Everyone agrees
the Arab uprisings in 2011 weren't about abstractions,
but economic and social realities: bread, jobs, boredom
and the corrosive effects of corruption.
Everyone agrees that allowing businesses to

GET THE JOB DONE

means creating a Middle East and North Africa
where businesses small and large can flourish. Where
entrepreneurs grapple with customer feedback rather
than bureaucracy. Where youth are hired for their skills
and capabilities instead of their connections or their
gender. It may sound an impossible dream, but
if the problems are clear so are the solutions.

This section is inspired by the Deauville Partnership civil society outreach conference in Berlin in November 2015, hosted and organised by the Candid Foundation and funded by the Federal Foreign Office of Germany, which also supported this publication. Editorial independence was maintained at all times. The opinions expressed here are the views of the author and may not (or not yet) reflect the views of the German government^^.

ENTREPRENEURS

WE STARTED UP

Photograph: Nabbesh

An inside view on running a successful MENA start-up

From dicey internet, the threat of conflict to difficulties in encouraging payments online, tech start-ups in MENA countries can face some unique challenges.
But that's not stopping Arab youth (and industry veterans) from setting up shop.

BY SARAH ILLINGWORTH

Sometimes the best validation of a product's demand is yourself. After Loulou Khazen, 34, quit her regular day job in Dubai in 2011 with the idea of starting her own business, she struggled to find freelance work, despite possessing a university degree and nine years of professional experience. That led to the realisation she may have hit on a gap in the market. Within a year, Khazen had participated in Dubai reality television show *The Entrepreneur* with the prototype for Nabbesh ('search' in Arabic), an online skills-exchange website connecting job-seeking freelancers and employers. She won the show's first edition, taking home a cool one million AED ($272,000) in prize money, as well as free office space for a year and professional services to help grow the business.

"I wanted to create a marketplace, to link people like me with companies that needed workers on a part time or freelance basis," she recalls. Today the site has over 81,572 members, has a 95 per cent fill rate with top-level clients, and has processed over half a million dollars in freelancer payments.

Demand for a service like Nabbesh is indicative of the changing nature of work but also the shifting demographic of the Arab workforce. Roughly 60 per cent of the population in Arab countries is under 25 years old, according to think tank Youth Policy, while the young people aged 15 to 24 constitute approximately 20 per cent of the population. Youth unemployment is a significant worry: according to the 2015 Arab Youth Survey, 81 per cent of young Arabs are concerned about unemployment.

On whether youth believe that government is the answer to unemployment, there is a dramatic divide between the GCC countries

THE MARKET MAKER

www.Nabbesh.com

As job markets change worldwide, with more emphasis on freelancing and flexibility, Nabbesh is leading the charge in the Middle East, servicing over 81,000 members and with a 95 per cent fill rate with their top-level clients. Lebanese founder Loulou Khazen found inspiration after experiencing difficulties searching for freelance work after quitting her day job in Dubai. "I wanted to create a marketplace."

THE VETERAN

www.Creova.com

Ramzi El-Fekih opened the Tunis office of his mobile payments company Creova after the 2011 revolution. It offers systems that allow users to make payments using a mobile phone, crucial in countries where phone ownership vastly outstrips bank accounts. His track record includes having lived and worked in the US for 20 years. "If I had to bet on any sector right now in Tunisia, I would bet on IT."

THE CODER

www.IT-QAN.com

Offering ICT consultation and services and with an impressive suite of products, ITQAN for Smart Solutions was founded in Alexandria in 2013, as protests and power cuts added to ordinary business pressures. Founder Rania Redi hopes to establish a technology hub in Alexandria. "I would love to help formulate a powerful generation of technology lovers and adopters, especially girls who code."

MASTER OF THE PIVOT

www.WeziWezi.com

WeziWezi was originally started with the intention of becoming the Arab Twitter, but founder Amer Al-Omari quickly pivoted after Twitter itself began supporting Arabic. The site is now one of the largest Arabic-language entertainment and content sharing portals. "Internet penetration is growing by 30 per cent each year and the Arabic language is the fastest growing language over the internet."

and the other Arab states. In the Gulf, 68 per cent are confident of their government's ability to deal with unemployment; for youth in the non-GCC Arab states, just one third expressed a similar confidence; nearly two-thirds lack assurance in their government's ability to deal with unemployment. But these worries aren't paralysing: 39 per cent of Arab youth intend to start their own business in the next five years (another 32 per cent said they were unsure). And the sector they most want to do it in is technology, which emerged as the most popular choice ahead of retail, real estate and investment and financial services, according to the survey by PR agency ASDA'A Burson-Marsteller.

Khazen says this preference is a new thing: "There are a lot of entrepreneurs in the Middle East, but tech entrepreneurship is something really, really new. In 2009 there was really hardly any tech ecosystem here. The whole Middle East and North Africa region was just getting started in terms of doing things online."

Though he spent 20 years living and working in the US, Creova founder and tech veteran Ramzi El-Fekih, 47, favours his home country Tunisia as a base, both because of its proximity to the mobile payments provider's primary markets in the Middle East and Africa, and because the local tech community is starting to take off. Having initially headquartered the company in Paris, El-Fekih relocated Creova to Tunis after the 2011 revolution. However, while he notes that the country has no shortage of skilled developers and engineers, he believes there is a need for greater government investment and support. For its mobile payments products, Creova has faced difficulties getting approval from the Tunisian Central Bank.

"It's not just investment of money that is needed, it's really more of a mindset and trying to make it easier for us to work. It's promoting the IT sector outside of Tunisia, it's making administration procedures easier, opening up online commerce for Tunisians."

Political support for building a digital sector is starting to grow in many MENA countries, but governments are characteristically slow to adapt, or distracted by power struggles. ElWafeyat founder Yousef ElSammaa, 25, believes that investing in IT will be conducive to economic strength overall. "We're living in the 21st century where everything is digital and it's time we encourage technical development in this region," the founder of the Egyptian online obituary service urges.

> "We're living in the 21st century, where everything is digital and it's time we encourage technical development in this region."
>
> **Yousef ElSammaa**, Co-founder and CEO, ElWafeyat.com

ElSammaa believes MENA start-ups need education, funding and mentorship. Not only that, but they need to see examples of success from the region–to keep them pushing forward–and space to try and fail with less social pressure. He agrees with El-Fekih that establishing a local base while also cultivating a global outlook is important. "If you're targeting the MENA region then you have to be where your operations are. If you're targeting the US market then definitely it can work if you move there. But it will be 10 times harder with all the competition and you have to be ready."

A twin focus on both building local industry and global scalability is a common theme. For some, that's just Business 101; for others it's a practical necessity wrought by conflict and political instability. Launching as a start-up is never easy–especially if you're coming out of unemployment with no seed funding or financial buffers–but establishing your own tech enterprise in the MENA region can be complicated by some fairly unique problems.

Bassam Jalgha, co-founder of Beirut-based Band Industries describes how a simmering threat of conflict, combined with fledgling internet and energy infrastructure have made it important to both strengthen and protect their company's prospects by establishing it globally. Production of their signature product, Roadie Tuner takes place in Shenzhen, China; their marketing team is headquartered in Seattle; and he and co-founder Hassane Slaibi are about to be based in the UK for six months to focus on cracking the European market.

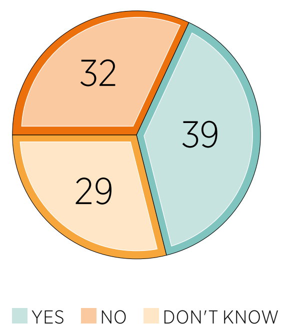
"The only thing that would actually stop us is war," Jalgha says. "Thankfully, in the past three years that we've been in operation, nothing major has happened, but we're constantly worried and thinking and planning ahead because of that."

He is, however, optimistic that there may be a silver lining to this insecurity. "I think the lack of infrastructure and the many problems will lead to a better community along the line, because people will come together and help each other out. That is what I see happening right now in Beirut."

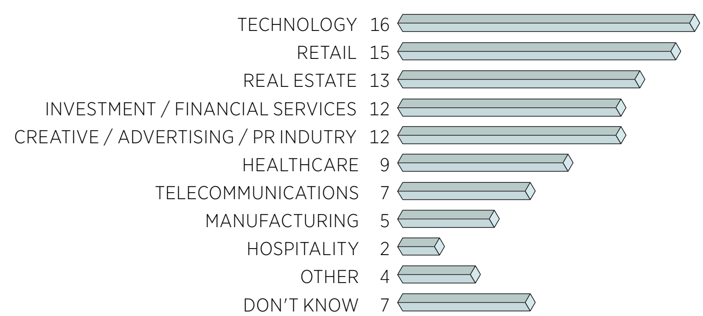
Rania Reda, 42, has also had to troubleshoot the impacts of instability. Based in Alexandria, she started ITQAN for Smart Solutions in early 2013. The street protests and political events that dominated that year in Egypt compounded the usual challenges of starting a business with other factors like curfews and extended power cuts, which made depending on internet servers, PCs and their laptops tricky to say the least. There were "demonstrations and street blocking so employees couldn't come to work," while "economic stagnation and fresh grads flew to other countries, seeking good careers," Reda recounts.

The start-up persevered, and today ITQAN is one of the fastest-growing software development and home automation innovator firms in the region. Reda also works with visually challenged girls through ITQAN's NGO Banat Al Noor, and hopes to establish a technology hub in Alexandria to connect "all female techie gurus and in-

ARAB YOUTH: DO YOU INTEND TO SET UP A BUSINESS IN THE NEXT FIVE YEARS?

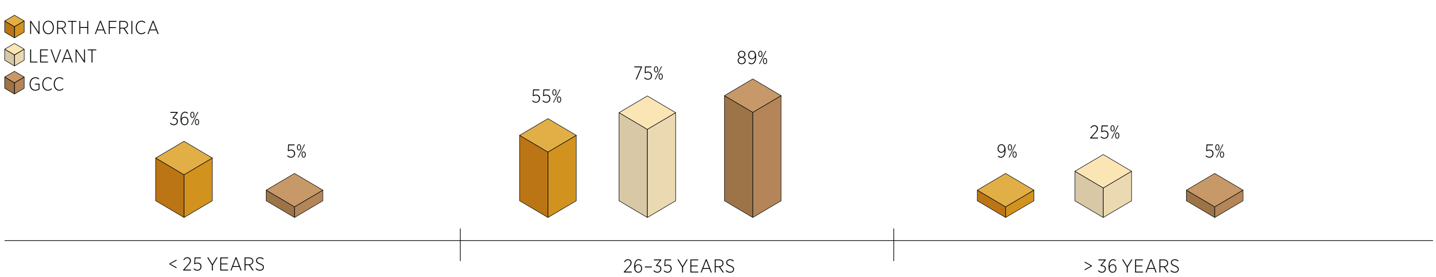


OF THOSE WHO INTEND TO SET UP A BUSINESS: IN WHICH INDUSTRY WOULD YOU LIKE TO START UP IN?



Source: Arab Youth Survey 2015, ASDA'A Burson-Marsteller

AVERAGE AGE OF START-UP FOUNDERS



Source: Dubai Silicon Oasis & Google MENA

KNOW THESE COMPANIES

BAND INDUSTRIES
Beirut, Lebanon
Best known for their signature product Roadie Tuner, an automatic guitar tuner and app that is three times more accurate than the human ear.

ITQAN FOR SMART SOLUTIONS
Alexandria, Egypt
The firm offers ICT consultation and services, has developed web-based programmes and apps, and offers augmented reality and home automation.

WEZIWEZI
Amman, Jordan
An Arabic-language entertainment and content sharing portal. A recent sale of 6.25 per cent equity on Eureeca.com raised nearly $250,000.

NABBESH
Dubai, UAE
An online skill-exchange website connecting job-seeking freelancers with potential employers. Freelancers can create in-depth profiles.

CREOVA
Tunis, Tunisia
A mobile payments platform that facilitates payment services and cash transfers, particularly in markets where access to banking tools is limited.

ELWAFEYAT
Cairo, Egypt
An online obituary service that allows users to quickly announce and receive obituaries, and to send condolences to grieving families.

ternet geeks in the area" and equip them with resources, training and mentoring. "I would love to help formulate a powerful generation of technology lovers and adopters, especially girls who code. I believe they have a great potential and commitment, yet face a hard time handling a discouraging environment."

So, while conflict–along with more obvious hindrances like fledgling internet infrastructure–can slow a company's growth, Arab youth are still finding ways to set up their own tech start-ups, and thrive. While he acknowledges the impact of political instability on Band Industries, Jalgha is adamant that broad generalisations about the 22-country (depending on who you ask) strong MENA region are unhelpful. Contrast the experience of countries like Lebanon and Syria with those like Jordan, Egypt, Morocco and the GCC, the latter doing particularly well in tech. "I don't think it's truthful to say the entire MENA region has issues or bad infrastructure. On the contrary, I think a lot of things are happening."

> "On a bad day it really helps if there are other start-ups around, who understand how you're feeling, and can help you out with a tip or just a nice word."
>
> **Hassane Slaibi**, Co-founder and CEO, Band Industries

The situation in Syria is totally different of course, he notes. "It's a different scale of problem that they have over there." But prior to the uprising and subsequent civil war, Syria was advancing. "They had the first hackerspace in Syria before we actually had the hackerspace in Beirut. Interesting stuff was happening there."

Geopolitics can cast a shadow over the business environment in the region. "The region is less stable than the States or Europe, so developing for the local market is slightly risky," adds Slaibi. "But if you look at the opportunity, you have about 200 million Arabic-speaking people, who don't necessarily have huge access to a lot of the technologies that are present overseas."

Weziwezi.com founder Amer Al-Omari, 32, is also positive about the direction the sector is taking in the MENA region. "Internet penetration is growing by 30 per cent each year and the Arabic language is the fastest growing language over the internet, with a lot of support from new tech companies that are focussed on increasing and enhancing the quality of Arabic content."

One of the biggest challenges in MENA is e-commerce, says Al-Omari. "I believe we must focus on having full solutions to enable users to pay online easily as well as enabling websites and merchants to collect money. Most MENA internet users are unbanked and have limited access to online payment channels."

"Online payment is still not working very well," agrees ElSammaa. "Users prefer to pay cash–which makes it harder for service providers like us who offer online services." Marketing a product and getting people to adopt new methods is also a perennial challenge.

Practicalities like whether or not people are banked–and set up to make payments online–can be reinforced by cultural and generational resistance to change. Things are slowly shifting, but the transition to a digitally-oriented way of doing business necessitates banging up against traditional modes, and that can be difficult. "Working in the Middle East isn't an easy task," says ElSammaa. "It's hard to make deals with service providers in the industry, sometimes because they're very fixated on traditional methods. They don't want to look at anything new."

"We might speak a common language, but MENA is 22 countries," adds Khazen. "Each has its own rules and regulations. Although credit card penetration is increasing people are still reluctant to use them online. Internet penetration is getting a lot better, so there is definitely room for growth. We're still in the early days."

Female company founders can also face increased scrutiny. Reda says that when the company was first starting out, "many IT associations and banks had doubts that a woman can run a business in the technical software industry so they showed little or no support at all."

Khazen doesn't believe she's missed out on opportunities or funding because of her gender, but says that female founders can be treated differently. "I think starting a business is hard either way–whether you're a man or a woman. But women have a lot more responsibilities than men when it comes to families, so it makes it that much more difficult. Then there's the perception that your business is this fun thing that you're doing, while your husband is working, which is very annoying."Companies like Creova are helping to bridge practical gaps between the old and new schools of industry by leapfrogging past Western banking and finance systems altogether. A software engineer by trade, El-Fekih built and launched the now multi-national platform after recognising that the number of adults with a mobile phone far exceeds the number of those with access to financial services like bank accounts and credit cards–and that traditional Western systems aren't the only way to make non-cash transactions work.

Creova facilitates both business transactions and personal banking, encouraging entrepreneurship and making it easier for users to save money. The service has proven effective in unexpected ways: there was a spike in usage in Sierra Leone during the Ebola crisis, as it was considered a more secure way to pay for crucial medication and vaccines.

The desire to create a product or service that is both profitable and that contributes to the social good is not unusual. Entrepreneurs are thinking not only about finding their golden ticket, but about helping to build or rebuild their countries, socially and economically, in sustainable ways. "I don't want to give up. I want to give it the best shot," says El-Fekih. "Even though I can just pack my bags and go to the States–I have a passport, and I have a home there–but I think this is the time where we have to give it its best shot."

Creating jobs for fellow citizens is another positive outcome of a successful business. "When I started we had zero employees. Now we have 15 people, here in Tunis. It's small, but it's still 15 employees, 15 families, being fed."

While he values being located in Tunisia, El-Fekih advises start-ups to, "think big, think export. Whoever can afford to have a base outside, in the US or in Europe, I would definitely recommend that."

Jalgha rues the fact Beirut tends to lose a lot of its graduates and thus skilled workers because they leave to seek opportunity elsewhere, and says Band Industries hope to retain some of this local talent by giving them reason to stay. "We're trying to get them hooked up in Lebanon, keep them here, get them interested in either developing their own start-ups, or to join existing start-ups like ours so that the culture and the mindset will develop further."

As the start-up sector grows there's also increased community support, explains Slaibi, one of the things that makes a start-up hotspot like Silicon Valley so attractive to a tech entrepreneur.

"Building your own company is like a rollercoaster. You have a good day and then you have a bad day. And on your bad day it really helps if there are other start-ups around, who understand how you're feeling, and can help you out with a tip, or just a nice word. That type of culture is really helpful and encouraging. This is something we've been seeing growing more and more in Lebanon." •

Lessons from the Arab Ping

FEATURED INTERVIEW

While the Middle East business landscape is being steadily transformed by technology, acceleration of tech start-ups presents an opportunity for the new generation to empower itself through innovation, says Fadi Ghandour, one of the region's most prominent angel and seed fund investors.

BY STIAN OVERDAHL

Today's Middle East and North Africa (MENA) revolutionary may not be a street protestor or political agitator, but a youngster learning code in their bedroom or establishing a tech start-up while at university. At least that's the view of well-known entrepreneur and serial tech funder Fadi Ghandour. As one of the region's most prominent seed funders and angel investors, he's witnessed a wave of new internet companies that are not only transforming the Arab world's relationship with goods and services, but also promise to turn the region's business landscape on its head.

Globally the potential of the Internet is unlimited, but prospects for its impact are even greater in a region hungry for change. For youngsters, who face unwelcoming job markets in many countries in MENA, the internet has stripped away many of the traditional barriers to establishing a business. In the virtual world, space is practically free, and permission-less innovation is the rule of the day, notes Ghandour. These are powerful ideas in a region where young entrepreneurs looking to be economically self-dependent have long faced hurdles; Tunisian street vendor Mohamed Bouazizi, whose self-immolation was the spark for the Arab uprisings in 2011, serves as perhaps the most potent example.

Ghandour himself is well aware of the myriad difficulties for start-ups in the region, having co-founded pioneering logistics company Aramex in Amman in 1982. The company operated on a no-asset model, and banks were reluctant to lend to a business that had little in the way of collateral. Managing cash flow was a constant struggle, and–in what Ghandour might today term a 'manoeuvre'–in 1997, Aramex became the first Arab company to list on the NASDAQ in New York. It was a move made in a bid to raise capital, but its chief benefit was sudden recognition of the company back home. Later delisted, it went private again before it listed on the Dubai exchange, and today has market capitalisation around $1.3bn. But in 2012, Ghandour stepped down from his position as CEO–which he had held for 30 years–to focus full time on his new passion: entrepreneurs and start-ups in the tech sector.

Since entering the venture capital field he's proven to have a deft touch. Ghandour was a founding investor in Maktoob, the company that first brought Arab language emailing to the region and was later sold to Yahoo! in 2009 for $142m. It was the region's first high profile success story. Three years ago, his Mena Venture Investments (MVI) fund and a US-based partner invested $44m in Turkish delivery company Yemeksepeti, which earlier this year was acquired by Berlin-based Delivery Hero for $589 million. MVI has been "very aggressive in seed-stage" and now has around 85 companies in its portfolio, says Ghandour.

Since coming into the venture capital sector, Ghandour says he's seen significant improvements in availability of funding. That may be no surprise as the number of successful companies grows. Ghandour says he's already seen "seven or eight" deals for companies this year that are raising over $50m, at valuations which are above $100m. "This number did not exist last year. This year we have already had several." He suggests that by 2017 the number of Arab tech companies valuing at over $100m will be in the 10s, and by 2018 that number will be even higher. "Whoever did not invest in this industry is somebody who is not paying attention today."

Ghandour has unbridled optimism about the MENA tech sector's prospects for growth. "There is going to be an absolute acceleration and explosion in tech companies across the region. You will see them in the hundreds popping up. Lots of them will fail, lots of them will succeed, and lots of traditional businesses are going to start worrying about being disrupted."

Another development was the launch this year of a $75m regional growth stage venture fund by Wamda Capital, backed by

Photograph: Aramex

“There is going to be an absolute accelera-tion and explosion in tech companies across the region. Traditional businesses are starting to worry about being disrupted.”

groups including the International Finance Corporation (IFC), Abraaj, Crescent Enterprises and Zain Group. The fund will target high growth tech start-ups businesses and provide seed and early stage funding, all the way up to $5m per business, as well as providing businesses with strategy and partnership support. The fund addresses a recognised gap in the funding market–according to a 2014 research from Wamda Capital, 76 per cent of investments in Lebanon, Jordan and Egypt, were below $500,000 and 68 per cent of companies never received any follow-on funding–and is designed to fund scalable companies that have prospects of becoming “regional and global innovators.”

One of the first companies Wamda’s new fund invested in was Jamalon, the largest online book seller in the region, which is “recreating the way Arabs have access to books.” It’s a business modelled on a well-known overseas major who isn’t present in the MENA region. As Ghandour notes, there is “nothing innovative” about selling books online. “But making books available online to Arabs, in Arabic, has not happened the way before that Jamalon is making it happen.”

It’s a business that illustrates one of Ghandour’s favourite mantras for the tech sector: the rationale of a ‘copy, paste and innovate,’ and the need for the sector to focus on the “quick wins.” Another example is Careem, an Uber-style transportation app which launched in the region before Uber did. But it added one feature that customised it to the region, namely the ability to pay with cash, needed due to the low usage of credit cards in the region. “Innovation is about need, and solving a pain. Pain in today’s world, some of it is global, a lot of it is micro, local, hyper-local.”

While Ghandour says he would like to see a business from the region go global, the current need is for companies to copy successful overseas models and adapt them for the region, adding the “local flavour” required for it to work, the quick wins that bring services to local neighbourhoods.

Over the years, his championing of ‘copy, paste and innovate’ has been questioned. But for Ghandour, it’s a view that is informed by his idea of human progress as a common endeavour. “Every single business in the world is ‘copy, past and innovate.’ This is not unique to our region. I would like to see one business that claims it did not sit on the shoulders of a business or idea or algorithm that had happened before it.”

The biggest challenges for tech companies in MENA are the universal ones: how to scale, how to get traction and how to market the product. But on top of that there are some unique home-grown challenges, such as limited finance available for growth companies, as well as the significant bureaucratic challenge represented by MENA’s 22 fragmented markets. That is one significant difference between a company operating in Silicon Valley and one in the Middle East: a US-based company has immediate access to a massive market with high purchasing power, while start-ups in MENA often face hurdles to move into additional markets, and in many purchasing power is low. “Even though businesses are scaling, manoeuvring and finding ways to expand their presence across markets, it is so much more difficult [than in the US]. The entrepreneur has to worry about things they shouldn’t have to worry about,” says Ghandour. “Unless we are able to open up and ease the movement of businesses from one country to another, you are not going to be able to get the quick scaling of companies.”

This effect is pronounced for e-commerce companies. Though hundreds of millions of dollars have been invested in the sector, bureaucratic challenges are inhibiting growth. It’s a factor too in internet commerce even where there is no physical movement of goods. “If you create a payment system there is no centralised reg-

"People don't want to protest on the streets, they are protesting by building businesses that are disrupting traditional businesses so that they become an empowered generation."

ulatory environment, you have to meet regulations from various central banks, and re-register to get permissions for each market."

But it is e-commerce, which Ghandour calls "the heart of the story," that threatens to cause the biggest disruption of traditional businesses in the MENA region. Across the world, traditional storefront businesses are starting to appear like dinosaurs: large, lumbering, and at danger of starving unless they adapt.

The prospects of disruption are particularly acute in MENA, where the traditional economies consist of large, capital-rich conglomerates that make their profits through 20th century businesses like real estate, tourism, construction, services and lucrative state contracts. Beneath these sit a layer of small, relatively unproductive businesses which lack the funding or connections to grow into larger enterprises, a move that would challenge the bigger corporates and ultimately make them more efficient.

The dominant system of country-exclusive distribution licences also allows companies to consolidate business empires around the sale of key brands; many of these licences were acquired by entrepreneurs in the 1950s. "Traditional businesses have to start worrying," warns Ghandour. "Representation businesses or exclusive distribution businesses in particular have to start worrying. Why would a manufacturer or OEM think that they cannot go direct to the client today? The disintermediation–which started a long time ago because of the internet–is going to show its presence very strongly in the market."

Conglomerates may try to come in on the ground floor of the tech revolution, but it may not be that easy. "Those that are in the retail business all say they want to do e-commerce," says Ghandour. "But e-commerce is not just a policy. It requires a completely different mind-set, a completely different way of doing business."

Disruption of traditional businesses in the Middle East is about more than just economics. It's also a disruption of the social and even political norms. The sight of a young entrepreneur suddenly catapulted into great wealth as a result of home-grown innovation is a revolutionary narrative in a region where wealth has traditionally been transferred inter-generationally and maintained within families (according to reports, roughly $1 trillion of family-business assets are expected to be passed down to the next generation within five to ten years in the Gulf alone), or has been obtained through the slow accumulation of assets in a traditional business.

Massive growth by tech companies will be more politically transformational than people protesting in the streets, believes Ghandour. "People don't want to protest on the streets, they are protesting by building businesses that are disrupting traditional businesses so that they become an empowered generation."

While the idea of the self-made tech millionaire or billionaire has become almost passé in the US (it stands arguably as the current mode of social mobility guaranteed by the American Dream), in the Middle East it remains an as-yet hardly visible force for change.

Ghandour cites the figure of Khaled Jabasini, who declared himself to be the first Arab internet millionaire after selling 65 per cent of his online advertising business to Maktoob in 2007 after only six months of operation. In the last decade, Arab tech entrepreneurs have been able to bank six figure sums after acquisitions, "individuals who never thought they would have more than $1,000 in their bank account."

There's more to come. "There are a lot of young entrepreneurs fresh out of college building businesses that will value them in the 10s of millions of dollars, and they never thought that they would be in this position. What they do with their wealth, and how they act on it, is something to be watched."

Ghandour is optimistic: he points to the actions of Yemeksepeti CEO Nevzat Aydın, following the company's acquisition this year as a powerful example. Aydın shared $27 million of the money earned by the acquisition with 114 of their employees, bonuses worth $237,000 on average.

"Look at the power of that," exclaims Ghandour. "We will have internet and digital world affluence that we've never seen before, the democratisation of affluence in the region. It will have a substantial societal effect which we haven't figured out yet."

One effect may be social utility: Younger entrepreneurs are much more in-tune with the problems of their community than the older generation, says Ghandour. "Even if they have lesser means, they are much more forthcoming about addressing the issues that their communities live in, because they have lived through it themselves. They are much more in touch."

Ghandour himself is an active force when it comes to philanthropy in the Middle East. Notable is his Ruwwad Al Tanmeya programme, which provides scholarship support to around 450 students every year in Jordan, Lebanon, Egypt and Palestine; in return, each is required to volunteer four hours a week in their community, whether it's cleaning streets where the municipality has not done so, or fixing a house for a neighbour who is not able to repair it.

The programme helps those on the margins, people that have been forgotten one way or another, that have not had access to education, says Ghandour. "We're told that Arabs don't read, so we have made massive community-based campaigns to have mothers read for their kids–stories that are not in their schooling system. We've also gone into schools and communities and address the issue of violence at home, or violence at school, and we get the community to come and talk about it, and find the solution for it, and feel good that it is their own solution, not imposed on them from outside."

Ask Ghandour where his ideas come from, and he's quick to say that nothing has been done on his own. "I can be the spokesperson for all these things, but every single thing I did is copy, paste innovate. I've had friends, partners, fantastic people. Sometimes I've had the idea, or they have come from others."

He describes the entrepreneurial brain as focused ultimately on actions rather than words. "Millions of ideas go through my brain as I watch people talk to me. I just go out and do. Some of them fail, which you don't hear about. Some of them are successful, which you hear about. But it is always with people, this is a team communal effort." •

NEW OPENINGS

BOOTS ON

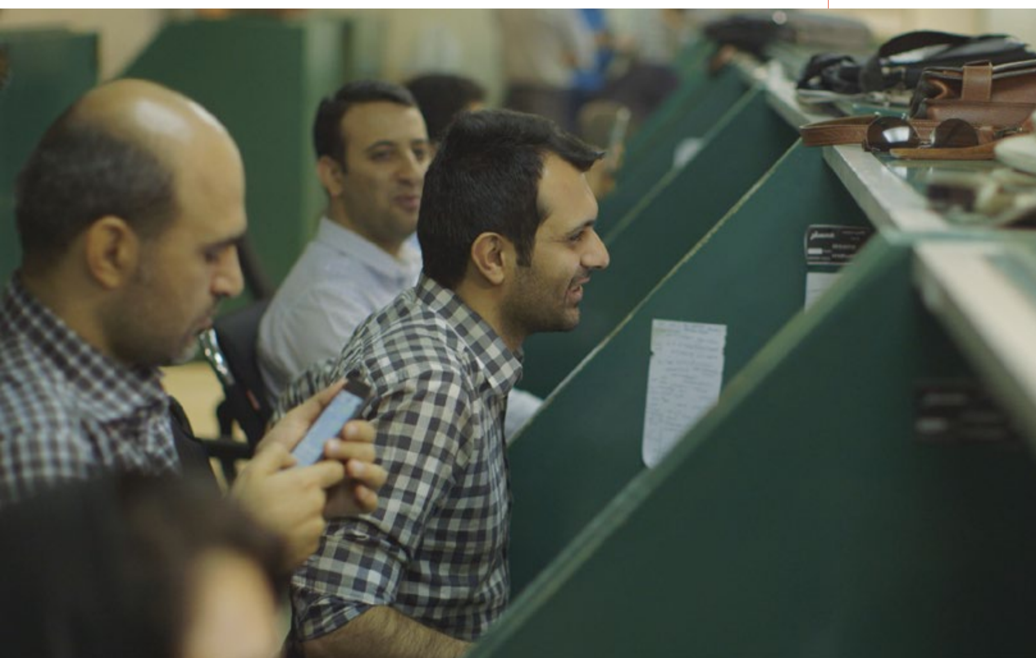
THE GROUND

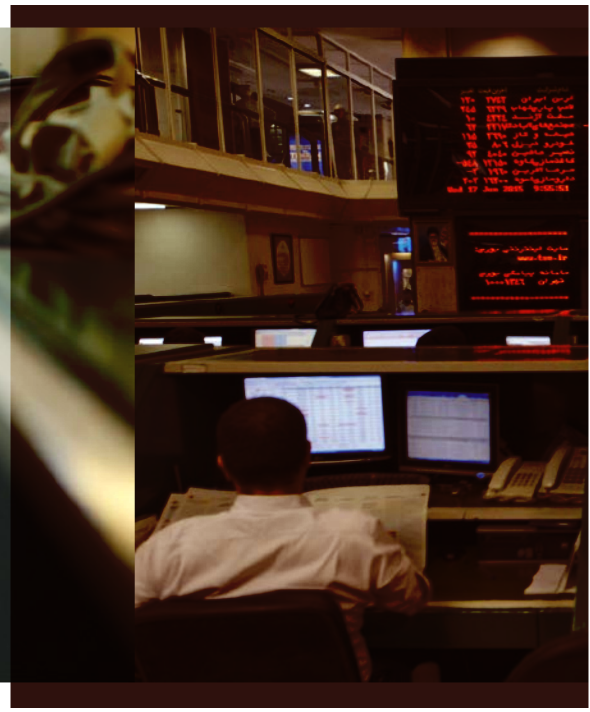
The Iran market opening is imminent. But while opportunities are large, so are the difficulties, including political uncertainties and Iranian firm's opaque ownership and relations with the state.
How will companies navigate these murky waters?

BY STIAN OVERDAHL · IMAGES BY JEAN SCHABLIN

Since the election of Hassan Rouhani as Iran's president in 2013, the country has been inching towards having nuclear sanctions removed, opening it again to business for Western companies. Rouhani, who had campaigned on a platform of ending sanctions, won the election handily in the first round, and after talks with the United States and other powers, in November 2013 an interim agreement was reached. Then, in July 2015, after a lengthy diplomatic process, agreement was reached by both sides, presented in the Joint Comprehensive Plan of Action (JCPOA).

The July agreement was a landmark moment, and despite shrill squarks from Republicans in the United States and strident questioning by conservative parliamentarians in Iran, it came into effect on October 18. The next step is for the International Atomic Energy





Agency (IAEA) to investigate whether Iran has complied with its side of the deal: once verified, sanctions over Iran's nuclear energy programme will be removed, widely expected to take place in the first half of 2016. This will see Iranian banks once again able to access the world's financial sector via the SWIFT network, allowing the country to trade with the outside world, and the state to repatriate as much as $100-150 billion of assets frozen overseas. Iran's business community will once again have access to the lifeblood of commerce, the global banking system.

It's a move being welcomed by the European business community. In Tehran, flights are filled with trade delegations and hotels report higher levels of foreign occupancy. Unlike any other country in the wider region, Iran can tick three boxes: a large population with a young and highly educated cohort; rich oil and gas deposits (by some reckoning, the largest combined deposits in the world); and a diverse and industrialised economy. European companies see the country as an option to establish themselves in the Middle East, and make up for past underinvestment in emerging markets globally.

For Swedish truck and bus manufacturer Scania (owned by Volkswagen AG), it's simply a matter of reactivating long-standing partnerships with local vehicle sellers. With sanctions lifted, an upturn in the economy will likely result in increased demand for high-quality imported trucks and buses, says press manager Hans-Åke Danielsson. The sales volumes predicted by their local partners would make an "important contribution" to the company's annual revenue he says, though noting that economic recovery is also conditioned by factors such as the price of oil.

The opening of the Tehran stock exchange is also drawing attention from frontier market fund managers. Khaled Abdel Majeed, the founder and managing partner of MENA Capital, says that with many listed Iranian firms having valuations around five to six times their earnings, the market is "very attractive." Despite the market currently languishing, he believes valuations will rise as soon as the market opens. "The Iranians see how many foreigners are coming to visit, and how excited they are. It doesn't take a rocket scientist to understand that they are planing for this wall of money coming." International institutional investors can't take direct positions in the market ahead of its opening, but Majeed says that there are still some indirect plays that can be made, such as buying shares in companies in the United Arab Emirates (UAE) in sectors that are likely to benefit from the market opening such as logistics or aviation. "We've bought DP World as a play on Iran."

European companies looking at the opening have the advantage of being able to move faster than their US counterparts. While nuclear sanctions are to be lifted, American sanctions relating to terror and human rights abuses that have been in place for more than 30 years will remain in place. That means that US companies, as well as large multinationals who have significant business in North America, are likely to hold back until the legal situation is crystal clear.

Shahin Shamsabadi, the head of Risk Advisory's MENA business intelligence unit, says the firm is receiving "discrete inquiries" from North America, looking at Iran as a possible market. "They're not necessarily looking to enter or go near Iran for two to five years," says Dubai-based Shamsabadi.

He expects that larger international firms will remain very cautious in their dealings with Iran, gradually scaling up their engagement and watching the steps that other companies are taking within their respective sectors. There's also concern within some companies about a possible media backlash once they announce they're doing business with the Islamic republic. "Everyone is waiting in certain industries to see who the first player will be." One strategy may be to operate from a hub in Dubai he says, noting that the major Iranian cities are reachable in just a few hours of flying.

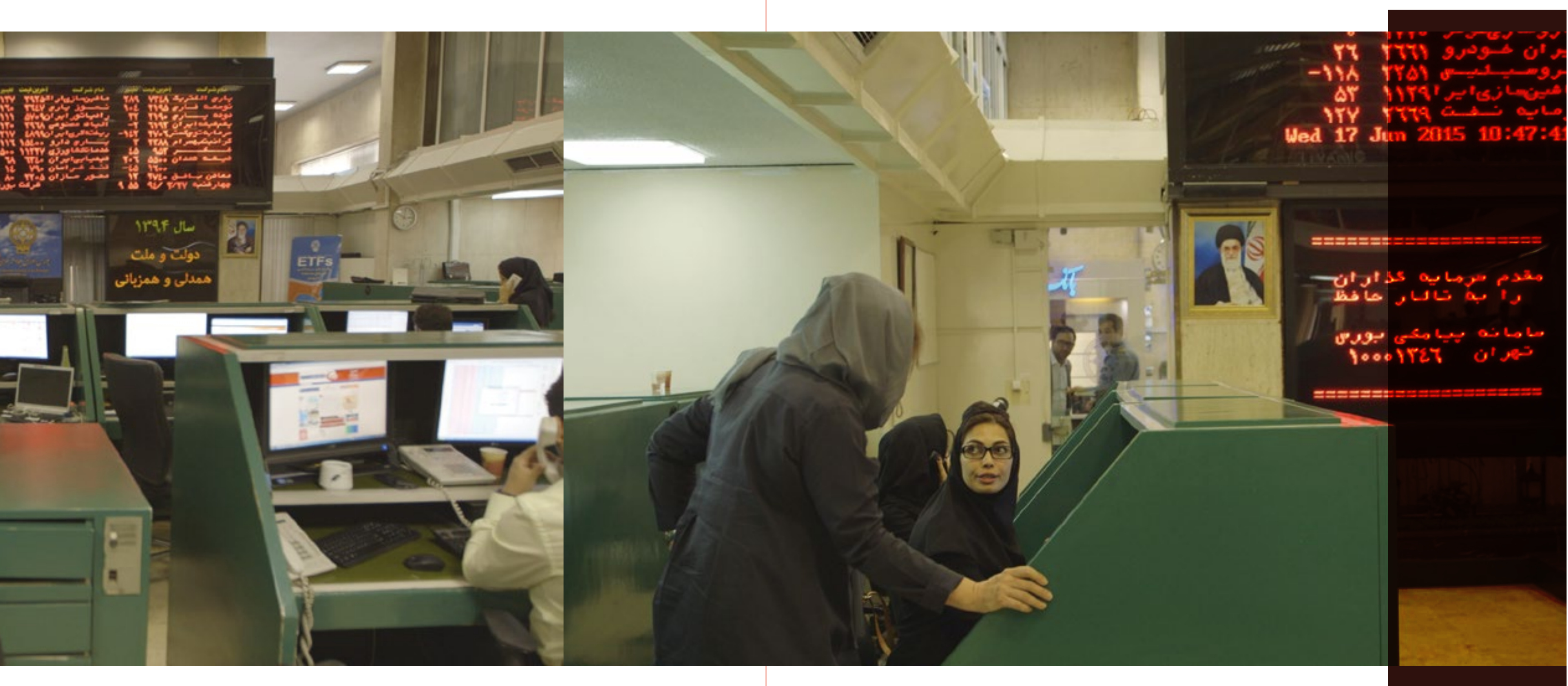
The fact that some large multinationals are holding back means that smaller firms with no exposure to the US market have an opportunity to obtain first mover advantage, says Dr. Thomas Wülfing, chairman of Germela, a Middle East-focused legal and consulting firm based in Hamburg. It is medium-sized companies–those with just a few million dollars annual turnover–that see the first opportunities, he says.

German companies in particular are watching the market opening with interest, which may be no surprise given the historical trade links between the two countries. Amir Alizadeh, deputy managing director of the German-Iranian Chamber of Industry and Commerce (AHK) notes that when their branch was founded in 1975, Iran was the second largest trading partner for Germany outside of Europe (US was number one). Historical connections in trade aren't just about warm feelings or good relations: Iran's industrial development, its factories and production plants have been influenced by German technology, by the supply of machine tools and industrial processes. Local companies, which have lacked access to Western technology and know-how for years, are looking to modernise, he says.

One question is whether firms from countries that have not been prohibited from trading with Iran–including China, South Korea and India–will now have a dominant position in the market. Matthew Spivack, head of MENA research at Frontier Strategy Group (FSG), an advisory firm specialised in emerging markets, says that the narrative of Chinese or other Asian firms having replaced Western companies in Iran does not hold true: in some cases, domestic companies felt mistreated by their Chinese partners, perceiving that they acted unfairly during the period when Iranian companies were in the weak position of having no other options. Iranians also distrust the quality of goods from China, reinforced during the recent medicine crisis in the country where poor quality medicine provided by Chinese firms generated ill-will among the public, says Spivack.

Political uncertainties

But amid the optimism there is also uncertainty about the political dimensions of the deal and the bigger geopolitical picture. Despite agreement on the nuclear question, Iran remains America's staunch adversary, while locally the country is embroiled in conflict in Syria and relations with regional arch-nemesis Saudi Arabia sit at a historical low.



The nuclear agreement too has its unknowns. One of the key elements of the JCPOA is the snapback provision. If one of the P5+1 negotiating countries (the five permanent members of the UN Security council, plus Germany) believes that Iran is not upholding its side of the nuclear bargain, within 65 days the sanctions can be reinstated.

That would see the Iranian banking system once again restricted from using the SWIFT global system of electronic payments, locking assets into the country, while foreign companies could find that their Iranian partners are once again on the sanctions list–a chilling prospect for any business considering making a major investment in the country. Assessing the likelihood of a snapback requires a calculation of Iran's position: How badly do they need this deal?

There is no doubt that the last ten years of sanctions, but especially the financial sanctions in place since 2012, have had a significant effect on the country. But the various economic classes have felt the impact in different ways. Rouzbeh Parsi, senior lecturer at

Lund University specialising on Iran and the Middle East, uses the analogy of sanction as a baseball bat hitting a guinea pig on the head. The poor are wearing a “baseball cap” and will get hit by the full force; the middle classes have some level of insulation, while “the richer you are the better your helmet.” In terms of relative impoverishment though, as a social group it was the middle classes that lost the most, with bursts of inflation wiping out their savings.

Beyond the economic trends, there were specific areas where Iran’s society suffered, says Adnan Tabatabai, CEO of the Center for Applied Research in Partnership with the Orient (CARPO), a think tank based in Bonn. With airlines unable to obtain sufficient spare parts or international technicians to maintain their jet aircraft and their engines, sanctions on Iran's civil aviation sector caused plane crashes costing hundreds of lives. There were also shortages of medicine in areas such as chemotherapy, leading Iranians to try to source medicines on the black market–often with adverse results.

nomic situation and a too repressive sociopolitical environment will create danger for Iran's national security.”

Nevertheless, it is not the sanctions themselves which are responsible for Iran’s difficult economic situation: that is due to years of mismanagement by the government, says Parsi. But effects of mismanagement were exacerbated by the sanctions. Removing them “takes away a major stumbling block towards growth in the economy.”

With both sides having had to expend significant political capital in order to reach a deal with the other, Parsi believes that politicians will want to see direct benefits, namely increased trade flows and economic growth. As trade relations build, both sides will have greater buy-in, meaning that the costs on both sides of unravelling the deal will grow.

“If businesses operate then both sides win dividends on the coat tails of the deal, and therefore the deal wins in legitimacy,” says Parsi. “This deal is going to survive if people act on it.”

The deal comes at an urgent time for Iran, with demographics and an economic situation where growing dissatisfaction–if left unchecked–could translate into political protests. 60 per cent of Iran’s population was estimated to be under the age of 30 in 2013, according to the World Bank, while unemployment for those between the ages of 15 and 29 sat at 17.9 per cent for men and 39 per cent for women. Underemployment is also a problem for the country, and is concentrated among youth.

It’s a volatile mix. The government knows that “the young educated population needs to be provided with proper jobs, and not just become cab drivers,” says Tabatabai. The wave of protests in 2009 after the disputed re-election of Mahmoud Ahmadinejad as president was a wake-up call. Though primarily politically motivated, they served to put the regime on warning. Tabatabai believes that without those 2009 uprisings, there would have been no nuclear agreement today. “The government knows it has to prevent the economic situation from worsening to an extent that people start protesting in larger scale. President Rouhani is acutely aware that a too dire eco-

Murky waters

How companies plan their entry into Iran will likely depend on their familiarity with the market. Some companies had to maintain skeleton crews within the country to deal with contracts that they were legally obliged to pursue until the final date says Parsi, and these will be ahead of the pack when it comes to market intelligence.

Firms that have previously operated with in-country partners may also have an advantage. But past experience may not be worth as much as its seems. Shifts in the structure of Iran’s economy during the intervening years means that the market position and influence of former partners may have shifted, says Wülfing.

That shift is in a large part due to the effects of the sanctions on the business community. In a country where the state has pervasive presence in all areas of life, most companies operating in the ‘private sector’ have extensive connections to the state. During the sanctions period, those with better connections and resources have been emboldened.

One clear winner out of the past decade of sanctions has been the Iran Revolutionary Guard Corps (IRGC), a military organisation tasked in the first instance with protecting the Islamic Republic, but which today is effectively a sprawling conglomerate. In the early 2000s, the IRGC began aggressively expanding its economic footprint in a bid to become independent and obtain reliable funds to pay for pensions and other costs. In a regional context, the move is analogous to measures taken by militaries in Egypt and Turkey, says Parsi.

During the sanctions period they have been able to continue to expand their economic control. Possessing large engineering units with heavy equipment–needed in wartime, but also useful for civilian projects–the group has been able to win state construction tenders uncontested. “Their machinery and engineers are difficult to compete with when no one else is allowed into the market,” says Parsi.

The IRGC’s control of Iran’s strategic entry and exit points–the border crossings, sea and air ports–has also served them well. With its own bank and access to stable financing, it has been able to start enterprises and expand, says Tabatabai. “They have become uncontested actors in various big sectors of Iran's economy.”

Economically emboldening the IRGC was certainly not the intent of the sanctions regime, but it may have had one unexpected positive outcome for Western interests. The group did not oppose nuclear negotiations–despite a myth to this effect circulating through Western media–because it discerned further economic advantages of the country opening, says Tabatabai. “A lot of what we know as IRGC has become a very rational, easy-to-assess actor, because for them it's all about profit now, it's no longer about being a solely ideological entity.”

For foreign companies considering doing business within the country, the pervasive presence of the IRGC presents risks that are both legal and reputational, says Shamsabadi.

Various entities and individuals associated with the guards are currently on sanctions lists; those that are on lists related to the nuclear issue will be removed once these sanctions end; however US lists for terrorism or human rights violations will remain. Shamsabadi says that Iranian companies and entities that are sanctioned have become quite savvy in setting up opaque ownership structures of secondary companies to hide their ultimate ownership.

“That’s an issue which we had to deal with for clients on a continuous basis in Iran. It will remain an issue in the future.”

Nearly two years ago, when there was the first suggestion that Iran was opening, Germela decided to open a legal office there, adding the country to their Middle East network, says Wülfing. They also signed a cooperation deal with MDRC, an Iranian management training firm that is widely connected with private sector companies, allowing them a view into the true ownership and connections of private sector entities.

Wülfing says that virtually all significant business entities in Iran have some connection to one of the major political actors. “90 per cent of the Iranian economy, even if it is in a privatised form, is in the end in some way related to one of the five main political institutions. The pure private sector is very small, almost unimportant.”

This fact makes it important for international companies looking to form partnerships with Iranian firms to discern whom they will be dealing with, says Wülfing. ”You really don't want to work together with people who are responsible for the suppression of political opposition, killing of people or whatever.”

But while companies can obtain advice to weed out those actors which are obvious to avoid, either due to issues around sanctions or reputational worries, in many cases the final decision will be a subjective judgement call.

Tabatabai says that there is a “blurry border in how we perceive and define some of the actors in Iran’s economy.”

“If one of those big IRGC companies that were founded in 2002, 2003, managed to manoeuvre their position in a very profitable market, can we now 10 years later still talk about a company as a military entity, or has it morphed into a semi-state, semi-private entrepreneur who thinks business just like any other person?”

Not partying like its 2007

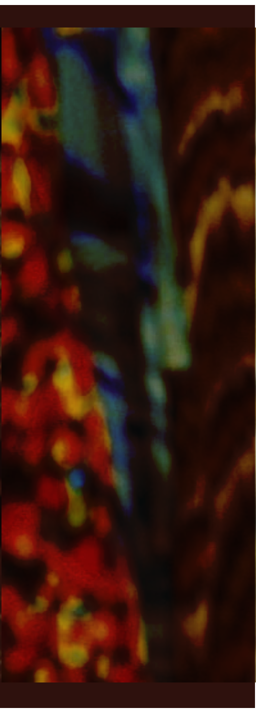
Aside from politics, issues around funding will also dictate the type of business activities companies are willing to go in for. Sebastien Henin, head of asset management at the National Investor, an Abu Dhabi-based asset management firm, says they examined the market openings of South Africa after Apartheid and East Germany after the collapse of communism, in a bid to estimate foreign direct investment (FDI) flows. While Iran has said it hopes to attract around $100bn of FDI, Henin is expecting first a boom of exports to Iran, with FDI to come later. “Our view is that we should expect a flow of $40-70bn of FDI during a period of three to five years.”

Banking is another uncertainty. “The Iran banking system is not in a good shape, it is under-capitalised, under-provisioned,” says Henin, who believes that domestic financial institutions may find it difficult to deal with the boom of imports.

Oil revenues, which can be used to fund infrastructure projects and other expenditure, are another uncertainty. The country hopes to raise productivity once sanctions are lifted, with initial plans to increase output by 500,000 barrels per day. In the longer term it’s hoping to lure in the big foreign oil companies in order to increase production and develop gas fields, earning valuable export revenue.

Dr. Andreas Jonason, head partner for oil and gas at Simon-Kucher & Partners, an international strategy and marketing consultant firm, expects a 30 to 40 per cent uplift in productivity by 2016, and then doubling in the “next few years”.

In an industry where the underlying fixed costs make any increase in productivity very profitable for operators, he believes that the domestic fields will be very attractive to foreign oil companies. “There are significant opportunities in up-, mid- and downstream sectors, and in all the servicing sectors, to help raise efficiency in Iran.”



The deficit of banking services in Iran is also likely to slow the rate at which business picks up. Levels of non-performing loans in the banking sector are reportedly at 15 per cent of total loans, around the highest in the region says Spivack. “The failed policies from the Ahmadinejad period still haunt the banking system.”

European banks may also be reluctant to enter Iran in the short or even medium term, after some received hefty fines for sanctions violations. Internationally the banking sector is also having to meet the increased capital requirements under the Basel III accords, with less appetite for risky expansion.

Meanwhile, regional banks in the Gulf, especially those in the UAE, are currently seeing reduced liquidity as levels of government deposits drop due to the lower oil revenues.

The lack of financing means that large capital-intensive projects such as developing Iran’s mining sector are not take place for some time, believes Spivack. Sectors where he sees most opportunity in the immediate term are electronics, consumer goods, luxury goods, automotive, tourism and especially healthcare.

In Dubai, Shamsabadi says that there is interest from companies in the Gulf who see Iran as a market where they can create investments and possibly recreate models, such as mall outlets. But while there is interest, it’s also a matter of timing.

“If it was 2007 before the crash we’d probably see more businesses willing to invest a lot of money right away to try and take advantage of the situation.”

Nevertheless, despite constraints there is still plenty of optimism. Spivack believes that the “upside scenario” for Iran is that it can grow its economy to rival Saudi Arabia in five to ten years (Iran’s GDP in 2014 was $406bn, according to the World Bank; Saudi’s was $745bn). He says that while in the short term the country is vulnerable to the low oil price, in the longer term the country is better placed from a diversification perspective than the oil-rich countries on the other side of the Persian Gulf.

“European companies have so much interest in Iran because they understand that there is this diversified base which provides opportunities across lots of sectors.”


حراج استثنایی بهاره

FEMALE LABOUR

Wanted:

Photograph: PEXEL

An office with a view

The number of women at work in Saudi Arabia has risen steeply in past years but their impact remains mainly social. Creating real employment opportunities in the private sector will require changes to conservative hiring guidelines and changes to Saudia Arabia's rentier economy.

BY ELIZABETH DICKINSON

RIYADH and JEDDAH, Saudi Arabia–When Haya Al Subairi describes how her life has changed these last eight months, she isn't sure where to begin. "Everything is different now," she says as she folds purple-and pink-coloured lingerie in a Victoria Secret store. The retail store, inside an upmarket shopping mall in Saudi Arabia's capital, has provided Al Subairi at age 26 with her first job. It's the most time she's ever spent outside the company of her family. "It's all new to me," she says: how to run a store, deal with customers, meet new people, open and close on time. "We have to depend on ourselves for the first time," her co-worker pipes in from across the shop. Al Subairi nods. "There are challenges, but I enjoy dealing with them myself."

Over the last four years, tens of thousands of women like Al Subairi and her co-worker have for the first time entered the workforce across Saudi Arabia. A ministerial decree in July 2011 allowed Saudi women to take retail jobs in lingerie and cosmetic shops. Similar openings followed in female clothing sales and other women's wares and goods in 2012 and 2014, respectively. Just this October, the Ministry of Labour informed tailoring shops for women's clothes they would no longer be able to employ men.

Thanks in large part to such opportunities, the percentage of Saudi women in the labour force rose from 14 to 18 per cent between 2011 and 2014, according to a recent study by the Ministry of Economy and Planning. Increasingly, women aren't just behind make-up counters and jewellery stores; they are opening their own businesses and managing family firms. The first licenses were granted to female lawyers in 2012, and engineers weren't far behind. The hospitality, manufacturing, and administration sectors are all trying to attract more female Saudi employees.

In the past four and a half years, the number of women in the private sector has increased almost seven-fold, says Basma Al Omair, CEO of the Jeddah Chamber of Commerce's AlSayedah Khadija Bint Khawilid Centre, an internal research and advocacy firm for women. "There used to be 50,000 [female workers] in the private sector and now there are almost 350,000." Yet so far the biggest impact of women entering the labour force in increased numbers has been social rather than economic.

During much of the kingdom's modern history (with some prominent exceptions), Saudi women have largely been limited to the family domain. Few females held public positions and except as consumers, Saudi women were invisible in daily economic life. Now suddenly, women are impossible to miss–running shops in the malls, making food in restaurants, and even sitting in the advisory parliament, the Shura Council.

That visibility alone is doing much to change attitudes. "We are moving into a very amazing social experiment," says Khalid Alkhudair, founder and CEO of Glowork, the first job recruitment agency specifically targeted toward Saudi women. "Over the past couple of months, we've seen that people are starting to accept that women are entering the labour market more."

In fact, so sweeping are the changes in attitudes that they may fast outpace the economy's ability to keep up and create new positions to absorb women jobseekers. Even as social barriers soften, women face roadblocks from regulation, a non-dynamic private sector, and an education system all-but disconnected from the demands of the job market.

All this means that, despite the developments of recent years, the macroeconomic impact of female employment is so far negligible. As Fatin Bundagji, founder of the women's section of the Jeddah Chamber of Commerce, puts it simply: "Women's situation in the economy, relatively speaking, is zero." For now.

A long journey ahead

It wasn't long ago that 'zero' felt like a good description of the opportunities available to a female Saudi jobseeker. Tuba Terekli, today one of Saudi Arabia's best known female entrepreneurs, remembers those days well. She grew up with dreams of becoming an aerospace engineer, but quickly found there were no such programmes for women in school. It would be just the first of many occasions in which she heard–and then refused to accept–the word 'no.'

Terekli's story is emblematic of what it took for that first generation of women to find a place in the economy. To this day, Saudi men and women live separate lives, governed by two sets of rules. Women are legal 'dependents' from birth until death and require a male guardian–a father, brother, husband, or even son–to sign documents, travel abroad, or consent to study and work. In banks, cafes, government offices and hospitals, women have separate sitting areas and even entrances. The country's religious police keep a watchful eye on any public gender mixing between strangers.

For the first pioneers–and even many young ladies today–working is a tightrope walk balancing social norms, family expectations, and legal restrictions, with a cracked-open door toward opportunity. "Everyone has a story–it's like being in a swarm of constant external forces and expectations and you're trying to go your own way," says one prominent Jeddah businesswoman who prefers not to be named.

Not long into her studies, Terekli's father arranged for her to be married. Her new husband thought it best she stay at home, and wouldn't sign the necessary permissions for her to take a job. For a while, she waited to see if his resolve would soften, but it only grew more firm. "Since my husband did not allow me to work, I had to make a choice: do I want to live my life cooking and raising kids, or my calling, which I felt inside? I was not doing enough to build my country." Despite the financial risks and social taboo, she divorced and set out on her own.

Once on the job, Terekli quickly rose through the ranks. She became a top advisor at Saudi Aramco, the state-owned oil company, and then moved on to become an executive in a healthcare firm. She faced all manner of career setbacks, almost none of her own making: a second husband who didn't want her to work, male managers who grew jealous and undermined her success, regulators who lacked the authority to legalise the businesses she started, because women couldn't run certain types of firms. Describing it now, her resolved tone still betrays frustration at the "very long journey [ahead] for the women of this country."

Some of the most acute hurdles she found were cultural: a tyranny of low expectations. Of the 3.8 million working-age Saudi women the majority are homemakers, and many Saudis of both genders still argue this is the correct place for females. Other families worry about what friends and neighbours will think if their daughters and wives take up jobs for income, a clear signal in traditional society that they cannot be properly cared for by the male breadwinner of the house.

In the office, too, male employers–many of whom have never worked with Saudi women–are wary. A recent joint survey by the Pearl Initiative, a Sharjah-based non-profit working to improve corporate accountability and transparency, found that just 26 per cent of Saudi women believe men are willing to work on an equal basis with women. "Very few [male] business leaders take the risk on women," says Terekli, speaking from many years of personal experience. Role models are also lacking; only now, after years of fighting, are self-made women like Terekli emerging for young ladies to learn from. Today, she teaches those lessons to young entrepreneurs at the start-up hub she co-founded, Qotuf, in Jeddah.

For years, individual Saudi women have had to shatter barriers alone and one at a time. Limited opportunities arose here and there. Educational opportunities for women, for example, have grown. From just seven universities in 1970, today Saudi Arabia has 33, plus more than 500 colleges and technical institutes. Roughly half of the one million Saudis currently enrolled in higher education are women. Still, because of gender-mixing regulations, few graduates find jobs outside the more-segregated education and health sectors, which employ 72 and 13 per cent of Saudi women respectively.

Humble saleswomen may change that–an unexpected development for even the most ardent women's rights campaigners, who have been elated by the impact of their clear public presence and socioeconomic diversity. "Most importantly with the saleswomen was the social impact it played in opening people's horizons. The more people saw them in the shops it just changed something in their heads," says Al Omair. Once-taboo jobs in offices, restaurants, hotels, and boardrooms now seem a logical next step. "It really had a bigger social impact than economic. This is what we appreciate."

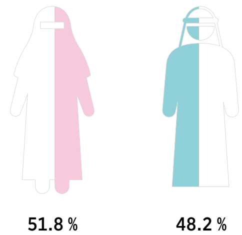
A meek private sector

The impact of the saleswomen is most apparent in what hasn't happened yet. The 800,000 Saudi women now working in the kingdom make up only a mere 16.4 per cent of the labour force. But the number of women who are actively seeking employment is staggering, and likely to rise with a coming youth bulge; according to estimates, roughly two-thirds of Saudis are under the age of 30. Unemployment for women stands at 32.8 per cent, or about 396,000 individuals. And they are well trained: 266,500 of them hold bachelors degrees, a goldmine of human capital waiting to be tapped.

The question now is whether the Saudi economy–and the rules guiding it–are up to the task of providing jobs. Despite the reforms so far, female jobseekers and prospective employers alike face a barrage of obstacles that stand to deter many from working and hiring. Perhaps the biggest challenge is that the types of jobs on offer for Saudi workers don't line up with the skills and expectations of the unemployed. Like many of the oil-rich states of the Gulf region, Sau-

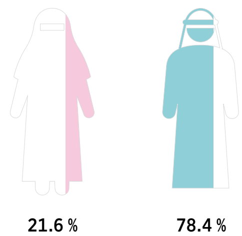
UNIVERSITY ENROLLMENT

Source: Saudi Ministry of Higher Education, as of end of 2013

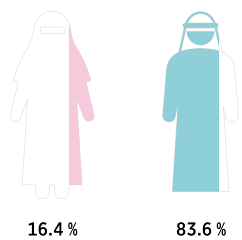


TOTAL SAUDI LABOUR FORCE

Source: Saudi government Manpower report, first half of 2015

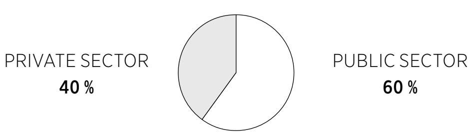


TOTAL SAUDI EMPLOYED LABOUR FORCE

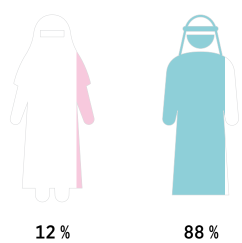


NEW JOBS CREATED IN 2014

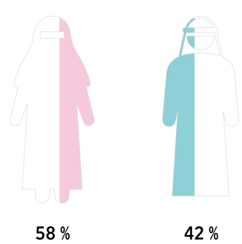
Source: Saudi Ministry of Economy and Planning



2014 NEW PRIVATE SECTOR JOBS, BY GENDER FILLED



2014 NEW PUBLIC SECTOR JOBS, BY GENDER FILLED



di Arabia's public sector has long been the country's largest employer. Government employment was a way to spread rents and absorb new jobseekers quickly since the capital-intensive oil sector itself produces few jobs. But as oil revenues shrink and the state bureaucracy grows crowded, policymakers are hoping for results from the Nitaqat programme announced in 2011, a series of quotas on the private sector requiring firms to employ Saudi workers.

In 2014, private sector job creation grew 14.2 per cent–far faster than the public sector, which grew 3.3 per cent. This trend may accelerate: recently government departments were ordered to freeze appointments and promotions outright in fourth quarter 2015 as the fiscal squeeze caused by low oil prices continues to intensify. Yet the private sector continues to prefer men: women filled just 12 per cent of the new private sector roles created that year.

"You shouldn't expect a huge salary after graduation. Most people want 10,000 riyals per month."

Ashwag Bandar, senior content manager at eTree

The bulk of opportunities for women are in low-skilled work, while roughly two thirds of the unemployed have a college degree. "It's about the right jobs at the right price," says John Sfakianakis, the Middle East director for Riyadh-based Ashmore Group, an asset management firm. "Most of the women who have found new jobs are in non-skilled areas, whereas what they need is to find jobs in the skilled area."

Creating more skilled jobs in the private sector would require big economic shifts of the sort that will take years and even decades, not months, to achieve. A bucket list would include a greater focus on research and development, a shift to higher-value petrochemical sectors, new tech industries, as well as creating more high-skilled service jobs.

But while the Saudi economy is gradually opening, with deregulation of the financial, telecom and aviation sectors, progress is slow. The problem has not gone unnoticed in the kingdom: "the private sector, in its current status, could not be relied [upon] to solve the employment problem," concluded a May 2015 study by the Ministry of Economy and Planning.

Sometimes job candidates' skills also aren't what they seem. Few universities offer women the chance for engineering or other technical degrees demanded by a resource-dependent economy. Women graduates often boast degrees such as biology or physics–but lack the specific training (let alone the university documents) that would allow them to legally work in, say, architecture or drafting. "I disagree with anyone who says that women have enough degrees," says Terekli. "We have the highest number of tertiary degree holders sitting at home doing nothing."

The mismatch between workers and employers can lead to another roadblock: salary and benefit expectations. Fresh graduates hope for high salaries when they enter the market, thanks in part to the generous wages in the public sector, where office hours are usually from 8am-2pm. In order for more women to find jobs, "there are some behaviours that need to change," says Ashwag Bandar, a recent graduate who now works at an all-female tech start-up, eTree. "You shouldn't expect a huge salary after graduation. Most people want 10,000 riyals [$2,700] per month."

By contrast, female retail workers earn just $800-1,067 per month (3,000-4,000 SAR) per month and work roughly eight-to-nine

CHANGING PERCEPTIONS The sight of female shop workers has opened people's horizons, says Basma Al Omair.

A BRIGHT SPARK A job centre focused on female employment in Saudi Arabia, Glowork was founded by entrepreneur Khalid Alkhudair. The company seen a steady increase in applicants calling or visiting their recruitment centres seeking work.

hours, according to a survey of shop employees by the AlSayedah Khadija Bint Khawilid Centre in 2014 and 2015. Their shifts include uncomfortable night and early morning hours that families struggle with adjusting to. Because women cannot drive, transportation can also take a large cut of such a modest income–between $160 to $180 per month for a shared taxi or up to $500 for a private driver, female shopkeepers say.

Specific regulations relating to female workers–and perceptions and misperceptions about them–also continue to prove a deterrent. Requirements for gender segregation stipulate that men and women should not be together in a closed environment–but so long as a door is open or the walls are glass and not concrete, they can share space. Yet many companies, hoping to avoid more zealous interpretations by the religious police, feel obliged to construct separate rooms or wings for female employees. "There is a perception that in order to hire a lot of women you need to have changes in the labour market and physical environment," says Sfakianakis.

One way women have found to get around these concerns is simply to embrace them, creating women-only alcoves for their businesses. Ladies floors in shopping malls, for example, create safe distance both from the religious police (who, as men, cannot enter) as well as social concerns. Families reluctant to see their daughters or wives interacting with strange men have few complaints about female customers.

For the moment, however, the work-arounds have been just that–patchwork solutions. Until many of the structural issues in the Saudi economy change, limits on women's contribution to the wider macroeconomic landscape will remain in place.

Saudi women may not be shaking the foundations of the economy yet. But society is another matter. The same survey by the AlSayedah Khadija Bint Khawilid Centre found that some 90 per cent of women and 79 per cent of men agreed that female employment was a force for the good. Asked specifically about the openings in retail, 77 per cent of men and 78 per cent of women thought the feminisation of apparel stores had been a success. Such widespread public support is remarkable given such ideas were taboo just a half decade ago.

Working has also changed the women themselves, as nearly any shopkeeper will tell you. For many, a job is the first chance they've had in life to be truly independent. This is a fact that straddles income, says Bundagji, who herself rose to one of the highest positions in the Jeddah business community. "Thanks to God I had no need for income. My story of working is more of self-validation. I noticed a lot of women–like me–need that. They want to serve and want to be useful."

Something is clearly drawing more and more women to set aside obstacles and find a way. Glowork now receives about 4,900 calls a week from women seeking jobs; about 100 come by the company's recruitment offices for interviews each day. Career fairs hosted by Glowork attract about 56,000 women a year across three cities, Alkhudair says. He adds that new sectors of the economy are slowly getting on board.

"There's a huge focus on women in retail in the last few years and now that's really shifted to other sectors and industries, for example administration, accounting, finance, and marketing."

Youth expectations in particular will test this system. "Now the young [female] graduates want a job and they expect to get a job. They don't remember how it was a couple years back," says Al Omair. "but rarely are they expecting to stay at home." •

"There used to be 50,000 female workers in the private sector and now there are almost 350,000."

Basma Al Omair, CEO of AlSayedah Khadija Bint Khawilid Centre

Elizabeth Dickinson is a journalist based in the Arabian Peninsula. Reporting for this article was made possible by a grant from the International Women's Media Foundation.

YOUTH UNEMPLOYMENT

The hiring challenge

While the skills gap is frequently put forward as one of the key factors slowing private sector hiring and even acting as a brake on business dynamism in the Middle East and North Africa , deficiencies exist on both sides of the hiring equation. A number of organisations are working in the region to step up and bridge the gaps.

BY STIAN OVERDAHL

In the United States, one of the biggest challenges for youth employability programmes is retention, ensuring that youth stay in a job beyond three, six or nine months. But retention in the Middle East and North Africa isn't a problem, says Jamie McAuliffe, the global president and CEO of Education for Employment (EFE). "Young people are so grateful once we get them into their first job that our retention numbers are over 80 per cent. They are loyal to their company and are really happy to finally have a job."

That may be a reflection of how difficult job markets are. While youth unemployment is a global issue and not unique to the Arab world, it is in "crisis mode" in the region, says Rachel Awad, associate director of employability at Qatar's Silatech. Outside of the GCC, youth unemployment figures range from the mid-to-high 20s up to above 50 per cent (some GCC states, including Saudi Arabia and Oman, also have high numbers of unemployed youth). Geopolitical instability, disruption and the increase of internal refugees in the region are only compounding the problem.

Aside from macroeconomic issues which hold back private sector growth and therefore job creation, one of the frequently cited issues is the so-called skills gap. Enterprise Surveys carried out by the World Bank across 2005-11 found that globally the share of firms identifying an inadequately educated workforce as a constraint to growth was highest in the Middle East and North Africa region, at nearly 40 per cent; by comparison, less than 15 per cent of companies in South Asia reported this as a factor, and only around seven per cent in Germany.

Nevertheless, scratch beneath the surface and the picture is less clear. Patrick Daru, senior skills and employability specialist at the International Labour Organisation's (ILO) regional office for Arab States in Beirut cautions against taking a simplistic view of the skills gap. "Of course employers will tell you that employees lack skills. Some indicators would support this claim. But in many countries across the MENA region you have a situation of low skills equilibrium, where the demand for skills is low, and the supply of skills is low, and there's not so much mismatch."

Various factors can give an impression of a lower skilled workforce than is actually the case, such as people outside of the schooling system, who have started work but are not certified. "If you do not have a certification, it's very difficult to get your skills recognised," says Daru.

Some employers also openly say that they prefer to hire unskilled youth, in order to train them, he notes. "That shows how

Photographs: EFE; Salma Reda / GIZ

little value and care some employers attach to [Jordan's] E-TVET level and other education."

On the skills gap, Awad says that while there is a tremendous amount of anecdotal evidence, there is very little concrete research. That a skills gap is a hard thing to measure, and not easily quantifiable, doesn't help either. "But in spite of the fact that there is not a tremendous body of research around it the issue is quite real."

A lack of knowledge about career planning and job-hunting on the side of jobseekers can also complicate the hiring process: when youth don't know the right kind of jobs to apply for, they apply for jobs which they're not suited to, meaning that companies receive applications for unqualified youth for open positions. "There's frustration from both the employers and the jobseekers," says Awad.

Amr Saber (23) found a job as a vendor in a coffee shop through Egypt's National Employment Pact (NEP).

Learning to communicate effectively with colleagues and superiors is important for youth without previous exposure to a formal work environment.

Struggling with expectations

For youth, obtaining a first job is normally a major life milestone. But aside from technical or educational achievements, there is widespread recognition that many youth lack the soft skills which are required to thrive in a formal workplace environment.

Soft skills are an area addressed by New York-based EFE, a prominent actor in the MENA training for employment field. The organisation has a primary focus on providing training programmes that lead into employment, and has placed over 8,000 youth in jobs in the region (figures current as of August 2015). EFE operates in all of the Arab transition countries, as well as Lebanon, Algeria, Palestine, and is establishing a programme in Saudi Arabia.

Their organisational model revolves around 'affiliates,' standalone non-profits that are run locally in each country. "We're trying to build institutions in these countries that will be dedicated to the challenge of youth employment for the long term," explains McAuliffe. Their focus is mainly on jobs and industries which don't require much prior experience, such as retail, hospitality, construction, frontline office jobs in insurance and banking, as well as digital jobs in some markets; in some cases–healthcare in Tunisia–it provides training in more specialised fields.

> **"The challenge is getting youth into the employment centres. Over the years, people in Egypt came to mistrust employment centres belonging to the government."**
>
> **Khaled Karara**, programme coordinator, National Employment Pact (NEP)

During its pilot stage nearly a decade ago, the feedback from businesses in the region was that young people were finishing education with "no idea about everything from how to dress and operate in a professional environment, talking to colleagues and working in teams, to higher level critical thinking including how to problem-solve," says McAuliffe.

Employers themselves are normally ready to carry out more technical and job-specific training once they have made a hire, he notes.

EFE's intake is mainly young people who have an education-either high school, or all the way through public university-but are struggling to break into the workforce. Either their degree is in a field with no real job prospects, or they don't have any job-related skills, which could be acquired through internships or prior experience working in a formal sector environment.

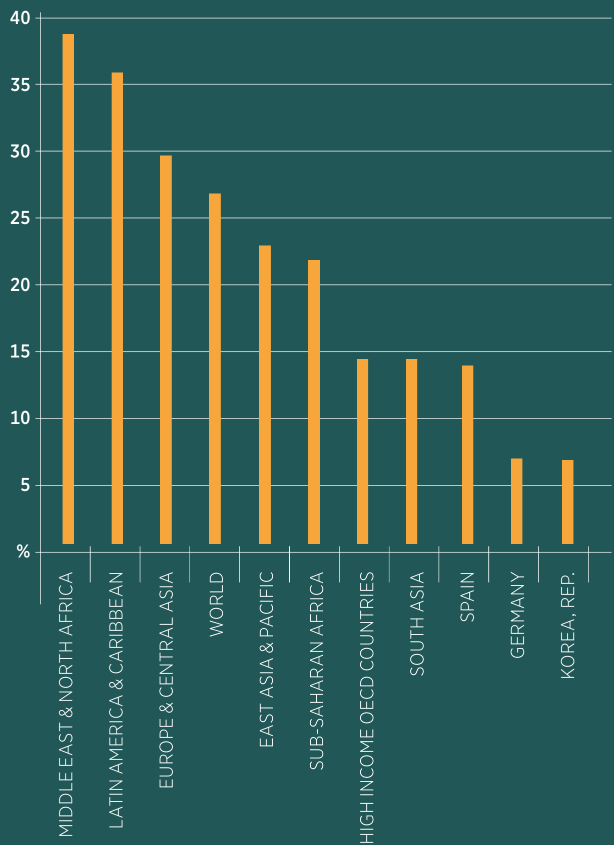
A major part of EFE's teaching is done through simulating work challenges, role playing typical events such as a disagreement with a boss or colleague or trying to solve a business problem. They also teach language skills–English or business French depending on the market. Exposure to the work environment can come from visiting a business or having a company representative come in as a guest speaker. Most programmes last between 10-12 weeks, but are able to achieve significant results, especially in the all-important area of confidence: "EFE is like a battery placed in a car or in each of our personalities. We all turned our ignition on and realised things in ourselves we never knew existed," reported a graduate from one of EFE's programmes in Egypt.

Working closely with the private sector and talking with hiring businesses about what skills they require is important to EFE's ongoing success, says McAuliffe. The organisation targets growing business sectors or those where jobs are currently going unfilled because employers can't find youth with the requisite skills.

They also offer to partner with smaller companies, which may not have HR resources, to provide training and recruiting for entry level employees. EFE will ask companies to pre-commit to hiring successful graduates, explains McAuliffe. "There's a lot of training out there–private, non-profit, government training–but often it's not linked to the actual job, and that's what's so frustrating for people, so we're trying to get that commitment built in."

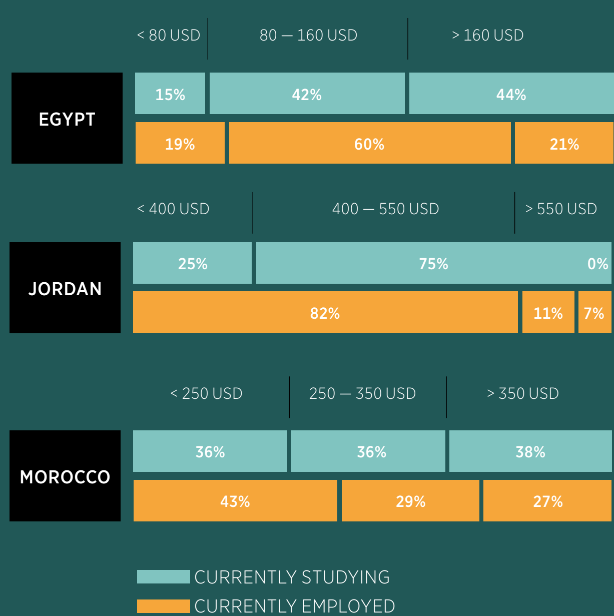
Another social factor EFE deals with is thwarted hopes, such as a university graduate who expected to find a career-building job,

FIRMS IDENTIFYING INADEQUATELY EDUCATED WORKFORCE AS A MAJOR CONSTRAINT TO GROWTH, BY REGION



Source: World Bank Enterprise Surveys, 2005-2011

YOUTH SALARY EXPECTATIONS ARE UNREALISTIC



Source: World Bank survey, 2010

and is instead told they must start as a call centre worker. Incomes may also be disappointing: the World Bank's 2011 study, *Education for Employment: Realising Arab Youth Potential*, surveyed youth in Morocco, Jordan and Egypt, and youth who were studying had salary expectations that far exceeded the expectations of those who were already in the workforce.

"Young people, in general, are not realistic about their salary prospects, expecting much higher wages than they are likely to receive," noted the report.

"The expectations gap is something a lot of us see and struggle with in some of these countries," says McAuliffe. "We tell them about the need to start somewhere. If they start somewhere–it may not be where they want to build their careers–but if they get a first job they can get over that hump of having no skills and no first job."

Businesses learning how to train

One critical view of training programmes is that they represent an externalisation of costs which the private sector should really bear themselves, says Kevin Hempel, an independent consultant in youth employment and livelihood development, who was previously employed in that field by the World Bank, including working on monitoring and evaluation (M&E). McAuliffe says that they do ask private sector companies for matching donations to cover the costs of running the courses, but usually aren't able to obtain more than 15-20 per cent (students themselves are also asked for a small amount, in order to have 'skin in the game').

At Silatech, Awad is familiar with the question of externalisation, but believes non-profits and other groups are stepping in to fill a gap precisely because no one else is. "Is [training] a private sector responsibility? In any case, they're not doing it now." The question of adequately training staff can also boil down to workplace culture. "The private sector in the [MENA] region is probably not as sophisticated and mature in terms of how to function as an employer as they are in many other parts of the world, such as Europe and the US." By leading the way, organisations such as Silatech can help empower employers, believes Awad.

On their part, this effort includes direct technical assistance to businesses, such as an internship toolkit. "Internships in this region are not well utilised at all," notes Awad. "We hear from youth over and over again that when they are able to secure internships, they're usually a total waste of time. Either it's just long-term job shadowing, or they're just asked simply to do menial tasks." The toolkit guides employers on how to set up an internship, how to monitor an intern, and how to help them develop their professional skills, such as by delivering constructive criticism.

Enterprise Surveys have also found that companies in MENA–both large and small–train less than elsewhere in the world. Where training does take place, it may be inefficient: Daru gives the example of the auto repair industry in Jordan, where apprentices were trained, but in a programme that was "too long, unstructured, with no theoretical part, and no certificate at the end." It was job-shadowing training stretched over five years.

Through engagement, this training was able to be squeezed down to a single year, and linked with the E-TVET system so that youth receive a certificate. "We cannot say that small companies do not train, but we can say that the quality of training in the small companies is very limited, and there is large scope to improve the structuring of this training."

There are some bright spots. The World Economic Forum has committed to make 100,000 youth job-ready by 2017, and earlier this year in Jordan nine large corporates–including Abdul Latif Jameel and Consolidated Contractors Company (CCC)–committed

Photographs: Nidal Elwan/EFE

to scale up existing corporate initiatives or create new initiatives to collectively train 49,000 Arab youth.

Wasta as HR policy

Silatech's main solution for addressing the youth employability problem in the region is Ta3mal ('works' in Arabic), jointly developed with Microsoft. While many of Ta3mal's services are delivered via its website, Awad says that they don't consider it an online solution because its success is tied to local implementation with partners on the ground. Country-specific versions are offered in Egypt, Qatar, Iraq, Tunisia, Algeria, Morocco, and more recently in Lebanon and Palestine. In each country the Ta3mal team partners with local institutions, whether private sector, NGOs or government, or a mix of all three. In Egypt, where it first launched, many of its centres are in Ministry of Youth facilities, local youth centres which formerly were primarily used for recreational activities and sports.

Key services within Ta3mal include e-learning, workshops, tips as well as job listings. They have also worked to expand the number of entry level jobs which are posted online, to increase the available job pool for inexperienced youth. In Qatar they have partnered with Bayt.com to offer free listings of entry level jobs: many companies are reluctant to pay a commercial website to list these kinds of jobs, says Awad. A team calls around companies to find those that are hiring at entry level, and will even help them draft the text of advertisements, since many companies may not have a proper job description for an entry level position.

Entry level jobs in the region have traditionally been filled by word of mouth hirings, also known as wasta. While there is a logic to this cultural practice, says Awad, "What people are slowly waking up to is that this doesn't bring you the skills match. That brings you somebody, but it doesn't bring you the right somebody."

She believes that many of the human resource (HR) practices in the region are not about hiring best practices, but cultural drivers. Helping the field to mature, for more relevant and lasting hiring will also result in more efficient hiring of youth. "Helping to de-risk youth hiring is an important part of our strategy."

"Scaleability is absolutely an issue for us. That's why we'd never say that there is just one solution, that's why a multitude of approaches are necessary."

Rachel Awad, associate director of employability, Silatech

Hiring practices are even more fraught in countries with community-based conflicts, says Daru, notably Syria and Yemen, as well as in Lebanon where community identity is very important.

"There you will see that recruitment is done also taking into account an aspect of security: If you recruit across community lines you may in some instance take a greater risk than if you recruit within your own community."

He notes that where wasta or community affiliations play an important role in the hiring decision, then clearly the importance of skills is diminished in the hiring decision.

The presence of large numbers of refugees or migrants in a country also reduces the importance of skills when it comes to hiring decisions, since migrants are often ready to work for lower wages and with worse working conditions than would be acceptable to the indigenous population (though better than the conditions in the country they have fled from).

Digital training is useful for obtaining a job in the current market, but is also seen as future-proofed against shifts in modes of work.

Businesses often complain about a lack of soft skills like critical thinking and problem solving, skills which can be taught by role-playing typical events or in group projects.

The allure of the informal sector

Delivering employment programmes can be difficult in countries where citizens have an ingrained distrust of officials and bureaucracy. In Egypt, the National Employment Pact (NEP) is an employment agency which focuses on linking blue collar jobs with those looking for work. It was founded on the initiative of 12 major private sector companies–including Siemens, Hassan Allam Holding, Mercedes-Benz, Pepsico and BASF–after the revolution in 2011. It receives technical support from German development agency GIZ on behalf of the German government, as well as the German-Arab business chamber. Not all of the founding companies hire blue collar workers, but those which do use the NEP, says programme coordinator Khaled Karara.

While youth unemployment in Egypt is high, many businesses which want to hire blue collar workers find it difficult to recruit "motivated and qualified staff" to fill vacancies, he says. Deficiencies exist on both sides: youth may lack skills or qualifications, while blue collar employment conditions may be unsatisfactory, with low wages, poor conditions, little job security and no proper work contracts. A further cultural aspect is that the blue collar sector is looked down

> **“The ability for employment organisations to steer the education process is badly lacking.”**
>
> **Patrick Daru**, senior skills and employability specialist, ILO Regional Office for Arab States

on in Egypt, and not perceived as a viable career opportunity, in part because of poor conditions, says Karara.

But the main competitor for the blue collar sector is the large informal sector: some youth like the flexibility of being able to choose when they work.

The formal sector typically has longer working hours and stricter conditions, and pay is not always better than in the informal sector, though the advantages of formal sector work can include better job security, safety standards, as well as skills training and opportunities for advancement. “Some youth work as tuk-tuk driver for a week, and then have enough money not to do anything for ten days. Others long for a more stable and secure job. You find both,” explains Karara.

EFE was praised by Bill Clinton at a recent event in Marrakech in May.

Photograph: CGI

The pact works with around 450 companies–mainly small and medium sized enterprises (SMEs)–to fill open positions. Job scouts visit companies, to find those that are hiring and to assess whether their job offers meet certain criteria, including contracts, social security, minimum wage and a safe working environment. The NEP has three employment centres that perform match-making and placement, as well as providing job preparation courses. Applicants at the centres are assessed as either suitable to be taken into the job-seeker database, or else are put through a two-day training course to orient them to the demands of the market: how the labour market is structured, what employers want, their responsibilities and the privileges they could receive from employers. Soft skills such as punctuality and the need to take initiative within a company are also instilled. “A lot companies just tell us: ‘Provide us with someone who is punctual and committed, and we will do the rest,’” says Karara.

Since its inception, more than 4,000 workers have been placed into positions, and a similar number have done the job preparation course. 50,000 job offers are now in the database. One difficulty that remains is publicising the service–employment centres for blue collar jobs are entirely novel in Egypt, and such youth are not normally the recipients of employment services. Outreach functions include employment officers visiting areas where informal workers congregate, setting up at job fairs, passing out fliers and advertising campaigns. “The challenge is getting youth into the employment centres. Over the years, people in Egypt came to mistrust employment centres belonging to the government,” says Karara.

To his surprise, demand currently sits on the side of employers, both because of the trust issue, and because the informal sector remains in some cases a more attractive employer. “In the greater Cairo area, we now have more access to jobs than jobseekers.”

These issues are slowly being overcome, and NEP now matches around 130-150 youth per month, says Karara. Its next step is to expand their job centre network by partnering with other NGOs.

Business organisations need to step up too

While organisations involved in employability initiatives normally witness the direct benefits of their programmes, scaleability remains an ever-present challenge. EFE’s McAuliffe says it’s something they wrestle with, the challenge of going “from retail to wholesale.” They’d like to work with groups of companies in sectors of growth, rather than just individual companies. “If we can get connected to groups of companies that will help us understand the skills needs, we can start to train for a much greater number.”

Awad notes that scale happens through technology-driven initiatives, but believes that physical training programmes will always be important, with online skills building a relatively new concept that still has to prove itself. “Scaleability is absolutely an issue for us. That’s why we’d never say that there is just one solution, why a multitude of approaches are necessary. It takes all of us, chipping away in different ways, and working together when it makes sense.”

The lack of detailed studies can also limit the opportunity for larger scale programmes being implemented, says Daru. “Part of the problem is that sometimes NGOs are very reluctant to have their impact properly evaluated,” and the lack of available data on programme outcomes is “very damaging in terms of replicating successful approaches.”

The private sector is by all accounts a significant part of the solution, but enabling this may require more efficient industry organisations in many countries. While a common complaint from business executives is that education systems aren’t teaching the skills needed by the private sector, poor lobbying and organisation on the side of the business sector may also be to blame. There is also a political dimension to this: in many Arab countries, the lack of communication between the private sector and the education systems can be pegged to limited freedoms of association for both workers and employers organisations, says Daru.

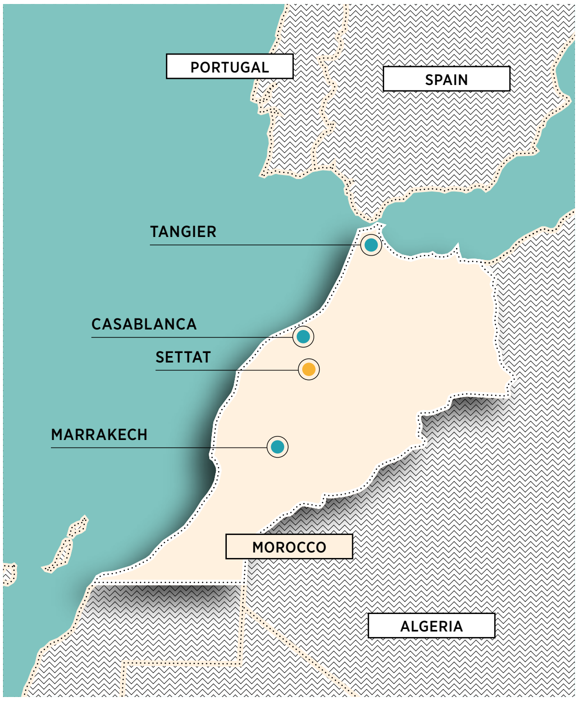
A positive example is Germany, where in the case of a specific skills deficit, businesses affected can go to the Chamber of Commerce which in turn can influence schools to provide these skills.

“In the Arab world, sometimes you will find that employer organisations are not involved in the debate on education because there is no space for their involvement because of restricted social dialogue. In other instances, where employers organisations have a seat at higher policy levels, they don’t manage to coordinate between their members a sufficiently detailed outline of what they need and what they want in terms of skills. The ability for employment organisations to steer the education process is lacking.”

He believes more interventions are needed at a sector level, and at a local level. “Sector level partners have a greater understanding of the needs of the private sector. National level institutions may not.”•

COUNTRY SNAPSHOT

MOROCCO



USAID CAREER CENTRE

VOLVO GROUP WORKFORCE TRAINING ACADEMY

While employers complain that new employees lack job-appropriate skills, many youth themselves lack information about the job market that would allow them to make informed career choices.

Three career centres have been set up in Morocco, a programme designed and funded by USAID and implemented by FHI360 and other partners. Established inside universities, the centres are focused on graduates, to provide them with guidance on how to communicate with potential employers in order to obtain jobs commensurate with their level of education, as well as information on how to plan their careers. Without career advice many are prone to choosing sectors with minimal prospects for advancement, says Dana Mansuri, USAID Morocco's mission director.

Young Moroccans constitute over 10 million people and 80 per cent of the unemployed in the country, but university graduates were targeted because the more educated youth are, the more difficult it is for them to get a job, says Mansuri. "Employers in Morocco often complain about the hiring pool not having the skills needed for the job. The fact that candidates lack the necessary skills results in disproportionately high unemployment rates for Moroccans with advanced degrees–ranging from just 1.6 per cent for workforce participants with no diploma to over 22 per cent for university graduates."

The centres are targeting those regions with the best opportunities for employment growth: Casablanca, Morocco's biggest city and the economic capital, which is the industrial centre of the country with fast growing sectors and a strong demand for a qualified workforce; Marrakech which still relies heavily on tourism and agriculture sectors, but is seeing expansion into other services like offshoring; and Tangier, Morocco's second most important industrial centre which is undergoing rapid development and modernisation, though its employment rate is below the national average (38 per cent versus 43 per cent).

The career centres provide diagnostic tools to help students "discover their potential, learn about different career pathways, and prepare for work readiness," as well as providing opportunities for job experience, says Mansuri. Soft skills, which are commonly reported as lacking by the private sector, will be focused on. Meanwhile a 'virtual centre' will provide the service to youth in other regions of the country. The online component will include self-evaluation tools, resources on career pathways, training, and courses in soft skills. Career services are "very new" to Morocco, adds Mansuri, saying that they will use social media communication to publicise the programme.

Morocco is the largest producer of phosphate in the world, and its state-owned miner, Office Chèrifien des Phosphates Foundation (OCPF), the larger phosphate miner. That means demand for industrial equipment, and Volvo Group has recently expanded its workforce training programme in Sennat, in central Morocco, which will train up to 150 students per year from Morocco, Côte d'Ivoire and Senegal in the maintenance of industrial machinery. The initiative received funds and training from USAID. The school is run by the Office of Vocational Training and Employment Promotion (OFPPT); upon graduation students receive a certificate or grades that are recognised by the Moroccan education system.

Julia Jonasson, coordinator for the vocational training projects in emerging markets at Volvo Group says that beyond funds, the involvement of USAID brought much-needed knowledge and experience. "These kinds of development projects are not part of our 'normal' business practices."

While the training is specific to the technical nature of the Volvo machines, this knowledge will be applicable to heavy machinery in a larger sense, says Jonasson. "The functionality of a diesel engine will be the same for all manufacturers." Likewise, while the technical education and workshop methods will be on Volvo specific systems, the skill set is applicable to all brands and manufacturers, she says.

While heavy equipment may seem the exclusive domain of male workers, the programme has the notable goal of females making up at least 30 per cent of the students. Jonasson admits that this would be an ambitious target in any country in the world. "In Sweden, the 'home' of the Volvo Group, we generally see a 10-15 per cent female enrolment in mechanics and technician high school programs," she says. Nevertheless, female graduates may find that they have an edge when it comes to finding a job: "We find that in the African markets, customers are consciously working on hiring female operators and drivers in mines and construction. Female employees are generally more reliable, follow instructions and don't take unnecessary risks with the equipment. It then becomes a good business decision to hire women machine operators." •

FINANCIAL TECHNOLOGY

YOU WON'T BELIEVE WHO PAID FOR THIS

Small businesses have a notoriously tough time obtaining bank finance in the Middle East and North Africa.

Do financial technology products such as peer-to-peer lending and crowdfunded micro-financing offer a solution?

BY PETE CARVILL

The Statue of Liberty is best-known as an American political icon, but can also be used as a study into the early history of crowdfunding. The statue itself was a gift from France to the US, but one to be paid for by the French people rather than the state. A fundraising campaign was launched across the Republic, with money raised from schoolchildren, municipal authorities and even–as the price of construction rose–by the sculptor, Fredric-Auguste Bartholdi, selling miniatures with the name of the buyer engraved on them. The task then fell on Americans to raise funds to pay for the pedestal. After efforts stalled, the publisher Joseph Pulitzer himself launched a fundraising drive, promising to print the name of each donor, no matter how small their contribution. The campaign was a roaring success, resulting in more than 120,000 individual contributions, most of which were for less than a dollar. The pedestal was funded.

And so while crowd-funding may be nothing new, right now it's growing faster than ever, connecting ordinary people with projects and businesses. In 2013, $6.1 billion was raised, rising to $16.2 billion last year, across the full spectrum crowdfunding–donation, equity, as well as debt and lending–according to research from crowd-sourcing specialist Massolution. It estimates the industry will double once again in 2015, raising $34.4 billion.

In the Middle East and North Africa (MENA), the industry is not as developed or diverse as in Europe or the US. But companies that have been founded have thrived, and proponents of the industry see a new set of tools to solve some of the region's persistent problems, such as access to credit in the case of crowd lending, or support for culture with crowd-funded artistic projects that can maintain their independence.

As a journalist writing for *Al-Jazeera*, Ahmed Moor saw first-hand the hunger for freedom in Tahir Square in Cairo during the January 25 Revolution in 2011. Determined to help mitigate the "opportunity deficit" in the region, Moor and fellow Palestinian Samer Atiani founded Liwwa, a peer-to-peer (P2P) lender in Amman, Jordan. The company lends to micro, small and medium businesses (MSMEs), often allowing them to expand their businesses, purchase new equipment and hire new staff. "Our mission is to provide job and income growth in the markets that we serve," says Moor.

"Through Narwi, we want to redirect part of the charitable potential of the Islamic world toward producing more sustainable long-term impact through creating jobs."

Baha Isssa at Qatari social enterprise Silatech

To the uninitiated, providing finance options to small businesses may not sound revolutionary. But the lack of access to credit for MSMEs is recognised as one of the major constraints on private sector growth in the MENA region. This is especially significant in the context of the large numbers of jobs required in the MENA markets. In most economies, small businesses are responsible for the lion's share of new job creation and private sector employment, but figures from the World Bank's report *SMEs for Job Creation in the Arab World* suggest that SMEs in the region are operating below their employment generating potential. "Young people in MENA have the world's lowest levels of financial access, so if you're a young entrepreneur you face a double challenge accessing financing for your business," says Bahaa Issa at Silatech. "Several factors contribute to this situation, including a weak financial infrastructure, lack of transparency, and regulatory and legal restrictions."

MSMEs struggle to obtain bank financing around the world, but the situation is especially acute in the MENA region because banks concentrate their lending in the private sector to large, established companies. Furthermore, in many of the non-oil economies, banks are often called on to finance large fiscal deficits; since lending to the government is easier and lower risk for banks, this crowds out the private sector by reducing credit available for private enterprise.

A feature of MSMEs is that many lack collateral which can be used by a lender to secure a loan, while fixed underwriting costs for banks means that it's a better business strategy for them to lend to larger customers, that can also bring with them ancillary business for the bank. Obtaining a loan can also be a slow and frustrating process for a small firm that does not have an open line of credit.

"There's a perception [among banks] that SMEs are riskier," says Moor. "It's a structural problem that comes back into play. Do I buy government debt or do I lend it to small business that could go into default in the next economic shock? The analysis is always towards large corporations and governments."

Peer-to-peer lending is a relatively new development in the financial world, one of handful of new practices referred sometime as FinTech (financial technology) or crowdfunding. It provides loans to businesses, while collecting capital from ordinary retail investors, who then profit on the lending activity.

Liwwa offers asset-backed finance structures that are Shariah compliant, both *Murabahah* and *Ijara*. "Our loans are structured so that the profit rate that accrues to lenders is linked to a mark-up associated with the asset or trade good," says Moor. He uses the example of going to a local corner store and buying a Snickers bar, which the shopkeeper has purchased wholesale and is then selling at a mark-up.

Moor says that as a new company they're relatively nimble, and don't struggle with the large legacy costs that burden many banks. One of the key advantages of P2P lending is that it is often faster than borrowing from the traditional banking sector; many of Liwwa's customers are bankable, says Moor, but turn to Liwwa in part because of its efficiency and speed.

"We make decisions about funding normally within 24 hours." The company is involved in assessing the suitability of the borrower, and they then determine the cost with a pricing matrix linked to tenor and risk profile. For its troubles, Liwwa takes a service fee of two per cent from each repayment.

Whether P2P lending should be grouped under the umbrella term 'crowdfunding' is an open-ended question. Moor believes that the overall trend is for people to regard P2P as an independent industry. "The main reason may be that the viability of the sector relies in part on the participation of institutional lenders, many of whom regard P2P as a new distribution channel for their capital."

Another P2P lender is Beehive, based in Dubai. The first to launch in the United Arab Emirates (UAE), it will only provide loans to companies registered in the UAE, and has stringent criteria, says CEO and co-founder Craig Moore. Companies receiving loans must have annual revenue of at least $680,000 (2.5m AED), have been trading for 36 months, and not had a cheque returned in the past 12 months, among other qualifications. "We're focused on profitable, established, creditworthy businesses that are looking to fund further growth and job creation."

CROWD-FUNDING CREATIVITY

Perhaps the best known form of crowdfunding is the campaign-style sites such as Indiegogo or Kickstarter, where people try to raise funds via pledges, whether to develop a new product, make a video, or finance an enterprise. Notable successes include the US film *Wish I Was Here*, which over one month in 2013 received more than $3 million in funding from 46,520 people through Kickstarter (though following its release the movie was generally panned by critics).

Sites have been launched in the MENA region, including Aflamnah, which is focused on raising funds for filmmakers, artists and other creatives. Another site, Zoomaal, launched in 2013, and can be used to fund campaigns for projects with social meaning that are based in Egypt, Jordan, Morocco, Algeria or Lebanon.

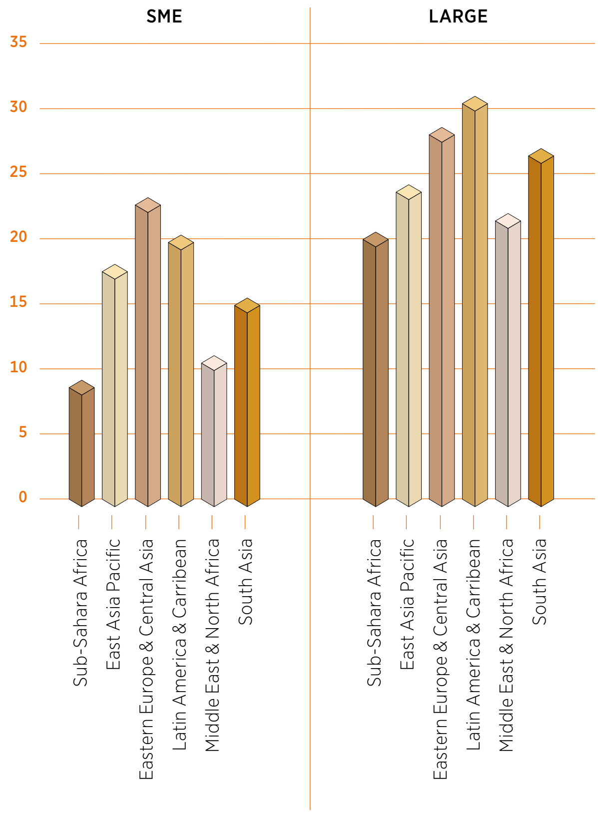
Haifa Yassine, digital marketing officer at Zoomaal, says that the option of crowdfunding a project is having a positive effect on the arts scene. "Many independent artists are turning to crowdfunding now," says Yassine. "It's starting to catch up in MENA because it's the best solution to remain independent, to receive unconditional funding, and to receive support and publicity. It's been catching up with the music scene and with filmmakers. There have been several successes in a row."

To date, 96 projects have been funded on the platform, to a total of $1,319,119. Six-out-of-ten funders are Arab expatriates within the US, Europe, and Canada.

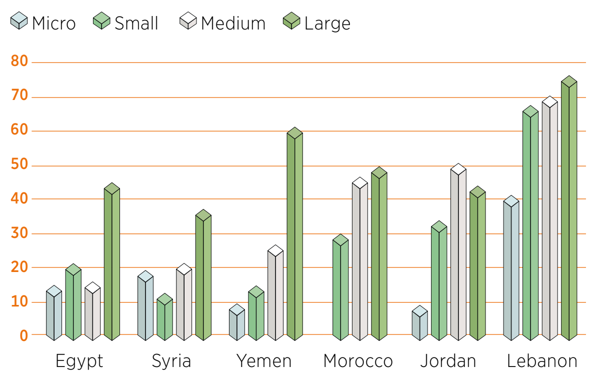
Lebanese singer-songwriter and visual artist Tania Saleh used Zoomaal to crowdfund the launch of her fourth album. While ultimately the effort was successful–raising $51,156 from 260 contributors–getting to the target was no small task. For two months the singer worked with filmmaker Elie Fahed, a PR person and a digital consultant, filming videos, creating drawings to be uploaded during the campaign and working on creating rewards for contributors. Saleh promoted the campaign online, on TV, radio and in printed press.

More recently, a project on Zoomaal to fund a community centre in the Shatila refugee camp in Beirut received over $100,000 in funding. •

PERCENTAGE OF FIRMS WITH A LINE OF CREDIT



PERCENTAGE OF FIRMS WITH A LOAN FOR SELECTED COUNTRIES



Source: World Bank Enterprise Surveys

Since setting up shop, Beehive has attracted more than 2,000 investors–accounts can be opened with as little as $272 (1,000 AED)–who are able to generate average returns of 12 per cent says Moore. Beehive assigns an A, B or C risk rating to a company, while the actual loan rate is determined in a reverse auction process. By spreading their investments across many companies, investors can diversify their portfolio, reducing their losses in case a company defaults (the loan contract is between the investor and the borrower, who bears the risk; in case a business defaults, Beehive can start legal proceedings against the borrower if deemed relevant). Borrowers benefit from faster access to lower cost finance, says Moore.

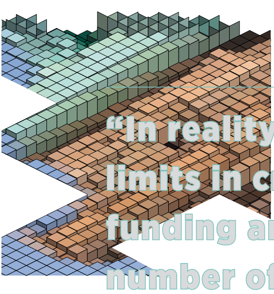
For now, Moore expects their business volume to triple over the next 12 months, and also plans to launch into new countries. "In reality, the only limits in crowdfunding are the number of investors willing to engage with the platform, and the number of businesses applying for financing. We have found no shortage of either, and find this to be an international trend.” Growth of the P2P and FinTech industry will likely see regulators in various countries taking a closer look. But not yet. “In other markets we see that regulators are beginning to enter the crowdfunding conversation, but we have not seen nearly such robust activity here, and do not expect to see it for a few more years to come,” says Moore. He notes that Beehive is regulated and licensed under the rules of the Dubai Multi Commodities Commercial Freezone (DMCC) where it has registered; the company has developed a structure together with the DMCC that follows the UK regulatory model best practices, tailored to the UAE market.

Not all lenders do so to gain profit. Visit the website of Kiva, the world’s largest online micro-lending platform, and you will see tiled photos of smiling entrepreneurs and small business owners around the world. They’re looking for loans to help them grow or expand their business, loans that can be as small as $25. The US-based non-profit organisation collects loans which are distributed by a global network of partners, local micro-finance institutions (MFIs) that find suitable businesses and deliver the loan (these MFIs can charge interest on the loan to cover their costs; lenders receive the principal repaid).

In 2012, Silatech brought together its regional network of MFIs to create a dedicated channel profiling income-generating projects from young Arab micro-entrepreneurs. In three years since launching, Kiva Arab Youth has raised over $7m from more than 150,000 lenders, to finance over 5,000 businesses.

The age of reliance on large public sectors has now come to an end, says Issa. “The private sector is now the primary engine of job creation. New enterprise creation and growth is fundamental to employment generation, and our mission is to help young people find jobs and start businesses.”

This year Kiva and Silatech will launching the next phase of the crowdfunding programme: Narwi, billed as the ‘first micro-giving platform created by Arabs for Arabs.’ Its name means ‘to tell a story,’ as well as ‘to nourish.’ Regional tailoring means that lenders can pay using a credit card, since the Kiva platform only accepts Paypal, which is not available in some Arab countries. Additionally, all projects on Narwi will be financed through Shariah-compliant financial products. This will provide an alternative to the traditional forms of Islamic charitable giving, estimated to amount to over $200 billion annually. “Through Narwi, we want to redirect part of the charitable potential of the Islamic world toward producing more sustainable long-term impact through creating jobs.” Nevertheless, Issa stresses that the platform will accept donations from “anyone, anywhere.”



“In reality, the only limits in crowd-funding are the number of investors willing to engage with the platform, and the number of business applying for financing. We have found no shortage of either.”

Craig Moore, co-founder and CEO of Beehive

Finance products will be offered through Kiva’s Field Partner network in Palestine, Jordan, Iraq, Lebanon, Egypt, Yemen and Somalia, with plans to expand to Morocco and Tunisia, and possibly to additional countries outside the region.

Silatech has a broader remit that includes providing technical assistance to financial institutions, to help them design and develop loan products specifically for young entrepreneurs. This often combines technical assistance with seed financing, with average loan products ranging from $500 to $5,000, depending on the country of implementation. “By working through partners to help a young person open a sewing workshop, expand a bakery, purchase tools for auto repair, or equip a simple hair salon we are not only creating employment, but employers as well. As their business grows, many of these young micro-entrepreneurs will hire workers.”

Loan recipients can also be connected to mentorship programs and business support services, some of these offered by Silatech. “This formula is largely why Silatech is currently the Arab region’s largest provider of youth-focused micro-enterprise services.” Since 2008, Silatech has unlocked around $250m in co-funding, financed over 90,000 youth enterprises, and created over 140,000 jobs.

Despite welcome success stories in crowd-funded lending to MSMEs, given the scale of the financing deficits it’s clear that FinTech solutions will only be part of the picture. While P2P lenders have met with early success, the industry is still very much in its infancy in the Middle East, and as such, “it is difficult to point to any changes that have taken place since the industry’s inception,” says Beehive’s Moore.

Micro-finance too has its limits. In a report on the Arab transition countries (ACTs) released last year by a group of IMF economists, they calculated that micro-finance only reaches 1.8 per cent of adult population of the ACTs. “Most MFIs in the ACTs are non-deposit-taking NGOs. In some countries, including Tunisia, banks are restricted by interest caps that make micro-loans unprofitable. In most countries, MFIs are not included in the formal credit information system,” said the report’s authors.

Governments and international institutions are also working hard to provide solutions, including SME-targeted funds, or providing funding and technical support to the traditional banking sector. In Egypt, for example, the European Bank for Reconstruction and Development (EBRD) has provided financial packages to many of the major banks, designed to allow them to lend directly to MSMEs.

The increased availability of funding for MSMEs works in tandem with the EBRD’s advisory services to this business segment, says Philip ter Woort, head of the EBRD in Egypt, allowing advisors to connect businesses that are likely to qualify for a loan directly with the bank.

Nevertheless, when it comes to the burgeoning field of crowdfunding, industry participant are optimistic. For Liwwa’s Moor, peer-to-peer lenders and the larger financial institutions could find synergy by working together. He says that banks have a ‘critical role to play’ in delivering capital to small business. “Peer-to-peer networks act as distribution channels for both retail and bank capital in many places in the world, and there’s no reason to think things will work differently in MENA.”

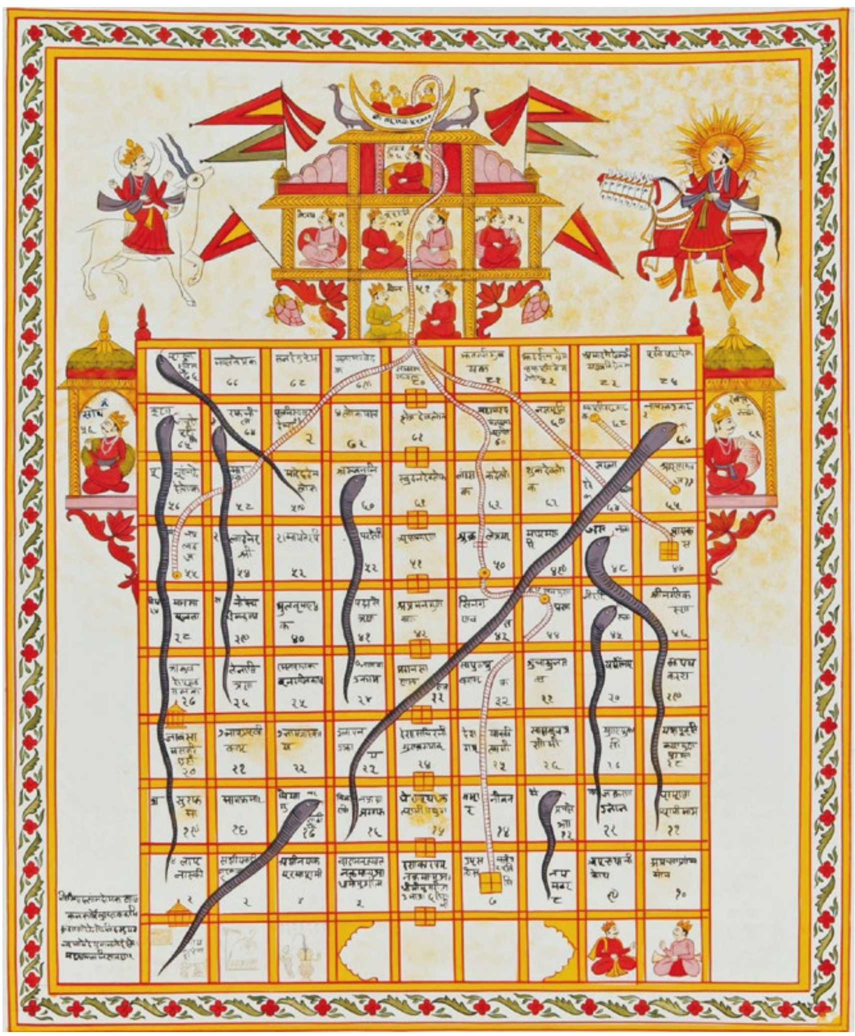
At Beehive, Moore says that crowdfunding companies in the region are bolstered by the fact that these products are proven concepts, with a critical mass of companies working internationally in the sector. “Many of the P2P concepts and technologies are now firmly established abroad, lending credence to them locally and moving from the early adopters to the mainstream.”

He believes that peer to peer lenders are revolutionising the SME funding model by directly connecting investors with businesses, building mutually beneficial partnerships for growth.

“In recent years the UAE financial markets have improved in their sophistication and depth, and have been significantly advanced by new kinds of FinTech. The region can enable better and more diverse SME funding by supporting the growth of free-market initiatives like P2P lending, which directly connect the demand and supply of capital.” •

ENTREPRENEURSHIP

SNAKES & LADDERS WHY START-UPS FAIL OR FLOURISH



The board game Snakes and Ladders was invented in India, first played as early as 2nd century BCE. With the chance movement of players up or down, the game has been used to emphasis destiny rather than chance; in other guises it was used to teach the effects of good deeds versus bad. Reaching the last square represented the attainment of the Hindu concept of Moksha or spiritual liberation. Shown here is a 19th century Jain version on cloth.

Image: Jain Miniature/Wikimedia

Start-ups and entrepreneurship is one key solution to youth unemployment in the Middle East and North Africa. But arcane bureaucracies, fragmented markets and difficulties raising funds can stifle start-up growth.

BY ANNA SHEN

Entrepreneurship, start-ups and flourishing small businesses are seen by many as the most promising solution to one of the Middle East and North Africa's biggest problems: youth unemployment. The Arab countries in transition–Egypt, Tunisia, Libya, Jordan, Yemen and Morocco–alone need to create seven million jobs by 2018 to reduce unemployment rates halfway, to the average of emerging markets (about 8.5 per cent). It's well-understood that expanding the public sector isn't possible, and whereas the private sector is creating jobs it isn't enough. In many cases youth are simply taking matters into their own hands and looking to entrepreneurship, small businesses or tech start-ups as a way out.

This comes as the region grapples with the tech revolution, which has had a "tsunami effect" on life in the region, according to Wael Fakharany, Google's agency lead for the Middle East and North Africa. "When you can't find a job, you create a job because all you need is to connect to the Internet and you can export products and services to the rest of the world. You are in control of your destiny online."

Author and venture investor Christopher Schroeder says that few people understand the full scale of the shift happening in the Middle East. Tech-savvy youth are wired and connected and have access to almost all of human knowledge. "They want their voice not only in society but their economic futures, and they are turning to entrepreneurship because they aren't waiting for anyone to solve what they feel empowered to solve by themselves," he said.

Looking to entrepreneurship, small businesses and start-ups as a solution to youth unemployment isn't a bad idea: In many regions in the world, small and medium enterprises are the biggest drivers of employment growth. But not in the Middle East and North Africa. Outside of the optimism and lofty talk, small businesses and start-ups–whether in the technology sectors or in regular businesses–face numerous obstacles. Many of these affect the full gamut of private sector companies large and small. Speaking specifically of the Arab transition countries, Masood Ahmed, IMF Director for the Middle East and Central Asia, has called for "bold reform agendas that will make for more dynamic and inclusive economies." Other features of the economic landscape–including low availability of financing or capital funding, bureaucracy and even, with start-ups more likely to fail, bankruptcy laws–have a disproportionately negative effect on smaller enterprises. There are also other challenges that come with the territory: when you're in the business of doing something new there's always bound to be a natural resistance to a novel idea or organisation.

Funding is crucial

Many of the obstacles confronting entrepreneurs and start-ups in the MENA region are the same as those encountered anywhere in the world: developing a useful product, gaining market traction, or staying focused and not-burning out. But some are also specific to the region such as arcane bureaucracy, fragmented markets and the relative newness of support infrastructure. Difficulties hiring and retaining talented workers makes it hard for companies to assemble their dream team.

Funding is a key difficulty, and a 2014 report from Dubai Silicon Oasis and Google MENA charting the life of a start-up in the region found that 71 per cent were self-funding. The trend was highest in the GCC, reaching 89 per cent, compared with just 45 per cent in North Africa, where obtaining funding from angel investors is more common. Where seed funding is obtainable, many businesses also struggle at later stages: a report released in 2014 by Wamda Research found that funding gaps are particularly prevalent at $500,000 and above. Part of the problem is investor habits, believes one longtime observer of Middle East en-

Dubai is seen as an natural hub city for start-ups in MENA, and the UAE is a target market to expand into. Balanced against this are a high cost of living and of doing business, which can drain cash.

trepreneurship Bob Debbas. A serial entrepreneur who also teaches Marketing at the American University of Science and Technology (AUST) in Beirut, he believes most investors prefer to put their money in sectors with tangible assets: money isn't spent on start-ups which have only intangible assets.

"The banker or multi-billionaire will invest in a building that will double his money in five years, but he will not take a risk investing in a start-up that might become the next Facebook," he says. "Many investors say, 'Okay, I see amazing concepts but what if you fail? If I'm investing in you–where is the building or property behind this?'"

In Egypt, similar factors are at play. "We are lacking on investor education, and at the same time there is not enough deal flow for them to choose from," says Heba Gamal, the managing director of Endeavor Egypt.

Less established entrepreneurs can also face the difficulty that investors often are only willing to fund those founders with a significant track record, says Darius Moeini, the managing director and co-founder of Berlin Startup Consulting. He says that entrepreneurs in the MENA region can bootstrap their first start-up and build something small to get ready for bigger projects later. Alternatively, diving into the American or European eco-system, perhaps as an employee is another option to gain experience, and in turn credibility when it comes to seeking funding.

Nevertheless, the availability of funding is growing: a report released in September by of BECO Capital identified 109 private players operating in the venture capital sector in the region, including 19 regional and seven international VC firms. The market has gained momentum in the past 12 months, says the venture capital firm's CEO Dany Farha. The four largest funds have "around $150 million dry power remaining from their $250 million coffers raised over the last

"Four or five years ago, people were not used to asking for help or advice. But after the revolution things changed: now it is normal to ask for professionals to help you."

Mohamed Azab, founder of Seha Capital three years," said Farha. Nevertheless, funding in the region remains only a fraction of what is available elsewhere, in markets such as the US, Europe, or even India, despite the Arab world's large collective GDP of $2.85 trillion in 2014. Raising it will require more allocations from investors including sovereign wealth funds (SWFs), family offices and institutional investors, said Farha, "accelerating the creation of our ecosystem, building local tech success stories [and] ensuring that MENA participates in the tech revolution."

Other solutions to funding are growing, including from start-ups themselves. One of these is equity crowd-funding. Eureeca.com was the first to set up in the region: the online platform is used to advertise a business and hopefully draw in a broad group of investors, as well as customers, friends, and even family members.

Chris Thomas, Eureeca's co-founder and CEO, notes that lack of access to finance is one of the biggest inhibitors of SME growth. Cultivating a vibrant and dynamic financing ecosystem to ensure adequate access is vital."This is occurring in the UAE and beyond, with the emergence of alternative finance options such as equity crowd-funding and peer-to-peer lending, coupled with the continued development of venture capital and angel investor networks. More remains to be done but we're getting there."

Numbed by bureaucracy

While legal systems and bureaucracy can be onerous for any business operating in MENA, they can be especially difficult for start-ups, which often have smaller teams, and less resources for navigating rules and regulations. In some countries, expensive fees for business registration and licensing hamper business, as do unclear ownership structures and lack of business-friendly legal frameworks. Tax and business laws in many countries may be spontaneously revised or enforcement may be subjective, according to a report from Wamda Research. Accessing information can be difficult if it is only available in Arabic or not available online, while visiting official offices can be difficult: founders may have to visit numerous offices to obtain a definitive answer to a simple problem. The net result of bureaucracy can be numbing. "Many officials are exceptionally corrupt," says Debbas. "Accountability and transparency is lacking [in many countries]." Opening a business can also be slow and expensive. In Jordan, "Opening takes two to three weeks, and it costs $2,000. Entrepreneurs could put that money into working capital."

The lack of a common market in the MENA region means that entering multiple markets to reach a larger customer base requires navigation of individual bureaucratic systems, and companies may have to get their product–such as a payment system–individually approved in each country. This can require connections or wasta, says Debbas. "You need to have a good network to succeed in [a new] country." However, while markets may be fragmented when it comes to regulations, one positive is the overlaps when it comes consumer dialogue: if a company has a good product, people will hear about it on Facebook and Twitter and an entrepreneur will be pushed to go to that market due to the number of fans, said Debbas. "You make the decision to enter a new market based on the geography and geo-location, if you are being smart about your business."

> "Not everyone is ready to be an entrepreneur; these skills are not taught in universities–therefore, some fail by trial and then succeed."
>
> **Ghadeer Khuffash**, CEO of Jordan Education for Employment

Another feature of the legal environment is that business owners who go bankrupt can be sent to jail in some cases creating a risk-averse environment. In Lebanon, bureaucracy also has a final kick for a business when it fails, noted Debbas, where owners face a penalty fee of $2,000 to close the company. "A person is already sad psychologically and then they have to pay more money. In principle, the beauty of capitalism is that some people fail and some succeed. The same person that fails, then succeeds later to make a billion dollars."

There are occasional bright spots, signs that governments in the region are listening. One example is the UAE's current reform of its insolvency law, which will regulate debts, ease company restructuring, support troubled businesses, and mitigate the risk of bankruptcy in line with international norms, says Jeanine Daou, a partner at PricewaterhouseCooper's Middle East office. "The potential publication of the new insolvency law will prove appealing to SMEs, as they would feel at greater ease with specific safeguards and protection," said Daou.

Communities are growing

While entrepreneurs may be able to point out many obstacles to success, at the same time the number of support mechanisms for start-ups is flourishing. Egypt has one of the strongest ecosystems in the region, says Heba Gamal, managing director of Endeavor Egypt, an incubator for small enterprises. "There has been a huge change in the past three to five years, and an ecosystem. We envision it as a pyramid. In Egypt there is activity at the base of the pyramid: start-up weekends, boot camps, support groups, and then incubators and accelerators. "We have an extremely collaborative ecosystem. Everyone works with everyone."

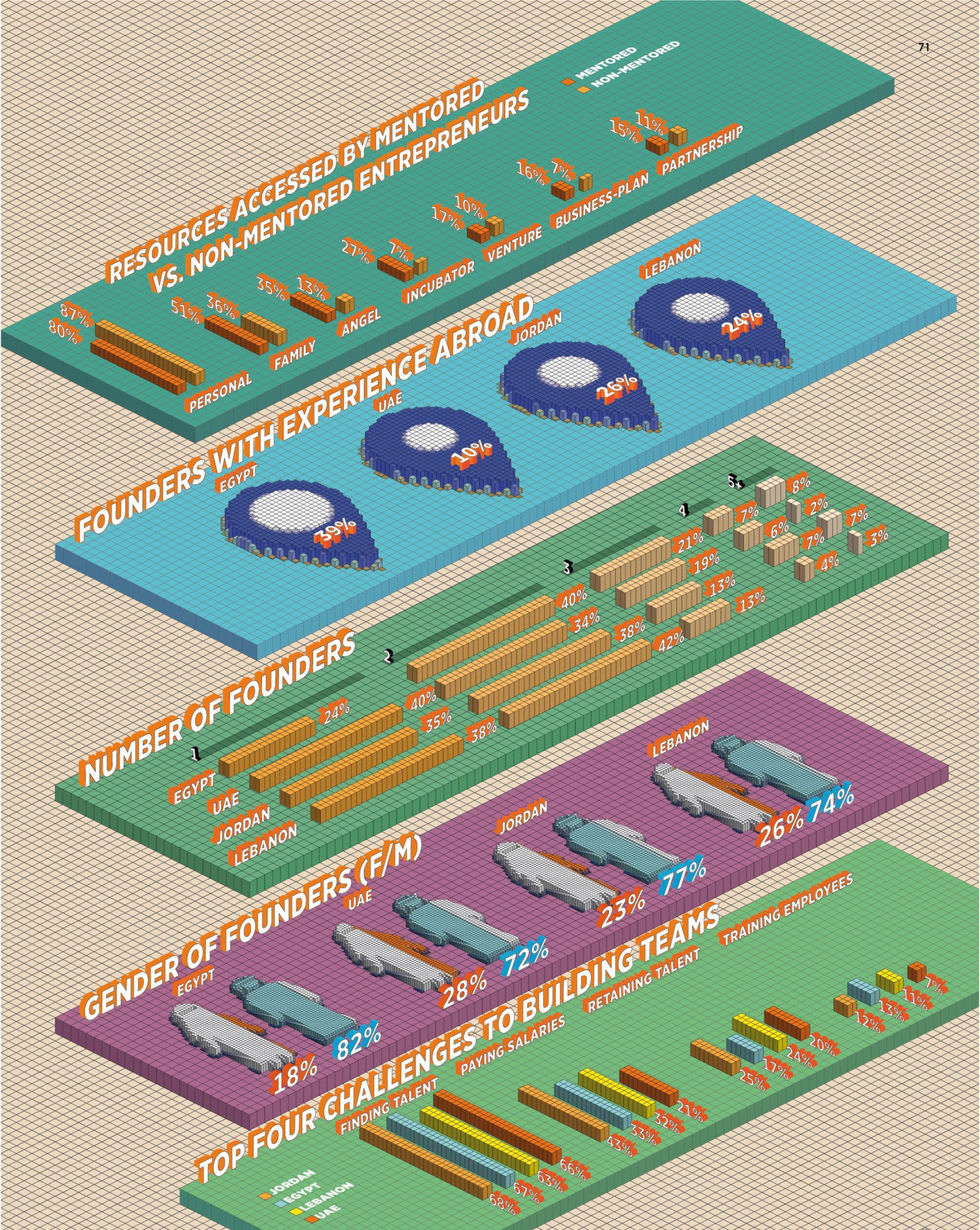
One entrepreneur who has benefitted is Dr. Khalil Abdel Khalek. The paediatrician had a thriving practice in Cairo treating patients, but decided he wanted to contribute more. "I wanted to introduce primary care to this part of the world where it is neglected big time," he says. In 2011, he and three partners launched Tabibi 24/7, a paediatric care service that incorporates home visits or in-clinic care, with an emphasis on the 'whole child' treatment, also offering pre-natal classes and counselling.

A few days after they launched, the uprising began at Tahrir Square, near to their newly established office. Despite roadblocks and gas shortages, the doctor wasn't deterred: "We worked on the business and did house calls. This was a down time in the country, but as doctors we could visit people's homes."

Dr. Khalek joined Endeavor's program after learning of it from a business partner. At first he was skeptical, especially given the tumultuous events in Egypt at the time. But attending a local meeting revealed the resources available, including mentorship and advice. Talking through problems with other entrepreneurs and listening has also been instrumental. He describes sessions as "more of a group therapy." Everyone has the same problem, and realising this gives him strength to continue with the business, says Khalek. That perseverance has paid off: Today Tabibi has served over 7,000 families and opened three clinics.

Becoming an entrepreneur isn't always easy when citizens are traditionally raised with the expectation that they will work in government, as is the case in Jordan, says Ghadeer Khuffash, CEO of Jordan Education for Employment. A big obstacle is the gap between education and the skills needed to be an entrepreneur. "Not everyone is ready to be an entrepreneur; these skills are not taught in universities–therefore, some fail by trail and then succeed," says Khuffash. The organisation's entrepreneurship programs provide the knowledge necessary to launch small businesses and also links entrepreneurs to mentors and financing.

Source: Wamda Reseach


RESOURCES ACCESSED BY MENTORED VS. NON-MENTORED ENTREPRENEURS
MENTORED
NON-MENTORED
87%
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51%
36%
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TOP FOUR CHALLENGES TO BUILDING TEAMS
FINDING TALENT
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PAYING SALARIES
43%
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32%
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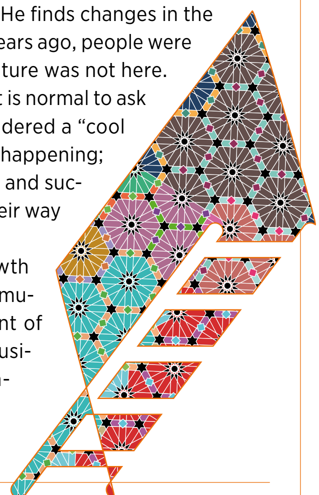
JORDAN
EGYPT
LEBANON
UAE

Egypt has an extremely collaborative ecosystem for start-ups, says Heba Gamal, managing director of Endeavor Egypt, an incubator for small businesses.

Ensuring adequate access to finance is vital for small business growth, says Chris Thomas, co-founder and CEO of Eureeca, an equity crowd-funder.

One thing that the start-up scene does well is community. Mohamed Azab, founder of Seha Capital, a health care private equity firm in Egypt, went through Endeavor Egypt's programme. He finds changes in the entrepreneurial sector exciting. "Four or five years ago, people were not used to asking for help or advice–that culture was not here. But after the revolution things changed: now it is normal to ask for professionals to help you." It is now considered a "cool thing" to help others and be a part of what is happening; people are more willing to share their failures and successes, says Azab. "People are going out of their way to help others."



Eureeca's Thomas has witnessed the growth of a vibrant and supportive entrepreneur community in Dubai. "There is a growing contingent of young entrepreneurs that are making their business dreams a reality and driving this innovation forward." The city has one of the most concentrated start-up scenes, and Thomas believes the UAE is the most obvious place to expand after a business captures its own country market. "Raising capital is possible here, though still very difficult."

One downside to Dubai is the high cost of living and of doing business. Incubators can help mitigate this: in5 Innovation Centre works with entrepreneurs from their early stages up to the commercial launch of their products and services, says Rekha Setpal, head of community services for Dubai Internet City and part of the in5 management team.

The government-sponsored incubator assists start-ups with establishing their business within the UAE free zone, giving them office space. They also provide mentors who may educate founders on marketing, sales, strategy and finance. Networking events allow for an exchange of ideas, and seminars with industry experts up the game. Exposure to angel investors and venture capitalists provide the most important part of the equation.

> "Corruption and the unfair distribution of goods and wealth was the spark that lit changes in the Arab world. People see that entrepreneurship is an option to take matters in their own hands."
>
> **Matthias Treutwein**, enpact co-founder

The goal is to strengthen the ecosystem and grow innovation within the UAE. By providing a sounding board and support during the first and difficult phases of the business development, the innovation centre helps start-ups establish themselves, says Setpal.

Karim Aly is a member of in5 who founded start-up Task Spotting, an app that pays users to perform 'missions' which give feedback to companies, and which has just raised $1.2 million in funding from Mena Venture Investments (MVI). He said that in5 is a really pragmatic initiative, and "an enabler in the ecosystem as a whole. It is differentiated in that they are not commercially driven." He adds that in5 relieved many burdens, such as obtaining a business license. "Here, we have a micro-ecosystem within in5, to bounce ideas off of each other, and there is (Silicon) Valley energy here. They facilitate and accelerate growth."

Dubai Silicon Oasis Authority also gives low cost space to tech start-ups, and access to other resources such as lawyers, accountants and web developers through its tech incubation centre, says manager Sirine Fadou. "We share contacts and networks and have workshops to train, build and take the ecosystem to the next level. If we can incubate start-ups and add value, we can take them to the last stage, which is to the investment selection committee."

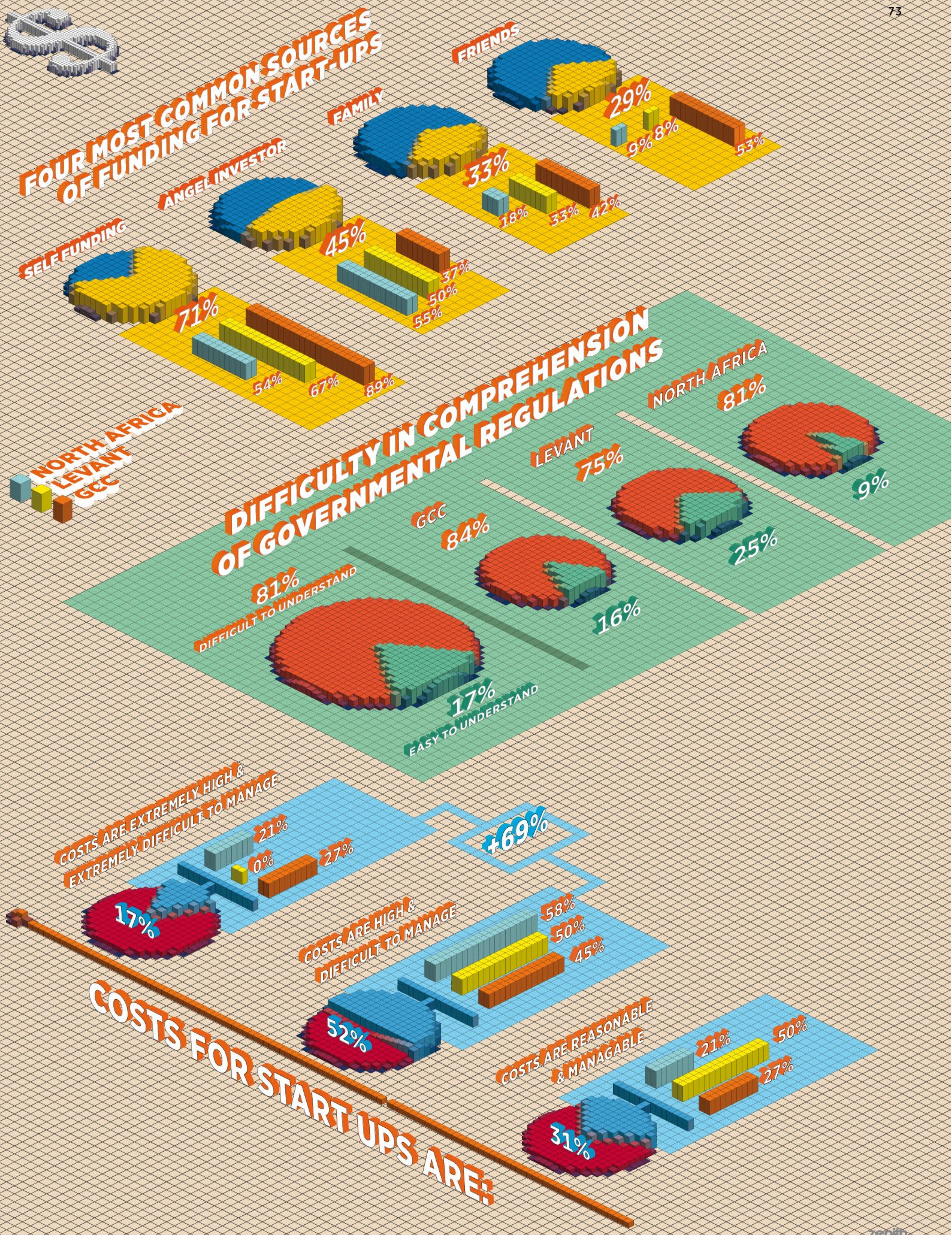
The growth of incubators and accelerators, especially those backed by governments, is a sign that leaders want to create opportunities for Arabs in the region, said Hayden Mollard, managing director of the Dubai office of Newhaven Group, which advises start-ups.

Multi-country incubators are also active in the MENA region. Berlin-based enpact was founded in 2013 as a non-profit organisation with three goals: to promote economic and social development processes in emerging and developing countries; implement research, education and training in the fields of sustainable entrepreneurship; and develop socially focused entrepreneurial ecosystems.

Its mentoring programme (based on the slogan "engage–participate–act!") supports young entrepreneurs from countries including Egypt, Jordan, Morocco and Tunisia in the start-up and scaling-up phase. The eight-month program involves coaching by successful entrepreneurs and start-ups in Germany. Entrepreneurs meet several times in national and international groups.

Enpact co-founder Matthias Treutwein is seeing growth in the region for SMEs. "Entrepreneurship is being introduced more and more in the region. Corruption and the unfair distribution of goods and wealth is the spark that lit changes in the Arab world. People see that entrepreneurship is an option to take matters in their own hands." •

Source: Dubai Silicon Oasis & Google MENA


FOUR MOST COMMON SOURCES
OF FUNDING FOR START-UPS
FRIENDS
29%
9%
8%
53%
FAMILY
33%
18%
33%
42%
ANGEL INVESTOR
45%
37%
50%
55%
SELF FUNDING
71%
54%
67%
89%
NORTH AFRICA
LEVANT
GCC
DIFFICULTY IN COMPREHENSION
OF GOVERNMENTAL REGULATIONS
NORTH AFRICA
81%
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84%
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DIFFICULT TO UNDERSTAND
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EASY TO UNDERSTAND
COSTS ARE EXTREMELY HIGH &
EXTREMELY DIFFICULT TO MANAGE
21%
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COSTS ARE HIGH &
DIFFICULT TO MANAGE
58%
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COSTS ARE REASONABLE
& MANAGABLE
21%
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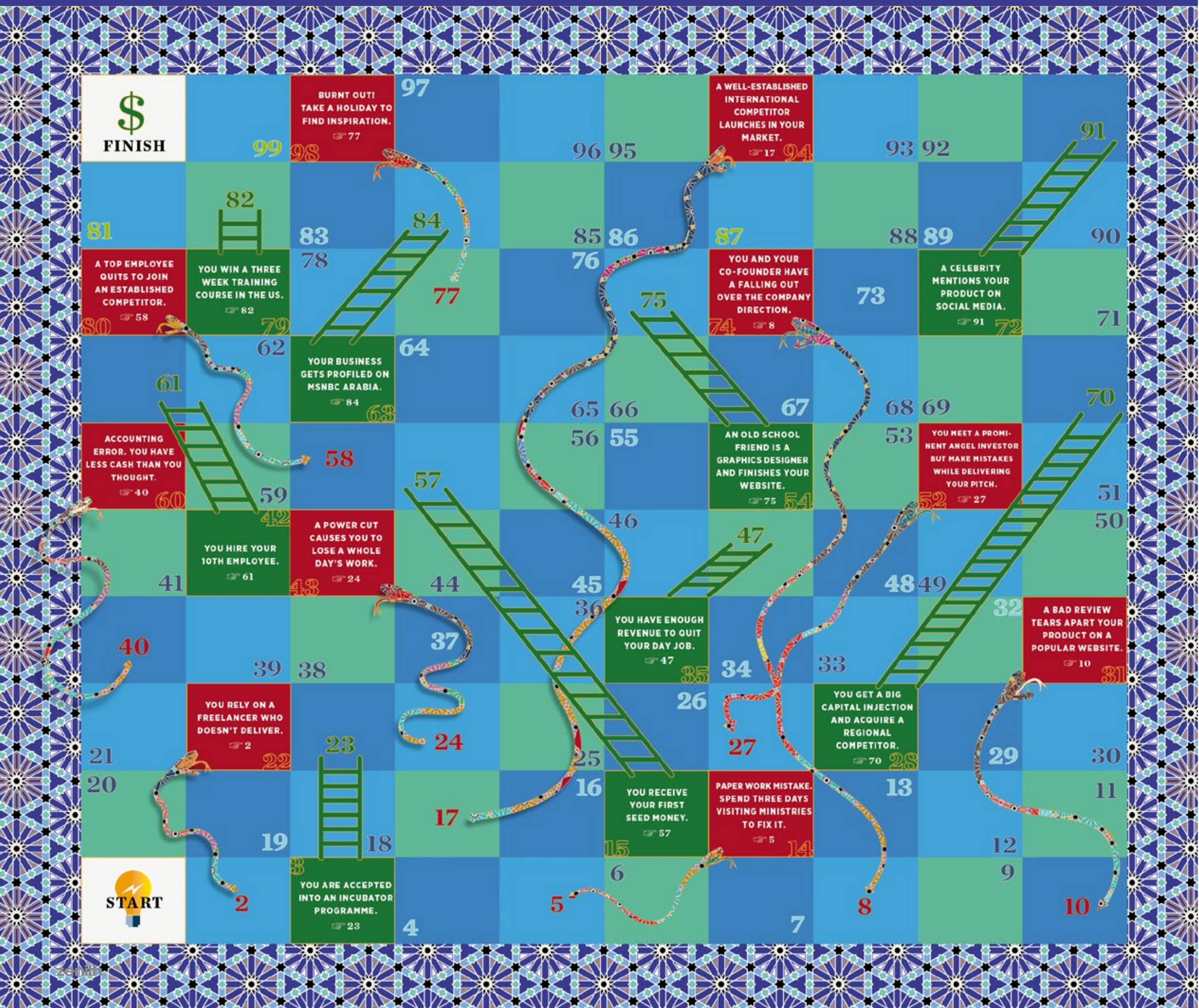
27%
31%
COSTS FOR START UPS ARE:

GAME OF START-UPS

INSTRUCTIONS

For two or more players. Roll a die to see who starts–the highest roll goes first. Players then take alternating turns. If you land on a snake, go back to its tail. If you land on a ladder, go up to its top. The first player to get to the end has a profitable and sustainable business. Time to sell or get even bigger!



ARAB COUNTRIES IN TRANSITION

A balancing act

Adnan Mazarei, deputy director for the IMF's Middle East and Central Asia Department.

Photograph: YouTube

The conditions leading up to the Arab Spring have made the IMF look closer at equality of opportunity and income distribution in the transition countries as well as consulting with civil society actors, says Adnan Mazarei, Deputy Director for the IMF's Middle East and Central Asia Department

zenith: In a report last year you stated that previously the IMF had paid insufficient attention to socioeconomic imbalances and unequal access to economic opportunity in the Arab transition countries. How is the Fund now addressing them?

Adnan Mazarei: In the decade before the Arab Spring, growth among the Arab Countries in Transition, which comprise Egypt, Jordan, Libya, Morocco, Tunisia, and Yemen, averaged 5 per cent annually. But this growth did not lift large parts of the populations. Youth unemployment, in particular, was the highest in the world, at between a quarter and a third. There were also significant concerns about the equality of opportunity, major impediments to private sector development, including access to bank credit, and regional disparities within countries.

There is greater recognition now that looking at basic indicators of macroeconomic performance is not enough–we have to look more at the equality of opportunity, governance issues, and income distribution. The Fund is prioritising breaking the cycle of low growth and moving toward securing strong, sustainable, balanced, and inclusive growth. Last year we co-hosted with the government of Jordan and the Arab Fund for Economic and Social Development a conference in Amman, Jordan, to look at some of the main challenges facing the region: namely high and pervasive unemployment, especially for the youth, inadequate business climate, inadequate infrastructure and weak governance. We had very candid discussions with all participants, including senior officials from the region, non-governmental participants, and young people on these issues. The Fund is seeking to understand what can be done to raise medium-term growth in such a way that it creates many jobs and increases living standards.

Creating sufficient jobs for the large numbers of youth joining the job markets in the ACTs over the coming years seems to be a Herculean task. What do you see as being some of the key actions needed?

Higher private-sector led growth should be the key driver for generating jobs. Many countries in the region have not been growing fast enough to create the jobs needed for a young and expanding labour force. Governments can help by improving the operating environment for businesses. Key measures include governance reforms targeting transparency and accountability of public institutions, improving access to finance–especially for SMEs, reducing skill mismatches for private sector jobs through reforming education and training systems, and reviewing labour market regulations to encourage greater labour mobility while protecting workers and increasing female labour force participation.

Do the lower prices for oil and other commodities provide a window for subsidy reform to take place?

Lower oil prices do indeed provide an opportunity for countries to push ahead with energy subsidies reforms, in part to make resources available to priority spending such as health, education, and basic infrastructure. Improving the quality of government expenditure more generally is also critical to responding to the region's social needs.

We have also stressed that to protect the most vulnerable in the Arab countries in transition—and other countries across the world—governments should aim at replacing generalised subsidies that tend to benefit the better-off with more targeted social safety net instruments, particularly cash transfers and other forms of income support.

Access to credit is a major issue for many firms in the ACTs. What are some of the measures you see as being necessary to change this?

Despite the important strides made by the MENA countries in reforming their business environments, reform to the financial sector will be necessary to increase depth and access to credit. These include policies aimed at improving the environment for financial intermediation, legal protection of creditor and small shareholder rights, enhancing credit information and collateral regimes.

Naturally, as credit increases in size and breadth throughout these economies, and the borrower pool expands beyond the traditional large and well-connected firms, credit risk is likely to rise. Policymakers should ensure that financial markets regulations and frameworks are properly regulated at both the micro- and macroprudential levels.

> “There is greater recognition now that looking at basic indicators of macroeconomic performance is not enough–we have to look more at the equality of opportunity, governance issues, and income distribution.”

How can ACT governments improve the environment for SMEs so that they can play a larger role in job creation?

Small and Medium-Sized Enterprises (SMEs) can help correct some of the region's unemployment problems. SMEs are typically an important source of job creation. They can contribute to a dynamic private sector through their roles in increasing innovation and facilitating the diversification.

The most important challenge for SMEs in the region is limited access to finance, which dramatically constrains SME entry and growth. More generally, reforming the business environment in order to create a level playing field for all firms is also key.

Over the past 12 months headwinds have emerged that Arab transition countries must contend with. Is there a danger these will undermine efforts that are being made to avoid falling into the "vicious circle" you warned of last year?

The Arab transition countries have benefitted from some good economic news such as the lower oil prices, and somewhat improved growth in Europe.

Unfortunately, on top of the very difficult economic reforms that these countries have had to undertake, they are now also facing spreading and deepening conflicts and violence with devastating impacts on their economies.

The Syrian and Iraqi conflicts are first and foremost a humanitarian tragedy with 12 million displaced people (between refugees and internally displaced) that needs immediate and urgent action, not only to alleviate short-term humanitarian needs but also long-term needs of displaced populations, which are at risk of losing much of their human capital, raising the question of their future.

Those conflicts are also spilling over to the rest of the region, thereby dampening the overall confidence in the future for the region. • SOV

THE FINANCING GAP

Harnessing capital markets to support Arab entrepreneurs

Capital markets can be used to provide equity to allow mid-sized companies to expand.

But to get there, regulators need to make capital markets' rules more flexible both for companies and investors.

BY ALISSA AMICO

The political and economic divides of the Middle East and North Africa (MENA) cut through the region across multiple lines of oil importing and exporting, capital exporting and importing, labour scarce and labour abundant countries. Though possessing complementary factors of production, the region has some of the lowest rates of economic integration, as intra-regional trade stands at only 10 per cent, having already tripled between 2000-2005. The integration of labour markets remains negligible as the Gulf, but also other countries in the region, prefer to import outside labourers, even as ongoing conflicts in the region are resulting in significant migratory flows.

The theme that has dominated both policy discussions in Washington and coffee shop talks in Cairo is unemployment, estimated by the World Bank at 22 per cent for young males and 39 per cent for young females. While differences across the region exist, today unemployment is considered the primary economic plague of the region and one that is common to the entire region. Almost five years after the first revolution in the recent history of the Arab world swept in a new regime in Tunisia, few creative solutions have been put forth and unsurprisingly, unemployment rates remain stubbornly high, the highest in the world for some groups.

At the same time, the rabbit is out of the bag: few experts on the Arab world disagree about the root causes of unemployment in the region, pointing to the dominant role of the state in the economy and obstacles standing in the way of entrepreneurs, notably lack of corporate finance, especially for mid-size, growth companies. One survey by the World Economic Forum suggests that the most visibly absent piece from the Arab world's financing puzzle–the missing middle that also characterises the social fabric of the region–is financing to mid-size growth companies valued between half and eight million USD.

While estimates for the funding gap vary, it is clear that bank credit, so far the dominant source of formal corporate finance in the region, is neither an appropriate nor a sufficient mechanism for supporting entrepreneurship. In contrast to bank loans which in emerging markets have a maturity of 2.8 years according to a Group of Thirty report, equity capital cannot be easily withdrawn. It does not require collateral and it can be used to finance corporate research and development activities: between 2005-2010 retained earnings financed 66 per cent of corporate investments in developed markets. Despite a range of initiatives in the region, all generally aimed to channel credit to SMEs, innovation and entrepreneurship levels have not picked up.

The World Bank estimates that the Middle East and North Africa region has the lowest rate of young companies globally, apart from Sub-Saharan Africa. Across the region, state-owned enterprises and large family conglomerates, often protected by a variety of formal and informal barriers, remain the locomotive of the corporate sector. In the current constellation, they are not faced with a "new generation" of growth companies who could challenge their business model as the latter are constrained in their development by short-term financing. Financing is often based on collateral in the form of fixed assets, which is inconsistent with the emerging corporate reality where assets are increasingly intangible and hence difficult to pledge as collateral.

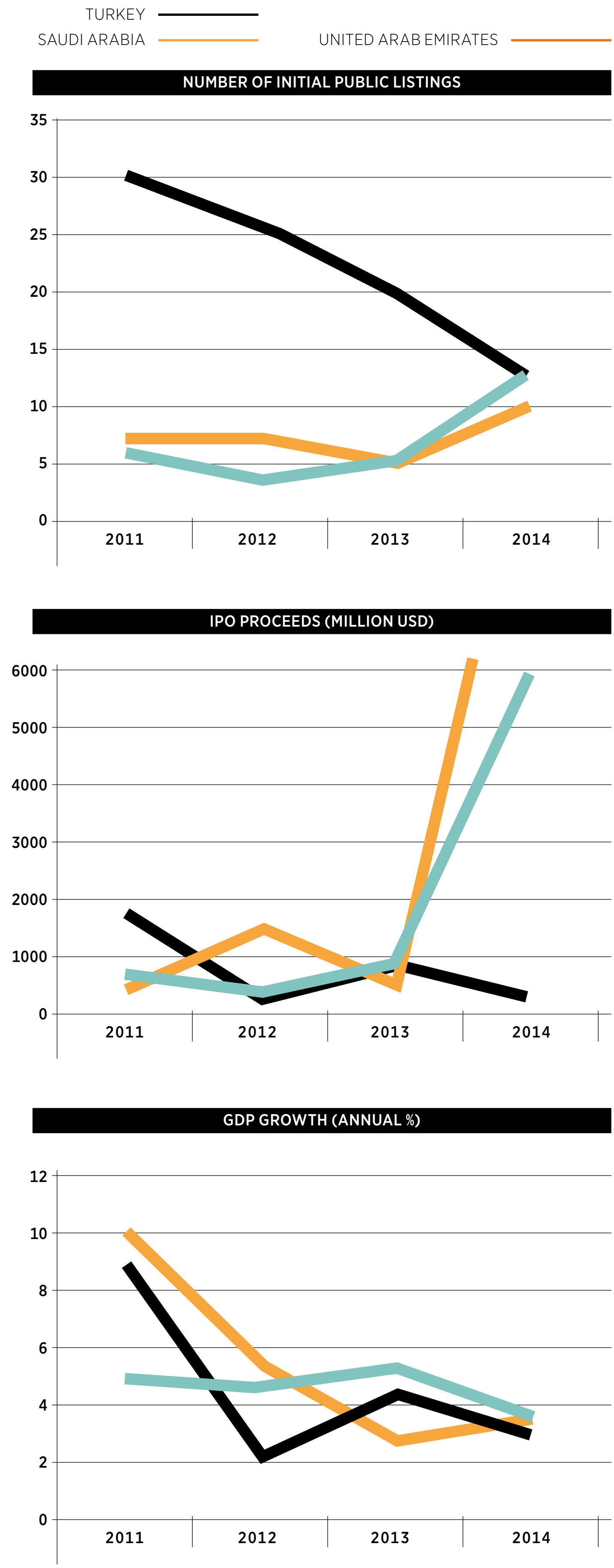
While stock exchanges and securities regulators in the region have revealed a formidable arsenal of new regulations and incentives for firms to access capital markets, the focus so far has generally been on growing markets through privatisations and disposal of stakes in family companies, an alternative which founders of most large family business in the region have contemplated with scepticism. While the 2005-2010 period saw close to 1,500 initial public offerings (IPOs) in the region, the subsequent five years have seen only 200. Few of these were new enterprises seeking equity financing through capital markets.

While opportunities for development are clearly significant, capital markets are currently not being harnessed as a vehicle for financing growth companies in the region. Facing challenges in developing its capital market which today has only 10 listed firms, the Lebanese Central Bank has recently issued a circular providing incentives for banks to invest in high technology ventures, effectively side-stepping the capital market which remains dormant. Markets in other countries including Algeria are also at very early stages of development.

Experiments with financing growth companies through capital markets have shown disappointing results across the region. The first dedicated SME exchange in the Arab world, NILEX, which launched in Egypt in 2007, currently has less than 25 listed companies; the Venture Exchange in Qatar, a more recent initiative, has so far not attracted any listings. The reasons for this apathy are certainly diverse, but arguments that focus on purely financial factors such as the cost of listing are not convincing. Fiscal incentives provided to Egyptian companies to list in the late 1990s also proved to be a failed experiment, as firms attracted by these incentives were found to be illiquid and lacking transparency: 800 of them were subsequently delisted.

> "While the 2005-2010 period saw close to 1,500 initial public offerings in the region, the subsequent five years have seen only 200."

Perhaps even more alarmingly, several markets in the region, notably Kuwait, are currently seeing a surge of voluntary de-listings, with over 10 per cent of the listed companies announcing their decision to de-list



Photograph: Stian Overdahl

Saudi Arabia has seen the highest proceeds from new listings over the 2010-2015 period, while Turkey had the greatest number of IPOs.

since 2014. Simultaneously, a number of Arab blue chip companies have decided to rise capital on the London Stock Exchange, which currently has approximately 30 listed firms from across MENA. These figures demonstrate that despite efforts of regulators and exchanges, the use of capital markets to support real innovation and risk taking activity by private entrepreneurs has not taken off.

"While opportunities for development are clearly significant, capital markets are currently not being harnessed as a vehicle for financing growth companies in the region."

The paradox is that while the region, or at least the GCC countries, are capital abundant, this capital is not flowing to exchanges to finance corporate growth, innovation and by extension, employment creation, the latter being the most significant and recognised economic challenge. While there have been successful recent experiments in raising capital in the region, for instance the IPO of the National Commercial Bank in Saudi Arabia in 2014, these transactions are generally not channelling capital to the real economy, with the result being that across the region banks dominate capital markets.

IPOs IN THE MENA REGION (2010–2015)

COUNTRY	NUMBER OF ISSUES	PROCEEDS ($MILLION)
SAUDI ARABIA	33	14,464
UAE	31	9,392
QATAR	4	4,469
TURKEY	92	3,305
EGYPT	15	1,870
OMAN	7	524
MOROCCO	7	462
KUWAIT	5	332
JORDAN	6	38
TOTAL	**200**	**34,858**

"It is clear that bank credit, so far the dominant source of formal corporate finance in the region, is neither an appropriate nor a sufficient mechanism for supporting entrepreneurship."

In emerging markets, the amount of equity capital raised through IPOs more than doubled to $65 billion in 2008-2014, according to recent OECD estimates. Smaller companies from emerging markets have actually reached significant levels of equity financing over the past seven years, which indicates that there are models and mechanisms aside from introducing secondary tiers for SMEs that have worked in other markets.

Indeed, introducing secondary listing tiers or growth markets has been a recipe for success in just a handful of markets, such as NASDAQ and London's AIM, even though efforts to replicate these models have been made globally, argues Erik Vermeulen, a Dutch academic in his recent analysis of IPO markets.

As a result, the amount of capital raised for growth companies has seen a remarkable decline, representing only 11 per cent of all equity raised in developed markets. While the reasons for the failure of developed markets to attract growth companies to list are generally irrelevant to the MENA region given that the market infrastructure is entirely different–with no privately owned stock exchanges, no alternative trading platforms and few exchange traded funds–the lessons extracted from these experiences are certainly informative for policy makers in the region.

Supporting growth companies through public equity markets cannot be predicated, as it has so far been attempted in the region, on merely relaxing existing listing and governance standards in the hope that this will entice entrepreneurs. Instead, the mechanisms for attracting growth companies must allow for the protection of the interests of founding shareholders, as it has been done in some recent high profile IPOs such as Facebook, while at the same time ensuring sufficient corporate transparency to prospective shareholders, an issue that both domestic and foreign investors in the region consider of priority. Some regulators in the region have already moved in this direction, for example the United Arab Emirates, by reducing the requirement to IPO 30 per cent of the capital when previously it was 55 per cent.

Other creative solutions are clearly in demand. MENA exchanges could create specialised tiers open to qualified investors where shares of growth companies could trade as it has already been done in markets such as Hong Kong, which launched a Growth Enterprise Market for professional and informed investors. One of the reasons for limiting access to qualified investors is that most MENA markets are currently dominated by retail investors. These investors, while being relatively minor owners of listed equity, dominate trading activity which results in significant market volatility. This is because their trading is often rumour-driven and reactionary to macroeconomic developments such as oil price fluctuations which are unrelated to corporate fundamentals of most listed companies. According to recent statistics released by the Tadawul, the Saudi Stock Exchange, while local retail investors including high net worth individuals owned 12.6 per cent of the market, they accounted for 82.3 per cent of the trading activity as of August 2015.

In tandem, improving the scope and the quality of participation of existing, primarily domestic sources of institutional investment in the region is crucial to deepen equity markets. Traditional institutional investors such as pension and investment funds as well as insurance companies which account for the vast majority of ownership in developed OECD markets (60 per cent in US and 80 per cent in Japan), are minor owners of listed equity in the region due to the generally low levels of development of these sectors, but also due to the regulatory limits placed on exposure of pension funds and insurance companies to equity markets. In Egypt for instance, any pension fund's exposure to equity or mutual funds cannot exceed 10 per cent of their investments, a low threshold compared to developed OECD markets which either do not limit or place higher limits on equity investments.

Improving the quality of participation of existing institutional investors, notably sovereign investors which currently account for close to 40 per cent of the market capitalisation in the region, can be seen as a short term, tangible step towards improving the quality of investor engagement. While these investors have historically acted as passive blockholders, with the expansion of their holdings in capital markets of the region, they possess both the influence over their portfolio companies and a considerable knowledge of local markets to engage with boards and management of these firms as long-term investors. Their engagement and efforts to improve the quality of capital markets in the region can facilitate the entry of foreign institutional capital in the region, which is relatively low in all countries except for Turkey.

In particular, insofar as a number of sovereign investors have mandates to develop particular sectors, incubating and investing in these firms through the capital market is a logical extension of their mandates and can help anchor the development of strategic sectors such as healthcare where private equity financing is already deployed. OECD's recent research on growth companies highlights that in developed markets, 43 per cent of all equity capital raised through smaller IPOs between 2000-2014 went to high technology sectors, double that of emerging markets. Herein lies the opportunity. In short, the Arab world needs its Facebook or Alibaba IPO not only to stimulate capital markets and increase financial intermediation through institutional investors, but to channel risk capital to a new generation of enterprises that could contribute to economic diversification, innovation and employment creation in high value add sectors.

The diagnosis and the solutions are clear enough to admit that the rabbit is out of the bag. In Lewis Carroll's famous book Alice in Wonderland the rabbit appears at the start of the novel exclaiming "Oh dear! Oh dear! I shall be too late!" It is not too late to examine how capital markets in the region can be put at the service of growth companies and the creation of employment opportunities. It is only when the incentives and measures for entrepreneurial success are clear and when capital markets can act as an avenue to supply additional capital or provide an exit option, that university graduates will stop perceiving government employment as the light at the end of the tunnel. •

Alissa Amico, programme manager at the OECD for Middle East and North Africa, is responsible for overseeing the OECD's work on financial markets and corporate governance in MENA. She has provided technical expertise to a number of governments in the region for regulatory initiatives and institution building.

URBAN PLANNING AMID A BLOODY WAR

Demolitions and 'urban development' are seen as part of a deliberate regime policy to change the sectarian demography of Damascus.

BY SABRINE CHAHBI

Source: Google Maps/Damscus2020/BusinessInsider

A new wave of internally displaced Damascenes could be the next problem that Syria needs to deal with. This time the displacement of more than 150,000 people is not the result of ongoing clashes or safety measures, but the result of an urban planning project. With the country entering its fifth year of war it would seem that anything could wait, or that power and water outage restoration would be a priority; but the authorities have decided it is the perfect time for slum clearance.

Syrian President Bashar al-Assad issued a legislative decree in 2012 authorising the creation of two urban planning zones in Damascus, with slums to be cleared for urban development projects to take place, with local media reporting that as many as 186 residential buildings will be built. The first zone includes the southeastern side of Al-Mezzeh, Kafarsouseh, and the second the districts of Al-Mezzeh, Kafarsouseh, Qanawat, Basateen, Darayya and Qadam.

Then in July this year, the 150,000 residents of al-Mezzah, a predominantly Sunni area known locally as al-Mazzah-Basateen, were told they would need to leave their homes by September 9. They were promised monthly compensation until they are given new accommodation once the neighbourhoods are rebuilt after two years. Yet finding new homes for the interim will not be easy. The influx of displaced Syrians fleeing to the capital from battlegrounds such as Hama, Deraa and Aleppo, means rental prices are continuously rising; those receiving the monthly compensation of 30,000 Syrian pounds (approximately $100) will struggle to pay for accommodation at the current rates, according to Lebanese daily *Al Akhbar*. Additionally, many of those in the area also lost access to livelihoods, forced to close their small shops, bakeries, ateliers and other businesses.

The presidential decree was widely criticised by residents of the areas as well as by human rights groups and journalists. Activists argued that the extensive urban planning schemes amounted to destruction and unlawful appropriation of civilian property, which are protected under domestic and international law.

But residents in Al-Mezzah are not alone. Since 2012, authorities have demolished neighbourhoods and thousands of residential buildings in Damascus and across Syria. Entire sections of the capital have been destroyed under various justifications: a 1960 decree was the pretext for demolitions in 2012-13 of Barzeh in northern Damascus; in 2013 several areas around the Damascus international airport in Harran al-Awamid were demolished under a decree authorising authorities to expropriate land to build power lines; meanwhile no justification was given for the demolition of more than 650 homes and 1250 shops in Qaboun, according to Human Rights Watch (HRW). Rather, the destroyed neighbourhoods were widely understood to be pro-opposition districts, and the demolitions are viewed as a deliberate punishment of the civilian population, an idea given currency by the lack of similar activities in pro-regime areas. Comments by government officials have added to this view: Hussein Makhlouf, the governor of Damascus countryside candidly stated in a media interview in October 2012 that the demolitions were essentials to drive out "terrorists."

Near to the cleared Al-Mezzah district stands al-Mezzah 86, an Alawite slum area on a hill which has been untouched by development efforts, leading many to see in Assad's decree far more than a simple modernisation project, but rather a project with not-so-hidden political motives. The neighbourhoods named for demolition in decree 66 have been at the centre of the insurgency against the Assad regime and one of the areas where the rebels have been active.

Media commentators on Qatari news channel *Al-Jazeera* and Syrian oppositionist channel *Orient News* have said that the al-Mezzah urban planning project appears to be part of a deliberate policy to change the sectarian demography of Damascus and to create and Iranian Shiite zone in the predominantly Sunni neighbourhood of al-Mezzah. Rumours are circulating that the appropriated land will be given to the Iranian embassy, which plans to build a residential complex called the Towers of Iran. It has echoes of 1991, during the Hafez al-Assad era, when upon his directives Damascus city council appropriated land in Al-Mezzah and sold it to Iran to build a new embassy.

The fact that much of the demolition has been carried out and overseen by military authorities rather than municipal authorities, says much about the political intent behind it and its importance to the regime. •

HUMANITARIAN AND DEVELOPMENT AID

Photo: I. Pirckett/UNHCR

Gulf aid

in the time of cheap oil

Levels of state aid and private sector philanthropy from the Gulf states have traditionally risen and fallen with the price of oil. Yet with humanitarian crises across the Middle East and Africa, it seems that the demand for aid and charity from the Gulf has never been higher. Will humanitarian needs counteract fiscal considerations arising from crude oil's price slump?

BY STIAN OVERDAHL

In a region that has myriad humanitarian crises, notably Syria and Yemen, government aid and donations from the private sector are a crucial enabler of relief agency efforts, which nevertheless remain significantly underfunded. Within the global setting, governments of the Gulf Cooperation Council (GCC) states have been "extremely generous supporters" of humanitarian efforts in and around Syria, says Ziad Ayad, the United Nations High Commission on Refugees (UNHCR)'s acting head of office for the Gulf. Over the past three years, Gulf states have given more than $1.2bn to the inter-agency plan for the Syrian crisis, says Ayad, helping to mitigate the effects of the conflict and massive displacement of people, a crisis which the UNHCR describes as the worst humanitarian tragedy of our time.

That generosity is recorded in the official figures: In 2013, the United Arab Emirates (UAE) gave the greatest share of any country in the world, 1.25 per cent of its gross national income (GNI), a total of $5.1bn of official development assistance (ODA), according to the OECD. According to figures from the UAE's Ministry of International Cooperation and Development (MICAD), total foreign aid that year amounted to $5.4bn, with Egypt the top recipient country, receiving $4.6bn. This year, the UAE has been the largest donor to the humanitarian crisis in Yemen, giving 31 per cent of the world's total aid, more than $200m, according to MICAD.

Yet while humanitarian crises continue, fiscal conditions in the Gulf are in flux. Since the price of oil began falling in mid-2014, there has been intense speculation about the effects on the economies of the GCC states. The major Arabian Peninsula economies can balance their budgets at oil prices below $100 per barrel but need prices above the present level; according to IMF estimates, the break-even price for Kuwait is $49, Qatar's is $60, the UAE's is $73, Saudi Arabia's is $87 (Oman and Bahrain are both above $100). This year there have been various moves made to balance budgets, such as the deregulation of transport fuel subsidies in the UAE, and planned cuts to capital spending in Saudi Arabia. But social spending has been ratcheted up over the past years in all of the Gulf states; politically difficult to scale back, which means that ministers of finance are looking elsewhere for easy cuts to make, such as capital expenditure or discretionary items.

Figures show that official development assistance has often risen and fallen in concert with oil prices. Whether government humanitarian and development aid from the various GCC countries will be cut in 2016 remains to be seen (MICAD did not respond to an emailed request for comment).

According to Karen Young, senior resident scholar at The Arab Gulf States Institute, while there is a positive correlation between oil price and Gulf Arab state aid, they are not always closely linked, since political motivations may override pure fiscal considerations.

"There are episodes in which oil prices rise without a respective increase in Gulf foreign aid. There are also very recent examples of Gulf states extending regional development aid at a moment in which oil prices are at historical lows and the fiscal budgets of Gulf states themselves are facing deficits," Young wrote in an article published by King's College London.

Hassan Al-Damluji, head of Middle East relations at Bill & Melinda Gates Foundation, says that while there has been a close correlation between oil prices and levels of GCC state aid since the early 1970s, he believes two factors will work to counteract the norm, namely fiscal buffers in the Gulf states, and the scale of crises in the region. "There is an unprecedented, multi-faceted crisis going on across the region: wars in Syria, Iraq, Yemen, Libya; unrest in Egypt; the Palestine situation still on-going, with Gaza still not rebuilt and the UN school system in Palestine in need of funding.

"The demand on Gulf aid and loans is very high. These are countries which care very much about the stability of their region, but also the dignity of the people who live in it."

UAE businessman and philanthropist Badr Jafar believes that while there won't be any short-term slashing of aid budgets by governments, certain elements of charity from the Gulf, including from corporates and private individuals, will be under pressure.

Within Islam, Zakat is the form of giving that is compulsory, linked to total wealth (rather than income), while Sadaqah is the form that is discretionary. Though cautioning that reliable data is not available on either, Jafar says that traditionally Zakat is not overly affected by market cycles, while Sadaqah is.

"When times are not as lucrative, Sadaqah is impacted. I would expect to see less money going into the discretionary bucket."

On the side of corporations, many contribute solely through a corporate social responsibility (CSR) programme funded by a small portion of retain earnings, says Jafar. "When markets start to show weakness, that budget is the first to be squeezed."

Nevertheless, he stresses this is no ordinary time. "Market conditions go up and down and affect giving, but we're not in a normal environment. There are urgent needs that are increasing by the day."

Foundations also play a significant role in GCC charity. Many are currently well-capitalised as a result of the prolonged period of high oil prices prior to mid-2014, with high liquidity. While they may face shortages over time if their funds aren't renewed, they are not likely to slash levels of giving since they recognise now is the time of most need, says Jafar. He has noticed more urgency among foundations over the past six months, which are reaching out more vigorously as well as being more proactive in disclosing the impact and importance of their work.

While the scale of the impact of the low oil price on aid and charity out of the Gulf remains to be seen, there is agreement that it will depend heavily on whether the price drop is long-term, or is seen to be a temporary dip in a cyclical commodity market.

"There are strong negative as well as positive factors affecting the likely spend over the coming period," says Al-Damluji. "But a sustained drop in the oil price will clearly have a large effect."

Difficult fiscal times in the Gulf will also force organisations to tighten belts and optimise, says Jafar. Foundations, charities and NGO's that are able to demonstrate even more transparency and accountability will be able to generate a much more stable, secure and predictable donor base he says, and in turn generate more trust with the individuals they're helping.

Despite the fiscal situation, Ayad notes that the "levels of commitment to addressing humanitarian and development challenges from this region have continued to flourish," pointing out the announcement in October by Sheikh Mohammed Bin Rashid Al Maktoum, the ruler of Dubai, of a new fund focused on development programmes in the Arab world, with an annual budget of $272m.

Making it easier to give

Able to muster significant wealth, governments are a logical source of aid. But the private sector is increasingly being looked at as a source of charitable donations. Ayad says that over the past eight to ten years, there's been a "quite notable increase" in private sector contributions–a designation which covers individuals, foundations, wealthy individuals and corporations.

"It's now a UN-wide principle that in a world where public wealth is shrinking, the private sector needs to play a more effective and direct role in addressing humanitarian challenges," says Ayad.

But in order for relief agencies to capture private sector funds, they're having to manoeuvre to fit themselves to contours of the business world. Earlier this year, the UNHCR launched a new website in the Gulf, its Partnership Platform, targeting donations from the private sector to the Syrian crisis, replacing a previous system which Ayad describes as 'ad hoc.' "Corporations would approach or try to approach UNHCR, submit a proposal, negotiate, and [we would] try find activities that would best suit their competencies."

The platform was developed as a result of consultation between the UNHCR and the private sector. According to one UAE businessman involved in the process, while many businesses did want to contribute to the Syrian aid crisis, there was no simple way to do so. The brief for the new partnership platform was to build a one-stop shop for private sector donations, which would streamline the process, avoiding duplication and resources being inefficiently used.

The minimum donation through the site is $25,000. Businesses can buy items for refugees, donate to provide cash directly to refugees via ATMs which use iris scans to allow assessed refugees to withdraw the cash, or provide in-kind donations of goods and services, whether it's needed items such as jerry cans, or services that can support relief efforts, such as logistics. The requests for funding on the site are defined as priority needs, such as winterisation of refugee facilities as the winter season approaches.

Cash assistance is preferred notes Ayad, since when it comes to in-kind donations it can be hard for offered goods to meet the rigorous specifications, which for an object such as a winter blanket is a critical measure of whether it is fit for purpose.

Businesses who make contributions through the platform can receive benefits, depending on the level of donation, with corporate entities offered "unique titles" that they can use for a period of 12 months, says Ayad. Other benefits can include letters of gratitude and field missions. "Any company that decided to shift corporate profit in the interests of humanitarian challenges deserves to be thanked. Recognition in and of itself is important." More than that, visibility also works to cultivate a long-term relationship, he explains.

"If you have made a sizeable donation and then you're taken to visit a refugee camp, first-hand observation of the situation can be quite powerful. We've seen field missions inspiring an individual or foundation or corporation, transferring into financial support and then a long-term partnership."

The Gulf iteration of the partnership platform is viewed as a pilot; the plan is for it to be launched more widely in the region and even globally. Set up to target the Syrian crisis, it will also be used for other emergencies. According to Ayad, there is also the possibility of opening it to individuals, possibly by incorporating a crowdsourcing function, so that individuals can select a package, and encourage people to organise their own individual campaigns and mobilise support from friends and neighbours.

Demands are growing

Demand for humanitarian aid this year has reached almost $20bn, compared with just $3.4bn in 2004. In that time, the number of people needing humanitarian aid has more than doubled, reaching 100 million. "That's a huge increase, and the gap between available resources and requirement is widening quite significantly, year on year," says Jafar.

While traditionally there has been a rough 50/50 split between natural disasters and human conflicts, today it is 80% on the side of human conflict and 20% on natural disasters. Traditionally the humanitarian system was developed for short-term crises, says Jafar. By analogy it was viewed as a fire engine, rushing in to put out the fire, and leaving development actors to come in and rebuild and repair the damage. Yet today crises are prolonged: The average length of humanitarian programmes in conflict areas is seven years, but the displacement carries on for 17 years. Across the world refugees tend not to go back to environments which they fled from.

Within that difficult global picture, there is "a disproportionate amount of suffering going on in the Middle East and North Africa," says Jafar. With $7.5bn requested for Syria and surrounding countries, $700m each for Iraq and Yemen, that means more than half of global total is for crises in the Middle East alone. There is also significant need for aid in countries in North Africa ($1-200m), while Sudan needs $1bn.

Despite high levels of suffering in the region, appeals remain underfunded. The inter-agency response to the Syria crisis, the regional refugee and resilience plan (3RP), which is seeking around $4.5bn for 2015, as of October was just 45 per cent funded.

The growth in those needing humanitarian assistance presents a major challenge to humanitarian actors. Jafar was one of those asked by UN Secretary General Ban Ki-moon to sit on a UN high-level panel on humanitarian financing. Its mandate, he says, is to generate "bold ideas" to try to improve the state of humanitarian financing by increasing levels of available resources, raise the impact of current resources, as well as improving the predictability of funding so that the system "isn't living hand to mouth."

> **"Market conditions go up and down and affect giving, but we're not in a normal environment. There are urgent needs that are increasing by the day."**
>
> **Badr Jafar**, UAE businessman and philanthropist

Globally, contributions by individuals and the private sector could be higher, but a lack of accountability and transparency in the system for delivering resources to the most needy means that some donors are reluctant to raise levels of giving, believes Jafar. Humanitarian actors need to have more accountability for the manner in which their services are delivered; meanwhile a sense of knowing what is best for local communities by some aid actors can also result in a disconnect between what is delivered and what is actually required, says Jafar. Apart from overall lower levels of giving, a lack of trust from donors can also result in more allocated

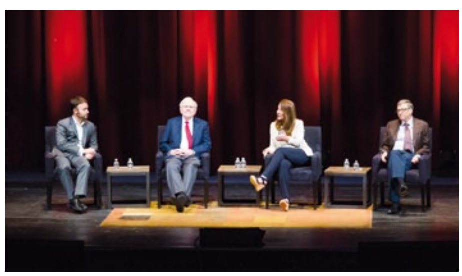
DEVELOPMENT AID

POLIO'S LAST REDOUBTS

Gulf states have been instrumental in a number of development projects in the wider region, says al-Damluji. He singles out polio eradication, which he says is the number one priority of the Bill & Melinda Gates Foundation. The disease has been nearly eradicated world-wide, but persists in a few countries in the MENA region, specifically Pakistan and Afghanistan, and has re-emerged in Syria due to the vaccine programme being disrupted by the civil war.

When it comes to working in these difficult areas, Middle East donors are often able to gain the trust of communities in countries such as Pakistan or in rebel-controlled areas in Syria, more effectively than other organisations such as their fund or even the UN, says Al-Damluji.

"If you take the case of Syria, UN organisations weren't allowed to work in the UN-controlled areas." There, his fund partnered with Gulf state donors and NGOs to fund polio vaccination campaigns and monitoring campaigns, surveillance of the disease in the rebel controlled areas of Syria.



Heavyweight givers: The Bill & Melinda Gates Foundation is focused on development issues such as polio eradication. Donors include investor Warren Buffet.

In order to combat polio in Pakistan, the UAE partnered with the foundation, hosting a summit to raise money which attracted donors from around the world. "Their convening power as a Muslim country, as a friendly country to Pakistan, brings a much clearer message about the global effort," says Al-Damluji. On the ground in northern Pakistan, in areas affected by Taliban activity and militants, the UAE was able to run its own polio eradication campaign, he says. "That has led to millions of children being vaccinated, who weren't previously because of the security issues which were preventing vaccinators entering."

According to figures from the UAE-Pakistan Assistance Programme (UAE-PAP), during the 2014-2015 vaccination programme 86.6 million polio vaccine doses were administered to more than 20.6 million children under the age of five. •

funding–aid given to specific groups–which in turn can result in those which are truly most needy missing out.

Jafar sees the possibility of a "grand bargain," where agencies agree to be more transparent and more accountable for the services they deliver and the way they spend the funds; in return donors would agree to increase levels of funding, and reduce allocated funding.

Better connection and communication with the private sector could also increase charity. While technology can have a big impact in publicising a crisis, the flip side is the potential for "noise," making it difficult to decipher what the real challenges are. Competition between aid agencies can further complicate the narrative.

He sees a role for a centralised platform to increase private sector participation. "As a business person, I would love to be able to go to one place to figure out and understand what's going on in a particular crisis–whether man made or natural–and know that if I engage through that one platform that's there is a competent organisation that is going to be able to coordinate those efforts without risk of that competition leading to destruction of value."

Developing a more efficient system for delivering humanitarian aid could also see more money and effort sent towards addressing root causes of conflict through development aid.

"Development does not get the media exposure it warrants at all," says Al-Damluji, who notes that because humanitarian efforts are very dramatic, with people living in camps, death and violence, it naturally garners media attention. Nevertheless, development issues are "an important part of the story." One instructive example is the major drought in Syria in the years preceding the 2011 uprising, which precipitated a mass migration from the eastern countryside to Damascus and other city centres, says Al-Damluji.

"[The drought] was a driver of inequality across Syrian society: those on farming incomes were getting poorer and poorer, while those who were linked with international trade were doing much better." In turn, many of those who migrated to urban centres were out on the streets in 2011 complaining about the situation.

He sees a similar situation across other locations in the Arab world, where the price of food, lack of jobs, and the inability to survive and thrive can lead people into the street. "It was not primarily political concerns as the starting point [for the Arab uprisings], it was those development problems that drove the challenge of the political system that we saw."

Development issues such as child mortality and productivity for poor farmers are "important challenges, which not only in of themselves are causing the loss of life and livelihood, also feed into the broader challenges across the region," he says.

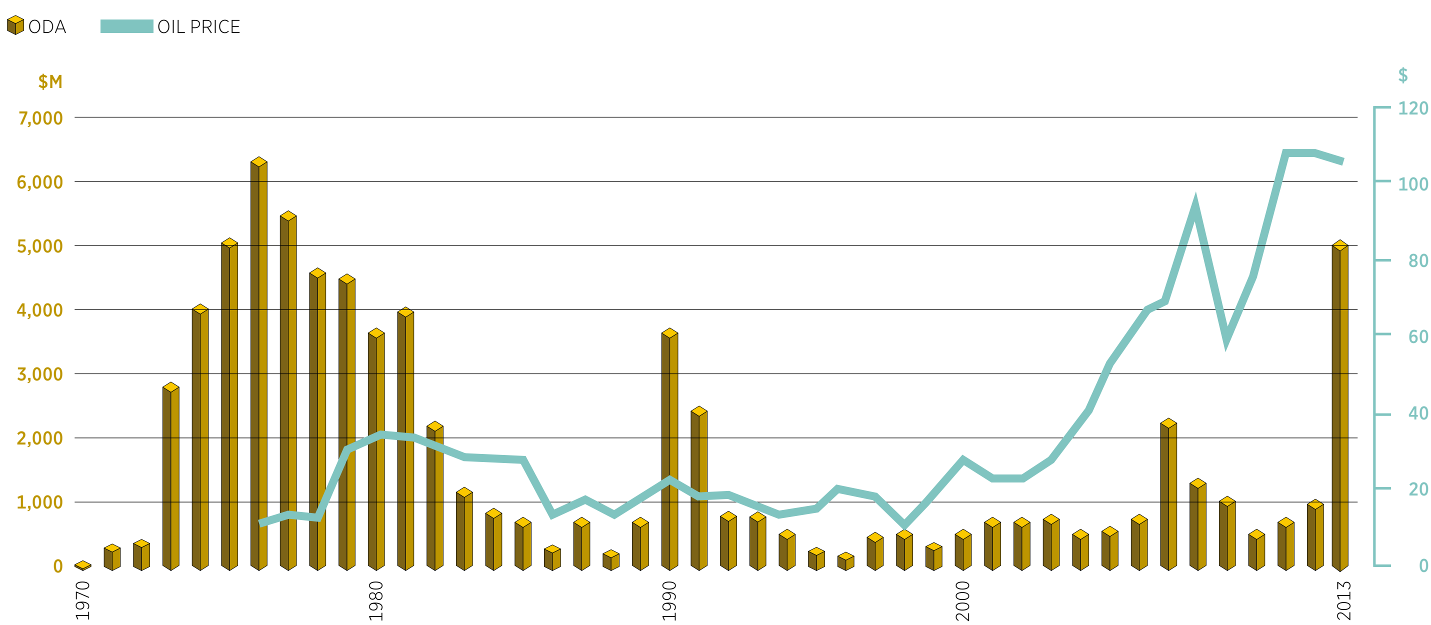
Solutions include enabling farmers to be able to produce enough food for themselves and also on-sell produce, as well as preparing for climate change by having the right seeds and the right livestock to withstand prevailing conditions; and heath initiatives so that families don't face crippling medical bills, and can have the number of children that they can take care of because they know they will be healthy, and then they can invest in those children and get them jobs.

"Health and agricultural production are the untold story of what is going on across the region." •

Despite difficult conditions in camps and in urban areas for refugees that have fled Syria, humanitarian efforts are significantly underfunded. In cases, daily food rations have had to be reduced, or restricted to those in camps.

Photo: Mustafa Bader/ Wikimedia

UNITED ARAB EMIRATES OFFICIAL DEVELOPMENT AID (ODA) AND OIL PRICES, 1970–2013



Source: Karen Young/OECD

ECONOMICS

Purchase & politics

Sub-Saharan Africa needs to protect its growing middle class

Despite rising incomes in sub-Saharan Africa, expectations that wage earners support wide familial networks and a growing penchant for consumer goods means that middle class wage earners are facing increased financial pressures.
Ensuring the region can nurture and protect its economically franchised citizens will be vital for future growth.

BY THOMAS GREVEN & ANNETTE LOHMANN · PHOTO BY THOMAS GREVEN

Ever since Sea Plaza opened its doors in 2010, visitors to Dakar's first shopping mall have been able to experience the same pleasures that are promised by shopping centres worldwide. Its indoor bowling centre, food court with fast food restaurants including sushi and stores stocked with the latest arrivals from well-known Western fashion chains are attracting growing numbers of Senegalese. This raises the question, are the regular visitors to the first mall in Senegal's capital a sign of a newly-minted middle class in sub-Saharan Africa?

Whether indeed there is a burgeoning middle class is the question on everyone's lips. In a report in September, the noted magazine *Jeune Afrique* gave an affirmative answer. But optimistic pronouncements have in the past proven empty. Consider the premise of the African economies as 'lions on the move,' a slogan in vogue in the early 2010s. It spurred an over-excited debate about investment and sales opportunities, but glossed over important realities on the ground such as overwhelming population growth and the widespread dependence of African economies on exporting natural resources.

An obvious problem confronting questions about a rising middle class in Sub-Saharan Africa is the lack of an exact definition. The African Development Bank (AfDB) has called those earning the equivalent of between two dollars and $20 a day middle class. In all of Africa, about 34 per cent of the population is estimated to be in this group, around 370 million people. Yet the World Bank recently moved its poverty line up to $1.90 a day, and critics point out that people whose daily income has barely surpassed the threshold for poverty should not be given the epithet 'middle class.'

The World Bank itself uses an income of more than $10 a day as the threshold for its definition for the middle income group. Yet discussion of a minimum threshold as the definition for a socioeconomic bracket misses the fuller picture. While in developed nations in the West an income usually sustains the life of an individual or a core family, in Sub-Saharan Africa income traditionally must be stretched much further, supporting extended family members either fully or partially. Income figures only present one side of that coin.

There is indeed some indication that the middle class is growing–in any case, according to the World Bank, poverty has declined, from 58.1 per cent of the population in Sub-Saharan Africa in 2000, to a projected 40.9 per cent this year. However, growing or not, being middle class in Sub-Saharan Africa certainly faces its share of problems.

$10 a day

the threshold for middle class, according to the World Bank.

For those amid the middle class whose incomes put them into the "floating class," as the AfDB has called those making between two and four US dollars a day, the problems seem rather obvious: their incomes are too low and often too unstable to allow a steady middle class life. Consequently, their lives are still largely precarious, and this will probably be mostly true even for those making somewhat more. A sociological definition of the middle class might be more fruitful. Only when certain shared living standards such as access to electrical power and clean water, the availability of consumer products such as cars and television sets, access to health care and private schools are stabilised, can we truly speak of a middle class. The 'living standards measure' developed by consulting firm BearingPoint puts the income necessary for this status between $12 and $25 a day. Still, while the problems of those fitting this description might be less obvious, they are equally socially significant.

With growing incomes come growing possibilities and lifestyle changes. Demand for durable consumer goods grows, as does an interest in technology, fashion, travel, and other products. This mirrors the European, American, and Asia-Pacific experience. In the developed world, however, middle class life is historically associated not only with increased economic demand but also with enhanced individualism (consumerist peer pressure notwithstanding), and perhaps most importantly, with political activism designed to overcome authoritarian rule and/or to secure more accountability of governing bodies.

Whatever reality accrues to the African middle class, it seems that with respect to individualism and political activism it is caught between modernity and tradition. Members of the African middle class usually remain members of large extended families and entangled in wide networks of informal mutual commitments. These are rightfully valued because they provide protec-

"Sub-Saharan African economies are not in a position to generate the self-sustained economic growth needed to assure the stability and growth of a middle class."

Photo previous page: May 2014. Students at Université Cheikh Anta Diop in Dakar rioted in reaction to the government's reform proposals. The education crisis and high youth unemployment is a worry, even for those who obtain a degree.

> “Incurred debt often turns an income squeeze into a credit crunch as families continue to take on debt just to get by without creating any kind of sustainability.”

tion in hard times. However, these extended families and informal networks come with responsibilities, especially for those with the means to meet them. Therein lies the rub: While stable incomes between $12 and $25 a day might conceivably allow a nuclear family in Sub-Saharan Africa to acquire middle class status, this income is hardly sufficient to fulfill middle class dreams and provide for those of an extended family who are in need (or claim to be).

Take the example of Aminata Touré*, a Senegalese widow with one grown daughter and the other one about to finish high school. She has been working as a cook and housekeeper for European families for many years making a good income of approximately $250 per month. With the death of her sister, she had to take responsibility of her nieces who have become orphans as their father had already passed away some time ago. The deceased father’s family traditionally does not assume responsibility for daughters. Aminata Touré’s income had been enough to support herself and her younger daughter as well as her mother, even while occasional demands from members of the extended family were placed on her. With the arrival of the children, however, her income has become overstretched. Demands have risen and every additional expense–such as for medical costs in case of illness–threaten to overburden her. In turn, she has had to obtain loans (from her employer). This debt now puts even more stress on her as she has to repay the loan with monthly rates that reduce her disposable income.

The Senegalese middle class is adopting Western lifestyles. In Dakar, people can order pricey American pizza to be delivered to their homes.

At the same time, individualistic behaviour in this situation would surely come at a steep price. If responsibilities vis-à-vis the extended family were no longer respected, the middle class nuclear family or individual might be ostracised. Respect of the tradition, however, also causes problems when wedded with the consumerist dreams of the middle class. Unfortunately, the problem is often exacerbated because of traditional values and traditional definitions of status.

Especially in Muslim and traditional societies, growing income might simply be an incentive for men to take on more wives and consequently to have more children, which might in turn overwhelm any income gain previously acquired. Thus, the tradition of having extended families can be an obstacle to economic development, not only by removing incentives to succeed economically because of family demands, but also because the number of children might still be too large to allow increased investments in their education, historically a key element of economic growth.

So what is one to do? An apparent but ultimately highly problematic solution lies in the fact that the new middle class status might allow the assumption of consumer credit, especially if formal employment provides the family income. Western as well as African financial institutions have grown tremendously in the recent past and are understandably interested in identifying new customers. The available credit seems to provide a solution to the problem of the African version of the “middle class squeeze”–incomes that are not sufficient to fulfill middle class dreams and meet the responsibilities of the extended family. Unfortunately, the incurred debt often turns an income squeeze into a credit crunch as families continue to take on debt just to get by without creating any kind of sustainability, often until such point that servicing old debt is made possible only by new debt.

Moustapha Ndiaye* is a respected elderly man nearing the end of his career. He works for an international company and has a very good take home income of around $2,250 per month. He is divorced once, has remarried and later on taken on a second wife as it is possible within the Muslim tradition. Over time, he has fathered ten children, the youngest not yet having started school.

While he is providing for his ex-wife as well as the new wives and the children with expenses ranging from private school fees to health care, Ndiaye also has to support his father as well as many other relatives–as well as neighbours and friends–because it is expected of him as his very good income is known. Although Ndiaye would clearly fit any description and definition of the African middle class, he too has become overburdened and overstretched with his responsibilities and has taken on several loans he is paying off monthly.

What makes matters worse is that most sub-Saharan African societies lack the administrative and civil society institutions that serve to help a growing middle class to gain the basic economic education necessary to navigate the market economy and to engage in long-term financial planning, as well as to protect it from predators and bad deals. In Senegal, for example, while there is a rudimentary consumer organisation–the Association des Consommateurs du Sénégal (ASCOSEN)–it does not cover essential issues such as consumer credit and debt management, and it currently has too a small membership and too little outreach to have more than a marginal impact. At the same time, African judicial systems are often inefficient and marred by corruption. It would seem that consumer protection might be a new task on the horizon for development policy in order to help people not to fall back into poverty.

Ultimately, the growing African middle class itself will have to become more of a political actor to build such civil society in-

Employees of Senegal Handling Services demonstrate at a May 1 rally in Dakar. Some unions have begun to move beyond formal employees such as these to organise workers in the informal sector.

stitutions itself and to demand that the state be more accountable. In a way, growing income possibilities will have to be accompanied by corresponding political growth. This would require an active citizenship with an engagement in political life beyond the mere act of voting–an act still reduced in many African countries to the simple reaffirmation of longstanding authoritarian rulers. By engaging politically beyond participation in elections, new civil societies emerge whose members exercise civil and political rights and liberties and demand accountability and transparency of those governing.

This demand for accountability corresponds with the need of the state to gain the trust of the citizens. Often, the state still fails to provide sufficient public goods such as the stable provision of electricity, potable water, medical care, public schools, garbage collection and so forth. People climbing the social ladder have more financial means to find individual solutions to these infrastructural deficiencies, yet if the state remains absent in delivering basic public goods to all of his citizens, economic progress for some will not be translated into social and political progress and stability for all. Increased crime and social unrest would surely follow.

Last not but least, a growing middle class raises the hope of increased entrepreneurship. Rather than taking its financial resources abroad or investing it mostly in brick and mortar, members of the middle class need to invest in employment-creating businesses. A self-sustained economic dynamic that would allow the development of social welfare states can only stem from increased value-added production and services.

Today, sub-Saharan African economies are not in a position to generate the self-sustained economic growth needed to assure the stability and growth of a middle class. Consumer products other than foodstuffs are mostly imported from China and the West. Demand for African products is low. However, there is more at stake than the traditional debate on a possible industrial trajectory. Even if the development of a modern value-creating economy might be possible without full-fledged industrialisation, the challenge remains to create not only a sufficient level of employment but sufficiently 'good' jobs to enable an increasing number of people to gain and sustain middle class status. In this respect, the International Labour Organisation's "decent work" agenda can serve as guidance and as a viable indicator of success. Employment opportunities for young graduates of the schools and universities will have to be created in order to curb the phenomenon of *diplomé sans emploi* ('graduates without jobs') widespread in Sub-Saharan Africa and to allow the middle class to re-create itself.

An additional challenge is the building of viable welfare states. While the above mentioned social fabric of extended families and informal networks has hindered the kind of development envisioned by most African societies, the creation of a more individualised middle class and the formalisation of social and economic relations will have to be buffered when these traditional social ties decrease in relevance.

A functioning tax regime and redistributive policies will have to be in place when increasingly visible middle class lifestyles meet continuing precariousness and poverty in order to avoid increases of crime and social strife.

The middle class in Sub-Saharan Africa is growing. To what extent exactly remains to be discussed. However, if the new African middle class is to be sustained and to grow, social as well as political challenges need to be tackled. Many uncertainties remain. One thing, however, is for sure: The future of the African middle class will largely influence the future of the African continent and its development. Social progress and political stability could be the reward of its success. •

*Names have been changed.

Priv.-Doz. Dr. Thomas Greven teaches political science at Freie Universität Berlin.
Annette Lohmann heads the office of the Friedrich-Ebert-Stiftung in Dakar, Senegal.

How pomegranates can change the world

Consultant and former Tunisian tourism minister Amel Karboul pleads for new ways of leadership, warning that perfection and business optimisation make companies vulnerable in an unpredictable world.

Her organisational model: the pomegranate, with its non-hierarchical structure where each kernel sits side by side, each one as valuable as the other.

INTERVIEW BY MORITZ BEHRENDT

zenith: Innovation out of chaos–how is that supposed to work?

Amel Karboul: Doesn't all innovation come from chaos? The problem is, too many enterprises are so optimised that they are close to the coffin corner–in aviation this is defined as the altitude, where flying is highly efficient and extremely dangerous. The slightest turbulence can lead to a crash. It is a metaphor in the sense that the most optimised companies can crash as well. The best example is Nokia. When the company still had 70 per cent of the market shares, the CEO said, 'I'm not afraid of Apple.' The phenomenon isn't limited to the economy. Governments can go down over night, just because a street vendor sets himself on fire and a whole region is ablaze.

So in your view, political and economical players are not prepared for chaos, for external shocks because they stick to traditional solutions?

Yes, I call it railway thinking–it originates from times when the world wasn't as unpredictable as today. And it used to work: you had a plan which you followed, without looking left or right. Now the world has changed–but people still act as if it hasn't.

As a recipe for the ever changing world, you propose 'pomegranate thinking', what does that mean?

A pomegranate has countless kernels–side by side, each one as valuable as the other. There's no one right way–just like in a city, where if one street is closed you take the next. There are many stories that show how pomegranate thinking can inspire us to see the world with different eyes. Once as a consultant I went to Yemen. One of our client's manager had just been shot. Even before the incident the senior management had been dysfunctional. Two members really hated each other. A colleague of mine from South Africa asked everyone to talk openly about traumatic experiences in their life. One of these managers then spoke about the hardship he experienced when his wife had been kidnapped. After he finished, there was silence. Then the other manager went up to him, gave him a warm hug. Both were crying. I know this may sound touchy-feely, but afterwards the performance of the whole company improved. The audacity to switch to the personal level, instead of saying 'emotions don't belong to the job,' is an example for pomegranate thinking.

Did these new ways to lead influence your work as a minister in the Tunisian government?

They did. The El-Ghriba synagogue on the island of Djerba is the oldest synagogue in Africa, each passover it is the destination of the pilgrimage of Tunisian Jews. With my experience in Yemen in mind, I thought, it would be a great idea if Jews from Israel would take part in the pilgrimage as well. Unfortunately many Tunisians didn't like the idea at all. I received death threats, and in parliament I had to go through a no-confidence vote–it was one of the hardest times in my life. But thanks to the support of prime minister Mehdi Jomaa we were able to organise the pilgrimage with Jews from Israel.

You might inspire managers with you new way of thinking, but are you confident it will actually be applied?

The fact that the world changes forces us to look for alternatives. If you look at [the recent emissions scandal with] Volkswagen, I'm afraid the reaction to Dieselgate will be more railway-thinking, more compliance, more regulation–instead of creating room to ask the important questions such as 'What does our company actually stand for?' I think this dialogue is necessary to return to the company's values.

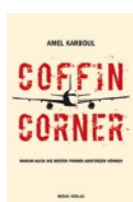
In the Arab world it is common that you don't know what to expect tomorrow. Can European companies learn from this view?

I think so. Of course planning has its value but it can't be the entire solution. A CEO in Europe, whose schedule for 2016 is already completely filled, might miss innovations because he's thinking only along the old lines. There's a smart IT-company from Tunisia, called Vermeg. In Europe no one took them seriously–'a company from Tunisia, that's a joke.' Then Vermeg bought a run-down Belgian company and all of a sudden they had the Bank of England and major German insurance companies as customers.

Companies in the Arab world are mainly hierarchically organised. The boss can often not be challenged–just because he's the boss. Would these companies profit from a new way of leadership as well?

I think managers see the need for change. In the Arab world a lot of things don't work well–so the idea of railway-thinking as the solution to every problem doesn't exist. Many CEOs feel the pressure for progress in their countries. It's not as if they weren't seeing the problems, they are looking for new solutions–from a rather dictatorial way to lead to a new way–which hasn't yet been defined. •

Amel Karboul is the founder and chairwoman of consulting firm Change, Leadership & Partners with offices in Tunis, London and Cologne. From January 2014 to February 2015 she was Minister for Tourism in the Tunisian transitional government. Karboul was born 1973 in Tunis, she studied mechanical engineering in Karlsruhe and worked for Daimler and the Boston Consulting Group. This year she published her book *Coffin Corner–Why Even the Best Companies Can Crash* in German. English and French versions are planned.



Amel Karboul
Coffin Corner–Why Even the Best Companies Can Crash

Midas Management Verlag
Zürich 2015
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THE ART WORLD GOES EAST

DUBAI'S ART DECADE

Once known as a dusty construction site, Dubai and the wider Gulf has risen to become one of the art world's new centres, a link between East and West, and a platform for regional artists to receive international exposure.

BY ARSALAN MOHAMMAD

Photograph: The Studio, Dubai

DUBAI, the United Arab Emirates–In 2006, this city-state barely registered on the global art market's radar. The notion that within a decade the emirate–often regarded as the epitome of flashy Gulf bling, the 'Las Vegas of the Middle East'–would be a globally-renowned art hub would have been laughable. Twenty years ago it would have been complete insanity. "When I arrived in Dubai, in September 1993, there was one mall, a few restaurants, a few hotels and wild beaches where the neighbourhood goats wandered," recalls US expatriate Mona Hauser, the founder of the city's oldest professional gallery, XVA. "It was more sand than cement."

But over the past decade Dubai has spearheaded the phenomenal rise of the Gulf's arts sector. Today, art fairs, auction houses, museums, biennales, galleries, studios and workshops proliferate, fuelling an unprecedented interest in Middle Eastern art across the world. In Abu Dhabi, the opulent $27 billion Saadiyat Island project continues apace, with its cultural district to include a colossal performing arts centre and the Gulf outposts of the Guggenheim and Louvre museums. Meanwhile, in Doha, the Qatar Museums Authority has been spending eye-watering sums of money on building a national collection of global masterpieces for their portfolio of new museums. Despite setbacks such as the colossal economic crash of 2009, or criticisms about the lack of a free and organic grassroots art scene and claims by NGOs that the human rights of migrant workers on the construction sites of some of the major museums are being systematically violated, the visibility of global and local contemporary culture in the Gulf has never been livelier than it is today. The story of how Dubai rose to become an art-world destination is a mixture of plucky ambition, blind confidence and of being in the right place at the right time–a city booming as the world's cultural and economic focus shifted east.

In the mid-2000s, despite lacking the hefty oil revenues of its neighbour Abu Dhabi, Dubai's confidence was riding high. The Dubai Financial Market General Index peaked in November 2005 and the emirate, with just 0.02 per cent of the earth's population, was employing more than 10 per cent of the world's tower construction cranes, dotted along the miles of construction sites that stretched into the desert horizon. The city was awash with cash, celestial ambition and colossal quantities of self-confidence. The appointment of Sheikh Mohammed bin Rashid Al Maktoum as the emirate's ruler in January 2006, following the death of his brother, fuelled the momentum that was propelling the tiny city-state's aspirations to create a haven for world's super-rich.

With the construction boom came expats, including an educated and motivated population lured there by the promise of a tax-free job and glamourous lifestyle in sunny Dubai. Another development was the maturing of the UAE's higher education system. Before the late 1990s, wealthy local children were frequently sent abroad to study, but as the the emirates developed, universities such as the American University in Dubai and Sharjah opened up, offering degree-level education. These institutions catered to local women unable or unwilling to study abroad, local men who felt uncertain about studying in the tense, post 9/11 climate, and other Gulf citizens. A surfeit of students in Dubai meant a pressing need for creative outlets and a platform for ideas, reaction and art. Similarly, as the expat population matured, a new wave of young expat children came of age.

Next door, in the neighbouring emirate of Sharjah, a young Emirati collector and patron, Sultan Sooud al Qassemi, was

"When I arrived in Dubai, in September 1993, there was one mall, a few restaurants, a few hotels and wild beaches where the neighbourhood goats wandered."

Mona Hauser, founder of XVA Gallery

watching as the region's artists and collectors began flocking to Dubai as developments in the cultural sector began to gather steam.

"It was boom time in Dubai," al Qassemi says today. "There was definitely a buzz going on in the emirates then. More galleries were opening as more people were moving to Dubai and more luxury apartments were being built. People were buying homes in luxurious developments (this was when expats were first allowed to own houses) and needed art to hang on the walls. In addition to being an investment, it was a sign of affluence to have art in their expensive homes."

Sheikh Mohammed taking office with a very pragmatic style of leadership was also an important factor, he says. The change in demographics, the real estate boom, and art galleries opening up–"all of this came together at the right time."

Amidst this febrile environment, the idea to launch an art fair came to John Martin, a London art dealer visiting Dubai. Impressed with the rapid progress, and seeing the potential for a new art market in the region, Martin and old friend and business partner, banker Ben Floyd, hatched a plan for a fair that would bring the cash-rich population of Dubai in contact with the moneyed world of the Western contemporary art market, in the tax-free, pro-business setting of Dubai.

"I see Dubai's real role as one of fostering art commerce," Martin said then in 2006. "To many people, art and commerce don't mix, but I totally disagree: artists need to sell their work and they tend to congregate around art markets more than museums. Art commerce is another side of culture, but one that is every bit as exciting and stimulating and vital as anything you will see in a museum."

"John and I set it up together because we saw an opportunity," Floyd says today. "Despite there being a plethora of art fairs in the West, there was nothing in the region. We had a blank canvas to curate something important and different."

In March 2007, the first edition of the The Gulf Art Fair–later Art Dubai–was held. Martin invited 40 established and emerging galleries in China, India, Japan and Korea as well as Europe and the US, including London's White Cube and Los Angeles' 1301 PE. Artists included Wim Delvoye, Kader Attia, Haluk Akakçe and Jitish Kallat, while the small pack of influential curators included Jerome Sans, Hans Ulrich Obrist, Lance Fung, Jack Persekian and Vasif Kortun. 9,000 curious visitors attended the show.

To a city focused on developing its global credentials, it quickly became apparent that an art fair would attract a wave of cultural tourism, create a cultural context for Dubai and build a self-sufficient art market–a boost to local marketing, shipping, insurance and hotels.

For local and regional artists it was good news too, with a forum to be shown in and to be viewed by wealthy Gulf buyers of art. Furthermore, young artists across wider Middle East region, North Africa and Asia found a safe, commercially-viable home to show work and gain international recognition–previously much harder for artists labouring in obscurity in Palestine, Iraq, Iran or Saudi Arabia.

Other ventures were also afoot. At about the time Martin struck upon the idea of an art fair, William Lawrie, a 25-year old new recruit at Christie's with a special interest in the Middle East, was sitting nervously in a boardroom meeting in London, about to drop a bombshell which would revolutionise the Middle Eastern art market.

"It was a big boardroom meeting, with many of the senior people," he recalls today. "I was meant to be just taking notes for my absent department head. I put up my hand and told them about a group of Ottoman kiswa fragments I was being offered for an Islamic art sale. These things have special significance, as they once covered the Ka'aba in Mecca. Christie's were already intending to show some Iznik pottery and jewellery, so the space that was booked [in Dubai] was small. I said, 'If you can guarantee enough space to show a 17 metre belt and 5 ½ metre high Burka [the main door covering of the Ka'aba], I pretty much guarantee that I can get them into this sale and they'll definitely be the highlight of the show.' They were gobsmacked! I was 25 years old and telling them this! They looked at me and said 'Okay, let's do it.'"

The initial Christie's Dubai auction, International Modern & Contemporary Art in the Middle East, took place in May 2006. Sultan al Qassemi was one of the local collectors intrigued by the new venture. "When it started, people didn't know what Christie's or the Gulf Art Fair would bring. Would they succeed? Was there a market?'

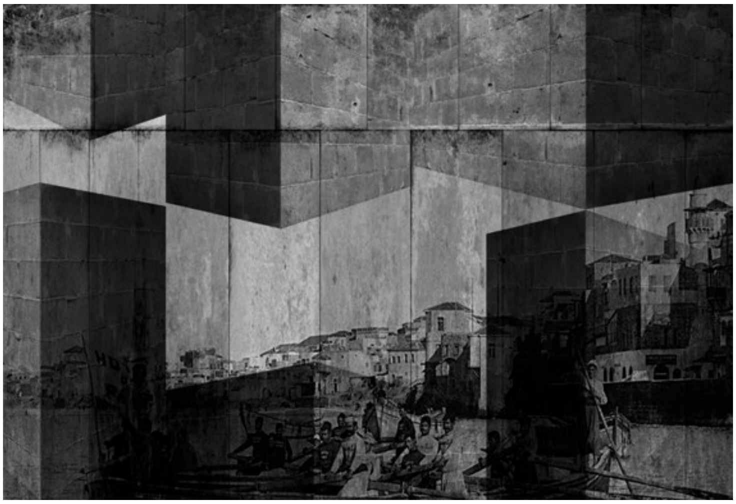
There clearly was. Lawrie had guessed that the vast, untapped market would engage with the auction, given the plenitude of affluence, cosmopolitan clientele and quality of consigned artworks in the sale. He made a plan estimating a result of about $750,000. On the night of the auction, as the first ten lots of Arab art each sold for 'three or four times' the estimate, a nervous, tense Lawrie began to relax. Then the serious money began to pour in. By the end of the night, the auction had made just over $2.2m.

"We were very lucky for two reasons. The first is that Dubai at that time was in its bull-market stage. Any idea that sounded semi-feasible would fly and people would run with it. The second

Here as everywhere: Art Dubai has grown from its first iteration in March 2007, when the first art fair in the Middle East welcomed 9,000 curious visitors.

Photograph: The Studio, Dubai

Images courtesy of British Museum (Funded by CaMMEA, Contemporary and Modern Middle East art acquisition group)



Clockwise from top left:
Hazem Harb, from the series *Beyond Memory*, silver gelatin print on archival paper, edition number 2/5, 2012. Reproduced by permission of the artist.

Michel Basbous, Encre de Chine on paper, 1961. Reproduced by permission of Michel Basbous Museum.

Khaled Hafez, from the series *Moving forward by the day*, ink, collage, coffee and acrylic on paper, 2012. Reproduced by permission of the artist.

is that it was just far away enough from 9/11 and the invasion of Iraq, that there were people who got behind it for ideological reasons," says Lawrie.

Meanwhile, after the first edition of the Dubai art fair proved a success, Dubai International Finance Centre (DIFC), the emirate's investment arm, decided to buy a 50% stake in the event. For the second edition, it was rebranded as Art Dubai and a "supercharged" phase of expansion began, says Martin.

With DIFC established to promote wealth creation in the emirate, Al Qassemi points out that its long-term ambitions dovetailed neatly with the new art fair. "From the beginning, DIFC saw the potential in art that was missing from the Dubai economic formula. Art was a localised economy. People were buying and selling to residents."

A heavyweight sponsor also came on board, private equity firm Abraaj Group. They launched the Abraaj Group Art Prize (AGAP), managed in partnership with the fair. Each year, artists from across the Middle East, South Asia and North Africa are invited to submit proposals for an unrealised artwork, before four winning artists are shortlisted for the final prize. The ultimate winner pockets $100,000 and is assigned a guest curator to create their piece. Over the years, thanks to their inclusion in the Abraaj prize, a number of artists have leapt onto the global stage, such as Kader Attia, Yto Barrada, Taysir Batniji, Vartan Avakian and Abbas Akhavan. Following exhibition at Art Dubai, these artists and numerous shortlisters have found their works bought or shown at institutions worldwide, such as the Montreal Biennale, Singapore Art Museum, Kochi Muziris Biennial and Kunsthalle Vienna. One former winning artist, Egyptian-born video artist Basim Magdy, even scooped the prestigious Deutsche Bank Artist of the Year 2016, after coming to prominence in the 2014 edition of AGAP.

Back at Christie's, Lawrie was on a bull run. The auctioneer's second sale, in February 2007, again exceeded all expectations, resulting in a $4.1m total. Here, new records were set for future megastar Farhad Moshiri, as well as the Arab artist Ahmed Moustafa. A third sale, in October 2007, pulled down $12.6m. The next sale in 2008 drew in $20m, which included Ira-

Above: The sculpture by Egyptian artist El Seed Tashkeel, *The Declaration,* was shown at Art Dubai in 2014. Image courtesy of Tashkeel.
Left: Sultan Sooud Al-Qassemi is the founder of the Barjeel Art Foundation.

nian sculptor Parviz Tanavoli's *Oh Persepolis* alone, making a staggering $2.4m. "The Iranian market was going absolutely berserk," remembers Lawrie. But it couldn't last. As Lawrie and his team were preparing for the 2008 sale, the global economy suddenly tipped and tilted perilously on its axis. Clouds of cash began evaporating around the world.

"We had just sent the catalogue to print when Lehman Brothers went down in '09," recalls Lawrie. "Everyone in the West was now talking about recession. But Dubai being Dubai, people were feeling they were protected. The Christie's auction was the first obvious test of whether that was true or not. Two or three weeks before the auction, I was trying to lower all the reserves and as result of that, the auction wasn't a complete bloodbath."

But eventually the recession hit Dubai and it hit hard. Real estate speculation had played a major role in the emirate's construction boom, with apartments sold 'off-plan,' the deposits paid long before construction had even begun, often in order to resell the paper title for a healthy profit. It was a house of cards, and Dubai paid the price, suffering the world's steepest property collapse as home prices dropped 50 per cent from their 2008 peak. Billions of dollars worth of building projects were cancelled or mothballed. The cranes returned to their homes or stood idle and thousands of jobs disappeared.

As the dust settled over the next few years and support from oil-rich Abu Dhabi shored up the tottering emirate, the fledgling art market re-emerged, battered, bruised, smaller but tougher. For a while though the reckless spending slowed down. William Lawrie left Christie's in 2010 to launch a gallery with Iraqi-born Asmaa al Shabibi, in the Alserkal Avenue district of the city. "Today, the market is more discerning, it definitely had a correction in late 2008-2009 due to the credit crunch."

Nevertheless, today the mega-lots at auction are as astronomical as ever, with Western art, established modern Middle Eastern and the occasional hot new name still commanding mind-boggling sums. Sotheby's Contemporary Art Doha auctions have seen Middle Eastern and Iranian art mixed with Western names. One such superstar, Iranian Ali Banisadr recently sold a 2011 oil painting *The Chase* for $557,000, a record for the artist. Last year at Christie's, the top lot was a painting by Abdul Hadi El-Gazzar (Egyptian, 1925-1965), *Construction of the Suez Canal*, which was estimated at $100,000-150,000 and sold for $1,023,750, ten times its low estimate.

Photograph: Christie's

Christie's first Dubai sale of International Modern & Contemporary Art in the Middle East took place in May 2006. Sales in the Arab and Iranian section alone reached $2.2m, vastly exceeding expectations.

Tastes in the Gulf have also also matured. Dealers and collectors have benefited from a decade of professionalism and accountability in the UAE art market, due to Christie's extensive research and educating of their audience. The result is a far more discerning pool of buyers. Having created market superstars, revived long-forgotten Modernists and convinced the buying public of their viability, these days auction houses face an informed and market-savvy clientele, who are more likely to pause and reflect before parting with their cash. Collecting, in Dubai, has grown up.

Auctions and sales have also helped change tastes. In 2006, auctions in the Gulf had been few and far between, and no-one had thought of arranging a sale of contemporary Middle Eastern art, aimed at local collectors. Neither had the idea of presenting Iranian and Arab art in tandem been tried before. "It took about three seasons for [the collectors] to accept and get behind it and now these days the idea of putting the two together isn't a question any more," says Lawrie. "The biggest buyers of Iranian art, by the fourth Christie's auction in Dubai, were Arab collectors."

> **"The biggest buyers of Iranian art, by the fourth Christie's auction in Dubai, were Arab collectors."**
>
> **William Lawrie**, former director of *Contemporary Middle Eastern Art* at Christie's

It's not only local buyers that have become more interested in the regional art scene: the impact of Art Dubai on global art cross-currents has been hugely significant for providing exposure for contemporary art from the greater Middle East. Not only has the fair provided a stage for pan-regional art to shine, but it's reflected the gradual devolution of influence from traditional hubs in the West–London, New York and Los Angeles–to a new world order, where Russia, India, Asia and the Middle East have developed new art economies for themselves.

"Art Dubai has helped a lot with the international outlook and the market for the Middle East in general," says Dubai-based dealer Yasmin Atassi of Green Art Gallery, a regular at the fair. "Mostly it helped regionally and locally–it's been very successful in allowing the international world to look at Dubai, the Middle East in general and we've met fantastic collectors who came from Brussels, Paris and New York."

One key institutional buyer, for whom the fair afforded an unprecedented insight into the region's thriving art scene, was London's British Museum. The assistant keeper at the Department of the Middle East, Venetia Porter, has become a regular visitor to the emirate each year and has acquired numerous works for the museum's collection of Middle Eastern art, including pieces by Palestinian multimedia artist Hazem Harb, Lebanese sculptor Michel Basbous and Egyptian painter Khaled Hafez, as well as a major piece by the late Iranian multimedia artist Farideh Lashai, entitled *When I Count, There Are Only You…But When I Look, There Is Only a Shadow* (2012-2013), a powerful suite of 80 photo-intaglio prints with projection of animated images. Porter reflects a key factor in the fair's success: its ability to present the regional whole in an accessible manner.

"When you go, there are more and more patrons and museum directors who are not able to go to places around the Middle East. They go to Art Dubai where they are provided with an extraordinary window onto the art scene. I think it's really important. It's had a huge impact in disseminating a world, to people who didn't know much about Middle Eastern art," says Porter.

Interest is growing. Just a small sample of Middle Eastern-related action worldwide over the last few years would include a major overview of Iranian 20th century art at New York's Asia Society in 2013; Manhattan's New Museum overview of Arab contemporary the same year; the Tate Modern's retrospectives of Lebanese sculptor Saloua Raouda Choucair, the Amory fair's 'FOCUS:MENAM' earlier this year and the Whitechapel gallery's current show of Modern Arab and Iranian art from the Barjeel Art Foundation Art collection in the UAE, a series of exhibitions which runs until January 2017.

At the 2015 Art Dubai closing night party, the buzz of another successful year is palpable in the warm springtime night. Legendary Parisian dealer Daniel Templon just flew in from Art Basel Hong Kong the day before. He is beaming. "I love Dubai! It's totally unreal. It is a place to make connections." Meanwhile, New York dealer Leila Heller is talking up her new gallery, set to open in Dubai's Alserkal cultural district in November 2015. At 12,000 square foot, it's set to be the biggest gallery in the city. "I started coming here about eight, ten years ago," she says. "The changes have been phenomenal!"

Nearby, Art Dubai director Antonia Carver is speaking to artnet's Coline Milliard. "Only ten years ago, the idea of Dubai being a cultural centre would have been unthinkable," she enthuses. "Dubai has now really emerged as an art market centre, but also as place for artists. It's a centre not only for the Middle East but also South, East, Central Asia, and increasingly, Africa too–Art Dubai is a picture of tomorrow's art world." •

Arsalan Mohammad has reported extensively on the Middle Eastern art scene for publications including *Time Out Dubai*, *The National* and latterly as editor-in-chief at *Harper's Bazaar Art Arabia*.

In contrast to previous initiatives, the G7 Deauville Partnership set out to incorporate a broad coalition of important stakeholders: the Arab countries in transition (ACTs), the Gulf states plus Turkey, as well as several international financial institutions (IFIs).

Civil society has been at the heart of political change in the Arab world and is thus an important factor in the success of the Deauville Partnership. To foster dialogue about the challenges and needs of civil society in the MENA region, the German Federal Foreign Office, in cooperation with Candid Foundation, wants to create a forum of exchange for representatives of Arab civil society organisations, policymakers, governments, donor institutions, entrepreneurs and international development institutions.

Despite its focus on civil society, the Deauville Partnership has not yet succeeded in sufficiently strengthening the role of civil society in political decision-making processes in ACTs. We therefore decided to host a conference on economic governance and social justice: The “Deauville Partnership Conference: A Civil Society Outreach: Economic Governance–Social Justice” will take place from the 17th to 19th November 2015 in Berlin at the German Federal Foreign Office. Bringing together civil society actors, German political foundations, NGOs, as well as official representatives from the EU, OECD, IMF, and the World Bank, we envisage a vivid exchange of opinions, experiences, and challenges with regard to transformation processes in the Deauville partner countries.

In meeting representatives of all parties involved in the Deauville Partnership, civil society activists from Morocco, Tunisia, Libya, Egypt, Yemen, and Jordan will be given the opportunity to express recommendations for actions, which shall be handed over to the German presidency of the G7. Representatives of governments are invited as observers only, and will not take part in discussions. In order to put all conference participants on equal footing, regardless of whether they represent civil society organisations or international institutions, the main discussions will take the form of a moderated general assembly where every participant will enjoy the opportunity to speak.

FOUR PERSPECTIVES ON CIVIL SOCIETY AND ECONOMIC GOVERNANCE

Committee I:
Finance, Donors and Policy

No strings attached? International finance institutions, donor countries & policy requirements

Chair: **Christian-Peter Hanelt**
Senior Expert at Bertelsmann Foundation

A long-time former journalist, Hanelt heads the Europe's Future programme as well as the Middle East Kronberg Talks, hosted by the Bertelsmann Foundation.

"I hope that the conference will lead to better coordination among the donor community in their efforts to support Arab Countries in Transition"

Committee II:
Entrepreneurs and Civil Society

Foundation for success? How entrepreneurs and civil society actors could jointly contribute to a stable and socially just society

Chair: **Zeidan Ali Zeidan**
is a management consultant working with governmental and private clients in the MENA region with a focus on renewable energy and sustainable technology.

"I am looking forward to the ideas and visions that will come out of the dynamic that entrepreneurs and civil society will bring with them from their home countries. A vision built out of previously opposed forces that during the event find their common interest and benefit"

Committee III:
NGOs and the law

Legal limbo: legal requirements and protection of NGOs and employee representative bodies

Chair: **Dr. Jan Claudius Völkel**
is a visiting professor and DAAD long-term lecturer for the "Euro-Mediterranean Studies Programme" at Cairo University. Since 2008, he has additionally been serving as regional coordinator for North Africa/the Middle East for the 'Bertelsmann Transformation Index.'

"This committee will roll out the future role of NGOs and trade unions in democratic processes and discuss ways in which they can live up to their full potential"

Committee IV:
State and non-state cooperation

Think locally: What are the basics of efficient regional and international cooperation between states and non-state/non-government actors, municipalities and city councils?

Chair: **Dr. Asiem El Difraoui**
is a political scientist and expert on the Arab world is currently working in France.

"Trust, transparency, and efficiency are essential to build meaningful partnerships"

WHAT ROLE FOR CIVIL SOCIETY, STATE INSTITUTIONS, ENTREPRENEURS AND NON-STATE ACTORS AFTER THE ARAB SPRING?

Prof. Dr. Dr. Ayad Al-Ani is a former executive partner at Accenture and director of its Vienna office. He was rector at the ESCP Business School in Berlin and is now a researcher and lecturer at the Humboldt Institute for Internet and Society at the University of Potsdam. He is a board member of the German-Arab Association and founding partner of a digital advisory agency. Ayad Al-Ani is an expert on Committee II "Foundation for success? How entrepreneurs and civil society actors could jointly contribute to a stable and socially just society" at the Deauville Partnership Conference in Berlin.

Can we expect Arab governments to come up with new ideas, policies, and strategies to enable their younger populations–which make up almost 50% of the total population–to shape their path and transform economy and society? I think that most people would agree that the answer is a clear no. The best we can expect for the time being is a government that does not interfere in economic processes in return for abstinence in political participation. But even this vision seems illusive, as all governments of the region, driven by fear of potential destabilising effects, seem to 'regulate' economic activity and digital access in one way or another.

Yet, if one looks beyond the obvious political atrocities and turmoil, one can't help but notice that some younger people in the Arab world take things into their own hands and often from unexpected angles, turning disadvantages into opportunities. Garbage collection services not working? Start a business that collects precious waste material and sell it back on the world market. Low-quality public transportation? Build an Arab version of the Uber platform that even works in a war-torn place like Gaza. An underbanked Arab world? Build social media applications that transfer money easily. Arab schools are mediocre and universities teach stuff that is of no practical use? Launch platforms that offer first-class learning content and distribute it openly.

> "The state could transform from a dominant and often repressive role to a partner, incorporating and supporting new solutions and by doing so reaching a higher level of participation, legitimisation, and efficiency"

It seems that these young social and business entrepreneurs start acting: instead of protesting against the system or expecting anything from the establishment, they build their own solutions. French essayist Stéphane Hessel, observing similar developments in the West has used the powerful phrase "To create is to resist, and to resist is to create" to describe this kind of transformation.

Thus, the advent of digital economics and politics promises that solutions can be found by new social and economic entrepreneurs in a 'de-institutionalised' manner–that is without the co-operation or consent of traditional businesses and political actors. I truly believe that the current wave of startup culture in the Arab world is a promising sign and a development that deserves more attention and better support. I will be accused of being overly optimistic, but this might finally be the real Arab uprising–using bits and bytes rather than barricades and blockades as avenues for change.

These startups don't necessarily need to create really disruptive change. They can transform traditional business models in the areas of transportation, commerce, learning, banking, and social services into the digital sphere to overcome their currently inefficient and ineffective performance. Furthermore, the digital sphere drives us to invent–or rather re-invent–new economic organisations. Why can't we organise social services and business as co-ops? Co-operatives are organisations that are owned by a wide array of stakeholders, employees, producers, and clients. These organisations tend to be less agile than smaller startups built with venture capital, but they can be more effective and offer opportunities for new businesses where producers also own the assets in use, e.g. cars, IT, rooms, or financial resources. And they offer the perfect playground for practicing democratic processes and consensus building.

> "This might finally be the real Arab uprising–using bits and bytes rather than barricades and blockades as avenues for change"

Experience shows that the digital transformation is by no means an individualistic experience. Bringing people together to exchange views and experiences and embark on 'lateral learning' seems to be even more important than pure academic learning content. This is because "(..) the skills of the cutting-edge high-tech industries, such as computers, are generally learned on the job or through personal experience rather than in the formal bureaucratic setting of schooling." Therefore spaces must be found that allow people to come together, exchange ideas, and 'hack' products, services, and culture.

These places, whether they be fab labs or maker spaces, could be located in schools, libraries, and universities and should be the nucleus of a new style of entrepreneurial generation. Setting them up is by no means a costly or difficult endeavour. If states fail to implement them, companies from all over the world looking for innovations and market entries could be interested partners. In addition, to gain more experiences, Arab programmers, inventors, and creatives can always participate in international platforms that are looking for new ideas and solutions or to develop software. By doing this, they gain easier access to big international brands and generate attention for their own businesses.

I would advise that this new generation of social and business entrepreneurs gain further momentum by creating common platforms and having regular meetings and exchanges in person. A meeting place for this new movement to connect with each other and the rest of the world still needs be found. And in the absence of an Arab Silicon Valley, maybe a place like Berlin could be an initial starting point for such a meeting place?

But what about the impacts of this transformation on the political system? Obviously, this transformation is at first glance not a political one and this should make things easier. But of course the 'de-institutionalisation' of economic and social action is in itself a unique political point of view. New forms of social and economic collaboration also encourage new political points of view. But one can deal with this change, once this movement becomes strong enough to offer solutions to the problems of the Arab world in areas such as education, transportation, and finance and also provides organisational vehicles that deliver these solutions. This movement is therefore poised to realise what the 19th and 20th century social movements could not. The politics of this movement would flow from an already existing social and economic practice. That is a real key difference. The state in this concept could transform from a dominant and often repressive role to a partner, incorporating and supporting these new solutions and by doing so reaching a higher level of participation, legitimisation, and efficiency. •

A JOINT CONTRIBUTION

"The concept of corporate social responsibility, while becoming more common, is still the exception rather than the rule among the region's business entrepreneurs."

Riad Al-Khouri Is a Jordanian economist at US based consultancy firm Development Equity Associates. Al Khuri also serves a member of the International Council at Questscope, a UK-registered NGO based in Amman and operating in the MENA region.

The Middle East has for the past twenty years seen attempts to promote civil society and entrepreneurship for stability and social justice. Many such initiatives, however, especially those focused on the Arab/Israel conflict, have failed to work, while others that did (sometimes only partially, and in ways not envisaged by their promoters) were or remain embroiled in controversy. As new conflicts erupt in the region and old ones fester, lessons can be learned from previous initiatives to understand how entrepreneurship and civil sector activity can be deployed, both now and in the future, as resources for achieving a stable and socially just society. More than ever, the Middle East is in need of civil justice and stability, while entrepreneurship to spur sustainable development remains scarce. In this situation, especially in places of great instability–including those undergoing de-development–social entrepreneurship may help provide solutions. In turn, civil society, whether within a state torn by strife or between countries in conflict, could deliberately or indirectly contribute to stability and social justice through social entrepreneurs' activities.

For other parts of the Middle East enjoying somewhat greater stability, the fruits of successful entrepreneurship focused on profit can be deployed towards wider goals, including promoting local or regional stability and social justice. The micro-economic link in this respect comes through the application of the concept of corporate social responsibility, which, while becoming more common, is still the exception rather than the rule among the region's business entrepreneurs.

On the macro level, there are links between entrepreneurial activity and civil society on the one hand, and stability and social justice on the other (e.g. as was the case in Lebanon before 1975), which may provide guidelines towards supporting entrepreneurship and civil society in the contemporary Middle East. An example of this is the improving relations between some Arab Gulf states and Iran in the wake of the recent Iranian-Western détente.

Using the above and other cases, the topic of how G7/donor states can support such processes will be presented and analysed at the Deauville Partnership Conference from a Middle East vantage point with a view to proposing solutions for development problems in the region. I have particular insight into this topic, having served in 2012 as a member of the high-level advisory group to the Deauville Process of the World Bank and the European Bank for Reconstruction & Development that aims to aid the countries in the MENA region.

HOW TO MAKE BUSINESS WORK IN YEMEN

"Infrastructure projects must be implemented in such a way that they actually cater to the development of new economies and businesses–and not to the interests of a small elite."

Hafez Albukari is the president of the Yemeni Polling Centre. He holds a degree in journalism from Sana'a University and has worked for several Yemeni and foreign media outlets. In 2004, Hafez was elected general secretary of the Yemeni Journalists Syndicate. As research fellow at the National Endowment for Democracy (NED) in Washington, D.C. from October 2006 to August 2007, he conducted research on press freedom in the Arab world. As founder of YPC, he specialized in media and public opinion research.

In 2010, Yemen Polling Centre (YPC) became part of a network of ten Yemeni NGOs specialised in combating corruption. The aim of this network has been to enhance the investment and business environment in Yemen by making public or exposing practices of corruption in the government and business sector and monitoring the work of tax officers (e.g. with regard to tax estimates) as well as the practices of the municipalities in registering new businesses.

The Yemeni business environment has been heavily hampered by rampant practices of corruption on all levels and particularly by the fact that important economic sectors were in the hands of a small elite. Infrastructure projects have not been implemented according to sectoral or regional needs and on the basis of sound assessments, but to cater to the interests of this small elite. Access to certain business sectors has been almost impossible to ordinary Yemenis on the basis of certain regulations. Moreover, competition has been limited and has made certain sectors such as construction extremely expensive, while on the other hand there has been and remains a significant lack of knowledge on issues pertaining to market needs, business management, and laws and regulations pertaining to the establishment of new businesses.

Civil society organisations (CSOs) such as our institution are thus perfectly equipped to support the development of an environment that is conducive to the establishment of new successful businesses. Market research, education on laws and regulations, and best practices in corporate governance are services YPC can offer next to continuing its work in the field of monitoring government practices and fighting corruption.

The G7 and the donor countries' support in enhancing economic governance and social justice will continue to be highly significant in Yemen over many years. The end of the war, the establishment of a new government, and the codification of a new constitution will open important spaces to ensure that a new environment for economic development is created. In this regard, the role of the international community will be important in supporting the provision of expertise for the reform of pertinent laws and regulations–on the constitutional level and below. That means that infrastructure projects are implemented in such a way that they actually cater to the development of new economies and businesses and not to the interests of a small elite, and that new Yemen-owned plans are developed to systematically address the most important issues.

Civil society in turn can support these endeavours by monitoring and evaluating the implementation and effects of such reforms, thus ensuring that the government remains committed to economic development and social justice. With regard to business developments and opportunities, research institutions should be supported in conducting market research that will ensure businesses are actually developed according to market needs in the local areas where they are required. Donor support will also be required to facilitate vocational training to cater to the need for skilled labour for such businesses and to ensure that such training benefits marginalized sectors of society to foster social justice. And lastly, but very importantly, it is necessary for the G7 and the donor countries to better coordinate their efforts. Too many opportunities and open spaces have gone to waste due to a lack of coordination in the various areas of support.

A 'SOCIAL MARKET ECONOMY' FOR YEMEN

"For a country like Yemen, it has been very difficult to prioritise sectors or even activities–there is a need for everything."

Yahya Al-Mutawakel is chairman of the Yemeni NGO Economic Observatory for Studies and Consultancies (EOSC). He completed his PhD in 1992 at the University of East Anglia, before teaching economics at Sana'a University. From 2007 to 2011, Yahya Al-Mutawakel served as Minister of Industry and Trade in the cabinet of the Yemeni government.

Over the last five decades, Yemen has gone through a series of ruthless internal wars and conflicts, exhausting its abilities and resources. State-building efforts have been hindered and comprehensive development undermined. The economy has also been afflicted with external shocks, adding up to an enormous burden no single government can take. Despite this, Yemen has tried to cope with development challenges that have been aggravated and exacerbated by the major social and economic imbalances of the 1990s as well as the subsequent five-year socio-economic development plans.

To address these challenges, the country has embarked on successive and harsh reforms covering economic, financial, and administrative fields. For a country like Yemen, it has been very difficult to prioritize sectors or even activities–there is a need for everything. Progress that delivers tangible results requires substantial resources and support from the international community, as well as efficient management. The relationship with donors has been unstable and uneven, with only few donors responsive to the needs of Yemen.

Since 1995, Bretton-Woods institutions and Western donors have attached Yemen's Official Development Assistance (ODA) to the government's commitment to the Economic and Administrative Reform Programme, while other donors have continued to fund development projects alongside support of the government's reforms. In the years following, sustaining the initial results of reform and overcoming concrete obstacles has necessitated the introduction of good governance measures, in particular to upgrade the role of the institutions and modernise legislation. For this reason, the World Bank factored good governance components to improve government performance into its assistance strategy for 1996-2010.

However, although ODA flow to Yemen is relatively low and seemingly manageable, some case studies on aid absorption have identified that management capacity obscures much of the ODA in Yemen, starting from the formulation phase up to implementation and impact assessment. It is also indicated that both donors and the recipient government have to bear responsibilities for such mismanagement, as each of them interacts with funding according to certain procedures and measures. Moreover, the Yemeni government also needs to resolve to create limitations with its development partners that are generated by donors' rules and regulations. The government has to lead such a process, while the donor community must strongly support this effort towards a better and more efficient aid coordination.

This conference is an important one for me due to my background experience and direct involvement in the Yemen's reforms supported by World Bank, IMF and other donor organizations and countries. Unfortunately, after 15 years of reforms, mistakes and complications on both sides–i.e. the government of Yemen and international donors–mean that little success has been realized. Therefore, it is quite important to outline such obstacles and learn lessons from them in order to work in better conditions in future.

The Economic Observatory for Studies and Consultancies (EOSC) has identified several key topics to work on in our program cycle, focusing in particular on economic reforms. Over the last two years, EOSC has spearheaded an initiative towards introducing a 'social market economy' in order to ease pressures on the poor and vulnerable groups of society. There is a need to enhance partnerships with donors in this endeavour.

CREATING DYNAMIC COMMUNITIES IN MOROCCO

“In the case of Morocco, much will depend on how the local dimension will be included in the future strategies of competing political actors.”

Hassan Amillat has been the Secretary General of the House of the Elected of the Marrakech Tensift Al Haouz Region since 2011. He also holds the position of Head of International Relations at the Regional Council Marrakech Tensift Al Haouz. Hassan Amillat is the author of several works on political anthropology and spatial development and works to implement regional and national projects aimed at strengthening participatory democracy in Morocco.

Decentralisation involves the civic ambitions of citizens, as it entails their participation by allowing them decision-making and public responsibilities. To frame and organize the awareness of the benefits of decentralization requires political parties and civil society associations–through which citizen support is supposed to be exercised–to become instruments of the framing and dissemination of political civic culture.

How can possible forms of citizen involvement in the debate on decentralisation be imagined? These obviously depend on the contents of the project considered and its impact on community life. First, debate will probably be primarily devoted to the definition of the geographical contours of the project in the communities concerned and the terms of citizen involvement.

Building a social project which seeks both economic growth and human development is probably best achieved by finding the right territorial scale–communal, local, national, regional (crossing national borders) or even global. Local initiatives are likely to be more effective than those working on a global level, however, in that responsibilities are easier to distribute and control and interdependencies easier to coordinate. The need to find solutions to practical problems can be a good incentive to overcome the dominant logic of centralised institutionalism.

In the case of Morocco much will depend on how the local dimension will be included in the future strategies of competing political actors. After the last major royal address by King Mohammed VI. which focussed on empowering local communities in Morocco, there is indeed good reason to believe that this is essentially a geographic framework that can–and should–be built democratically by recognizing essential linkages between social and economic policy dimensions. And it is at this level that sustainability issues can be addressed and solutions found that are both fair and democratic.

The future of decentralization hinges upon an approval process of legitimization controlled by citizens. The participation of the latter in large local projects is a prerequisite to not repeat the mistakes of practice or perform public works without communities and citizens. Participatory mechanisms still remain to be adopted and then also followed up on. But it is important to take this further through the construction of a truly participatory democracy and citizenship. Advanced decentralization faces the challenge of fruitfully articulating a combination of representative and participatory democracy that involves citizens, encouraging creativity, civic action, and the creation of dynamic local frameworks.

ENTREPRENEURS WITH A SENSE OF CITIZENSHIP

"A new citizen entrepreneurship culture with 'new entrepreneurs' who play a win/win game with their country by adopting a sustainable economic model for their business–instead of lowest cost/highest dividends business model."

Mounir Beltaifa is a French and Tunisian businessman. He is president of Bridgers One, an incubator for enterprise development with offices in Paris, Casablanca and Tunis. Beltaifa is also president of the 'Confederation of Citizen Enterprises for Tunisia' (CONECT).

Historically, in addition to covering some state operating costs, international financial institutions & donor countries (IFI-G7) support to Arab Countries in Transition (ACTs) have helped launch some projects. These have usually been won and delivered by 'old entrepreneurs'–those who know how to deal with public investments–excluding young entrepreneurs in the process. Civil society is rarely informed nor consulted, especially in situations where transactions are corrupt.

It is a fact that the existing category of 'old entrepreneurs' continues to request more benefits, facilities, and advantages, without making many more investments, creating many more jobs than what they already have on board, nor promoting transparency and better governance. ACTs need to develop a new citizen entrepreneurship culture with 'new entrepreneurs' who play a win/win game with their country by adopting a sustainable economic model for their business instead of lowest cost/highest dividends business model, being socially and environmentally responsible, refusing corruption, paying taxes, and demanding efficient public services.

These 'new entrepreneurs' will be able to contribute to a stable and socially just society if they are able to get support from state and civil society.

Therefore, ACTs need to focus on two main initiatives:

- administration transformation to regain efficiency for public services, driven by performance management tools
- increased salaries for efficient civil servants in order to avoid the temptation of corruption

If the ACTs adopt a participative approach, then civil society can play an efficient role in public service management and performance measurement. By extension, 'new entrepreneurs' opening progressive dialogue with their employees will make participation a must in the private as well as public sector. A new sense of citizenship will be developed among entrepreneurs as well as employees communities. The sense of the importance of the collective interest will increase alongside the dominant force of individual interest. Will all of this function at no cost? Naturally not. This is precisely where IFI-G7 can provide support: financing state initiatives such as those mentioned above (in line with achieved results), and encouraging participation and financing active civil society (in line with achieved results). Of course, investigations will be necessary to avoid financing a) governments who don't walk the walk with regard to structuring reforms and participation and b) associations driven by political parties or government/administration, as were already experienced before 2011.

BUSINESS AS A SOCIAL INSTITUTION

"In the case of Morocco, much will depend on how the local dimension will be included in the future strategies of competing political actors."

Abdellah Chenguiti is the president of the Moroccan National Association of Human Resources Managers and Trainers (AGEF) and Director of Human Resources at electrical wiring company Sews-Cabind.

A company is an economic entity, but it is also a social institution. Its primary aim is not to produce goods and services or create jobs, but to increase the value of the capital advanced by its shareholders. However, the key to its success is the trust of its employees, shareholders, customers, suppliers, and the community in which it operates. This is why it should have both economic and social aims, balancing the needs of its own development and the aspirations of individuals, both those who are working within it and those who form its environment. Projects that incorporate a combined social and economic approach consist of integrating social and environmental requirements into the company's acts of daily management and its relations with its employees and external stakeholders. The social and societal commitment also serves the economic interests of the company, since it allows it to be protected from possible abuses of governance by conceding some power of 'control' to different stakeholders.

Business leaders make daily decisions that affect the lives of hundreds of thousands of people, including those based around investment restructuring and relocation. Such decisions are so critical to the quality of social life that they cannot be taken outside of any input from concerned persons and groups. The first dimension of a company's commitment is ethical. It relates to the promotion of fair competition, respect of laws and rules of good citizenship, the fight against fraud, corruption and other unlawful acts.

The second dimension is for the company to operate in compliance with fundamental human rights, making sure to offer decent jobs, ensure the health and safety of its work environment, promote equity and equal opportunities, ensure the right and access to training, prevent discrimination, respect freedom of association, and protect maternity, children, and the disabled.

A third and final dimension is related to the need to democratise labour relations, which firstly requires that collective bargaining, at company, sector, and country level is established as an essential right of employees and favoured tool for regulating social relations and improving the conditions of labour and employment. This process requires a greater involvement of staff representatives in managing conditions of work and employment. This process implies that a true disciplinary law, governed by clear procedures and giving employees the right of defence, can supplant traditional disciplinary powers, where the employer takes the liberty, in many countries, to punish employees without having to listen to them first.

The role of civil society in the implementation of this process is crucial. As a real driving force for propositions and debate, with the support of the G7 governments, they should increase their participation in the formulation, implementation, and evaluation of recommendations in order to encourage the emergence of a real political will which aims:

- on the ethical front - to go beyond speeches, by raising awareness of economic actors and ensuring an effective sanctioning of breaches of ethics, the extent and scope of which have reached alarming proportions in many countries
- in terms of application of social legislation–the adaptation of legislation to the realities of business and strengthen checks and balances
- in terms of democratization of labour relations - to act so that the logic of dispute and conflict give way to a logic of dialogue and co-construction, to encourage the promotion of healthy social relationships, conducive to maintaining a good social climate within our organizations (which is a key performance factor for our businesses), and stimulating investment and job creation

To conclude, it is important to remember that such involvement of civil society in promoting social justice can only be effective and efficient if the governments of these countries recognize civil society as a full-fledged partner, accept their involvement, and provide favourable conditions for them to operate in.

INCITING JORDAN AND THE MENA REGION

"The bureaucratic complexities of presenting proposals, the lack of flexibility in adapting to the changing needs of our targets, and the difficulties of obtaining funds truly did take its toll."

Manar Filisteen Elabed Essaid is a Jordanian social entrepreneur currently studying at the University of Jordan in Amman. She is the co-founder of the NGO Incitement Arabia, a CSO incubator that organizes workshops in Jordan and Palestine.

The role and need for civil society has greatly increased in the MENA region. With the influx of mass populations into Jordan, new ideas and initiatives are constantly required in order to create a more stable environment for all those residing within our borders. Several civil society organisations (CSOs) have been established within Jordan in the form of humanitarian NGOs to assist specific population segments and address their needs. And while philanthropy exists as a part of our customs and culture, the need for flexible yet organized institutions to address ongoing needs on a continuous basis still exists.

In my undergrad years, I was privileged to participate in a vast number of projects led by my university, all of which aimed to allocate our youthful energies towards the assistance of others within our society. That said, as fulfilling as all of it was, the bureaucratic complexities of presenting proposals, the lack of flexibility in adapting to the changing needs of our targets and the difficulties of obtaining funds–be them from the university itself or outside sources–truly did take its toll. The time needed to get a project going could sometimes be two or three times as long as the actual duration of the project, and possibly even require more energy than the project itself!

I went back to study and continued with my social work, preferring to focus and use my energy on projects that, while small, were controlled entirely independently by those carrying them out. My peers and I carried out our own target studies, contemplated means of addressing issues we saw as vital and reasonable in terms of our resources, and took to the field, documenting the progress made in carrying out our goals by benchmarks set up around the target communities' satisfaction and benefit. We even collaborated with international NGOs and CSOs, and I co-founded a project called 'Incitement Arabia,' branching out into incitement projects in Jordan and Palestine. The goal of Incitement Arabia was to create a platform with which we could bring social actors, local heads of CSOs, and social activists from all fields together with youths and those interested in creating societal change, which we successfully managed for close to a year.

Currently, my peers and I are working on establishing 'The Humanitarian Center,' developing projects ranging from education to healthcare to advocacy on controversial issues, creating career opportunities for marginalized minorities in our society. As would be expected, we are keen to present our ideas to the G7 and prospective donor countries, who in turn we expect will not only assist us financially, but also supervise and evaluate our work in accordance with their high standards, which will greatly assist us in developing our endeavours and skills in the service of others.

We believe in the bottom-up approach when dealing with local issues, but we also greatly value any exposure we may have to outside approaches which we may adapt to suit the society we live in. The responsibility is on us, and in this time of turbulence and upheaval in our region, our energies, as manifested through our organized participation in CSOs, can make a very big difference in bringing stability and justice to the lives of those less privileged. I would be greatly honoured if I may be given this opportunity with my peers at the 'Humanitarian Center' to present ourselves and our potential to the G7 conference.

THE ROLE OF DONORS IN SUPPORTING THE ASPIRATIONS OF THE EGYPTIAN REVOLUTION

"Challenges facing civil society increased remarkably after the revolution of January 2011–particularly with the outbreak of the so-called foreign funding issues."

Dr. Walaa Gad Elkareem is general manager of the Egyptian NGO Partners for Transparency. Previously, he has worked as director of the Maat Foundation for Peace, Development, and Human Rights. Dr. Walaa Gad Elkareem holds a PhD in rural sociology and has done research on the social evaluation of development projects.

According to official statistics in Egypt, the state is the main recipient of grants and assistance through the Ministry of International Cooperation, which is responsible for coordinating the development cooperation between the Egyptian state and international development partners. The funding provided to civil society organisations (CSOs) is small in relation to the funding provided directly to the government. In spite of the severe lack of information regarding the proportion of where grants and aid is directed, there are indications that more than 95% of the funding goes to the government, while CSOs only benefit from the meagre percentage that is left.

The Egyptian state needs the support of donors and development partners in order to guarantee the economic and social rights and political development for its citizens, especially in light of the accumulated deficit in the state budget. But the problems related to the inadequacy of public policies, the spread of corruption, lack of transparency, and poor record of people's participation in decision-making processes lead to a reduction in the positive effects of support from donors and international development partners, as well as on public services and the economic and social situation.

Therefore, Egyptian civil society needs to play a key role in terms of improving public policies, the development of legislation and procedural systems, combating corruption, and increasing the participation of citizens in public affairs. But financing and institutional obstacles on the one hand and legal and political obstacles on the other hand prevent CSOs from playing this important and vital role.

Challenges facing civil society increased remarkably after the revolution of January 2011, particularly with the outbreak of the so-called foreign funding issues. If we also take into account the negative effects of terrorism, there are multiple constraints faced by civil society organizations that need to be addressed.

Nevertheless, good opportunities can be built upon to enhance the role of CSOs in the framework of the Deauville Partnership: for example, Egypt's new constitution is expected to amend a civil organizations law to comply with the constitution. And Egyptian CSOs are witnessing a significant increase in their numbers (regardless of the extent of their effectiveness): according to statistics, there are more than 47 thousand non-governmental organizations in Egypt.

Therefore, the appropriate approach that must be strengthened within the framework of the Deauville Partnership is to provide financial assistance to active civil society organizations, as well as providing institutional support and training,. In addition to that, there is a need for continuous communication with the Egyptian authorities to ensure the amendment of legislation and public policies to allow CSOs to practice a more significant and wider role in a democratic and free atmosphere.

Egyptian CSOs can play an important role not only in influencing policies, public awareness, overseeing the performance of the authorities, and the fight against corruption, but also in helping the government to directly implement economic and social development programs, particularly as the geographical and sectoral diversity of CSOs helps them to function in this role.

LIBYA'S NGOS NEED TRUST AND PROTECTION

"NGOs and CSOs have mushroomed since the revolution–but they feel that they have been neglected and that their work is not appreciated."

Ahmed Gebreel works for the Libya Research Centre for Strategic and Future Studies (LRCSFS), a civil society institution established in November 2011. The de facto division of the country has impeded the LRCSFS from operating properly. As Gebreel is based in the eastern part of Libya, he has not been able go visit the capital Tripoli and either works with his project partners remotely or meets them in neigbouring Tunisia.

NGOs and civil society are both new concepts in Libya. In the forty years preceding the toppling of Muammar Al-Gadhafi's regime in 2011, the country did not witness any activities or contribution from NGOs, let alone any legal framework or protection that would provide guidelines for their work in general. It is worth noting that NGOs in Egypt and Tunisia, Libya's neighbouring countries, are far more developed and experienced than NGOs in Libya. It is therefore unfair to demand the same work from all NGOs in the region, or even to expect that their needs are the same. Despite this, NGOs and civil society organizations (CSOs) have mushroomed since the revolution. Additionally, they also contributed a great deal to improve the daily life of the people during the revolution. However, they feel that they have been neglected and that their work is not appreciated. Since the revolution, the new authorities have failed to carry out their responsibilities towards the people as well as the state. Considering that the government and its agencies failed to provide the people with basic needs such as security, food and medical supplies, it is hardly surprising that they did not support or even pay any attention to enhancing and strengthening the work of NGOs in the country.

What's more, many international organizations and some governments have taken advantage of the fragile situation in the country and have been using these NGOs as a source of information and a tool for their agendas in Libya. This has created an atmosphere of mistrust and lack of confidence in these organisations–not only among official institutions but also the Libyan people as a whole.

In order to see productive, efficient, well-funded, and experienced civil society organizations in Libya, we need first of all to rebuild the mutual trust between the people and governmental institutions and between the people and NGOs. It is also crucial to help NGOs regain their enthusiasm and confidence. They are in vital need of a strong legal framework that not only provides protection for their work but also defines the relationship between these organizations and the authorities–and enables them to participate in the political decision-making process.

THE RIGHT TO BE POLITICAL

"In most Arab countries, CSOs are prohibited from having any political objectives which limits their purposes to pursuing charity work, or capacity building in the fields of education, awareness and health."

Saeed Karajah is a Jordanian lawyer, a member of the Free Thought Forum, and president of the Arab Alliance for Freedom and Democracy (AAFD), a regional network for liberal organizations established in 2010.

As we witness dramatic transitions in Arab countries, through reform, revolts, and even war in a time of great instability, it is prudent to look at the role of civil society organizations (CSOs) in all of their forms (e.g. professional unions, labour unions, charitable societies, religious organisations, free clubs, and cultural and technical associations) in leading the efforts necessary to maintain and grow civil societies that promote and protect individual rights and freedoms. After the Arab Spring and the subsequent changes in power, restrictions on CSOs have increased, and their role as an intermediary between the individual and the state has been diminished, creating a void.

An open civil society should have laws that protect the fundamental rights of individuals to express their views freely and organize their efforts in pursuit of common objectives. Such protections should translate into a legal framework that supports the existence of CSOs by facilitating the process of forming them as a legal entity and repeals all limitations on the objectives of CSOs so as to allow all activities–including political participation, since in most Arab countries they are prohibited from having any political objectives which limits their purposes to pursuing charity work or capacity building in the fields of education, awareness, and health. It is also necessary to enhance legal and regulatory provisions that establish good governance and transparency in CSOs in order to increase their credibility with the community and the government and strengthen their support. In addition to an independent judicial system which believes in the role of civil society, legal reform will create a welcoming environment with a legal framework that provides stability, security, and freedom from the arbitrary intrusions of governments. However, it has been proven that this is not enough to engage CSOs politically. It is therefore essential to emphasise the role of CSOs in the reform process, as they act as a catalyst for individuals to practice active citizenship and participate in public life.

Moreover, the crystallisation of the concept that the individual has a natural, inalienable, and constitutional right to participate in political decision-making through freedom of speech and assembly will establish CSOs as an effective tool to practice this right and a platform from which change can be initiated. The reform necessary to entrench this concept in society and empower individuals and their assemblies needs to be implemented in education, through curriculum reform, and by encouraging the engagement of youth in political life once restrictions preventing college and educational institutions from having political objectives are removed.

NGOS NEED TO HAVE A SAY

"There should be legal regulations that entail a consultation with concerned civil society actors from NGOs to trade unions in the political decision-making that takes place in the executive branch–namely the cabinet."

Nehad Abol Komsan is a lawyer and the chair of the Egyptian Center for Women's Rights, an organization founded in 1996. In 2013, Abol Komsan was appointed as a member of the World Bank Advisory Council on Gender and Development.

The inclusion of NGOs and labour representatives in political decision-making is imperative. This should be done through the drafting and enforcement of laws that ensure the engagement of NGOs and trade union representatives in a constructive and effective manner, enhancing civic participation.

For this to happen, there needs to be a process of consultation with the concerned parties, including representatives of NGOs, prior to the taking of any political decision or the adoption of a normative act, as this will lead to more effective acts and enhance the legitimacy of the decisions and governance as a whole.

First of all, there should be a legal framework that ensures a safe environment for civil society actors such as NGOs and unions to operate in–in other words to primarily safeguard the existence and establishment of civil society actors.

Second, there should be legal regulations that entail a consultation with concerned civil society actors from NGOs to trade unions in the political decision-making that takes place in the executive branch–namely the cabinet. It is important that an independent Department for Civil Relations is established which is concerned with the development and coordination of various policies concerning the sector as a whole, in addition to the preparation of the 'Government Strategy on Civil Society'–an overall political document on the development of the third sector and the relationships among institutions and NGOs.

Regarding legal decision-making, civil society actors should also be consulted by parliamentary committees to whose work they are thematically related.

Thus, thirdly, the establishment of a special parliamentary commission in support of civil society organisations (CSOs) can also support the inclusion of NGOs and trade unions in political decision-making and law-making. This is the case in Hungary, although the issue of civic participation there is a delicate matter. Initially, such a commission allocates the budget subsidies for nationally-represented NGOs. This commission is particularly concerned with the creation and sustainment of a legal framework necessary for the functioning of the civil sector.

A great example of civic participation is the United Kingdom, considered one of the best-developed systems of consultation that includes both citizens and civic organisation, where civic, non-profit, and nongovernmental organizations play a pivotal role. This is noted and regulated in the adopted Compact on Relations between Government and the Voluntary and Community Sector, in which an annual report is issued every year on its implementation in addition to an annual meeting between the government and representatives of the community sector. A special section in the Compact is dedicated to policy development and consultation, which prescribes in almost all cases that the community sector be consulted on policies or documents that affect it.

AN ECOSYSTEM FOR ENTREPRENEURSHIP

"As a social entrepreneur, my main aim is to solve local issues that impacts the lives of millions of people. Unlike other entrepreneurs, I am unable to delocalise my enterprise, meaning that I have to deal with local constraints."

Sarah Toumi founded DREAMin, an incubator for social and environmental student projects in Paris. In 2011, following the Tunisian revolution, she decided to go back to her homeland of Tunisia. In December 2013, her "Acacias for All" initiative was chosen by the French government as one of the 100 innovations that would shape the future of sustainable development in Africa. Sarah is an Ashoka Fellow and TedX Women speaker.

In the MENA region, youth unemployment stands at 30%, increasing to 40% among women. This situation is due to the rigidity of our economic models, along with the immobility of our governments, who do not foster a better ecosystem for entrepreneurship. As a social entrepreneur, my main aim is to solve local issues that impact the lives of millions of people. Unlike other entrepreneurs, I am unable to delocalize my enterprise, meaning that I have to deal with local constraints. However, these constraints are manifold, and like other entrepreneurs, I face big challenges:

Infrastructure - how can value be created in rural areas when the government cannot provide us with equal access to water, and when there is even a complete lack of water during the summer? How can we talk about about digital integration when we do not have access to high-speed internet connections and can instead only use 3G?

Human resources departments - it costs a lot of money and time to train human resources. However, human resources don't have the skills to offer a competitive level to enterprises.

Reluctance to innovate - unfortunately, there is a gap between the international entrepreneurial spirit and what our administrations can offer and support. There is a reluctance to innovate due to a misunderstanding around high value innovative projects that don't fit with traditional business plans. Also, administrations need to allow for new and easy ways of creating businesses to empower more entrepreneurs.

Lack of resources - there is no seed funding to support the development of startups, and a fear of financing new projects due to the lack of will to take risks with entrepreneurs.

If we want to build a strong partnership to foster youth employment in the MENA region, we, the countries of the G7 and those in the MENA region have to work together to solve these major issues. G7 countries can support Arab countries through funding for the reform of education systems. This is necessary to ensure that market needs and education programmes match. Funding to support enterprises who employ youth so they can train them to get competitive skills is equally important. Further fields of support include seed funding and investments for entrepreneurs, as well as training programs for administrations of Arab countries on innovation that focus on how to foster innovation and welcome innovators in their respective countries.