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"Women's entrepreneurship in MENA – Myths & Realities"

Ladies and gentlemen,

Once again, it is a pleasure to be here today, and particularly together with my fellow panelists to discus Entrepreneurship in the Arab World.

In my remarks earlier this morning, I argued that stronger involvement of women – who are greatly under-represented – in the economy is necessary to ensure that the current expansion is sustained and delivers real benefits. In these remarks, I would like to stress, first of all, that women already play an important role as entrepreneurs, and will need to play an even larger role to support the development of the region. And second, that reforms of business environment that level the playing field and benefit all entrepreneurs are the best allies of women in business.

Today, the women who are entering the labor market are better educated than earlier generations and they are far more likely to remain in the labor force. As such, the overall female labor force participation has grown from 28 percent in 2000 to 31 percent in 2005. However, women are still not as successful as men at finding jobs.

As I mentioned earlier, the current economic expansion has resulted in strong job growth of recent years. This has led to a decline in unemployment from 14.3 percent to 10.8 percent between 2004 and 2006 alone. Yet this expansion has still not benefited everyone. The region still employs only a small share of its potential workforce. The employment rate – i.e. the share of working age population that is actually employed—is only 47 percent, the lowest in the world. This underutilization of potential of mainly women and the youth has a considerable economic cost to the economy – and certainly to families.

Undoubtedly job creation – and above all the creation more jobs and more high-value jobs as well as a better functioning labor market that absorbs all those who seek work – will remain a priority for the region for the foreseeable future. In order to absorb its growing labor force, the region must create some 60-80 million by 2020 – that is, 4 million jobs per year. And these jobs will have to be increasingly created in and by the private sector, which depends on creative male and female entrepreneurs who are ready to innovate and take risks.

Entrepreneurship is a male-dominated activity in all parts of the world. But studies from Canada to Finland, from the US to the Norway find that women-owned and women-led firms are the fastest growing segments of the private sector. The number women-led and owned firms are increasing at nearly twice the national averages in advanced economies, and are creating jobs at a much faster rate than national averages.

Women's entrepreneurship in the region is also far more robust than has been previously assumed. A recent study by the World Bank compares some 5000 male and female-owned firms across Egypt, Jordan, Lebanon, Morocco, Saudi Arabia, Syria, West Bank and Gaza, and Yemen. The advantage of surveying both male and female-owned firms is that it allows for a more objective perspective regarding how the business environment treats the two groups differently, and hence to arrive at a better assessment of gender based differences. While the results of the survey are extremely useful, we should however recognize that the survey is based on a small sample and does not include all countries of North Africa and the Middle East.

In about 13% of firms surveyed, the principal owner is a woman – this means over one in every eight firms is owned by a woman. This share is higher than we would have expected but is still lower than other middle income regions.

Comparing male and female-owned firms, we found a remarkable similarity in terms of size, age, location, sectoral distribution, export orientation, and overall performance. In particular, it is worth stressing the following:

- Contrary to widely held perception that female-owned firms are small, the share of medium and large scale firms was higher among female-owned firms than male-owned firms. (Medium and large size is defined as employing more than 100 employees.) To put it differently, more than

300 of the largest firms in our survey are owned by a woman. In fact, the share of large firms among the total female-owned firms is higher in this region than everywhere else.[1] Only 8 percent of firms owned by women were micro-firms employing less than 10 employees. And more than half of the female-owned firms were managed by the owner herself – not supporting the view that women own firms in name only.

- Second, female-owned firms are well integrated into the global market. They are active exporters—in Morocco and Egypt they are more likely to export than male-owned firms; a high percentage attracts foreign investors; and they are heavy users of information technology. These are all indicators of sophistication.

- Third, female-owned firms offer good jobs. About 19% of workers in female-owned firms have professional competencies compared with an average of 16% average in male-owned firms. And female-owned firms hire more women – 25 percent vs. 22 percent – and particularly more in professional and managerial levels.

- Fourth and last, female-owned firms are hiring more workers in general. In all the countries in the survey, except for Yemen, the share of female-owned firms that increased their workforces recently exceeded the share of male-owned firms. And, fewer female-owned firms than male-owned firms decreased their workforces.

Clearly we need more than 13 percent of businesses to be led by women. But given the success of female-owned firms, the question that comes to mind is: Why are there not more female-owned firms? Why is women's entrepreneurship not reaching its potential?

We explored whether in the region the business environment is discriminating against women entrepreneurs and found this not to be the case. The bad news is that female-owned and male-owned firms both find the business environment cumbersome. There are no countries where female-owned firms consider the investment climate to be consistently worse than men. And, we do not find a singly barrier that affected women consistently negatively across all countries.

We find, however, some barriers that affect women more than men, but varied from country to country. Some examples:

- Female-owned Egyptian firms considered access to land and electricity as well as the length of time it took to resolve legal disputes in courts as significantly greater barriers than their male counterparts.
- Transportation was seen as a barrier in Lebanon and Saudi Arabia, while Moroccan female-owned firms considered availability of skilled workers as a major and severe barrier.

Not surprisingly, Yemen, the poorest country in the survey, reported the largest number of barriers affecting female-owned more than male-owned firms. But Lebanon came second, a country with large differences from Yemen in terms of per capita income, openness and diversity.

Despite some of these stated barriers, though, we can state that the business environment is largely gender neutral. This is very encouraging and suggests that women can rise to position of leadership within the private sector. So what could be some of these other barriers?

We came to two conclusions. The first is the generally high barriers that both men and women face in the business environment act as a greater disincentive for women that they do for men. Firms from the Middle East and North Africa were considerably more negative in their responses vis-à-vis the investment climate than were firms from East Asia, Latin America and Eastern Europe, which are regions with similar levels of per capita income.

Evidence from cross-country analysis shows that when investment procedures are simple and transparent, when the costs to start and close a business are low, and when trade is made easier, the share of women-owned firms rises. Therefore, overall reforms of the business environment are likely to benefit all investors, and are likely to open more doors for women investors and entrepreneurs. This is an especially inspiring finding: the region has recently embarked in important reforms in this direction, as found for example by the Doing Business report that has recognized Egypt and Saudi Arabia among the top reformers in this area.

Second, we reached the conclusion that women face barriers outside the business environment that are due to social norms – attitudes toward women's work outside the home – and to a certain degree differential treatment under laws outside the business environment.

Studies of perceptions, including one that we carried out specifically for this region, show that favorable attitudes toward women's work outside the home are positively correlated with women's entrepreneurship. In other words, where it is more acceptable for women to work outside the home, there is a higher rate of women's entrepreneurship. This fact, together with the finding that attitudes towards women's work are more negative in the Middle East and North Africa region than elsewhere, suggests that perceptions may impact the aspiration and confidence of women to enter a business venture.

We have also studied discrimination under the law, and found that business laws or economic regulations show little or no differentiation on the basis of gender. However, a number of laws outside business legislation treat women as "legal minors": they require that women obtain permission in various aspects of their interaction with the public. Indeed a survey of lawyers in the region revealed that women entrepreneurs considered business laws as fair and non-discriminatory but complained consistently about the need to obtain the legal permission of a male kin to travel, or to obtain a passport. And finally, as everywhere, the interpretation of even gender-neutral legislation by courts can be affected by social norms, including conservative attitudes.

In conclusion, reforms of the investment climate that reduce the cost of starting, operating and closing a business can play an important role in encouraging women entrepreneurs. And women entrepreneurs can in turn play an even bigger role in promoting the increase in competitiveness that HRH Princess Haya Bint Al Hussein has identified as necessary to transform the economies of the region from oil-based to diversified, integrated, market economies.

These reforms will not be all that is needed, as the findings on the importance of norms and perceptions indicate. But they represent an important opportunity for women in business to seize and exploit to grow in number, size and contribution to the future of the region.

I would now like to turn to the other panelists. Thank you.