

The informal sector in Tunisia: a lever for development

"Case of the Tunisian-Algerian border area:

Kasserine-Tébessa"

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Abstract:

This article explores the informal sector in Tunisia, focusing on the Kasserine-Tébessa border region, to analyze its role as a lever for resilience or a barrier to sustainable development. The study reveals that the informal sector, encompassing unregistered economic activities lacking social protection, employs approximately 36% of Tunisia's workforce, exceeding 60% in marginalized regions like Kasserine. Accounting for nearly 30% of GDP, this sector thrives due to structural factors such as high unemployment, governance failures, regional inequalities, and economic crises. While it serves as a vital safety net for vulnerable populations, it also perpetuates precariousness, deprives the state of tax revenues, and distorts competition. The Kasserine-Tébessa case illustrates how informal cross-border trade has become a survival strategy, facilitated by geographic proximity and porous borders. In conclusion, the article questions the potential for transforming this sector into a model of regional integration, calling for policies that incorporate informal actors while addressing the root causes of marginalization.

Keywords: Informal sector, Tunisia, Kasserine-Tébessa, cross-border trade, economic resilience, regional disparities

Introduction

In Tunisia, the informal sector has established itself as an undeniable economic reality, accounting for nearly a third of national economic activity and employing over a third of the workforce. Particularly prevalent in border regions like Kasserine-Tébessa, this phenomenon encapsulates the challenges of contemporary Tunisian development. Our study aims to analyze this parallel economy through the dual lens of popular resilience and the structural failures of the state.

Following the 2011 revolution, the informal sector experienced unprecedented expansion, becoming an economic refuge for millions of Tunisians excluded from the formal market. In governorates like Kasserine, where unemployment reaches record levels and poverty affects nearly a third of the population, informal activities—particularly cross-border trade with Algeria—often represent the only alternative to economic marginalization.

This research seeks to decipher the mechanisms of this survival economy, its contradictory impacts on regional development, and the paradoxes of a system that, while compensating for state deficiencies, perpetuates precarity and evades regulation. Through the emblematic case of the Tunisian-Algerian border region, we will examine the capacity of these informal practices to transform into a genuine lever for sustainable development.

A central question arises: does the informal sector constitute a driver of adaptation and resilience for marginalized populations, or does it act as a barrier to economic modernization and sustainable development? This article aims to analyze the ambivalent role of the informal sector in Tunisia's development model, examining its structural causes, concrete manifestations, and multifaceted socio-economic impacts.

1. The Informal Sector in Tunisia: An Overview

1.1. Definitions and Typology

The informal sector, as defined by the International Labour Organization (ILO), encompasses “unregistered production units operating without legal

coverage or social protection.” It includes self-employed workers, small traders, construction workers, and domestic employees. In Tunisia, it is typically associated with low-productivity, low-capitalized economic activities that serve as a vital income source for millions of citizens.

In 2023, approximately 1.6 million Tunisians were engaged in informal activities, representing over a third of the employed workforce (INS, 2023). The informal sector generates about 30% of GDP, according to combined estimates from the World Bank and the IMF. Over 75% of informal workers lack access to social security coverage.

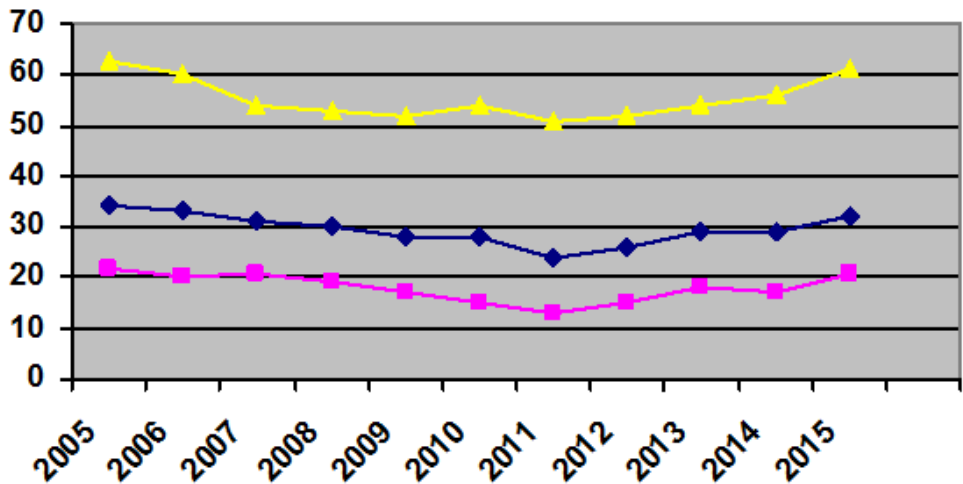
The informal sector, per the ILO’s normative definition, refers to “all unregistered production units operating outside the legal framework and without social protection.” This heterogeneous socio-economic category includes diverse actors: self-employed workers, micro-traders, construction workers, and domestic employees. In the Tunisian context, the phenomenon is characterized by a predominance of low-productivity, low-capital-intensive activities that play a crucial socio-economic role as a survival net for vulnerable population segments.

1.2. Socio-Economic Weight: A Quantitative Analysis

Official statistics reveal the structural scale of the informal sector. In 2023, it involved nearly 1.6 million Tunisians, or over 33% of the employed workforce (INS, 2023). On a macroeconomic level, joint World Bank and IMF estimates attribute approximately 30% of national GDP to the informal sector. A concerning feature is the systemic exclusion from social protection mechanisms: over 75% of informal workers are entirely without coverage, exacerbating their precarity.

The evolution of the informal sector within the national economy shows a gradual increase over recent decades, particularly pronounced after the 2011 revolution. From 2011, the informal sector’s share grew significantly due to political and economic upheavals and a slowdown in formal sector growth. According to a World Bank report, the informal sector rose from 32% of GDP in 2015 to approximately 38% in 2018. By 2021, it accounted for between 40% and 43% of Tunisia’s GDP.

Chart No. 01: Evolution of Informal Employment within the National Economy



- Blue line: Total informal employment within the economy
- Pink line: Total informal salaried employment
- Yellow line: Total informal non-salaried employment

Source: National Institute of Statistics (INS)

The evolution of the informal sector within Tunisia’s national economy shows a progressive increase over recent decades, particularly pronounced after the 2011 revolution. From 2011 onward, the informal sector’s share grew significantly due to political and economic upheavals and a slowdown in formal sector growth. According to a World Bank report, the informal sector rose from 32% of GDP in 2015 to approximately 38% in 2018. By 2021, it accounted for between 40% and 43% of Tunisia’s GDP.

1.3. Sectoral and Geographical Distribution

The informal sector in Tunisia is notably concentrated in certain activities, including street vending, unregulated transportation (clandestine taxis and moto-taxis), traditional crafts, undeclared domestic services, and subsistence agriculture. Cross-border smuggling primarily involves petroleum products

and tobacco. Illegally imported tobacco accounts for at least 35% of the market supply, resulting in state losses of 500 million TND. Smuggled petroleum products meet 25% of local market demand.

Beyond these two main products, cross-border smuggling includes clothing, footwear, cosmetics, perfumes, tires, household appliances, electrical devices, fruits, vegetables, dried fruits, and other food products (tea, coffee, cheese, etc.). According to the Tunisian Institute of Competitiveness and Quantitative Studies, fuel smuggling, in particular, has been on the rise since 2011, representing 20–30% of national consumption. These illegal activities are driven by price differences with neighboring countries, economic disparities, and a lack of opportunities in rural and border areas.

The Tunisian-Algerian border has undergone significant transformations, becoming more “open” and “filled” with goods. Many Algerians engage in the trade of consumer goods beyond fuel and cigarettes, while numerous Tunisians travel to Algeria for trade. However, commerce currently faces challenges due to the sharp decline in the value of the dinar, reducing merchants’ profits. Smuggling has become an integral part of daily life in Tunisia, with few households devoid of smuggled goods. Only a small number of affluent individuals can afford to shop exclusively at legal stores, paying high prices for invoiced goods with warranties. Middle-class households, however, are filled with smuggled items such as flat-screen TVs, air conditioners, electrical appliances, kitchen utensils, furniture, perfumes, materials, clothing, shoes, accessories, mobile phones, and sometimes laptops.

Geographically, Tunisia’s informal economy operates primarily through two networks: Algeria and Libya. Smuggling accounts for over half of Tunisia’s commercial transactions with Libya, while transactions with Algeria are harder to estimate due to their widespread and discreet nature. Regionally, significant disparities exist, with a predominance of informal activities in central-western governorates like Kasserine and Sidi Bouzid, as well as southern regions like Médenine and Tataouine, where economic hardship and endemic unemployment drive survival activities. Inland regions, far from the coastal strip, are generally marginalized, suffering from a lack of public services and infrastructure. These areas experience insufficient economic development, leading to population growth stagnation and high unemployment, particularly among young graduates. Neglected by the state and abandoned by their inhabitants, these regions see migration toward coastal areas in search of jobs. Urban peripheries of the capital also serve as

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significant hubs for informal activity. In contrast, industrialized coastal regions like Sfax and Sousse exhibit lower levels of informality due to better integration into the formal economy and a more diversified economic fabric.

Map: Distribution of Smuggling Networks in the Border Regions of Central-Western Tunisia



2. Causes of the Expansion of Informality

The rise of the informal sector in Tunisia is not the result of a simple individual choice but stems from deeply rooted structural, social, and conjunctural factors within the national economic model. Understanding

these causes is essential for designing effective regulation or integration policies.

2.1. Structural Factors

- **Mass Unemployment:** Structural unemployment is one of the primary drivers of the informal sector's expansion in border and inland regions. With unemployment rates exceeding 40% among youth aged 15–24 in certain border delegations such as Foussana and Remada, and affecting 25% of university graduates in Kasserine (INS, 2024), the formal economy is unable to absorb the massive influx of job seekers. This structural unemployment inevitably pushes people toward alternative subsistence solutions. Additionally, the rigidity of the regulatory framework—characterized by high formalization costs, burdensome taxation, and complex administrative procedures—actively discourages entry into the formal sector. This institutional rigidity is accompanied by governance failures, including weak controls, endemic corruption, lack of inter-institutional coordination, and persistent socio-economic marginalization, creating an environment conducive to unregulated activities, particularly in peripheral regions. In these marginalized territories, the parallel economy often becomes the primary survival alternative for populations excluded from the formal job market.
- **Governance Inefficiency:** Weak control mechanisms, local corruption, and the absence of coordination between state institutions contribute to the tolerance, or even implicit encouragement, of informality, especially in peripheral areas.

2.2. Social Factors

- **Poverty and Precarity:** Socio-economic precarity plays a determining role in the reliance on informality. According to the World Bank, 20% of the population lived below the poverty line in 2024, with undeclared activities often serving as the only safety net for households lacking capital or credit access. These disparities are significantly accentuated across territories: while coastal regions benefit from substantial investments, inland areas suffer from a chronic lack of economic opportunities, reinforcing the vicious cycle of marginalization. Human capital is another divisive factor—low

skill levels among a significant portion of informal workers, sometimes illiterate, mechanically exclude them from a job market increasingly demanding technical and digital skills.

- **Regional Inequalities:** Territorial imbalances play a central role. While the coast concentrates investments, inland regions lack opportunities, forcing populations to resort to subsistence economies or parallel circuits.
- **Education Levels:** A significant portion of informal workers are low-skilled or illiterate. This lack of skills limits their integration into the formal sector, especially in modernized and digitized economies.

2.3. Economic Crises and Instability

Successive crises have significantly accelerated the growth of informality. The post-revolutionary period (2011) and the COVID-19 pandemic triggered massive layoffs in the formal sector, with social protection systems unable to compensate for these job losses. Faced with economic urgency, thousands of Tunisians turned to the informal economy as a fallback, transforming what was often a supplementary activity into a primary income source. These forced transitions reveal the paradoxical role of the informal sector as a social buffer during turbulent times, while also highlighting the structural vulnerability of the national economy to exogenous shocks.

3. Between Opportunity and Constraint: Impact of the Informal Sector

The informal sector in Tunisia embodies a dual reality. On one hand, it serves as an essential socio-economic safety net for hundreds of thousands of people. On the other, it generates perverse effects that undermine economic development, social justice, and state governance.

3.1. Informality as a Lever for Resilience

In a context of persistent economic crises and state disengagement in certain regions, the informal economy acts as a genuine lever for resilience for large segments of the population. It serves as a social valve, enabling the

integration of marginalized groups, including women, unemployed youth, low-skilled workers, and university graduates excluded from the formal market. According to the International Labour Organization, nearly 45% of total employment in Tunisia in 2021 was informal. This rate reaches up to 70% in some inland regions like Kasserine or Sidi Bouzid, where economic infrastructure is weak, and formal regulation enforcement is challenging. Informality thus becomes the primary, often the only, recourse for economic survival.

This sector ensures the generation of immediate income, often essential for households in areas with virtually no formal job opportunities. It also reduces visible unemployment, mitigating social tensions and preventing the outbreak of protests. In 2020, at the height of the COVID-19 pandemic, the informal economy absorbed a significant portion of laid-off or furloughed workers, demonstrating its rapid adaptability. In disadvantaged regions where structured economic circuits are deficient, informality becomes a mode of social regulation and an alternative to ineffective public policies. It plays a buffering role, albeit with risks, as it perpetuates precarity, lack of social protection, and low incomes.

3.2. Risks and Limitations of the Informal Sector

Despite its resilience role, the informal sector in Tunisia presents numerous structural limitations and generates perverse effects on the economy and society. It is characterized by highly precarious working conditions: informal workers, often without contracts, lack social or legal protections, exposing them to increased vulnerability in cases of illness, accidents, or income loss. Wages are generally low, unstable, and heavily dependent on local demand fluctuations.

On a macroeconomic level, the informal economy deprives the state of significant tax revenues by evading declaration and taxation systems. According to World Bank estimates, this loss represents between 5% and 10% of Tunisia's GDP. This budgetary shortfall hampers public investments in basic social services such as healthcare, education, and infrastructure. Furthermore, the unfair competition exerted by informal units on legal businesses exacerbates economic imbalances. By avoiding tax and social charges, these informal actors can offer lower prices, pushing some formal enterprises to adopt informal practices to survive in a deregulated environment.

At a deeper level, the development of an unregulated parallel economic fabric sometimes fosters the emergence of clientelism or local mafia networks that exploit the lack of oversight to consolidate their influence. This phenomenon undermines economic governance, weakens state authority, and complicates the implementation of public policies.

4. Case Study: Kasserine-Tébessa – The Informal Economy as a Response to Border Marginalization, Between Survival and Marginalization

At the Tunisian-Algerian border, in a region overlooked by development policies, a survival economy has gradually emerged, defying administrative boundaries. In the Tunisian-Algerian border zone, the informal sector constitutes a true economic backbone.

The Kasserine region, in central-western Tunisia, represents an emblematic case of territories where the informal economy is not merely an alternative but a structuring way of life, progressively shifting toward near-total dependence on informal exchanges with its Algerian neighbor, Tébessa. The phenomenon has reached such proportions that, according to a recent UTICA study, approximately 58% of the region's economic activity relies on this informal sector. This reality is evident in Kasserine's urban landscape, where parallel markets like Foussana buzz with frenetic activity from the early hours of dawn.

4.1. A Booming Informal Sector Between Kasserine and Tébessa

As in many countries, the origin and growth of the informal economy in Tunisia, particularly in Kasserine, have deep historical roots. Since independence, over a period of more than 60 years, the state has been lenient toward border trade in regions neglected by national development policies, allowing commerce with neighboring Algeria to flourish.

Smugglers exploit the geographical features distinguishing the Tunisia-Algeria border. The Kasserine governorate's area is a "fragile border," characterized by the simplicity of its steppes, which facilitates its use by locals. The exploitation of borders has a historical dimension. Dating back to the colonial period, imposed by France in 1902, the Tunisian-Algerian

border is a recent colonial construct that separated and dispossessed families and tribes living on either side of the demarcation. Deemed porous during the Algerian War (1954–1962), it was reinforced with “armed defense lines” by the French to cut off the National Liberation Army’s maquis from their Tunisian rear base. In 1970, the two independent countries agreed on the final demarcation of the dyad. Today, of the nine border posts between Tunisia and Algeria, two are located in the Kasserine governorate, just a few dozen kilometers from the Algerian city of Tébessa. This dyad has never prevented familial ties, mixed marriages, and economic and commercial exchanges between the population; however, in the 1980s, as the economic crisis worsened and living conditions deteriorated, the border became the only resource capable of ensuring the material survival of deprived populations excluded from the job market. People began crossing it to obtain cheaper essential goods in Algeria or to bring back fuel for resale, using discreet routes or hoping for leniency from security services at border posts like Bouchabka and Haidra. From the 1990s onward, the border economy transformed and evolved. The small-scale, localized, loosely organized “subsistence” smuggling driven by familial ties was overtaken by a more lucrative, structured, and hierarchical smuggling network, mobilizing transnational supply chains and wealthy suppliers and clients. The development of the Algerian “*trabendo*” (black market), along with privatization and state predation in both Algeria and Tunisia, amplified cross-border flows between the two countries and altered the economic accumulation strategies of the ruling elites. This was facilitated by price differences, import promotion policies, security complicity, and rent-seeking opportunities, leading to the trade of tobacco, cigarettes, fuel, appliances, alcohol, food products, construction materials, livestock, car parts, and electronics (air conditioners, TV screens, mobile phones). This economy indeed encompasses all economic activities that would typically be taxable if declared to the tax authorities. In Kasserine, the informal sector has even deeper historical roots, representing a long-standing process integral to society. Indeed, since the early 2000s, the informal sector in Tunisia has continued to grow, becoming an indispensable pillar of the national economy, particularly in the Kasserine-Tébessa border region, which has seen a notable intensification of informal cross-border activities. Between 2010 and 2023, the number of individuals involved in informal exchanges (e.g., transportation, fuel sales, food, and electronics) nearly doubled, according to a 2021 study by the Tunisian Forum for Economic and Social Rights, with the informal employment rate in Kasserine exceeding 55%.

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Evolution of the Informal Sector in the Kasserine-Tébessa Area

Year	Estimated Number of Informal Actors	Informal Trade Volume (in millions TND)	Dominant Products
2010	5000	40	Fuel, sugar, textiles
2015	8500	70	Fuel, household appliances
2020	11000	110	Fuel, electronics, clothing
2023	13000	140	Fuel, phones, food products

Source: National Institute of Statistics (INS)

This table highlights a steady growth of the sector, both in terms of mobilized labor and economic value generated, despite attempts at control by customs and security authorities.

4.2. The Informal Sector in Kasserine: A Structural Phenomenon – The Factors

- **Socio-Economic Factors:**

The development of the informal sector in Kasserine occurs within a socio-economic context marked by structurally high unemployment, particularly affecting youth and graduates. According to data from the National Institute of Statistics, the unemployment rate in Kasserine reached approximately 30% in 2023, compared to a national average of around 15.8%. This imbalance reflects the region's enduring marginalization, with limited public and private investment, low economic attractiveness, and a virtually nonexistent industrial base. Indeed, the absence of formal opportunities has driven local populations to develop a range of informal activities, from street vending to cross-border trade with Algeria, often tolerated and sometimes criminalized.

This phenomenon finds a striking parallel in eastern Algerian regions, notably Tébessa, El Oued, and the Aurès, where similar dynamics of exclusion and resilience prevail. There too, the informal sector fulfills a vital social function, compensating for ineffective public policies and the neglect of inland areas. This forced economic system draws its roots from a shared history of marginalization.

- Poverty is also more pronounced in the region; according to INS data, nearly 32% of Kasserine's inhabitants lived below the poverty line, compared to 15% nationally. The lack of stable employment opportunities pushes a significant portion of the population toward the informal economy as a means of subsistence. According to CRES, the informal sector directly supports approximately 15,000 families and enables 60% of households to supplement their incomes.

- **Geo-Economic**

Factors:

Kasserine's border position with Tébessa, Algeria, combined with the porosity of the borders, facilitates the emergence of informal cross-border trade. The proximity and short distance separating Kasserine from Tébessa, approximately 80 kilometers, constitute a determining geographical factor in the development of the informal sector between the two regions. This proximity enables rapid and frequent movement of people and goods, fostering the emergence of particularly active parallel trade circuits. This geographical factor thus becomes a natural catalyst for the intensification of informal cross-border exchanges.

Uncontrolled border points allow the introduction of subsidized Algerian goods, notably fuel, at prices lower than those on the Tunisian market. The porosity of the Tunisian-Algerian borders facilitates parallel economic circuits—sometimes organized, sometimes spontaneous—that evade national taxation but ensure the survival of thousands of families.

Conclusion:

The informal sector reveals a harsh truth: when states fail to integrate their peripheries, populations create their own models. This survival economy, born of marginalization, could inspire new forms of regional cooperation. In these marginal spaces, the informal economy becomes a *de facto* institution, shaping economic behaviors, social relations, and even local power

dynamics. The development of economic clientelism, based on tolerating illicit activities in exchange for relative social peace, reflects an implicit pact between populations and local authorities. The example of Kasserine and its Algerian counterparts demonstrates that integrating informality requires recognizing local dynamics rather than simply imposing often unsuitable formal models.

The case of Kasserine illustrates the complexity of border economies. Rather than a phenomenon to eradicate, this informal sector could serve as the foundation for renewed regional integration, provided it is regulated and transformed. This transnational informal sector could well become the laboratory for a new form of regional integration, more organic and rooted in local realities.

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