Article received in August 2017 and accepted for publication in October 2017

THE INFORMAL ECONOMY IN NORTH AFRICA AND ITS INFLUENCE ON REGIONAL SECURITY

A ECONOMIA INFORMAL NO NORTE DE ÁFRICA E A SUA INFLUÊNCIA NA SEGURANÇA REGIONAL

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Abstract

The social dimensions in North Africa make daily life a complex affair. One of those dimensions is the informal economy, which attracts a significant portion of society. The high poverty rates that stem from an unfair distribution of wealth are increased by demographic pressures, which in turn are aggravated by the flows of migrants attempting to escape terror and hunger. Corruption is pervasive and the region is rife with militias, terrorists, and organised crime. Thus, in North Africa, the informal economy offers various "solutions" to social challenges, calling into question the role of the State, with some take advantage of this state of affairs to usurp that role. This results in the State finding it difficult to carry out its activities because the shift from formal to informal work, in reaction to discontent and to the debasement of the State, causes a decrease in tax revenue, leading governments to raise taxes. This, of course, drives citizens to seek informal work, beginning a vicious circle. The informal economy is itself a determinant, undermining the State and breeding insecurity within countries and at their borders. Minimising the effects of the informal economy on the security of North Africa must include multidimensional measures involving the State, its citizens, and help from specific institutions.

Keywords: Geo-economy; Informal Economy; Informal Work; North Africa; Regional security

How to cite this paper: Sousa, F., 2017. The Informal Economy in North Africa and its Influence on Regional Security. *Revista de Ciências Militares*, November, V(2), pp. 43-69.
Avalable at: http://www.iesm.pt/cisdi/index.php/publicacoes/revista-de-ciencias-militares/edicoes.

Resumo

No norte de África cruzam-se dimensões sociais que complexificam o seu quotidiano. A economia informal, sendo uma delas, atrai uma expressiva franja societária. A região tem elevados índices de pobreza, derivados da injusta distribuição da riqueza, potenciados pela pressão demográfica, agravada pela migração de quem foge ao terror e à fome. Ali existe corrupção e atuam milícias, terroristas e crime organizado. Assim, o norte de África encontra na economia informal "soluções" para os desafios sociais, colocando isso em dúvida o papel do Estado, havendo quem tal aproveite para o substituir. Por isso tudo, o Estado sente dificuldades em cumprir as suas funções, face à redução das contribuições legais, por haver uma migração do trabalho formal para o informal, em reação aos descontentamentos e ao descrédito do próprio Estado, levando-o a aumentar as tributações. Ora isso empurra o cidadão para o trabalho informal, entrando-se num círculo vicioso. A economia informal é uma determinante de si própria, que mina o Estado e gera insegurança no interior das fronteiras e nas suas vizinhanças. A minimização dos efeitos da economia informal na segurança do norte de África tem de contemplar medidas multidimensionais, envolvendo o Estado, o cidadão e a ajuda de instituições específicas.

Palavras-chave: _Geoeconomia; Economia Informal; Trabalho Informal; Norte de África; Segurança regional._

Introduction

North Africa (NA) has a young population and low employment rates. Over the years, the economic, training, and social policies implemented by the governments of the region have increased those countries' development indices. This did not, however, lead to a clear improvement of employment conditions, nor did it significantly encourage formal employment. Because NA is more Berber than Arab and more Arab than African, the region is embedded in its own culture, which places family, tribe, and clan at the forefront. That culture favours family labour, with many young people learning a skill from their parents, thus prolonging the lifespan of the production/commercial centres, which are passed down from parents to children. The small size of these economic and family centres, which focus on daily subsistence, provides the basis for the informal economy[1], also known as shadow

[1] According to the International Labour Organization (ILO), "informal economy" refers to "all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements. Their activities are not included in the law, which means that they are operating outside the formal reach of the law; or they are not covered in practice, which means that – although they are operating within the formal reach of the law, the law is not applied or not enforced; or the law discourages compliance because it is inappropriate, burdensome, or imposes excessive costs" (ILO, 2002, p. 3). Robert Dell'Anno identifies two approaches to the "hidden economy": the definitional approach, which considers it as unrecorded economic activities; and the behavioural approach, which emphasises institutional rules and the social environment and interprets it as a change in behaviours by economic agents in reaction to institutional constraints (2003, p. 4). According to Taha Kassem, the informal economy includes any professional activities or enterprises that fall outside the regulation and protection of government bodies, including all types of informal work - such as self-employment or employment that lacks labour or social protection both inside and outside informal enterprises and in small unregistered enterprises - and unprotected wage employment (2014, p.2).

or underground economy. The following factors lead to the debasement of state economies in the region: the corruption "taxes/fees" charged even by state agents who hide behind the cover of their duties[2]; "self-employed" untaxed work by people who must find a way to feed themselves from day to day; the parallel markets that evade taxes to sell at low prices; low technical expertise among workers, which does not always correspond to low literacy rates; the use of traditional techniques and the lack of modern technology. All these factors encourage the underground economy, which leads to other dangers to society, creating opportunities that are sought and exploited by individuals who profit illegally at the expense of those seeking a means of subsistence, becoming vulnerable to "social vultures". The countries afflicted by these problems are prone to security fractures that jeopardise the State, which results in challenges to neighbouring states, especially regarding stability and security. To put an end to this complexity, which spreads both outwards and inwards, the countries under threat must make a concerted effort to attack a problem that could call into question their security and stability, as the informal economy provides a livelihood for many citizens. Thus, this paper will answer the following Research Question: ***How can we help minimise the effects of the informal economy on security in North Africa?***

This paper focuses on NA and will analyse: in the first section, the causes, determinants, and extent of the informal economy in NA[3]; in the second section, its influence on the region's security, seeking solutions to minimise its negative effects, aware that eradicating it completely is unrealistic. In the last section, we will draw some conclusions.

1. Causes and determinants[4] of the region's informal economy

Let us now make a diagnosis of the NA economy in an attempt to ascertain its causes and determinants.

The informal economy, which poses challenges to NA development, is caused by various factors. Informal work[5] is one of those factors, representing between 30% and 70% of total employment in NA (ILO, 2015a). In Egypt, informal employment rose from 30.7% of total employment in 1998 to 40% in 2012 (Kassem, 2014, p. 27).

How deeply the informal sector[6] is embedded within a state depends on the living conditions of its society. The worse those conditions are, the more opportunities there will

[2] And that seem to have triggered the Arab Spring (AS) in Tunisia in late 2010. The immolation of street vendor Mohamed Bouazizi on 17 December 2010 appears to have been the result of an attack by police, who confiscated his fruit stand, claiming that Bouazizi had failed to pay an illegal tribute.

[3] We have included in NA Morocco, Algeria, Tunisia, Libya, and Egypt.

[4] Social, economic, or behavioural factors that influence a situation and that can be directly influenced by political or individual decisions.

5 Informal employment consists of informal jobs carried out in both formal sector enterprises and informal enterprises. This includes employees holding informal jobs, employers and own-account workers employed in their own informal sector enterprises, members of informal producers' cooperatives, unpaid family workers in formal or informal sector enterprises, and own-account workers engaged in the production of goods for own end use by their household (ILO, 2015b, p. 4).

[6] The informal sector is a group of production units such as unincorporated enterprises that include "informal own-account enterprises" and "enterprises of informal employers" (ILO, 2015b, p. 4).

be to increase economic informality. These opportunities are determined by the economic conditions of the State, by the unemployment rate, and by poverty levels.

In NA, in 2011, an academically trained, disillusioned, unemployed and hopeless youth took to the streets crying out for bread, work, peace, and dignity, shaking up regimes and bringing down Mubarak, Ben Ali and Gaddafi. Nevertheless, poverty, high unemployment rates, and despair among youth continue to exist in NA today. Table 1 shows indicators of NA countries in the run-up to the AS that hit Tunisia, Libya, and Egypt and affected Morocco and Algeria.

The societies of the region have: low median ages and high population growth rates; high literacy rates; relatively high school life expectancy; a large portion of the population below the poverty line (with the exception of Tunisia); alarming unemployment rates, which are extremely high in Libya; a percentage of reported child labour that suggests illegal practices; and relatively high Gross Domestic Product (GDP) and GDP per capita figures. That is: academically qualified young populations, imbalances in the distribution of wealth, and high unemployment rates. No wonder, then, that those young populations were the driving force behind the AS. Based on the indicators in Table 2, however, these young people do not seem to have achieved all they desired.

Its consequences were: population and workforce increases in all countries, with the exception of Libya; increased GDP and GDP per capita; an increase in the portion of the population below the poverty line in Tunisia and Egypt (2011 and 2010 figures); increased unemployment rates, especially among young people[7], in particular young women, with the exception of Morocco; a still low median age; increased literacy rates and school life expectancy. Therefore: the population remains young, academically qualified, and unemployed; the distribution of wealth remains unequal, and there have been no major parity changes. Unemployment rates among young people from 15-24 are three times higher than those among adults aged 25 or over (ILO, cited in Subrahmanyam and Castel, 2014, p. 3). Thus, poverty, unfair distribution of wealth, and harsh living conditions generate opportunities for the increase of economic informality[8]. In Egypt, adverse and intolerable economic conditions have aggravated social deprivation patterns, and, in 2014, the living conditions of more than a quarter of the population were substandard, leading to an increase in informality that undermined the economy (Kassem, 2014, p. 27). In 2009, about 8,247,000 Egyptians (7,675,000 men and 572,000 women) were employed in the informal sector (ILO, 2015c). In the same country, in 2012, 15% of all jobs were in the informal private regular wage sector; 17% were irregular (seasonal or intermittent) wage work; 2% were unpaid family work outside agriculture; 2% were self-employment in agriculture; 8% were self-

[7] In 2014, one in three young people in NA and the Middle East (MENA) was unemployed (ILO, 2014, p. 12).

[8] According to the ILO, there is a link, but not a perfect correlation, between informal employment and the state of "being poor." This link is partly due to the lack of labour and social legislation on informal employment, and to the fact that informal workers earn less than workers in formal employment (2015b, p. 2). Kassem identifies an association between poverty, vulnerability, and irregular wage employment/work (2013, p. 29).

Table 1 - Social and Economic Indicators of North African Countries at the time of the Arab Spring.

	Country	Population July 2010	Population below poverty line	Population in the workforce (2010	Child labour (2006) (1)	Youth unemployment (2)	Unemployment rate (3)	GDP (4)	GDP *per capita* (2010)	Median age	Population growth rate 2010	Literacy (5)	School life expectancy
2011	Algeria	34.586.184	23% (2006)	9.877.000	---- (6% em 2006)	----	9,9% (2010)	$254.700.000.000	$ 7.400	27,1	1,177%	69,9%	13
	Egypt	80.471.869	20% (2005)	26.100.000	--- (7% em 2005)	----	9,7% (2010)	$500.900.000	$6,200	24	1,997%	71,4%	11
	Libya	6.461.454	---- (1/3 of the population)	1.729.000	----	----	30% (2004)	$89.030.000	$13.800	24,2	2,117%	82,6%	17
	Morocco	31.627.428	15% (2007)	11.630.000	---- (8% em 2007)	----	9,8% (2010)	$153.800.000	$4.900	26,5	1,077%	52,3%	10
	Tunisia	10.589.025	3,8% (2005)	3.830.000	---	----	14% (2010)	$100.300.000	$9.500	29,7	0,969%	74,3%	15

Key:

(1) Ages 5-14.
(2) Ages 15-24.
(3) Percentage of the workforce without employment. This may include part of the informal work share.
(4) Purchase power parity (US DOL-2010).
(5) Population over (and including) 15 years of age able to read and write.

Source: Data retrieved from CIA (2011).

Table 2 - Social and Economic Indicators of North African Countries in the first half of 2016.

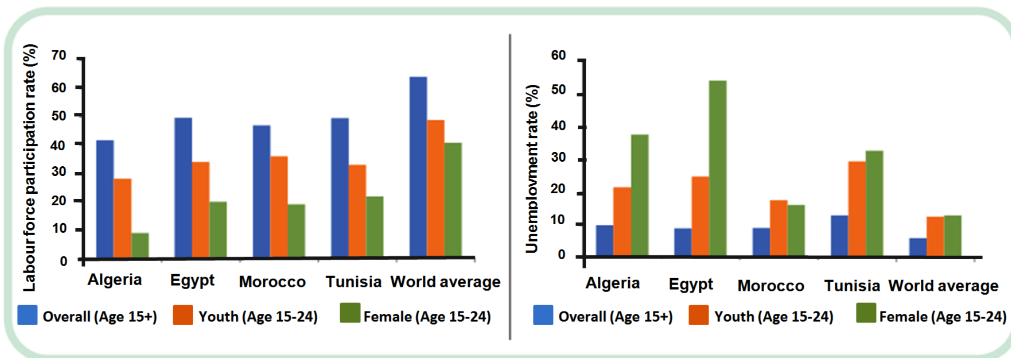
	Country	Population July 2015	Population below poverty line	Population in the workforce (2015)	Child labour (1)	Youth unemployment (2)	Unemployment (3)	GDP (4)	GDP per capita (2015)	Median age	Population growth rate 2015	Literacy (5)	School life expectancy
2016	Algeria	39.542.166	23% (2006)	11.770.000	304.358 (6% in 2006)	Total – 24,8% Male -21,6% Female - 39,8% em 2013	11% (2015)	$ 570.600.000.000	$ 14.400	27,5	1,84%	80,2%	14
	Egypt	88.487.396	25,2% (2011)	28.870.000	1.066.526 (7% in 2005)	Total – 34,3% Male -28,7% Female - 52,2% em 2013	12,8% (2015)	$ 996.000.000	$ 11.500	25,3	1,79%	73,8%	14
	Libya	6.411.776	----	1.195.000	---	Total – 48,8% Male -40,8% Female - 67,8% em 2012	30% (2004)	$ 92.870.000	$ 15.100	28	2,23%	91%	---
	Morocco	33.322.699	15% (2007)	12.270.000	500.960 (8% in 2007)	Total – 19,1% Male -19,4% Female - 18,2% (em 2013)	9,4% (2015)	$ 274.500.000.000	$ 8.300	28,5	1%	68,5%	11
	Tunisia	11.037.225	15,5% (2010)	4.044.000	---	Total – 37,6% Male -35,7% Female - 41,8% (em 2012)	15,4% (2015)	$ 127.200.000.000	$ 11.600	31,9	0,84%	81,9%	15

Key:
(1) Ages 5-14.
(2) Ages 15-24.
(3) Percentage of the workforce without employment. This may include part of the informal work share.
(4) Purchase power parity (US DOL-2015).
(5) Population over (and including) 15 years of age able to read and write.

Source: Data retrieved from CIA (2016).

-employment outside agriculture; and 5% were unpaid family work in agriculture (Kassem, 2014, p. 30). Thus, at least 49% of employment was informal.

When living conditions are precarious, children, women[9], young people, immigrants, physically disabled people, and people who adhere to certain ideologies/religions are denied opportunities to obtain regulated employment and social and labour protection, and are thus driven towards informal, insecure, and often unpaid work. Figure 1 shows the labour force participation rate in 2010.



Source: ILOSTAT world average from ILO (2013ª:134-5; 2013b:82)

Figure 1 - Labour force participation rate in 2010

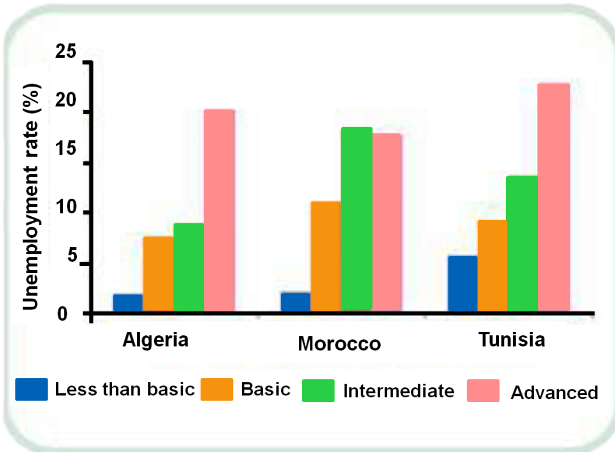
Source: Subrahmanyam and Castel (2014, p. 3).

The data above allows us to conclude that: women are the most affected by unemployment (unemployment rates among young women aged 15-24 are about eight times higher than among male adults and three times higher than among female adults (ILO, cited in Subrahmanyam and Castel, 2014, p. 3); Egypt has the highest female unemployment rate[10]; Tunisia has the highest youth unemployment and total unemployment rates; and unemployment rates in NA are higher than the world average.

Figure 2 shows that the three countries depicted have high unemployment rates among academically qualified young people, and that in Tunisia about a quarter of the population with a university education is unemployed. As a consequence, the skills acquired in the education system become obsolete and are eventually lost because many young people find themselves in long-term unemployment, which makes it difficult to enter the formal labour market.

[9] The problem faced by women is not the amount of jobs they hold in the informal sector, but the type of informal and illegal activities to which they are subjected, such as prostitution and begging. Children are also involved in these activities, especially the latter. When their husbands cannot guarantee the family's subsistence, married women endure countless hours of informal work, without protection or security, at low wages, when wages are paid at all.

[10] This does not include Libya. In NA, persistent (and cultural) gender discrimination explains these figures and why so many women rely on informal employment/work (Subrahamanyam and Castel, 2014, p. 5).



Source: ILO Department of Statistics (2011: 11)

Figure 2 – Unemployment rate according to education level.

Source: Subrahamanyam and Castel (2014, p. 4).

One of the problems faced by NA countries stems from their educational policies: most university students choose social science courses that do not provide the skills required to develop their countries' economies. Vocational training accounts for 27% of students in Egypt, 22% in Libya, 12% in Algeria, 8% in Tunisia, and 6% in Morocco. Most university diplomas are not recognised internationally due to the low quality of education (ILO, 2012, p. 9), increasing the pressure on the formal labour market and fostering discontent. Therefore, many of those students turn to informal employment (Angel-Urdinola and Tanabe, 2012, p. 3).

There are certain similarities in how the informal economy manifests across NA countries:

- Informal enterprises are not registered with the State, and belong to an individual or a family. They are typically small/medium-sized, use intensive labour and employ a small number of workers who are paid low wages, when they are paid at all, relying on manual techniques and low technology, and have limited production capacity in terms of volume, diversification, and quality;
- The majority of informal workers have poor technical qualifications for their jobs, while some have considerable academic qualifications but have had to find informal work due to unemployment;
- Many workers involved in the informal economy come from poor and rural regions;
- The informal economy does not usually provide social and healthcare protection or safety at work;

- The informal economy is embedded both in the informal and the formal sector. For example, in NA it is common practice to pay corruption taxes to State employees when one wants something achieved in a timely fashion, the rationale behind it being that "if everyone wins, why not reward those who make winning possible?". Table 3 shows the 2014 and 2015 corruption perception indices in NA countries, and, as we can see, those indices are high, which suggests the presence of illicit and untaxed "earnings".

Table 3 – Corruption Perception Index (2014-2015) *

Countries	2014		2015	
	Index ** (100-0)	Position (175 countries)	Index *** (100-0)	Position (168 countries)
Algeria	36	100	36	88
Egypt	37	94	36	88
Libya	18	166	16	161
Morocco	39	80	36	88
Tunisia	40	79	38	76

Key:
* In theory, a score of 100 corresponds to no corruption and a 0 score corresponds to a situation of total corruption.
** The least corrupt country in the index is Denmark, with a score of 92, and the most corrupt is Somalia, with a score of 8.
***The least corrupt country in the index is Denmark, with a score of 91, and the most corrupt is Somalia, with a score of 8.

Source: Data retrieved from TI (2016).

The lack of boundaries between formality and informality in NA has roots in the informal mechanisms involved in the transfer of raw materials until they enter the formal sector, infusing informality into the end product. Furthermore, many formal sector enterprises use small informal production units, such as satellite enterprises that contribute to the end product, which is then launched into the formal market as if all requirements have been complied with. This lack of boundaries partly explains why it is difficult[11] to obtain reliable statistical data on the informal economy and on informal work for the countries of the region. In some countries, like Egypt, the State owns these formal enterprises. Moreover, people with formal employment sometimes use informal work as secondary employment and as a supplementary source of income. Other times, informal activity is of an irregular nature, a matter of opportunity, and is viewed as a normal occurrence.

[11] It is embarrassing for a State to acknowledge the existence of informal economies because it amounts to acknowledging the existence of vulnerabilities and challenges to that State's power.

The informal economy has links to organised and transnational crime[12], which are strengthened by the social phenomena that occur in NA, such as the events triggered by the social and political movements of 2011, as well as by current events that stem from the region's instability, mainly due to the situation in Libya, Egypt, and the Sahel region. Thus, the informal economy also includes criminal activities, begging (especially forced), slavery, trafficking (of drugs, human beings, weapons, etc.), illegal migrations, incitement to prostitution, prostitution, etc.

Because NA is both Sunni and Berber, allegiances place religion and family/clan/tribe ahead of the State. Thus, people turn to their families for solutions to meet their needs, sometimes by undertaking informal work activities, especially in informal family enterprises. Furthermore, the Arab and Berber tradition of passing down a trade from "father" to "son", and the fact that the more able are expected to support dependants (for example, elderly parents or younger siblings) due to poverty and job insecurity drive young people and adults into informal work.

Cities, especially in the Mediterranean, are experiencing demographic pressure caused by population increases, by internal migration - migrations from rural to urban areas, from the periphery to the centre - and by immigration from the Sahel and the Middle East, which have affected the market by saturating it with a cheap, unqualified workforce, leading to a decrease in available jobs, to lower salaries due to excessive supply, and bolstering the informal economy. NA is crossed by important illegal migration routes[13] that attract human flows. In order to subsist and to secure a place in a usually overcrowded "patera" that might carry them to the death[14], people must find some way of earning money, and the one more readily available is "informal" work. Their "smugglers" use informal channels, individually or within criminal national and transnational organisations, feeding the informal economy by exploiting the despair of those seeking a future.

In NA, drug production and trade is a way of life and is a contributing factor of the shadow economy. The cultivation of cannabis and the production of kif and hashish[15] in the Moroccan

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[12] There is no consensual definition of transnational organised crime, and stakeholders interpret it according to different perspectives in which perception, reasoning, ideology, power, and culture play a role (Allum and Kostakos, 2010, pp. 3-5). Understanding it requires understanding the social context in which it occurs (McCarthy, 2011, pp. 19 and 27). Different approaches to fighting it may prove useful at different times and in different societies (Leon, 2007, pp. 7 and 25). Organised crime is increasingly transnational, occurring beyond the reach of States rather than only between them (McCarthy, 2011, pp. 1 and 27). UNODC describes the phenomenon as a serious, profit-driven criminal offence with international effects (UNODC, 2016a). Professor Favaro (2008, p. 8219) cites the definition used by Interpol: "Any group having a corporate structure whose primary objective is to obtain money through illegal activities, often surviving on fear and corruption."

[13] There are two main routes: the west route, which crosses Morocco heading towards Spain (in 2014 50,830 immigrants were detained and in 2015 there were 885,386 arrests (Frontex, 2016); the central route, which begins in Tunisia or Libya and includes the Puglia and Calabira sub-routes (in 2014 170,760 immigrants were detained there and in 2015 there were 153,946 arrests (Frontex, 2016)). A sub-route to the east goes from Egypt to Crete and Greece.

[14] In 2016 (until 10/05/2016), there were 981 deaths on the west and central routes (IOM, 2016).

[15] Psychotropic substances obtained from cannabis resin drawn from a plant cultivated in Morocco, the world's second largest cannabis producer behind Afghanistan.

Rif Mountains feed thousands of producers[16] and are part of the ancestral culture of those populations. In order to sow their plants, farmers often become indebted to usurers, who feed the underground economy and profit from their misery. The Moroccan government takes repressive measures after someone has been arrested for drug trafficking in countries that identify Morocco as producer, but it has not been able to effectively implement its illegal crop substitution programmes via legal economic channels in a way that guarantees the subsistence of the farmers. This occurs because: part of the drug revenue is injected into the formal economy[17]; the cash flows generated by the drug business alleviate the social needs of the population and the social obligations of the state; the region is located at 1,200 meters of altitude and has a micro-climate that is not conducive to shepherding or to other crops; the production of cannabis resin is a part of the culture. Morocco reported 52,000 ha of cannabis cultivation in 2012 and 47,196 ha in 2013, and there was a 31% increase in cannabis seizures in NA that year, owing to the quantities of cannabis seized in Algeria (212 tonnes), Egypt (84 tonnes), and Morocco (107 tonnes) (UNODC, 2015a, pp. 57, 59 and 62).

The poverty of Rif farmers and other NA citizens, in addition to other social phenomena, such as unemployment, and the inefficiency of governments' socio-economic policies suggest that not all types of informal work and economy should be combated, as they are currently the only forms of daily subsistence for a significant fringe of society. In the absence of decent State or private solutions providing proper formal work for everyone, the informal economy should be tolerated, albeit without conforming to the status quo, provided it is not tainted by inhuman exploitation or abject crime, which cannot be tolerated and must always be combated.

Schneider and Enste have identified several drivers of shadow economy growth besides unemployment, such as: increased taxes and social security contributions; increased official regulations, especially of labour markets; and the decline of civic virtue and loyalty to public institutions combined with a decrease in the perceived fairness of the tax system (2000, p. 82). According to the authors, taxes influence the choice between formal work (which generates tax revenue) and informal work (which does not generate tax revenue), especially when the after-tax profit does not offset labour costs. Given that these costs are affected by high tax and social security burdens, the higher those costs are, the more stakeholders move from the formal to the informal economy, much like what happens with the determinants of tax evasion, and this movement is more significant when governments do not enforce the legislation (2000, pp. 82-83). Citing a study by Norman V. Loayza, the authors conclude that the tax burden and labour market constraints spur informal sector growth, while strong and efficient government institutions reduce it (2000, p. 83). Based on a 1989 study by Reinhard Neck, Markus Hofreither and Scheneider, the authors argue that high tax burdens increase

[16] In 2013, about 90,000 households and some 760,000 Moroccans depended on cannabis resin production, each family earning about €3,600 per year (MWN, 2013). Mountain farmers are not the ones who profit from cannabis. The profit is made by those who buy it to put it on the market.

[17] Friedrich Schneider and Dominik Enste state that "...at least two-thirds of the income earned in the shadow economy is immediately spent in the official economy, thus having a positive effect on the official economy" (2000, p. 78).

informal work, while higher wage rates in formal employment decrease it, and that the extent of the shadow economy – in terms of shadow labour and informally traded goods - depends on indirect tax rates, wage rates, tax evasion detection, and penalty rates (2000, p. 83). Furthermore, discretionary enforcement of the law, corruption, the regulatory burden on enterprises, and the state of a country's rule of law and tax revenue drive enterprises towards the informal economy (Friedman 1999, p. 22). Table 4 shows the weight of tax and other revenue in a State's economy, with special focus on the high taxes paid by citizens and enterprises.

Table 4 – Weight of Tax Revenue in the Economy of States

Country	Taxes and other State revenue * (% of the GDP)	Comparison with other countries **
Algeria	25,4%	114
Egypt	17,5%	170
Libya	14,7%	188
Morocco	24%	124
Tunisia	23,3%	128

Numbers retrieved in 09/08/2017

Key:

* 2016 data This includes the total taxes and other revenue collected by governments represented as a percentage of the GDP. Taxes include taxation on individual and collective income, VAT, special taxes on consumption, and various fees. They also include social contributions (to social security and healthcare insurance), subsidies, and net revenues of public enterprises (CIA, 2017).

** 220 countries. The lowest score corresponds to the country with the greatest tax burden in terms of the GDP (Anguilla, no percentage calculated. The first country with the highest calculated tax burden percentage in terms of its GDP is Greenland, in 4th place, with 71% of the GDP in 2015, data provided by the State) and the highest score corresponds to the country with the lowest tax burden in terms of the GDP (Syria - 2% of the 2016 GDP) (CIA, 2017).

Source: Data retrieved from CIA (2017).

Citing several sources, Subrahmanyam and Castel (2014, p.7) report that: in NA, social security costs make up about 15% of the wage bill in Algeria, 24% in Morocco, and 28% in Tunisia, with one-half to three-quarters of the costs borne by employers; State taxes also include revenue from retirement programs, which corresponds to 15% in Algeria and 12% in Morocco, with 10% and 6%, respectively, being funded by employers; social protection systems are weak, leaving formal sector workers unable to prepare for economic stress; less than 20% of lay-offs in Algeria, 5% in Tunisia and 19% in Morocco qualify for unemployment benefits, while in Egypt only workers dismissed due to court-mandated closures can apply for benefits; only 5 to 10% of the elderly in MENA countries are paid retirement benefits. This state of affairs does not benefit citizens, leading them to doubt the importance of social contributions, and many are driven towards informal work.

This "leap" from the formal to the informal economy is a reaction by individuals who feel overburdened by the State and who end up choosing that path rather than using legal channels (Schneider and Enste 2000, p. 77). The perception that contributions are a fair trade for an efficient, satisfactory welfare and social protection system discourages the informal economy and discourages citizens from exiting the formal economy (Schneider and Enste 2000, p. 86), based on the rationale: "if things are going well, why change?" However, in NA, social protection systems and social services are separate, fragmented, and vulnerable to public spending cuts, particularly health systems, which cover about 30 to 40% of the workforce in Algeria, Egypt, Morocco, and Tunisia, but do not cover the region's informal workers, who account for about 40 to 60% of all workers (ILO, 2016, p. 31). In some countries, the social welfare system even encourages the informal economy since the marginal tax rate[18] approaches 100%. Often, individuals who benefit from those systems feel discouraged to seek formal employment because their income is higher if they receive those benefits along with income from informal work (Schneider and Enste, 2000, p. 86). Many NA countries have "truncated" welfare systems to which employees and employers contribute in return for healthcare coverage, retirement and disability pensions, childcare and other benefits that are virtually inaccessible to informal sector workers, and their non-contributory antipoverty and social protection mechanisms are weak and limited in scope (Angel-Urdinola and Tanabe, 2012, pp. 6-7). Often, the instruments used by these welfare systems are ineffective and do not encourage citizens to pay their taxes in return for coverage, the rationale behind it being: "Why pay taxes for a service that does not meet my needs?"

Entering the informal economy feeds a vicious circle that can be difficult to break, since it decreases State revenues and affects welfare services, leading governments to raise taxes in order to be able to carry out their functions, which results in debasing the quality of those services, driving citizens towards informal work due to lack of trust in the State as they begin to ask themselves: "Why pay taxes to the State if we are not protected in return?" Thus, informal labour is itself a determinant for the informal economy.

The United Nations Development Programme (UNDP) Human Development Report 2016 includes global well-being indices (2016, pp. 250-253). Data from 2014-2015 shows that: 66% of Moroccans; 84% of Egyptians; 62% of Tunisians; and 53% of Algerians (2012 data) answered "Yes" to the question "Do you feel safe walking alone at night in the city or area where you live?" The question "On which step of a scale from 0 to 10, in which 10 represents the best possible life for you, do you stand at this time" generated the following mean values: Moroccans – 5.2; Egyptians – 4.8; Libyans – 5.8 (2012 data); Tunisians – 5.1; Algerians – 6.4. When asked "Would you say that your job is the ideal job for you?" 18% of Moroccans; 33% of Egyptians; 49% of Libyans (2012 data); 19% of Tunisians; and 43% of Algerians answered "Yes". The percentage of respondents who answered "Yes" to the question "In this country, do you have confidence in the national government?" was: 38% of Moroccans (2013 data); 77% of Egyptians; and 48% of Tunisians. The question "In this

[18] A tax on annual income rises.

country, do you have confidence in the judicial system and courts?" was answered "Yes" by: 28% of Moroccans (2013 data); 76% of Egyptians; and 56% of Tunisians. This study does not include answers by all NA countries. A direct analysis of the data shows low percentages of satisfaction and confidence among the populations, which greatly explains the situation. One of the causes for this is the people's dark outlook on the role and effectiveness of the State, which is mainly driven by unemployment, especially long-term. As we have seen, in NA the difficulties felt by young people transitioning to adulthood, especially when it comes to securing subsistence for oneself and one's family, have fuelled movements based on resentment and unrest (UNDP, 2015, p.72), through which young people (although not only them) express the disillusionment and anger that drive them to informal work, fostering the shadow economy.

More extensive regulations do not encourage the formal economy (Schneider and Enste, 2000, pp. 85-86), and bureaucracy only aggravates the situation. In NA, the formal sector faces challenges that limit its growth, such as complex bureaucratic procedures, impoverished infrastructures, lack of access to credit and to efficient technologies, and excessive market regulation, all of which drive economic activity to the informal sector. This state of affairs and the motives behind it have already been assessed for the Moroccan private sector (Angel-Urdinola and Tanabe, 2012, p. 3). Over-regulation correlates with a larger informal economy (Friedman et al., 1999, p.18), since more regulation does not correspond to a reduction in the shadow economy, and effectively enforcing rationally elaborated legislation is more beneficial than producing it in large amounts. Increasing regulations can lead to more bureaucracy and more public sector employment (Schneider and Enste, 2000, p.86), but this is not beneficial. In Egypt, in 2013, it took 138.9 days, on average, to start an official business (AfDB, et al., 2016, p.131). Bureaucracy leads to informality and corruption, based on the following rationale: "Why waste time with formalities if we can start making money right now?" or "It's best to pay the corruption taxes as soon as possible so that we can start to make money." These reasons and the ones mentioned above are why, in Tunisia, 45% of private sector employees are in the informal sector, where they have limited access to social rights and benefits (AfDB, et al., 2016, p.108). In Egypt, in 2012, 15% of private workers were employed in the informal economy (Kassem, 2014, p. 30). In that same country, in 2012, about 12% of employment was unpaid informal work; 9.9% of workers were self-employed in the informal sector; 58.3% of workers did not have access to social security. In Morocco, these percentages were, respectively, 15.2%, 29.6%, and 81.9% (Angel-Urdinola and Tanabe, 2012, p. 8).

Another indirect effect of the informal economy in NA is the number of public sector jobs. As a result of the food and financial crises in the region in 2009/2010, which were also at the root of the AS, States attempted to appease protesters by: raising public sector wages[19] (Egypt, Algeria, and Morocco) and/or minimum wages (Algeria, Morocco, and Tunisia),

[19] In Egypt, 89% of the additional budget to tackle the food and financial crisis was channelled into public sector salaries, with only 11% going to food ration cards for the poor (Subrahmanyam and Castel, 2014, p. 9).

widening the gap between social strata and increasing wage disparity between the public and private sectors and between formal and informal sector workers; awarding subsidies to support consumption and fight poverty, of which at least 80% fell into the hands of the non-poor; granting guaranteed loans and funds to large companies but not to small enterprises, which were given access to credit but found it difficult to obtain loans (Subrahmanyam and Castel, 2014, p. 9). These measures generated unemployment when small enterprises failed, aggravating existing wage inequalities, causing further fractures in society, fostering economic disruption and leading to greater burdens on state budgets.

In the MENA countries, a larger share of the public sector in the labour market[20] (despite its decline in some countries[21]) has corresponded to an increase in the informal sector (Roadman, cited in Angel-Urdinola and Tanabe, 2012, p. 3), creating inequality and segmentation in the first and driving more people to the latter. In these countries, higher wages and better working conditions (Subrahmanyam and Castel, 2014, p. 9) increase demand for public sector positions, and also increase corruption indices, given the methods used by candidates to State jobs. In NA, the public sector has provided equal and decent employment opportunities for both genders[22] and many women, some with academic qualifications, choose to remain unemployed unless they are able to work in that sector (Subrahmanyam and Castel, 2014, p. 5). Due to higher wages and stability, State jobs in the region are the most sought after by students, who prefer to remain unemployed or in insecure employment, some in the informal sector, sometimes for a considerable length of time until one is available. In Egypt, for example, about 95% of young people remain in insecure employment eight years after finding their first job (Subrahmanyam and Castel, 2014, p. 5).

There is a correlation between type of employment and the informal economy. In rural areas, the informal economy is more extensive than in urban areas. According to Angel-Urdinola and Tanabe, in Egypt, 58.3% of the workforce is employed in the informal sector, with 42.6% working in urban areas and 70.0% in rural areas, whereas in Morocco 81.9% of the workforce is in the informal sector, with 72.7% working in urban areas and 93.8% in rural areas (2012, p. 10). In rural areas, women are the most affected (World Bank, cited in Subrahmanyam and Castel, 2014, p. 4). Countries where the State provides more jobs have

[20] About 29% of employment in the Arab labour market. For instance, in Morocco, formal employment in the private sector is less than 5% of total employment. This is a world where about 95% of registered private enterprises are small and medium-sized enterprises, most with less than five employees, high levels of informality, poor product quality, low technology, innovation, competitiveness, and diversification (Angel-Urdinola and Tanabe, 2012, p. 3). About 75% of Egyptian trade union delegates are public enterprise employees (Subrahmanyam and Castel, 2014, p. 9) who were attracted by the high wages and benefits enjoyed in these jobs.

[21] In Algeria, in 1987, 65% of jobs were in the public sector; in 2004, that number reached 25% (Aita, cited in Subrahmanyam and Castel, 2014, p. 6). However, after the AS, the pressure on governments to create jobs led to the expansion of the public sector. In Egypt, about one million public sector employees were recruited, increasing wage expenses by 15%; in Tunisia, 40,000 jobs were created directly and indirectly in the Tunisair airline; in Libya, the demobilisation of militias and the integration of ex-combatants into the state structure increased state jobs (Subrahmanyam and Castel, 2014, p. 10).

[22] The Egyptian public sector accounts for 37% of employment among young women but only 10% of employment among young men (Sieverding, cited in Subrahmanyam and Castel, 2014, p. 5).

less informal employment. In Egypt, for example, the public sector contributes to 68.1% of all formal employment[23] and in Morocco that percentage is 57.3% (Angel-Urdinola and Tanabe, 2012, p. 12).

The urban informal economy in NA is mainly located along the Mediterranean because that is where the majority of the population is concentrated. Organised crime is also more widespread in those areas, however, its tentacles reach deep into the rural regions, especially the Atlas Mountains and inland Libya, a country that is a highway for illegal migrations and different kinds of trafficking, such as trafficking in persons, weapons, drugs, cigarettes, etc. There is a correlation between organised crime and the informal economy because both carry out their activities outside the law, without paying taxes to the State, taking advantage of the transhumant and cultural movements of the tribes that know the region, as well as of their poverty and of the need of their most vulnerable members to buy, produce, move, and trade commodities, and sometimes those people are themselves the commodity and are subject to coercion and to the deprivation of their rights and freedom. But there is also a close relationship between organised crime, terrorism, and the informal economy. The latter has provided the financial and material and human resources[24] that terrorism requires, while terrorism provides protection to the informal economy by negotiating with it. The Libyan militias, the Islamic State (IS), as well as other terrorist groups in NA use the underground market to obtain weapons and explosives. In Libya, militias and terrorists have attempted to illegally sell oil extracted there to obtain revenues for those purchases, an activity that has been somewhat hampered by the 2011 international embargo [25].

In NA, organised gangs are stakeholders in the informal economy, forcing street children and women[26] into begging, forced labour, slavery, and sex trafficking, many of whom are misled by false promises of legitimate work. In Algeria, Egypt, Libya, Morocco, and Tunisia, enforced slavery on natural citizens and immigrants have been reported in domestic and rural work (DoS, 2015, pp. 67, 147-148, 223-224, 252-253, and 339). Egypt has been making efforts to fight prostitution networks, but Libya, currently a regional disruptor and a source of insecurity and crime, has allowed brothels to conduct their business near the common border, with Egypt feeling the negative effects of these illegal "businesses". No country in NA fully complies with the minimum standards of eradication of trafficking; however,

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[23] The Egyptian state owns several enterprises, which increases the state's participation in the formal economy.

[24] Such as: money obtained from kidnapping ransoms, from smuggling immigrants into Europe, from smuggling and selling drugs and firearms; weapons, explosives, and vehicles; slaves who are forced to become soldiers, kidnapped children who are given military training, immigrants arriving in NA and staying there, unable to reach the other shore, with some being recruited into terrorism.

[25] This alludes to Resolution 2278 (2016) of 03/31/2016 of the SC/UN, which extends the existing measures on illicit oil exports. See http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2278(2016).

[26] Citizens from NA countries and sub-Saharan and Asian regions caught up in migratory movements via prostitution networks.

Morocco, Tunisia, and Egypt[27] have been working hard to combat these ignominies and scourges of human dignity that contribute to the informal economy.

To sum up: in NA, the informal economy has deep roots and social, economic, and cultural motives and determinants, as well as links to crime and terrorism, and it is of the utmost importance that they are opposed by States. However, as long as those States lack the conditions to provide decent employment to every citizen, they must tolerate some form of informal work (which does not mean accepting the status quo) because it guarantees the subsistence of the most vulnerable sectors of the population.

2. Effects of the informal economy on the region's security

Let us now analyse how the informal economy affects regional security and consider possible solutions to minimise its negative effects.

It is dangerously naive to expect the informal economy to affect only those who are involved in it. It also affects the economies of States and attracts other actors. When agents or economic units interact with other agents or units that provide services, goods, or production components, they tend to lure them into informality in order to boost profits or to minimise costs, and they are obliged to comply, if only because competition from those who acquiesce is an element of pressure vis-a-vis the possibility of losing one's place in the "market". This is a reality in NA.

Informal economy does not necessarily mean insecure working conditions or the infringement of workers' rights, and, as we have seen, it can be both useful and necessary. However, it also constitutes a "cocoon" inside which a significant number of workers and economic units are affected by poor working conditions and attacks on legal rights, resulting in dubious quality, intensive, low productivity, and labour-intensive work, a workforce resigned to the lack of work safety and of regular working hours and rest periods, to wage uncertainty (by accepting that wages are low and variable, when they are paid at all), and to the lack of a reliable and encompassing welfare system that protects them when they are sick, unemployed, or old. This is also a reality in NA.

The shadow economy that stems from informal work and underground trade reduces government revenues because those citizens and enterprises do not pay taxes. Without revenue, the State tends to reduce the supply and quality of its structures, infrastructures, and the services it provides to citizens, which undermines its role because the State is responsible

[27] The *Trafficking in Persons Report – July 2015* classifies Morocco as a Tier 2 country (the country's government does not meet the minimum standards of the *Trafficking Victims Protection Act* (TVPA), but has made significant efforts to comply, while Egypt and Tunisia are in the Tier 2 watch list (the countries' governments do not comply with the minimum standards of the TVPA, and while significant efforts to comply have been made, the number of victims is significant or has increased; there are failures to provide evidence of efforts to combat trafficking; determining that a country is making efforts to meet the minimum standards is based on that country's commitment to providing additional future measures in the coming year), and Libya is in Tier 3 (the country's government does not comply with minimum standards of the TVPA and has not made significant efforts to comply). Tier 1 is reserved for countries where the government fully complies with the minimum standards of the TVPA (DoS, 2015, pp. 47, 53, and 54).

for specific functions such as social security, defence, and security. This tends to increase State budget deficits and, in order to address them, States raise taxes (Schneider and Enste, 2000, p. 87), eroding a country's economic strength and collective social and economic agreements, when those agreements exist. As we have seen, combined with the debasement of state services, this encourages the exit into the informal economy, creating a dangerous cause-effect-cause circle/vortex. The informal economy undermines public finances and weakens the State's ability to protect the rights of its officials and of those more vulnerable (Friedman et al., 1999, p. 22). In NA, these realities can lead to protests and unrest, jeopardising the power of the State, as in the events of 2011.

When citizens do not believe in the State's ability to protect them by providing quality efficient social services, they are driven towards informal employment and sometimes to crime, another factor in the informal economy, particularly when people are unable to obtain the support they and their families need in order to feed themselves, to address any health issues, or to educate their children. Many people who need support resort to other (usually Muslim) organisations that provide them with those services under the banner of religious fraternity, which weakens the State because the existence of a substitute that is more solidary, closer to the people, and more efficient fosters resentment and lack of trust among citizens. This is the case of the Muslim Brotherhood (MB) in Egypt, an organisation that operates social service networks that provide aid to the unemployed, the poor, the ill, etc. By taking on this role, these organisations are in direct competition with the State, discouraging workers from choosing formal work in order to obtain welfare coverage. In Egypt, the MB has set up a bureau that coordinates the actions of the permanent structure, conveying the image of a non-state entity that aims to displace the regime and impose its vision of an Islamic state (Al-Arian, 2014, p. 8). In fact, the MB provides services that should rightfully be the purview of the State. It served as a basis for the mobilisation and support of the social movements of the AS, and continues to harness resources and take actions[28] against the State, weakening and discrediting it. Social action by parties such as Ennahda in Tunisia also erode the State by attracting and mobilising sympathizers who are often used to challenge its role by gaining political space in the struggle for power.

Madrassas and other Koranic schools in NA have served as social support centres for citizens in need. But it is also there that, sometimes, radicalism is taught to a hopeless, disillusioned youth. It is also there that some informal economy deals take place, in the shadow of poverty, in the grey world of the unemployed and workers without rights, who are exploited under the cover of the darkness of the informal sector, where some accept (or are forced to accept) ignoble attacks on their dignity. Poverty, rebellion, disillusionment, and lack of faith in the future and in the role of the State make for an ideal hunting ground for recruiters who persuade people to participate in violent protests, crime, and terrorism.

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[28] The MB has a social and political structure, but most of its political mobilisation occurs within the social structure: in day-care centres, in schools, in the social centres that provide healthcare and support to the elderly, and in the various places where they provide aid.

The informal economy moves cash flows that can be infused into the formal economy (which pleases the State) and that can help expand informal enterprises and informal employment. The existence of substantial amounts of money outside legal control creates the conditions to increase crime, drugs, the availability of affordable firearms, and human rights abuses. The situation in NA is that there is too much of the above in circulation, especially firearms bought in the informal market and thus accessible to criminals, terrorists, and militias. Because they have the means to do so, these actors believe they have the right to take over their countries' defence/security (the case of Libya), and to replace and oppose the State, as in the Sinai Peninsula. They may even feel confident enough to launch attacks from one country (such as Libya) on other countries (such as Algeria and Tunisia)[29]. Much of the terrorism in NA stems from the vast amounts of money circulating in the informal market, whereas many of its citizens are poor and disgruntled, having lost their self-confidence due to insecure employment. Their feelings of revolt pollute the security environment in NA and affect European security[30]. Terrorism without borders increases the risk of links and loyalties between groups, such as between Daesh and the Soldiers of the Caliphate (Algeria), Darnah (Libya), the Jund al-Khilafah (Tunisia), and Jamaat Ansar Bait al-Maqdis (Egypt) (Alexander, 2016, p. 6).

The Maghreb countries acknowledge the relationship between crime and terrorism (Hanlon and Herbert, 2015, p. 27), which is fuelled by the Tuareg revolt in Mali and by Libya's fragility. With the emergence in 2007 of Al-Qaeda in the Islamic Maghreb (AQIM) and its spread to NA and the Sahel, this organisation and other regional groups affiliated with Al-Qaeda began to fund their activities through kidnapping ransoms and links to criminal groups. The UN even admits the possibility that AQIM may be linked to drug trafficking (UNODC, 2013, p. 4). The intersection between terrorism and organised crime can be described as coexistence (when both groups occupy the same space at the same time and there seems to be some form of cooperation between them), as cooperation (when they work together on a temporary basis because it is beneficial for both, to serve mutual interests, or to fight a common threat), or as convergence (when each engages in behaviours more commonly associated with the other) (Alda and Sala, 2014, pp. 2 and 4). Nokhtar Belmokhtar, also known as Mr Marlboro, exemplifies the link between crime and terrorism since he was responsible for the majority of smuggling activity in the Mali region, especially cigarette smuggling, using the Algeria-Italy routes (Alda and Sala, 2014, pp. 5-6). He became infamous for a number of kidnappings, many of which were committed for the benefit of AQIM, as well as for the 2013 attack on the al-Amena refineries perpetrated by his group, "Those Who Sign with Blood", which is affiliated with Al-Qaeda.

[29] Such as the attacks on the Bardo National Museum (18/03/2015) and on the beach in Tunisia's Sousse region (06/26/2015), or the 10/01/2013 attack on the al-Amena refinery in Algeria, and, in that same country, the 18/03/2016 attack on the Krechba refinery, all of which were attributed to al-Qaeda or IS.

[30] Much of Europe's insecurity stems from what is transported in the "back seat" of NA migrations. Migrations are not "everything that is wrong with the world", and even help the depleted European welfare system by rejuvenating the workforce. The problem is what they bring with them.

In 2010, AQIM earned an average of US$4.5 million in kidnapping ransoms; in 2011, that number rose to US$5.4 million; and, in 2013, a total US$20-25 million was paid for four French hostages (Nossiter, 2012, Berthemete, 2013, Caryol and Roger, 2013, cited in Alda and Sala, 2013, p. 6).

Jihadist terrorists seem to prefer to charge traffickers when they cross the regions they control rather than being directly involved in trafficking. Organised crime provides terrorists with the resources they need, such as hostages, as long the "fair" price is paid, and terrorists will then demand ransoms for those hostages from their home States. Thus, if there is mutual interest, terrorists seem to tolerate/protect criminals, with the latter working for the benefit of the first. Therefore, Alda and Sala (2013, p. 8) state that in NA and the Sahel there is cooperation but not convergence between groups, although the latter may emerge through the proliferation of terrorist groups, and at such a time when the Jihadist theocratic ideology begins to lose its relevance.

The African Union and the UN Office on Drugs and Crime (UNODC) have been fighting organised crime in NA by developing multi-year plans that include the participation of Africa's Regional Economic Communities (RECs) such as the Economic Community of West African States and the Arab League, encouraging state initiatives and close cooperation at continental, regional, and subregional levels (UNODC, 2015b; UNODC, 2016b, pp. 43-44). In 2016, UNODC stated that the prevalence of informality in the region made Arab countries vulnerable to undetected money laundering activities, and launched the Regional Programme for the Arab States (2016-2021) to combat: organised crime; terrorism; corruption; illegal migration; counterfeiting; trafficking in cultural property, firearms, drugs and persons (UNODC, 2016b, p. 11). Figure 3 depicts some of the grey economy routes in NA, evidencing the importance of the programme.

Parallel economies drive out foreign investment and international support to both internal and external policies in the countries where they exist. Informality may also call into question the trustworthiness of official economic indicators such as unemployment, the workforce, consumption, etc. Furthermore, according to Schneider and Enste, policies based on unreliable indicators are ineffective (2000, p. 78) and broaden the range of choices available in the underground economy, luring in citizens and affecting a country's credibility. Legislation reforms and a more effective enforcement of the laws and regulations without, however, increasing them may help reduce the informal economy (Schneider and Enste, 2000, p. 86) and should be used as a solution to raise NA's credibility in the eyes of foreign investors and supporters.

The region's States must analyse their economic and financial policies. Granting loans to large companies without applying the same criteria to small enterprises drives the latter towards the informal sector, eroding formal and controlled investment. Furthermore, tax raise policies have an impact on workers and, combined with shortcomings in the social protection system, fosters inequality, fragments society, and encourages informality. Minimising all those factors entails analysing those policies, improving the identification of

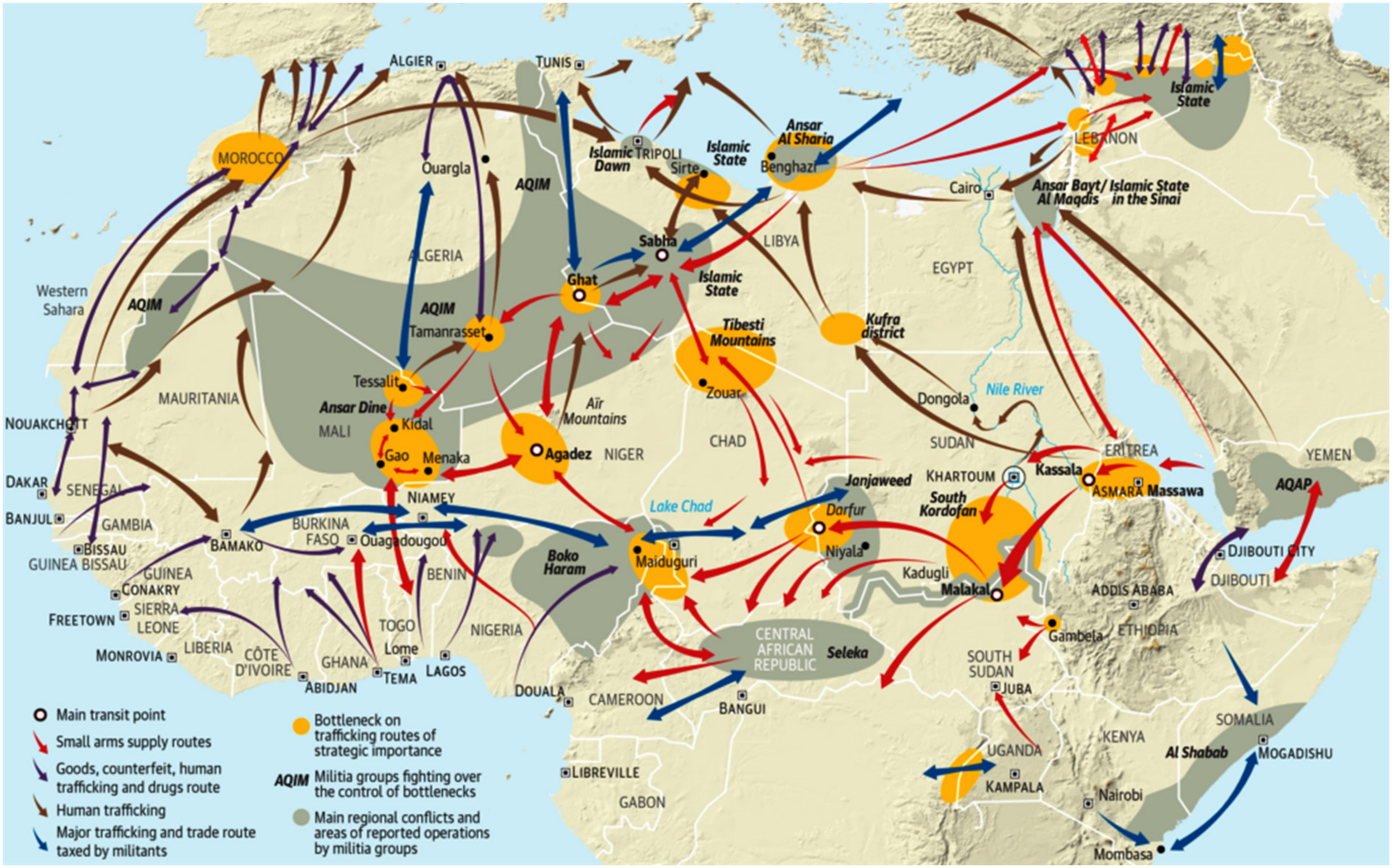

Figure 3 – Trafficking and economic threat routes.

Source: Retrieved from: <http://www.meltingpot.org/Benvenuti-ad-Agadez-capitale-africana-del-contrabbando.html>

existing segments of society and their place in the social security system, thus promoting social justice.

NA has a decision to make: should it support the development of the private sector and the creation of new jobs, or protect existing ones, notably in state enterprises, by ensuring control of core areas and of the population working there. The solution lies in the answer to the question: *By not promoting the private sector and by protecting the public sector, does the State guarantee the well-being of every citizen?* The solution is to strike a balance between the two sectors, as the State should support the initiatives of its citizens, thus decreasing exits into informal work.

Cutting working hours as an incentive to reduce unemployment is not a solution in NA, and may even increase the shadow economy (Schneider and Enste, 2000, p. 87), especially in the case of low wages. Flexibility of working hours according to worker preference may not be the solution in NA, either. It is a nice enough measure, but it implies changing mentalities and may come into conflict with tradition, and it can also create new opportunities for double employment in both the informal and the formal sectors.

In NA, states have taken advantage of the fight against terrorism to crack down on civil liberties, while corruption networks, which often fund terrorism, remain unscathed (TI, 2016, p. 15). Terrorism, organised crime and corruption must be combated but this should not serve as a shield to hide civil and political persecution. The fight against terrorism is one of the UN Sustainable Development Goals, alongside: eliminating abuse, exploitation, and various forms of trafficking; reducing illegal financial and arms flows; developing and reinforcing effective national institutions; promoting the rule of law (Goal 16); promoting decent work and employment for all, and equal pay for work of equal value; protecting labour rights and safe working environments; and strengthening financial capabilities to facilitate access to banking and work insurance (Goal 8) (UN, 2015, pp. 19-20 and 25-26). Should these goals be met in NA, the informal economy will regress and all will be able to enjoy a better standard of living. The problem is in getting States to comply.

Thus, the effects of the informal economy in the region can weaken and jeopardise the role of the State, its credibility and internal security, because: it destroys the formal economic fabric through unfair competition, polluting internal and external markets; it affects workers' rights; it attracts crime; it encourages illegal migration; it promotes movements that contest and usurp the role of the State; and it facilitates the conditions for recruitment by terrorist groups and terrorist actions. NA has long and porous borders, and the insecurity that results from the above effects can spread to the entire region. In order to minimise these risks, social, economic, and policy measures must be developed and implemented in an efficient manner, especially, but not only, by the State, with international organisations and RECs playing an important role, and society must be mobilised to comply with those measures.

Conclusions

The current reality in NA stems from years of poorly formulated state policies (especially economic policies). The region is characterised by: high poverty rates caused by an unequal distribution of wealth; demographic pressures exacerbated by immigration from sub-Saharan Africa and Asia; low levels of well-being and poor living conditions; a young, academically qualified, and unemployed population, with some young people waiting for a job (preferably in the public sector) for long periods of time; high rates of unemployment and insecure work with irregular wages; blurred boundaries between the formal and the informal sector; dangerous links between the informal sector, crime (mainly organised and international), and terrorism; high tax burdens but fragile welfare and citizen support systems (especially worker support); high corruption rates, even in the public sector; citizens' lack of trust in the role of the State; recognised or ad-hoc private groups or organisations that usurp the State's functions; high levels of bureaucracy and extensive legislation combined with insufficient enforcement of worker protection laws; imbalances between the public and private sectors, namely in the access to credit by large and small enterprises; low quality of production due to insufficient (or inexistent) and outdated technology, relying on intensive labour by a workforce lacking expertise and technical preparation but sometimes with university degrees. For all these reasons, citizens are driven and sometimes choose to participate in the informal economy. And with it come: poor social and working conditions; abuse by people who attempt to exploit unstable situations and the status quo of illegality that often reigns, often using criminal means; local crime or, in more critical cases, organised and/or international crime, which exploits the opportunities created by difficult circumstances and instability, especially among those who seek to better their lives through migration; slavery and other attacks on rights, in particular those of workers, and human rights in general. All this drives more citizens into informal work, believing it will be a temporary setback, but instead they remain in that precarious situation for the long term, sometimes for the rest of their lives. The informal economy is itself a determinant of the shadow economy. In NA, it is heterogeneous, involving workers and enterprises who are driven to it, attracted to it, or who chose to participate in it after weighing costs and benefits. It undermines a country's social and economic development and increases insecurity by fostering discontent among citizens, as well as mistrust and fear in neighbouring countries.

Shadow economies affect the economies of States and require integrated approaches that should not be based on extensive regulations but on their effective implementation and on the promotion of work with social and work safety conditions, fostering citizens' trust in the role of the State, leading to the recovery of the informal economy and its absorption into the formal economy. Reforming social security systems and the tax burden on workers and enterprises, combined with a credible judicial system may contribute to this. All these measures should be taken alongside with other, more security-oriented measures to help reduce the underground economy, such as: combating corruption and illegal migration; effective control of maritime borders and economic areas; the fight against slavery, prostitution, human trafficking, drugs, firearms, and crime; the fight against militias and groups that claim to be security guardians, etc.

However, there are always two certainties in these "fights": that it is utopian, in today's world, to eradicate the illegal economy, which does not mean that it cannot be reduced to a minimum; that successfully combating the informal economy goes beyond coercion, repression, and state violence. Victory in this fight can only be achieved by getting citizens involved and convincing them to say "no" to the informal economy and "yes" to decent work, and it is up to the States and institutions that fight for a fairer, safer, and more equitable labour market to gather the lessons learned and show how that goal can be achieved, as UNODC and ILO have done, in particular with the resolution on "Decent Work and the Informal Economy"[31] adopted in June 2002 at the 90th Session of the International Labour Conference, or with Recommendation No. 204 on the "Transition from the Informal to the Formal Economy"[32] adopted in June 2015 at the 104th Session. If NA States have the courage to put those resolutions into practice, insofar as possible, this would greatly reduce the region's informal market. However, under current conditions, NA may find it "useful" to tolerate some form of informal labour and economy, as long as it is not tainted by exploitation or by national or transnational crime, at least while governments lack the public policies to secure decent work for every citizen.

The above conclusions provide an answer to our research question, which we recall here, as we come to the end of our paper: "**How can we help minimise the effects of the informal economy on security in North Africa?**"

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