

## Executive Summary

MENA economies have the lowest proportion of women in employment in the world and a similarly low level of women entrepreneurs. Harnessing the potential of women could foster the development of the private sector and stimulate productivity, innovation and economic growth. Research estimates that closing the gender gap in the labour market could increase gross domestic product (GDP) by more than 25% per capita in MENA economies.

Profound changes across the MENA region since 2011 represent a historic opportunity to implement a multidimensional policy reform agenda, targeting in particular youth and women's unemployment, weak institutions, limited competition and low levels of private sector development. Improving access to business support and finance for micro-, small- and medium-sized enterprises (MSMEs), which account for up to 90% of businesses and create more than half the jobs in the region, could help improve enterprise activity and growth. Implementing specific measures to support women's economic empowerment could help unlock entrepreneurship in the MENA region. This publication provides an overview of the issues surrounding women's entrepreneurship, and recommendations on how they can be addressed. It is based on available statistics from 18 countries in the MENA region, as well as recent OECD surveys of banks and BDS providers in the region.

### **Better schooling of girls has not translated into increased employment**

In general, the MENA region lacks national and international statistics, especially on women's employment and entrepreneurship. However, data on schooling – which is relatively more complete – suggests that women's relative progress in education has not translated into increased employment and entrepreneurship.

Many MENA economies have achieved impressive social gains in recent years. While women have lower educational levels than men in the total population, when it comes to the younger generation the MENA region ranks relatively well in international comparisons. Gender inequality in education has been largely eliminated in many countries, and women now often predominate in tertiary education. But progress varies considerably across the region, with lower scores for lower-income countries such as Egypt, Morocco and Yemen.

Although the gender gap in labour force participation has slightly decreased since the early 2000s, MENA still has the lowest levels of women in the workforce in the world, with only 24% of women working or seeking paid work, compared with more than 60% on average in OECD countries. Moreover, the gender gap in employment in the MENA region is almost twice as high as in other low- and middle-income countries and almost three times that of OECD countries.

In addition, women's unemployment rates remain very high, at about 18% compared with a world average of 6%. Younger women face unemployment rates of 40-50% in many MENA countries, even when they have tertiary education.

The women's employment picture is complex. Generally, working women – especially in lower-income economies – tend to be more represented in vulnerable positions such as unpaid family work and self-employment. The public sector is a significant employer of women throughout the region, although the job stability it provides comes at the cost of lower wages. The gender gap is somewhat smaller for positions requiring higher levels of education.

Entrepreneurship can offer women an alternative way of earning an income, and indeed, one in eight women (12%) are active as entrepreneurs. However, this is much lower than the rate for men, nearly one in three, and is low compared to other regions in the world. Also, the attrition rate of new entrepreneurial ventures owned or managed by women appears to be significantly higher than among their male-owned equivalents. This could stem from the fact that women entrepreneurs often come from lower-income households than their male counterparts and have less prior employment experience. Finally, women-owned businesses account for only 7% of larger and incorporated businesses (compared to 37% worldwide), and just 1% of those have a female top manager (compared to 18% worldwide).

### **Women entrepreneurs have inadequate access to business development services**

The frameworks and tools needed to support business creation and development remain inadequate in the MENA region in general, but even more so for women. Women entrepreneurs confront specific obstacles and constraints that stem from both the demand side (use of finance and business development services [BDS]) and the supply side (bank lending practices and the range of BDS and incubators available).

BDS are critical for creating and developing companies. BDS providers help new entrepreneurs and existing business owners obtain key economic, regulatory and market information to make informed decisions when establishing or running a business.

Evidence from other regions shows that BDS targeted at women have been effective in increasing access to support for starting and growing their businesses, and that specific approaches to adjust BDS to the needs of women entrepreneurs can be even more effective. However, services for women entrepreneurs in the MENA region are very limited, not only because the overall business support infrastructure is underdeveloped, but also because the services that are available are often not tailored to, or well-known by, women entrepreneurs.

BDS organisations point to the small size of the pool of women entrepreneurs in the region and their lack of awareness of the availability and importance of such services when discussing the challenges to providing services to women entrepreneurs. Specific elements include the fact that women tend to limit themselves to “traditionally female” areas of the economy where barriers to entry may be low, but there is limited opportunity for competitive advantage; as well as limited prior experience in starting and running a business and a lower level of education, especially in rural areas. In addition, women need flexible training schedules for family reasons. A number of BDS organisations also stress lack of funding as an issue preventing them from developing women-focused programmes.

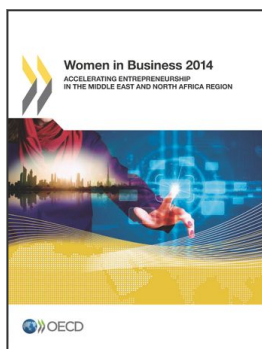
Slightly less than half of the BDS organisations surveyed make special efforts to tailor, promote and market their services to women entrepreneurs. Those which provide such specific services also tend to offer gender-sensitivity training to their staff, advisors and trainers.

## Closing the gender gap in access to credit and finance

In 2010, the Women’s Business Forum (WBF) identified access to finance for women entrepreneurs as the second pillar of reform to increase women’s entrepreneurship in the MENA region. Men and women alike face difficulties in accessing external and formal sources of funding in a regional context where banks are particularly risk averse. However, women face specific difficulties because they often lack collateral and have no experience of bank lending. Practices in other countries also show that bank lending targeted at women can be successful in supporting them in creating and developing businesses.

Banks surveyed for this report are potentially motivated to invest in women-led businesses and consider such businesses important for entrepreneurship development and job creation. All report offering finance to women-owned businesses, yet only three had annual targets to increase financing to women entrepreneurs and none reported offering tailored programmes, personalised services or customised products aimed at women-led businesses. Finally, most banks do not seem to view women-led businesses as a market with specific needs although some report their intention to develop targeted services and products for women business owners in the near future. In reality, women-led businesses represent less than 10% of banks’ loan portfolios. This may stem from the fact that banks, when making financing decisions, regard credit history (90%), collateral (80%) and business experience (80%) as the most important factors. This may exclude projects by women entrepreneurs given their limited use of formal bank accounts, their reduced access to collateral and their reduced amount of formal work experience.

There is also an obvious need to enhance the demand side of bank credit by improving women’s skills to become “bank ready” -- to better meet banks’ expectations and to be able to present their projects in a convincing manner. The expansion of banks into non-credit services such as business coaching, accounting and financial planning advice, business intelligence, business tools and value chain networking – in addition to training programmes offered by women’s associations and governments – could potentially make real inroads in helping to enhance women’s bank readiness.



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