

Social Entrepreneurship in the MENA Region: For Inclusion and Sustainable Development

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1. INTRODUCTION

According to UNICEF Middle East and North Africa Regional Office Annual Report 2017, the MENA region is undergoing a demographic transition with increasing numbers of children, adolescents and youth. Between 2000 and 2005, the region experienced an average population growth rate of 2.0 % per year, and the current 1.7% per year remains well above the world's average of 1.3%.¹ Estimations found that the numbers of children, adolescents and youth in the region will reach 271 million in 2050, while over 33 million children and youth under the age of 24 will be added to the population between 2015 and 2030.² Despite this, the slowing of population growth presents a demographic window of opportunity to invest in human capital by improving access to health and education and enhancing prospects for productive employment. Countries in the region now need to capitalize on this demographic dividend as soon as possible via strategic and sustainable investments.

The current youth bulge in the region's population also generates an array of challenges, including the lack of access to basic services. Although fewer children (2.3 million) were out of school as of 2015, down from 15 million in 2008, the region's education systems are unable to adapt to individual and societal development. This is especially pertinent to the high levels of youth unemployment – both in the formal and informal sectors – and the socio-economic exclusion of youth in the region. Youth unemployment in MENA has been high and stagnant for the last five years at around 25% in the Middle East and 30% in North Africa.³ In addition,

discrimination against young women and girls remains widespread across the region, with women and girls suffering from very limited access to decent work or tertiary education opportunities, especially when they are undocumented.

In this context, and with constrained public and private resources, traditional development frameworks in the Middle East are inadequate and are in need of transformation. Within the complex ecosystem of domestic governments, international donors, private businesses and individual philanthropists, the emerging model of social entrepreneurship offers potential as being one model to address the multi-sectorial challenges young people face in the Middle East.

2. CHALLENGES OF LABOR MARKETS IN THE ARAB COUNTRIES

Employment is a major challenge for Arab economies. The decade 2000-2010 showed strong annual rates of growth in the size of the working age population (between 2.2 and 3.7%). Yearly, 1.8 million people enter the labor market, a growth rate of 2.7%. In addition, labor markets in Arab countries are characterized by relatively low participation rates: estimated at an average of 52.8% for the Arab world as a whole, 44.2% in Algeria, 47.7% in Tunisia, 49.3% in Egypt and 50.7% in Morocco.⁴ A considerable gap has been observed between male and female participation rates, particularly in Algeria (60.2% for men versus 13.6% for women), Jordan (60.4% for men and 13.2% for women) and Palestine (69.1% for men compared with 17.4% for women). Although women's participation has increased in recent decades, this trend remains very slow and is not uniform between the public and private sectors. In Egypt, for example, 54% of working women are employed in the civil service and less than 10 % work in the formal private sector.

Unemployment rates in Arab countries are among the highest in the world. Unemployment grew substantially in the aftermath of the world economic crisis in 2008 and again following the Arab Spring in 2010, reaching an average of 11.5% in 2012, thus mainly affecting young people, new entrants to the labor market and women. Unemployment rates among women (21.6 %) and young people from 15 to 24 years old (29.3 %) are thus higher than among men over 24 (8.61%). The unemploy-

¹ United Nations Development Program (UNDP) (2009), Arab Human Development Report: Challenges to Human Security in the Arab Countries (New York: UNDP), 109. Abdel-Gadir, Ali; Abu-Ismaïl, Khalid (2009), Development Challenges for the Arab Region: A Human Development Approach (Cairo: UNDP and League of Arab States), 32-33.

² Arab Human Development Report (2016): Enabling youth to shape their own future key to progress on development and stability in Arab region (New York: UNDP)

³ Middle East refers to: Bahrain, Iraq, Jordan, Kuwait, Lebanon, OPT, Oman, Qatar, Saudi Arabia, Syrian Arab Republic, UAE, Yemen. North Africa refers to Sudan, Egypt, Algeria, Tunisia, Morocco, Libya.

⁴ The labor market participation rate is defined as the ratio of the number of people in the labor market and the total number of people above fifteen years of age.

ment rate among young women in Arab countries reached a remarkable 48% in 2014.⁵

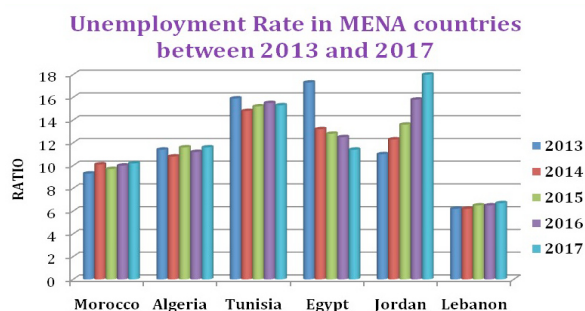


Diagram: Unemployment rates between 2013 and 2017 in Morocco, Tunisia, Algeria, Jordan, Lebanon and Egypt⁶

A further feature of labor markets in the Arab world is high levels of unemployment among the highly educated. Unemployment rates for educated people (holding university degrees) were 42% in Egypt, 31% in Palestine and 29% in Tunisia.⁷ In Morocco in 2015, unemployment was particularly high among those with a university degree (21%) compared with those without university-level qualifications (7.3%).⁸

Pressures on the labor market are aggravated by armed conflicts in the region and consequent massive influxes of refugees and migrants. More than one million working-age legal immigrants are living in the region (comprising 2% of current documented employment);⁹ along with an undetermined number of irregular or illegal migrant workers (estimated in excess of two million).¹⁰ The number of immigrants is particularly magnified by the large number of people displaced by the conflict in Syria. Jordan and Lebanon are the most affected countries (1.5 million refugees currently live in Lebanon, equivalent to about 34% of the population before the Syrian crisis). Jobs occupied by migrant workers and refugees are usually underpaid and offer working conditions that do not conform to national labor rights.

With growing unemployment, the Arab region

faces many challenges in creating work opportunities to meet the aspirations of its people especially youth. The marginalization and exclusion of woman and young people from the labor market contributes greatly to persistence of high levels of poverty. Particular attention should be given to economic and security challenges following the region-wide 'Arab Spring' protest movement. While the economic crisis has to be addressed through increased efforts to create jobs and enable previously excluded populations to access labor markets, social issues such as social protection, social dialogue and minimum safety nets must also be taken into account.

3. SOCIAL ENTREPRENEURSHIP AS AN ALTERNATIVE SOLUTION

3.1. Key Principles of Social Entrepreneurship

Over the past two decades, the concept of social entrepreneurship has increasingly entered public discourse. However, the concept is still, by nature, open to multiple interpretations. It's a kind of dilemma on the feasibility and capacity of social entrepreneurship to focus on individuals versus organizations. Besides, a basic set of questions is how sustainable a social entrepreneur's efforts must be, what qualifies as positive social impact, and on what scale this impact must be achieved? For these reasons, many definitions of social entrepreneurship have been proposed, each of which emphasize different elements, such as "pattern-breaking," "systemic," or "permanent" social change; entrepreneurial innovation; or financial sustainability.

Focal points for an appropriate understanding could be the following four central principles of social entrepreneurship:¹¹

- Achievement of positive social impact: Social entrepreneurship responds to communities that have been marginalized or excluded by existing market actors and non-market institutions;
- Non-conventional thinking: Social entrepreneurship aims for what Joseph Schumpeter called "creative destruction," a revolutionary transformation of a pattern of production that is often associated with entrepreneurship at

5 International Labour Organisation (2016), World Employment Social Outlook Trends (Geneva: International Labour Office).

6 Data provided by International Labour Organization and World Bank datasets.

7 Kärkkäinen, Outi (2010), Women and Work: Access, Limitations and Potential in Tourism and ICT Egypt, Jordan and Tunisia (Luxembourg: European Union).

8 International Labour Organization (2015): Boosting Youth Employability in Morocco – II. Randomized Controlled Trial Baseline Report December 2014 (Geneva: ILO).

9 The estimate covers the Mediterranean Arab Countries: Algeria, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia and the Occupied Palestinian Territories, but Gulf countries are not included

10 European Parliament (2015), Economic challenges and prospects of the refugee influx. (Brussels: EU).

11 Abdou, Ehaab; Fahmy, Amina; Greenwald, Diana; Nelson, Jane (2010), Social Entrepreneurship in the Middle East: Toward Sustainable Development for the Next Generation. (Washington, D.C.: Wolfensohn Center for Development at Brookings).

large but, in the case of social entrepreneurship, is applied to social challenges;

- Use of sustainable methods: Social entrepreneurship must include a strategy for achieving financial sustainability, such as earning income;
- Innovation that can be adapted and “scaled up” beyond a particular local context: It is by pioneering ideas that can be applied at a larger scale that social entrepreneurship is able to contribute to “systemic” and path breaking change.

From these principles, it follows that the social entrepreneur is “innovative, resourceful, and results oriented,” drawing on “the best thinking in both the business and nonprofit worlds to develop strategies that maximize their social impact”.¹²

3.2. Social Entrepreneurship in the Middle East

To meet the needs of the Middle East’s growing youth population and broader development, policymakers and leaders are supposed to turn increasingly to entrepreneurship.¹³ Programs and policies that encourage entrepreneurship are being promoted as tools that help equip young people with the skills needed to create their own job opportunities as well as new opportunities for others. These efforts are also emerging as part of a spectrum of development programs and policy reforms aimed at ushering in a new era of competitiveness in the region based on a foundation of human capital development.¹⁴

The opportunities provided by this emerging entrepreneurial focus do not end with job creation and increasing economic competitiveness. Entrepreneurial activity can play an important role in addressing the broader set of development challenges facing the region. In addressing these challenges, social entrepreneurship has a role to play that is just as important as traditional entrepreneurship. Just as entrepreneurs test innovations and start up new firms, in the case of social

entrepreneurship, these innovations concentrate on how most effectively to address social needs, provide basic services, and achieve equitable development. Start-ups and innovations concentrate on how most effectively to address social needs, provide basic services, and achieve equitable development.¹⁵ Within the existing and evolving ecosystem of national governments, private businesses and philanthropists, and external public and private resource flows, an emerging model of social entrepreneurship and social enterprise offers potential for supporting youth development and employment and helping to address other development challenges.¹⁶

4. SOCIAL ENTREPRENEURSHIP AND TECHNOLOGY

4.1. The digital revolution is transforming the MENA region

In the Middle East and around the world, digital technologies are disrupting every aspect of business, government, and individuals’ lives. Actually, the major driver and motivator for socio-economic change are supposed to be digitalization. The digitization story of the Middle East has many highlights thus far. Indeed, some parts of the region have heavily invested in the digital age, particularly among consumers. For instance, in the United Arab Emirates, 70 to 80% of the population is carrying a supercomputer in their pocket, placing the country in the top ranks of global smartphone penetration. On this metric Bahrain, Qatar, and the United Arab Emirates score higher than the United States (100% against 80%).¹⁷

In other hand, social media usage is also widespread: The MENA region is ranked second in the world by number of daily YouTube videos views with more than 310 million.¹⁸ In addition, the MENA region is considered as the fastest-growing consumer of videos on Facebook: consumption per Head of Facebook embedded videos is twice the global average. Given the demographics in the region, the tech-native and savvy youth in the

12 Kharas, Homi (2009), Action on Aid: Steps toward Making Aid More Effective (Washington D.C.: Wolfensohn Center for Development at Brookings), 4-5. Kharas, Homi (2009), Measuring the Cost of Aid Volatility (Washington: Wolfensohn Center for Development at Brookings).

13 El-Bayar, Kareem (2010). The Legal and Regulatory Framework Governing Social Entrepreneurship in the Middle East: Opportunities, Challenges, and the Way Forward (unpublished background paper prepared for the Middle East Youth Initiative, International Center for Not-for-Profit Law).

14 Stevenson, Lois; Daoud, Yousef; Sadeq, Tareq; Tartir, Alaa (2010), Global entrepreneurship monitor: GEM-MENA regional report 2009 (Cairo: International Development Research Centre).

15 El-Bayar, Kareem (2010), The Legal and Regulatory Framework Governing Social Entrepreneurship in the Middle East: Opportunities, Challenges, and the Way Forward (unpublished background paper prepared for the Middle East Youth Initiative, International Center for Not-for-Profit Law, 2010)

16 Abdou, Ehaab; Fahmy, Amina; Greenwald, Diana; Nelson, Jane (2010), The Status and Potential of Social Entrepreneurship in the Middle East (Washington, DC: Brookings Institution).

17 Angel List, “Locations”, accessed October 2016 (<https://angel.co/locations>)

18 World Industry Service database, accessed September 2016; World Market Monitor database, accessed September 2016.

Middle East will further boost the digital adoption rate in the coming years.

4.2. Key principles for effective social and digital entrepreneurship

On the business side, digital technologies adoption is lower. A survey revealed that just 18% of small and midsize enterprises (SMEs) in the United Arab Emirates, 15% in Saudi Arabia, and a mere 7% in Egypt have an online presence. But more and more customer journeys, channels, and internal processes and activities are getting digitized.¹⁹

Digital technologies open a new and perhaps limitless field of innovative strategies. It can be said that in their pursuit of change and new social value they also disrupt traditional industries by finding much easier, cheaper and innovative solutions. It is noted that a social and digital entrepreneurship can be successful only if it incorporates a few key principles:

- Not just to ensure that digital knowledge and skills are developed and used, but also that these are used for solving social problems;
- Digital and information technologies must be used to strengthen and enhance the link between the suppliers and the recipients of the service;
- To guarantee that the marginalized groups will have a chance to succeed in life;
- Create decentralized networks of knowledge that support the exchange of information without a central filtering body;
- Exert pressure on public institutions where decisions are taken by gathering information and data from citizens.²⁰

4.3. Main challenges to develop the social entrepreneurship with technology

The main challenges social entrepreneurs face can be summed up as followed:

- Technological infrastructure is centralized, decisions are still monopolized and cannot reach all in need;

- Timely ground-level data that is essential for successful development is still difficult and too expensive to collect, transfer, and use;
- Young people still do not possess adequate information technology knowledge in order to find the job they seek;
- Social enterprises cannot afford the high price of developing digital innovations;
- Hiring hi-tech specialists in the social sector is difficult where salaries are much lower than in the private IT sector. Social entrepreneurs can use the achievements of digital technologies, but they cannot create them.
- Securing funding for two types of activities is difficult, too: creating ICT tools for achieving social impact goals (e.g. a mobile tool that helps reduce infant mortality); and ICT needed for the organization to run more efficiently (e.g. financial management systems).
- Technological consulting and partnerships have limited impact because they are often not longitudinal and/or context specific enough to be successful, given the possible complexity of each technological solution.
- Organizations are not in a position to fully use the unprecedented amount of data they can collect for the specific target groups or social issues they work on, and their data sets remain smaller and more fragmented than the “big data” sets that experts focus on.²¹

As a result, with regard to the region’s pressing socio-economic challenges elaborated above and the potentials that lie in social entrepreneurship, technology should become an advantage for the success of social business that address the socio-economic challenges in the MENA countries.

RECOMMENDATION

The desired change cannot be achieved without empowering young people. There is a need to invest more into enhancing the capacities of the young generations to enter the labor market and develop it. Social entrepreneurship in the MENA region faces many challenges such as the com-

¹⁹ Markovitch, Shahar; Willmott, Paul (2014), Accelerating the digitization of business processes, <https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/accelerating-the-digitization-of-business-processes>.

²⁰ Prodanov, Hristo (2018), Social Entrepreneurship and Digital Technologies. In: Economic Alternatives, 1, pp. 123-138.

²¹ Ashoka (2014), Social innovation mapping: Social entrepreneurs changing lives through ICT (Arlington: Ashoka); Abu-Saifan, Samer (2012), Social Entrepreneurship: Definition and Boundaries, In: Technology Innovation Management Review, pp. 22-27 (25).

plete lack or great deficiencies of a legal framework regulating the sector. In a context of high unemployment and social tension, it is social enterprises which may offer adequate potentials to generate income and employment, while targeting urgent social and environmental problems, thus preparing solutions for pressing problems.

Recommendations for enhancing the level of social entrepreneurship in the countries and economies of the MENA region should encompass:

- Appropriate legal and regulatory frameworks for social entrepreneurship should be developed by policymakers in close collaboration with civil society actors, businesses and unions in a consensual, solution-oriented spirit;
- The legal and fiscal framework specific to social enterprises and other components of the social entrepreneurship must take into account their „hybrid“ role as private businesses which play a complementary role to the public service, while generating private revenues;
- Indicators for measuring the social and financial return of social enterprise should be clarified in order to ensure evaluating the impact to social businesses on public affairs;
- It is preferable to set up a monitoring component composed of representatives of the social entrepreneurship sector, public authorities and private sector representatives. This component would be responsible for following the evolution of this new sector of activity and proposing strategic adaptations to uphold effectiveness, efficiency and sustainability.

In addition, state authorities should:

- Implement a plan for education and awareness of social entrepreneurship in higher education and vocational training and improve the training and research capacity related to inclusive economy, social enterprise and social responsibility, business ethics and the different methods of good technology implementation;
- Encourage the setting up of social incubators and services dedicated to supporting social businesses, particularly in disadvantaged areas. The place can become a physical or online platform for meeting, networking and exchange;

- Define the distinction of social impact investments in companies operated by youth and promote them through tax incentives to encourage the financing of social enterprises;
- Promote market access for social enterprise products by multiplying the marketing channels through the organization of trade fairs and itinerant markets, the promotion of fair trade, reinforcement and organization of actors; and promote the good utilization of technology and IT tools (e.g. social media);
- Develop cooperation according to good integration and use of technology in the field of social entrepreneurship through the development of partnership with the main stakeholders organizing the sector at national, regional and international level;
- Define an effective legal framework to regulate and encourage Corporate Social Responsibility (CSR). This approach will reduce the irreversible destruction of the natural environment, overexploitation of natural resources or the exclusion of part of the population from the fruits of development;
- Implement a strategy of micro-finance legislation, in order to foster the development of microcredit institutions. The strengthening of this legislation should in particular aim to increase competition and innovation;
- Adjust the financial services provided to work for real inclusion that can support social entrepreneurship;
- Regulate trading and customs in a way that can give an advantage for social enterprise or business to access other national or international market and or resources.

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