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FOSTERING SOCIAL ENTERPRISES IN EGYPT, LEBANON AND TUNISIA: CHALLENGES AND OPPORTUNITIES

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1 INTRODUCTION

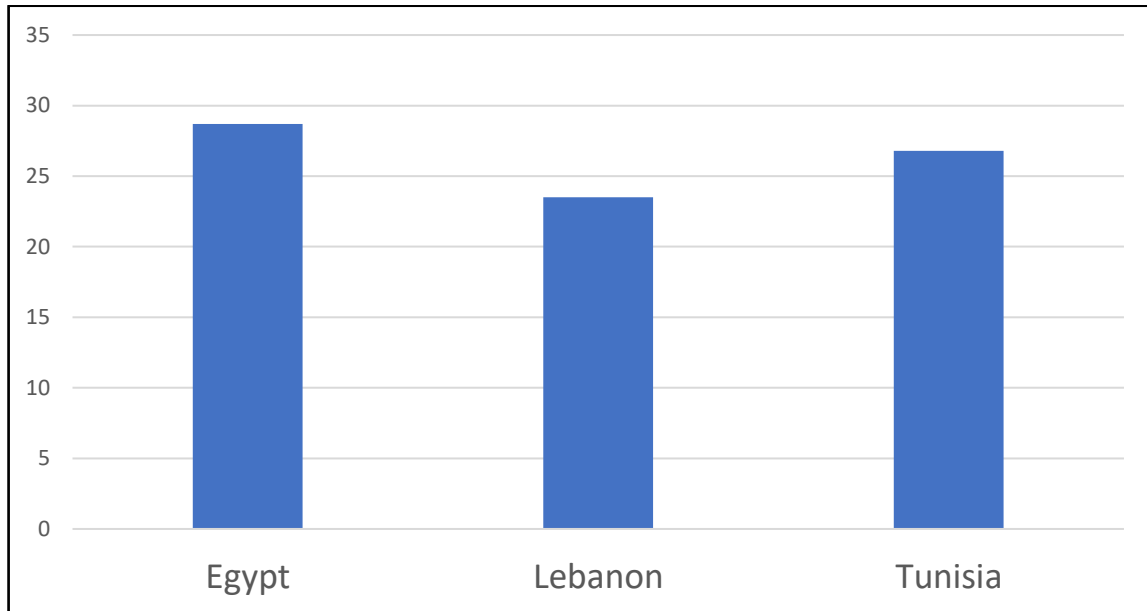
Social Enterprises (SE) are businesses operating with a social purpose. They re-invest all or part of their surpluses into their social objective and combine the social impact of non-profit organisations with the efficiency and sustainability of for-profit businesses. According to the UN (2018), social enterprises represent “a unit that utilises market means but primarily to serve social purposes, such as employing and training disadvantaged individuals, producing products of particular social value or serving disadvantaged persons in other ways”. They account for one of the main actors in the Social and Solidarity Economy (SSE) in developing and developed countries. The political importance and visibility of the SSE have increased considerably (ILO, 2022) due to its significant impact on the creation of decent work, productive employment and a better standard of living (ILO Centenary Declaration for the Future of Work, 2019). Social Enterprises are gaining a momentum, Barranet al. (2020) estimate the number of direct jobs in social enterprises rise from 4.43 Million to 5.46 Million between 2020 to 2030 in 12 African countries.¹ Ayadi et al. (2019) highlight the great potential of social businesses in generating decent employment opportunities within low-growth sectors and for vulnerable groups, like women and young people in the Mediterranean region, and the contribution of SSEs to the formalisation of the informal sector in Tunisia and Morocco (Mouelhi et al., 2021; El Mekkaoui et al., 2021). Moreover, they can act as a buffer for economic shocks, for instance in the case of the Covid-19 pandemic (El Mekkaoui and Loukili, 2022).

The MENA countries have experienced persistent youth unemployment, which ranks as one of the highest in the world (OECD, 2022.a). Additionally, a substantial number of young individuals in the region are neither employed, enrolled in education, nor undergoing training² (UNICEF, 2023).

¹ Ivory Coast, Egypt, Ethiopia, Ghana, Kenya, Morocco, Nigeria, Rwanda, Senegal, Tunisia, Uganda, and South Africa.

² Enabling success: Supporting Youth in MENA in their Transition from Learning to Decent Work, ILO, UNICEF, 2023.

Figure1- Share of youth not in employment, education or training (NEET) (%) - Annual



Source: LFS - Labour Force Survey (available on ILO website <https://www.ilo.org/>) Latest available year: 2021 for Egypt, 2019 for Lebanon and Tunisia

Moreover, there is a notable gender disparity in the workforce, with women being significantly under-represented. The SSE (Social and Solidarity Economy) and, more specifically, social business, emerge as a potential solution to address these challenges, in a manner that is both financially sustainable and impactful. By adopting the principles of social business, these issues can be effectively tackled, offering a viable approach to create positive social change, whilst ensuring economic viability.

Our objective in this policy paper is to provide a framework for promoting social enterprises in Egypt, Lebanon and Tunisia. Using survey data (see the appendix) collected in 2023 from a sample of 33 MSMEs active in green, blue and creative industries in these countries, we highlight the key challenges faced by social enterprises and provide policy recommendations.

The first section provides an examination of the legal frameworks and landscapes related to social business in Egypt, Tunisia and Lebanon. In the second section, we present the key findings from our survey and discuss the challenges encountered by MSMEs in these countries. The final section outlines policy recommendations.

2 LEGAL FRAMEWORKS AND ECOSYSTEM ON SOCIAL ENTREPRENEURSHIP IN EGYPT, TUNISIA AND LEBANON

Legal frameworks specific to social business are not common in MENA countries. There is no specific law dedicated to social business in Egypt, Tunisia and Lebanon. However, each country has taken steps to support and promote social entrepreneurship and social business activities within their respective legal frameworks.

Tunisia

In Tunisia, the legal framework for the Social and Solidarity Economy provides a foundation for social entrepreneurs to operate. Tunisia was the first country in the region to implement a legal and regulatory framework that supports and encourages social entrepreneurship and social business activities within the context of the Social and Solidarity Economy (SSE). According to Barranet al. (2020), in 2020 Tunisia had 33,000 social Enterprises (SE) creating 48,100 direct jobs and the Prevalence rate of SE/SME was 5.5%.

The Law on Social and Solidarity Economy in Tunisia, enacted in June 2020, provides a legal framework for various SSE entities, including associations, cooperatives and mutual societies. The law defines the SSE as economic activities undertaken by associations, cooperatives, mutual societies and other similar entities, with the primary objective of pursuing social and solidarity goals rather than maximising profits. Whilst this law does not specifically focus on social business, it encompasses a wide range of social and solidarity-based economic activities, including those undertaken by social enterprises. The government has implemented programmes and initiatives aimed at fostering social entrepreneurship, providing training, mentorship, access to finance and other forms of support for social entrepreneurs. Furthermore, Tunisia has established business incubators, accelerators and support organisations that cater to social entrepreneurs. These entities offer resources, networking opportunities and mentorship to assist social businesses in their development and growth.

Key provisions of the Law on Social and Solidarity Economy in Tunisia include:

Legal recognition: The law establishes a legal framework for SSE entities, providing them with recognition and a distinct legal status.

Support and promotion: The law outlines measures to support and promote SSE initiatives, including financial support, access to funding and credit facilities, and capacity-building programmes.

Tax incentives: SSE entities may benefit from certain tax advantages and exemptions to encourage their development and growth.

Participatory governance: The law emphasises the importance of democratic decision-making processes and participatory governance within SSE entities, ensuring the active involvement of members and stakeholders.

Solidarity-based finance: The law encourages the development of solidarity-based financial mechanisms, such as microfinance and social investment funds, to provide financial support to SSE initiatives.

Partnership with public authorities: The law promotes collaboration between SSE entities and public authorities, facilitating their engagement in public policies and projects.

Examples of key initiatives, networks and organisations in Tunisia that support social entrepreneurship

Yunus Social Business Centre (YSBC) Tunisia: YSBC Tunisia is part of the global Yunus Social Business network. They support social entrepreneurs by providing training, mentorship, and access to funding and networks. YSBC Tunisia focuses on creating sustainable social businesses that address pressing social and environmental challenges.

Tunisian Centre for Social Entrepreneurship (TCSE): TCSE is a leading organisation in Tunisia that promotes and supports social entrepreneurship. They offer capacity building programmes, mentorship, networking opportunities and access to funding for social entrepreneurs.

Réseau Entreprendre Tunisie: Réseau Entreprendre Tunisie is a non-profit organisation that supports entrepreneurship, including social entrepreneurship. They provide mentorship, coaching and access to a network of experienced entrepreneurs to help social entrepreneurs develop their ventures.

Réseau Tunisien de l'Entrepreneuriat Social (RTES): RTES is a network of social entrepreneurs and organisations that promote social entrepreneurship in Tunisia. They offer training, advocacy and networking opportunities to foster the growth of social entrepreneurship.

Centre des Jeunes Dirigeants d'Entreprise (CJD Tunisia): CJD Tunisia is an organisation that supports young entrepreneurs, including those in the social entrepreneurship sector. They provide mentoring, training and networking opportunities to empower young social entrepreneurs.

Enactus Tunisia: Enactus Tunisia is a branch of Enactus, an international non-profit organisation that supports social entrepreneurship in universities. They work with students to develop social entrepreneurship projects that create positive social impact.

Womenpreneur Initiative: Womenpreneur Initiative is an organisation that supports and empowers women entrepreneurs in Tunisia, including those in the social entrepreneurship space. They provide training, mentorship and networking opportunities specifically tailored to women entrepreneurs.

Lebanon

Up to this date, there is no dedicated policy or legal framework for regulating and supporting social enterprises in Lebanon and, according to Maroushet al. (2020), social entrepreneurs are utilising established legal structures to launch their organisations, opting for either non-governmental organisations (NGOs) or commercial enterprises, such as SARL (Société à Responsabilité Limitée) or SAL (Société Anonyme Libanaise).

Entrepreneurial activity in general, as well as social entrepreneurship, is under threat, due to the difficult macroeconomic situation in the country and multiple crisis situations, as well as the currency and banking crisis.

As for the actors, the ecosystem is rather crowded with numerous organisations providing diverse forms of assistance to entrepreneurs and social entrepreneurs. Most support organisations don't even distinguish between social entrepreneurship and entrepreneurship and often offer standard support to all. Different key initiatives and organisations have been developed to support social entrepreneurship.

Key initiatives, network and organisations in Lebanon that support social entrepreneurship

Alfanar Lebanon: Alfanar is an independent NGO that support social enterprises in Lebanon. They provide funding, tailored business support, and capacity building to help social entrepreneurs scale their impact.

Berytech: Berytech is a leading business development organisation that provides support to entrepreneurs, including those in the social entrepreneurship space. They offer incubation and acceleration programmes, mentorship, funding opportunities and access to networks and resources.

Makhzoumi Foundation: The Makhzoumi Foundation is a non-profit organisation that provide programmes in entrepreneurship and support to social entrepreneurs through training, funding and mentorship.

Shabab 2030: Shabab2030 is an initiative that focuses on youth-led social entrepreneurship. They provide mentorship, training and networking opportunities to empower young social entrepreneurs and support for their ventures.

Social Enterprise Academy Lebanon: The Social Enterprise Academy Lebanon offers learning programmes to social entrepreneurs. They provide training on topics such as business planning, impact measurement and sustainability.

Lebanese League for Women in Business (LLWB): LLWB is an organisation that supports women entrepreneurs, including those in the social entrepreneurship sector. They offer mentorship, networking opportunities and training programmes to empower women in business.

Egypt

In Egypt, whilst there is no specific law relating to social business, the government's efforts to support and promote social entrepreneurship reflects a growing recognition of its importance in addressing social and economic challenges. Barran et al. (2020) reported that in 2020, Egypt hosted 135,000 SEs, generating 1,188,000 direct jobs. The prevalence rate SE/SMEs in the country was calculated at 5.5%.

Ramadan (2021) conducted a series of interviews with social enterprises in Egypt and identified the absence of a legal framework and limited access to financial resources as the main barriers for social entrepreneurship.

In 2012, the Ministry of Investment and International Cooperation founded the Egypt Network for Integrated Development (ENID/El Nidaa), an initiative supported by UNDP, to foster the creation and sustainable employment opportunities in Upper Egypt. Four programmes were developed: Enhancing Basic Services; Advancing Medium, Small, and Micro Enterprises (MSMEs) and Entrepreneurship; Promoting Sustainable Agricultural Development; and Facilitating Knowledge Dissemination and Policy Advocacy.

The Social Innovation Hub, a part of Microsoft's "Aspire Woman", is another important initiative, launched in 2014, which aims to empower young women, build technology, business and soft skills and create economic opportunities. According to the UN, this initiative has reached almost 60,000 Egyptian young people and provided economic opportunities for over 2,000 women through freelance, micro-entrepreneur and job placement opportunities. Additionally, Egypt has witnessed the establishment of incubators and accelerators focused on social entrepreneurship.

Key initiatives, network and organisations in Egypt that support social entrepreneurship

Innoventures: Innoventures is an organisation in Egypt that promotes entrepreneurship and innovation, including social entrepreneurship. They offer incubation and acceleration programmes, mentorship, access to funding and networking opportunities for social entrepreneurs.

Nahdet El Mahrousa: Nahdet El Mahrousa is a social innovation hub dedicated to social entrepreneurs. They support social enterprises through capacity building, mentorship, and access to networks and funding. They focus on projects and initiatives that address societal challenges and have a positive social impact.

RiseUp: RiseUp is an entrepreneurship platform that hosts an annual summit and offers year-round programmes and initiatives to support entrepreneurs, including those in the social entrepreneurship sector. They provide training, mentorship, networking and access to investors for social entrepreneurs.

Misr El-Kheir Foundation: Misr El-Kheir Foundation is a non-profit development institution that supports social initiatives. They provide funding, training and mentoring to social entrepreneurs.

Flat6Labs: Flat6Labs is a startup accelerator that supports early-stage companies, including social enterprises. They offer funding, mentorship and a supportive ecosystem for social entrepreneurs to grow their ventures.

3 PRESENTATION OF THE RESULTS SURVEY AND MAIN CHALLENGES

A survey has been designed and distributed amongst INVESTMED³ grant beneficiaries. These selected entrepreneurs are active in blue, green and creative sectors, creating job opportunities for young people and women. Therefore, they all contribute to social objectives within the economy and are recognised as social businesses (see Ayadi and Forouheshfar, 2023a, 2023b, 2023c). Indeed, 83% of respondents declare that their firm has a social objective, whilst 34.38% have the means to spend part of their revenue on social benefits (health, housing, family, education, pension etc.). Furthermore, 75% indicate that they collaborate with other organisations to achieve their social objectives.

How does a social enterprise allocate its revenue or profits?

The majority of a social enterprise's revenue is invested back into the company and only distributes a small portion of its revenue amongst investors. Moreover, a significant portion of the revenue is allocated to the investment skills of its employees and in innovation, in order to stay competitive and achieve its social mission. This suggests that the social enterprise may not prioritise maximising returns for its investors and, instead, prioritises its social mission and the long-term sustainability of the organisation.

The main challenges faced by entrepreneurs, including social entrepreneurs:

Market Size: Market size is a significant challenge for a large proportion of social entrepreneurs: 45.5% of respondents indicated that market size had a large impact on the development of their company, whilst 12% indicated a small impact, with 33% indicating some impact.

³ INVESTMED project aims at addressing both economic and environmental challenges, supporting new, sustainable business opportunities for young people and women in three countries: Egypt, Lebanon and Tunisia. The project is funded by the European Union under ENI CBC “Mediterranean Sea Basin Programme”.

Access to talent and adequate skills: Many social entrepreneurs face challenges in finding and retaining skilled workers: 45.5% of respondents indicated that access to talent and adequate skills had a large impact on the development of their company, whilst 42.5% indicated some impact.

Market knowledge: Most of the social entrepreneurs feel that they lack the necessary knowledge of the market in which they operate: 59% of respondents reported that market knowledge had a large impact on the development of their company, whilst 15.6% indicated a small impact and 15.6% some impact.

Access to finance: Many social entrepreneurs face significant challenges in securing the necessary funding to grow their business: for 72.7%, access to finance had a large impact on the development of their company. Also, for 64.5%, cash flow had a large impact on the development of their company.

Digital Infrastructure: Social entrepreneurs face challenges related to the availability and quality of digital and infrastructure, such as internet connectivity, software and hardware: 54.5% of respondents indicated that digital infrastructure had a large impact on the development of their company, whilst 30% indicated some impact.

Network: 63.6% of respondents indicated that network had a large impact on the development of their company, whilst 24% indicated some impact. This suggests that many social entrepreneurs feel that they lack the necessary connectivity and networks to grow their business.

Lack of Support from the government: Many social entrepreneurs feel that they are not receiving adequate support from the government to help them grow their business: 72% indicated that lack of support from the government had a large impact on the development of their company.

Overall, the survey results suggest that financial support, mentorship, networking, market knowledge, the availability and quality of digital and infrastructure, as well as technical skills are all important forms of support needed by social entrepreneurs to grow their enterprises.

4 POLICY RECOMMENDATIONS:

1. Creating a supportive legal and regulatory framework

Formal recognition of social economy businesses, supported by a dedicated policy framework, contributes to added value and job creation (Ayadi et al. (2019).

Governments, with support from international institutions such as the ILO or European institutions, could provide a favourable environment for social businesses, by creating laws on the Social and Solidarity Economy and regulations that provide legitimacy for social enterprises and promote their growth and development. Legal frameworks could serve as instruments for elevating the profile and legitimacy of social entrepreneurship, enabling them to penetrate new markets and to secure financial resources, as well as to promote such enterprises via fiscal benefits and support mechanisms.

According to the OECD (2022.b) and OECD (2023), the main steps to develop the SSE framework include:

- Adopt a clear definition for SSE, define what SSE encompasses within the national context, including cooperatives, mutuals, non-profits and social businesses.
- Establish clear policy objectives for SSE, that align with broader social and economic goals, such as reducing inequality, promoting local development and ensuring environmental sustainability.
- Provide legal recognition and a distinct legal status for SSE organisations to ensure they have a clear identity in the legal framework.
- Define registration and reporting requirements for SSE organisations, ensuring transparency and accountability, whilst minimising bureaucratic burdens.
- Ensure that SSE organisations have access to resources, including financial support and affordable credit, grants and preferential treatment in public procurement.
- Social impact assessment and requiring SSE organisations to conduct regular social impact assessments and reports to measure and demonstrate their contributions to society and the local economy.
- Capacity building via development of training and educational programmes to help SSE organisations navigate the legal and regulatory framework effectively.
- Collaborate with international organisations and neighbouring countries to harmonise SSE regulations and share best practices in SSE legal frameworks.

2. Implementing an integrated policy for evaluating social enterprises

Measuring outcomes and evaluating results play a vital role for social business entities. It allows them to showcase their social entrepreneurial value and ensures accountability to their members, employees and funders. By systematically assessing the impact of their activities, social businesses can demonstrate their effectiveness in creating positive social change and make informed decisions to continuously improve their operations. Therefore, developing social impact measurement methodologies and frameworks are crucial for the development of social businesses. This task can be complex. There are several key approaches and methodologies that can be used to assess and quantify their impacts.

We recommend this structured approach and guidelines for assessing the social and economic impact of a social entrepreneur:

- Defining clear objectives, intended outcomes and indicators (such as employment rates, income levels, educational attainment, health outcomes, environmental metrics, etc..).
- Collecting relevant data on various aspects related to the social entrepreneur's operations and their target beneficiaries. This could involve conducting surveys, interviews and focus groups. The data collected must be accurate, consistent and representative of the target beneficiaries.
- Establishing a baseline and comparison group by collecting data on the economic and social indicators, before the social entrepreneur's interventions or initiatives. Additionally, establish a comparison group that represents a similar population or context without intervention. This allows for comparison and attribution of impact of the social entrepreneur's activities.
- Using quantitative and qualitative methods to assess the impact comprehensively. Quantitative methods involve analysing numerical data and employing statistical techniques to measure changes in key indicators. Qualitative methods involve gathering narratives, stories and testimonials to capture the transformative aspects and contextual nuances of the impact.
- Engaging stakeholders and beneficiaries: Involve relevant stakeholders and beneficiaries throughout the impact measurement process, their input, perspectives and feedback, in order to gain a comprehensive understanding of the impact.
- Using established impact measurement frameworks and standards, such as the Social Return on Investment, to guide the measurement process.

By following an evaluation framework, social entrepreneurs can effectively measure and communicate their economic and social impact, demonstrating the value and significance of their work in creating positive change.

3. Developing skills programmes dedicated to social entrepreneurs

The education sector needs to improve its delivery of skills for social entrepreneurs, especially in public schools, where more than 60% of respondents reported inadequate or low-level skills. Policymakers should focus on identifying and addressing the gaps in skills development and training in public schools, to better support social entrepreneurs. Private schools appear to be doing a better job at providing skills for social entrepreneurship, with more than half of respondents reporting adequate or high-level skills. Technical schools are seen as a potential resource for providing skills to social entrepreneurs, with more than 46% of respondents reporting high-level skills. Policymakers could explore ways to collaborate with technical schools to develop and deliver training programmes that meet the specific needs of social entrepreneurs. Universities have the highest proportion of respondents reporting adequate or high-level skills, with more than 75% of respondents reporting these levels of skills. Policymakers could work with universities to identify and promote best practices in skills development for social entrepreneurship and explore ways to make these skills more widely available to social entrepreneurs.

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6 APPENDIX- SURVEY RESULTS

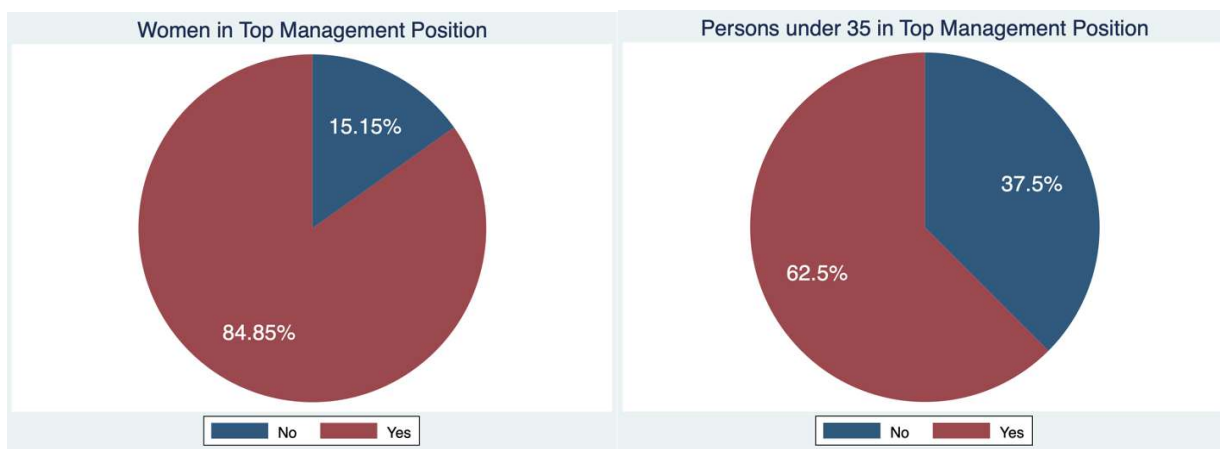
The INVESTMED policy paper survey was distributed amongst INVESTMED sub-grantees active in green, blue and creative sectors in Egypt Lebanon and Tunisia. 33 answers were collected and some of the responses are presented in this Appendix.

Table 1A- Distribution of respondents by country and sector of activity

	Blue	CCI	Green	Total
Egypt	1	5	1	7
Lebanon	0	3	9	12
Tunisia	2	6	6	14
Total	3	14	16	33

85% of respondents indicated that they do have women in such positions. On the other hand, only 15% of respondents indicated that they do not have women in top management positions. Regarding age diversity, the data indicated that 62.5% of respondents have employees under the age of 35 in a top management position. This suggests that the social enterprise may have a relatively diverse age range in its top management positions, with a significant proportion of younger individuals in these roles. Regarding recruitment made in 2022, most companies (53%) reported making between 1-2 hires during the year. This information could be useful for understanding the pace of growth of the company and its recruitment needs.

Figure 1A- Proportion of young people and women in top managerial positions



ABOUT INVESTMED

Mediterranean MSMEs face important challenges in terms of competitiveness, sustainability, internationalization and capacity to innovate while urgent measures are needed to tackle common environmental challenges and untap the potential of both natural and cultural heritage to contribute to sustainable growth and economic development. Against this backdrop, the INVESTMED project aims at addressing both economic and environmental challenges, by supporting new, sustainable business opportunities for young people and women in three Mediterranean Partner Countries: Egypt, Lebanon and Tunisia.

The INVESTMED Project (InNoVative Sustainable sTart-ups for the MEDiterranean) is co-funded by the European Union under the ENI CBC Mediterranean Sea Basin Programme 2014-2020. INVESTMED has a duration of 30 months, with a total budget of €3.8 Million, of which €3.4 Million (90%) is funded by ENI CBC MED. It has 8 partners from Tunisia, Spain, Lebanon, Greece, Egypt, and Italy:

- Union of Mediterranean Confederations of Enterprises, BUSINESSMED (TU)
- Euro-Mediterranean Economists Association, EMEA (ES)
- European Institute of the Mediterranean, IEMed (ES)
- Beyond Group / Irada Group S.A.L, BRD (LE)
- Institute of Entrepreneurship Development, IED (GR)
- Libera Università Maria SS. Assunta, LUMSA (IT)
- Confederation of Egyptian European Business Associations, CEEBA (EG)
- Spanish Chamber of Commerce, CCE (ES)

INVESTMED will have an impact on MSMEs, start-ups and recently established enterprises where staff will be trained and coached to become more sustainable and competitive and financially supported via an open competition. Specific business incubation services will also be established for sustainable start-ups as well while relevant public authorities will benefit from capacity building and exchange of best practices to facilitate access and protect IPR for MSMEs.

The **Euro-Mediterranean Economists Association – EMEA** is a Barcelona-based regional think-tank that serves as a leading independent and innovative policy research institution; a forum for debate on the political and socio-economic reforms in Mediterranean and Africa; and promoter of actions and initiatives that fulfil objectives of sustainability, inclusiveness, regional integration and prosperity.

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