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**THERE'S NO PLACE LIKE HOME: PERSPECTIVES ON NON-TRADITIONAL VENTURE CREATION IN MENA**

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**ABSTRACT**

The Middle East and North Africa (MENA) region is a region of great global importance, albeit rife with economic, social, and political instability. Despite this, trends have shown that the number of entrepreneurs and consequently the amount of venture capital investment has increased. However, what is lacking in the region is nontraditional venture creation beyond an injection of capital. This is the type of creation required to assist the most vulnerable populations, particularly women in the region, and elevate them to a status of financial independence and empowerment. This paper examines the scenario pertaining to investment in the MENA region and argues that there is a dire need for further research, case studies, and collaboration to explore the avenues for nontraditional venture creation and to support home based businesses which are suitable in the particular social context of the region. The paper examines some successful examples and projects to demonstrate the positive development outcomes of such venture creation and the poses policy recommendations for public private partnerships and streamlined focus on this area.

**Keywords:** MENA, global, Policy, Home, GDP

**Introduction**

The Middle East and North Africa (MENA) region includes approximately 19 countries, spanning the area from Morocco in northwest Africa to Iran in southwest Asia and down to Sudan in Africa and accounts for around 6 percent of the world's population (Chen, 2020). The MENA region is very important to the global economy, due to its substantial reserves of petroleum and natural gas. The region contains 60% of the world's oil reserves and 45% of the world's natural gas reserves (Chen, 2020). The region grew in global importance post the toppling of several dictatorships in the 2011 Arab Spring, post which the supply of oil has been volatile from some countries. In addition, the region is rife with military conflict, most notable

being the Syrian civil war, which has put the USA and Russia in direct conflict and has led to the displacement of around 15 million refugees, the largest displacement since World War II (Chen, 2020).

Due to this conflict and the cuts in oil production, the World Bank has lowered the growth forecasts to 0.6% in 2019 (World Bank, n.d). This has led to the dire need for economic revival in the region through venture creation in the region, to empower the most vulnerable populations such as women. Despite economic and political instability post the Arab Spring, there has been a significant rise in the number of institutions that support MENA's entrepreneurs (Wyne, 2014). There are currently over 200 institutions actively supporting entrepreneurs in the region, at least a seven-fold increase since 2000, with projections estimating that this ecosystem will only continue to grow (Wyne, 2014). The MENA region has seen a stark increase in venture creation, with microfinancing schemes and new accelerators such as Jordan's Oasis 500 and Egypt's Flat6Labs (Wyne, 2014).

However, the lack of a good educational system as well as social and systemic barriers which prevent women from participating in the labour force, are pervasive problems in the region. Further, problems have been observed in the venture creation framework, with no large investments, a lack of follow-on funding, and a lack of debt funding (Wyne, 2014). Given this situation, it is critical to examine the role of nontraditional venture creation in the MENA region, for example through microfinancing and home based businesses. Further, these nontraditional ventures can include developing partnerships with businesses to nurture local efforts (Hamid, 2020). This paper will examine the potential for nontraditional venture creation with a focus on home based businesses in the MENA region, and analyse the economic impact of encouraging home businesses. The paper will then pose policy recommendations for future venture creation in the MENA region.

## **Background**

Existing literature on the MENA region shows that a host of factors, be it cultural and financial, prevent women in the region from being entrepreneurs or creating their own ventures. Statistics show that only 14 percent of small businesses in the region are run by women, which is the second lowest rate of any region in the world (IFC, n.d). The OECD's report titled 'Women's Economic Empowerment: The Impact of the Legal Frameworks of Algeria, Egypt, Jordan, Libya, Morocco and Tunisia' shows that there is a complex interplay of factors in encouraging women in the MENA region to become entrepreneurs (OECD, 2016). However, to date, there do not exist many empirical studies on the impact of home businesses in the MENA region. Studies have indicated that the patriarchal social norms still present in the MENA region have limited

their ability to participate in the labour force (Kalafatoglu, 2017). In addition, there is a strong indication that networking appears as the key factor for these women entrepreneurs to overcome the barriers that they face, such as access to capital, financial information, resources, and new business opportunities (Kalafatoglu, 2017). Therefore, creating social networks of home businesses in the MENA region can provide unlimited potential for positive development outcomes and a boost to the declining and conflict ridden economy.

Scholarship has stressed the importance of women's economic empowerment in developing countries and lack of attention historically provided to it. It is clear from the available data that when women are provided opportunities to be educated and financially independent increases economic diversification, boosts GDP and productivity, reductions in fertility rates, reductions in inequality, and a reduction in poverty over subsequent generations (Abdi, 2019). Additionally, when women earn money for themselves, they are statistically likely to spend the income on items which support their children and household, creating a multiplier effect for positive development outcomes in the future (Abdi, 2019). Creating gender equality can create almost \$160 trillion in additional wealth for developing economies, which can allow them to achieve parity on several development indicators (Abdi, 2019).

Historically in South Asia, it has been recognised that formalising and lending institutional support to home based businesses has achieved positive effects and lifted several women and families out of poverty (Reyes, 2019). Businesses such as home based daycares, arts and crafts and snack businesses have helped women entrepreneurs in the region have helped women seize business opportunities, create jobs, and boost their countries' economies (Reyes, 2019). By promoting women's self-reliance and entrepreneurship, South Asia has seen an annual growth rate of 6 percent over the last 20 years (Reyes, 2019). The ILO Delhi Charter 2007 that urged for National Policies on home-based workers in South Asia, has led to positive efforts in the areas of strengthening membership-based organizations of home based workers through networking at grass-roots and facilitating learning opportunities for women home-based workers (ILO, 2010).

Therefore, there are valuable lessons to be learned for the MENA region in terms of adopting progressive policy measures to improve womens' economic empowerment at the grassroots, by way of non-traditional venture creation and encouraging home based businesses. The following section of this paper will discuss the issue in the context of the MENA region in further detail.

## **Discussion**

Data shows that traditional VC activity in the MENA region is thriving. Incumbent VCs have ramped up activity, while new VCs have emerged from both within and outside the region. The

large youth population of MENA has led to an especially large growth in the digital entrepreneurship landscape (McKinsey, 2018). The number of deals doubled, from 131 in 2014 to 258 in 2017, and average ticket size also increased, at a compound annual growth rate (CAGR) of 54 percent from 2014 to 2017 (McKinsey, 2018). However, an area for future research must be a detailed and comprehensive evaluation of the data with respect to nontraditional venture creation in the region, which is lacking. Women's entrepreneurship is growing, but still there is a scarcity of scholarly literature on the women entrepreneurs and their entrepreneurial activity, as well as home based businesses and other such small ventures (Kalafatoglu, 2017). Research is also required with respect to an analysis of sectors in which such ventures would have particularly heightened social impact.

However, the potential economic impact of encouraging home businesses has been recognised in the region. In 2017, the Kuwait government issued up to 400 licenses for small businesses for home based owners and passed regulations in order for the government to pay them national labor support allowances (Saleh, 2017). While not explicitly tailored to women, this has been a step in a positive direction for the region. There have also been encouraging developments from the private sector in the region. The MENA Catalyst Foundation has implemented initiatives to strengthen the resilience of local MSMEs, which includes startups at multiple stages, as well as up-and-coming home-based businesses run by vulnerable socio-economic groups (MENA Catalyst, 2020). Their latest intervention focused on helping women start home based businesses in the Palestinian city of Hebron, which led to successful outcomes, an example being a home based business by a woman named Enaam Abu Sharaar, called Stevia Sweets, a small business specialized in dietary friendly confectionery and baked goods which has a growing following on Instagram and Facebook (MENA Catalyst, 2020). In 2021, GoDaddy partnered with the organisation Startups Without Borders to provide training to small business and home based business owners around developing an online presence, and educate them on the ways to optimize their online and social media presence (Startup Science, 2021).

Women specific incubators tailored to social context in each country in the MENA region have also led to positive outcomes. Some examples are as follows. The Baladini womens' entrepreneurship kitchen was established in 2014, working with low-income women to produce and sell locally-sourced food products within their homes (Giz, 2016). Eventually expanding into a commercial space, it allowed for women to upgrade their skills and network to develop small food businesses outside their homes. Other such projects include the development of gender sensitive value chains in the textile by NatureTex in Egypt, encouraging home based businesses through partnerships with fig cooperatives in Morocco, and training for women entrepreneurs by EntreElles in Morocco (Giz, 2016). Women who were surveyed after the implementation of each of these projects experienced an increase in in income and savings which were then used for

household improvements and childrens' education, changes in decision making dynamics within the household, increased agency and voice in the household and in society, investing in appliances to reduce household labour and workload and freedom of mobility outside the home (Giz, 2016). What was found however was that these factors also varied greatly between each household and culture, which underscores the need for more research into cultural variations and working to improve overall societal norms as part of nontraditional interventions rather than a purely investment and capital based approach (Giz, 2016).

### **Conclusion**

It is apparent that the objective for future policy measures must be to promote non-traditional venture creation and encourage the establishment of home businesses that can help encourage women and the youth in the MENA regions. It is further apparent that several more detailed case studies and research is required on entrepreneurship among women in the MENA region, and the particular measures that can be implemented to encourage home based businesses. There is great potential for public private partnerships in this regard, as demonstrated by the incubators above. Nontraditional venture creation must focus on collaboration with governments in the region to provide training in both management and networking skills, encourage local businesses and associations to provide their venues for networking opportunities, and also provide support to women business organizations (Kalafatoglu, 2017).

It will be key for nontraditional venture creation to be entrenched in the social context of the region, and not just infuse capital to incubators and startups. It will be crucial to identify where women experience tradeoffs, define and contextualise empowerment dependent on the particular circumstances of the women in question, and establish household decision making dynamics to find the most appropriate interventions to encourage home based businesses (Giz, 2016). A key measure to draw inspiration from is the Enhancing Microfinance amongst Women and Youth in Middle East and North Africa (MENA) Project implemented by the World Bank. The project aimed to build the infrastructure necessary to advance microfinance access to the region as a whole through developing a network of financial literacy trainers, developing financial literacy tool kits, and producing demand-side knowledge that can significantly improve the ability of financial service providers to serve women and youth (World Bank, n.d). The improvement of the financial component can be a path for investors and VC funds to collaborate with institutions like the World Bank to address the financial constraints especially faced by women and youth. It is crucial for the public and private sector interests to coincide to create policies conducive to supporting small-scale home-based businesses to improve their survival and sustainability power (MENA Catalyst, 2020). The important step is leveraging the power of the digital world to create more viable and visible enterprises, harnessing the power of digital platforms. Given that the

covid-19 pandemic has further adversely affected the instability faced in the MENA Region, it is crucial for nontraditional venture creation to rebuild the region and create incentives and policies that support equitable development on a cross-sectoral level (MENA Catalyst, 2020).

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