



Justice Needs and Satisfaction of Micro, Small and Medium Enterprises in **Tunisia** **2025**

Legal problems in the informal
and the formal sectors of the economy



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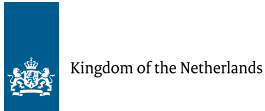


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Glossary

Formal and informal companies:

respectively, legally registered businesses (in the Registre National des Entreprises – RNE, and tax authorities that comply to some extent with labour and regulatory frameworks. They often have registered employees, keep financial accounts, and can access certain legal protections and services. However, compliance varies, and not every formal company fully respects all obligations. Conversely, informal companies operate outside formal legal frameworks, either by not registering their business, not registering employees, or bypassing regulatory and labour requirements.

Justice Needs and Satisfaction

survey (JNS): is the tool that we use to measure justice from the perspective of the people. Conducting a JNS usually involves interviewing randomly selected adult (18+) respondents about their legal problems, resolution strategies, and perceptions of the costs of justice and quality of processes and outcomes. In the case of this research, the JNS questionnaire was adapted to reflect the needs and satisfaction of formal and informal companies.

Justice journey: is the process of trying to resolve a legal problem, which begins when a person first takes action towards resolution. It typically entails multiple steps, which are not always linear. Steps on a justice journey may include, for example, seeking legal information or advice (i.e. from a relative, friend, internet, legal adviser, police, mediator, etc.) or confronting the other party. A justice journey typically ends when a third party makes a decision, when the parties come to an agreement, or when the person pursuing justice gives up.

Legal problem: A legal problem refers to a justiciable problem that takes place in daily life: a dispute, disagreement or grievance for which there is a resolution in the (formal or informal) law. It is not necessary that the respondent knows or recognises its legal aspects.

mSMEs: in Tunisia are defined based on employee numbers and annual revenue thresholds. Micro enterprises: 0–5 employees; up to 75,000 TND annual revenue in trade / 30,000 TND in services. Small enterprises: 6–49 employees; revenue thresholds vary

by sector. Medium enterprises: 50–250 employees; higher turnover thresholds apply. This classification is based on data from Tunisia’s Institut National de la Statistique (INS) and the Registre National des Entreprises (RNE)

Outcome of a legal problem: is the change in people’s (companies’) lives due to resolving at least partially the problem. Outcomes involve positive changes, but also the possibility that the resolution did not achieve anything, signalling a lower quality resolution.

People-centred justice: The OECD defines people-centred justice as an approach to justice that puts people at the centre. People-centred legal and justice services are based on and respond to an empirical understanding of legal needs and legal capabilities of those who require or seek assistance. They are accessible and designed to actively overcome the range of barriers to the assistance they require. In the OECD’s definition, people-centred justice is characterised by the following elements: evidence-based planning; equality and inclusion; accessibility; availability; prevention, proactivity, and timeliness; appropriateness and responsiveness; empowerment; collaboration and integration; outcome-focused and fairness; and effectiveness.

Seriousness of a legal problem:

in order to avoid marginal legal problems, the JNS asks about serious problems. This means that trivial issues are excluded from its scope. The seriousness of a reported problem is assessed by asking respondents how serious the problem was on a scale from 1 (least serious) to 10 (most serious).

Source of help: is a synonym for a justice provider. It is a person or organisation (formal or informal) that at any point helps to resolve a legal problem, whether by providing advice or through a more active intervention, such as mediating or deciding. Common examples of justice providers include mediators and courts, but it could also be a family member or neighbour.

Triangulation workshop:

A triangulation session is a workshop or series of workshops in which stakeholders, local experts and the Hiil team discuss and analyse the preliminary findings of a particular JNS. It aims to validate the findings; resolve and/or clarify puzzling findings; add contextual information; and initiate data-to-action (transformation) coalitions.

Executive summary

This report draws on a Justice Needs and Satisfaction (JNS) survey of more than 2,000 Tunisian micro, small, and medium enterprises (mSMEs). It shows a wide justice gap that undermines business stability and growth. Legal problems are common and serious, and they affect informal and micro-enterprises the most. These companies make up the majority of Tunisia's private sector.

Key Findings

Legal problems are frequent and recurring: More than half of mSMEs had at least one legal problem in the last two years. Informal businesses are more exposed than formal ones, with 61 per cent reporting problems compared to 54 per cent of formal ones.

Informality creates unique risks: Formal firms mostly struggle with contracts, debt, and financing. Informal firms face crime, disputes over workplace location, and harassment from authorities or

others. These challenges show the particular vulnerability of the informal economy, particularly among male-run companies.

Problem resolution is a major challenge: Out of all the legal problems experienced, around 80% are considered as ongoing or abandoned, at the time of the interview, for both formal and informal companies, signalling a clear need for support in the dispute resolution processes.

Legal problems that are considered as more impactful are also very frequent: one of the explanations for the low resolution rate in the country is that more than 20 per cent of the problems of informal companies and more than 15 per cent of the problems of formal ones fall into the category of highly recurrent (more than five times in the past 24 months) and highly impactful (impact assessed as 10 on a scale from 1 to 10). In total, more than 50 per cent of the problems of both sectors have occurred four times or more in the past two years.

Access to help remains limited:

Few mSMEs seek outside support. Most prefer to negotiate directly, with 59 per cent of formal and 68 per cent of informal firms choosing this path. Informal companies are far less likely to use lawyers or courts, often because they believe their legal status prevents them from doing so.

Outcomes are unsatisfactory but crucial to the financial health of companies:

Even when disputes are solved, many businesses see the result are not always seen as fair or satisfactory. The hardest and most damaging problems are often abandoned altogether, which leaves businesses stuck. Still, both formal and informal companies cite loss reduction, financial recovery, and profit improvement as important outcomes for the few who resolve their most serious legal problem, indicating how important problem resolution is for the financial well-being of mSMEs.

Awareness of support remains very limited:

Only 16 per cent of formal firms and 8 per cent of informal ones know of legal support services. Actual use is even lower, with 9 per cent of formal and just 2 per cent of informal firms making use of them in the past two years.



Policy Implications

The findings point to the need for people-centred justice solutions rather than relying only on traditional institutional reforms. Key steps include:

Tailored dispute resolution as on-ramps for formalisation:

Create accessible and affordable dispute resolution services, such as community-based mediation or low-cost arbitration, specifically designed for informal businesses. These new systems would offer a legitimate alternative to formal legal channels, which many informal companies currently perceive as complex or out of reach. These processes should integrate simplified formalization support directly into the resolution process. This approach provides entrepreneurs with both a solution to their immediate problem and a formal legal identity, demonstrating the tangible benefits of operating within the legal framework and encouraging a transition away from informality.

Building awareness and trust:

Launch targeted campaigns to inform business owners about their legal rights and available resources. Build trust by training key intermediaries, like local authorities and police, to better respond to the legal needs of mSMEs, improving their confidence in the system.

Simplifying legal procedures:

Streamline and reduce the cost of legal processes for formal businesses, depending on the economic sector. This involves simplifying documentation and leveraging digital platforms for contract management and online dispute resolution (ODR) to make legal action more practical and efficient.

Tackling root causes of vulnerability:

Promote business formalisation as a pathway to legal protection and stability, not just a bureaucratic requirement. Integrate legal support into economic development programs to provide essential advice on contracts, debt, and registration, helping mSMEs thrive in a more secure environment.



61% of informal businesses and 54% of formal businesses experienced at least one legal problem in the last two years.

Only approx. **20%** of their legal problems get (partially) resolved.

68% of informal firms and 59% of formal firms prefer to resolve disputes through direct negotiation rather than seeking outside help.

2% of informal firms and 9% of formal firms actually make use of legal support services in the past two years.



1

Introduction

Micro, small and medium enterprises (mSMEs) comprise almost the totality of the private sector employment in Tunisia, at 98%. It is estimated that between 80 and 90 per cent of them operate informally, without registered employees. This research is a pioneering effort in capturing the legal needs of the smallest units of production in Tunisia, which are the most common way in which people earn a living in the private sector.

Street vendors, neighbourhood shop owners, builders, designers, small farm workers, or small service-based businesses. These are some of the occupations in the sample. We spoke with more than 2,000 mSMEs representatives across Tunisia, aiming to uncover their most pressing legal needs and identify the type of help, if any, they receive when dealing with a diverse array of legal problems.

We asked about the consequences of their problems; whether they got them resolved; the costs of seeking justice, and their awareness of legal services, among other important dimensions of what we call justice journeys.

Beyond being a public good and a moral imperative by itself, Justice is intrinsically linked to economic prosperity, safety, security and social cohesion. Accessible justice systems provide the enabling environment in which investors, businesses, providers, and clients can operate and thrive. Economic agents lacking legal protection will tend to innovate less, invest less, trade less, produce less, and hire less, ultimately harming the economy and, more importantly, the people.

This report and the data it presents are the foundational first step of the People-Centred Justice for mSMEs programme in Tunisia. The programme is designed to move from data to action by using these findings to build tangible solutions that address the justice gap highlighted in its chapters. Following this research, the programme will:



Bring together stakeholders in a Justice Innovation Lab to co-design new services that meet the needs identified in this report.



Support local entrepreneurs through a Justice Accelerator to scale up innovative solutions that prevent and resolve mSMEs' most pressing legal problems.



Develop evidence-based guidelines for justice practitioners to improve existing services for mSMEs.

By placing the justice needs and experiences of Tunisian mSMEs at the heart of the process, this report serves as the evidence base for a programme aimed at strengthening the justice sector and fostering a more stable economic environment.





2

Methodology

The methodology of the Justice Needs and Satisfaction surveys has been consistently and successfully applied in more than 25 countries in the past 10 years.

Why people-centred justice matters

We spoke to 2012 representatives of mSMEs in urban and rural areas across all the Governorates in Tunisia between May and June 2025.

Understanding companies' demand for justice services from the bottom up is key for a justice sector that wants to supply effective resolutions of legal problems. Firstly, effective solutions put people's needs and their experiences at the centre of justice services. And they prioritise solutions that Tunisian companies need most and are proven to work best in their daily activities, and for their survival.

2012

representatives
of mSMEs in Tunisia
were interviewed
between May and
June 2025

Secondly, a strong justice ecosystem is a fundamental prerequisite for sustainable economic development. It creates a stable and predictable environment where businesses can grow. When justice institutions work well, they help enforce contracts, which gives companies the confidence to invest and trade. Property rights are also protected, which motivates people to invest for the long term and use resources more effectively. A justice system that is accessible and fair makes sure everyone, including vulnerable groups, can benefit from economic growth. It also helps prevent violence by offering peaceful ways to solve disputes. This lowers risks and uncertainty, which are some of the biggest barriers to economic activity.

In short, when the justice system works properly, people trust institutions more. That trust is crucial for any economy to thrive.

The HiiL people-centred approach to justice

We refer to the difference between the justice solutions people and companies need and the solutions they receive as the justice gap. To help bridge this gap, we collect data that shows what exactly their legal problems are and how they have experienced them. With such data, we give justice providers and innovators the information they need to design and deliver people-centred justice services. To achieve that, the collected data:

- Focuses on justice in people and companies' lifecycle to understand their experiences in seeking access to justice. We map out formal and informal justice journeys, rather than following solely what's in the laws or the books.
- Assesses the fairness and satisfaction of outcomes and processes, so it becomes visible how respected and heard people feel during their justice journeys.
- Enables decision-makers to focus on justice when and where people need it the most. People and companies highlight the problem areas that are the most pressing for them. This is a true bottom-up approach.
- Provides robust evidence to support programming and policy-making in the areas of justice and the rule of law, with a direct influence on other areas, such as sustainable economic growth, security, stability, and social cohesion.
- Builds on local knowledge about what works best in resolving legal problems, indicating what the bright spots and the obstacles for people-centred justice delivery are.
- Informs users and providers of justice about the perceived quality of existing services. It enables users to be informed about where to go and which services to use, and assists providers in improving their services. It offers a cost-effective way of monitoring progress in the justice sector. A standardised and replicable approach leads to economies of scale, a reduction in operational costs, increased efficiency, and cross-country benchmarking.

What we did

We adapted the JNS methodology to the context of the study. This is, we bring a standardised methodology that in turn gets its key elements adapted to the local reality of the country. In early 2025, we conducted a workshop with members of a group of experts and practitioners in the justice and trade sectors in Tunisia. The objectives and approach of the study were discussed at length and adapted to the socio-political and legal specifics of Tunisia.

We conducted a training of enumerators during three days in Tunis, after which the adaptation of the questionnaire was deemed finalised.

More than 50 participants received intensive training on the substance of the questionnaire and the practicalities of the face-to-face and telephone interview processes.

The preliminary results were discussed with national and international experts from various institutions, also referred to as stakeholders, at a triangulation workshop that took place on July 15th, 2025, in Tunis. The workshop discussed the key data points of the survey and encouraged debates on the most poignant issues to arrive at possible explanations.

Training of enumerators in Tunis



The JNS: Measuring access to justice

Finding our target population

This survey is a component of the Access to Justice for mSMEs and the People Behind Them project. It focuses on entrepreneurs and aims to increase access to justice for the most vulnerable companies in Tunisia. It recognises the importance of both the formal and informal sectors of the economy, with their different challenges and vulnerabilities, particularly in what refers to preventing and resolving legal problems or having access to legal assistance, or experts on taxes and compliance.

There is no sampling frame of informal mSMEs from which to draw a sample. By definition, the lack of registration determines a certain level of invisibility in most of the national statistics. This research takes a pragmatic approach to generate a sample of mSMEs in Tunisia. The target sample of 2,000 companies was divided into two equal subsamples. We do not claim that informal units of production represent 50% of the private sector in Tunisia. Therefore, after consulting with stakeholders at the July data workshop, we decided to separate the samples for analysis.

Target population:

Owners, managers or legal representatives of (informal) mSMEs in Tunisia

Mode of administration:

Mixed mode (in-person and telephone interviews)

Quotas per sector (formal):

- Agricultural: 16
- Industry: 310
- Trade: 272
- Services: 402
- Total: 1,000

No quotas for the informal sector, as there are no official statistics on the topic

Measuring the justice gap

The line of research in this report aligns with the OECD legal needs survey guidelines, adapted to reflect the shift in unit of analysis from individuals to companies (or units of production). HiIL's Justice Needs and Satisfaction survey is specifically designed to measure legal needs in societies based on the premise of people-centred justice. The tool consists of a questionnaire with over 50 questions about people's justice journeys. The questionnaire addresses the types of legal problems companies encounter, the resolutions they achieve through a wide variety of actions, and how they experience the resolution process and outcomes. We have applied the JNS methodology in more than 25 countries thus far, and this is the second iteration of an mSME study, after one in Ukraine in 2020.

The first step of our survey is asking informed respondents whether their company has experienced any legal problems in the last two years. People can select up to ten problems from a list of 56 different legal problems. These specific problems are organised into fourteen broader problem categories.

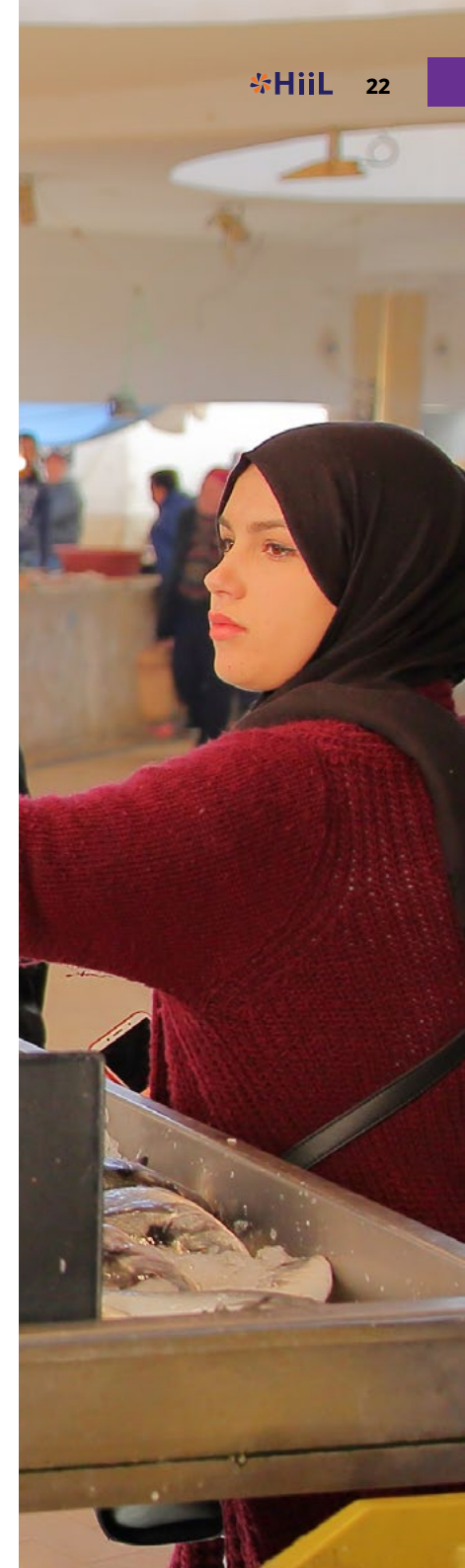
We refer to the difference between the justice solutions people need and the solutions people receive as the 'justice gap'. To measure this gap, we ask people about every problem they experienced, whether it has been resolved or not.

Measuring the impact of legal problems

Not all legal problems affect companies in the same way. To understand the impact of legal problems, we ask people to rate the seriousness of each problem on a scale from 1 to 10. We also asked respondents who experienced multiple legal problems to indicate which one was the most serious. This most serious problem, and people's attempts to resolve it, is then explored in-depth in the rest of the survey. For example, we ask respondents whether their most serious problem led to certain consequences, such as a loss of income, harm to commercial relationships, or even bankruptcy.

Measuring the justice journeys

Companies may use formal and informal processes to resolve their legal problems. We call these sequences of steps towards resolving problems 'justice journeys'. The justice journey begins when people first take action to try to resolve their problem and typically ends when the parties agree, a third party makes a decision, or the person pursuing justice gives up. The JNS survey maps companies' justice journeys and their satisfaction with the different elements of it. We map out formal and informal justice journeys, rather than focusing solely on what is in the books. By doing so, we show what services people use and which ones they do not.



A word of caution about the data

Despite the efforts made to ensure a strong research design, inevitably, there are limitations to the data, just as in every study. A small proportion of the findings are based on answers from a small sample, particularly when the disaggregation in the sub-samples gets closer to the end of justice journeys, or when a problem category with small prevalence is analysed in depth. For details about companies' experiences with specific justice journeys, different and larger samples are needed, for example, with a study that enquires about one particular legal problem.

Also, note that people tend to underreport specific legal problems. A sensitive topic, for example, makes people, particularly women, less likely to report them. Other examples include:

- Some people might not report problems due to shame and fear. For example, when people have spent time in prison or have had problems with figures of authority.
- Cultural norms may cause people to under- or over-report problems.

Thus, in a continued effort to maintain data and findings integrity, we only report statistically significant differences at a p (significance) level of <0.05 in the cross-breaks.

Additionally, the JNS in Tunisia is not nationally representative. It is only indicative. When we say Tunisian companies in the report, we recognise these findings do not speak for the whole of the country, but we maintain such expression to keep the focus on people, companies and their problems.

Lastly, we did not include sub-samples of some of the most vulnerable groups, such as people with different capabilities or minorities. We recognise that they are important members of the Tunisian society, but limitations in sample size precluded us from targeting them.





3

The operating environment for mSMEs in Tunisia

This chapter provides an overview of the broader landscape for Micro, Small, and Medium-sized Enterprises (mSMEs) in Tunisia, drawing on extensive desk research. Understanding this environment is crucial for contextualizing the justice needs and challenges detailed in this data report.

The mSME Landscape: Scale, informality, and distribution

MSMEs are the backbone of Tunisia's private sector, accounting for approximately 97.4% of all private enterprises¹ and contributing around 40% of the national GDP². However, this landscape is dominated by micro-enterprises and characterized by a deep divide between the formal and informal economies.

- **Widespread informality:** A staggering 90% of mSMEs report having no registered employees³. This is a strong indicator of the scale of informality, with informal employment estimated to account for 44.8% of Tunisia's total employment, or around 1.6 million people⁴. This lack of formal status is a primary driver of legal vulnerability, limiting access to finance, legal protections, and formal dispute resolution.

- **Sectoral concentration:** The mSME sector is heavily concentrated in trade and retail (41.8%), followed by services (18.2%) and manufacturing (11.6%). Formalization rates vary significantly by sector; for instance, the manufacturing sector has a relatively high formalization ratio (~67%), while trade and retail is much lower (~20%)⁵.
- **Geographic disparity:** There is a significant regional imbalance, with over 70% of mSMEs located in Greater Tunis and the northeastern coastal regions. In contrast, southern regions host only 11.6% of mSMEs⁶. This concentration mirrors the availability of judicial infrastructure, leaving rural and southern businesses with minimal access to formal legal services and forcing a greater reliance on informal dispute resolution mechanisms.

1 INS 2002 and RNE statistics

2 World Bank, 2022

3 INS 2022

4 Carnegie Endowment for International Peace "Tunisia's Informal Employment Crisis" <https://carnegieendowment.org/sada/2023/02/tunisia-informal-employment-crisis>

5 The assessment of mSME formalization in Tunisia draws upon comprehensive quantitative data from the INS and the RNE, enriched by secondary research from the World Bank and UNDP/ILO. Analysis conducted for an internal Hiil research note

6 INS dataset Evolution des entreprises par gouvernorat

The legal and justice environment

For most mSMEs, Tunisia's formal justice system is perceived as complex, time-consuming, and difficult to access. These challenges are further shaped by a broader institutional context marked by public debate around judicial independence since 2021, which has heightened uncertainty about the predictability and reliability of legal outcomes for businesses.

- **Lengthy and costly courts:** Resolving a commercial dispute through the formal court system takes an average of 565 days, and legal costs can consume over 21% of the claim's value⁷. These factors present significant barriers for small enterprises, making formal litigation a less feasible option for the vast majority of small businesses.

- **Limited uptake of alternative dispute resolution (ADR):** While mechanisms like mediation and arbitration exist, they remain underutilized by mSMEs. Reasons include a lack of legal enforceability, low awareness, and a general mistrust of the outcomes. Consequently, most businesses resort to informal pathways like verbal agreements and reputation-based enforcement, which offer no real protection against fraud or contract breaches⁸.

7 World Bank. (2020). Doing Business 2020: Comparing Business Regulation in 190 Economies. World Bank Group. Retrieved from <https://archive.doingbusiness.org/content/dam/doingBusiness/country/t/tunisia/TUN.pdf>

8 National Center for State Courts (NCSC). 2023. Pathways to Justice: User Experiences in Tunisia.

Key legal and financial challenges

Our desk research identifies four core, recurring challenges that define the mSME justice gap in Tunisia:

- 1. The formality gap:** The burdensome cost and complexity of business registration keep most micro-businesses informal⁹. This status limits their access to formal credit, contract protections, and public programs.
- 2. Limited contract enforcement:** A majority of mSMEs rely on verbal agreements, leaving them highly vulnerable to non-payment and disputes. The slow and expensive court system makes enforcing even written contracts nearly impractical for small claims.
- 3. Financial justice and debt risks:** An estimated 40% of SMEs are credit-constrained. This has led

to a heavy reliance on post-dated cheques as informal collateral, a practice that exposes entrepreneurs to criminal prosecution. Over 7,200 business owners face imprisonment each year for bounced cheques. Furthermore, microfinance interest rates can exceed 30%, trapping small businesses in unsustainable debt cycles¹⁰.

- 4. Gender-specific legal barriers:** Female-led mSMEs, which account for only 10-14% of formal enterprise ownership, face distinct disadvantages¹¹. They are concentrated in informal sectors and face greater challenges in accessing finance, enforcing contracts, and eventually resolving disputes, which limits their business growth.

Legislative frameworks shaping the environment

Tunisia has enacted several laws aimed at improving the business environment, but their impact on mSME justice remains mixed.

- **Startup Act (2018) Law No. 2018-20 related to startups (Startup Act) was adopted on April 17, 2018.:** This act provides significant tax and administrative benefits to innovative, high-growth startups¹². While beneficial, its narrow focus on tech-based companies excludes the vast majority of traditional MSMEs in sectors like retail, agriculture, and manufacturing.
- **Auto-Entrepreneur Law established by Law No. 37 of 2020, dated August 6, 2020:** This law simplifies registration and tax for solo entrepreneurs¹³ through a digital platform. However, its impact is limited by low awareness, strict exclusion criteria, and a lack of integrated legal tools like contract templates.

- **Social and Solidarity Economy (SSE) Law No. 30 of 2020:** This framework offers a legal pathway for cooperatives and social enterprises to formalize, which is particularly relevant for informal businesses in agriculture and handicrafts¹⁴. However, implementation has been slow, and administrative complexity can be a barrier for micro-enterprises.
- **The foundational legal framework governing community-based companies Decree No. 15 of 2022, dated March 20, 2022:** concerning the establishment of community-based companies. This decree was recently amended by a new decree issued in October 2025. Its objective is to foster local economic dynamism centred on collective initiative and social benefit, while providing incentives and facilitations in favor of these companies.

9 World Bank. "Tunisia's Jobs Landscape." World Bank Group, 2021, https://documents1.worldbank.org/curated/en/099230012052296892/pdf/P1763220c8d6a107a0ba030421_8af3660f6.pdf

10 Le Monde. 2025. En Tunisie, la nouvelle loi sur les chèques fragilise l'économie https://www.lemonde.fr/afrrique/article/2025/02/20/en-tunisie-la-nouvelle-loi-sur-les-cheques-fragilise-l-economie_6556287_3212.html

11 ERF. 2023. Informality and Gender in Tunisia's MSMEs; World Bank. 2022. Enterprise Surveys – Tunisia.

12 What is the Startup Act: <https://startup.gov.tn/en/node/22>

13 Official Decree (2020): Décret-loi n°2020-33 13

14 Loi n° 2020-30 du 30 juin 2020, relative à l'économie sociale et solidaire <https://faolex.fao.org/docs/pdf/tun209072.pdf>



4

Sample of the study

This chapter presents a detailed description of the samples in this study. Unlike population surveys, in which a respondent by definition has a certain set of demographic characteristics and is the one potentially experiencing legal problems, a survey on mSMEs implies demographic characteristics of both the company and the person representing the company to answer our questions. Therefore, this chapter shows first the characteristics of the surveyed companies, and then the characteristics of the respondents.

Characteristics of the companies in the sample

We interviewed 2012 representatives of micro, small, and medium units of production operating in Tunisia. The Tunisian market research company One to One Polling conducted the interviews using a mixed approach of face-to-face and telephone interviews. Fifty-five per cent of the interviews were conducted face-to-face, and the remaining 45% by telephone.

The main variable of interest was whether the unit of production operated in the formal or the informal sector. The definitions can be found in the glossary section of this document. Around 50% of the interviews were conducted with representatives of units of production operating in the formal sector, and the remaining 50% with those operating under informality. The purpose of this decision was to have a comparable sample, although not representative of the actual economic proportion of these sectors in the country, given the lack of accurate estimates about the sizes of these sectors, and more importantly, the lack of registers from which to draw a sample of companies working under informality.

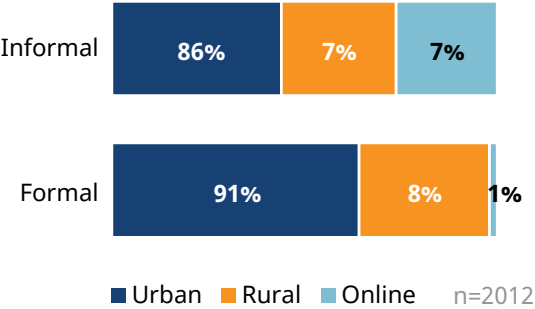
The surveyed sample was drawn from the 24 Tunisian Governorates. The sample size for each Governorate was proportional to the size of its population. The table below shows the number of observations per Governorate, total and the number of companies in the formal and informal companies sample.

The table on the right shows that the most populated areas of Tunisia are relatively overrepresented in the sample of the informal units of production, due to accessibility of the face-to-face interviews and the comparatively greater difficulty of accessing them via telephone.

Governorate	Formal	Informal	Total
Tunis	139	230	369
Sfax	82	126	208
Ariana	83	92	175
Ben Arous	62	100	162
Nabeul	61	93	154
Sousse	74	79	153
Monastir	48	67	115
Manouba	48	38	86
Bizerte	40	42	82
Kairouan	49	14	63
Jendouba	50	9	59
Medenine	18	40	58
Gabes	51	5	56
Sidi Bouzid	40	12	52
Mahdia	28	9	37
Zaghuan	20	16	36
Kasserine	15	17	32
Kef	25	3	28
Gafsa	16	7	23
Beja	15	2	17
Tozeur	15	0	15
Siliana	8	4	12
Tataouine	11	0	11
Kebili	7	2	9
Total	1,005	1,007	2,012

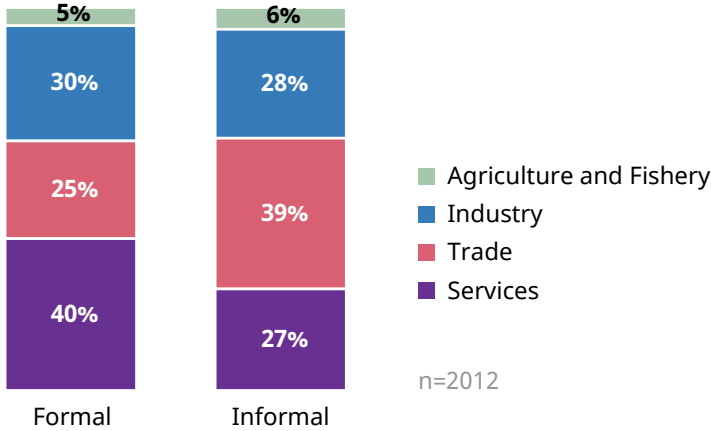
Continuing with the geographical distribution of the samples, these are indicative of urban areas, as almost 90% of the samples were collected in such locations. Notably, the sample of the informal sector contains about 7% of units of production operating fully online.

LOCATION OF THE UNIT OF PRODUCTION



Regarding the economic sector of the companies in the sample, those in the informal sector contain an overrepresentation of the trade sector, which reflects the reality of small vendors, for example, while the formal sector sample contains comparatively more companies in the services industry.

ECONOMIC SECTOR OF THE UNIT OF PRODUCTION



44%

of companies in the formal sector sample have one or two workers.

The average:

13

number of workers for these companies.

90%

of the units of production in the informal sector sample have one or two workers (including the respondent).

The average:

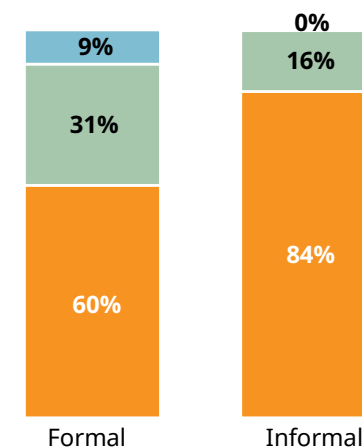
1.7

dependents per company.

The data above shows the systematic differences between the samples. **While the informal sector sample represents mostly independent entrepreneurs, mobile sellers, the micro part of the economy, the formal sector sample is more indicative of the experiences of small and medium-sized enterprises.**

Moreover, these differences are reinforced when looking at the market the unit of production targets: eighty-four per cent of the companies in the informal sector sample target local or at most regional markets. Six out of 10 companies in the formal sector sample do so as well. Twice as many companies in the formal sector sample target the national market (31% compared to 16% of the informal sector sample), and only the formal sector sample contains companies aiming at international markets.

PRIMARY MARKET OF THE COMPANY



■ International
■ National
■ Local/regional

n=2012

25%

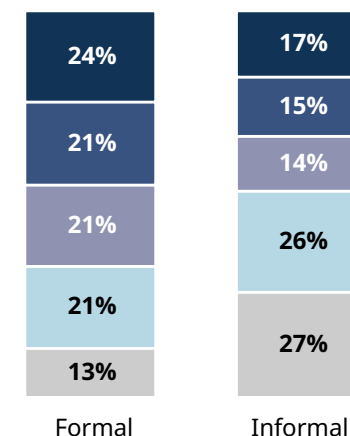
of the companies in the formal sector sample correspond to female-owned companies, overrepresenting women entrepreneurs in the sample.

31%

of the companies in the informal sector sample correspond to female-owned companies.

More than 50% of the companies in the informal sector sample have been in business for less than 5 years. Hinting at companies that started during or right after the COVID-19 global pandemic. Companies in the formal sector sample have a longer trajectory and have survived many emergencies. For instance, a quarter of them have been in business for more than 11 years, suggesting a certain level of stability among them.

AGE OF THE COMPANY



- More than 20 years
- 11-20 years
- 6-10 years
- 2-5 years
- Less than 2 years

n=2012

35%

of the companies in the formal sector sample report annual revenue of less than 10K TND

66%

of the companies in the informal sector sample report annual revenue of less than 10K TND



The data above depicts two distinctive samples, which were designed to be indicative of their respective particularities rather than a depiction of the national economic landscape of Tunisia. Companies in the formal sector sample are larger in size, revenue, and older, and more often aim at national or international markets than those in the informal sector. The informal sector sample contains a small proportion of online-only vendors.

This hints at the particularities of the companies that tend to be different between the formal and informal sectors, and may have different challenges and ways of operating. The samples reflect, at least prima facie, these differences correctly.

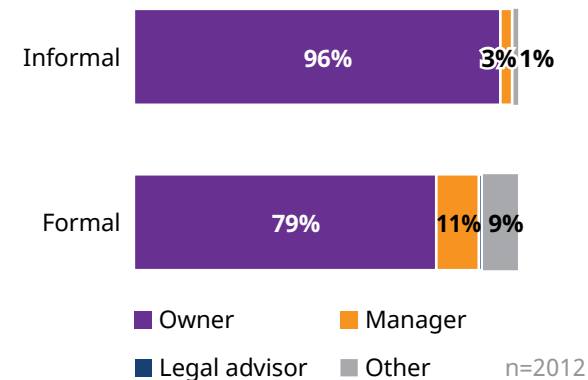
Another level of complexity relates to the characteristics of the respondent. The person who represented the unit of production at the time of replying to our questions.

Characteristics of the respondents

Almost every representative in the informal sector sample was the owner of the company (usually, the only person deriving subsistence from it). Eighty per cent of the respondents in

the sample of formal companies were the owners. Representatives in cases in which the owner was unavailable were managers, and in fewer cases, workers, HR managers or accountants.

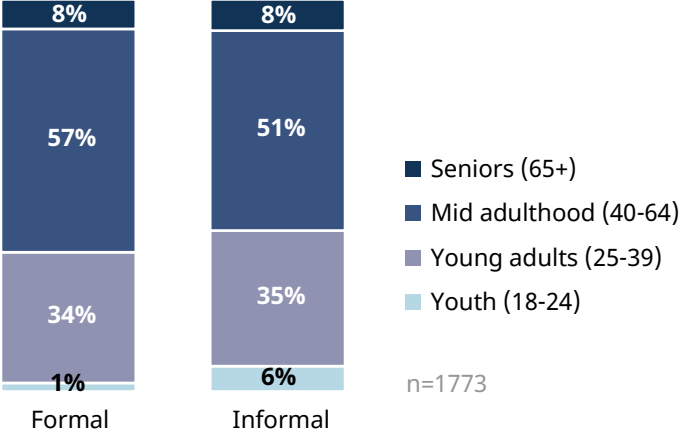
TITLE OF THE RESPONDENT



In both samples, the majority of the owners' ages fall under the category of middle adulthood (between 40 and 64 years). Younger owners (18 to 24 years of age) in the informal sector sample are overrepresented compared to the formal sector on a 5:1 basis. This may indicate that formalising companies is less common for young entrepreneurs.

The data above shows that the representatives in the informal sector sample are usually single persons obtaining their subsistence from this economic activity, usually older than 25 years of age, but there is a small representation of younger Tunisians in this sample.

OWNER'S AGE CATEGORY
(if respondent)





5

The Justice Gap for mSMEs

A justice journey starts when companies experience a legal problem. This chapter maps out the diversity of legal problems in the samples, including specific characteristics of each and every one reported.

What follows are the different disputes, grievances or disagreements that Tunisian entrepreneurs and companies face daily. We captured the experiences during the previous 24 months (two years).

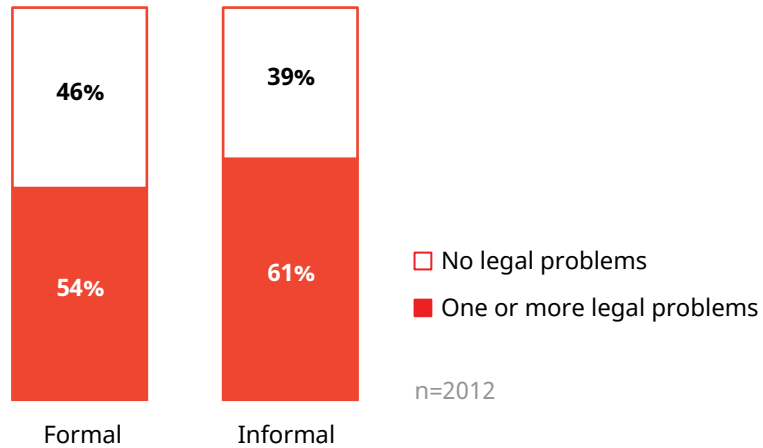
More than 50% of the companies in both samples experienced at least one legal problem in the previous 24 months.

Registration matters

Legal problems are common in Tunisia, affecting both individuals and companies. Six out of 10 units of production in the informal sector sample experienced at least one legal problem. This proportion is larger than that of the formal sector sample (at 54%), suggesting a slightly higher level of vulnerability in the informal sector of the economy to legal problems.

The overall prevalence of legal problems is similar to that of the longitudinal JNS study conducted between 2023 and 2025, which mapped out and followed the experiences of thousands of Tunisians.

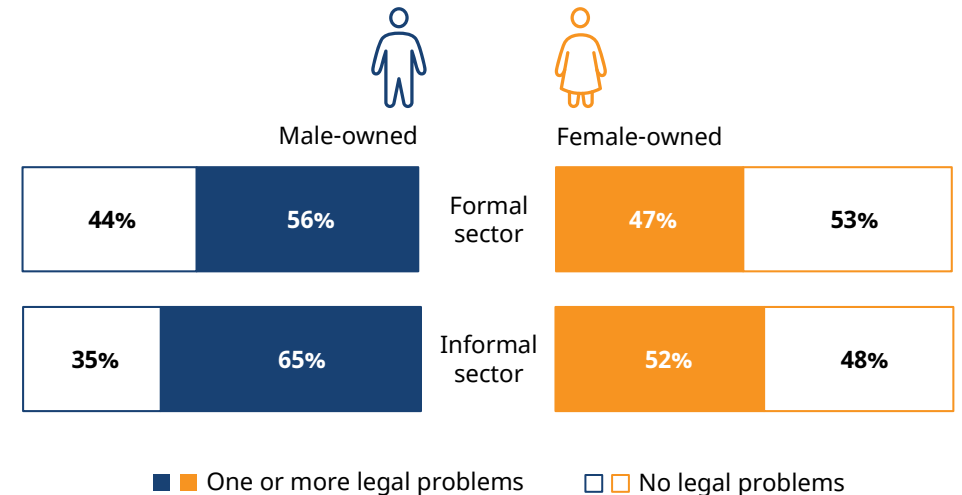
LEGAL PROBLEM PREVALENCE BY SAMPLE



In both samples, female-owned companies were less likely to experience or at least report legal problems, usually, with a difference of almost 10 or slightly more percentage points than the male-owned companies.

The subsample of male-owned informal companies is the one that experiences legal problems at a higher rate, with two out of three of them. Male-owned formal companies follow with 56%, and female-owned informal ones with 52%. Lastly, the only subsample with less than 50% prevalence is the female-owned informal companies.

LEGAL PROBLEM PREVALENCE BY GENDER



2.6

is the average number of problems experienced in the past two-year period for both formal and informal companies

Nonetheless, at an average of 2.8 problems experienced, male-owned informal companies experience not only more often legal problems, but a slightly larger number of problems than the rest of the subsamples.

Among activity sectors, companies engaging in trade have a higher average of legal problems (3), while the rest are closer to 2.

The different legal risks of being (in)formal: Contractual disputes in the formal sector, financing and unsafety for the informal sector

The representatives of the companies had to identify instances of disputes or disagreements from a list of 53 commonly experienced specific situations of a legal nature. These specific legal problems are aggregated in 14 wider categories. The distribution of the problems experienced by companies in the different samples is shown in the graph on the next page.

Ominously, one in two formal companies that experienced legal problems experienced a contractual dispute, making them the most common problem category in the sector. Specifically, these disputes correspond to non-payment or late payment by clients or customers, or disagreements over the terms of those contracts. Notably, approximately 76% of the contract-related disputes correspond to verbal agreements.

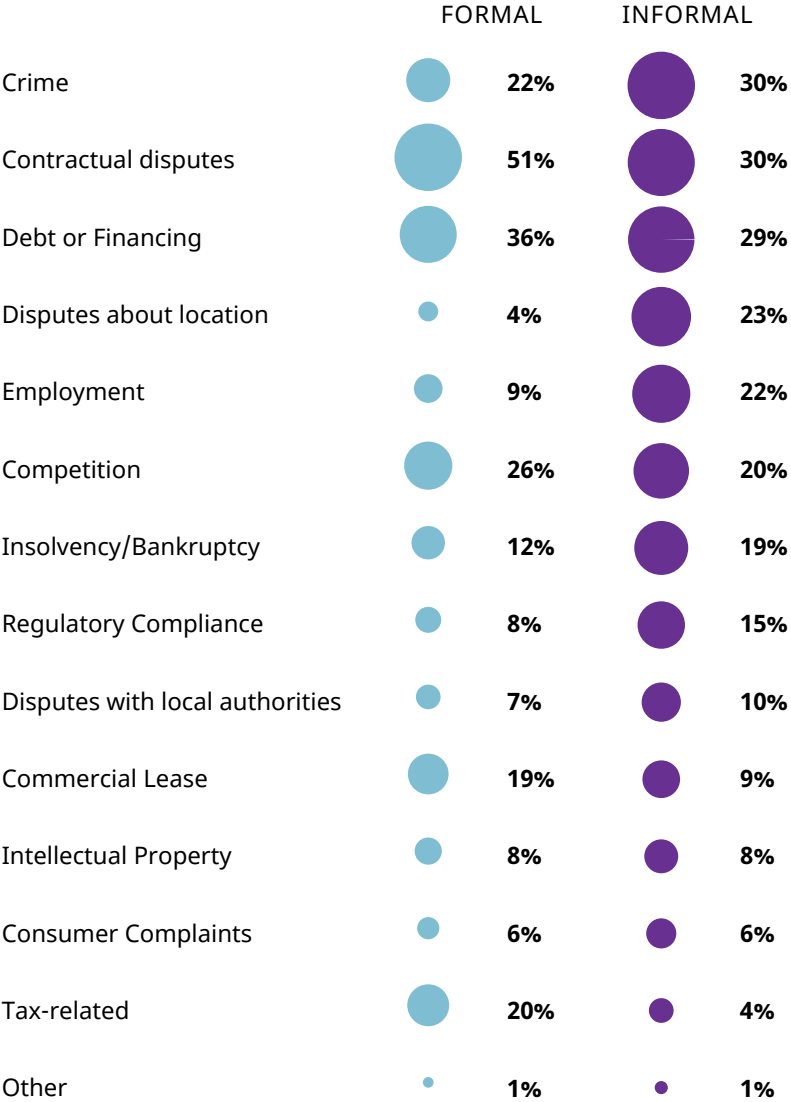
Debt, competition, and tax-related disputes are also more common in formal sector companies than in informal ones, due to their need to follow regulations and tax rules.

Informal companies suffer more from crime, debts and disputes over location, due to inherent working conditions and lack of credit, making them vulnerable to these legal problems.

The graph on the next page shows that employment-related disputes are disproportionately more common among units of production working in the informal sector. While the majority of these are self-employed people, this finding may cause dissonance. The explanation is that the majority of these problems relate to harassment in the workplace, which respondents understood as harassment not by a colleague or superior, but by others, occurring in the locations where they work. Respondents also reported experiencing unsafe working conditions. Again, not in the sense of a company not providing safe working conditions, but general unsafety where they conduct their commercial activities.



MOST COMMON CATEGORIES BY FORMAL STATUS



n=3027 problems

The data above suggests that the types of legal problems experienced relate to specific challenges by sector. Complex, regulatory-related problems in the formal sector, while being relatively protected from disputes about location, regulatory compliance or insolvency, are probably due to access to support and professional services around these matters. Companies in the informal sector are vulnerable to crime, harassment and abuse, which are more widespread than in formal companies, and some complex issues also affect the formal sector, such as debt and financing.

For each of the legal problems experienced, we asked a battery of questions aimed at knowing more about the characteristics of each legal problem in the sample. The unit of analysis in the next pages will change from companies to problems, which is reflected in the sample size in each graph.

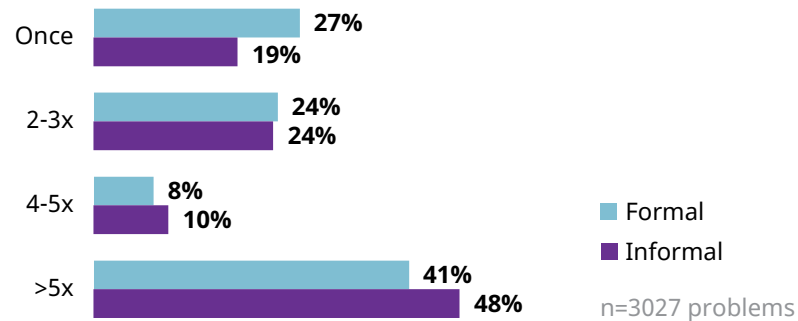


Legal problems are highly recurrent

Six out of 10 problems of informal companies, and five out of 10 of the ones of the formal companies have occurred at least four times in the past two years. In other words, contract breaches, theft, and disputes

with authorities and others not only occur once, but multiple times a year, increasing the urgency to provide support to companies in the Tunisian economic landscape.

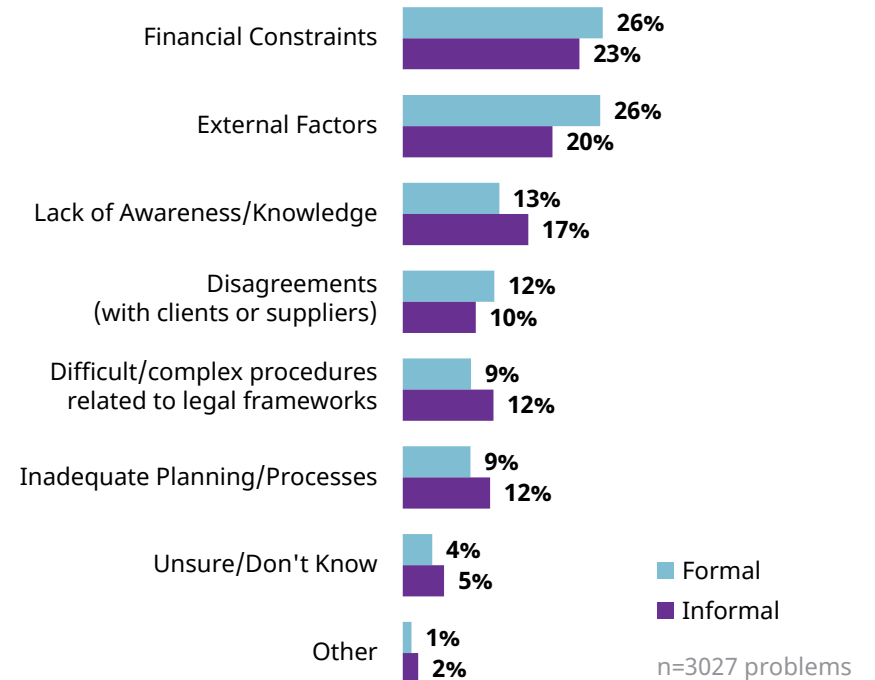
HOW FREQUENTLY HAS THE LEGAL PROBLEM OCCURED IN THE PAST TWO YEARS?



When asked about the main reason they attributed to their legal problems (or, if the problem has happened multiple times, what the most common reason was), companies from both the formal and informal sectors coincide in the ranking of causes, but with small differences: Around 52% of the problems of companies operating

in the formal sector are attributed to financial constraints and external factors. The percentage for these categories is 43%. Informal companies cited more often than companies in the formal sector sample, lack of awareness and knowledge as the main cause of legal problems.

WHAT WAS THE MAIN CAUSE OF THE LEGAL PROBLEM?



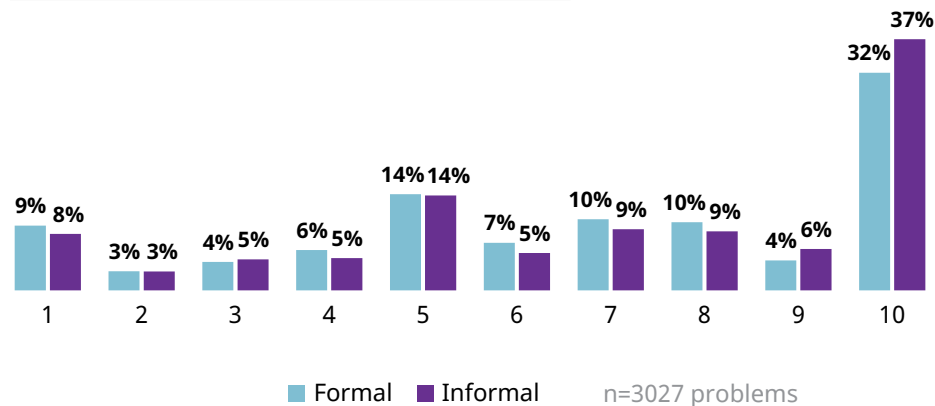
Companies in the informal sector rate the impact of their legal problems higher than those in the formal sector

Legal problems are highly impactful in the eyes of both, companies working in the formal, and the informal sector. More than three out of every 10 legal problems experienced are rated at the highest level (10). Informal companies report that a combined 52% of their legal problems are rated 8 or above. This results in a difference in average severity: 6.7 for companies in the formal sector and 7 for those in the informal sector.

The specific problems that companies rate as more impactful relate to insolvency and liquidation, with an average of 8.3 and 7.8, respectively. These are substantially above average.

Female-led companies in the informal sector report an average seriousness that is lower than their male-led counterparts (6.6 versus 7.1). There are no differences between male and female-led companies in terms of average seriousness of the legal problems in the formal sector of the economy.

IMPACT OF THE PROBLEM (SCALE 1-10) BY SECTOR



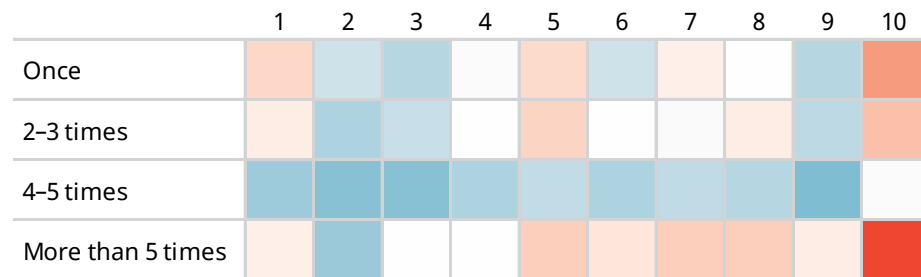
Recurrent legal problems also tend to be the most impactful ones

Companies in both the formal and informal sectors face severe and recurrent legal problems. The heatmap below considers the relationship between frequency and impact. It is clear that the higher percentage of problems occurs when the frequency is more than 5 times in the past two years, and the rate is 10 in terms of impact. These are, therefore, by no means trivial problems. In fact, almost a quarter of all legal problems of informal companies are in this cell, while for formal companies, more than 15% of their legal problems fall under this category.

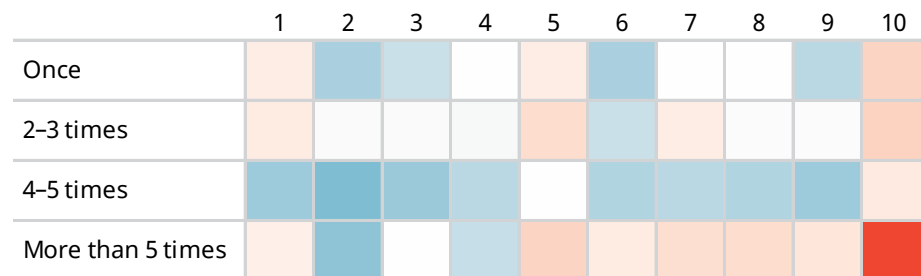


Problem resolution is elusive for companies in both the formal and informal sectors. Only approximately 20% of their problems get (partially) resolved

FREQUENCY OF THE LEGAL PROBLEM AND ITS IMPACT – FORMAL COMPANIES



FREQUENCY OF THE LEGAL PROBLEM AND ITS IMPACT – INFORMAL COMPANIES

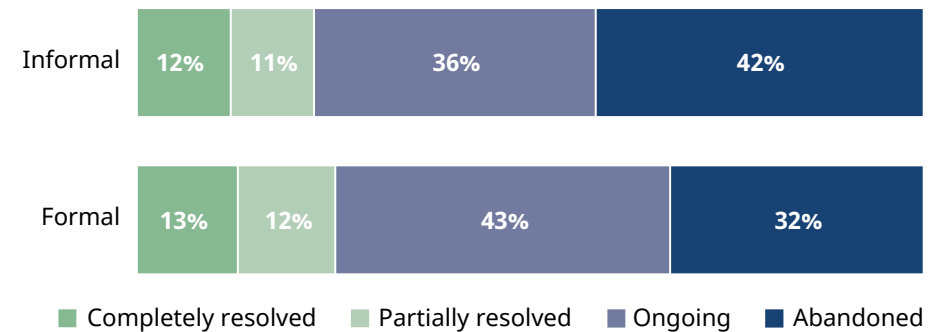


Lowest frequency  Highest frequency

Regardless of registration status, only two in 10 legal problems are considered resolved to at least a partial extent at the moment of the interview. In other words, companies have 80% of their legal problems either expecting a resolution or simply abandoned. The distribution in these categories depends mostly on the sector.

The graph below shows that companies operating in the formal sector tend to catalogue their legal problems as ongoing, meaning that they expect a resolution or closure to them. Whereas units of production in the informal sector tend to abandon their problems in a higher proportion, without any hope for resolution.

HAS THE PROBLEM BEEN RESOLVED?



■ Completely resolved ■ Partially resolved ■ Ongoing ■ Abandoned

n=3027 problems

Impact and resolution: The hardest problems remain unresolved

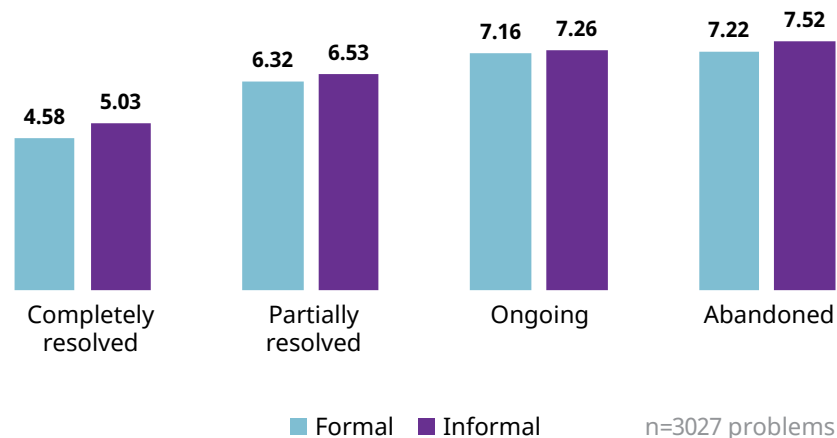
In both the formal and informal sectors, companies are generally more successful in resolving problems of lower complexity and impact. Resolved cases show an average impact of about 5, far below the overall average of 7.

Hiil's work in Tunisia and elsewhere confirms this is not unusual: people tend to solve problems that are less severe and easier to handle. The real difference lies in unresolved problems. Normally, abandoned problems are

less impactful than ongoing ones, suggesting that people can tolerate smaller issues but keep pushing on with the more serious ones.

However, this pattern is reversed for abandoned problems. As the graph shows, companies often abandon the most impactful and damaging problems. Instead of persisting, they lose hope even when facing their most critical legal challenges.

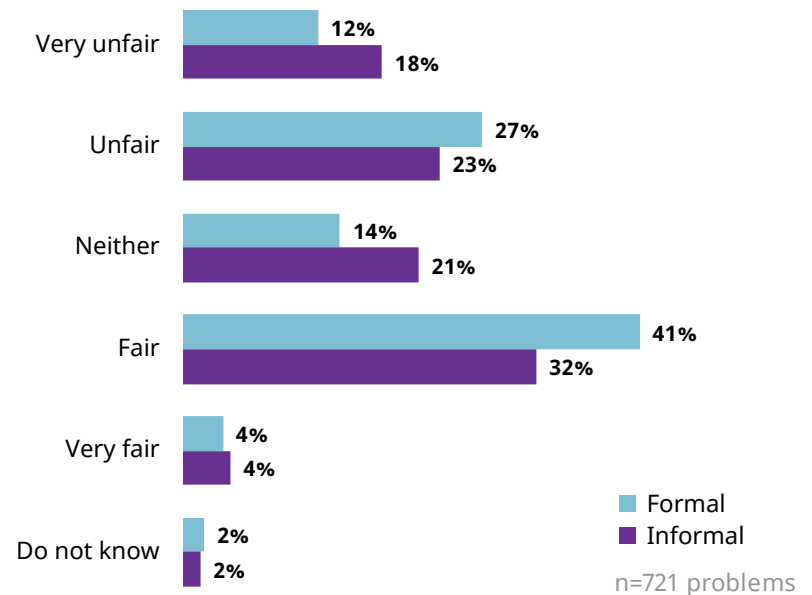
IMPACT BY RESOLUTION STATUS AND SECTOR



The majority of the legal problems considered resolved have a less-than-fair solution

While only a combined 20% of the legal problems reach at least a partial solution, further examination of the fairness of that resolution indicates that the majority of the solutions considered by companies, both in the formal and informal sectors, are less than fair.

FAIRNESS OF RESOLUTION



Access to finance, contracts and crime are the most serious problems for mSMEs

We asked the representatives of the companies to select, out of all the problems they told us their companies experienced, the most serious one, as a form of prioritisation for the rest of the survey. From now on, this report will focus on the most serious problems, meaning that one company represents one legal problem.

The graph highlights sharp differences in the types of problems formal and informal companies consider most serious. While the overall ranking follows the relative prevalence of the categories, differences appear between sectors: For formal companies, contractual disputes dominate, affecting more than a quarter (28%). Debt and financing issues come next (18%), followed by competition (12%) and crime (7%).

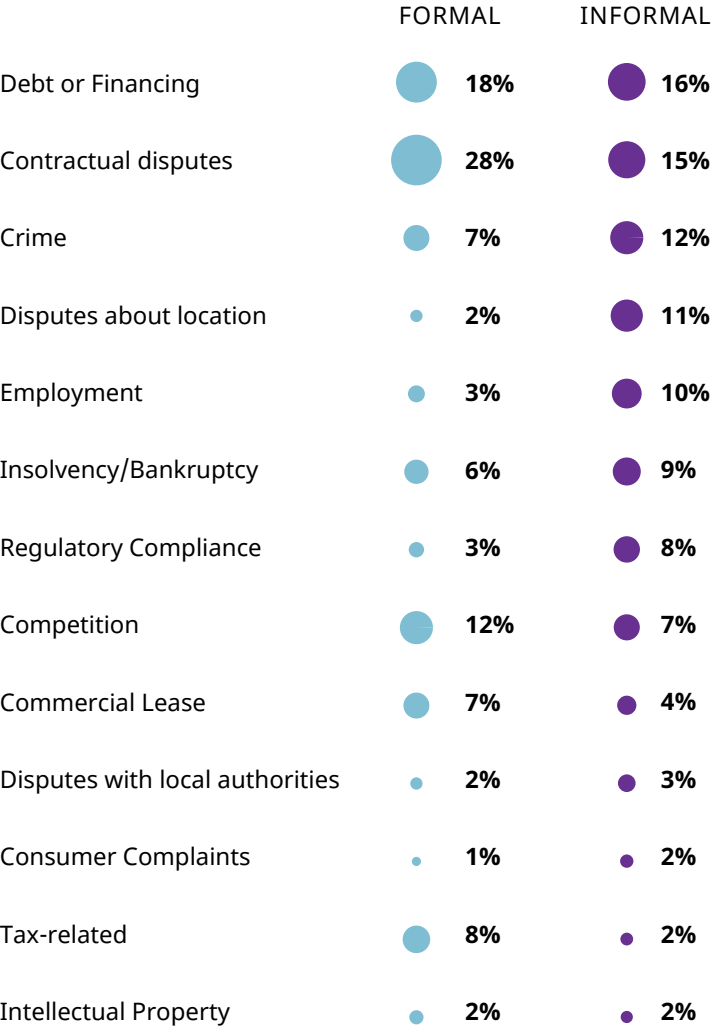
For informal companies, the picture is different. Debt or financing problems top the list (16%), followed closely by contractual disputes (15%). Crime (12%), disputes about location (11%), and employment issues (10%) are also common.

A few categories stand out in their imbalance. Formal firms are much more likely to face tax-related problems (8%), while informal firms are more exposed to location disputes, employment, and regulatory compliance.

Overall, formal companies struggle most with contractual relations, while informal businesses face a broader mix of challenges tied to survival and operating without stable structures.



MOST SERIOUS PROBLEM CATEGORY BY FORMAL STATUS

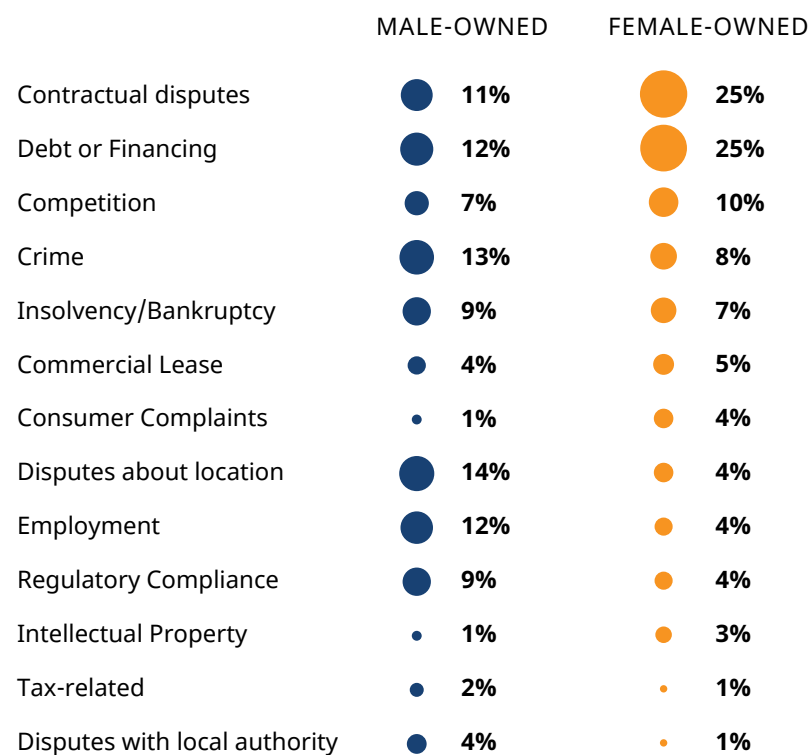


n=1160



There is a clear difference in terms of problem categories for male and female-owned companies in the informal sector: The graph below shows that the distribution of the most serious problem categories for female-owned businesses is more similar to the distribution for the formal companies. This is likely explained by the different companies they run. Male-owned companies consider disputes about location, employment-related problems (safety in the location of work), regulatory compliance and crime more often than female-owned companies, which tend to report contractual disputes and access to financing as their most serious legal problems.

THE MOST SERIOUS PROBLEM CATEGORY BY GENDER OF THE OWNER (INFORMAL SECTOR)



n=618

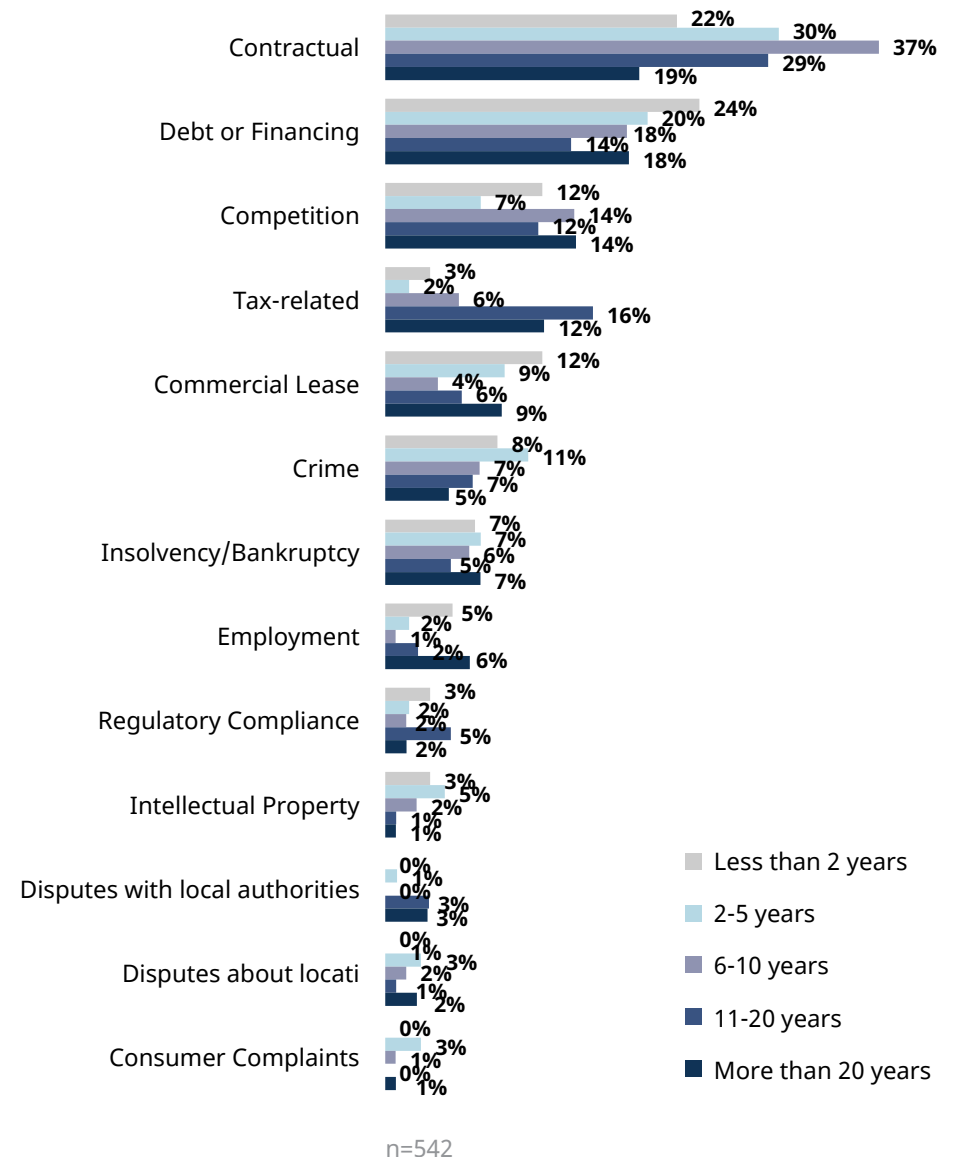
Different legal problems in the life cycle of companies

Specifically in the sample of companies operating in the formal sector, the most serious legal problem category tends to vary along the lifecycle of a company: Contractual problems are the most prevalent problem for all age groups, but they are particularly serious among “middle-aged” formal businesses. This suggests that new and growing businesses frequently encounter issues with non-payment or disagreements over terms. Debt or financing issues are consistently one of the top problems across all age groups. They are most pronounced for businesses operating for 6-10 years (18%) and 11-20 years (14%), indicating that these are persistent challenges for businesses as they mature. Crime is more commonly signalled as the most serious problem among younger companies, while tax-related and competition issues are among the more established companies.

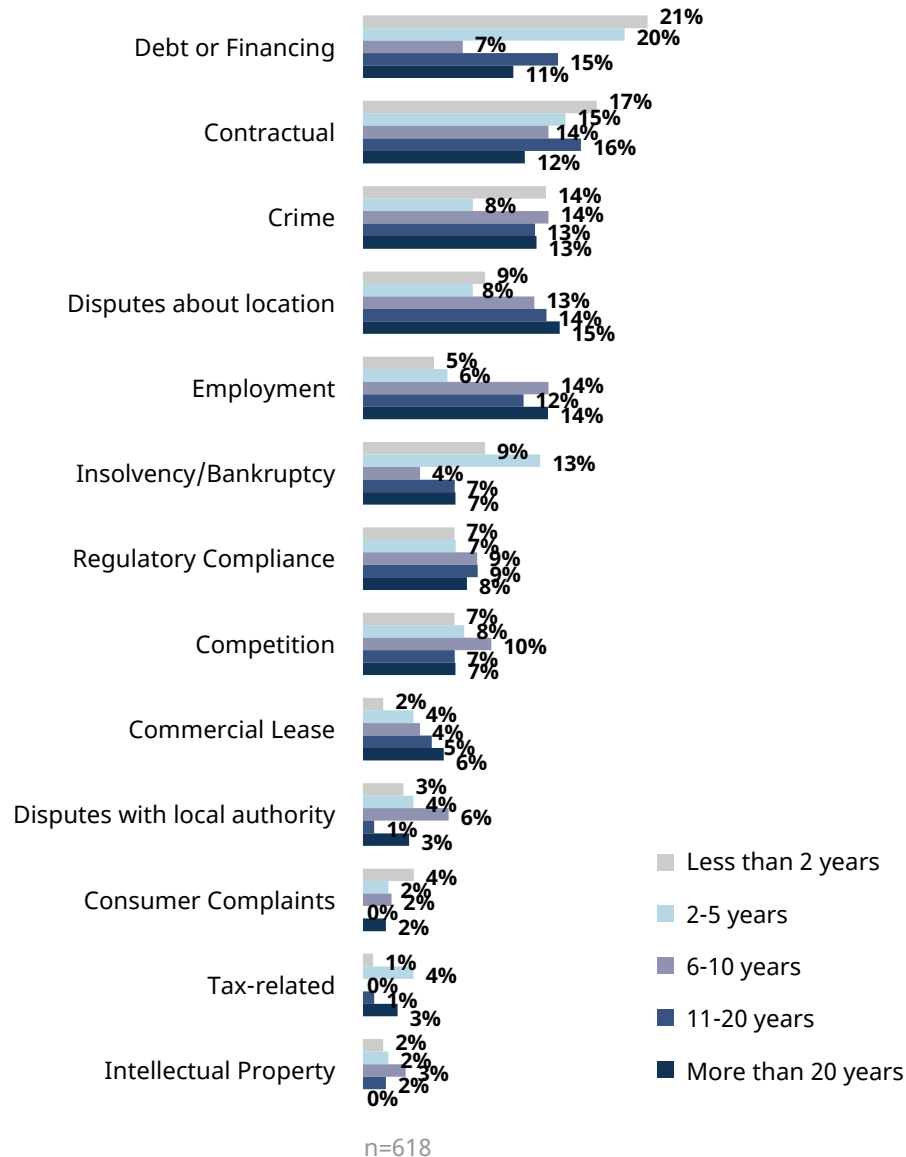
In the case of the informal sector companies, the differences between units of production in different stages are less pronounced. The overall ranking of problem categories is relatively unchanged between groups, except for some switches between contractual and financing problems as the most serious problem category among companies of different ages.

While the types of legal problems faced by formally registered businesses shift as they mature, the legal problems faced by informal businesses remain fairly consistent across different age ranges, probably due to some survivorship bias. Few informal units of production get to maturity. It is also important to note that due to the relatively high amount of cells in this analysis (14 categories x 5 age groups), many cells are sparsely populated. Therefore, this subsection must be considered with caution.

MOST SERIOUS PROBLEM BY AGE OF THE COMPANY- FORMAL SECTOR



MOST SERIOUS PROBLEM BY AGE OF THE COMPANY- INFORMAL SECTOR



Authorities and clients: the most common other parties in dispute

Formal and informal businesses tend to deal with different counterparts. The biggest contrasts appear at the top and bottom of the distribution.

For informal companies, the most common counterpart is some form of authority (local, regional, or national) in about a third of the most serious problems. For formal companies, it is usually a client, followed closely by an authority.

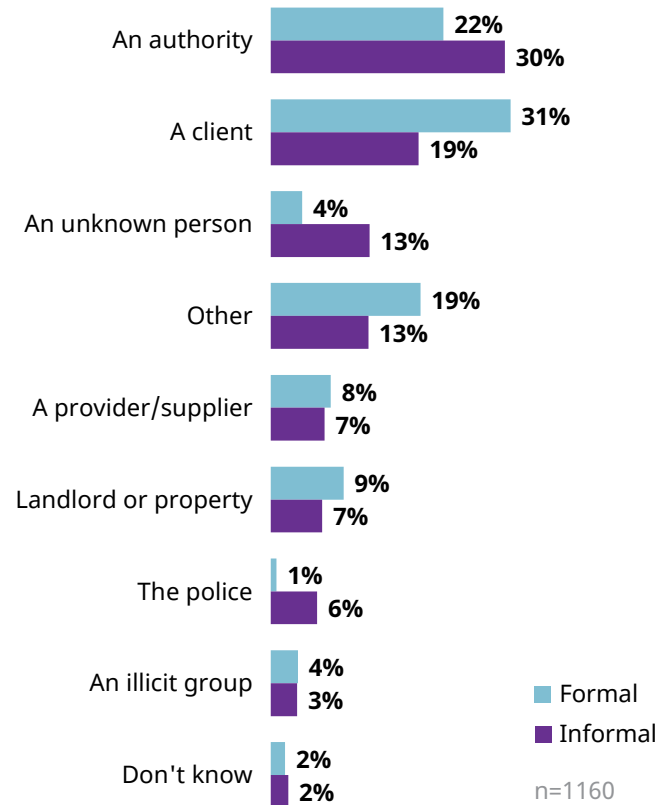
The sharpest gap concerns the police: informal companies are five times more likely to face them in disputes

than formal companies, even if the police are not among the most frequent counterparts overall, which signals some sort of targeting, at least.

For formal companies, the other category appears in a relatively high frequency as the other party in dispute. When asked to specify, they mostly identified banks and other financial institutions, competitors in the same field and workers. Informal companies identified banks, too, as other relevant counterparts in dispute.



WHO WAS THE OTHER PARTY?

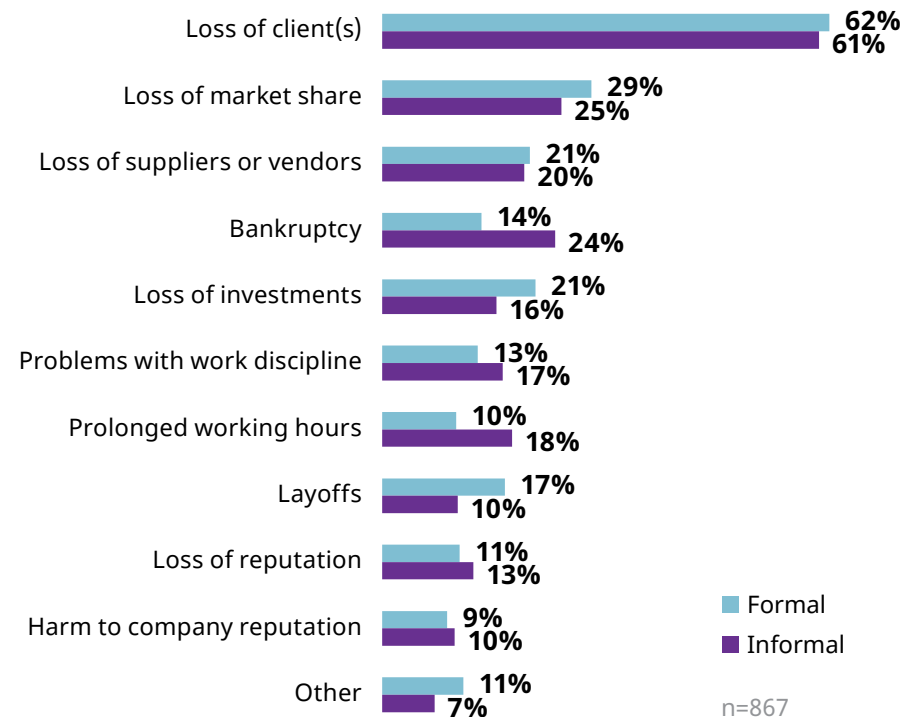


mSMEs suffer similar consequences due to legal problems, despite the differences in the sector and type of problem

Loss of clients is by far the most common consequence of the most serious legal problem in both samples. The differences appear in how more prominent consequences, such as

bankruptcy and extended working hours, are among informal companies, versus loss of market share and layoffs are for companies operating in the formal sector.

WHAT WERE THE CONSEQUENCES OF THE MOST SERIOUS LEGAL PROBLEM?





6

Legal problem resolution

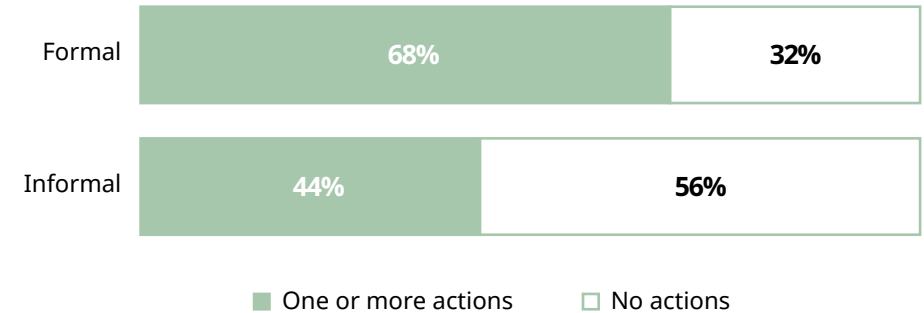
When mSMEs experience one or more legal problems, they need to resolve them. The steps they take to try to resolve their problem are what constitute their justice journey. This chapter explores what companies do to try to resolve their legal problems and how satisfied they are with the processes and outcomes, focusing on the most serious problem the company experienced.

Formal mSMEs are much more likely to try to resolve their legal problems

When it comes to trying to resolve their legal problems, formal companies are significantly more likely to take one or more actions. Around 68% of formal companies took one or more actions,

compared to only 44% of informal companies. So not only are informal companies more likely to report legal problems, they are also less likely to take steps to try to resolve them.

ACTION RATE



mSMEs have little faith in positive outcomes



Companies have different reasons for not taking action, but the differences between formal and informal companies are relatively minor. The most common answers to the question why they decided not to take any action to try to resolve their most serious legal problem are not expecting a positive outcome and not having enough money. This suggests companies do not think the justice system will be able to help them or that it would require spending large amounts of money to get the problem resolved.

Other common reasons are that the other party was more powerful, the processes are too complex (especially for formal companies), not wanting to create issues in the community (especially informal companies), and the problem not being serious enough.

REASONS FOR NOT TAKING ACTION



Very few mSMEs seek outside help to resolve their legal problems

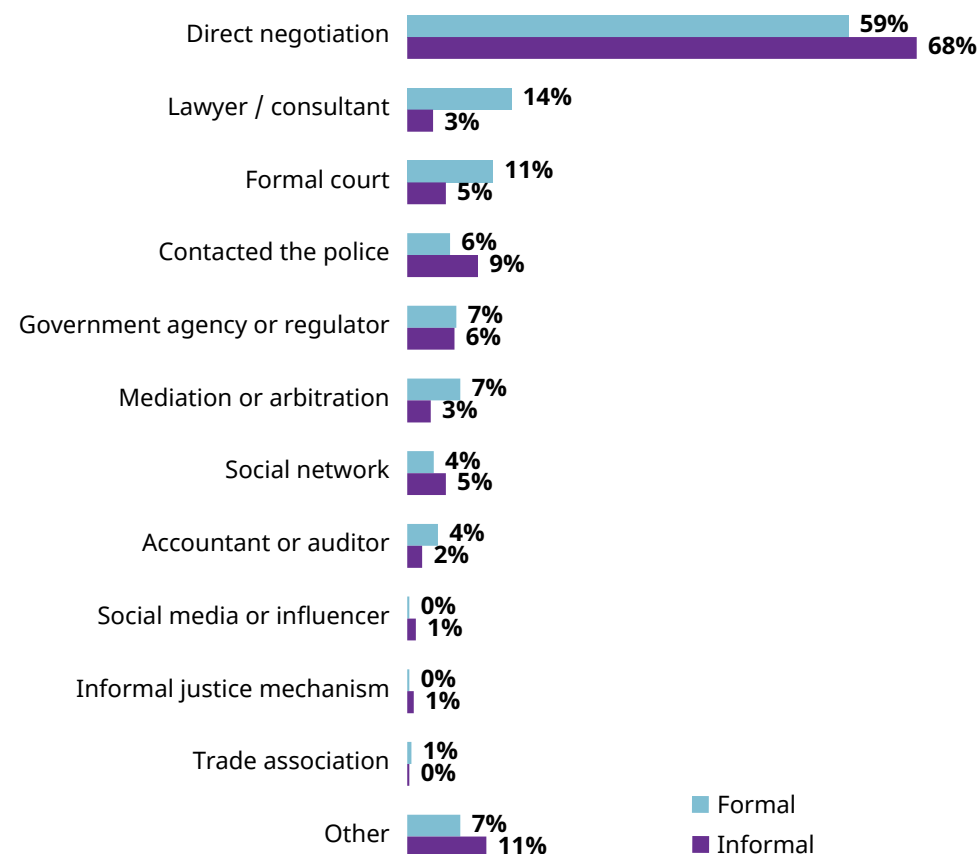
When mSMEs take action to try to resolve their most serious legal problem, they overwhelmingly opt for one option: directly engaging the other party in the dispute. Among the mSMEs who take action, around 59% of formal companies and 68% of informal companies talk directly to the other party. Percentages in the graph below sum up to more than 100% because the respondents could select more than one action.

Meanwhile, engaging support from an external source of help is less common. Around 49% of formal companies that take action turn to an external source of help; for informal companies, this is 39%. In other words, even companies that do take action to try to resolve their most serious legal problem are often left to themselves.

The sources of help companies engage with differ between formal and informal companies. Formal companies are most likely to solicit the help of a lawyer, followed by going to court. On the other hand, informal companies are most likely to contact the police, followed by a government agency or regulator. They rarely engage a lawyer and are also much less likely to go to court. These differences relate to the different types of legal problems experienced by different sectors.

The relatively high prevalence of the answer category other relates to actions through banks or other financial institutions or possibly informal sources of funding, such as borrowing money, paying off debts.

SOURCES OF HELP



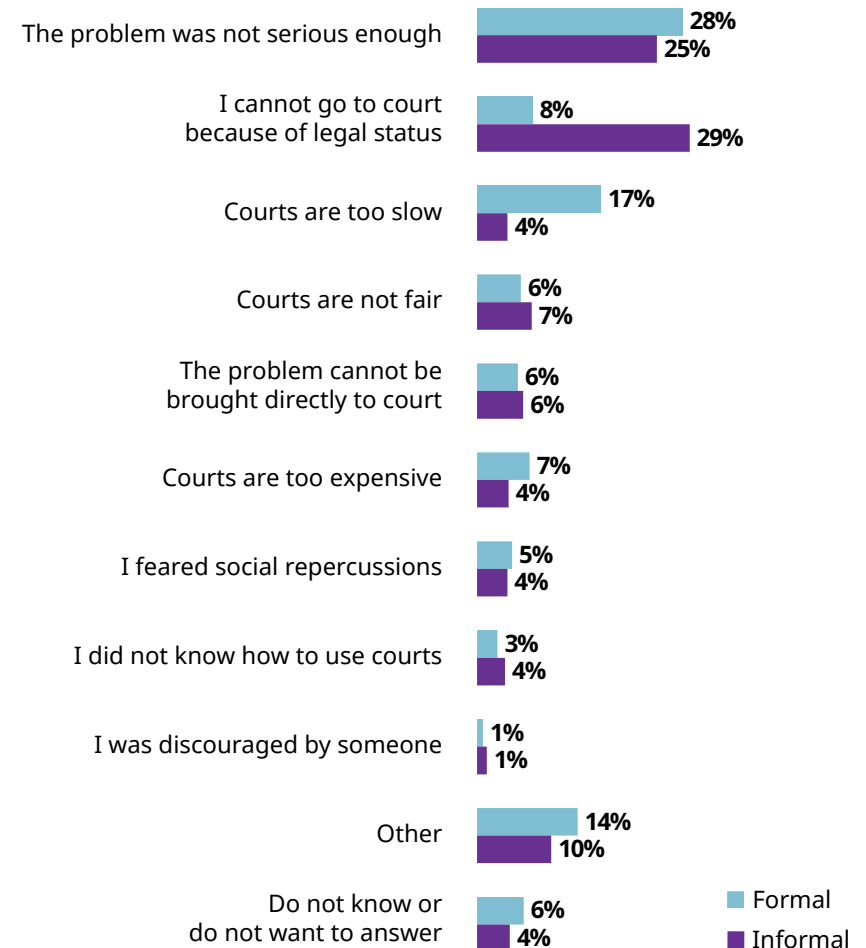
Informal mSMEs often avoid courts because of their legal status



Very few mSMEs have their most serious legal problem ending up in court. As noted above, around 11% of formal companies that took action to resolve their most serious legal problem went to court, compared to only 5% of informal companies. Companies have various reasons why their most serious problem did not go to a formal court of justice.

Both formal and informal companies indicate that their problems were not serious enough to take to court. Formal companies also mention relatively often that courts are too slow, suggesting they prefer to find other ways to try to resolve their problem more quickly. For informal companies, the most common answer is actually that they cannot go to court because of their legal status. This illustrates the importance of investing in accessible alternative dispute resolution mechanisms, especially for informal mSMEs.

REASONS FOR NOT GOING TO COURT



Lawyers' services are seen as helpful, formal justice agencies, much less so

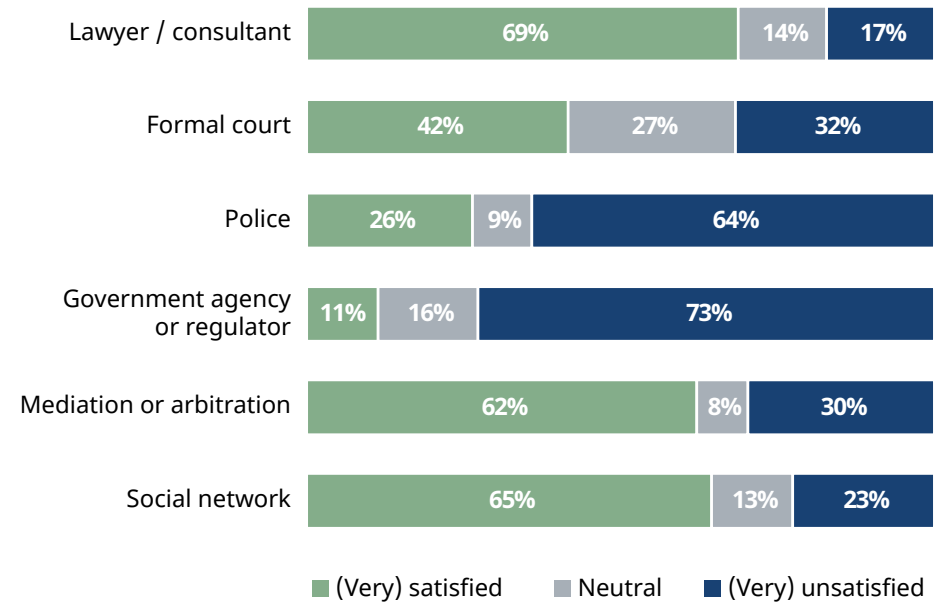
As seen above, mSMEs relatively rarely obtain legal assistance from external sources of help. When they do, it is mostly from lawyers, the court, or the police. Other options of outside help involve a government agency or regulator, mediation or arbitration, or someone from their social network (such as a family member or friend). To better understand which sources of help actually manage to be helpful for mSMEs trying to resolve their most serious legal problem, we asked how satisfied they are with the help received. Because of a relatively low number of respondents and only minor differences between formal and informal companies, the above graph reports both types of mSMEs combined.

Lawyers are generally the most helpful source of help, as 69% of companies are either satisfied or very satisfied

with the help they provided. Mediation and social networks are also evaluated in a relatively positive manner, with 62% of companies finding the mediation (very) helpful and 65% of mSMEs saying their social network was (very) helpful. The latter might also be a result of lower expectations compared to some more professional (and paid) sources of help.

Courts are more often positively evaluated than negatively, with about one in three companies saying they are (very) unsatisfied with their help. This could, of course, be since courts - unlike, for example, lawyers - do not explicitly work for one party. Overall satisfaction rates are lowest for the police and governmental agencies or regulators, with 64% and 73% of companies being (very) dissatisfied with their help.

SATISFACTION WITH THE SOURCE OF HELP



mSMEs encounter numerous challenges when trying to resolve their legal problems

To better understand what barriers mSMEs deal with when they experience a legal problem, we asked what challenges they faced in preventing or resolving their most serious legal problem. Around 72% of the formal companies mentioned at least one challenge, compared to 67% of informal companies. Not surprisingly, mSMEs that cite at least one barrier are significantly less likely to have resolved their most serious legal problem (25% versus 20%).

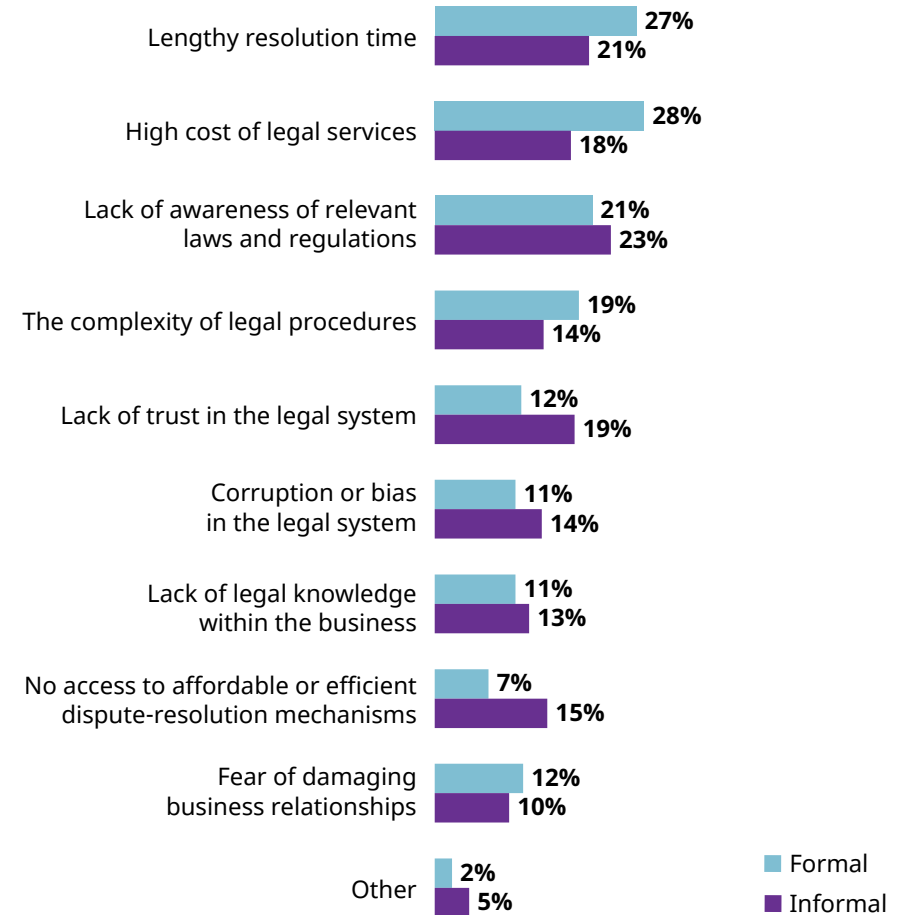
The most common challenges mentioned align with some of the most common reasons why companies decide not to take any action to try to resolve their most serious legal problem, but there are some differences between formal and informal companies.

The most common challenges cited by formal companies are lengthy resolution times and the high cost of legal services. Other relatively common

challenges are a lack of awareness of relevant laws and regulations and the complexity of legal procedures. A lack of trust in the legal system or challenges related to corruption or bias in the legal system are less common. This suggests that formal companies mostly struggle with the time, costs, and complexity of navigating the legal system to deal with their most serious legal problem.

Informal companies are most likely to cite a lack of awareness of relevant laws and regulations, followed by lengthy resolution times and limited confidence in the legal system. Informal companies are also more likely to cite corruption or bias in the legal system, suggesting they overall have less trust in the legal system than formal companies. They are also twice as likely as formal companies to say they have no access to affordable or efficient dispute resolution mechanisms.

BARRIERS ENCOUNTERED



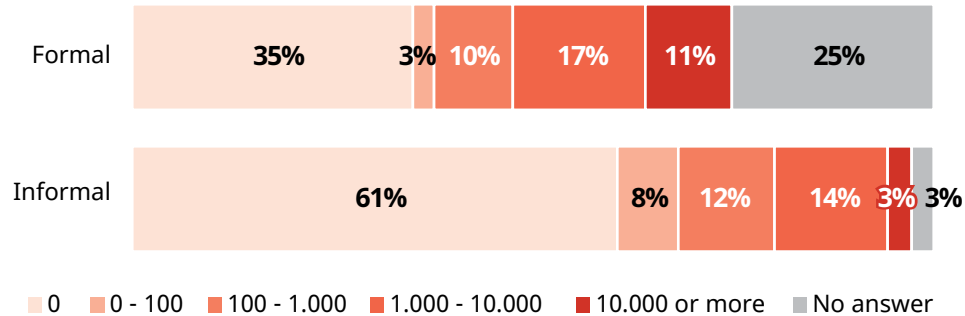


To better understand the costs of resolving legal problems, we asked mSMEs how much they spent trying to resolve their most serious legal problem.

As formal companies are more likely to take action to try to resolve their legal problems, they are also more likely to spend money doing so.

Whereas 61% of informal companies said they did not spend any money, for formal companies this percentage is 35%. When they do spend money, most informal companies spend either between 100 and 1,000 TND or between 1,000 and 10,000 TND. Formal companies are more likely to spend more money, with 11% of companies spending more than 10,000 TND.

COSTS OF DISPUTE RESOLUTION

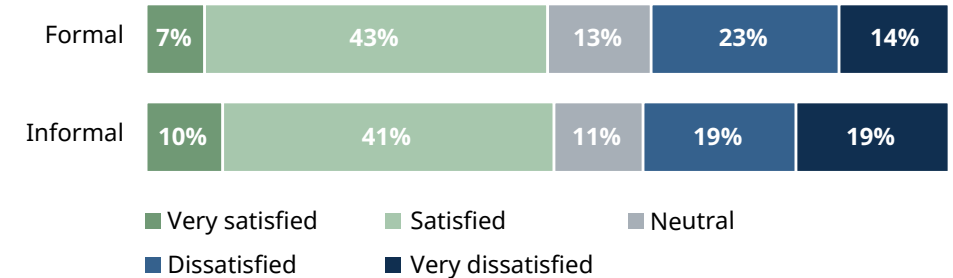


Companies that resolve their most serious legal problems show mixed satisfaction levels with the outcome

As shown in Chapter 5, resolution rates are relatively low, with only around 23% (informal) to 25% (formal) of all problems being resolved. This percentage is slightly lower when considering only the most serious problems (20% for informal companies and 23% for formal companies). Those who did manage to resolve their most serious legal problems show mixed

levels of satisfaction with the outcome of the resolution process. Among both formal and informal companies, roughly 50% are satisfied or very satisfied with the outcome. Meanwhile, 37% of formal companies and 38% of informal companies are dissatisfied or very dissatisfied with the outcome of the dispute resolution.

SATISFACTION WITH THE OUTCOME



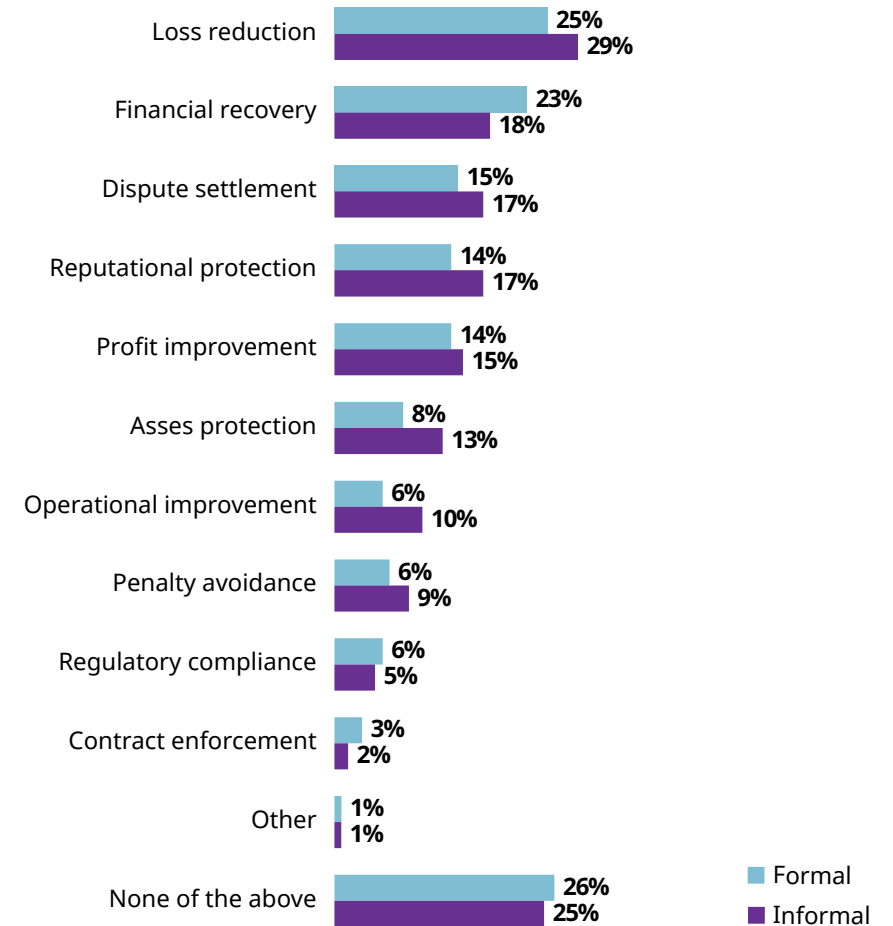
But problem resolution does lead to a variety of positive outcomes

Although satisfaction levels with the outcome are mixed, most mSMEs that manage to resolve their most serious legal problem do benefit from one or more positive outcomes. Although both formal and informal companies are roughly equally likely to cite at least one positive outcome when they manage to resolve their most serious legal problem, informal companies are more likely to cite a wide range of, often multiple, positive outcomes.

Both formal and informal companies cite loss reduction, financial recovery, and profit improvement as important outcomes, indicating how important problem resolution is for the financial well-being of mSMEs. Other positive outcomes are related to dispute settlement and reputational protection. These positive outcomes illustrate how important it is for companies to be able to resolve the legal problems they encounter, including for their ability to continue operating their business.



OUTCOMES ACHIEVED



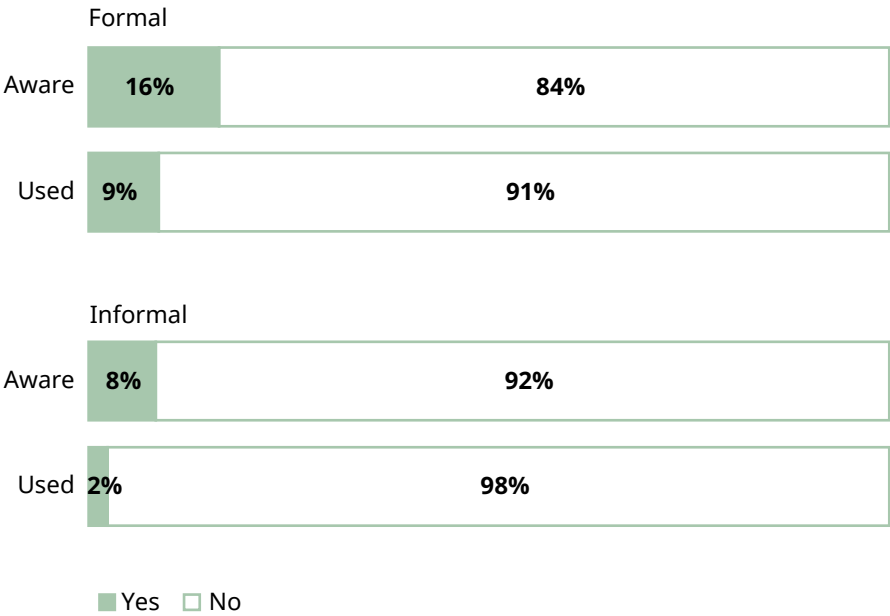
Awareness and usage of legal support services are very low

We also asked companies whether they are aware of the existence of any organisations or programmes that provide legal support services for mSMEs in Tunisia and whether they have actually used any of these services. The findings show that very few companies are aware of such services, as only 16% of formal companies and 8% of informal companies indicated they were aware of the existence of such organisations or programmes. The organisation that is most often mentioned by respondents is Enda Inter-Arabe (66 times), followed by the Tunisian

Bank of Solidarity (25 times), Advance (12 times), and Taysir (11 times)¹⁵.

Only a handful of mSMEs indicate they have used any of these legal support services in the last 24 months. Especially informal companies rarely make use of legal support services, with only 2% of them indicating they did (compared to 9% of formal companies). The ones who did use such services indicated they mostly received assistance from a lawyer (48%), an accountant (11%), or administrative assistance (9%).

AWARENESS AND USAGE OF LEGAL SUPPORT



¹⁵ Enda Inter-Arabe, the Tunisian Bank of Solidarity (BTS), Advance, and Taysir are primarily organizations that provide financial services, microcredit, and business development support rather than direct legal support. Enda Inter-Arabe mainly offers microfinance loans and financial inclusion programs. Tunisian Bank of Solidarity focuses on financing and supporting small businesses. Advance and Taysir are also more involved in microfinance, training, and capacity building. While they may offer some advisory or support services related to business development, they are not primarily legal aid providers. These organisations are not typically categorized as specialized legal support providers.



7

Findings and Implications

Micro, small, and medium enterprises (mSMEs) are a cornerstone of Tunisia's private sector, representing approximately 97.4% of all private enterprises. However, many of these businesses face a significant justice gap that hinders their stability, growth, and trust in the legal system.

The survey findings highlight that the legal environment does not adequately address their needs currently.

Key Findings

Legal problems are widespread and serious

Over half of all mSMEs experienced at least one legal problem within the two years before the survey. Informal businesses were found to be slightly more vulnerable, with 61% experiencing legal problems compared to 54% of formal ones. For many units of production, these are not one-off events; more than 50% of the problems are recurrent, happening four or more times, and these legal problems are usually rated at maximum impact, indicating deep structural vulnerabilities rather than isolated disputes.

Formal and informal businesses face different types of problems

The nature of the legal problems varies significantly based on a company's formal status. Formal businesses primarily struggle with contractual disputes, debt, and financing issues. In contrast, informal businesses are more vulnerable to crime, disputes over their workplace location, and interactions with authorities or other parties. These differences are driven by

male-owned companies in the informal sector, underscoring the fragility of the informal economy and the lack of legal protections available to safeguard these businesses.

Most problems remain unresolved

A staggering 80% of legal problems are either ongoing or abandoned at the time of the interview. The most impactful and serious problems are frequently those that are abandoned, suggesting that businesses either lack the resources or the confidence to pursue a resolution. Even when disputes are resolved, many businesses express concerns about the fairness of the outcomes, which indicates that existing dispute resolution mechanisms often fail to provide meaningful remedies.



Businesses rarely seek outside help

The majority of firms prefer to resolve issues on their own, with direct negotiation being the most common approach (59% of formal firms and 68% of informal ones). Informal businesses are particularly reluctant to use formal channels like lawyers or courts, often believing their legal status disqualifies them from doing so. This reluctance points to a combination of limited trust, high costs, and a lack of belief in the system's ability to deliver effective solutions. Companies operating in the formal sector of the economy cite more often reasons related to the quality of the process to explain their lack of engagement with formal courts.

Outcomes are unsatisfactory, but crucial for mSME financial health

Outcomes, this is, the positive results of resolving legal problems, tend to be considered as less than fair as shown before. Among those companies that resolve their most serious problems, loss reduction and financial recovery are the most commonly obtained outcomes. This shows that resolving legal problems is one of the most important ways to increase the livelihood of Tunisians, improving the overall quality of the economic environment. More justice equals more prosperity and business opportunities for all.

Awareness of legal support services is extremely low

Only 16% of formal businesses and 8% of informal ones were aware of legal support services. Actual usage rates were even lower, at 9% and 2% respectively. This indicates that even if services exist, they are largely invisible and inaccessible to the businesses that need them most.

Policy Implications

These findings necessitate a people-centred justice strategy that designs services around the specific needs and realities of mSMEs, especially those operating in the informal sector. Four broad policy directions emerge:

1. Develop accessible justice pathways that serve as an on-ramp to formalization

Informal companies face a distinct set of problems and rarely use formal channels due to barriers like cost, complexity, and a lack of trust. Therefore, it is crucial to create accessible and affordable justice mechanisms that serve as a bridge to the formal economy, rather than a parallel system that encourages informality.

These services, such as community-based mediation or low-cost arbitration, should be designed as a "first step" for resolving disputes particularly for street vendors. Instead of bypassing registration, these mechanisms should integrate

simplified formalization support. For example, the process of resolving a contractual dispute could include assistance in registering the business through a platform like the Auto-Entrepreneur system. This approach provides the entrepreneur with both an enforceable outcome and a formal legal identity, demonstrating the tangible benefits of formalization.

To foster a collaborative approach, "Justice Innovation Labs" could bring together business owners, legal experts, and authorities to co-design these integrated pathways. The goal is to ensure they provide practical solutions for recurring issues like harassment, debt, and contractual disputes, while actively encouraging and facilitating the transition into the formal economy

2. Build awareness and trust in services

A significant number of mSMEs are unaware of existing legal support services, and many who are aware still would not engage them. To address this, targeted awareness campaigns should be launched to inform business owners about their rights and available resources, using clear and practical language. Building trust can also be achieved by training key intermediaries, such as local authorities and the police, to better understand and respond to business-related legal needs. This approach would improve the quality of their interventions in cases of crime, non-payment, and harassment, thereby increasing confidence in the system.

Another way to increase trust in services is to tackle the parts of the dispute resolution process that are perceived as barriers for engaging with formal services: taking measures that decrease the length, complexity and costs of the procedures, fostering innovation within the formal sector can be a viable venue to build trust and accountability. More details below.



3. Simplify legal procedures for businesses

For formal businesses, the primary barrier is not the absence of legal rights but the complexity, cost, and time required to enforce them. Simplifying legal documentation, reducing procedural steps, and lowering the costs associated with common actions like enforcing contracts or collecting debt would make justice more practical. Evidently, this depends on the economic sector. Digital platforms could play a crucial role here. Expanding tools for digital contract management and online dispute resolution (ODR) could enable businesses to access guidance, manage legal documents, and negotiate settlements without the need for lengthy and expensive in-person processes. In line with current and previous initiatives, low awareness could be a potential factor that would diminish the positive impact of such initiatives.

4. Tackle root causes of vulnerability

The most serious and recurring problems reflect the fundamental vulnerabilities of informal businesses. Therefore, formalisation should be promoted not as a bureaucratic obstacle, but as a pathway to legal protection and stability. By formalising, companies can gain access to fair remedies, reduce exposure to informal pressures, and improve their ability to enforce contracts. Integrating legal support into broader economic development programs could provide businesses with essential advice on contracts, debt, or registration, fostering an environment where mSMEs can thrive with greater security and predictability.

From data to action: The Programme's next steps

The findings and implications detailed in this report directly inform the implementation phase of the People-Centred Justice for mSMEs programme. The programme's activities are designed to be a direct response to the challenges uncovered by this research, turning data-driven insights into practical, on-the-ground solutions.

To develop tailored dispute resolution mechanisms, the programme will launch a Justice Innovation Lab. This lab will bring together government partners, business owners, and legal experts to co-create accessible services, such as mediation platforms or one-stop-shop information portals, specifically for mSME disputes. Furthermore, the Justice Accelerator will identify and support startups developing sustainable, tech-based solutions for legal assistance and dispute resolution.

To build awareness and simplify procedures, the programme will research and publish Best Practice Guidelines for justice practitioners, including lawyers, legal advisors, and judges. These guidelines, disseminated through training sessions, will equip them with effective, people-centred strategies for resolving mSME disputes and navigating complex procedures.

To tackle root causes and create an enabling environment, the programme will facilitate a series of Stakeholder Dialogues. These dialogues will bring together policymakers and leaders to discuss the data in this report, align on political priorities, and develop policy recommendations that foster a more supportive regulatory framework for mSMEs in Tunisia.

About HiiL

The Hague Institute for Innovation of Law (HiiL) is an organisation dedicated to ensuring that justice is accessible, affordable, and easy to understand. We call this people-centred justice. By collaborating with justice providers, including ministries of justice and judiciaries, we develop solutions that enable more individuals to prevent or resolve their justice challenges. This not only benefits people directly but also fosters safe, stable societies where economic growth, innovation, and entrepreneurship thrive.

Our work spans multiple countries, with programmes in Nigeria, Ethiopia, Tunisia, Niger, Burkina Faso, the Netherlands, Iraq and Syria.

For more information, data, and insights, visit:
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