

5. How to boost female entrepreneurship

Although well established in the Middle East, women's entrepreneurship has not reached its full potential. The shortage of small and micro male- and female-owned firms in the region suggests high barriers to entry into the formal sector for all. While the investment climate in the Middle East and North Africa is similar for men and women, female-owned firms in some countries perceive some constraints as more binding than do male-owned firms. And women face additional hurdles—gender-related and costly—outside the investment environment. These barriers restrain the ability of firms to grow to their potential, inflicting costs that will be ultimately paid by all. More important, they restrain the number of female-owned firms that can enter the formal sector.

Now is the time to spur women's entrepreneurship. Having invested significantly in education over the last decades, the Middle East is closing the gap on gender disparities, and in 11 Middle Eastern countries of 18 women outnumber men at universities. Labor force participation, while low compared with that in other regions, is growing fast. But the surge in participation rates of workers 25–30 over the last five years, especially among educated women, has left women's unemployment 2–4 times men's, when overall unemployment is declining.

As a result, many women choose self-employment out of necessity, perhaps starting their businesses in the informal sector. But these self-employed women are very different from those of earlier generations—and from the commonly held view of micro-entrepreneurs. Their activities are far more knowledge-based and far more plugged into global markets through information and communications technologies.

With this clear potential, women's entrepreneurship has become a popular cause. Governments, the private sector, donors, and nongovernmental organizations are promoting women's economic empowerment in the Middle East, with women's entrepreneurship a key tool. So far, much has been spent on advocating women's access to finance (with emphasis on microfinance), building capacity for entrepreneurship, and organizing and strengthening women's business associations.

These activities are necessary and useful. But the analysis in this report suggests that far more helpful would be reducing the barriers for all investors to open, operate, and close firms and addressing social norms and gender-based differential treatment under the law.

Reduce barriers to all firms

Reforming the business climate to reduce barriers to opening and closing firms would benefit all. Cutting the cost and complexity of opening a formal business allows entrepreneurs to take advantage of market opportunities, which because of globalization are evolving faster than ever. By contributing new ideas, technologies, and production methods, these businesses can boost productivity growth across the economy, even

spurring existing firms to raise their productivity. Reducing barriers to exit ensures that capital and resources can easily flow to more productive uses.

Such reforms would help women in particular. Regions with lower startup capital and lower exit barriers have higher shares of female entrepreneurs in formal sector. Because of their dual roles, women everywhere are caught between the demands of work and family. But for a variety of social and legal reasons, women in the Middle East are more constrained than those in other regions by social norms related to work–family issues, making their time horizons more uncertain, which could create greater risk of loss. Investment decisions are forward-looking, allocating resources today in the hope of rewards later. Investment climate barriers to opening and closing a business can discourage women more if investments are more costly and time consuming to reverse.

Address gendered social norms and differential treatment under the law

To benefit from economic opportunities and contribute to national growth, women in the Middle East need a level playing field. Educating women has not been enough to change social norms sufficiently, so much remains to be done. Women’s opportunities for work are far fewer than those of men, evident in the high unemployment among the relatively low share of women in the labor market—and even more in the concentration of educated women among those unemployed.

Leveling the playing field requires building an environment for these skilled women to create their own opportunities. This means addressing social norms about working women and promoting an environment where women can balance work and family. Progress on both fronts is an urgent need. The degree of job segregation remains high: most jobs are still in male-dominated sectors that may be seen as inappropriate for women. And the belief that men, as the traditional breadwinners, are more deserving of jobs is still widespread.

It also means addressing gender-based differential treatment under the law. Differential treatment stems from three factors. The first is the dual objectives of the state—to facilitate employment and economic growth but also (at times) to maintain traditional gender roles. This is most evident in policies that define women as legal minors, requiring that their interactions with the state be mediated through a male relative. More and more countries are eliminating such requirements, however, as governments ensure that the interpretation of laws intended to protect the family is not driven solely by traditional perceptions of gender and that these interpretations allow individuals to contribute to family welfare in new ways. Again, the need for reform is great.

The second factor is gendered laws outside business and commerce, because even if business and commercial laws are meant to be gender-neutral, other laws can affect implementation in potentially gendered ways. Policymakers need to take a deep look at these contradictions and evaluate whether economic goals are undermined by laws and regulations based on traditional gender roles. If these do interfere with policies for

economic growth and inclusiveness, decrees or administrative circulars can instruct state personnel on how to interpret laws consistent with economic policies.⁵⁴

Today a woman may face fewer challenges in finding foreign buyers for her firm's output, but she cannot board the plane to close the deal if her husband has not given her written permission to obtain a passport and travel. Or she may succeed in attracting the leading foreign investors in her sector to partner in her venture, but she may still have to bring her father or husband to cosign her loan, even though banking laws do not require it.

The third factor driving differential treatment is legal opaqueness, which can create additional risks and potentially hinder women entrepreneurs' access to justice, conflict resolution, and contract enforcement. Though hard data on women's access to justice are unavailable, qualitative surveys and anecdotal evidence reported in the media and by women's advocacy groups suggest that judiciaries in the Middle East remain conservative, perhaps becoming even more so recently. In cases of ambiguities, their interpretations are likely to be influenced by traditional views of gender roles.

Next steps

This report is one of many efforts to analyze the potential of women entrepreneurs and female-owned firms in the Middle East. It should be followed by much more concerted data collection. These efforts should also look beyond the formal sector by examining women's self-employment and home-based entrepreneurship.

⁵⁴ Administrative circulars are normally outside the legislative process, where changes take time and can be politically charged, and in the purview of the executive branches of the government and specific ministries.