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Global Forum on Competition

COMPETITION POLICY AND THE INFORMAL ECONOMY

Contribution from Tunisia

-- Session II --

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COMPETITION POLICY AND THE INFORMAL ECONOMY

-- Tunisia --

1. Defining the informal economy

1. There are a number of controversial definitions of the informal economy, which involve such elements as firm size, whether an activity operates fairly or not, and its legality. But the informal economy may be defined as “all activities operating outside the channels and forms generally accepted under the standards prevailing in each country”.

2. Reasons, characteristics and size

2. Development factors for the informal economy may be divided into a number of categories:

- **Level of economic development:** The informal sector’s share of the overall economy is heavily dependent on the economy’s level of development: as an economy develops, the risk of informal-sector expansion diminishes.
- **The country’s economic and social policy:** Educational wastage and employment policy are conducive to an influx on the job market of unskilled young people attracted by the informal economy. In addition, a lack of suitable infrastructure, such as industrial parks and new business incubators, aggravates the development of this scourge.
- **Barriers to entry into the formal economy:** Difficulties involving prerequisites for exercising certain professions and securing loans, along with high investment costs, make the informal economy less costly and more attractive.

Which products and services are generally supplied by the informal sector?

3. The informal sector’s scope of intervention is very broad, encompassing industry (construction, textiles, machinery, electrical engineering, etc.), trade, agriculture, crafts and services.

How big is the sector?

4. The informal sector began to expand in Tunisia in the 1980s with 365 000 informal businesses in operation. It accounts for:

- 15-20% of gross domestic product;
- 20% of trade;
- Value added estimated for 1997 at 5 541 million dinars (excluding the agricultural sector).

5. It should be pointed out that the statistics available on the informal sector are estimations. It is very difficult to get precise statistics on the informal economy, but what figures there are show that the sector’s size in the Tunisian economy is relatively stable.

Does the informal economy affect competition in the formal sector?

6. The informal sector is generally made up of small entities having little capital and operating with primitive production methods and unskilled labour. Nevertheless, such firms may offer low prices that meet consumers' needs. They may therefore compete with the formal economy in some sectors (*e.g.* cosmetics and sanitary ware) – a situation that is opposed by industry, which is calling for the government to combat it.

7. The informal economy can also exert competitive pressure on the structured sector, spurring businesses to offer consumers products at affordable prices.

Do the formal and informal economies collaborate?

8. In some cases, businesses in the formal economy call on those in the informal economy to dispose of products that are substandard or past sell-by date, and even to subcontract certain tasks.

3. Enforcement of competition law

9. The scope of application of competition law encompasses all sectors and all business firms operating in the informal or formal economies, insofar as the enforcement of competition law is unrelated to conditions of legality or fairness. The authorities are required to judge behaviour irrespective of an operator's standing. But in practice, the competition authorities encounter difficulties identifying operators and their market shares, turnover, etc., and in finding proof and assessing the market impact of the practices in question.

4. Control of the informal sector

10. The competition authorities' objective is not to eliminate informal trade but rather to circumvent it, and to this end a number of measures have been taken:

- Bolstering legal and economic provisions:
 - Elimination of licensing, which was replaced by the imposition of specifications to facilitate integration of the informal sector;
 - Facilitation of loans to foster economic activity (Solidarity Bank);
 - Enactment of several laws consolidating the principle of freedom to exercise economic activities and integration into the formal sector.
- Regulatory mechanisms for technical controls of imported products and merchandise;
- Programme for upgrading distribution channels;
- Strengthening economic control measures:
 - Fight against counterfeiting;
 - Fight against the expansion, in time and space, of weekly markets;
 - Ban anarchistic geographic establishment of trading activities.

- Improving conditions for doing business:
 - Create dedicated areas for traders operating in the informal sector;
 - Organise weekly markets and establish rules and conditions for the creation and operation of such markets;
 - Assist participants in informal channels to become part of the organised sector (awareness-building campaigns, etc.);
 - Facilitate establishment in specially outfitted locations;
 - Institute a plan to modernise municipal markets (problems posed by anarchistic trade in public thoroughfares);
 - Set up mixed local boards (trade, interior) to oversee the progress of work in this area.