
Back to Economics: How Socially Innovative Business Models Can Be a Pathway to Jobs and Stability in the Middle East

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The Eve of the Arab Uprisings

In 2010, the Arab region was regarded as having very little potential for serious political transformation. The outside world perceived “stable” authoritarian regimes with iron-fist control over citizens who would surely never demand drastic change. Amal Ghadour described the regional landscape best: “These are the lifeless landscapes you are sure to behold if you were standing and peering down. Crouch and you begin to brush against the faint gusts of wind delicately working their way through them.”¹

Engagement comes in many forms besides political, and in 2010, countries like Egypt, Tunisia, Jordan, and Syria were seeing significant increases in the number of NGOs, private sector engagement in social development, philanthropy, and youth volunteerism. None of these was viewed as a threat to the existing regimes at the time, but they represented a new coalescence of power amid increasing human rights abuses, youth exclusion, unemployment rates, and social inequity. The ingredients for change were there and finally ignited by the self-immolation of street vendor Mohamed Bouazizi on 17 December 2010 in Tunisia, which launched the cycle of mass uprisings and

the falling of dictators in Tunisia, Egypt, and Libya in 2011.

Reality Check: Youth Economic Empowerment Is Core, Not Periphery, and the Private Sector Has a Role to Play

This new era for the Arab region is not only defined by democratic transitions and political unrest but also by an unprecedented demographic transition that has resulted in the largest youth (aged 15–29) population of its modern history. Unemployment rates in the Middle East and North Africa average above 25 percent, and according to 2009 estimates,² the region's economies need to create 51 million jobs by 2020 to accommodate the total currently unemployed plus those entering the work force. While an inclusive and democratic system of government is what citizens are pushing for, we must remember that these youth—what Navtej Dhillon and Tarik Yousef call the “generation in waiting”³—should not be put aside or be dealt with after the pressing issues of political stability and national security are resolved. In other words, youth economic empowerment is a core element of Middle East stability.

The generation that hit the streets demanding an end to harsh dictatorships is also a generation demanding jobs and better livelihoods. Bouazizi's dramatic act was largely motivated by his economic exclusion by the state. Political reform that is not accompanied by a renewed focus on youth economic empowerment and a redistribution of economic power will not broker the stability and positive transformation that the region desperately needs moving ahead.

Moreover, a sustainable economy that empowers the “generation in waiting” cannot be the sole responsibility of policy makers and donors. The Arab private sector represents a vital opportunity of a paradoxical sort. On one hand, it is despised by many for always being intertwined with the state apparatus

and corrupt practice. On the other hand, private sector development is one of the most important aspects of reform and empowerment. Both within the Arab region and beyond, the private sector has a significant role to play, and they must be brought to the table with policy makers and civil society in the transition process.

The Need for Market Expansion

For decades, Arab economies have been dependent on oil revenues, aid, and remittances. While the importance of generating alternative revenue streams and expanding markets in the region has been well argued, not enough has been done to support this expansion. In *The Economics of the Arab Spring*, Malik and Awadallah state, “A singular failure of the Arab world is that it has been unsuccessful in developing a vibrant private sector that survives without state crutches, is connected with global markets, and generates productive employment for its young.”⁴

Intra-Arab trade remains as low as 10 percent due to strict protectionist principles that result primarily in the preservation of defective quality. As Aramex founder Fadi Ghandour often says, “it is time to upgrade.” Another key to economic stability is enterprise development. Less than 8 percent of loans in the region goes to small- and medium-sized businesses, although that is where the bulk of jobs are created. The entrepreneurial spirit among youth in the region must be nourished and supported through access to capital, mentorship, capacity building, and supportive legal and regulatory frameworks.

The Region's Youth Are an Optimistic and Entrepreneurial Resource

According to serial entrepreneur Christopher Schroeder, another revolution

has been taking place: the Start-Up Revolution⁵ or what I refer to as the birth of the Middle East's new "start-up" culture. While pre-2011 youth channeled their energy into supporting or launching NGOs, today's youth look increasingly toward the private sector. According to Silatech, just before the uprisings, 26 percent of youth in the Arab world were planning to open their own business within the next 12 months versus 4 percent in the United States. Moreover, the latest 2013 Arab Youth Survey conducted by Asda'a Burson-Marsteller's revealed that the majority of Arab youth remain optimistic about the region and believe their best days are ahead of them.⁶ According to Ahmed Alfi, the CEO of Sawari Ventures, who has invested over 5 million USD in developing Egypt's start-up scene through Flat6Labs, that optimism has only served to accelerate the willingness among youth to take the risk of starting their own businesses despite political instabilities.

Are Socially Innovative Business Models an Answer?

It is clear that the Middle East has very little time to waste in its attempt to achieve both stability and growth. Job creation is not the only pressing issue facing Arab countries. Challenges starting from the quality of education to the pressing issues related to environmental degradation, as often discussed by Thomas Friedman, are of paramount importance to building a sustainable and stable Middle East. Neither traditional capitalism nor traditional development paradigms is an answer anymore. The Arab region needs to see a proliferation of scalable and innovative business models that are inclusive of the millions at the base of the pyramid, both as consumers and producers, and that solve imminent societal challenges.

In the face of political systems and traditional development models that have failed to produce desired results, Arab youth as mentioned before are turning to the private sector and are starting businesses to solve the very

challenges that governments and donor aid have failed to resolve, including the creation of needed jobs.

Who Are Social Entrepreneurs?

Since the first definition of the term “entrepreneur” by Jean-Baptiste Say in 1803,⁷ numerous other definitions have emerged, but by and large, they involve the two core elements of value creation (at least the potential) and risk taking. Defining social entrepreneurship is a muddier affair. While a wide definition might be argued to be helpful as a start, deeper study warrants a somewhat narrower definition.⁸ Ashoka defines social entrepreneurs as “individuals with innovative solutions to society’s most pressing social problems.”⁹ The Skoll Foundation defines them as “society’s change agents, creators of innovations that disrupt the status quo and change our world for the better.”¹⁰ The Schwab Foundation defines a social entrepreneur as “a leader or pragmatic visionary who achieves large scale, systemic and sustainable social change through a new invention, a different approach, a more rigorous application of known technologies or strategies, or a combination of these”¹¹

The Existing Ecosystem

Several initiatives already exist in the Arab region to support social entrepreneurship in general. Examples of these include, but are not limited to, Egypt-based Nahdet El Mahroussa, GESR, and Ahead of the Curve; UAE-based CCC; and Tunisia-based TCSE, among others. These initiatives offer an array of support mechanisms including linking new businesses with angel investors and offering them incubation, elongated technical support, and capacity development.

The current initiatives are divided into four main categories:

* Competitions at the conclusion of which winners receive a financial prize

and some technical assistance

- * Incubators that offer social enterprises with a legal umbrella and seed funding as well as technical assistance
- * Initiatives purely focused on technical assistance
- * Impact investment opportunities

The Arab social entrepreneurship sector, however, is held back by several shortcomings and gaps in the existing ecosystem. Gaps within the current ecosystem include:

- * **Size:** A low overall count of initiatives supporting social entrepreneurship in the region, relative to the size of the region's population and challenges.
- * **Focus:** A focus on social-value creation, while ignoring economic value creation, which limits the ability to foster scalable sustainable solutions.
- * **Accessibility and Inclusion:** information about the overwhelming majority of existing initiatives can only be accessed online and in English. This limits the accessibility of such opportunities to those who are university educated and, more often than not, elite segments of the population. Marginalized (even if educated) segments are therefore often excluded from participating and utilizing such opportunities. Consequently, the primary stakeholders (marginalized communities) are excluded from the design of solutions to their challenges. Such exclusion means that local knowledge and wisdom of challenges is disregarded, limiting the innovativeness, relevance, and ownership of designed solutions to their primary stakeholders. The current ecosystem also implies that existing initiatives focus on existing social entrepreneurs or at least those who have already been exposed to what social entrepreneurship is about and ignore a huge segment with tremendous potential that is simply not exposed or given an opportunity to create social enterprises.

Social Entrepreneurship Post Arab Spring

While there is no formal count of the number of social enterprises in the region, regardless of the definition used, qualitative research efforts point to an increase in the number of entrepreneurs. More and more support opportunities are emerging across the region; these range from short training programs to, in limited cases, financial investment opportunities.

Young people attempting to offer market-based solutions to pressing challenges do not necessarily identify as social entrepreneurs. According to a Wamda report¹² on the topic, some simply identify as a business, since capitalism should be about solving real problems and addressing consumers' needs. Similar to youth who are civically engaged, many are driven by the desire to address a deeply personal issue or an issue that they are personally impacted by or are passionate about. The report also points to the fact that the majority of these entrepreneurs come from affluent backgrounds. They are highly educated and often from urban centers.

Upon reflecting on the current ecosystem, one cannot deny that more entrepreneurs are emerging, more familiarity with the concept is evolving, and more interest is being garnered from “foundations” and “development” agencies.

This does not deny the fact that not enough interest has been garnered from the “traditional” entrepreneurship ecosystem. Investors still shy away from social enterprises, as their returns may be lower or slower.

The question becomes: are social entrepreneurs really (s)lower? Or is the kind of ecosystem that we are building around these entrepreneurs the reason behind this lack of interest from traditional investors? Would not the current social enterprise scene look different if we were intentionally designing and investing in the creation of an ecosystem that fosters collaboration, innovation that is based on needs, and business models that are solid and financially viable? We would argue, yes.

Those concerned with this exciting sphere of doing business that is more about value creation and impact should take a step back and reflect on the long-term intentions of the work that they are doing. It is important that ecosystem players carefully think about their blind spots (whether they lie in how we design, announce, or implement our contributions to this sector) and how they can collectively work toward a better reality for ourselves and for future generations.

The Arab region has incredible potential to be a global leader when it comes to impact-driven innovation and entrepreneurship. In a way, this can be credited to the awakening that happened during the Arab Spring—the belief that every individual has agency and can make a difference. It would be unfortunate if the right ecosystem required to harness this potential, was not cultivated.

Endnotes

- 1 Amal Ghandour, “Changing Conversations,” *Thinking Fits* (blog), 2 December 2010, www.thinkingfits.com. (Note: site no longer available.)
- 2 Mahmoud Abdel-Fadil et al. *Arab Human Development Report: Challenges to Human Security in the Arab Countries* (Beirut: UNDP Regional Bureau for Arab States, 2009) [PDF file].
- 3 Navtej Dhillon and Tarik Yousef, *Generation in Waiting: The Unfulfilled Promise of Young People in the Middle East* (Washington, DC: Brookings Institution Press, 2009).
- 4 Adeel Malik and Bassem Awadallah, “The Economics of the Arab Spring,” *World Development* 45 (2013), 296–313.
- 5 Christopher M. Schroeder, *Startup Rising: The Entrepreneurial Revolution Remaking the Middle East* (New York: Palgrave Macmillan, 2013).
- 6 ASDAA Burson-Marsteller, *After the Spring: A White Paper on the Findings of the ASDAA Burson-Marsteller Arab Youth Survey 2012* (Dubai: ASDAA Burson-Marsteller, 2012) [PDF file].
- 7 Jean-Baptiste Say defined an *entrepreneur* as a person who “shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.”
- 8 On the argument for a definition of Social Entrepreneurship, please see: Roger L. Martin and Sally Osberg, “Social Entrepreneurship: The Case for Definition,” *Stanford Social Innovation Review* (blog), spring 2017, https://ssir.org/articles/entry/social_entrepreneurship_the_case_for_definition#.

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- 9 "Social Entrepreneurship," Ashoka, n.d., <https://www.ashoka.org/en-us/focus/social-entrepreneurship>.
 - 10 "Home," Skoll, n.d., <http://skoll.org>.
 - 11 Maud H. Schmiedeknecht, "Social Innovation and Entrepreneurship Supporting the Sustainable Development Goals (SDGs)—Fostering Social Value Creation," *The Future of the UN Sustainably Development Goals: Business Perspectives for Global Development in 2030*, eds. Samuel O. Idowu, René Schmidpeter, and Liangrong Zu (Cham, Switzerland: Springer Nature Switzerland, 2020), p. 219.
 - 12 S. Halabi, S. Kheir, and P. Cochrane, *Social Enterprise Development in the Middle East and North Africa: A Qualitative Analysis of Lebanon, Jordan, Egypt and Palestine* (Cairo and Beirut: Wamda, 2017) [PDF file].