributing factors include a lack of skills, decline in tourism due to safety concerns, and irregularity of production. This has negative effects on the livelihoods of rural populations, especially women.

SE solution. Kolna Hirfa (literally "all artisans" in Arabic) is based in the North West of Tunisia. The Kolna Hirfa livelihood program provides training to rural women artisans between 25 and 50 and builds an end-to-end value chain. Instructors from the National Office of Craftsmanship trains artisans on production methods. The training combines indigenous weaving with modern designs, new tools, techniques, and processes required for production of high-end products. Upon completing the training, women receive an "associate" status in the company and directly benefit from its revenues. This participatory approach empowers women to participate in decision-making processes and acquire business skills in managing a handicrafts company, including choosing products and raw materials and pricing production. Rania, Kolna Hirfa's manager says, "The idea of creating an enterprise and not an association to group these women was frightening, especially since women already work in spite of husbands' disapproval. It was not accepted, at the beginning, but the fact that I am from the region and in convincing them that we are going to help, they finally took the risk and accepted."

Operating costs. The operating costs include the rental cost of the production facility, raw materials, packaging, marketing, transportation, and distributor fees.

⁷ <https://www.tresor.economie.gouv.fr/File/420346>

Revenues and other sources of financing. Kolna Hirfa received a grant from the International Office of Migration, which funded the initial capital and operational expenses. All revenues currently come from sales. Kolna Hirfa has yet to adopt a uniform pricing policy: the margins are not fixed and depend on products and on the artisans. Women artisans receive 70 percent of the profits, 30 percent pays the manager salaries, and 10 percent is reinvested into the company. However, sales have been declining, and Kolna Hirfa did not succeed in receiving commercial credits. Production has also declined as a result, and 60 percent of women associates left the company due to low profits.

Results. Kolna Hirfa successfully trained 39 women in high-end handicrafts techniques and production management. It might have generated “soft” benefits in terms of increased self-confidence and a demonstration effect from women’s employment in their community. Rania says, “The company is innovative in its participatory and social aspects, and by the fact that it directly integrates the artisan with their activity.” However, the program has not improved the women’s livelihood in a significant and sustainable way.

Constraints. Kolna Hirfa had an innovative organizational model with its first participatory approach for a handicrafts company, but it faced serious market challenges: competition, weak market demand, and lack of access to finance. The management capacity is limited, which contributed to a weak business model. Rania believes that there is a real necessity of setting up a new legal framework to facilitate their activity. The enterprise also has no means of transportation, yet Kolna Hirfa’s activity requires an adequate means of transport to be able to reach the zones where the women are located.

Scalability. The current business model is not scalable, and the company’s survival is questionable. Important lessons from the experience could inform a revision of the model: a need for an upfront market analysis, effective marketing, and distribution strategy, etc.

3.5 Comparative Analysis: Balancing Social Impact, Financial Sustainability and Scale

The four cases have different development objectives and business models, but some early lessons can be drawn from a comparative analysis (Figure 5).

Figure 5. Comparative analyses of the four SE cases

SE Organization	Development objective	Clear business model	Financial sustainability	Scalability	Value to the poor	Partnerships
Dar Ellama	✓	✓	✓		✓	
Envitou Stas	✓	✓	✓	✓	indirectly	✓
Nidaa El Kheir	✓	partly	partly		✓	✓
Kolna Hirfa	✓				partly	partly

All four cases have a clear social or environmental mission anchored in Tunisia’s development challenges. All four SEs address market and government failures, and for the moment face limited or no competition. However, most cases also struggle with financial sustainability: one organization (Kolna Hirfa) is not sustainable, another (Nidaa El Kheir) relies heavily on donations for parts of its activities, and yet another (Dar Ellama) faces difficulties in finding credits and retaining qualified labor for below the market salaries. The only SE (Envitous Stas) that has a growing revenue stream caters to the private sector as its customer. This is also the only SE that has potential for a relatively fast expansion and scale.

The clarity and focus of the business model have positive effect on the financial sustainability, and partnerships have an important value in generating external sources of funding. In the case of Envitou Stas and Nidaa El Kheir, government partnerships also contributed to demand generation from the customers.

Finally, all of the cases generated value to the poor. The most direct benefits come from the SEs for which the poor or disadvantaged are the direct customers of their services.

4 CONCLUSIONS AND RECOMMENDATIONS

This section presents a set of conclusions drawing from the findings of the analysis and lessons of international experience. The section concludes with recommendations for the government on how to use SEs more effectively as drivers for economic and social development in Tunisia.

4.1 Benchmarking Tunisia: Room for Growth

The nature of the government partnership with SEs varies broadly: from early stage forms of isolated examples of collaboration to comprehensive policies and programs that adopt a holistic view of the SE sector. For example, the United Kingdom and United States governments see in SEs an opportunity to improve the provision of public services in terms of reach and quality, and at the same time create additional high-quality jobs. Bangladesh has been a global pioneer of SE since the 1970s, thanks to government partnerships with organizations such as BRAC and the Grameen Bank. Both organizations helped to improve service delivery to the poor in Bangladesh and had an important international footprint (World Bank, 2016).

In terms of the level of sophistication of policy framework for SEs, Tunisia is at the early stages, comparable with Kenya and South Africa (Figure 6). However, the size of the SE sector in both countries is much larger than in Tunisia. In the MENA region, Egypt is an example of emerging government support to SEs, especially as a driver for youth employment, women empowerment and regional (sub-national) development and in Morocco, as a driver to provide solutions to social problems and long-term employability, especially in rural and marginalized groups (Social Enterprise UK, 2014). At the other end of the spectrum, there are examples of mature policy approaches, such as the United Kingdom, United States and South Korea, where SEs are recognized and organized, work through institutions that represent them and engage in policy dialogue with the government. In these countries, the SE sector is an important driver for economic and social development.

Figure 6 Various Categories of SE Policy Frameworks and Results

Category	Early Stage	Emerging	Growing	Mature
Country examples	Kenya, South Africa, Morocco	Colombia, Egypt, India	Canada, Chile, Italy, Malaysia, Poland, Thailand	South Korea, United Kingdom, United States
Recognition	No legal form for SEs	No legal form for SEs	Legal form for SEs created or in process of creation	Legal form for SEs created
Support	No policies or regulation for SEs Small- and medium-sized enterprise policies available	Political will to support SEs or social innovation Small- and medium-sized enterprise policies available	Policies and regulations for SEs	National strategy or policy for SEs with large range of tools and programs to support them
Enablers	Some private organizations (e.g., universities, foundations) support SEs	Growing number and variety of organizations supporting SEs	Ecosystem stakeholders are forming networks	Enablers include public agencies and form an interconnected ecosystem
Level of SE Activity	Presence of SEs as NGOs or companies in some sectors or geographies	Presence of SEs as NGOs or companies in multiple sectors or geographies	Widespread presence of SEs in multiple sectors or geographies	Extensive and organized SE sector

4.2 Key Conclusions from the SE Sector Analysis: Potential to Be Nurtured

As demonstrated by examples from the other countries, and the literature review, the SEs could support Tunisia's development in various ways:

- **In the short to medium term**, SEs can help fill the gap in public service provision. As demonstrated by the experiences of Dar Ellama and Nidaa El Kheir, SEs can expand the coverage and improve the quality of much needed services to disadvantaged populations at affordable cost.
- **In the medium term**, SEs can help integrate youth and women into the labor force (as demonstrated by the examples of Nidaa El Kheir and Kolna Hifra), and improve cost-efficiency service provision through public-private collaboration (example of Envitou STAS)
- **In the longer term**, SEs can increase economic and social cohesion and economic benefits through community-based development (Nidaa El Kheir) and decentralized service provision (Envitou STAS), and by generating employment for populations not fully engaged in the labor force (Nidaa El Kheir, Kolna Hifra).

Despite the promise of SEs to become an important driver of social and economic development, they still face significant hurdles in achieving their full potential. Although the number of SEs are growing in Tunisia, they are still at the early stages of development. Most of the Tunisian SEs are still in the ideation or piloting stage of their operations, and very few exhibit meaningful scale. The mapped SEs scored have relatively weak partnerships, including government collaboration, and are not actively using innovation and technology in their operations. These findings are confirmed by SE stakeholders, who note a weak pipeline of saleable or “investable” deals coming from the SE sector.

For governments to truly harness the potential of SEs, more SEs need to enter the market and achieve scale. This in turn requires that the barriers to entry and growth for SEs be reduced, something to which governments can contribute.

Many challenges faced by SEs in Tunisia relate to the ecosystem constraints:

- **Policy and Regulation.** The current regulation limits the emergence of business models with a “triple bottom line”. As companies, the SEs are exposed to corporate taxes, which affects their financial viability. As non-profits, they are limited in the choice and scale of revenue-generating activities.
- **Financing solutions.** Access to grants and subsidized loans through government programs has a lengthy application process that often lacks transparency. Commercial loans are difficult to secure because SEs rarely have collateral, and in most cases have small profit margins. There are some impact investors and philanthropies that provide funding to SEs, but options are limited.
- **Infrastructure and human capital.** There are good education programs for young social entrepreneurs in Tunisia, which provides a promise of a new generation of social entrepreneurs. However, there is a lack of mentorship and incubation programs that would support the unexperienced social entrepreneurs through their first ventures.
- **Information and networks.** Credible information about the Tunisian SE sector is largely unavailable. Media coverage of the SE sector is rare, and there are few celebrated cases of SEs that could stimulate interest from the private sector and citizens. There are some strong stakeholders in the SE ecosystem that provide support to SEs (like LAB'ESS), but they do not form a cohesive support system to the sector. SEs are not organized and their voices are rarely represented in the public-private dialogue.

4.3 Recommendations: Opportunities for Government Stewardship

SEs have the potential to serve as long-term partners to the government in providing services to the underserved, improving the function of existing public services and contributing to broader socio-economic development.

While SEs have demonstrated an increased entrepreneurial activity and attract local talent looking to direct their efforts to pressing social problems, government stewardship is important in assuring that this entrepreneurial energy is nourished and directed toward the country's strategic priorities. Moreover, without an active effort on behalf of policy makers to engage with SEs, the chances of scaling promising solutions through the public sector are reduced.

While additional research and consultations would be needed to identify specific policy reforms and instruments that could unleash the potential of the SE sector, the government could consider the following areas for support:

- **Championship of the SE sector.** Government's recognition of the importance of the sector can generate public interest toward SEs and awareness of their benefits, incentivize corporates to support SEs through CSR and motivate entrepreneurs to start social businesses.
- **Define SE for Tunisian context.** Providing a legal or operational definition for SEs can stimulate the creation of businesses with a "triple bottom line" (economic, social and environmental), promote targeting of SEs by government and donor programs and facilitate data collection and quality control (for example, through accreditation programs).
- **Incorporate SEs into strategic development agendas.** Service delivery, employment, and the decentralization agenda lends themselves well to government collaboration with SEs and can improve achievement of development targets at a higher pace and lower cost. For example, decentralization provides a window of opportunity for collaboration by disrupting old lines of authority and allowing SEs to enter the market. Local governments have greater autonomy in being able to contract directly with SEs, which could address the capacity gaps within local governments and increase citizen participation. Recruiting and training employees from local communities is a common feature of many SE models. SEs already working in local communities are likely to be a trusted source of services and information and can be relied on to increase participation in the decentralization process.
- **Stimulate financial sustainability of the large NGO sector in Tunisia.** Several NGOs in Tunisia successfully improved their business models and diversified their sources of funding. "Professionalization" of NGOs can contribute to growth and maturity of the social enterprise sector in Tunisia, but will require capacity development support from enabling agencies, especially to delivery training programs for NGOs (to develop their fiduciary and management capacities) and to accredit those that are ready to help local government to provide social services. Several examples of training⁸ and accreditation programs⁹ exist and could be adopted in Tunisia.
- **Establishing clear systems and incentives for public procurement and PPPs.** To more actively engage SEs in service delivery and community-based management, there should be clear and simple systems for entering in public-private collaboration under PPPs, public procurement or other types of partnerships. Depending on the development challenge to which the SEs contribute, innovative approaches such as Impact Bonds might be well suited to support results-

⁸ For example, the WBG offers an online course for SEs on Innovative Business Models for Better Impact:

<https://olc.worldbank.org/content/innovative-business-models-better-impact-self-paced>;

<https://olc.worldbank.org/content/innovative-business-models-better-impact-facilitated>

⁹ <http://www.socialenterprisemark.org.uk/>

based contracting. Consumer finance is another way to stimulate SE participation in service delivery and empower citizens.

- **Provide tax incentives for SEs and their investors.** Government can also go further by providing tax incentives to SEs and fiscal incentives to benefit those making a qualified investment in SEs, including profit-generating SEs.
- **Implement strategically targeted grant programs and other financing mechanisms.** The creative potential of SEs can be directed toward the most pressing social challenges to tackle market and institutional failures. Government can use a range of crowdsourcing tools, such as competitive grants and challenge prizes, to incentivize development, replication and scale of innovative SE solutions. Additionally to grants, a more diverse set of financing mechanisms (e.g. subsidized loans, equity financing) should be developed in partnership with SE funding agencies including impact investors.
- **Support ecosystem enablers.** Given that it can be challenging for policy makers to work directly with individual SEs, governments may also wish to support intermediary organizations to better facilitate the support and scale-up of the sector. The enablers can improve the capacity of SEs through training, mentorship and incubation programs; increase collaboration and integration among public and private channels; and identify and promote successful business models (as opposed to just individual enterprises) such as social franchising, to be scaled. The enablers can also provide services such as certification or social impact assessment.
- **Encourage data collection and social impact analysis.** To effectively engage with SEs, government should create a reliable M&E and data collection system that will allow evidence-based policy formulation and analysis of impact from the sectoral level. This data collection could be done more effectively in partnership with academia and think tanks. For example, a regular social enterprise survey could provide reliable data on the state of the social entrepreneurship in Tunisia, and support policy dialogue, design and evaluation.

The findings and recommendations of this report provide a starting point in a public-private dialogue with SEs and various stakeholders of their ecosystem. Additional consultations, data collection and analysis would be needed to prioritize and sequence various actions, and design policies and instruments that support the SE sector.

Capacity development is necessary for both the government (to improve understanding and skills for design and implementation of policies promoting social entrepreneurship) and SEs (to improve their organizational capacity, ability to work with the government, and attract investments) to assure effective collaboration and implementation of reforms.

Rigorous data collection and M&E should provide the foundation for evaluation of results from SEs and government programs that target the SE sector.

5 ANNEXES

5.1 Bibliography

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5.2 List of Interviews

	Name	Title/organization	Type
1.	Akrem Haddad CEO H-CORP	H-Corp/B-Idea	Enabler
2.	Anis Ghodhbane	Anis Ghodhbane - Mourakiboun	Enabler
3.	Asma Mansour (2 interviews)	Tunisian Center for Social Entrepreneurship (TCSE) (founder and president)	Enabler
4.	Essay Benchafai Nasri	ATUPÉE - Association Tunisienne pour l'Entrepreneuriat et l'Essaimage	Enabler
5.	Faten Ben AISSA	Réseau Entreprendre, Directeur Administratif et Financier	Enabler
6.	Houda Ghozzi	MSB (Mediterranean School of Business) - IHEC Carthage	Enabler
7.	Ines Nasri	POSITIVER - ATUPEE - Build Your Business Chargée de la promotion et d'assistance aux PME/TPE à la chambre de commerce et d'industrie de Tunis	Enabler
8.	Kanill Jeradi	Réseau Mentorat d'affaires	Enabler
9.	Leila Charfi (2 interviews)	Yunus Social Business - Country Director	Enabler
10.	Lotfi Ben Aissa Coordonateur Projet de Loi sur l'ESS	UGTT - Union Générale des Travailleurs de Tunisie	Enabler
11.	Mehdi Baccouche (2 interviews)	Laboratoire de l'Economie Sociale et Solidaire (LAB'ESS)– Director of Programs	Enabler
12.	Rym Baoudi	Fondation BIAT	Enabler
13.	Sarra Zitouni	Association pour la Promotion de l'Enseignement et de la Recherche en Entrepreneuriat (President)	Enabler
14.	Walid Jebili, Research economist	ENDA Inter-Arabe/ENDA Taemweel	Enabler
15.	Benoît Mayaux	Réseau Euromed des Droits de l'Homme (formerly working for Lab'ESS)	Expert
16.	Omar Abdel Samad	Beyond Reform & Development – Consultant	Expert
17.	Fatma Triki	Enda inter-arabe institution de microfinance, Marketing & Studies	Funding
18.	Beligh Ben Soltane, International Marketing Director	FIPA Tunisia (Invest in Tunisia Agency)	Government
19.	Hamdi Ksaa	BFPME	Government
20.	Riadh Hanchi	BTS Banque Tunisienne de Solidarité	Government
21.	Houssem Aoudi	Cogite Coworking Space	SE
22.	Maher Oudira	Manager & Founder, Green ALAFCO	SE
23.	Naoufel Haddad	Tunisie Coop	SE

