DEFINITIVE EUROMED REPORT ON THE SOCIAL ECONOMY
AND ENTREPRENEURSHIP IN THE EURO-MEDITERRANEAN
REGION

Plenary Session, 19 September 2018
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1. INTRODUCTION

The Euro-Mediterranean Summit of Economic and Social Councils (ESCs) and Similar Institutions held in Athens on 29 and 30 October 2016 approved the drafting of the Report on the social economy and entrepreneurship in the Euro-Mediterranean region. The Spanish Economic and Social Council led production of the report, which was completed in partnership with the Greek Economic and Social Council (OKE), the Jordanian Economic and Social Council, the Moroccan Economic, Social and Environmental Council and the European Economic and Social Committee.

This report attempts to present an overview of the reality of the social economy and entrepreneurship in the region, to identify the determinants affecting its activity, and to set out future action streams and policies to promote entrepreneurial drive and the social economy in the Euro-Mediterranean region, with the ultimate aim of driving forward economic and social development.

The issues linked to the promotion and development of business activity have been the subject of ongoing attention on the part of the region’s Economic and Social Councils within the framework of Euro-Mediterranean cooperation and have thus been described in successive reports.

In said reports it was emphasised that it would be appropriate to focus cooperation between the European Union (EU) and the Mediterranean Partner Countries (MPCs) on issues such as the freeing up of companies’ potential, the creation of social economy SMEs and companies, the training of workers in accordance with labour market requirements, the improvement of support services for company start-ups and easier access to funding; all of which are aspects linked with the priorities in the social arena, such as job creation for young people and women.

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1. It should be noted that the drafting of this Report had been agreed on a previous occasion, at the Summit which took place in 2014 in Cyprus, and at that time the Greek Economic and Social Council (OKE) was due to coordinate production of the Report. However, in view of the fact that progress was not made with the proposal, it was once more take up as a project in 2016.

   - Joint report on vocational training as a factor for competitiveness and job creation: the priorities of the economic and social agents (2010).
   - Joint report on the priority actions to develop as part of employment policies (2008).
The strengthening of the business framework in the region constitutes a key element in facilitating competitiveness, growth and job creation.

In effect, development of the entrepreneurial spirit and new company start-ups are vital factors in the consolidation of the current phase of economic recovery, in view of the fact that they constitute an essential element in creating economic opportunities and jobs, and thereby contributing to the reduction of the unemployment rate and, ultimately, to improvement of the standard of living of the population of the Euro-Mediterranean region.

Moreover, it is an question of addressing the entrepreneurial phenomenon as a social phenomenon – not just as something which occurs only as the result of individual action – which must pay special attention to the initial phases of company start-ups and facilitate the orientation of entrepreneurial activity towards innovative and high-value added projects, in a framework of adequate competition, taking into account, moreover, the current challenges brought about by globalization, the digital transformation, combating climate change, and demographic issues.

The present report is structured such that, firstly, there is a presentation of the economic and social context of the Euro-Mediterranean member countries, followed by an analysis of the general situation of entrepreneurial initiative which includes a description of entrepreneurship in the region as well as the external factors which determine the entrepreneurial spirit, and features a specific focus on entrepreneurship by women and young people.

Likewise, the reality of the social economy in the Euro-Mediterranean region is set out, and a description is given of the role of the ESMED network and of other organizations which are representative of the social economy in the region.

Lastly, consideration is given to the challenges facing the Euro-Mediterranean economies as well as the priorities for action in the sphere of entrepreneurship and the social economy. Concrete measures required for a working agenda are presented, with special emphasis on Euro-Mediterranean cooperation and coordination.

2. THE ECONOMIC AND SOCIAL CONTEXT

By mode of a foreword, prior to analysing the business fabric of the Euro-Mediterranean region and the possibilities for developing entrepreneurial initiatives to create jobs, it would be appropriate to take into consideration the economic and social situation of this group of countries, in view of the fact that it is this which determines the activity of the private sector and its capacity for contributing to economic growth and job creation.
THE EUROPEAN UNION

In the wake of the years of crisis, the EU economy is now showing signs of having consolidated its recovery, and of having commenced a period of stable growth. In 2017, the European Union reported GDP growth of 1.9 percent – the same rate as the previous year, with advances in all of the member states, although of differing levels in the different countries. The recovery is largely supported by internal demand, both consumer-based and investment, in a context of improvement of the expectations of the actors, job growth and favourable funding conditions. Likewise, external demand has been positively affected by the recovery of trade and world economic activity.

The job market continues to improve, with a reduction of reduced unemployment rates and a rise in employment rates; although wage increases remain moderate, meaning that a situation of low inflation persists, with large differences being observed, moreover, between the member states in terms of the situation of their respective labour markets.

Public finances, for their part, have been significantly stabilised, although in certain member states the high levels of debt continues to hold back growth.

In any event, the consolidation of economic growth in the EU will require structural reforms to create the essential conditions necessary to drive forward investment and increase the rate of growth of real wages to support internal demand, and facilitate internal and external rebalancing.

THE MEDITERRANEAN PARTNER COUNTRIES

The economies of the Mediterranean Partner Countries (MPCs) vary greatly from one to another, although practically all of them bear witness to a concerted growth effort in recent years. This was interrupted to a certain extent during the recent period of crisis, but GDP growth rates remain higher in general terms than the European Union average (table 1). Thus, in accordance with World Bank data, in 2016 most of the countries, except for Morocco, Tunisia and Syria, exceeded the European Union’s average GDP growth rate, of 1.9 percent, with the most outstanding rates – of over 4 percent – reported for Egypt, Israel and Palestine.

The main factors which contributed to the MPCs’ growth were the recovery of the Eurozone – the main trading partner for the countries of the Maghreb, low oil prices – all except for Algeria are net importers – and the implementation of a series of economic reforms.

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4 World Bank, World Development Indicators.
Some of the structural reforms implemented in the last few years in a number of the MPCs have been positive for the framework within which entrepreneurship occurs: these include the fight against corruption, improvements to the electricity supply for industry, and improvements in reducing red tape and in the protection of investors. Other economies have also used monetary expansion to drive forward trade and facilitate access to lending. Restriction of the latter had previously been pinpointed as one of the main barriers to entrepreneurship in the Euro-Mediterranean region.

However, these changes have not been enough to ensure sustainable growth rates or to turn the tide of high unemployment – largely affecting the region’s young people – or the social inclusion problems which persist. Growth has proved insufficient in terms of improving the living standards of the population, in large measure, due to the significant demographic increase and the difficulty of maintain job creation at a rate capable of absorbing the growth of the economically active population. Moreover, local factors such as the ongoing conflicts in Syria and Palestine, and the high refugee figures for countries such as Jordan and Lebanon, amount to a significant obstacle in these countries’ development. In fact, the GDP per capita of the MPCs, with the exception of Israel and, to a lesser degree, Turkey, remains well below that of most of the European countries; and only in the aforementioned countries and in Morocco does it appear to have grown over the last decade.

### TABLE 1

**THE MACRO-ECONOMIC CONTEXT IN CERTAIN EURO-MEDITERRANEAN COUNTRIES, 2016**

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP</th>
<th>GDP per capita</th>
<th>GVA Agriculture</th>
<th>GVA Industry</th>
<th>GVA Services</th>
<th>Gross capital formation</th>
<th>Inflation</th>
<th>Deficit (+) / Surplus (+) PAs</th>
<th>Public debt</th>
<th>Balance of trade for goods and services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>3.3</td>
<td>13,921</td>
<td>13.3</td>
<td>37.8</td>
<td>48.9</td>
<td>50.7</td>
<td>6.4</td>
<td>-13.5</td>
<td>20.6</td>
<td>-14.3</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>3.9</td>
<td>17,795</td>
<td>4.7</td>
<td>28.3</td>
<td>67.0</td>
<td>19.1</td>
<td>-0.8</td>
<td>1.6</td>
<td>27.8</td>
<td>4.3</td>
</tr>
<tr>
<td>Cyprus</td>
<td>3.0</td>
<td>31,331</td>
<td>2.1</td>
<td>11.4</td>
<td>86.5</td>
<td>16.3</td>
<td>-1.4</td>
<td>-0.3</td>
<td>107.8</td>
<td>-0.8</td>
</tr>
<tr>
<td>Croatia</td>
<td>3.0</td>
<td>21,268</td>
<td>4.0</td>
<td>26.3</td>
<td>69.8</td>
<td>19.8</td>
<td>-1.1</td>
<td>-0.8</td>
<td>83.8</td>
<td>3.0</td>
</tr>
<tr>
<td>Egypt</td>
<td>4.3</td>
<td>10,319</td>
<td>11.9</td>
<td>32.9</td>
<td>55.2</td>
<td>15.0</td>
<td>13.9</td>
<td>-10.9</td>
<td>96.9</td>
<td>-9.3</td>
</tr>
<tr>
<td>Slovenia</td>
<td>3.1</td>
<td>29,930</td>
<td>2.2</td>
<td>32.3</td>
<td>65.5</td>
<td>18.7</td>
<td>-0.1</td>
<td>-1.8</td>
<td>78.4</td>
<td>9.2</td>
</tr>
<tr>
<td>Spain</td>
<td>3.3</td>
<td>33,320</td>
<td>2.8</td>
<td>23.5</td>
<td>73.8</td>
<td>20.5</td>
<td>-0.2</td>
<td>-4.5</td>
<td>99.4</td>
<td>3.0</td>
</tr>
<tr>
<td>France</td>
<td>1.2</td>
<td>38,061</td>
<td>1.6</td>
<td>19.6</td>
<td>78.8</td>
<td>23.0</td>
<td>0.2</td>
<td>3.4</td>
<td>96.3</td>
<td>-1.9</td>
</tr>
<tr>
<td>Greece</td>
<td>-0.2</td>
<td>24,224</td>
<td>4.0</td>
<td>16.3</td>
<td>79.7</td>
<td>10.6</td>
<td>-0.8</td>
<td>1.0</td>
<td>181.6</td>
<td>-0.7</td>
</tr>
<tr>
<td>Israel</td>
<td>4.1</td>
<td>32,688</td>
<td>1.3</td>
<td>20.8</td>
<td>77.9</td>
<td>20.5</td>
<td>-0.5</td>
<td>-2.5</td>
<td>62.3</td>
<td>2.1</td>
</tr>
<tr>
<td>Italy</td>
<td>0.9</td>
<td>34,700</td>
<td>2.1</td>
<td>23.9</td>
<td>74.0</td>
<td>17.0</td>
<td>-0.1</td>
<td>-2.4</td>
<td>132.6</td>
<td>3.4</td>
</tr>
<tr>
<td>Jordan</td>
<td>2.0</td>
<td>8,390</td>
<td>4.3</td>
<td>38.0</td>
<td>66.8</td>
<td>39.1</td>
<td>0.9</td>
<td>0.9</td>
<td>95.1</td>
<td>nd</td>
</tr>
<tr>
<td>Lebanon</td>
<td>2.0</td>
<td>13,268</td>
<td>3.8</td>
<td>16.7</td>
<td>79.5</td>
<td>24.9</td>
<td>-0.8</td>
<td>-9.9</td>
<td>148.7</td>
<td>-21.6</td>
</tr>
<tr>
<td>Malta</td>
<td>2.7</td>
<td>35,705</td>
<td>4.1</td>
<td>14.6</td>
<td>84.0</td>
<td>23.7</td>
<td>0.6</td>
<td>1.0</td>
<td>58.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Morocco</td>
<td>1.2</td>
<td>7,266</td>
<td>13.9</td>
<td>4.14</td>
<td>57.5</td>
<td>13.3</td>
<td>31.1</td>
<td>4.2</td>
<td>46.7</td>
<td>-10.2</td>
</tr>
<tr>
<td>Palestine</td>
<td>4.1</td>
<td>4,389</td>
<td>4.2</td>
<td>22.5</td>
<td>73.3</td>
<td>21.2</td>
<td>-0.2</td>
<td>-0.4</td>
<td>87.6</td>
<td>-37.8</td>
</tr>
<tr>
<td>Portugal</td>
<td>1.5</td>
<td>27,103</td>
<td>2.2</td>
<td>22.2</td>
<td>75.6</td>
<td>15.5</td>
<td>0.6</td>
<td>0.2</td>
<td>130.4</td>
<td>0.9</td>
</tr>
<tr>
<td>Romania</td>
<td>4.6</td>
<td>27,615</td>
<td>4.3</td>
<td>32.4</td>
<td>63.3</td>
<td>25.0</td>
<td>-1.5</td>
<td>-2.4</td>
<td>39.1</td>
<td>-0.9</td>
</tr>
<tr>
<td>Syria</td>
<td>nd</td>
<td>nd</td>
<td>nd</td>
<td>nd</td>
<td>nd</td>
<td>nd</td>
<td>nd</td>
<td>nd</td>
<td>nd</td>
<td>nd</td>
</tr>
<tr>
<td>Tunisia</td>
<td>1.2</td>
<td>10,752</td>
<td>10.0</td>
<td>26.4</td>
<td>63.7</td>
<td>19.7</td>
<td>3.7</td>
<td>-5.9</td>
<td>62.9</td>
<td>-10.8</td>
</tr>
<tr>
<td>Turkey</td>
<td>3.2</td>
<td>23,756</td>
<td>7.0</td>
<td>32.0</td>
<td>61.0</td>
<td>28.2</td>
<td>7.8</td>
<td>-2.3</td>
<td>28.1</td>
<td>-2.9</td>
</tr>
</tbody>
</table>

The inflation data for Jordan refer to 2015 and those of Syria to 2012.

Source: World Bank, World Development Indicators and International Monetary Fund (public deficit and public debt).
In addition, it should be noted that in many of these countries there is a big informal sector, which, in certain cases, is facilitated by the existence of an inadequate regulatory framework. This is a factor which hinders the development of economic activity – whilst also entailing that many workers are deprived of social rights – and which has negative repercussions for the financial footing of the public sector in these countries.

In terms of their respective productive structures, the MPCs largely evidence a lesser degree of growth of the service industries when compared to their EU partners, as well as a greater prevalence of agricultural and fisheries activities. Nonetheless, the weighting of the primary sector has been progressively reduced, and the service industries have grown, although, in the last ten years it would appear that there has been a slowdown of the transition towards a service-based economy in some countries\(^5\), as a consequence of the effects that the conflicts and the security problems have caused in the tourist industry.

In most of the economies of the MPCs, investment, in terms of gross capital formation expressed as a percentage of GDP, is above the average for the economies of the EU. However, in spite of this and of the advances in last few years, the infrastructures for transport, communications, energy and water remain insufficient, and this is a factor which ultimately hinders economic activity. Part of this lower investment is related to the credit restrictions which became palpable in these countries following the breakout of the crisis in 2008. These continue to affect the activity of the small and medium-sized companies, inasmuch as the governments and the large state-run companies absorb a lot of the funding from banks.

As far as external demand is concerned, data from the most recent financial for many of these countries mirror the slowdown of world trade in the context of the crisis, and of the appreciation of the dollar in the last few years, insofar as a number of these economies have their currencies indexed to said currency. Nevertheless, most of them have benefited from the fall in energy prices and also the recent recovery of the external demand from the economies of the European Union; although, except for Israel, all the economies of the MPCs display a deficit in their trade balances.

Trade between these countries remains at a low level, a fact which is a corollary of the very low level of regional integration which prevails. Thus, there remain a series of barriers that hinder the flow of trade within the Mediterranean region and undermine its competitiveness. These include an almost complete lack of harmonization between the regulatory frameworks in the field of trade, the embryonic status of intra-regional trade agreements, the different regimes on rules of origin which are in force, the persistence

\(^5\) Except in the cases of Egypt and Algeria.
of customs and non-customs barriers and, in spite of the advances recorded, a lack of regional infrastructures, especially in the field of transport\textsuperscript{6}. And to ensure a comprehensive overview of the obstacles faced, we also need to take account of the ongoing conflicts and political instability in the region, which generate uncertainty and weaken external demand.

The very low trade integration between the countries of the southern shore of the Mediterranean hinders and makes less attractive the design and implementation of regional business strategies. This means that it is more difficult for foreign and national companies to set up, whilst the situation also stymies both domestic and foreign investment. And this is the case in spite of the advantages which the MPCs offer for EU investment, such as their geographic proximity to the European Union, the size of their markets, low labour costs and the ready availability of natural resources.

In terms of their public finances, many of these countries continue to present high levels of deficit and, above all, of debt. In spite of the reforms undertaken by certain of them, aimed at reducing certain subsidies (mainly for energy consumption) and at growing revenues, the region’s governments have very little room for manoeuvre in the light of the weakness of public revenues, the high weighting of the civil servants’ wages in public spending and the high levels of debt servicing.

Moreover, there is a series of factors that make it significantly more difficult to bring down debt levels in the region. These include the armed conflicts in a number of the countries, the rebuilding work in others, and the pressure exerted by the refugee population on the infrastructures for health and education services in countries such as Jordan, Lebanon and, to a lesser degree, Egypt, where the region’s highest public debt levels are currently concentrated.

Along with the high levels of public debt, the main obstacles to the region’s future development are the high population increase and the high levels of unemployment, especially youth unemployment.

Generally speaking, the MPCs’ labour markets are characterised by a low rate of formal employment – a significant proportion of which is concentrated in the public sector – very low labour market participation of certain groups, especially women, and high unemployment rates, largely amongst young people and women (table 2 and table 3). Moreover, it is also important to note that there is a different reality to that which prevails in the EU, given the presence in the MPCs of a significant volume of

\textsuperscript{6} Euromed Report 01/2011, \textit{Promotion of entrepreneurship, innovation and creativity in the Euro-Mediterranean region}. 
underemployment and of “vulnerable employment”\textsuperscript{7} amongst the economically active population, as well as of people who occasionally undertake unregulated self-employed work.

In addition, the strong population growth still being experienced by these countries prevents rates of growth in jobs from absorbing the growing economically active population, a factor which also has negative repercussions for social cohesion, and which fans the migratory flows, with the attendant loss of human capital for the countries of origin.

\textbf{TABLE 2}

\textbf{THE LABOUR MARKET CONTEXT IN CERTAIN EURO-MEDITERRANEAN COUNTRIES, IN 2017}

\begin{tabular}{|l|c|c|c|c|c|c|c|c|c|c|}
\hline
 & \textbf{Total} & \textbf{Women} & \textbf{Men} & \textbf{Total} & \textbf{Women} & \textbf{Men} & \textbf{Total} & \textbf{Women} & \textbf{Men} & \textbf{Youth}\textsuperscript{*} \\
\hline
\textbf{Economic activity rate} & \% of over-15 population & & & \% of over-15 population & & & \% of economically active population & & & \\
\hline
\textbf{Algeria} & 41.4 & 15.2 & 67.3 & 38.8 & 13.8 & 63.7 & 11.7 & 19.1 & 10.0 & 29.1 \\
\textbf{Bulgaria} & 53.4 & 47.8 & 59.6 & 50.8 & 45.8 & 56.3 & 6.0 & 5.6 & 6.4 & 15.0 \\
\textbf{Cyprus} & 62.8 & 58.1 & 67.5 & 56.3 & 51.0 & 61.4 & 11.9 & 12.4 & 11.4 & 25.0 \\
\textbf{Croatia} & 36.7 & 31.7 & 41.4 & 46.1 & 40.7 & 52.1 & 11.5 & 12.2 & 10.8 & 29.4 \\
\textbf{Egypt} & 48.0 & 22.2 & 73.7 & 44.0 & 17.6 & 70.3 & 11.6 & 23.7 & 8.0 & 33.1 \\
\textbf{Slovenia} & 56.3 & 51.7 & 60.9 & 52.7 & 47.7 & 57.8 & 7.5 & 8.0 & 7.1 & 15.4 \\
\textbf{Spain} & 57.8 & 52.2 & 63.8 & 47.8 & 41.9 & 54.0 & 17.4 & 19.3 & 15.8 & 39.8 \\
\textbf{France} & 55.2 & 50.6 & 60.1 & 49.6 & 45.5 & 54.1 & 9.9 & 9.8 & 10.0 & 23.7 \\
\textbf{Greece} & 52.9 & 45.5 & 60.6 & 40.5 & 32.0 & 49.7 & 23.1 & 28.6 & 18.9 & 47.4 \\
\textbf{Israel} & 64.1 & 59.3 & 69.1 & 60.4 & 55.4 & 65.6 & 5.2 & 5.3 & 5.0 & 9.4 \\
\textbf{Italy} & 48.6 & 39.5 & 58.3 & 42.6 & 34.2 & 51.6 & 11.6 & 13.0 & 10.7 & 36.6 \\
\textbf{Jordan} & 39.1 & 14.0 & 63.7 & 33.9 & 10.6 & 56.1 & 14.9 & 26.2 & 12.4 & 36.0 \\
\textbf{Lebanon} & 47.2 & 23.2 & 71.1 & 44.2 & 21.2 & 66.9 & 6.7 & 10.9 & 5.3 & 21.3 \\
\textbf{Malta} & 54.5 & 42.3 & 66.6 & 50.7 & 38.1 & 63.2 & 4.8 & 5.3 & 4.5 & 11.4 \\
\textbf{Morocco} & 49.0 & 25.0 & 74.1 & 43.9 & 22.5 & 66.4 & 10.8 & 11.7 & 10.6 & 21.0 \\
\textbf{Palestine} & 45.9 & 19.5 & 71.7 & 32.8 & 13.2 & 52.0 & 28.0 & 28.2 & 25.4 & 42.4 \\
\textbf{Portugal} & 58.2 & 53.3 & 63.8 & 52.5 & 48.0 & 57.6 & 9.9 & 10.1 & 9.7 & 25.0 \\
\textbf{Romania} & 53.2 & 44.1 & 63.1 & 52.5 & 45.0 & 60.7 & 5.9 & 5.1 & 6.4 & 20.6 \\
\textbf{Syria} & 41.1 & 11.9 & 70.1 & 35.3 & 8.2 & 62.5 & 14.2 & 32.7 & 11.0 & 30.6 \\
\textbf{Tunisia} & 46.9 & 24.3 & 70.6 & 40.6 & 19.8 & 62.3 & 14.7 & 21.0 & 12.4 & 35.4 \\
\textbf{Turkey} & 51.6 & 32.4 & 71.9 & 44.4 & 26.1 & 63.3 & 11.4 & 13.7 & 10.4 & 20.5 \\
\hline
\end{tabular}

\textbf{Note:} ILO modelled estimate

\textsuperscript{3}) Expressed as a percentage of the economically active population aged between 5 and 24.

\textbf{Source: World Bank, World Development Indicators.}

\textsuperscript{7} In the terms of the World Bank definition, vulnerable employment is that which is comprised of family aid; in other words, where people work in family business or production without receiving a monetary payment.
Thus, aside from the exceptions, the employment levels of the MPCs are relatively low in comparison with those of the European Union; while the unemployment rate is generally higher than the EU average. As has already been noted above, the situation of young people is of particular concern, in view of the fact that youth unemployment rates are, generally speaking, double those of the already high unemployment rate for the population at large.

In these terms, in these countries it is necessary to design measures to facilitate the access to the labour market of specific groups, such as young people and women, with entrepreneurial activity being a career option that should be promoted. Entrepreneurial activity constitutes a potential option for leaving behind unemployment; and this means that when it comes to promoting entrepreneurial initiative there must specific measures must be included to focus on these groups. These could include training and support programmes, as well as the availability of more accessible financial instruments. In the case of women, the advancement of their labour market participation also entails
overcoming the traditional social role of women, which is circumscribed to the family environment.

Lastly, it should be noted that, generally speaking, there is a need to improve the quality of the education systems in these countries, matching the levels of training provision to the requirements of the labour market, and undertaking greater effort in the continuous training of workers.

3. ENTREPRENEURSHIP IN THE EURO-MEDITERRANEAN REGION: THE GENERAL SITUATION OF ENTREPRENEURIAL INITIATIVE

In the last few financial years, *grosso modo*, a favourable business dynamism has been recovered and the rhythm for company start-ups appears to have regained pre-crisis levels in most of the Euro-Mediterranean region. In some economies where the rate of creation of companies has been slower, an increase in the number of self-employed workers has been noted. This dynamic has a positive effect, in view of the role that enterprises and entrepreneurs perform as the motors for growth and creators of wealth and jobs. Moreover, it enables opportunities to be offered to the increasingly well-qualified young jobseekers, and can also facilitate women joining the labour market.

The drive from entrepreneurial activity, firstly depends on developing programmes of support and dissemination of entrepreneurial activity as an enriching vocational option which is accessible to people displaying initiative and also on having available human resources, to include highly-qualified executives and technicians, as the means to improve business organizations and management per se.

Entrepreneurial drive is brought about by factors which vary greatly, ranging from internal factors, linked to entrepreneurs’ motivations, perceptions and identity traits, to external factors linked to the economic, political, social and cultural context of a given country (graph 1).

The Global Entrepreneurship Monitor (GEM) groups together these factors in the so-called “Conceptual framework for entrepreneurship”, which, amongst the external factors linked to the context, features both those deriving from the national framework, and those which are more identified with the business fabric per se and its characteristics. Aspects spawned by these factors which determine the development of entrepreneurial initiatives include access requirements, the regulatory framework, the possibilities for funding, and the capacity for innovation and internationalization. All of

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8 OECD (2017): *Entrepreneurship at a glance 2017*
these are vital elements in facilitating the initiation of an entrepreneurial activity, its survival and the quest for efficiency and competitiveness.

Likewise, the start-up of a business is determined by internal factors, linked both to the demographic traits of entrepreneurs (age, sex) as well as to other more personal traits which are related to personal attitudes and motivations vis-à-vis entrepreneurial activity. But also by the consideration per se afforded to entrepreneurship in society.

Taken as a whole, the foregoing determines the launch and development of a start-up, both in the different start-up phases, and in terms of business types and the eventual impact exerted by factors like the growth rate, innovation or internationalization. Consequently, the aforementioned factors also determine the effects both on the business fabric as a whole and on the economic development of the country concerned.

GRAPH 1

THE CONCEPTUAL FRAMEWORK FOR ENTREPRENEURSHIP

Source: Based on data included in Global Entrepreneurship Monitor, 2015/16 Global Report.

Thus, the existence of a favourable political, economic, social and cultural context is just as important to business dynamism as the prevalence amongst the population of attitudes and motivations conducive to entrepreneurship.

It is therefore a question of two equally necessary and important fields which, moreover, mutually feed and strengthen each other, in such a way that a positive business environment, including, for instance, an adequate regulatory or institutional
framework, facilitates the development of favourable external conditions for the development of entrepreneurial initiatives, and vice-versa.

However, it should be borne in mind that while the internal factors are vital in all of the economies for the start-up and development of an enterprise, the set of external factors, - whilst they are also essential, may be adapted in accordance with the phase of economic development which the different economies are undergoing. Thus, in theory, the least developed economies should focus efforts on achieving a certain degree of macro-economic stability and sufficient development in the quality of their institutions, infrastructures and education and health systems. Once this has been achieved, countries should focus on improving the efficient functioning of their goods markets, services and other factors key to steadily progressing towards the development of determinants that facilitate innovative entrepreneurism.

3.1. Business demography in the region as a factor for growth and employment

In spite of the mutual interest in better understanding the levels of development and the economic environment of the Euro-Mediterranean region, there is a significant statistical difficulty when it comes to analysing concrete aspects, such as those linked with business demography and entrepreneurship.

In effect, when executing a diagnostic on the business environment in the region one faces problems and difficulties linked to the limitations and inadequacy of the available statistical information, which, moreover, is not usually found in a homogenous methodology9. This means that it is difficult to secure an overall vision of the situation of entrepreneurship and the business fabric in the region and that it is essential to make use of specific analyses or research work.

According to the information available, small and medium-sized companies prevail in the Euro-Mediterranean region, with a higher weighting for micro-SMEs (companies with less than 10 workers) in the southern Mediterranean countries10. SMEs account for a large percentage of jobs, although significant differences exist between the countries. Thus, for example, in Italy SMEs employ 80 percent of those in work, and in Egypt 74 percent, but in Slovakia the equivalent figure is only 43 percent.

9 Nevertheless, a specific World Bank module stands out from its 2010 World Development Indicators statistical series. It contained figures for entrepreneurial demographics for the 2007 financial year. But, unfortunately, it has not been published again since then.

Small-sized companies, in addition to accounting for a lot of the jobs created, also constitute the way of effectively channelling smaller amounts of investment, with an attendant increase in added value in relation to economic growth. In economies such as the Greek economy, this process accounts for almost 75 percent of gross value added GVA and in Egypt approximately 80 percent; while it only accounts for a third of GVA in the Irish economy.

Therefore, it can be vouched that the development of SMEs is essential in order to facilitate job creation in the region, contributing to social stability and the integration of the economies on both shores of the Mediterranean, and also to facilitating technology transfer and innovation. However, by the same score, SMEs and micro-SMEs are the companies which face the most problems in their development due to the difficulties they encounter in finding enough funding and investment and the in being able to recruit sufficiently qualified human resources. They also have to overcome barriers in order to receive administrative and technical assistance, and they record higher mortality rates in an environment marked by a very low presence of business networks for cooperation and partnership.

Using the very small amount of homogenous information available, it is possible to comparatively analyse entrepreneurial dynamism in the region. If the degree of entrepreneurship is measured by means of the number of new companies per thousand inhabitants aged between 16 and 65 – as included in the World Bank’s *World Development Indicators* – in can be seen that in most of the MPCs, this ratio has risen in respect of the level which had been achieved by the onset of the crisis. In 2016, the highest rates of entrepreneurship were recorded in Estonia, Malta and Cyprus, where over 15 new companies were created per thousand inhabitants; while the lowest figures were for Austria, Jordan and Turkey – the former two at less than 1 start-up per thousand inhabitants.

In addition, the data provided by the Global Entrepreneurship Monitor relative to initiation of entrepreneurial activity (table 4) indicate that the percentage of the economically active population who have founded a start-up or become a new business owner varies greatly between the Euro-Mediterranean member countries. Lebanon displays a high degree of entrepreneurship, at 21.2 percent of the active population, followed by Estonia, Turkey, Egypt and Latvia, all of them with figures of over 14 percent.
The statistics of the Global Entrepreneurship Monitor also enable analysis of the degree of business survival by means of the indicator which measures the percentage of the economically active population that is entrepreneurial, and which has been engaged in to entrepreneurial activity for a period of longer than 42 months. Of the set of Euro-Mediterranean member countries, the survival rate of entrepreneurial initiatives in Lebanon is noteworthy, followed by those of Greece and the Netherlands. Jordan, Israel, France and Ireland are the countries with the lowest figures in this sense.
Likewise, the GEM presents an indicator on employee-instigated entrepreneurship which takes place within existing companies, which is positively related with business innovation and is linked to the degree of commitment of the workers, to the size of the company and to the business sector. Also, in this case, there are striking disparities between the companies of this region. Denmark is at the forefront, with a rate of 11.4 percent, followed by the Netherlands and Israel.

It also provides a comparison between the rate of female entrepreneurship and the rate of male entrepreneurship. This shows that in all the member countries female entrepreneurship is lower than the male equivalent; nevertheless, female entrepreneurial initiative stands out in Spain, where there are 81 women who are entrepreneurs for every 100 male entrepreneurs. The next highest rates are those for Bulgaria, Greece and Austria. Of the MPCs, Israel shows better perspectives for female entrepreneurship.

Likewise, the GEM enables assessment of elements which are indicative of or relevant to the dynamism of entrepreneurship: for example, those related with business growth by means of job creation, innovation and productive specialization in dynamic sectors (table 5).

In respect of the first of these, it can be observed how in Turkey and in Tunisia entrepreneurial initiatives show high expectations of job creation and, in both, for growth too. Next come Romania, Hungary and Ireland. In terms of the degree of innovation the GEM data shows the highest percentage scores for the initiatives of Lebanon, at 58.7 percent, followed by Denmark, Luxembourg and Ireland.
In regard to the sectorial orientation of new entrepreneurship initiatives, it can be seen that most of them are focussed on the service industry, as opposed to the lower dynamism observed for industrial initiatives and deterioration of the primary sector. Nevertheless, a range of differences exist between the member countries, such that amongst the EU countries a high level of dynamism is observed for services geared towards companies\textsuperscript{11}, and for certain countries this advanced hand in hand with an improvement in their exports. In the MPCs, the dynamism of the services sector is especially concentrated in the consumer-oriented services (with the exception of Israel).

\textsuperscript{11} OECD (2017): \textit{Entrepreneurship at a glance 2017}
Increased entrepreneurial intensity in the services sector could serve to facilitate greater female labour market participation on both sides of the Mediterranean\textsuperscript{12}. Moreover, in the MPCs, there is a higher presence of women than men in services linked to the new information and communications technologies, as well as in services to companies. These are sectors which demonstrate a high dynamism, and which may serve to ensure there is a rise in the female employment rate.

Lastly, in terms of the configuration of the business fabric, it should be emphasised that most of the companies are privately owned; although there are some, usually large companies or publicly-owned conglomerates, which determine the structure of the markets and the degree of competition.

Likewise, the large footprint of self-employed workers in the MPCs (table 3) is noteworthy when these countries are compared to their EU partners. Over half of all workers in Morocco, 54.0 percent, are self-employed, while Algeria, Lebanon, Syria, Egypt and Turkey, all have over a third self-employed workers. Amongst the EU countries, Greece leads the list, at 33.9 percent, followed by Romania (at 26.5 percent) and Italy (23.9 percent).

It should be noted that, as set out herein below, the social economy organisations also play an important role in the development of entrepreneurial activity in these countries, contributing to social cohesion, to the development of an entrepreneurial spirit, to wealth creation at a local level, to the development of improved governance, to sustainable development and, most especially, to job creation.

### 3.2. The nature of entrepreneurship in the region. Motivations for becoming an entrepreneur

The entrepreneurial spirit is a primordial element in strengthening the business fabric and, in consequence, the economic development of a country. And to a large degree this depends on the population’s personal attitudes and motivations in respect of entrepreneurial activity, and on whether or not individuals feel capable of starting out on the journey of founding a new enterprise (table 6). The attitude of the population is thus a good indicator of the potentialities and deficiencies of a country’s entrepreneurial dynamism.

Whilst it is the case that there may be manifold indicators on attitudes related with the business world, the most significant ones are those which supply information on the motivation for starting-up new company, such as, for example, the perception of

The perception of a business opportunity is very related with the costs of such an opportunity, that is to say, the relation between the profits expected from the entrepreneurial activity as compared to profits that would be obtained in a different occupation. In this regard, the specialist literature points to the existence of a U-shaped relationship between the level of economic development of a country, as measured by means of its GDP per capita, and entrepreneurial dynamism\(^\text{13}\); that is to say, high business dynamism is detected both in the regions with higher per capita GDP and, 

\[^{13}\text{Global Entrepreneurship Monitor, Executive, 2005.}\]
paradoxically, in those where there is a lower level of economic development. In the first case, this will be due to the detection of an opportunity for business on the part of an entrepreneur; while in the second instance, it can be explained as a defensive strategy for finding paid work or because of very limited or non-existent work opportunities.

Along with the detection of a business opportunity, it is necessary that people feel they have the skills and wherewithal to meet the challenges involved in starting up and consolidating a company: that is to say, it is necessary for there to be a perception of the capacity to develop the entrepreneurial venture in a viable way. In this respect, it is obvious that educational achievement is an essential element in ensuring citizens have the necessary skill-set for carrying out jobs; but also in order to develop an entrepreneurial spirit. The latter requires specific training which it is possible to roll out by means of formal mechanisms, such as the education system, or via other, non-formal ways, such family and friendship networks, and even by means of business cooperation or via a person’s own previously acquired experience. Along with the educational level, there are other elements which act to determine said perception of capacity, such as the identification of opportunities, fear of failure or self-confidence vis a vis the skills required to start-up a viable business. A positive perception on the part of individuals vis a vis their personal capacity in this field is a vital added value when it comes to the implementation of an entrepreneurial initiative intended to last for the coming years.

Perception of risk must also be taken into account, since this constitutes a determining factor at the moment of starting up a new company, and in cases where it is seen to be high it may lead to a would-be entrepreneur going back on his or her decision to start-up a venture, even where the initial idea has been seen to be an attractive option. The perception of the risk is determined by a range of factors. First and foremost are those which are institutional in nature, such as the legal framework or the quality of institutions, or others related with the character traits of the individuals involved, for example, age, gender and nationality, to name just a few.

The data available show that the perceptions of business opportunity and of capacity for harnessing them are high amongst the population, as indeed are entrepreneurial intentions, especially in the MPCs taken as a whole, where values recorded exceed the comparable figures in the European countries. Nevertheless, although it is true that amongst the motivations for starting up a business those related with career improvement prevail, it can also be observed that in the MPCs the option of founding a business is due comparatively more to reasons of need (as a strategy to combat unemployment). In fact, the GEM has established a “motivational index” which aims to detect the aforementioned relative prevalence of opportunity as opposed to need as a determinant for entrepreneurship; in this regard, in the MPCs a higher weighting is
noted for need as the reason for commencing an entrepreneurial venture. As far as aversion to risk and fear of failure go, they display very similar levels in the region taken as whole.

Taken as a whole, it is these perceptions which come together to manifest themselves as an intention of initiating an entrepreneurial activity. Data show that in the MPCs this intention is much higher than in most of the EU, at between 30 and 40 percent, with the exception of Egypt’s 63 percent or the 16 percent in Jordan; whereas in the European Union, with the exception of Romania, the majority of the member states have rates of around 10 percent.

Lastly, in respect of the social perception of entrepreneurship, in the MPCs starting up one’s own business is viewed more positively than in the EU. Furthermore, it should be noted that in these countries social valuation is very related with the acceptance shown by family members and friends in respect of the start-up and viability of an entrepreneurial initiative.

However, between 70 and 80 percent of the population in the MPCs believes that salaried work is a good option for developing one’s career, with it being considered as positive to work for large companies and in the public sector; while in the majority of the European countries this figures stands at around 60 percent, with Holland at the forefront at 77.9 percent.

In definitive terms, it can be clearly seen that within the population and society as a whole, positive attitudes towards entrepreneurship prevail and that, due to this fact, these countries harbour significant potential for the development of a strong entrepreneurial dynamism. Having said this, these are intrinsic factors which to a large degree depend on the improvement of the regulatory or institutional conditions of the country concerned.

3.3. External factors which determine entrepreneurial drive

The framework in which companies execute their business is determining, both in terms of the consolidation of the business fabric, and for creating the conditions for the start-up of new entrepreneurial initiatives. The creation and consolidation of an entrepreneurial activity depends on the existence of a framework of political stability, on access to sufficient funding, and on there being adequate and reduced administrative and bureaucratic burdens. At times, an excess of regulation and unfair competition from the informal sector may act as determining factors for entrepreneurial drive.

Entrepreneurial initiatives can be developed more easily under a regulatory and legal framework which is stable, transparent and covered by legal security; but these are aspects that in many countries are affected by the existence of political instability and
of corruption. The negative impact of both is clear in terms of how they affect economic development and the growth of small and medium-sized companies, and also in terms of how they harm employment and productivity.

Political instability impacts negatively on the private sector thus on entrepreneurial decisions given the existence of country-risk. In specific terms, statistics highlight the fact that the quality of the business environment remains insufficient in the region as a whole, and that it is held back due to aspects linked to political instability or internal conflicts, which became more severe in the wake of the “Arab spring”\(^4\).

In addition, corruption also acts as an obstacle to business development and to entrepreneurship. Over and above the social cost and the possible negative impact on the public coffers, corruption adds up to a loss of resources and aid that could go to entrepreneurship, and it can become a severe obstacle for entrepreneurial activity.

*The institutional and regulatory framework*

As we have noted above, the institutional framework in which entrepreneurial activity takes place is crucial for new entrepreneurial initiatives and said framework must safeguard the efficient and competitive functioning of the markets as the route for achieving higher levels of growth, employment and well-being. An environment of transparency and of effective competition in the markets and productive sectors facilitates new entrepreneurial initiatives in addition to being of benefit to consumers and users\(^5\).

Furthermore, from the point of view of legal security, the reporting obligations vis a vis entrepreneurial activities and company production in the legislation are necessary, and they serve as a mechanism of stewardship and security of assets and public and private rights. In regard to entrepreneurship, this is in part a question of the red tape associated with founding of company, such as measures to be complied with in order to secure its legal personality, and also those related with the start-up of the business, in terms of the need to obtain all the different permits, licences and authorizations.

In these terms, an excess of bureaucracy and of administrative burdens, as well as the existence of an insufficient institutional quality can act as important obstacles to entrepreneurship, whilst also limiting the development of existing business projects.

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\(^5\) *Spanish ESC Report 3/2016, on Company creation in Spain and its impact on employment.*
According to the information provided in the World Bank Group’s *Doing Business 2018* report, the aim of which is assess the ease of doing business in a country based on a range of aspects linked with the legal and regulatory framework, starting up a company in the European Union entails going through an average of 5.4 procedures, taking 10 days, at a cost of 3.4 percent of per capita income, and with minimum capital outlay equivalent to 10.1 percent of the per capita income. This said, significant differences are observed between the member states, as shown by the indicator on the ease of starting up a company, which measures the distance of each economy from the “frontier” represented by the better performance observed in all the economies of the sample, where 0 denotes the lowest performance-level and 100 the frontier. Thus, distance to frontier (DTF) in the EU stands at 90.14 percent, that is to say, 9.86 points below the highest performance score; although it is true that countries such as Ireland, Estonia and Sweden have scores of approximately 95 percent, as opposed to the 82.78 of Poland or 83.13 for Austria.

In the case of the MPCs, this indicator is relatively high, at 83.2 percent, or 16.8 points from the best performance of the set of countries analysed by the World Bank, although with very large differences between countries, ranging from the 92.46 percent reported in Morocco to the 69.59 percent for Palestine. In any event, in general terms in the countries of the southern shore greater difficulties are noted when it comes to founding a company, as is illustrated by the higher scores for the indicators dealing with the number of procedures required and the time and cost required for a start-up to get off the ground. While, exceptions aside, in these countries a lower amount of minimum capital is required in order to commence an entrepreneurial activity as compared to the EU average.

**The hidden economy and the informal economy**

In some countries, a weak regulatory framework has led to the appearance of a large informal sector. This reality has a dual reading. From the perspective of entrepreneurship, on the one hand it may be said that obstacles are created for new initiatives by the unfair competition that they may accrue, this being especially the case when it come to the hidden economy. However, on the other hand, it is also the case

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17 The World Bank annually analyses the regulations that affect SMEs and, for the specific situation of regulations linked to business start-ups, it examines the procedures, time and cost involved in starting up a trading or industrial firm with up to 50 employees. These procedures include obtaining all the necessary licences and permits, and the completion of all notifications, checks or registrations vis à vis the relevant authorities which may be demanded in respect of a firm or its employees.
that the informal sector of the economy can play an important role in the generation of a dynamic productive fabric.

The Joint Rabat Report of 2008 recalled that the hidden and informal economy form two different realities (which have different origins and effects) but that on occasion they overlap and are difficult to separate by means of the data available, which in fact pools both the part which may be strictly termed the hidden or unregulated economy, and employment and traditional family-based activities, of self-production of goods and services, and the provision of such in a more or less disinterested manner. This would include acts that are sometimes referred to as good neighbourly. The social idea of this type of entrepreneurial activity, which is largely performed by women, differs from the conventional idea of a business owner in other sectors of the formal economy and it might be the case that it is linked to a lesser degree with the economic and social development of the country concerned. In fact, formalising this type of entrepreneurship would enable optimisation of the social and economic worth of entrepreneurial activity, in the widest possible terms, for the purpose of generating and developing a dynamic and strong entrepreneurial culture.

However, the concept of the hidden economy is an attempt to classify a set of activities which are in themselves licit, but which avoid the economic, fiscal or employment rules, in order to exact an advantage over competitors, and it is these which impact negatively on the start-up or creation of new entrepreneurial initiatives.

**Adequate infrastructure provision**

Adequate infrastructures and transport services facilitate economic development and job creation, whilst also contributing to ensuring the accessibility and connectivity of companies, thus ensuring a territorial backbone. And the same is true for access to telecommunications services. In particular, internet usage facilitates access to information and to a large number of services, whilst also enabling companies to sell their products and services.

Generally speaking, in the region of the MPCs, deficiencies exist in terms of the provision of certain infrastructures and in terms of access to key services such as transport, the energy supply, information and communications technologies, and the water supply.

In fact - in terms of procedures required, time and cost - access to the electricity supply is one of the obstacles highlighted by enterprises when it comes to commencing their

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18 Euromed Report on *Priority actions to develop for employment policies*. Approved at the 15th Euro-Mediterranean Summit of Economic and Social Councils and Similar Institutions, Rabat (Morocco), 2008
activity. According to the Doing Business report 2018, in the MPCs, the average number of mandatory procedures is 5, that is to say, the same as the average for the EU, whilst 71.4 days are needed, which is below the EU average of 96.3 days. However, in terms of cost, companies in the region of the MPCs are required to spend the equivalent of 687.2 percent of income per capita in order to secure an electricity supply, as opposed to 118.7 percent in the EU. In this context, the index measuring the ease of access to electricity in the MPCs stands at 71.4 percent, that is to say, 28.6 points below the best performance obtained by the countries of the sample; while in the EU said percentage is 81.1 percent.

Nevertheless, it is important to note that, although exceptions to the rule do exist, most of these countries do have a connection to the conventional electricity supply. However, it is the quality of the electricity supply that would appear to be the main problem they face, given that there are often power cuts and that repairs can be subject to delays.

Moreover, access to electricity determines the deployment of and access to the new information and communications technologies, without mentioning the need to roll-out the new generation networks that are key in terms of effective access to the digital economy, both for citizens and companies. The effective adoption of digital technologies, the expansion of the digital infrastructures, standardization and development of digitalization and support for entrepreneurs and micro-SMEs are essential for extending entrepreneurship and consolidating entrepreneurial initiatives.

Lastly, in respect of water and sanitation infrastructures, it should be noted that certain countries of the southern shore of the Mediterranean have to deal with problems of lack of water (especially in the rural settlements), bad water quality, inadequate sanitation and an absence of rational ecosystem management, meaning that this acts as a risk for human health, environmental sustainability and economic development. Moreover, this situation prevails against a backdrop of a strong increase in the demand for water, as a result of demographic pressure and of an increase in demand largely produced by the agricultural, industrial and tourist industries. This situation is paradoxical when we take account of the important weighting of the primary sector in these countries, such that the problems highlighted have an impact on the rate of productivity of an activity with potential competitive advantages and in which there is a lot of room for further professionalization and entrepreneurship, particularly where cooperatives are concerned.

**Access to funding**

Another of the main determinants which emerges prior to commencing an entrepreneurial activity is that of access to funding, that is to say, the possibility of having available sufficient and adequate financial resources. In addition to ensuring
that new entrepreneurial initiatives can access the necessary funds for start-up purposes, it should be ensured that in the next phases of the life of an enterprise – growth and expansion – solvent companies are not suffocated from a financial standpoint, and that their survival is thereby assured, with the attendant positive knock-on effect for jobs.

The problem of access to third-party funding on the part of start-ups, which are usually small in size, is common to the European partners and the MPCs. As opposed to established companies, and, above all, larger firms, new companies face a welter of difficulties in accessing third-party financial resources. This problem is due to the nature of the entrepreneurial process per se. In their initial phases, entrepreneurial initiatives do not normally have assets to use as collateral nor do they usually have a credit history to prove their financial solvency. Therefore, during their founding processes, new entrepreneurial initiatives usually use their founders’ own capital, which may be that of the entrepreneur himself or herself, or monies contributed by people amongst their trusted contacts. And, although they have to deal with a high level of inherent risk in order to launch the venture, it is also true that this type of funding ensures that an entrepreneur has total autonomy in decision-making.

But the ability to access third-party funding, to complement the entrepreneur’s own contribution, is key as a lever for entrepreneurial activity. In regard to bank funding on both sides of the Mediterranean, it can be seen that the financial institutions play an essential role for smaller companies, a fact which is linked to the lack of development of alternative funding sources. According to the data of the World Bank\(^\text{19}\), the companies of the MPCs face a lot of difficulties in accessing lending from institutions. The indicator which measures the ease of obtaining loans shows an average score of 43 percent for these countries, with 67 points being the top performance of the set of countries analysed; while the average for the countries of the EU is 40 points. Moreover, everything points to bank loans in this region being limited, and this situation has in fact worsened in the economies which have been going through a process of political transition in recent years.

It is evident that there are specific problems which impede access to loans by entrepreneurs, and, generally speaking, these are linked to the regulatory and legal framework, the very low depth of the financial markets, to a high degree of banking concentration, and to a lack of competition between the banks and other financial institutions. In effect, the absence of an adequate regulatory framework means that an ability to bring collateral to the table is a determinant for loan operations.

Nevertheless, credit guarantee schemes do exist in almost all the countries, with certain of them being backed by public institutions, state banks or international aid organisations, and others being private or public-private with banking sector participation. But they are not all effective when it comes to ensuring the availability of funding; in certain cases, the rules of governance of said instruments are not very clear and, in other instances, it can be seen that there is very low-level use of risk management instruments. Moreover, in spite of the efforts made in the last few years, in certain MPCs there is only very low-level development of credit information systems, in terms of both the coverage and quality of said information. This limits or restricts the awarding of credit, in view of the fact that lenders normally base their decisions on true and contrastable information, which is normally found in a type of register or cadastre for both goods personal assets and real estate.

Taking into account these limitations, the EU authorities have been insisting on the need to develop sources of non-banking funding so as to facilitate the activity of the smaller companies. These would include risk capital, crowdfunding or even access to the capital markets, such that in certain European countries certain of these new instruments or agents have really become an alternative to institutional lending. In the MPCs, these instruments have only been marginally developed to date, meaning that there is an added difficulty for the development of new entrepreneurial initiatives.

In the European countries, but above all in the MPCs, there is slow development of alternative sources to bank funding. In Europe, there appears to be consolidation of the more formal and professionalised ways of accessing financial resources such as capital risk funds, business angels or participative funding platforms (crowdfunding) and even combinations of these different types of investors. Likewise, it is important to note the existence of public aid, certain of which are non-repayable grants, which try to provide an incentive for business start-ups, the majority of which include conditions relating to job creation, regionally, and in many cases, locally.

In the majority of the MPCs, there are micro-credit or micro-funding institutions which seemingly function correctly, even at a level local. However, there are few private ones, with most of them having been launched by non-governmental organisations (NGOs) or by public institutions. Likewise, except for a few isolated cases, the networks of business angels are all but non-existent in these countries or, where they exist, they operate outside the regulated economy.

In any event, and related to the financial obstacles, the very low financial education of the population does appear to constitute an added difficulty for entrepreneurship. Improving the level of financial education could drive forward both the supply and the demand for funding. Practically all the countries of the EU have presented financial
education programmes, making them part and parcel of the programmes of education and training, and viewing them as key for the development of an entrepreneurial spirit both vis a vis young people, and throughout the population in general.

**Insolvency procedures. A second opportunity mechanism for entrepreneurship**

The failure of a business forms part of the entrepreneurial learning curve, however, stigmatization of said failure and its financial consequences can come to form important obstacles to second attempts at being an entrepreneur, and this is something which can negatively affect the rate of start-up creation. In this sense, an adequate insolvency framework constitutes an essential element in promoting entrepreneurship and the development of the business fabric, facilitating trade and investment, and contributing to the creation and maintenance of jobs. Moreover, at times of economic crisis it helps economies to contain the increase in the level of non-productive loans and of unemployment.

Insolvency regulations cover a plethora of measures, which range from early intervention, restructuring or asset liquidation to the possibility of offering write-off of debts as a second opportunity when there has been no bad faith on the part of the entrepreneur.

The existence of formal procedures for opportune preventive restructuring guarantees that an action is carried out prior to companies becoming unable to pay their debts, and this contributes to reducing the risk of loans becoming non-productive loans. For their part, the second opportunity mechanisms are focussed on a reconciliation of interests between creditors and debtors via procedures with guarantees which enable the paying of the debts in an orderly fashion\(^\text{20}\). Providing a second opportunity is therefore a way to try to both ensure that a business failure does not lead to impoverishment and/or to frustration to such a degree that a potential entrepreneur is permanently dissuaded from taking on a new project. The European Commission estimates that the establishment of adequate second opportunity mechanisms throughout the member states to enable business owners to trade again could lead to the creation of three million jobs in the Union\(^\text{21}\).

At the present time, approximately half of the companies of the European Union do not last for more than 5 years and around 200,000 companies each year are involved in

\(^{20}\) Report ESC 3/2016, on *Company creation in Spain and its impact on employment*.

arrangement with creditors, of which a quarter are cross-border insolvencies which affect creditors and debtors in more than one member state.

However, in several EU countries companies are still unable to restructure before being declared bankrupt and, in regard to the mechanisms to ensure a second opportunity, although in recent years certain countries have implemented debt write-off systems for natural persons, significant discrepancies still prevail between countries vis a vis the duration of the term for write-off.

Turning to the Mediterranean Partner Countries, in most of them there is some type of legal framework in regard to companies in difficulties or facing bankruptcy, although in general terms there is a significant lack of information on their implementation, monitoring and evaluation22.

According to the World Bank’s Doing Business 2018 report23, the indicator corresponding to the ease with which insolvencies can be solved shows in the case of the European Union a score of 71 percent, meaning that, on average, the EU countries are at 29 points from the best performance of the set of countries analysed. In the case of the MPCs, said percentage stands at 36.4 percent. Moreover, in the countries of the southern shore the average rate of recovery of the debt by creditors is 30.48 percent, as opposed to 63.2 percent in the EU, with there being a positive correlation between adequate frameworks for restructuring and insolvency and lower percentages of recovery.

**Education, training and improvement of qualifications**

Education, training and qualifications determine the quality of the human capital and, thus, jointly constitute one of the factors with the greatest influence on the creation and consolidation of enterprises. It is vital for there to be quality education and training in order to drive forward the productivity and the dynamism of the economy, and facilitate innovation, and adaptation to changes, and the capacity to create jobs. Education also appears as a determining element in promoting entrepreneurship, decisively influencing both the degree of success of projects and their mid and long-term consolidation.

Likewise, education constitutes an important mechanism for creating a business attitude and culture, especially amongst young people. Education facilitates the development of skills and capabilities that foster an entrepreneurial spirit and contributes to facilitating the existence of a positive image of business. In fact, the social value of an entrepreneurial activity is a determining element for the development of a country’s

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business dynamism, and can act to either boost it or act as a disincentive, and even influence in the orientation and the mode of development of economic activity and business.

In the MPCs, the educational and training levels of the population are still low, and training geared towards the development of entrepreneurism is insufficient. Nevertheless, there has been a degree of improvement in recent years by means of the implementation of training programmes focusing on the reinforcement of business competences, and by means of mechanisms of cooperation between administrations and companies, especially in Jordan, Lebanon, Algeria and Palestine\(^\text{24}\).

Likewise, it is necessary to have available reliable, systematic and up to date information on the skills requirements of companies, so as to be able to ensure training needs are met effectively, including the potential for development of innovative activities in a context of market internationalization.

In any event, the challenge is not so much to increase generic training as to improve basic and specific skills, which include the mastery of a body of organized knowledge, of techniques and/or of other skills\(^\text{25}\). In this way, education may propagate learning in regard to entrepreneurship, by developing business knowledge as well as essential aptitudes and attitudes, such as creativity, initiative, tenacity, teamwork, and the awareness and responsible management of risks.

The EU\(^\text{26}\) institutions proposed that member states guarantee that entrepreneurship be considered as a core competence to feature in the curricula for primary and secondary schools, vocational training, higher education and adult education by the end of 2015. In this way, education should raise awareness in regard to the entrepreneurial spirit from a very early age. And, from then on, there should be promotion of training focusing on company start-ups, with special attention being paid to the qualifications required to get an entrepreneurial venture off the ground, promoting learning through experience and raising awareness vis a vis self-employed work as a career option.

Thus, both in the European sphere and in the Mediterranean Partner Countries, university training has been paying special attention in the last few years to the need to strengthen the business skills of university graduates. Generally speaking, entrepreneurship should feature at this level of learning such that the curriculum

\(^{24}\) OECD. SME Policy Index. The Mediterranean Middle East and North Africa 2014.

\(^{25}\) Spanish ESC Report 3/2015, of 21 October, vocational competences and employability.

includes specific subjects related to the start-up of business projects and their management. Moreover, universities should add to their role as centres for research and basic knowledge that of becoming an incubator for new business projects – scientific and technological parks, business incubators, spaces for academic *coworking* or *spin-offs* or for technology-based companies – and the universities should participate in the social capital of such projects.

Lastly, it is necessary to strengthen and update the skills of business executives and of people, whether they are in work or unemployed, who show an inclination for entrepreneurial initiative. And this should be carried out both at the time of start-up of an entrepreneurial activity and also in its later development, so as to better safeguard its survival.

**Innovative development and international trade as factors for business consolidation**

Entrepreneurial dynamism and the possibility of successfully launching new entrepreneurial initiatives is, of course, determined by the perception that exists in the region in regard to the viability or otherwise of new business projects. And this, in large measure, will depend on innovative development in the region and on how easy it is to join the global markets in the mid-term. In these terms, new entrepreneurial initiatives should seek their competitive edge in a context of greater globalization of markets and of big technological changes, such that in the mid-term business survival should mean there is a bet on strategies for growth and value generation by means of innovation and an international orientation.

The Mediterranean Innovation Observatory highlights the lack of statistical data available on innovation in the region. This body undertakes the monitoring of the technological indicators for innovation in these countries, so as to analyse their progress and establish statistic for comparative analysis to enable the detection of national innovation systems which are less mature and identify the needs in each case. In general terms, the MPCs have room to undertake an effort in technological innovation on a global or regional scale, although it can be affirmed that they have all taken steps to establish the components of a system of innovation, regardless of the fact that most of them have concentrated on the relationship between companies and universities, the development of incubators for companies, the improvement of human capital or the implementation of an adequate technological level in the business programmes. Moreover, in view of the importance of the innovative drive, they could develop strategies oriented towards achieving a larger footprint on the world stage as sources of innovation, such that it would be opportune to move forward with the development of such a strategy on a national level but also in a coordinated fashion for the region as a whole.
For this reason, in the framework for cooperation offered by the Union for the Mediterranean, innovative dynamics have been promoted which go beyond those of traditional Euro-Mediterranean cooperation, so as to promote the proactive participation of key sectors, with a special role for SMEs.

Innovation is an essential pillar in developing competitiveness and facilitating expansion and business growth. Based on the existence of determined set of factors, the generation and development of new and innovative technologies will enable reduction of the costs of production, improve the productive processes and business visibility, and also augment the quantity and quality of products (goods and services); and it will have significant beneficial effects on the economy, since it will positively impact on productivity.

In fact, there is a very low level of integration of the MPCs in the global value chains, as a consequence of their poor performance in aspects such as cross-border trade and fulfilment of contracts\(^{27}\) and because of the competition and bigger footprint in said chains of the economies of Europe, of the East, and of a number of south-east Asian countries. The MPCs’ international trade is largely focussed towards the EU and is\(^{28}\) more than anything based on a more traditional commercial model, that is to say, one involving the trade of finished goods and raw materials, as opposed to the intra-industrial trade, characteristic of the global value chains. Improving the entrepreneurial framework, training and level of qualification of the population, along with innovative development, could act as a catalyst for international trade, facilitating the MPCs’ inclusion in the aforementioned chains and acting to facilitate business consolidation.

Business internationalization does not only have a positive knock-on effect for companies’ profit and loss accounts, but it also enables market diversification and reinforces their competitiveness by means of international experience. Moreover, the greater the degree of trade integration the more attractive a region becomes for the implementation of regional business strategies, which may also be accompanied by the entry of foreign and national companies, thus driving forward both domestic and foreign investment.

\(^{27}\) World Bank, *Doing Business Indicators*

\(^{28}\) Bruegel, *Policy Contribution* Issue no. 10, 2017
3.4. Entrepreneurship by women and young people in the Euro-Mediterranean region

There should be specific treatment of the entrepreneurship undertaken by women and young people in the Euro-Mediterranean region, in terms of it being an opportunity to reverse their low level of labour market participation and high unemployment.

Women’s entrepreneurship in the Euro-Mediterranean region

In general terms, the situation of women in the labour markets of the Euro-Mediterranean region is characterised by their lower participation in business and employment when compared to men and by higher rates of unemployment; a situation which is worsening in the majority of the countries of the southern shore, where, as a consequence of different social and cultural factors, gender inequality tends to be higher29.

Female unemployment rates in the MPCs are higher than those for men, but they also exceed the average rates for women in the EU, where, although gender differences persist, they are lower. The same thing occurs vis a vis economic activity rates, with it being observable that for the Euro-Mediterranean region as a whole there is a positive correlation between women’s economic activity and the level of training achieved by them. However, while in the countries of the EU the evolution of women’s labour market involvement is showing strong growth and is seen to have a positive correlation with the drastic fall in fertility rates, the same is not the case in the MPCs, where, moreover, women tend to leave the labour market from the age of 30 to devote themselves to the care of their families.

In respect of working women, in most of the MPCs larger female participation is noted in the public sector than in private firms, and very especially in the education and service sectors. These are occupations which are seen as socially acceptable for women, with a more secure working environment, more facilities for work-life balance and better wages. In the private sector, the range of professions carried out by women is more restricted than for men and, regardless of their educational level, they hold jobs with lower responsibility and wages, and are under-represented in executive posts. Moreover, amongst women, vulnerable30 and informal employment is more common, as well as involuntary part-time working days, with the subsequent negative impact in terms of wages and social rights.


30 Vulnerable employment is defined as the total for unpaid family and self-employed workers as a percentage of total jobs.
In this context, entrepreneurship constitutes an interesting opportunity for women in terms of their personal and career development, although, at the current time, the number of women entrepreneurs is still very low throughout the Euro-Mediterranean region when compared to their male counterparts.

The limited opportunities available to women when it comes to obtaining paid work, is the explanation for why “need” is the main reason for female entrepreneurship, in addition to the extra flexibility afforded to them if they have their own company in terms of trying to balance their working and family lives.

In general terms, women entrepreneurs of the Euro-Mediterranean region create companies with low levels of capital, opting for small loans and using the family for advice and funding, in part due to the greater difficulties they have to overcome in order to secure funding.

In the European Union, women generally create companies in sectors related to health and social work or education; whilst in the MPCs, women’s start-ups are mostly limited to enterprises linked with the health and beauty sector. In all of these fields, the initial costs and the barriers to entry are usually low; although the potential for development and profitability is also low.

In the case of the MPCs, women entrepreneurs usually have to contend with more difficulties than men in attempting to launch a business project, in view of the fact that, in addition to the obstacles intrinsic to entrepreneurship, they have to overcome other barriers which are social and cultural in nature in largely patriarchal societies, in which the role of women is often relegated to that of caring for the family.

Other differences with men are linked to the socio-economic profile, which tends to be lower in the case of women entrepreneurs, in that they are more likely to come from low-income homes, a fact which means that there are less resources available at the start of the project. Moreover, generally speaking, women entrepreneurs in the MPCs will have attained lower educational levels than their male counterparts, although said levels exceed the average levels for women, and their low-level labour market participation means they have less working experience prior to starting up their firms. As a result, their skills and technical knowledge are lower, meaning that they face more difficulties when it comes to identifying business opportunities.

From all of the foregoing, it can be seen that there is a need to implement policies and actions in the set of the countries of the Euro-Mediterranean region and, especially, in the MPCs, focussing on combating gender discrimination and on facilitating equal opportunities for men and women, eliminating the cultural and institutional barriers to entrepreneurship and formulating policies to promote female participation in the
The development of the entrepreneurial spirit of women in the Euro-Mediterranean region has an important role when it comes to creating a globalization-oriented active and dynamic economy.

The EESC underscores the importance of training and the teaching of entrepreneurship for women, in both urban and rural settings, and bets on focussing attention on specialist technical and professional education to ensure that university qualifications and vocational training match the needs of the job market. This should be achieved by means of the joint efforts of the government, the private sector and the trades unions.

Certain countries have passed new legislation to develop female entrepreneurship and the creation of small and medium-sized companies (SMEs) by women, as well as to provide support for poor and rural women by means of micro-financing. However, in the national action plans specific measures and goals should be included to promote female entrepreneurship.

Access to funding is an obstacle for many women entrepreneurs. By means of its different programmes, the Commission should allocate adequate funds for the development of women’s entrepreneurship in the region, as well as for technical assistance for the creation of new companies and monitoring measures such as mentoring, access to information and networks and financial knowledge.

Both the public sector and the private sector should make use of the EU programmes (such Horizon 2020) for guaranteeing access to centres and training in the field of ICT for all women and, in particular, for women who start-up their own companies. Special attention should be paid to essential tools for marketing, the registering of patents and the marketing of products by means of the appropriate distribution channels.

Legislation should be urgently introduced to provide women with the right to access real estate, inherit and pass on their property, and to recognise their rights of ownership as human beings in all circumstances. The latter is especially important in the case of women who create their own companies.

The national committees in charge of gender equality require technical and financial support in order to be able to offer training and systems to monitor the government departments with the responsibility for application of the laws and regulations.

Source: EESC.

Entrepreneurship as a career option for young people

One of the traits common throughout the Euro-Mediterranean region is the problem of the lack of jobs for young people. In the countries of the southern shore of the

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Mediterranean this phenomenon has worsened because of the strong rhythm of growth of the population in recent years. In fact, youth is the principal demographic exponent in the region: the population of these countries is the youngest in the world, with an average age of 25, as opposed to the average of 29 for the population of the EU-27. Depending on which countries we consider, between 27 and 31 percent of the population is aged between 15 and 30, and almost 30 percent is younger than 15, information which is indicative of the fact that the young population remains the region’s most noteworthy character trait.

The situation of young people adds up to a big challenge in terms of combating social exclusion and ensuring young people gain access to the labour market; although by the same score it represents an opportunity for economic and social development throughout the region.

In the field of employment, this translates as a need to achieve a high level of creation of stable and quality jobs for this large volume of young people who, moreover, have attained a high degree of frustration in view of the impossibility of gaining a reward for their efforts, in terms of social mobility (amongst other questions, better labour market access will be key), given that their expectations linked to the fact that their educational achievements outweigh those of all previous generations. Thus, the lives of these countries’ young people are characterized by frustration and a lack of future prospects, not only because of the lack of employment opportunities, but also due to their exclusion from the political and social processes.

The region’s youth population has benefited directly from important advances achieved in the improvement of the human capital in the last few decades, which is the result of high investment in education and numerous opportunities in the sphere of education and training field; however, the growth of skilled employment has been insufficient to absorb this growing, more highly-qualified population. Because of this, there is a high percentage of young people employed in the informal economy or in situations of under-employment, and when they do manage to achieve access to the labour market they do so in lower quality jobs, with low wages, and with access to very little or inexistent social protection.

In this context of a lack of employment, many young people from the region choose entrepreneurship as to career option. But not just this; also, on many occasions, entrepreneurship is a choice aimed at overcoming the lack of social inclusion and even

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as an option to try to change society and contribute to the economic development of their countries.33

Many young people become involved in entrepreneurship, even of an unregulated type, based on prior working experiences; in these cases, the creation of micro-companies has gone hand in hand with policies which attempt to create viable channels of employment and to integrate these initiatives in the regulated mechanisms, but that which, in turn, are subject to the aforementioned limitations including, for example, to lack of access to bank funding. Experiences of youth micro-entrepreneurship are therefore observed as an option for combating exclusion, without the mechanisms for private or public support playing a role in determining the start-up of these initiatives. Most of the young people involved are micro-entrepreneurs, who – even on a voluntary basis – choose to operate in the informal economy in order to avoid regulatory rigidity.34

Therefore, it is possible to identify two types of young entrepreneurs. Firstly, young people who have received education and training but who have to try to deal with a labour market which does not allow them to satisfy their expectations and therefore opt to set up an entrepreneurial initiative based on their working experience, certain of them doing so even in tandem with another job – multi-employment – or with ongoing training – in instances where they are still finishing higher-level studies. Secondly, young people who drop out of secondary school without finishing their studies and fail to find a job, and who choose entrepreneurship as their only career opportunity.

In any event, entrepreneurial initiative in the case of young people depends on certain specific factors: the educational and training support received – developing attitudes which are positive towards entrepreneurial initiative and entrepreneurial training, the positive value attached to entrepreneurship in personal relationships – family and friends – and the strength of the link between the intention to be an entrepreneur, whatever the reason for said decision, and its realization in practice.

Education constitutes an important mechanism for creating an attitude and a culture which are favourable to entrepreneurial activity from early ages, and especially amongst young people, via specific training in entrepreneurship and business management skills, which covers management training with regard to small and medium-sized companies, and in other types of entrepreneurship such as cooperatives and other forms of the social economy. Thus, amongst the basic competences which should be guaranteed by the education systems it is appropriate to pay special attention to entrepreneurship and to


the business spirit, since doing so will facilitate the development of personal attitudes and qualities geared towards entrepreneurial activity and awareness-raising in respect of the value of self-employed work, whether it be individual or collective, as a career option.

Furthermore, driving forward self-employment forms part of the design of employment policies specifically focussing on young people. Entrepreneurship must also be configured as a real alternative for a new generation of trained young people, as opposed to the traditional and almost exclusive way of entering the labour market as a public-sector employee. This entails not only designing measures geared towards the start-up of entrepreneurial activity, but also mechanisms of accompaniment and monitoring during the development of a start-up, so as to ensure its mid-term viability.

Moreover, innovation and the creation of new companies by young people could constitute important elements for the development of new activities to generate added value and jobs. The social economy formulas also have a role to play in driving forward youth entrepreneurship, especially in terms of the generation of a productive fabric in rural areas and in regions that are less attractive for third-party investment; likewise, these formulas allow for the creation of associative networks and provision of social services, and in this way they also contribute to establishing firm links between people and their locality and, at the end of the day, to local development per se.

In any event, it is necessary to have a social, political, legal and economic framework offering support to young entrepreneurs and also business partnership networks enabling them to obtain vital knowledge and assistance for initiating an entrepreneurial activity, identifying good practices and viable experiences; as well as support from public policies which provide for the creation of entrepreneurship structures which can contribute to the development of this type of initiatives.

4. ENTREPRENEURSHIP IN THE SOCIAL ECONOMY IN THE EURO-MEDITERRANEAN REGION

The Mediterranean Economic and Social Councils have recognised the social economy as part of the business fabric which promotes the entrepreneurial spirit, competitiveness and social cohesion, and which, in addition, has a clear function helping to generate jobs35, especially amongst young people and women on both sides of the Mediterranean36. In fact, they are of the opinion that it is necessary to develop the

35 Agreed conclusions for the 7th Euro-Mediterranean conference of Ministers of foreign affairs; Luxembourg, 30-31 May 2005.

36 Joint report on Promotion of the entrepreneurial spirit, innovation and creativity in the Euro-Mediterranean region, Euro-Mediterranean Summit of ESCs and Similar Institutions 2011 Istanbul;
entrepreneurial spirit in order to support small and medium-sized companies and promote cooperatives and other forms of the social economy with a view to job creation.

The ESCs emphasised that it would be especially important to develop all possible forms of the social economy, given that they can bring about the means to develop the entrepreneurial spirit and generate productive activity, whilst simultaneously facilitating social cohesion37. In 2014, the Euro-Mediterranean Summit of ESCs and Similar Institutions in Nicosia stressed the potential role of the social economy “in the promotion of economic growth, the eradication of the poverty, strengthening local sustainable development and, likewise, in improving access to the labour market and to decent working conditions, in particular for women and young people, as well as the different classes of disadvantaged workers”.

The business organisations have also shown interest in this way of undertaking entrepreneurship. On the occasion of the twentieth anniversary of the Euro-Mediterranean partnership, business organisations from Europe, the Mediterranean and the Arab countries approved an ASCAME (the Association of the Mediterranean Chambers of Commerce and Industry) initiative which was formed by a set of proposals to promote Euro-Mediterranean integration. These included the perception of the companies of the social economy as creators of employment and social cohesion38.

This model of company increasingly forms part of the working agendas of the international organizations, and also of those engaged in the political and socio-economic development of the Mediterranean, such as the European Union or the Union for the Mediterranean. In September 2016, the meeting of employment and labour ministers of the countries who make up this Union, which was held in Jordan, concluded that it was necessary to harness – by means of the opportune legal measures and incentives – the unexploited potential for job creation of the social economy39.

The social economy has therefore been designated as a player that can respond to the socio-economic challenges common to both the north and south of the Mediterranean;

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although it is still necessary to design and implement policies to address the development of this business reality within the framework of a regional development strategy for entrepreneurship. For this reason, in addressing these issues and proposing action streams and measures for the social economy, it will firstly be necessary to identify the elements which characterise this model of entrepreneurship both in the European Union and in the MPCs.

4.1. The reality of the social economy in the business fabric as a whole. Identification of the actors involved

The social economy is part and parcel of the business fabric as a whole, evidencing the fact that there are multiple company-types operating side by side in our societies and markets and that, as the European Economic and Social Council emphasises, it is a guarantee for the development of competitive markets, economic efficiency and the competitiveness of the economic actors, as well as the maintenance of social cohesion\(^ {40}\).

This plurality appears both in the member states and in the MPCs and is the result of an uneven evolution which issued from specific socio-economic contexts and situations. In these terms, the social economy has also developed in accordance with the transformations experienced by the northern and southern Mediterranean societies.

Thus, in the last few years a common definition of the social economy has been configured and consolidated. This process has been contributed to by actors including these companies’ and organisations’ representative organisations in the European Union and the Mediterranean, who define the social economy as a business model which is managed according to the following principles and values\(^ {41}\):

- The primacy of people and of a social purpose over capital.
- Voluntary and open membership.
- Democratic control by their members.
- The conjunction of the interests of the members, users and of the general interest.
- The defence and application of the principles of solidarity and responsibility.
- Autonomy of management and independence in respect of the public authorities.
- Most of any profit made is allocated to goals focussing on the achievement of sustainable development, services to members and the general interest.

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\(^ {40}\) European Economic and Social Committee opinion on the topic «Diverse forms of enterprise». 2009.

\(^ {41}\) Social Economy Europe (SEE). Euro-Mediterranean social economy Network (ESMED).
As table A- 5 illustrates, these principles have achieved legal recognition in laws which regulate and recognise the social economy in several EU member states (including Spain, France and Portugal) and they have also been included as the distinctive elements by which the social economy is identified in the bills which are currently being for job creation in Morocco and Tunisia.

These principles are also consistent with the identifying elements that different, European and international institutions include in their definitions of the social economy, as featured in their proposals in favour of this business fabric. By way of example, the International Labour Organization (ILO)\textsuperscript{42}, which is promoting initiatives in favour of this model of company, identifies the Social Economy as “The social and solidarity economy (SSE) is a concept that refers to enterprises and organizations, in particular cooperatives, mutual benefit societies, associations, foundations and social enterprises, which specifically produce goods, services and knowledge while pursuing economic and social aims and fostering solidarity”.

Therefore, it can be said that the social economy is identified with a form of entrepreneurship based on “common characteristics in terms of development goals, organisational forms and values” of participation, solidarity, innovation and collective ownership and initiative, the goal of which is not to maximize financial profits, but rather to use them as an instrument or means to ensure the achievement of the social ends which denote the actions of these companies and organisations, with priority being given to people over capital\textsuperscript{43}.

In its origins, the social economy is closely linked to traditions and associations for mutual aid in the southern Mediterranean countries, and with the rise in Europe of cooperatives which, along with community and mutual associations, were inter-related expressions, via self-help organizations, of a single drive, the response of the most vulnerable and defenceless groups in society to the new living conditions brought about by the development of the industrial society in the 18th and 19th centuries\textsuperscript{44}. This approach remains in force in the international definition of cooperatives which, as the ILO has established, are autonomous associations of people who have voluntarily come together to satisfy their shared economic, social and cultural needs and aspirations by means of a jointly owned and democratically managed company.

\textsuperscript{42} The International Labour Organization, \textit{The social and solidarity economy}, November 2014.

\textsuperscript{43} See the positioning document drafted by the United Nations Inter-institutional Working Group on the social and solidarity economy \textit{The social and solidarity economy and the challenge of sustainable development}, 2014 and the European Investment Bank and FEMISE, \textit{Économie sociale et solidaire: Vecteur d’inclusivité et de création d’emplois dans les pays partenaires méditerranéens?}, 2014.

\textsuperscript{44} See European Economic and Social Committee, \textit{The social economy in the European Union}, 2012.
In fact, the cooperative principles have significantly contributed to the development of the idea of the social economy as it is currently conceived, which, as previously stated, is the result of an ongoing evolution in which new organisations have appeared which, acting according to the principles that identify the social economy, have attempted to provide a response to needs like the provision of health services by means of the mutual benefit societies, the social inclusion of people at risk of social exclusion via social companies, or the provision of social services of general interest by associations and foundations.

On both sides of the Mediterranean, new and specific forms and expressions have arisen to develop this entrepreneurial model. Thus, the relevant laws in Spain, France or Portugal, as well as the bills being prepared in Morocco and Tunisia, demonstrate that, along with the more common forms of the social economy (cooperatives, mutual benefit societies, associations and foundations), new concrete expressions are appearing to deal with the same way of undertaking entrepreneurship and starting up companies.

In any event, this form of entrepreneurship promotes the idea of a proactive and participatory citizenry, simultaneously facilitating individual and collective initiative, job creation, inclusive and fair economic growth, social cohesion and sustainable development based on human rights45.

In fact, the United Nations has promoted different work forums on the social economy with the aim of positioning these companies internationally and, especially, given the 2030 Agenda of Sustainable development goals (SDGs), betting on the contribution of this business fabric to the development of decent work, local and sustainable economic development, environmental protection, the wellbeing and empowerment of women, the development of food security, and access to universal health coverage46.

Cooperatives and the rest of the social economy constitute a global phenomenon which, as the United Nations Secretary General has noted, accounts for approximately 7 percent of world GDP and jobs47, with a significant part of this phenomenon occurring in Europe and in the MPCs.


46 The United Nations Inter-institutional Working Group on the social and solidarity economy, is comprised of 19 United Nations Agencies, The social and solidarity economy and the challenge of sustainable development, 2014.

47 Report of the United Nations Secretary General: “Cooperatives in social development”, July 2017. On a global level, the socio-economic significance of the social economy is clearly denoted by the existence of 2.6 million cooperatives which have over 1,200 million members and employ 280 million people, and by that of the mutual benefit societies which provide health coverage for 240 million people worldwide.
4.2. The social economy in the European Union

The European parliament identifies the social economy as a cornerstone of the European social model\(^48\). In fact, these companies have formed part of the history of the European Union since its foundation in 1957, given that the founding treaties of the then European Economic Community recognised cooperatives as forming part of the existing business models in the Union.

With the passage of time, the European institutions and the member states have continued to recognise and support this company model according to its weighting and significance. Thus, the Council of the European Union noted in 2015 that “the social economy further contributes (…) to several key EU objectives, including the achievement of smart, sustainable and inclusive growth, high-quality employment, social cohesion, social innovation, local and regional development, and environmental protection. It is also an important tool which contributes to ensuring people’s well-being. Even more important, the social economy is a sector which has weathered the economic crisis better than others and is gaining increasing recognition at European level”\(^49\).

For its part, the European Economic and Social Council (EESC)\(^50\) states that in the EU there are 2.8 million social economy organisations and companies of all possible sizes, ranging from SMEs right up to large business groups, and that they operate in all the economic sectors and produce 8 percent of the GDP of the Union. Moreover, between 2003 and 2015, jobs in these companies increased from 11 to 13.6 million.

Since in 1989 the Commission published its Communication \textit{Business in the Social Economy sector: Europe’s frontier-free market}\(^51\), the EU institutions have recognised the contribution of this business model to the European construction process but have also incorporated it into European Union policies for employment, social cohesion, territorial development, social inclusion and foreign policy, including cooperation with the Mediterranean – the framework for the present report. Certain examples are formed by the active employment policies which refer to worker cooperatives and social inclusion companies, policies on social services, where the associations, foundations


\(^{49}\) Conclusions of the Council of the European Union “on the promotion of Social Economy as a key driver of economic and social development in Europe”, 2015.


\(^{51}\) European Commission, \textit{The social economy companies and the achievement of a frontier-free European market.}
and other not-for-profit organisations have played a key role, the agricultural and rural development policies, in which agri-food cooperatives have been involved, or the reference to social security mutual benefit societies in the framework of complementary social security systems. This fragmented vision of the social economy has nevertheless paved the way for the configuration of a European policy for the social economy as a whole, just as sector organizations themselves were requesting.

Alongside the specific measures which have been implemented for cooperatives, mutual benefit societies, foundations or, more recently, for the social companies, the EU has followed a pathway of creating via its official documents an “acquis” of recognition and development of the social economy as a whole.

The European institutions have created specialist work forums to discuss measures in favour of its development. The social economy inter-group has existed since 1990 in the European Parliament, and it is geared towards addressing initiatives and specific policies alongside the rest of the institutions and the sector’s representative bodies.

The European Commission has several sectorial departments which deal with issues related with the social economy, although it is the Directorate General of Internal Market, Industry, Entrepreneurship and SMEs, and, to be more specific, its unit for “Clusters, social economy and entrepreneurship”, which coordinates the Commission’s main actions in favour of the sector.

Likewise, the EESC has a social economy category which brings together representatives of the sector and promotes actions and reports in favour of this business fabric.

In 2014, Social Economy Europe, a European-level social economy representative body which seeks to defend its interests vis a vis the European institutions, proposed

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54 For example, the Directorates General overseeing the policies on employment, companies, regional development, research, capital markets and international cooperation.

55 There is currently a “task force” made up of 23 departments from a range of General Directorates to coordinate and undertake monitoring of the measures that the Commission is currently enacting in favour of the social economy.

56 It also has a permanent study group on social economy enterprises which promotes initiatives such as the European day of social economy companies.
drawing up a European Action Plan for the development of social economy companies so as to reinforce the consistency between the policies of the different European institutions, the member states and the regional and local administrations which focus on this sector. This task is essential in order to maximize the contribution of the social economy to the European Union’s goals58.

In 2015, the EESC drew up a series of proposals focusing on the creation of this action plan for the development of the social economy in Europe, in order to promote this model of company. The EESC requested that the Commission include it in the work programmes for 2017 and 2018. For its part, in 2016, the European Parliament requested from the Commission an action plan for the social economy companies with the aim of unleashing all the potential for achieving sustainable and inclusive growth59.

Moreover, key European conferences on the social economy have been hosted by the member states and the European Commission in the framework of the rotational presidencies of the Council of the EU. The proposals of the conferences which took place in Rome in 201460, Luxembourg in 201561 and Bratislava in 201662 pivoted around the Member states’ desire for a European policy for this business model to account for its socio-economic importance and weighting. This work was reinforced at the Summit on the social economy sector held in Madrid in May 2017, at which eleven member states63 demanded said action plan.

Lastly, the European Commission added its voice to this majority consensus of the member states and of the rest of the EU institutions in favour of the social economy. With the approval of its communication on Europe’s next leaders: the Start-up and Scale-up Initiative 64, and in the light of the recommendations of its expert panel on

57 For further details on Social Economy Europe see section 4.4. on the social economy’s most representative organizations.

58 Social Economy Europe. White paper. The social economy... Taking back the initiative. Proposals to make the social economy a pillar of the European Union . 2015


60 Unlocking the potential of the social economy of the EU Growth. November 2014.

61 Boosting social enterprises in Europe. December 2015.

62 Social Economy as a key player in providing answer to current societal challenges in the EU and World. November 2016.

63 Bulgaria, Cyprus, Slovenia, Spain, Greece, Italy, Luxembourg, Malta, Portugal, Romania and Sweden

social entrepreneurship 45, the Commission adopted several specific measures for the sector in five strategic areas: access to funding; increasing access to the markets; improvement of the regulatory and development environment; access to social innovation, new technologies and new business models; and strengthening the foreign dimension, which also includes Euro-Mediterranean cooperation in the sphere of the social economy.

Without prejudice to the application of this set of measures, the EU institutions continue to work on defining a European policy and a European action plan for the social economy to include other arenas where this model of company should play a bigger role, whilst simultaneously reinforcing the actions undertaken by the EU member states.

In this way, the ground has been gradually paved for configuration of the European policy for the social economy as a whole, as was being demanded by the sector bodies. In fact, throughout the last 25 years, both the EU and the central and regional governments of certain member states have applied policies to develop the social economy, in view of the fact that this type of companies have a more immediate impact at a territorial level.

In effect, all the member states now have specific policies, whether these cover the social economy per se or certain of its forms, such as cooperatives, for example. Certain member states have specific public departments for the social economy, as in the cases of Luxembourg or France, and in others it is a priority, as in Portugal, where a public-private body for development of the social economy has existed for over a decade, or Spain, which became the first EU state to adopt a social economy act and which approved in December 2017 a strategy to develop and drive forward the sector which will run up to 2020. Other countries such as Poland, Romania and Sweden have also adopted state-level plans to drive forward the social economy. This shared interest has led to the creation of a permanent working group – with representatives of the governments of 14 member states: Bulgaria, Cyprus, Spain, Slovakia, Slovenia, France, Greece, Italy, Luxembourg, Malta, Portugal, Czech Republic, Romania and Sweden – to strengthen cooperation between the member states in the field of the social economy. This has been up and running since the Luxembourg European Conference in 2015.

4.3. The social economy on the southern shore of the Mediterranean

The diversity highlighted in relation to the European Union in respect of the social economy is also present in the MPCs. The variety of experiences in each of them and the lack of official homogenous sources is an obstacle in trying to analyse this reality

for the southern shore taken as a whole. In these terms, an approximation to the reality of the social economy in the region would include the fact that there are over 300,000 companies, 1.5 million jobs and 34.5 million linked people (table A-4); which does not mean to say that there is no need to emphasise that the available data can be improved with the aim of having available homogenous and reliable statistics.

Above and beyond this quantitative approximation, the reality is that in the southern Mediterranean countries the development of the social economy has also been diverse. While the cooperative movement is of a significant size in in Egypt, Morocco and Turkey, in other countries state intervention in the cooperatives has prevented their independence and autonomous development as private companies. Occasionally, this has meant that a negative idea has grown of this cooperative model, a fact which has meant that the social economy has been largely developed by means of other forms, such as mutual benefit societies or developmental associations, as has been the case in Algeria and Tunisia. The concept of the social economy is more widely extended in the Maghreb.

TEXT INSERT - 2

THE SOCIAL ECONOMY IN CERTAIN MPCs

Morocco: Has a development strategy for the social and solidarity economy for the period 2010-2020, overseen by a ministerial department and a secretary of state, focusing on developing policies to develop the social economy as an actor to generate jobs, combat poverty and social exclusion. It also promotes local development and activities which generate revenues. The aim of the Strategy is to increase the working population and the number of jobs in the cooperatives, and to increase the contribution of the social economy to the gross national product (GDP). Moreover, the Government is presently drafting a bill on the social and solidarity economy which should ensure greater legal security for the types of organization in the sector by means of identification of the principles of the social and solidarity economy and by defining the tools of development of this model.

Tunisia: The social economy is included in the country’s development strategy (Five-year Plan for 2016-2020) with a view to the sector employing 1.5 percent of the working population. In addition, the ILO is executing, with financial support from the Government of the Netherlands, a programme for the development of the social and solidarity economy during the period 2016-2019, the aim of which is to generate decent employment for young people and implement a favourable institutional system by means of the deployment of strategies for local development and of a national consultative platform, as well as regional

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66 The development strategy for the Moroccan social and solidarity economy is developed by means of 7 overarching headings: extracting maximum value from and promoting the social economy products, promoting access to market for social and solidarity economy products, reinforcing and organizing the players of the social and solidarity economy, by means of actions of business mentoring and advice and the creation of networks via unions of cooperatives or regional social economy networks, creating an environment favourable to the development of the social economy by means of legal frameworks or financial instruments, facilitating the start-up of social economy initiatives at territorial level, facilitating the access of the actors of the social economy to social security and developing tools to monitor and evaluate the strategy. In addition, the Moroccan ESC has drafted an opinion and a report of reference on the social economy which emphasises its contribution to the country’s socio-economic development and proposes measures to foment it.
structures and advice, support and funding services at territorial level. This programme features the participation of the Government and social agents of Tunisia, and is also focussed on achieving approval of the social and solidarity economy act, which is an initiative and proposal of the social agents and which is currently being processed.

**Algeria:** The social economy forms part of the strategy of support for the employment of young people that the Government is launching with support of the European Commission. It seeks to promote this entrepreneurial model at state level by means of the establishment of a development plan for the social economy in order to promote job creation, and institutional support for public and private actors engaged in its development for the design, implementation and monitoring of development strategies.

In other countries of the region, social economy development strategies have mainly focussed on promotion of the cooperative business model.

**Jordan:** The Jordan Cooperative Corporation is a public institution responsible for the promoting, training and providing support for the country’s cooperatives. Amongst other priorities, it strives to increase the number of jobs and the socio-economic level of the members of the cooperatives, improve access to market for the cooperatives’ products, and also to develop the application of technologies in the cooperatives and their access to funding.

**Palestine:** Has approved a development strategy for cooperatives with the support of the ILO, and its priorities are the promotion of a favourable institutional environment, the improvement of the levels of organization and funding of the cooperatives and increasing the participation of cooperatives in new sectors such as the environment, recycling, renewable energy, for example. Also, it also has a focus on promoting and developing cooperatives amongst young people and on exploring the potential of the technological industries.

**Lebanon:** The ministry of agriculture has adopted a development strategy for the agri-food sector, which also includes the promotion and development of the agricultural cooperatives by means of their modernization and the improvement of their productivity, competitiveness, access to market and technical upskilling. Special attention is paid to promoting the involvement of young people in agricultural cooperatives, increasing jobs and fomenting revenue-generating activities in rural areas so as to reduce migration to urban areas.

In any event, there is a consensus in terms of highlighting the significant role of the social economy for the development of the southern Mediterranean countries; in view of its capacity for:

- Facilitating the social and economic inclusion of people at risk of exclusion.
- Contributing to the economic autonomy and security of all social strata.
- Generating a social impact in terms of territorial development, promoting participation at level local.
- Promoting economic diversification, in view of the fact that the social economy exists in all sectors and in a range of business formats.
- Facilitating local agriculture and citizens’ links to food-related issues.
- Generating limited profit by means of its business model and principles.
- The structuring of the social economy is based on mechanisms of participation, which means that it becomes a “school” teaching participatory values and the values of organized citizens.

Therefore, these elements form part of certain of the social economy development strategies and of certain of their components which the MPCs are adopting.
The international organizations and the European Union are betting on the role of cooperatives and the social economy in the region as a leading actor in the region’s development. The ILO has rolled out several development programmes for cooperatives in the region, and the European Commission has approved the execution of a programme with actions to support development of the social economy in the Mediterranean, which are additional to those already launched in Morocco and Algeria in previous years.

4.4. The ESMED Network and other social economy representative bodies in the region

In the countries which comprise the Union for the Mediterranean, the social economy has gradually formed bodies to represent it and defend its interests according to the models and the business types which have been developed the most in each of the countries. Thus, in the countries where the social economy has achieved greater recognition, there are organizations which represent or bring together the social economy as a whole. This is the case for Belgium, Spain, Slovenia, France, Luxembourg, Morocco, Portugal and Tunisia.

The idea of cooperative societies is present in practically all the states that make up the Union for the Mediterranean. There are countries where cooperatives are an actor with an important economic weighting and a strong social base, and, where this is the case, there are bodies which bring together the whole cooperative movement throughout the different sectors where they operate, as is the case in many member states of the EU, but also in some from the southern shore.

However, in other countries where there are no organisations to bring together and represent all cooperatives from all sectors, organizations have been founded to represent cooperatives on a sector-by-sector basis, for instance agri-food cooperatives, consumer cooperatives, or those specializing in credit and saving, production or associated work or homes.

The mutual benefit societies movement has state-level coordination and representation bodies in certain of the countries on both sides of the Mediterranean. Regarding the representation of associations, foundations and social enterprises, the case of Italy stands out, because it has a representative platform for the tertiary sector; whilst in

67 Programme «Appui technique aux operateurs de l'économie sociale et solidaire dans the Province d'al Hoceima » (Morocco) 2014, with total funding of 400,000 Euros, and the project «Structuration du secteur de l'économie sociale, solidaire et innovante et soutien au développement de l'entrepreneuriat des jeunes» from 2015, funded to the tune of 6 million Euros.

68 Algeria, Greece, Italy, Lebanon, Tunisia or the United Kingdom.
Palestine and Turkey there are organizations for associations and foundations, respectively.

Together with the state-level organizations, the social economy has gradually configured platforms which bring together organizations from several countries with the aim of representing the social economy or a number of its families vis a vis the EU institutions and the Union for the Mediterranean.

In Europe, the social economy has become organized around the previously mentioned body *Social Economy Europe*, which is its representative body and it defends its interests before the European institutions. It was founded in 2000 on the initiative of the main European representative organizations for cooperatives, mutual benefit societies, associations and foundations, and other European organizations have since joined, including those for inclusion companies, social protection paritarian institutions, ethical banking and those for public local authorities which work with the social economy. Likewise, state-level representative organizations exist for the social economy as a whole in France, Belgium, Spain, Italy and Portugal are also members.

*Social Economy Europe* is institutional the reference and interlocutor for the social economy vis a vis the Commission, the EESC and the Parliament, and its coordinator is the secretariat of the social economy inter-group. Likewise, it has an ongoing dialogue with other European social economy organisations and with the rest of the socio-economic actors.

*Cooperatives Europe* is also one of the most important European organizations. It was funded from the merger in 2006 of the European cooperative organizations that had existed for decades in Europe: the international cooperative alliance and the coordination committee of European cooperative associations. Their aims are to represent the interests of the cooperatives when dealing with the EU institutions, and to increase their visibility and proposals.

The social economy has also structured its representation and dialogue between the south and the north of the Mediterranean. Since its creation in 2000, the Euro-Mediterranean Social Economy Network (ESMED) has been the platform of institutional reference for the social economy in the sphere of the Union for the Mediterranean. It is comprised of the representative organizations of the social economy and development centres of nine countries: Algeria, Egypt, Spain, France, Italy, Morocco, Portugal, Tunisia and Turkey, which, via their members, represent more than 900,000 companies and organisations, 8 million workers and more than 100 million associated people.
The ESMED Network’s work has focussed on boosting cooperation between the social economy of the north and the south of the Mediterranean with the aim of promoting greater visibility and recognition for the social economy on the part of the international organizations and state-level institutions involved in the development of the Euro-Mediterranean region.

The ESMED Network has been recognised by the European Economic and Social Council and by the Economic and Social Committees of the Mediterranean as the social economy interlocutor in the Mediterranean, as is reflected by several declarations and conclusions of the Euro-Mediterranean Summits of ESCs and Similar institutions.

5. ELEMENTS FOR A WORKING AGENDA FACILITATING THE DEVELOPMENT OF ENTREPRENEURSHIP AND THE SOCIAL ECONOMY IN THE REGION

The European Union and the southern Mediterranean countries have positioned entrepreneurship as a central plank of their policies to promote job creation and a dynamic productive fabric. This mutual interest has meant that the development of the business spirit has become a priority in the working agenda of these countries, both at a bilateral level and at a regional level via the Union for the Mediterranean.

5.1. Challenges and priorities

After having overcome years of economic weakness, the economies of the Euro-Mediterranean region, both those of the EU and the MPCs, appear to be in the throes of consolidating their pathway for recovery and growth. However, in certain countries, especially those of the southern shore of the Mediterranean, growth has been seen to be insufficient for improving the standard of living of the population, in large measure, because of the important demographic increase and the consequent difficulty in creating jobs at a rate capable of absorbing the rise in the working population. And this is a factor that also has negative repercussions for social cohesion, stimulating migratory flows, with the accompanying loss of human capital for the countries of origin. Moreover, local factors like the ongoing conflicts in Syria and Palestine, and the strong pressure exerted by the refugee population in countries like Jordan or Lebanon, entail an important obstacle for the economic development of these countries. In the European Union, one of the main challenges is related with the ageing of the population and its impact on the systems for social protection.

In this context, the priority for the Euro-Mediterranean region as a whole has to be one of growth and the economic development and the creation of quality jobs. The social economy and entrepreneurship provide an opportunity to drive forward economic activity in the region which is sustained in time, sustainable from an economic, social and environmental perspective and, above all, a creator of employment, thereby
facilitating citizens’ access to the labour market, most especially that of young people and women, who are the people who most suffer from the high levels of unemployment in the region.

In particular, the social economy is configured as one of the actors best able to respond to the socio-economic challenges common to both the north and south of the Mediterranean basin, contributing to the promotion of economic growth, the eradication of poverty, the strengthening of sustainable local development and, equally, to improving access to the labour market and decent working conditions for the different categories of disadvantaged workers.

Moreover, the development of the social economy and entrepreneurship can contribute to formalising activities that in large parts of these countries are currently executed in an informal way due to the existence of inadequate regulatory frameworks which, when all is said and done, serve to hinder the development of economic activity, whilst also causing a high percentage of workers to be without social rights.

Due to all of the foregoing, the drive to promote entrepreneurship and the social economy in the Euro-Mediterranean region requires a concentrated effort in terms of action on the following priorities:

- Improving the quality of the institutions and establishing adequate regulation of the markets will be a determining factor in facilitating private investment and contributing to economic development. An environment of transparency and of effective competition in the markets and productive sectors facilitates these new entrepreneurial initiatives, in addition to being of benefit to consumers and users.

- As has been noted, business failure forms part of the process of learning for entrepreneurs, however, on occasion, stigmatization of such failure, and its financial consequences, can come to constitute important obstacles to entrepreneurship, thereby affecting the creation of companies. In this sense, one of the priorities is to ensure there is an adequate insolvency framework in order to facilitate entrepreneurship and the development of the business fabric, whilst also driving forward trade and investment and contributing to the creation and maintenance of jobs.

- Correct development of the social economy and of entrepreneurship requires entrepreneurial initiatives to have access to sufficient financial resources for launching enterprises at a reasonable price and ensuring their continuity and consolidation. In these terms, there is a need for diversification of the sources of funding over and above the entrepreneurs’ own personal funds, by means of an
improvement to access to banking credit and facilitating the development of sources of alternative funding.

- It is a matter of priority to guarantee access to adequate transport, communications, energy and water infrastructures for the development of economic activity, in view of the fact that, in spite of the advances achieved, an important deficit in this field is still observed in certain countries in the region. Development of said infrastructures will be a determining factor for the right development of competitive entrepreneurism regardless of its physical location, facilitating rural development and territorial cohesion.

- Likewise, there is a need to motivate entrepreneurship in the region as an enriching career option which is accessible to people with initiative, with it being equally priority to ensure that new entrepreneurs have the right education and business profile and the technical knowledge sufficient for managing and organising their companies, accessing funding and planning their potential foreign expansion. These elements determine both the degree of success of the project and its mid and long-term consolidation.

- Quality education and training is fundamental for driving forward the productivity and the dynamism of the economy, facilitating innovation and adaptation to changes, as well as the capacity to create jobs.

- In order to develop productivity and competitiveness and thereby facilitate expansion and the business growth, driving forward innovation must be a priority.

- Overcoming the barriers to trade inside the Mediterranean region which act to undermine the region’s competitiveness is another of the priorities. It will be opportune that right from the moment of start-up new entrepreneurial initiatives can take into account the possibility of integrating their business in the global value chains, a step which can eventually serve to facilitate their growth and consolidation.

5.2. Measures in favour of entrepreneurship and the social economy

The consolidation of the current phase of economic growth on both sides of the Mediterranean should be grounded in business dynamism, in view of the fact that the founding of companies constitutes an important source of job creation and of revitalization of the productive fabric. This will require that public policies ensure that new entrepreneurial social economy initiatives are developed in a framework which facilitates the business itself and also job creation, as opposed to facing obstacles for development. It is therefore a question of promoting the creation of enterprises so as to facilitate sustainable economic growth, based on innovation and knowledge, but above all on job creation.
In this context, in response to the aforementioned priorities, the following measures are hereby proposed:

- On statistical information

The design of a strategy to foster entrepreneurship and the social economy in the MPCs should be based on a precise diagnostic of business dynamism, but this approximation faces problems and difficulties related with the limitations and insufficiency of the available statistical information. On many occasions, said information is neither up to date nor comparable, meaning that it is not possible to measure its size and dynamics, key questions for determining its contribution to economic growth and job creation. Nevertheless, there should be special recognition of the ongoing work of the OECD, the GEM project and the World Bank, given that, the aforementioned limitations aside, they facilitate a homogenous approximation to this reality.

The foregoing means that it will be necessary to improve the information, coordination and consistency of the different statistical sources studying the business fabric of the Euro-Mediterranean region. In specific terms, we refer to the definitions of business sizes, the treatment of certain productive sectors – agriculture in particular – the identification of the demographic movements of the region’s business fabric, as well as ensuring clear definitions of legal business formats. In fact, by way of example there is very little information available on the region’s social economy organisations.

- On institutional and regulatory issues

In spite of the efforts undertaken by most of the countries of the Euro-Mediterranean region, a need is observed for both improving the institutional quality and reducing the administrative burdens, with the aim of facilitating entrepreneurship and improving business competitiveness.

In fact, as far as very small-sized companies are concerned, the existence of inadequate institutional and regulatory frameworks has caused a large informal sector to flourish, such that any improvements carried out in this field may play an important role in the generation of a dynamic productive fabric in the region.

In respect of the regulatory framework in which the companies operate, it is necessary to continue working to facilitate start-ups and reduce the costs of the incorporation of companies, eliminating non-essential or repeated red tape, assuring coordination of the different competences of the administrations and guaranteeing, in any event, the protection of higher rights like public health, healthcare, security and the environment.

Moreover, the public administrations can contribute to facilitating the process of start-up of a business venture, by providing information on the administrative requirements and the possible aid which exists for entrepreneurship, as well as by means of advice
services, technical assistance and the accompanying of entrepreneurs at the outset of their projects.

In particular, in the social economy there are mentoring and support centres for entrepreneurs, set up by the social economy organizations and by the public state-level and regional departments who oversee social economy policies. It will be apposite to reinforce these, by means of increasing human and technical resources, with the aim of facilitating entrepreneurship and the development of SMEs in the Euro-Mediterranean region.

- On the procedures for insolvency and of restructuring

Greater efforts are needed to establish adequate procedures for insolvency and restructuring. These should pay special attention to the second-opportunity mechanisms, as well as the correct monitoring and evaluation of them, with the aim of contributing to increasing investment, reducing the liquidation of viable companies, avoid job losses, prevent the accumulation of non-productive loans and enable honourable entrepreneurs to return to business. In other words, to contribute to the development of the business fabric and to entrepreneurship and, in doing so, to economic growth and to job creation.

In the specific case of the European Union, greater convergence in this type of procedures will facilitate increased legal security for cross-border investors and promote the rapid restructuring of viable companies experiencing financial difficulties.

- On the adequate provision of infrastructures

Regarding the provision of infrastructures, in the field of the transport it will be essential to develop and promote transport policies which are efficient, safe and sustainable from an environmental point of view, which serve to facilitate economic development and the creation of employment, whilst also having a role in guaranteeing accessibility and connectivity for companies – thus providing a backbone for the region.

In addition, it is vital to improve the supply of sustainable, stable and quality energy, promoting the extension of an adequate electricity grid, as well as the development of actions geared towards the improvement of energy efficiency, energy saving and the improvement of the electricity service for end users.

Moreover, it is necessary for the Euro-Mediterranean countries to effectively adopt the digital technologies, expand digital infrastructures, and standardize and develop digitalization, as essential elements for promoting entrepreneurship and consolidating entrepreneurial initiatives.

In respect of the water and sanitation infrastructures, it is necessary to safeguard the quantity and quality of the water supply throughout the whole region, as an
indispensable requirement for economic development and environmental sustainability, with there being a need for a system based on public planning and participation, technological development and innovation.

In definitive terms, therefore, improved provision of infrastructures in the Euro-Mediterranean region as a whole is essential so as to enable new entrepreneurial initiatives and the social economy to contribute to promoting a sustainable economic model which generates employment and which, ultimately, facilitates the achievement of the 2030 Sustainable Development Goals.

- **On business funding**

It is vital to improve and bolster the regulatory framework for access to funding so as to reduce the need for collateral as the means of reducing the risk of default. This will involve the strengthening of both the security of the transactions, and the rights of creditors. For example, it is agreed that public or private credit bureaux should be extended, as a way of preventing credit risk and the enabling the management of clients’ files, with regard to their solvency and financial compliance, thereby improving the transparency and information of credit histories. Likewise, there is a need to improve both access to and the quality of the information gathered in the cadastres and in the registries on non-property assets, given that they facilitate the computation of risk in lending operations.

Equally, it will be appropriate to increase the attractiveness of the SMEs segment for the traditional banking system, especially in the MPCs. This is something that could be rolled out via an improvement of the supply of certain financial products, such as leasing or factoring, which are quite well-developed in the EU banking systems. These are very adequate for financing the operations of small companies.

Likewise, there should be promotion and improvement of credit guarantee schemes. These are an instrument that already has a footprint in many of the countries of the Euro-Mediterranean region, but which operate very unevenly in the region, depending on which country is being considered.

Moreover, for the set of the countries of the region, it will be essential to develop alternative funding instruments, as opposed to credit from the organisations. From the promotion of the networks of business angels for the funding of business projects with potential for growth, to the driving forward of funding using risk capital or micro-credits. The rapid explosion of the digital technologies and of the Fintech organisations offers numerous opportunities in this field. And, in the concrete case of the Mediterranean social economy companies, there is a need to develop different funding
instruments which are adapted to their needs and characteristics in order to aid with their launch and subsequent development.

A special effort should be made for information, in view of the fact that, generally speaking, small companies and entrepreneurs are not knowledgeable in regard to the existing programmes of funding. It would be appropriate to execute informative campaigns and actions on the instruments and initiatives which can be of benefit to entrepreneurship and the social economy organisations, both those which are state-run, and the specific EU instruments focussing on financing the development of the private sector in the MPCs.

Lastly, there should be improvement of the level of financial education of the population in general so as to drive forward both supply of and demand for funding. Improving training in the financial field will enable entrepreneurs to become more au fait with their funding needs and to be able to assess the financial instruments which will be of most use to cover them.

- On education and training

The business spirit must be developed as a transversal aspect in educational and training systems, from the earliest phases of formal education, promoting the development of business attitudes and skills by means of awareness-raising actions in respect of self-employment as a career option, but also in regard to developing specific training to enable people to acquire the basic and specific competences necessary to facilitate entrepreneurial initiative, the creation of companies and their survival.

In these terms, executive training takes on special significance since it allows for the acquisition of competences related with management and communications and with the capacity for solving problems and proposing new ideas and solutions, that is to say, a set of management skills that facilitate the development of business ventures. In fact, there is a need to strengthen the management capacity of social economy companies and organisations, seeking to ensure their professionalization by means of programmes of upskilling and training for entrepreneurs.

This will require greater commitment and coordination between the responsible administrations, the business community and training providers in order to develop a global strategy oriented towards the improvement of entrepreneurial competences by means of the education and training system, and also the creation of spaces for dissemination and platforms to exchange experiences and identify good practices in the region. This should form the cornerstone for collaboration, in order to ensure that there is a dynamic entrepreneurial sector. All of the foregoing, moreover, must focus on a
social context dominated by a business culture of a local nature and with strong roots in the informal field of the economy

- On innovation and access to the international markets

There is room for the MPCs to achieve improvements in technological innovation, developing both national and regional strategies focusing on the achievement of a bigger footprint on the global stage as sources of innovation. This innovative dynamism must go further than the traditional Euro-Mediterranean cooperation, achieving the participation of key sectors and, in particular, of the SMEs.

There should be promotion of the establishment of innovation ecosystems which provide the right atmosphere in these countries for the development of innovation-based companies, capable of competing in the global market. New forms of work, producing or providing services, and new sectors grounded in technology-based entrepreneurship which are arising due to digitalization and artificial intelligence make it vital to roll out mechanisms to enable the adaptation of companies to this new context. In these terms, it will be essential to establish partnerships with research and industrial promotion centres on innovation and research projects, with the aim of facilitating the acquisition of new skills, technologies and resources by companies.

5.3. Euro-Mediterranean cooperation as the instrument to develop and drive forward entrepreneurship and the social economy

The development of actions in favour of entrepreneurship and the social economy must of necessity be supported within the existing framework for cooperation between the European Union and the MPCs, which is largely based on the relationships established by means of the Euro-Mediterranean Association and, more specifically, the Union for the Mediterranean; but also via the bilateral relationships in the framework of the European Neighbourhood Policy. In any event, the goal of Euro-Mediterranean cooperation must be that of trying to complement these two instruments, avoiding the risk of generating bilateral relations to the detriment of the multilateral dimension.

69 The establishment of the Union for the Mediterranean represented a renewed dimension of the Euro-Mediterranean Partnership, with aims including that of driving forward cooperation policies between the two shores in a more balanced and holistic way, viewing the human, social, political and economic aspects as inter-related, and thereby ameliorating reciprocal knowledge of the different cultures which exist jointly on the shores of the Mediterranean.

70 The Neighbourhood policy, for its part, places emphasis on bilateral relations, facilitating an individualized focus in relations with the MPCs. This is an approach which enables having a political relationship and more far-reaching economic integration, by means of setting reform targets in many spheres, enabling the adoption of programmes and initiatives focussed on stimulating economic and social development in these countries.
Up to now, the policies to develop the entrepreneurial spirit have not been sufficiently developed in a common framework of cooperation and partnership, since they have rather been concentrated on the development and promotion of specific sectors and companies considered to be priority for the economic development of each of the countries. In any event, this shared interest means that the development of the entrepreneurial spirit has now become a priority on the European Union’s working agenda with the MPCs. In these terms, it would be a significant development to produce a joint strategy on the development of the entrepreneurial spirit and of entrepreneurship between both shores and between the countries on each of them.

The EU has committed itself to "supporting the creation of an environment favourable to the companies in the extended Union, neighbouring and developing countries, in particular, SMEs” intensifying its efforts to promote entrepreneurship beyond the EU frontiers and to strengthen the EU’s global competitiveness strategy. In fact, the Euro-Mediterranean industrial cooperation work programme for 2014-2017 will include the goal of extending the “Euro-Mediterranean business charter”\(^1\) and its monitoring indicators in the southern Mediterranean, promoting a focus oriented towards the development of the business culture, the development of entrepreneurial initiatives and the growth of SMEs, helping them to overcome the obstacles which hinder their development and survival.

This general framework of cooperation for developing the business fabric of the Euro-Mediterranean region is open to social economy companies and organisations, and an explicit reference is made to them in the EU strategies and programmes in the field of competitiveness and business development and, in particular, to those with a specific link to entrepreneurship. In fact, the Union for the Mediterranean has incorporated the social economy within its working agenda and in certain of its concrete initiatives.

For its part, the instrument which is the European Neighbourhood Policy 2014-2020, focuses on promoting fair, equitable and sustainable economic, social and territorial development between the bordering regions of both sides of the Mediterranean. It identifies the social economy as a priority for promoting social inclusion and combating poverty, in view of the special capacity of these companies and organisations for responding to the new global challenges faced by the economy and society at large.

The European Commission includes the development of cooperatives in its development plans with certain MPCs and has funded specific projects focussing on strengthening the

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\(^{1}\) The “Euro-Mediterranean Charter for Enterprise”, launched in 2014, earmarks the common principles for the development of industrial policy in the Euro-Mediterranean region, fomenting investment and the development of the private sector, and defining national and regional strategies.
social economy in certain of these countries. Moreover, at the start of 2018, the Commission launched a new project which seeks to promote employment and economic inclusion in certain of these countries by means of the establishment of environment, institutional, financial and advice mechanisms for the social companies.

All of this evidences the existence of initiatives taking place within a framework of north-south cooperation which forms the groundwork for constructing a wider and ambitious institutional environment for development of entrepreneurship, particularly by means of the social economy, that contributes to economic integration in the Euro-Mediterranean region, to generating more quality jobs, to reducing inequalities and to promoting sustainable development in accordance with the 2030 Agenda. In fact, it may be possible to promote new innovative models of micro-companies, SMEs and social economy organisations which would be compatible with a sustainable development promoting equality of opportunities and environmental protection, and which responds to new social demands. Likewise, south-south cooperation in the region should be driven forward, in view of the fact that it presents common features and similar problems, meaning that it is necessary to have a regional strategy to support entrepreneurship.

This context includes the previously-mentioned actions in respect of the importance of developing entrepreneurial initiative and the social economy as part and parcel of it, the implementation of programmes for accompaniment and technical support, the creation of networks for partnership or reinforcement of the capacity for business management and professionalization. There should be promotion at meetings and forums of cooperation between entrepreneurs and social economy companies from both sides of the Mediterranean for facilitating the exchange of experiences and good practices, developing training and awareness-raising seminars and proposing projects of business cooperation in all sectors. By way of example, we may cite the SIEMed Network of support for entrepreneurship initiatives in the Mediterranean which was launched in 2017, and which has the purpose of developing concrete actions to promote the creation of companies in the region with effective participation from the business fabric, exchange of good practices and technical support, and oriented especially towards the promotion of entrepreneurship amongst women and young people.

In fact, the employability of young people, the empowerment of women and sustainable development, in the name of the achievement of the Sustainable development goals (SDGs) in the Euro-Mediterranean region form part of the strategic priorities of the Union for the Mediterranean. In this context, in July 2018 the first Youth forum for the Mediterranean was held, with the aim of creating spaces for the construction of projects oriented towards the promotion of the employability of young
people, the empowerment of women, and sustainable development, by means of dialogue between the youth organizations from both sides of the Mediterranean.

By means of the exchange of experiences and good practices regarding regional alliances and the development of projects, and the establishment of links between organizations and platforms led by young people with actors from regional cooperation, like the Union for the Mediterranean and certain of its key partners like the European Union, the aim was to plan concrete actions and projects of entrepreneurship – on initial design and later development – which could function as multipliers for change at local and regional level. The proactive participation of young people is essential in regional cooperation and in the dialogue between both sides of the Mediterranean in order to communicate the shared values and goals for the region’s development.

In addition, in the field of the Social Economy and in the context of the Union for the Mediterranean, it would be appropriate to define a tighter framework for cooperation, such that, alongside the European Commission and the member states, the Social Economy representative organizations were included, with the aim of moving forward with the joint agenda to foster the development of the Social Economy in the region.

Moreover, support could be strengthened for the networks of the Social Economy, and especially the ESMED Network – as the Social Economy interlocutor in the region – such that they could participate as a civil society player in the spheres of Euro-Mediterranean cooperation and also in the bilateral cooperation between the EU and its southern partners. In this same sense, they could be included in the working forums and initiatives focussing on strengthening the private sector in the Mediterranean; for example, in relation with the implementation of the Euro-Mediterranean SME charter, the industrial cooperation programme between the northern and southern Mediterranean, or the business platform of the Union for the Mediterranean, created in June 2018, and which features representatives from the governments, the private sector and experts from both shores.

More specifically, the ESMED Network identifies a number of elements for developing said cooperation which are based on three overarching goals: engaging the social economy and its representative organizations in the initiatives of the EU and of the Union for the Mediterranean, focusing on the development of entrepreneurship in the Mediterranean; generating a space for institutional development dialogue, and development of the same in the Mediterranean; and strengthening the representative organizations of the social economy as the socio-economic actor of the Euro-Mediterranean partnership.
The creation of wealth and of employment and the improvement of competitiveness require there to be a solid productive fabric in which entrepreneurial initiative occupies a key role as the motor for growth. For this reason, the development of the entrepreneurial spirit and an extended entrepreneurial culture are key elements that required strengthening in the framework of Euro-Mediterranean cooperation.

The potential offered by entrepreneurship and the social economy should be harnessed in order to respond to the main challenges the Euro-Mediterranean region faces, with special attention being paid to job creation and sustainable and inclusive growth.
### Annex

#### Table A-1

**The Macro-economic Context of the EU and the MPCS in 2016**

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP</th>
<th>GDP per capita</th>
<th>GVA Agriculture</th>
<th>GVA Industry</th>
<th>GVA Services</th>
<th>Gross capital formation</th>
<th>Inflation</th>
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<td>% of GDP</td>
<td>% of GDP</td>
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**MPCs**

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<th>GVA Industry</th>
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<td>PPP (current $ 2011)</td>
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<td>% of GDP</td>
<td>% of GDP</td>
<td>% of GDP</td>
<td>Year-on-year % change</td>
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The inflation data for Jordan refer to 2015 and those of Syria to 2012.

Source: World Bank, World Development Indicators and International Monetary Fund (public deficit and public debt).
### Table A-2

**The Labour Context of the EU and of the MPCs, in 2017**

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Note: ILO modelled estimate

*) As a percentage of the economically active population aged 15 to 24

# THE LABOUR CONTEXT OF THE EU AND OF THE MPCS, IN 2017 (CONT.)

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Note: ILO modelled estimate

TABLE A- 4

NO. OF COMPANIES, JOBS AND MEMBERS OF SOCIAL ECONOMY

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Source: Spanish Social Economy Employers’ Confederation (CEPES).
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<th>Country</th>
<th>Law/Act</th>
<th>Principles orientadores</th>
<th>Description</th>
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| España | Ley 5/2011 de Economía Social | Artículo 4. Principios orientadores | a) Primacía de las personas y del fin social sobre el capital, que se concreta en gestión autónoma y transparente, democrática y participativa, que lleva a priorizar la toma de decisiones más en función de las personas y sus aportaciones de trabajo y servicios prestados a la entidad o en función del fin social, que en relación a sus aportaciones al capital.  
   b) Aplicación de los resultados obtenidos de la actividad económica principalmente en función del trabajo aportado y servicio o actividad realizada por las sociedades y socios o por sus miembros y, en su caso, al fin social objeto de la entidad.  
   c) Promoción de la solidaridad interna y con la sociedad que favorezca el compromiso con el desarrollo local, la igualdad de oportunidades entre hombres y mujeres, la cohesión social, la inserción de personas en riesgo de exclusión social, la generación de empleo estable y de calidad, la conciliación de la vida personal, familiar y laboral y la sostenibilidad.  
   d) Independencia respecto a los poderes públicos. |
| Francia | LOI n° 2014-856 du 31 juillet 2014 relative à l'économie sociale et solidaire | Article 1:  
   1° Un but poursuivi autre que le seul partage des bénéfices;  
   2° Une gouvernance démocratique, définie et organisée par les statuts, prévoyant l'information et la participation, dont l'expression n'est pas seulement liée à leur apport en capital ou au montant de leur contribution financière, des associés, des salariés et des parties prenantes aux réalisations de l'entreprise;  
   3° Une gestion conforme aux principes suivants:  
      a) Les bénéfices sont majoritairement consacrés à l'objectif de maintien ou de développement de l'activité de l'entreprise  
      b) Les réserves obligatoires constituées, impartageables, ne peuvent pas être distribuées. Les statuts peuvent autoriser l'assemblée générale à incorporer au capital des sommes prélevées sur les réserves constituées au titre de la présente loi et à relever en conséquence la valeur des parts sociales ou à procéder à des distributions de parts gratuites. La première incorporation ne peut porter que sur la moitié, au plus, des réserves disponibles existant à la clôture de l'exercice précédant la réunion de l'assemblée générale extrordinaire ayant à se prononcer sur l'incorporation. Les incorporations ultérieures ne peuvent porter que sur la moitié, au plus, de l'accroissement desdites réserves enregistré depuis la précédente incorporation. En cas de liquidation ou, le cas échéant, en cas de dissolution, l'ensemble du boni de liquidation est à attribuer soit à une autre entreprise de l'économie sociale et solidaire au sens du présent article, soit dans les conditions prévues par les dispositions législatives et réglementaires spéciales qui régissent la catégorie de personne morale de droit privé faisant l'objet de la liquidation ou de la dissolution. |
| Marruecos | Proyecto de Ley sobre la economía social y autonómica | Artigo 5.º Principios orientadores | a) O primado das pessoas e dos objetivos sociais;  
   b) Adestramento e participação livre e voluntária;  
   c) O controlo democrático dos respetivos órgãos pelos seus membros;  
   d) Aconciliación entre o interesse dos membros, utilizadores ou beneficiários e o interesse geral;  
   e) O respeito pelos valores da solidariedade, da igualdade e da não discriminação, da coesão social, da justiça e da equidade, da transparência, da responsabilidade individual e social, da paridade e da subsidiariedade;  
   f) A autonómia e independência das autoridades públicas e de quaisquer outras entidades exteriores à economia social;  
   g) Ata Estatutária;  
   h) La participación no gremio de intereses, en conciliación de los intereses de los miembros, de los usuarios o beneficiarios y el interés general;  
   i) O respeito pelos valores da solidariedade, da igualdade e da não discriminação, da coesão social, da justiça e da equidade, da transparência, da responsabilidade individual e social, da paridade e da subsidiariedade;  
   j) A autonomía e independência das autoridades públicas e de quaisquer outras entidades exteriores à economia social;  
   k) La autonomía y transparencia, democrática y participativa, que lleva a priorizar la toma de decisiones más en función de las personas y sus aportaciones de trabajo y servicios prestados a la entidad o en función del fin social, que en relación a sus aportaciones al capital.  
   l) Independencia respecto a los poderes públicos. |
| Portugal | Lei de Bases da Economia Social | Artigo 5.º Principios orientadores | a) O primado das pessoas e dos objetivos sociais;  
   b) Adestramento e participação livre e voluntária;  
   c) O controlo democrático dos respetivos órgãos pelos seus membros;  
   d) Aconciliación entre o interesse dos membros, utilizadores ou beneficiários e o interesse geral;  
   e) O respeito pelos valores da solidariedade, da igualdade e da não discriminação, da coesão social, da justiça e da equidade, da transparência, da responsabilidade individual e social, da paridade e da subsidiariedade;  
   f) A autonómia e independência das autoridades públicas e de quaisquer outras entidades exteriores à economia social;  
   g) La participación no gremio de intereses, en conciliación de los intereses de los miembros, de los usuarios o beneficiarios y el interés general;  
   h) O respeito pelos valores da solidariedade, da igualdade e da não discriminação, da coesão social, da justiça e da equidade, da transparência, da responsabilidade individual e social, da paridade e da subsidiariedade;  
   i) A autonómia e independência das autoridades públicas e de quaisquer outras entidades exteriores à economia social;  
   j) La autonomía y transparencia, democrática y participativa, que lleva a priorizar la toma de decisiones más en función de las personas y sus aportaciones de trabajo y servicios prestados a la entidad o en función del fin social, que en relación a sus aportaciones al capital.  
   k) Independencia respecto a los poderes públicos. |
| Túnez | Projet de loi relatif à l’Economie Sociale et Solidaire | Articulo 4. Principios orientadores | a) Primacía de las personas y del fin social sobre el capital, que se concreta en gestión autónoma y transparente, democrática y participativa, que lleva a priorizar la toma de decisiones más en función de las personas y sus aportaciones de trabajo y servicios prestados a la entidad o en función del fin social, que en relación a sus aportaciones al capital.  
   b) Aplicación de los resultados obtenidos de la actividad económica principalmente en función del trabajo aportado y servicio o actividad realizada por las sociedades y socios o por sus miembros y, en su caso, al fin social objeto de la entidad.  
   c) Promoción de la solidaridad interna y con la sociedad que favorezca el compromiso con el desarrollo local, la igualdad de oportunidades entre hombres y mujeres, la cohesión social, la inserción de personas en riesgo de exclusión social, la generación de empleo estable y de calidad, la conciliación de la vida personal, familiar y laboral y la sostenibilidad.  
   d) Independencia respecto a los poderes públicos. |

Source: the social economy acts of Spain and Portugal, the Social economy and solidarity act of France and the bills on the social and solidarity economy of Morocco and Tunisia.
TABLE A- 6

FORMS OF THE SOCIAL ECONOMY RECOGNISED IN CERTAIN COUNTRIES

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<th>Country</th>
<th>Legal Basis</th>
<th>Article</th>
<th>Entiendes of the Social Economy</th>
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| España  | Ley 5/2011 de Economía Social | Artículo 5 | - Las cooperativas  
- las mutualidades  
- las fundaciones y las asociaciones que lleven a cabo actividad económica  
- las sociedades laborales  
- las empresas de inserción  
- los centros especiales de empleo  
- las cofradías de pescadores  
- las sociedades agrarias de transformación  
- y las entidades singulares creadas por normas específicas que se rijan por los principios de la Economía Social. |
| Francia | LOI n° 2014-856 du 31 juillet 2014 relative à l'économie sociale et solidaire | Article 1 | - Coopératives  
- mutualités ou unions relevant du code de la mutualité ou de sociétés d'assurance mutuelles relevant du code des assurances;  
- fondations  
- associations  
- sociétés commerciales qui, aux termes de leurs statuts, remplissent quelques conditions |
| Marruecos | Projet de Loi-cadre sur l'économie sociale et solidaire | Article 5 | - As coopératives;  
- les sociétés mutualistes;  
- les associations de microfinance;  
- les fondations;  
- l'association d'utilité économique et sociale;  
- l'entreprise à finalité sociale. |
| Portugal | Lei de Bases da Economia Social | Artigo 4º | - Les coopératives;  
- les sociétés mutualistes;  
- les associations de microfinance;  
- les fondations;  
- l'association d'utilité économique et sociale;  
- l'entreprise à finalité sociale. |
| Túnez | Projet de loi relatif à l'Economie Sociale et Solidaire | Article 4 : Sont considérées des entreprises de l'économie sociale et solidaire, au sens de la présente loi les personnes morales suivantes : | - Les coopératives quel que soit la nature ou le type de leur activité ;  
- Les sociétés d’assurance à forme mutuelle ;  
- Les sociétés mutuelles de service agricole ;  
- Les groupements de développement dans Les secteurs agricole et de la pêche. |
| Túnez | | Article 5 | Peuvent être considérées des entreprises de l’économie sociale et solidaire, tout type de personnes morales y compris les sociétés et les associations, à condition de mentionner expressément dans leur statuts particuliers la finalité sociale et de répondre aux principes mentionnés dans la présente loi. L’acte constitutif de la personne morale doit comprendre des dispositions d’organisation démocratique et notamment accorder aux différentes parties concernées des non associés ou actionnaires d’avoir des informations sur le fonctionnement et la participation effective au sein des organes de gestion et la délibération pour avis ou pour vote. |

Source: the social economy acts of Spain and Portugal, the Social economy and solidarity act of France and the bills on the social and solidarity economy of Morocco and Tunisia.
### TABLE A- 7

**SOCIAL ECONOMY FORMATS IN THE DIFFERENT EU MEMBER STATES**

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Note: A question from the survey: which of the following institutional formats would you say belong to the “social economy” sphere in your country, or, where appropriate, to a linked concept that you believe has wider social acceptance?

Other specific social economy formats in each country:

- **X1**: Social enterprises
- **X2**: Sociétés a finalité sociale
- **X3**: Social enterprises
- **X4**: *Comités d’entreprise*, voluntary social protection
- **X5**: Volunteering services and agencies; social companies for disadvantaged people; alternative enterprises from the feminist and environmental movement; self-help organizations; socio-cultural centres; labour market inclusion companies; local trade and exchange systems; neighbourhood and community enterprises
- **X6**: People’s companies
- **X7**: Credit cooperatives
- **X8**: Volunteer organisations; specific types of associations, such as social promotion associations and family associations; community foundations; non-governmental organisations; IPAB: *Istituzioni di Pubblica Asistenza e Beneficenza*
- **X9**: Misericordias, IPSS (Instituições Particulares de Solidariedade Social)
- **X10**: Employee-owned companies, social inclusion companies, Special Employment Centres, specific groups, such as ONCE (the Spanish National Organisation for the Blind), agricultural processing companies
- **X11**: *Unitati Aurorizate Proteiate*
- **X12**: Not-for-profit companies
- **X13**: Credit cooperatives and social companies
- **X14**: Band clubs
- **X15**: *Socio-economic Inclusion Centre*
- **X16**: Protected workshops, social services

Source: EESC, 2012
### TABLE A-8

**NATIONAL PLANS TO DRIVE FORWARD THE SOCIAL ECONOMY IN THE EUROPEAN COUNTRIES, 2011-2016**

<table>
<thead>
<tr>
<th>Country</th>
<th>National Plan</th>
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<tr>
<td>Poland</td>
<td>National Programme for the Social economy. Creation of the National Committee for the Development of the Social Economy</td>
</tr>
<tr>
<td>Portugal</td>
<td>National Agreement between the government and the social sector (&quot;Compromisos de Cooperaçao para o Sector Social e Solidario&quot;)</td>
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<td>Romania</td>
<td>Solidarity-Aid for consolidation of the social economy programme within the framework of OHCP-Operational Human Capital Programme</td>
</tr>
<tr>
<td>Spain</td>
<td>Social economy development programme and OSISEP-Operational social inclusion and social economy programme for the period 2014-2020, co-funded by the ESF</td>
</tr>
<tr>
<td>Sweden</td>
<td>Pluriannual programme to support social inclusion companies jointly drafted by the Employment Department and the Business Department</td>
</tr>
<tr>
<td>United kingdom</td>
<td>The Compact; an agreement signed by the government and the Community and Voluntary sector in 1998, specifying a manner of working which improves the relationship to the mutual benefit of both sides</td>
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</table>