

EMPOWERING WOMEN-LED SMES: ECONOMIC DEVELOPMENT AND THE NEW ARAB WORLD

DRAFT ISSUES PAPER

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This draft paper on “Empowering SMEs: Economic Development and the New Arab World” has been prepared for the *Conference on Emerging economies, emerging leaderships: Arab women and youth as drivers of change*, organised by the Arab International Women’s Forum in partnership with the MENA-OECD Investment Programme and the World Bank. The Conference is to be held on 15-17 May 2012 in Sharjah, UAE.

The draft paper in particular highlights the potential of women’s entrepreneurship in the Middle East and North Africa as a means to enhance enterprise development and employment in the region. The paper is based on research by the Women’s Business Forum and the MENA-OECD Investment Programme’s research on small and medium-sized enterprise development. Ms. Nicola Ehlermann-Cache, who benefitted from the views of the Secretariat of the MENA-OECD Investment Programme, authored the draft paper.

Participants in the Conference are invited to provide comments to the OECD Secretariat, which will take account of contributions received by 31 May 2012 in a revised version of the issues paper.

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I. EXECUTIVE SUMMARY

1. The Middle East and North African (MENA) economies have witnessed important changes and developments over the last 18 months. A wave of popular demands, calling for more social equity and stronger economic development have led to political changes. For many economies, the short term impact of these events was an economic down turn. However, in the medium to longer term they also contain promises of new opportunity for policy reform in support of inclusive economic development.
2. Recent events have placed job creation at the center of the political debate. This draft issues paper on “*Empowering Women-led SMEs: Economic Development and the New Arab World*” places a spotlight on the high potential that women entrepreneurs represent for the development of the region.
3. Entrepreneurship is a potential means to address the region's urgent need for more and better jobs. Entrepreneurial activity in the MENA region is far from reaching its potential. A forthcoming OECD-IDRC study brings to light that one of the key reasons for the region's limited entrepreneurial activity is the low participation of women in the economy.
4. Governments in the MENA region have committed, over a decade ago, to closing the gender gap. And indeed the gap is diminishing, especially when it comes to education. But more needs to be done to close the gender gap in economic activity. The forthcoming publication by the OECD-MENA Women's Business Forum “*Women in Business: Policies to Support Women's Entrepreneurship Development in MENA*” highlights existing efforts by governments and other stakeholders to improve support for women entrepreneurs and identifies avenues for future action to accelerate women's entrepreneurship development.
5. By putting in place adequate policy environments and support services, governments and other stakeholders can catalyse enterprise development, in particular women's enterprise development. The different actors need to strive for overall coherence and co-ordination of actions. The issues paper supports the idea that concrete means could be taken to further efforts to educate and train women – including in areas key for the MENA economies' competitiveness. Encouraging women to enter the labour force, and providing adequate support services to women who decide to engage in entrepreneurship, can lead to increased innovation and competitiveness for the region's economies.
6. The issues paper concludes that there is a need for more in depth research on the policies and regulations that impact entrepreneurship development in the MENA region, and on possible measures to accelerate women's economic participation and entrepreneurship development in the region.

II. INTRODUCTION

7. Governments in the Middle East and North Africa (MENA) are facing the need to develop an environment conducive to job creation with a view to generate employment for the high number of new labour market entrants and reduce high structural unemployment. Increasing the level of aggregate demand through the expansion of public expenditure and the introduction of active labour market policies has its limits. Hence, to prepare for economic expansion providing economic opportunities for all inhabitants of the region, other options need to be envisaged.

8. To stimulate economic activity and growth, and to ultimately reduce unemployment, MENA governments should consider developing and expanding private sector employment. For this, governments need to improve the current business climate, build the domestic talent pool and develop a more entrepreneurial-driven economy. Policies should in particular aim at fostering entrepreneurship as a career option for those seeking to develop employment for themselves.

9. Obviously, MENA economies are not a homogeneous group. Apart from their diverse socio-political contexts, their economic structure and competition dynamics differ. However, as a whole the region has lower levels of enterprise creation and development than other emerging economies. The bulk of the region's enterprise population is composed of necessity-driven entrepreneurs who establish micro enterprises, many of which operate informally in sectors with low growth potential. A small group of well-established enterprises, managed by well-connected entrepreneurs, exert disproportional market dominance. There are very few companies established by opportunity-driven entrepreneurs operating in the formal sector and which have a high growth potential, including in terms of employment.

10. This document presents a short synthesis of the state of enterprise development in the MENA region. It suggests that the lower rates of enterprise activity¹ are due, amongst others, to the important share of enterprises operating in customer services sectors or informally, which typically have low growth prospects; the high population growth rates and, importantly, the low levels of participation of women in the labour force (OECD-IDRC, forthcoming).

11. The document then sheds light on the state of women's entrepreneurship development in the region, including a snapshot of the state of women's educational attainment and their business experiences. It argues that the full potential of women's talents remains unexploited and illustrates how to enhance women's economic involvement, notably in the context of an increased use of new technologies.

12. The analysis supports the idea that public policies should create a business enabling environment, in order to nurture enterprise creation and expansion, in particular by fostering the potential of the young and women entrepreneurs. This in turn will further the efforts by MENA governments to engage in the diversification of their economies. The current transition period in some economies in the region represents a major opportunity to take significant steps towards greater enterprise creation in the context of wider reform agendas.

¹ Measured as enterprise prevalence or the number of firms per 100 adults aged 18-64.

III. PRIVATE SECTOR AND ENTERPRISE DEVELOPMENT IN THE MENA REGION

13. Substantive evidence shows that the development of the private sector, of which micro, small and medium-sized enterprises (SMEs) and entrepreneurship are essential elements, is a main driver of economic growth and employment as well as a fundamental factor in poverty reduction. Indeed, research supports the idea that there are strong correlations between new business entry rates, the size of the private sector and GDP per capita as well as between SME density and income levels.

14. The MENA-OECD Investment Programme², which was launched in 2005 at the request of participating MENA governments, has worked towards business climate reforms with a view to creating more employment and investment opportunities, including through the creation of SMEs and the expansion of entrepreneurship.

15. Governments have a central role to play in creating an environment enabling the development of the private sector and of SMEs. Government action alone is, however, insufficient; the support of other stakeholders in various areas such as education, training or market service development is of paramount importance.

III.A. A diversified region with some common economic factors

16. MENA economies vary in size, in natural and energy endowments, income levels, human capital and skills development. They also have different social, political and institutional structures. However, MENA economies are commonly characterised by large public sectors with significant government involvement in the local economies; limited capital markets; and underdeveloped private sectors dominated by a few large companies. In oil-exporting countries, public entities and large conglomerates define the business environment. Although SMEs play a more important role in North Africa and the Levant, they are less developed than in other regions of the globe.

17. Private sector development is also shaped by economic structure, which differs across MENA economies. The common characteristic for many countries of the region is the low level of economic diversification. For instance, the contribution of manufacturing to GDP is low, at 10.8% of total value added, compared to nearly 15% in OECD countries, 17% in Latin America and far from the 30% of China. Furthermore, dependence on a few sectors such as hydrocarbons, real estate, textile, clothing and leather industry as well as low value added services (including government services) is very high.

III. B. SME development in the region: an unexploited asset

18. Data on SMEs for the MENA region is very scarce and definitions are not internationally comparable. The exact contribution of SMEs to national economies is thus difficult to assess.

² In this document, the MENA region refers to the 19 economies participating in the MENA-OECD Investment Programme: Algeria, Bahrain, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, Palestinian Territories, Qatar, Saudi Arabia, Syria, Tunisia, United Arab Emirates and Yemen.

Box 1. Definitions of micro, small and medium-sized enterprises

Official definitions of micro, small and medium-sized enterprises differ across countries. However employment and turnover are often used as indicators for the classification of firms by size class.

- A *micro firm* is in most cases defined as a firm having less than 10, and in some cases less than 5 employees.
- A *small enterprise* is usually identified as a firm with between 10 and 30 to 50 employees.
- A *medium-sized firm* is often identified as a firm having more than 30 or 50 and up to 100, 250 or 500 employees.

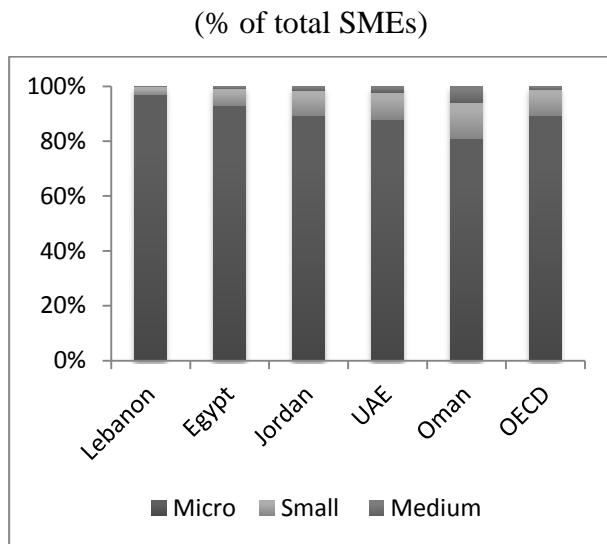
19. Based on the above criteria, 95% to 99% of all enterprises are classified as SMEs in OECD countries. SMEs account on average for more than two thirds of total employment, more than half of total value added and around 36% of total exports. The recent economic and financial crisis has had an important impact on the creation of new firms in OECD countries. It is more than likely that in light of the overall downturn, combined with political and social instability in several MENA countries, the creation of new companies slowed, weakening further the region's overall job market.

20. Survey-based evidence from before the crisis suggests that the development potential of SMEs is high in MENA economies. According to a 2009 Standard Chartered assessment, SMEs contributed to varying shares of total employment (over 80% in the UAE and Saudi Arabia; 74% in Egypt and 50% in Jordan) and of value-added (30% in the UAE, 80% in Egypt and 99% in Lebanon). Pursuing entrepreneurial activity is a way of life for millions of citizens in the MENA region. However, most operate micro enterprises (nearly 90% of small firms in Jordan, 93% in Egypt and 97% in Lebanon, according to Standard Chartered, 2009). What is more, the bulk of SMEs operate informally in sectors with low growth potential.

15. The MENA-OECD Investment Programme's view is that the MENA countries' can step up efforts in view of providing a more enabling business environment and further expand entrepreneurship and SME development. Indeed, various studies suggest that entrepreneurial activity and performance in the MENA economies are well below those of comparable regions of development³ (see Figure 2). Furthermore, the small base of "high performance" enterprises operating in the formal sector and challenging the position of incumbent firms by introducing new products, technologies and management practices needs to be expanded.

³ Similar findings emerge based on the World Bank Group Entrepreneurship Survey (WGBES) data, which for comparability and feasibility reasons ceases only registered corporations (figure 3), the Global Entrepreneurship Monitor MENA Regional Report 2009 and the Global Entrepreneurship and Development Index (Acis & Autio, 2010), which ranks 71 countries in terms of their performance in the creation of high-growth enterprises and high impact entrepreneurship.

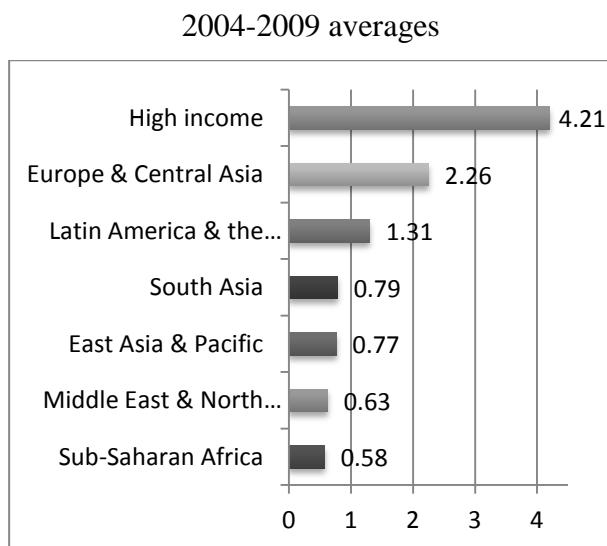
Figure 1. Micro, small and medium-sized firms



Note: The data is based on different definitions of SME and therefore it is not fully comparable.

Sources: OECD (2009), Measuring Entrepreneurship: A Collection of Indicators, 2009 Edition. IFC (2007), Micro, Small and Medium Enterprises, A Collection of Published Data; Standard Chartered (2009), Middle East, the Rising Importance of SMEs; and OECD, Structural and Demographic Business Statistics, 2007 or most recent year.

Figure 2. Firm entry density by region



Entry density is calculated as the number of newly registered limited-liability firms in the corresponding year as a percentage of the country's working age population.

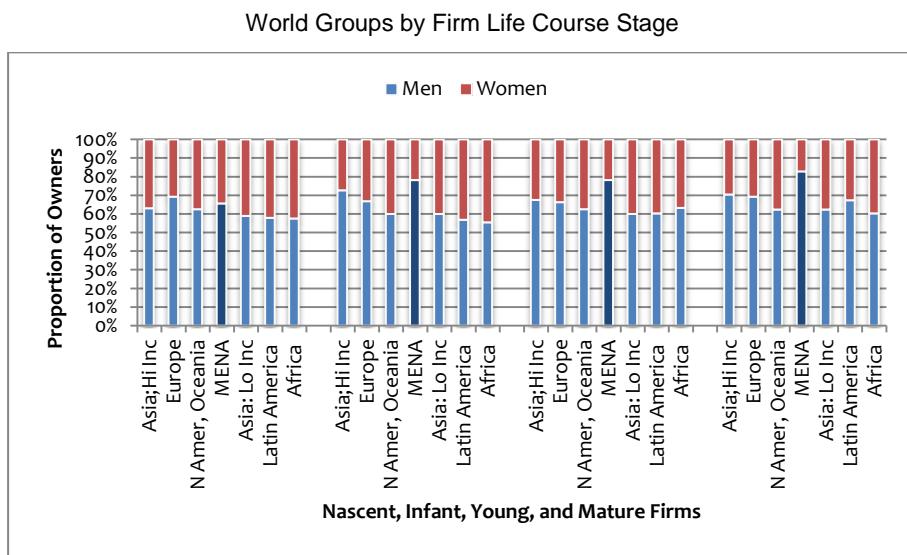
Source: The World Bank Group Entrepreneurship Snapshots (November 2010), Finance and Private Sector Research; and Klapper & Love (2010) Entrepreneurship and the Financial Crisis: An overview of the 2010 Entrepreneurship Snapshots (WBGES).

16. Interestingly, a forthcoming OECD-IDRC study examines key characteristics of the MENA “high performance enterprises”. It finds that high performance entrepreneurs in MENA are graduates with significant work experience who are driven by the pursuit of a business

opportunity. According to data by the Global Entrepreneurship Monitor (GEM), entrepreneurs leading nascent and infant enterprises (i.e. firms younger than 2.5 years) have higher levels of education than those in other emerging economies. Information obtained from case studies in the region also shows that those entrepreneurs have previous relevant and often diverse work experience, and that some of them have started a company before.

17. Another significant finding of that same OECD-IDRC study analysing GEM data is that the region's low enterprise activity rates is in part due to the low levels of participation of women in the labour force. Data from GEM and other sources show that the share of all ventures owned and managed by women is significantly lower in MENA than in the rest of the world.

Figure 3. Entrepreneurial activity by gender



Note: **Nascent**: profits for less than three months. **Infant**: profits for four months or 2.5 years. **Young**: profits for over 2.5 years and up to 5.5 years. **Mature**: profits for over 5.5 years.

Source: Reynolds (forthcoming)

18. Establishing a business enabling environment could unleash a strong development potential in the MENA economies, which are to develop employment opportunities for a growing population and an expanding labour force, many of which are confronting unemployment, especially among youth and women.

IV. UNLEASHING GROWTH THROUGH WOMEN'S PARTICIPATION IN THE ECONOMY

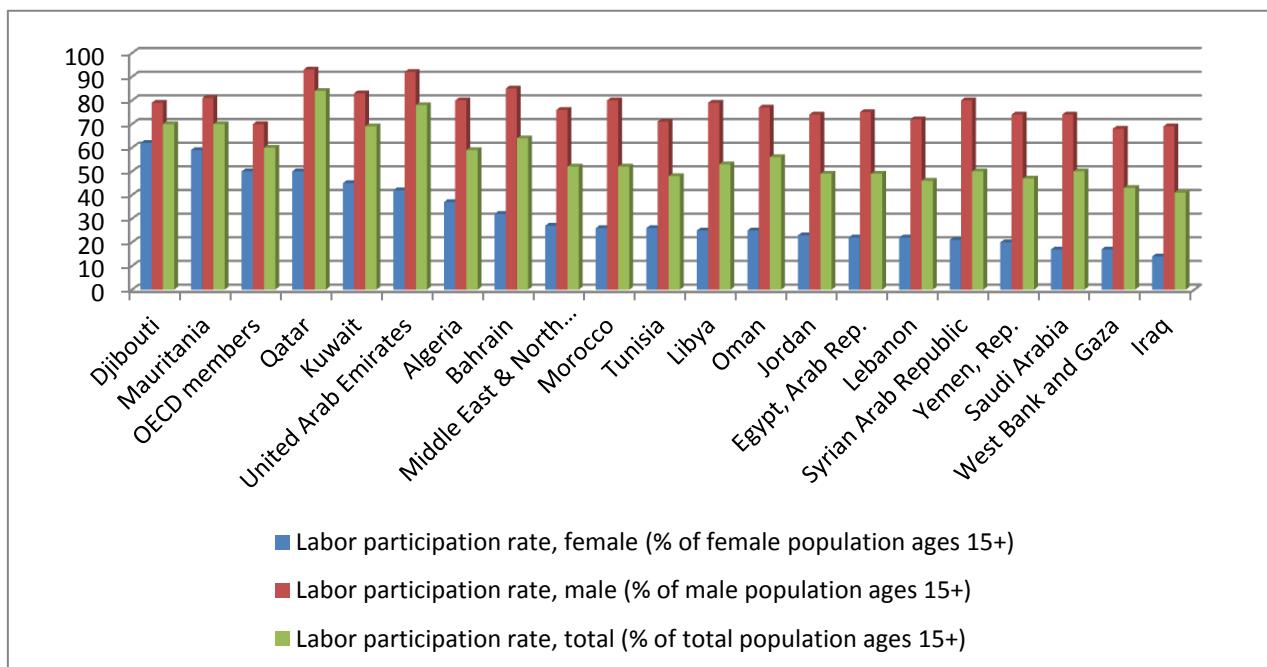
19. Currently women's participation in the economy is among the lowest worldwide and represents a missed opportunity for economic development (see Box 2 below). Encouraging more

women to join the labour force, as employees, managers, and entrepreneurs, could have long term positive benefits on GDP growth and prosperity of citizens. Indeed, by supporting increased involvement of women into the formal labour market, governments would benefit from a higher return on public investments in education as well as increased national competitiveness.

20. MENA governments have made strong commitments to gender equality: all have ratified the United Nations' Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) (although with reservations). They have also, in the context of the MENA-OECD Investment Programme ministerial meeting, adopted the 2007 "Declaration on Fostering Women's Entrepreneurship in the MENA Region". However, governments could do more to live up their countries' commitments.

Figure 4. Female labour force participation rate is very low compared to OECD countries

Labour force participation rate in MENA countries, 2009



Source: World Bank (2011), World Development Indicators 2011, Washington, DC, USA: International Bank for Reconstruction and Development/World Bank.

Box 2. A few facts about women's educational attainment and their role in economic activity in the MENA region

Governments of the MENA region have made important efforts and spent a significant share of public budgets on education. However, annual spending per student relative to GDP per capita in most MENA economies is lower than in OECD countries at every level, due notably to high population growth. Also, the expansion of the capacity of the education system has not generated significant reforms to content, instruction approach and governance. Low returns on education have weakened the economic output of higher education as well as its impact on poverty reduction. Indeed, education efforts have not lifted the strong divide between the highly educated urban elites, and a less educated rural population. Nor has the gender gap which exists to the disadvantage of girls disappeared:

- In primary education, male enrolment rates exceed female enrolment rates in all but two MENA countries (Jordan and Mauritania).
- One fifth of children at the age of lower secondary education (a total of 4 million children) were out of school in the MENA region, with girls representing 60% of this group.
- In some countries, girls outperform boys in basic skills such as reading and mathematics.
- In secondary and tertiary education female enrolment exceeds male enrolment in ten MENA countries.
- While literacy rates are improving overall, women still represent a large share of the illiterate population.
- Women tend to be overrepresented in the fields of education, humanities and health and underrepresented in engineering, manufacturing and construction.

Women's employability is impacted by educational attainment and fields of study. However, women's low rates of labour force participation and entrepreneurial activity are other key factors in the low overall levels of entrepreneurship and enterprise development in the MENA region:

- The average female labour force participation rate across the MENA region is the lowest of any region in the world: 32% of working age women in MENA participate in the labour force, compared with 55% in low and middle income countries and 61% in OECD countries.
- On average, adult MENA women are twice as likely as men to be unemployed, with the female unemployment rate almost five times the male rate in Egypt, three and a half times the male rate in the United Arab Emirates, Saudi Arabia, Syria and Yemen, and more than twice the rate in Qatar, Jordan, and Algeria. Except in Saudi Arabia, women in the Gulf countries tend to account for a higher share of the unemployed in their countries than in the other MENA countries. In Bahrain, women make up 75% of the unemployed.
- Women tend to be well or even over-represented in the public sector, which constitutes a significant share (20-35%) of total employment in the region.
- Women's share of employment in the private sector is generally very low, averaging only 20%, but is below 10% in Saudi Arabia, Syria, Palestine and Yemen.
- Self-employment rates for women vary considerably across the region, but are particularly low in the Gulf countries. The average rate across the countries is 10.7% compared to 21.6% for men. However, in Qatar, Kuwait, Saudi Arabia, Bahrain, and the UAE, 2% or fewer of working women are involved in self-employment activity; compared to over 10% in Lebanon, Tunisia, Syria, Morocco and Palestine, and as high as 30% in Algeria.
- Women have a lower level of involvement than men in entrepreneurial activity and the majority of women are clustered in own-account self-employment or micro-enterprises; the larger the enterprise, the fewer women owners are found. Self-employed women are less likely to be employers than men: one in four self-employed men is an employer versus just over one in ten self-employed women.
- Adult females' self-perceptions about their entrepreneurial abilities compared to adult males: they have less confidence, less experience, a lower perception that they have the skills required to start a business, a higher fear of failure (that would impede them in starting a business), and a lower level of intent to start a business in the near future.

21. Women's entrepreneurship levels in the MENA region are the lowest in the world. The ratio of female to male entrepreneurial activity rates is higher for engagement in nascent ventures than in older firms. This may indicate that women's entrepreneurship is a recent phenomenon and that the development potential lies ahead. But it may also lead to a less optimistic assumption which is that women, due to the very limited employment possibilities both in the public sector and in the private sector, create enterprises which have a limited capacity to grow mature. Strikingly, there is insufficient evidence to determine reasons for the lower relative number of women entrepreneurs in more mature companies in the region. Is their absence in that enterprise segment due to the general business environment, the social setting, the lack of survival rate of women companies or are other factors at play?

22. The GEM data points to a few significant differences between women and men owner-managers. Women entrepreneurs' households are drawn from lower levels in the income distribution than their male equivalents. In terms of sectoral engagement, many more women own and operate businesses in the customer services sector which have far lower growth perspectives than other sectors such as extractive, transformative industries or business services. Importantly, nascent women entrepreneurs have less education than men (although more than within the female population on average) and much less employment experience. A World Bank study concludes that formally registered firms led by women perform as well as - or in some cases better than - male-owned firms in a number of dimensions such as exporting, share of foreign investors, use of information technology, and the quality of jobs they offer and skills they require in their workforce. Further research is needed to explain the apparent differences between GEM and World Bank observations. On a preliminary basis the differences may stem from the data under consideration by both the GEM and the World Bank. Indeed, the GEM data builds on a wider basis, including also the wide number of far less productive entrepreneurs operating in the informal sector (see classification in paragraph 3 above).

23. The fact that relatively few women are participating in the labour force in MENA has the secondary effect of holding back the propensity of women to undertake entrepreneurial activity in the region as a whole. The low rate of female labour force participation probably impacts the earliest stage of enterprise formation.

IV. A. Impact of educational attainment and previous business experience

24. Various studies demonstrate that an entrepreneur's educational attainment and previous business experience both have a positive impact on a firm's entrepreneurial orientation and development.

25. In MENA, gender differences in terms of education, fields of study and work experience may lead to a smaller pool of potential women entrepreneurs, and therefore a lower number of high impact enterprises led by women.

IV.A.1. Skills development to achieve higher diversification

26. Higher education levels equip business owners with the skills and reflective mindset of understanding customers and responding to their needs. Higher levels of education also develop analytical abilities and other skills such as communications and computer literacy, which in turn help to communicate better with customers, gather market intelligence and develop proactive

strategies which then lead to higher growth. Education can also enhance the individual's capacity for creativity, flexibility, self-determination and the ability to respond to widely different situations and thus contribute to innovative behavior in the firm. Some studies also show a positive relation between educational attainment and propensity to take risks.

27. The educational performance of women in MENA countries is by no means homogenous. On the one hand, large numbers of women do not have access to quality formal education and are illiterate. Overall, the region has the lowest regional adult literacy rates worldwide with women accounting for about 65% of the region's illiterate population (UNESCO 2010). The illiterate population entering the labour market often takes part in low skilled jobs in the informal sector. But literacy rates overall are improving, in particular among the youth and in Bahrain, Jordan, Kuwait, Lebanon, the Palestinian Authority, Qatar and the UAE. And the real economic potential lies in the fact that in over half of the MENA countries, women consistently outperform and outnumber their male counterparts in tertiary education. Women in the MENA region, and particularly the GCC countries, are increasingly qualified for high skilled jobs, with education in such domains as engineering, medicine, chemistry and mathematics.

28. Overall, improving women's access to adequate training and information is vital to enhance women's participation in the labour force, in quality jobs and entrepreneurship.

29. In particular in countries where women's education is low, the levels of education need to be enhanced. But education will also have to focus on the quality and content of traditional teaching. Steering women towards courses in line with market needs i.e. economic and business development would help develop their employability and hence their possible subsequent development as entrepreneurs.

30. Women having left the education system may benefit from further training. Besides overall literacy, efforts are needed to ensure women's skills respond to the needs of employers. When it comes to entrepreneurship, women need targeted training in a number of domains.

31. Furthermore, consideration could be given to the skills requiring retraining. The development of new skills necessary for new occupations is recognised as a bottleneck in a number of sectors, including for instance in new technologies, green and renewable energy, and environmental services. Besides, there is an opportunity to develop the supply and quality of vocational education and training (VET). Evidence suggests that existing VET systems in some MENA countries suffer from low budgets and insufficient consultations with private sector employers to identify their skills needs.

32. Industry associations, sector skills councils or chambers of commerce can play a key role in identifying skills needs. They can, in collaboration with State actors, develop gender-responsive education and training offers.

33. It may be noteworthy that the development of skills can in itself be an important driver for the promotion of both enhanced gender equality and growth.

IV.A.2 Using new technologies to develop creative employment models

34. Previous experience helps entrepreneurs build their knowledge base, develop access to market information and business networks, improve managerial capacity and thus diversify products and

services. Management experience has been found crucial to expansion by identifying trends and exploiting opportunities. Entrepreneurs may also capitalise on the previous relationships with customers and suppliers. Experience also influences how entrepreneurs handle the start up, growth and innovation potential of their business.

35. The pool of highly-skilled women represents a potential source of labour whose under-utilisation constitutes a serious missed opportunity for growth in the MENA region. Indeed, although women can enrich the private sector with creativity and productivity, only a very limited number of them join the labour force (see above). The discrepancy between the sometimes very important qualifications and their absence from the labour market or skills mismatches may be explained by various factors. Some put forward cultural matters. Others focus on the perceived and actual barriers to women entering the labour force.

36. Governments could seek to ensure that the right conditions prevail so women are encouraged to not only continue learning but also enter and actively participate in the labour market despite any cultural or family constraints that may result from marriage and parenthood. Governments and other stakeholders could also work towards reducing the perceived or effective barriers which women face (see section on institutional support).

37. Because it takes time to affect a positive shift in the myriad constraints which limit women's employment potential, investors and employers may also consider the use of new work models to support women's employment. It is documented that the population in the MENA region increasingly uses IT technologies; they access the internet frequently, for long intervals, and are increasingly participating in online social networks. Women constitute a large and growing share of internet users. For example, in Saudi Arabia, women constitute almost two thirds of the country's internet users (ITU, 2011). Undeniably, investors could engage in interesting work relations with internet literate women who have the technology skills to engage in work from home, in domains that do not require a physical presence in the office (for example, product development, software engineering, market research, etc.). Investors could of course also take advantage of the high internet literacy to train their employees via e-learning and thereby further engage in skills development in the region.

38. Innovative and creative means of including women in the labour force, including making use of new technologies and digital initiatives, may lead to the creation of new opportunities for women, and may effectively ease the restrictive societal norms that often bind women in the MENA region. They may also serve as a stepping stone to effect changes in attitudes towards women's employment.

IV.B. Institutional support for businesswomen in the MENA region

39. The OECD-MENA Women's Business Forum (WBF)⁴, created in the context of the MENA-OECD Investment Programme, is committed to monitor the implementation of the 2007 'Declaration on Fostering Women's Entrepreneurship in the MENA Region'.

40. The WBF, which has succeeded in establishing a strong regional and international presence, decided as one of its first tasks to examine the support systems in place in the MENA countries.

⁴ See www.oecd.org/mena/investment/wbn

Indeed, levelling the playing field for women entrepreneurs requires building an environment in which women can create their own opportunities.

Box 3. Policies, institutions and programmes supporting MENA women's enterprise development

It is now admitted that governments wishing to promote entrepreneurship in general and female entrepreneurship in particular should create support mechanisms.

A consistent policy or strategy based on the following five factors may be conducive to women's entrepreneurship development: 1) Policy leadership; 2) Institutional support for businesswomen/entrepreneurs; 3) Access to credit and financial services; 4) Business support services and information; and 5) Data collection and research

The WBF's forthcoming publication "Women in Business: Policies to Support Women's Entrepreneurship Development in MENA" brings to light that MENA governments' commitments need to be further pursued and reinforced to effectively promote the empowerment of women as economic actors. It also underlines the need to enhance the overall coherence of the different initiatives governments, business, civil society and the international development institutions carry out. Impact could be enhanced through further collaboration and the development of synergies of the projects by different stakeholders.

Overall, governments in almost all MENA countries have adopted national development plans or gender strategies which commit to support women's economic integration. However, national gender strategies are frequently under-resourced and therefore do not achieve optimal impact.

What's more, Ministries responsible for the development and implementation of national gender strategies often do not have strong links with Ministries in charge of economic development or SME support. Also, where the governments have formal policies for SME development, women are rarely a target group.

Initiatives offering financing to women entrepreneurs generally focus on micro-financing for low-income women, rather than financing for growth-oriented firms. Other business support services ranging from technical services (bookkeeping, IT support) to skills development, strategic assistance, legal, fiscal and trade information as well as accounting services are mostly underdeveloped in the MENA region and entrepreneurs make little use of such services.

Furthermore, women entrepreneurs lack access to mainstream business networks, which limits their access to information, contacts and potential markets. In most MENA economies, there is a wide network of businesswomen's associations. Despite limited resources, they try to play an active role in supporting women entrepreneurs through awareness-raising seminars, trade fairs, and mentoring. However, while it would be key to provide those networks with further means to expand their support in a coordinated manner, it would obviously be essential to extend their links with networks that are not gender specific in order to mainstream the understanding of women's contributions to the economy.

41. While there have been improvements in many MENA countries in terms of promoting gender equality and advancing women's role in socio-economic activities, stronger efforts are needed to encourage and enable more women to participate in the labour force and to broaden the scope of occupational choices available to them in order to unleash growth and employment potential.

42. Governments might find it beneficial to examine a series of measures to enhance knowledge on the lack of participation of women in the formal labour market and the reasons behind women's participation in informal activities. They may also examine the impact on investments,

both domestic and foreign, as well as on the overall competitiveness of their country's economies, if the return on education was higher and women's integration into the formal labour force was promoted.

43. A more comprehensive framework can ensure a more complete integration of women in the labour force as well as a competitive business environment increasingly capable of attracting foreign investment.

V. REDUCING THE CHALLENGES FACED BY SMES AND ENTREPRENEURS AS A WAY FORWARD

44. Many studies have brought to light that SMEs and entrepreneurs face significant challenges and difficulties in starting businesses, in their day-to-day operations and in their long term development. Many of those challenges are derived from their internal constraints (small scale and limited resources), but also from the business environment in which they operate.

45. Several studies have shown that MENA business environments tend to be less conducive to business creation and development than those of developed and some emerging economies. SMEs in the MENA region face a wide range of challenges which impact the region's enterprise development. They are burdened with a weak and non-transparent regulatory environment, a lack of external finance and a shortage of skilled staff.

46. MENA economies are characterised by: numerous and burdensome regulatory and administrative procedures (notably business registration, acquisition of licences and property registration); strict exit regulations for companies – in several countries bankruptcy is a penal offence; as well as limited infrastructure, underdeveloped financial systems, high loan collateral requirements and unattractive tax systems. As they operate frequently in an environment with limited exposure to international competition, SMEs are ill prepared to confront international production and quality standards. The lack of access to business development services is another key barrier.

47. As a result of regularity barriers to the entry of new firms and the lack of transparency and competition as well as the governance issues faced in dealing with government administrations, a number of entrepreneurs operate in the informal sector. Activities of informal enterprises are not captured in formal data even if informality reaches high levels in terms both of number of enterprises and employment. Informality is insufficiently researched but some estimates suggest that the informal sector in MENA accounts for between 40 and 70 per cent of all private sector enterprises and a larger share of employed workers. Obviously, the expansion of informal entrepreneurs is limited: their enterprises have no access to formal financing, government contracts or international trade and investment relations.

48. Actions in five priority policy areas would help MENA countries realise their economic potential, eliminating constraints to growth and projecting positive signals to promote and foster enterprise development:

- a) Regulatory policy and regulatory simplification to establish a transparent regulatory framework and increase the level of competition in the business sector;
- b) Legal and judiciary reform to improve contract enforcement;
- c) Financial sector reform to increase competition and diversification in the banking and financial sectors under close supervision by the regulatory bodies;
- d) Policies to increase women's participation in the labour market and in enterprise creation;

- e) Human capital development policies to improve skills and promote an entrepreneurial culture.
49. These recommendations are in line with a view that places the quality of the business environment at the centre of SME and entrepreneurship policy, and gives great weight to horizontal policies.
50. The GEM database and a World Bank study show no significant or *de facto* systematically gendered issues relating to the regulatory business environment.
51. Evidence collected through a variety of other studies, including in the framework of the OECD-MENA Women's Business Forum, suggests however that women's weaker status (often 'minor' status) in other areas of the law affecting, for example, personal mobility, may impinge on their ability to run a business. Also, and importantly, women's generally lower access to productive inputs such as know-how, technology and equipment or their access to information on markets, price developments, and consumer references constitute obstacles which reduces their ability to fully participate in the economy. Finally, some studies indicate that women feel discriminated in their treatment in comparison to men in the application of laws or in lending practices, and that cumbersome business procedures are working against women and drive them towards the informal sector.
52. This seemingly contradictory evidence points to the need for more in-depth research of the impact of the overall business environment in the MENA economies on women-led enterprises.

ANNEX 1. THE OECD-MENA WOMEN'S BUSINESS FORUM WORKS TOWARDS PROMOTING WOMEN AS ECONOMIC ACTORS

The OECD-MENA Women's Business Forum, which was created in the context of the MENA-OECD Investment Programme, is an inter-regional network of government, private sector and civil society representatives that promotes women's enterprise development in the MENA region. It acts as a platform for knowledge sharing and works with governments to improve policies for attracting investment and promoting economic development in the region.

Focus areas of the Women's Business Forum:

- ***Advocate for the businesswomen's community in international policy fora:*** High-level conferences with media presence raise global awareness about women's contributions to economic growth, women's economic potential and good practices for supporting women-led businesses.
- ***Access to information:*** country-specific inventories drafted with the support of national task forces list initiatives where women entrepreneurs can access business support services, financing, training and networks to strengthen their involvement into the economy. To improve women entrepreneurs' access to information and international networks, the WBF will develop online tools to facilitate exchanges of (1) business information, best practices, strategies for accessing finance, business support services and training; and (2) experiential anecdotes among women entrepreneurs and businesswomen's associations in the MENA region
- ***Access to financing:*** Targeted actions help connect aspiring women entrepreneurs with financing. For example the MENA 100 Business Plan Competition rewards aspiring entrepreneurs with cash prizes. Other avenues to facilitate access to finance will be explored, including with partner organizations.
- ***Monitor changes regarding women's economic involvement through an analysis of existing support systems and women's rights:*** The Women's Business Forum is exploring the feasibility of establishing a monitoring system regarding women's economic participation and rights. Based notably on the country inventories of policies, institutions and programmes supporting the development of women's enterprise (see table below on the issues reviewed) as well as complementary research, the WBF will seek to assess existing policies and practices to support women's entrepreneurship in the MENA region against international good practices and develop recommendations for improvement.

Dimensions in the mapping of the support framework for women's enterprise development

Dimension	Sub-dimension	Evidence description
1. Policy Leadership	1.1. Policies supporting women entrepreneurs	Policies support women entrepreneurs; generally a strategic document, endorsed by the government, conveying a commitment to improve the operational environment for women-led businesses; a more general policy document that makes reference to the inclusion of women as a target group (particularly women's entrepreneurship), such as in national development plans or enterprise policy frameworks (that define medium-term targets for the proportion of women-owned/led enterprises); or a national gender strategy that has policy implications for women's entrepreneurship or economic status.
	1.2. Government promotion of women entrepreneurs	Government actions to showcase the accomplishments of women as entrepreneurs (e.g. published "success stories", conferences on women entrepreneurs; achievement awards for women entrepreneurs).
	1.3. Mainstreaming of issues affecting businesswomen in public/private policy dialogue	Issues affecting women in business are raised in a dialogue between government and the business community (e.g. the number and frequency of meetings and a qualitative account of their effectiveness in shaping policy).
2. Institutional Support for Business Women	2.1 Institutional body responsible for co-ordinating women's enterprise development	Designated single body responsible for co-ordinating and streamlining efforts related to women's enterprise development (e.g. a National Council for Women, or a bureau located within a small and medium enterprise (SME) development agency).
	2.2. Business registration and licensing bodies	Body responsible for business registration and licensing with mechanisms in place to reach out to women entrepreneurs (e.g. dedicated women's bureau established within the body; or advertising campaigns targeted to women).
	2.3. SME support agency	SME promotion agency (if one exists) provides targeted support to women entrepreneurs (e.g. has publicly announced its intention to reach out to women entrepreneurs; has a dedicated bureau for women entrepreneurs).
	2.4. Business associations	Generic business associations are open to women entrepreneurs (e.g. women are permitted to be members; representative proportion of women members).
	2.5. Businesswomen's associations	This sub-dimension identifies businesswomen's association(s) present in the country (age, extent of membership, key services provided).
3. Access to Credit and Financial Services	3.1. Financial initiatives or facilities supporting women entrepreneurs	Financial initiatives or facilities seek to improve the provision of financing specifically to women entrepreneurs; may include micro-finance institutions, commercial banks, credit guarantee schemes, venture capital funds, business angel networks, and others.
	3.2. Credit bureaux information on the microfinance sector	Private credit bureaus or public credit registries actively seek out client credit histories from microfinance facilities.
4. Business Support Services and Information	4.1. Public and private business support service providers	Providers of business support services (governmental, non-governmental and private sector actors) have targeted measures in place to improve women's access to and use of these services; mainstream business support providers track the number of women clients they serve.
	4.2. Access to business-related information	Mechanisms or actions are in place to disseminate business-related information to entrepreneurs, specifically women entrepreneurs (e.g. business development centres, women's enterprise centres, businesswomen's associations, chambers of commerce; up-to-date internet portals with practical information for enterprises that women can access).
	4.3. Access to markets	Efforts to increase women's access to market opportunities (e.g. improve women's access to information on market opportunities or public procurement opportunities; increase women's participation in trade fairs).
	4.4. Entrepreneurship and management training	Key initiatives are in place to provide entrepreneurship and management training to nascent and established women entrepreneurs.
5. Data Collection and Research	5.1. State of gender-disaggregated data collection	National statistical offices collect gender-disaggregated baseline data on: the educational attainment rates, type of studies; labour force participation rates (by private/public sector); number, size and sector of women-owned and -led businesses; the MSME sector; on pre-start-up, start-up and post-start-up enterprises.
	5.2. State of research on women entrepreneurs	Key research studies conducted on the state of women's entrepreneurship and the needs of women entrepreneurs in the country concerned.

Source: OECD (2010), "Inventory of Policies, Institutions and Programmes Supporting Women's Enterprise in the Middle East and North Africa", Women's Business Forum, OECD-MENA Investment Programme, Paris: OECD.

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