

Women Entrepreneurs in the Middle East and North Africa Region

An Untapped Resource with Growth Potential

■ Carmen Niethammer

International Finance Corporation, World Bank Group

Women in the Middle East and North Africa (MNA) comprise a large untapped economic resource. Indeed, a 2003 World Bank Report¹ concludes that had MNA countries utilized their female labor force potential as other regions did, per capita income would have grown by an additional 0.7 percent during the 1990s. This would also have translated into a 20-25 percent increase in net family income had women worked outside the home. But the reality is starkly different; gender unemployment gaps in the region are the highest in the world with the female unemployment rate being six percentage points higher than the male rate (2003).²

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This indicates that women in MNA are clearly at a disadvantage when attempting to access formal labor force markets. Despite remarkable gains in human development indicators – health and education – that put MNA ahead of other developing regions,

women's empowerment indicators (as measured by female labor force and political participation) lag behind. At 32 percent, women's labor force participation is the lowest in the world. This is most likely due to the dearth of job opportunities in the public sector and the limited size of the private sector – which tends to absorb primarily men, who are still considered the main breadwinner in many MNA countries. Furthermore, women who manage to be employed by the private sector tend to occupy lower level jobs and earn less for the same work than their male colleagues – a situation that is common throughout the world.³

International experience shows that the promotion of small- and medium-sized enterprises are key to economic growth and leads to improving the welfare of the poor and the underprivileged segments of the society through its impact on income. More specifically, over the last decades, there has been an emergence and growth of women-owned businesses as an economic force. For example, in the United States women-owned businesses continue to grow at twice the rate of all U.S. firms. The United Kingdom's Department of Trade and Industry also recognized that female entrepreneurship is a key driver of economic growth.⁴ The Department concluded that if the

U.K. had the same rate of female-owned startups as the U.S., the U.K. would have 750,000 more businesses with a major impact on productivity growth. Moreover, the Global Entrepreneurship Monitor Research Program (which measures differences in the level of entrepreneurial activity among countries) concludes that increasing the participation of women in entrepreneurship is critical to long-term economic prosperity and that (for most countries studied) the largest and most rapid gains in firm startup rates can be achieved by increasing the number of women participants in the entrepreneurial process.

Women's entrepreneurship in MNA can be a solution to creating jobs for women (and men) and to promoting economic growth. Women in the MNA region increasingly aspire to participate actively in the formal labor force and to become entrepreneurs, investors and producers in their own right, casting aside the traditional image of women as restricted to the home. Given the great human resource potential of women in MNA (who are in increasing numbers graduating from post-secondary institutions), women's entrepreneurship is a solution to women's (and men's) unemployment. In fact, women in MNA are also more likely than men to hire other women ("female employment multiplier").⁵ According to preliminary findings from investment climate assessments,⁶ women do in fact prefer to work for women-owned small- and medium-sized enterprises.

Women's entrepreneurship appears to be increasing throughout the region, with the number of women entrepreneurs varying from 3 percent in some countries to 18 percent in others.^{7&8} One difficulty in determining the exact number is linked to the fact that the definitions of small-and medium-sized enterprises vary from country to country – sometimes different definitions are even applied within one country. Moreover, many businesses in MNA are either not registered, or are registered as women-owned businesses without the women actually running the business – in order to retain the man's privileges of government employment, for example. Most female-owned businesses tend to be smaller than male-owned ones. Furthermore, there appears to be a positive relationship between educational attainment levels and female entrepreneurial success rates.⁹

The majority of female entrepreneurs in the region are owners of informal micro and home-based businesses, mainly in the service sector. While many of these entrepreneurs have benefited from poverty alleviation programs, they did not sufficiently benefit from formal support structures. Studies indicate that the majority of women entrepreneurs gathered valuable experience through previous employment in the private sector – sometimes managerial positions provided them with the

skills needed to set up their own businesses.¹⁰ While most female-owned businesses tend to focus on the services sector, they cover all sectors. For example, in Yemen as many as 77 percent of women-owned businesses are operating in the service sector. In Egypt, 59 percent of members of businesswomen's associations are in the service sector. And in Morocco, the largest segment of women-owned businesses is also in the service industry (37 percent), while 31 percent of its female businesses are trade-related, and 21 percent are in the industrial sector. In Saudi Arabia, women's 2002 aggregate investments were made mainly in industrial and service projects.¹¹

A number of surveys suggest that, surprisingly, financial incentives are not the key motivators for successful businesswomen to start their business. Women entrepreneurs' contribution to the household income is a key factor in assuring the important family support to MNA businesswomen. And the moral and practical support of male family members appears to be critical for the success of women-owned businesses. This, however, does not imply that MNA businesswomen are "less serious." As in countries where women are highly educated, women's main motivation for starting a business in MNA is the desire to be independent and to be able to apply all creative skills.¹² Thus, not surprisingly, successful women entrepreneurs in MNA tend to be fairly young when they start their business and in general have more than a high-school certificate. Indeed, there is a trend in MNA countries that successful women entrepreneurs are more Internet savvy than their male counterparts, indicating that women are increasingly pushing the boundaries and moving into new growth sectors.

Women in MNA have the education and adequate resources to start their own businesses, but they are at a disadvantage when it comes to accessing networks and credit. Moreover, MNA businesswomen lack the supporting infrastructure.

Often, social-cultural barriers seem to be among the important obstacles to women's entrepreneurship as they impact women's mobility, and their access to labor markets. And in some instances they can include the requirement of male agents for business registration.¹³ It is not clear whether the marital status of businesswomen fur-

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thers or hinders women's entrepreneurship: Findings from Morocco, Egypt, Tunisia, and Yemen seem to suggest that marriage has an impact on the success of the women-owned business (possibly facilitating access to family networks and an appropriate work-life balance).¹⁴

The Global Entrepreneurship Monitor found that role models exert a powerful influence on prospective entrepreneurs in many of the countries studied. Historically, women in MNA have not occupied many high-level decision-making positions – either in the public or in the private sector. Although this number is notably increasing,¹⁵ MNA women entrepreneurs today still lack successful role models and access to businesswomen's networks. The good news is that some successful businesswomen's committees and support organizations have been forming and that women role models are becoming more visible.¹⁶

Having recognized that women are reluctant to register their businesses with chambers of commerce, there has been a recent trend of either targeting businesswomen specifically or establishing "women's departments" within chambers of commerce, which in turn has increased women's access to networks and role models. In October 2001, the Bahraini Chamber of Commerce and Industry elected its first woman board member, an active member of the Bahraini Business Women's Society. The 18-member Chamber also established a special businesswomen's committee within the Chamber with the objective to further develop the role of women in the country's economy.¹⁷ In Saudi Arabia, the Council of Saudi Chambers of Commerce and Industry has recognized women's important role in the economic sphere and women's business needs. To this end, the Chamber now targets businesswomen's issues by providing business services for women and by advocating their case.¹⁸ Government agencies focused on promoting women in general have also taken an interest in supporting women's economic participation. In Egypt, the National Council for Women established a Women's Business Development Center which functions as a "one-stop-shop" by providing businesswomen with the tools and skills to start small businesses, training, mentoring, and business information services.

While access to finance remains a business constraint for both men and women, anecdotal evidence seems to suggest that women are facing higher hurdles. To begin with, most initiatives targeting women in MNA offer micro-credits with an aim of promoting poverty alleviation. This approach by itself has promoted a view that women are not capable of being borrowers of larger loans – which is reflected by the fact that women themselves are not confident to apply for larger amounts of financing and that bank officers put women's loan applications under higher scrutiny. This is despite the fact that

women have proven to be excellent re-payers of loans – certainly given the global micro-credit experience where women are known to be most reliable in repaying loans. Moreover, there are many instances where women have personal savings accounts that are not being used as collateral. In Saudi Arabia, for example, women are said to control up to \$26 billion that is lying idle in Saudi bank accounts. And in Yemen, one commercial bank observed that women's personal saving accounts are – on average – larger than those of men, but are not being used for investments.

Yet, new opportunities for women's entrepreneurship in MNA are on the horizon. Commercial banks are increasingly realizing that targeting women customers makes a lot of business sense. For example, the Commercial Bank of Dubai has launched a "Shahrazade Ladies Banking Program" which – among others – offers members special discounts from department stores, preferential rates on personal loans, and access to car loans and overdraft facilities. This program also plans to provide networking opportunities to its female customers. But for the time being, few financial institutions in MNA are targeting women specifically – although some MNA banks (especially in the Gulf countries) have special women's sections that are physically separated from service desks for men. What appears to be lacking, however, is that bank officers are not adequately trained to understand and accommodate women's financial needs. Sometimes it is just the type of women-run business (mostly in the service industry) that requires a different understanding of the proposed business plan (where, for example, inputs and outputs are not measurable goods as one would expect in an industry-focused business plan). New initiatives include the Moroccan Regional Investment Center for the region of Kenitra which is embarking on establishing a special partnership with women entrepreneurs. In Iran, the Women's Employment Bureau of the Ministry of Labor and Social Affairs has allocated 40 percent of a competitive "Graduate Support Fund" to women entrepreneurs.

Even though women in MNA are highly educated,¹⁹ (which has a positive impact on women's technical skills as well as their competencies in entrepreneurship and business development) women entrepreneurs across MNA are expressing a need for greater skills development services. This is also partly due to a lack of available market relevant (demand-driven) education. In the absence of entrepreneurial skills development centers, technical assistance to women entrepreneurs is increasingly being offered by national businesswomen's associations. The Moroccan Association des Femmes Chefs d'Entreprises has, for example, offered skills development courses ranging from management training, public speaking, and project management, to marketing and

accounting. One notable public-private partnership initiative is the Dubai Women's College and the Mohammed Bin Rashid Establishment for Young Business Leaders which is a new initiative between the College's business school and the private sector. Currently donor support providing this kind of technical assistance is still limited, and not many entrepreneurs have been able to access donor funded assistance in the past. Yet, it should be noted that the International Finance Corporation PEP-MENA facility (located in Cairo) is planning to launch a two-year technical assistance program called the "Gender Entrepreneurship Markets (GEM) Program," starting in September 2005 – with a focus on the underserved segment of growth oriented women entrepreneurs. Other technical assistance initiatives are also being planned by the US-funded Middle East Partnership Initiative (MEPI).

Conclusion

Educated women in MNA represent a large economic resource in the region, and increasingly women are successfully entering the formal labor market (and creating employment for others) by establishing their own businesses. Women face the same business constraints as men, but in addition they are having more difficulties in overcoming obstacles related to access to finance, administrative and regulatory barriers, lack of skilled labor, and socio-cultural barriers. On a positive note, governments and private institutions (such as businesswomen's associations and banks) are moving in the right direction to support the new women entrepreneurs. The challenge for the region will be to ensure that such support is sustainable. To this end, the focus on skills services to women entrepreneurs and support initiatives that enhance women's professional networks are likely to play a key role.

Endnotes

1. World Bank. 2003, *MNA Regional Development Report: Women in the Public Sphere*.
2. ILO. 2004, *Global Employment Trends for Women*.
3. A July 2005 article in *The Economist* "Why are women so persistently absent from top corporate jobs?" cites a study that found that "women had 45.7 percent of America's jobs and more than half of master's degrees being awarded. Yet 95 percent of senior managers were men, and female managers' earnings were on average a mere 68 percent of their male counterparts."
4. See "UK strategic framework for women's enterprise" available at www.sbs.gov.uk
5. A 2005 International Finance Corporation (IFC) *PEP-MENA GEM Yemen Study* concluded that women-owned small enterprises create as many jobs as male-owned businesses (12 on average), but women were twice as likely to hire other women.
6. Investment Climate Assessments are used to identify and prioritize investment climate constraints, benchmark reform progress, provide cross-country comparisons of investment climate indicators, and help countries forge broad consensus on priority areas for reform. These country assessment reports ultimately feed into World Bank operations and technical assistance.
7. World Bank. 2005, *MNA Women Entrepreneurship Institutional Study*, draft report, June.
8. According to a 2003 study by Women in Business International, recent figures from Dubai indicated that over one third of new business registrations were made by women. (See "The role of women in the modern Arab world" by L. Hamed & A. Suleiman.)
9. According to the 2005 IFC *PEP-MENA Gender Entrepreneurship Markets (GEM) Study*, most successful women entrepreneurs had a tertiary education.
10. World Bank. 2005, op.cit.
11. Chamlou, N. & Yared, R.K. 2003, "Women entrepreneurs in the Middle East and North Africa: building on solid beginnings", paper prepared for the Annual Joint Seminar 2003 of

- the Arab Fund on "Arab Women and Economic Development", World Bank, Washington, DC.
12. World Bank. 2005, op.cit.
13. According to a 2005 World Bank Report entitled *Republic of Yemen: Women in the Local Economy of Aden* there are major impediments to increasing returns on women-owned informal businesses. The survey found that women lack access to information, markets, social networks and financial capital which is partly due to new norms of gender appropriate behavior which are increasingly restricting Adeni women to the home. Many surveyed women cited problems with marketing because of being restricted to selling to other women and to having limited networks and knowledge to market their goods outside of their own neighborhood. Obtaining the necessary licenses in a male-dominated bureaucracy and public space was often cited as an impediment to entering the formal sector.
14. *ibid*
15. Moreover, having been persuaded of the business case for diversity, private companies like Shell Egypt are promoting women to high-level management positions – most likely in order to improve the company's performance based on the notion that mixed groups are better at problem solving than like-minded ones, and in order to reflect the diversity of their customers.
16. The Center of Arab Women for Training and Research's (CAW-TAR) first Arab Women Development Report 2001 *Globalization and Gender: Economic Participation of Arab Women* points out that in 1999, the Arab Business Women's Council (ABWC) was established with which national businesswomen's associations from various Arab countries have associated.
17. UNDP-AS, SURF. 2003, "Women and chambers of commerce: case studies from the Gulf", April.
18. In Syria, women's committees within the Chambers of Industry and Commerce were established in 1999. In Yemen's Sanaa and Aden Chambers of Commerce, the establishment of women departments is more recent.
19. Girls' tertiary education doubled since 1980: Nowadays, 14 percent of girls vs. 20 percent of boys go to university.