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Sustainable enterprise development and employment creation in the Arab region: A review of issues

Thematic Paper

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Thematic Paper

Arab Employment Forum
Beirut, Lebanon 19–21 October 2009

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Thematic Background Paper for the Arab Employment Forum

This paper was prepared by a team composed of Rania Bikhazi, Enterprise Development Specialist of the ILO Regional Office for the Arab States; Graeme Buckley, Job Creation and Enterprise Development Department; Abdel Karim Kebiri, ILO consultant; for the Arab Employment Forum: *A Jobs Pact for Recovery and Growth*, held in Beirut from 19 to 21 October 2009. The paper has benefited from comments by many colleagues, including Simel Esim, Walid Hamdan, Azfar Khan, Mary Kavar, Khoulood Al Khalidi as well as from participants at a preparatory round-table meeting which took place on 28 July 2009 in Beirut.

This paper is one of the six thematic papers that were prepared to inform participants and frame the discussions of the thematic sessions of the Arab Employment Forum. The titles of these thematic papers are:

1. Growth, employment and decent work in the Arab region: Key policy issues;
2. International labour migration and employment in the Arab region: Origins, consequences and the way forward;
3. Tackling the global jobs crisis through social dialogue: Issues, challenges and perspectives in the Arab region;
4. Supporting recovery policies through international labour standards and respect for workers' rights: Issues and challenges for the Arab region;
5. Building adequate social protection systems and protecting people in the Arab region; and
6. Sustainable enterprise development and employment creation in the Arab region: A review of issues.

The choice of the themes reflects the priority areas and employment challenges facing the Arab region, particularly as a result of the global financial and economic crisis. These thematic papers provide the background material for the realization of commitments made at the global and regional levels on decent work and on the implementation of the Global Jobs Pact. Moreover these papers are complementary to ILO approaches and they build on an ongoing process to support the realization of decent work at global level.

At the Fourteenth Asian Regional Meeting held in Busan, Korea, in August/September 2006 the tripartite delegates launched an Asian Decent Work Decade and committed to the achievement of specific decent work outcomes. The Meeting recommended cooperation on specific initiatives at the regional level, where joint action and sharing of knowledge and expertise will contribute to the realization of decent work. Recommendations also included strengthening employment services, developing reliable regional statistics to complement decision-making, providing support services for small enterprises, establishing benchmarks and good practices on the extension of social protection and strengthening labour inspection, dispute prevention and settlement.¹

At the 11th African Regional Meeting, which took place in Addis Ababa in April 2007, tripartite delegations from Arab countries in Africa committed themselves to a series of targets for the development of integrated Decent Work Country Programmes to accelerate progress towards the achievement of agreed international development goals including the Millennium Development Goals. The conclusions of the Meeting emphasized specific goals, including closure of the skills gap, social inclusion through job creation, tripartism as a key governance mechanism for inclusive poverty-reducing growth, a fair regional policy on migrant workers, freedom of association, the elimination of child

¹ For further information, visit <http://www.ilo.org/public/english/region/asro/bangkok/>

labour, slavery and discrimination, the extension of a basic social protection package for poverty reduction, and escape from the informal economy trap. The constituents also committed themselves to the African Decent Work Decade for the period 2007-2015, following up on the conclusions of the Ouagadougou Summit of 2004 and its Declaration, Plan of Action and Follow-up Mechanism on Employment and Poverty Alleviation in Africa.²

The conclusions of the 35th Arab Labour Organization Conference in April 2009 called for greater regional co-operation in the areas of employment, human resources and social dialogue. The Conference conclusions placed emphasis on developing regional initiatives, including a unified Arab Labour Law, and creating regional mechanisms to tackle shared challenges, such as the establishment of an Arab Tripartite Forum and an Arab Labour Market Information system. The ALO has highlighted the need for greater regional cooperation and coordination with the ILO to address the financial and economic crisis. The ALO, in cooperation with the ILO, organized the Arab Forum on Development and Employment in November 2008 that resulted in the Doha Declaration, which identifies a shared set of regional priorities. The subsequent Arab Economic, Social and Development Summit (Kuwait, January 2009) ushered in the Arab Decade on Employment (2010-2020) that established clear goals for the region, such as decreasing unemployment, halving the percentage of working poor, enhancing production, promoting worker training, supporting small and medium enterprises and continuing the ratification process in the region towards full compliance with international and Arab labour standards.

² For further information, visit <http://www.ilo.org/public/english/region/afpro/addisababa/index.htm>

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Executive summary

The financial and economic crisis has added to the pre-existing economic, social and political challenges in the Arab region. Thus, there is an urgent challenge to develop policies and strategies to generate decent and productive jobs through the promotion of sustainable micro-, small- and medium-sized enterprises in the Arab region.

Recognizing the role of the private sector for growth, employment creation and poverty reduction, countries in the Arab region are encouraged to engage in a process of sound economic reform, particularly tackling the promotion of an enabling business environment and the adequacy of the education system, which the labour market needs.

This paper outlines the critical importance of sustainable enterprises in achieving social development goals, economic diversification, income generation and poverty reduction in the region. It also highlights a number of challenges facing the crucial development of the private sector in the Arab countries. Some of the challenges are structural, others are the result of the ongoing financial and economic crisis.

A conducive business environment with an efficient legal and regulatory framework is primordial for private sector promotion and job creation. The prevalence of the informal economy in the Arab region is, in large part, due to a complex and unfriendly business environment, characterized by cumbersome laws, regulations and administrative procedures that lack transparency. There is also a need to enhance the competitiveness and productivity of enterprises in the region through custom-made policies that take into account countries' levels of development, available resources and institutional capacity, and that respect fundamental principles and rights at work and international labour standards.

Furthermore, efforts should be exerted to strengthen cooperation and regional integration among countries, especially in the trade sector, in order to foster economic diversification and broader-based employment opportunities. Finally, there is an urgent need to tackle the mismatch between the market needs and the educational, vocational and technical training systems.

This paper also highlights the importance of fostering an entrepreneurial culture, especially among young people, including young women. Women and youth entrepreneurship can be a path out of poverty through job creation, economic growth and social cohesion. However, women and youth encounter specific constraints and barriers that hinder them from starting and managing their enterprises. Such constraints – many of which are particularly pronounced in the region – can include the lack of cultural support, poor education and training, a paucity of business support services, an absence of gender equality regulations and limited access to finance and local promotion programmes.

The economic diversity of the countries in the region confirms the need to develop situation-specific policy responses. However, there are common denominators that this paper recommends: development of a conducive business environment, encouraging regional cooperation and integration among countries, raising productivity and competitiveness of enterprises, and investing in human resources development.

It is essential that countries in the Arab region continue and/or start engaging on this path to reform.

Introduction

1. Over recent years, the Arab region has experienced strong growth, led by the energy sector, and this has given rise to employment creation. However, the high growth sectors with high value added are not necessarily the ones creating the majority of new jobs and in many countries, employment and productivity growth remains relatively low. Thus, growth has to be broadened and deepened to enhance the long-term competitiveness of the region. Deeper regional integration, lowering business costs and addressing problems that require cooperative cross-border solutions are key to enhanced competitiveness.
2. Furthermore, the region has the world's fastest growing labour force and, as increasing numbers of young people and women enter the labour market, the job creation challenge remains enormous. The private sector plays a fundamental and ever greater role in addressing this challenge. This paper outlines how the private sector can be leveraged to address this employment challenge through a strategy of promoting sustainable enterprises. Small- and medium-sized enterprises (SMEs) in the region are considered the engine for economic growth, employment creation and poverty alleviation.
3. As a result of world recession, unemployment rates in developed countries are expected to rise in 2009-10 and the crisis is likely to affect labour markets in the region over the next three to five years. The International Labour Organization estimates that the unemployment rate in 2009 could increase above that of 2007 by a range of 18 million to 30 million workers and reach more than 50 million if the situation continues to deteriorate. Up to 200 million workers, mostly in developing economies, could be pushed to extreme poverty.¹
4. The Arab region in turn experienced a heavy decline of its financial markets, and only GCC economies were relatively able to resist due to their liquidity surplus from oil sales. However, for the GCC member States and the rest of the region, GDP growth is expected to contract and unemployment to increase.

Table1: Middle East markets indices (February 2008-February 2009 change in per cent)

Abu Dhabi Securities Market	-60.9
Amman Stock Exchange	-45.9
Bahrain Stock Exchange	-48.7
Beirut Stock Exchange	-22.6
Doha Securities Market	-41.0
Dubai Financial Market	-63.3
Kuwait Stock Market	-67.8
Muscat Securities Market	-71.4
Palestine Securities Exchange	-13.7
Saudi Stock Market	-67.1
Composite*	-60.3

* The composite index also includes three North African market indices: the Casablanca Stock Exchange, Egypt Capital Market and the Tunis Stock Exchange. Source: Arab Monetary Fund (AMF), 1 March 2009. This depiction represents the lowest level of market indices during the ongoing financial crisis.

5. Arab labour markets are expected to witness several changes as a result of the recession. Youth unemployment, which constitutes a major challenge for these young societies, will undoubtedly be affected. Returning migrants who lost their jobs inside or outside the region will increase the number of unemployed in their home countries. Moreover, related remittances that used to flow will also decrease.
6. Threats from high inflation rates are also to be considered since they hinder investment and increase production costs; both of these factors negatively affect the performance of SMEs.²
7. High inflation rates, which vary greatly among Arab States, have been a cause for concern in the region for some time. Not least driven by the dramatic drop in oil prices, regional inflation rates are projected to decline in 2009 and 2010 to reach around 14 per cent and 11 per cent, respectively. However, despite this projected decline, consumer price inflation rates in the region are still expected to remain the highest compared to other regions, and more than 2.5 times the world average.³ The average consumer price inflation rates in the region in 2008 ranged from around 4 per cent in Bahrain to around 17 per cent in Yemen.⁴
8. The primary drivers of such high inflation rates in the region are the high prices of food commodities and fuel, demand pressures combined with supply shortages and US dollar depreciation (which

1 ILO: *Global Employment Trends, 2009* (Geneva, January 2009).

2 Throughout the paper, the term SMEs is used interchangeably with enterprise development.

3 IMF: *World Economic Outlook Update* (Washington, DC, January 2009).

4 IMF: *World Economic Outlook Database* (October 2008).

impacts a considerable number of countries with currencies that are pegged to the US dollar). It has been argued that increases in the prices of food commodities account for a large part of the increase in regional inflation, as food products constitute a large share of consumption baskets.⁵

9. Although price increases in commodities would benefit some producers and investors, wages are not increasing fast enough to match the rising costs of food, fuel and rent. This systemic deficiency is expected to have a continuing negative impact on poor areas and therefore remains a major contributor to increasing social and economic disparities in the region. Standards of living, gender inequalities, livelihoods of growing numbers of vulnerable workers, (weak) social security policies and mechanisms are likely to deteriorate. Consequently, additional pressure will be put on countries in the region to implement innovative policies of economic diversification.
10. As a result of all of the above, we have a vicious circle: job losses lead to lower consumption, which in turn lowers industrial confidence, this leads to less investment, which undoubtedly results in more job losses, and so on. It is not clear whether the fiscal stimulus will be enough to break this vicious circle.
11. Recognizing the key role of the private sector for growth, employment and poverty reduction, the 2007 International Labour Conference focused on the *promotion of sustainable enterprises*. In its conclusions, the Conference agreed on six enterprise-level principles for responsible and sustainable enterprise-level practices and 17 conditions for a conducive environment for sustainable enterprises, ranging from peace and political stability through to responsible stewardship of the environment (see Annex I).
12. In the current context, there is an urgent challenge to develop strategies to generate decent and productive jobs through the promotion of sustainable enterprises. Job creation in enterprises remains fundamental to economic diversification and to raising incomes and reducing poverty in the region. This paper outlines issues and challenges in promoting an environment conducive to the formation and growth of sustainable enterprises in order to help foster more productive and competitive econo-

mies. It also highlights the importance of fostering an entrepreneurial culture, especially among young women and men.

13. It is important to note that structural challenges facing enterprise development in the Arab region did not change as a result of the financial crisis. These challenges were prevailing in the region before the crisis and are now back to the forefront in need of decision-makers' attention and action.

1. Challenges facing the development of enterprises in the Arab region

1.1. Economic and institutional environment

14. As mentioned earlier, the financial and economic crisis added to pre-existing economic, social and political challenges in the region. However, and in order to best capture the intricacies of enterprise development in the region, it is necessary to highlight the prevailing structural challenges and the negative impact the crisis has had on the SME environment. Some of the main structural challenges that threaten sustainable enterprise development are:

- Most of the Arab countries have a prevalent deficit in their balance of trade, continuously aggravated by a weak production structure and moderately competitive goods.
- Relatively low revenues and extended poverty do not allow for consistent bank savings, and GNP per capita growth did not exceed a yearly 1 per cent during the last decade, which reveals one of the lowest productivity growth rates in the world.
- Global real GDP figures for the region have decreased to 2.5 per cent in 2009, down from 5.9 per cent in 2008 and 6.3 per cent in 2007. The steep decline in the price of oil is hitting the region hard. As external financing conditions have deteriorated and capital inflows reversed, many equity and property markets have suffered substantial losses. Despite supportive government policies, economic growth is projected to slow and inflation pressures to subside considerably in 2009. At the same time, the external and fiscal balances are set to worsen sharply, as oil-exporting countries utilize the buffers accumulated

⁵ IMF: *Regional Economic Outlook: Middle East and Central Asia* (Washington, DC, October 2008).

during the boom years to cushion the impact of the crisis. In the region as a whole, economic growth is projected to decline from 6 per cent in 2008 to 2.5 per cent in 2009. The slowdown in growth is expected to be broadly similar in oil-producing and non-oil-producing countries.⁶

- Investments' yearly growth remains very low and does not favour important sectors' development. Agriculture suffers from urban growth and irrigation deficits, and the industry elasticity rate is rather weak.
- Food stocks are low and energy costs are high. Mechanisms of supply/demand are constantly under stress due to speculation, mismanagement and, in some cases, possibly corruption.
- Financial systems do not always match market needs, and the banking system can benefit from a reform process. Lack of funds and the absence of adapted credit schemes and mechanisms – funding systems in the region are not adapted to SMEs needs with high interest rates, low capitalization, short grace periods – constitute a major impediment to the development of a healthy and strong SME sector.
- The informal economy is growing rapidly and dominates the national economies in some cases. In Egypt, 85 per cent of small enterprises, which represent more than 98 per cent of the enterprises of the country, are in the informal economy.⁷ The informal economy represents the great proportion of the employed in the region and a significant portion of the private sector employment. It is composed of micro- and small businesses as well as casual and precarious wage employment, with low and insecure incomes, experiencing serious deficits in conditions of work and in access to social protection. The prevalence of small and informal enterprises in the region is, in large part, due to a complex and unfriendly business environment, characterized by cumbersome laws, regulations and administrative procedures that lack transparency. Data available for four countries in North Africa (Algeria, Morocco, Tunisia and Egypt) show the extent of the phenomenon ranging from 40 to 80 per cent of non-agriculture employment.⁸
- External competition is increasing and putting

pressure on SMEs in the region who are finding it extremely difficult to export due to the weak competitiveness of their products and services, and the high production costs. Furthermore, start-up enterprises in most Arab countries are continuously challenged by the uncontrolled imports of goods, especially from Asian countries.

- Legal and administrative procedures to start up small businesses are costly and time consuming. This constitutes one of the main burdens faced by start-up entrepreneurs in the region.
 - New technologies are either lacking in the production process, or introduced without sufficient care and knowledge by small entrepreneurs. In addition, there is a lack of modern production processes, and marketing and sales techniques.
 - Labour market information is in turn deficient in some countries, making it very difficult for the private sector in general, and specifically SMEs, to access needed information such as availability of skilled workers, educational levels, gender and others.
 - The availability and suitability of business development services (BDS) remains questionable. It is a challenge for SMEs to find affordable and needs-based services that are provided by experts. Much effort has been exerted in the BDS sector but challenges remain in terms of the commercial provision of these services versus subsidy and/or free of charge, sustainability, suitability of these services to various target groups and women's involvement, among others.
15. In the pre-crisis context, the Arab region was already facing important employment challenges and SMEs were expected to contribute to resolving these challenges:⁹
- By absorbing the major part of the annual 3.3 per cent increase in the workforce. In other words, 74 million jobs need to be created within the next 15 years, which represents a 75 per cent increase and the equivalent to the total workforce growth between 1950 and 2000.
 - By resolving the current unemployment situation which requires the creation of 90 million jobs, i.e. doubling the present number of workers in the Arab region.
 - By reducing public-sector employment which remains very high with a rate of 30 per cent of total employment, compared to 18 per cent worldwide.

6 IMF: *World Economic Outlook: Crisis and Recovery* (April 2009), pp. 91-92, available at: <http://www.imf.org/external/pubs/ft/weo/2009/01/index.htm>

7 A. El Mahdi: "Towards Decent Work in the Informal Sector: The Case of Egypt, (ILO, Geneva, 2002).

8 Arab League, Department of Populations and Migrations: *Issue paper on Arab Youth Education Skills and Employment*, Forum on Arab Populations and Development, Doha, May 2009.

9 M.K. Nabli: The World Bank, Lecture at the Arab World Institute, "Perspectives et défis du développement à long terme dans le monde Arabe" (Paris, 12 February 2004).

1.2. Limitations of the educational system and its impact on the SMEs' workforce

16. An important problem in the region relates to the quality of skills existing among entrants to the labour market (including entrepreneurial skills). This is mainly due to the mismatch between the market needs and the existing educational system, as well as the weak performance of the vocational and technical training systems. This represents a major challenge for enterprises as it becomes extremely hard to find qualified and skilled workers; thus negatively affecting their productivity and competitiveness.
17. Despite governments' efforts in this area, the education systems in the region fall short when responding in quantity and quality to SMEs' needs with well-trained policy-planners, adequately trained entrepreneurs and skilled labour. There is a severe mismatch between the traditional education systems and the needs of national economies for a skilled and operational labour force. This leads to a growing rate of educated unemployed young men and women. Unemployment rates among university graduates reach up to 56 per cent in Jordan, 50 per cent in Yemen, and 27 per cent in Morocco.¹⁰ In general, there is a surplus of university graduates while there is a shortage of relevant market-oriented technical skills.
18. Vocational education and training in turn is confronted with the same challenges and is not always able to deliver the expected number and quality of skilled labour, despite heavy budgets that some governments allocate to this sector. The prevailing lack of coordination between stakeholders prevents the establishment of clear national policies in this sector which, if present, would help in assessing the needs, designing adapted and innovative training programmes (in collaboration with end-users), and ensuring effective follow up, monitoring and evaluation of results. Consequently, the involvement of the private sector in the development of skills policies, the co-management of vocational training centers and on-the-job training programmes is crucial.

1.3. SMEs and the labour market

19. Globalization set the liberal economy as a panacea, and the private sector as the major economic engine. As a result, for most developing countries

where the private sector is mainly constituted of SMEs, one of the major challenges faced is the creation of job opportunities.

20. Labour markets in the Arab region face several challenges, among which – and perhaps the most important – is the annual population growth rate which is among the highest in the world (1.9 per cent in the period 2005-15).¹¹ In addition, 20 per cent of the total population of the Arab region is in the age bracket 15-25, and one third is under the age of 15. At the same time, the labour force is growing by 3.3 per cent yearly, which is the highest rate in the world.¹² New entrants to the labour market represent 90 per cent of unemployed people in Egypt, two thirds in Yemen and the United Arab Emirates, and more than half in Jordan and Morocco.¹³ At this rate, national economies should grow by 6-8 per cent yearly to stabilize the unemployment, and keep it at its present rates.¹⁴
21. Youth unemployment rates are the highest in the world. In 2007, the rate was 24 per cent while the ratio of youth-to-adult unemployment, which is also the highest in the world, was almost 3.1.¹⁵ Socio-economic factors do not always constitute a healthy environment for youth in the region. The Arab Human Development Report (2002) found that in 2001 more than 450,000 Arab university graduates were settled in European countries and the United States and that 50 per cent of young Arabs who were surveyed wanted to emigrate to mainly industrialized nations.¹⁶
22. These demographics could represent a great competitive advantage, but they could also prove to be a huge burden and source of instability if more employment opportunities are not found. Consequently, one of the main ILO areas of work in the region is the promotion of entrepreneurship education among Arab youth. The introduction of the Know About Business (KAB) programme in vocational

11 UNDP: *Human Development Report, 2007/2008* (2007), table 5:243-246.

12 M.K. Nabli: The World Bank, Lecture at the Arab World Institute, "Perspectives et défis du développement à long terme dans le monde Arabe" (Paris, 12 February 2004).

13 Arab League, Department of Populations and Migrations: *Issue Paper on Arab Youth Education Skills and Employment*, Forum on Arab Populations and Development, Doha, May 2009.

14 M.K. Nabli: The World Bank, Lecture at the Arab World Institute, "Perspectives et défis du développement à long terme dans le monde Arabe" (Paris, 12 February 2004).

15 ILO: *Trends Econometric Models*, 2008.

16 ILO: *Promoting Employment Opportunities for Young Men and Women in the Arab Region*, Issue paper, Arab Employment Forum, Doha, November 2008 (Beirut).

10 ILO: *Promoting Employment Opportunities for Young Men and Women in the Arab Region*, Issue paper, Arab Employment Forum, Doha, November 2008 (Beirut).

and technical education has been a success in countries such as the Syrian Arab Republic, Oman, Yemen and Iraq where it has become part of the national curricula. The objective of this programme is to:

- Create awareness of enterprises and self-employment as a career option for young people.
- Provide knowledge and practice of the desirable attributes for starting and operating a successful enterprise.
- Facilitate the school-to-work transition of youth as a result of a better understanding of functions and operations of enterprises.
- Develop positive attitudes towards enterprises and self-employment among the population, by targeting youth.

23. The ILO/KAB intervention in the Syrian Arab Republic was made in collaboration with SHABAB, in Yemen with SMEPs, in Oman with the Ministry of Manpower and in Iraq with the Ministry of Labour.

1.4. Weak cooperation and regional integration among Arab countries

24. Geographic proximity, as well as economic and cultural similarities, provide countries in the region with a favourable context for enhanced regional economic integration. The region must pursue closer cooperation in order to foster economic diversification, broader-based employment opportunities and ultimately develop global industry leaders.

25. Greater regional integration will help export- and import-oriented firms learn how to enter and operate on foreign markets in “safer” conditions before they enter global competition. It will provide a training ground for policy-makers and senior officials who can gain experience in negotiating highly technical aspects of the trade policy environment and will also provide an opportunity to go further with respect to the harmonization of selected rules and regulations across partner countries than what would be possible at the multilateral stage. It will also allow firms to benefit from the resulting economies of scale for intra-regional as well as extra-regional trade, and help reinforce positive elements in domestic reform programmes by anchoring policy in regional trade agreements.

26. Expanding trade holds the promise of substantial dividends in job creation, because export opportunities would add millions of jobs. For example, if the region can achieve faster non oil-export growth

of about 15 per cent a year over the next five years, it would probably be sufficient to generate some 4 million jobs or 4 per cent of the labour force, directly and indirectly, in the export sectors alone.¹⁷ It is also important to recognize that just as important as the creation of new jobs is the sustainability of those jobs. In this regard, the employment effects of expanding trade are conditional on there being a more favourable business or investment climate in the region in order to generate sustainable enterprises and decent and productive jobs.

1.5. Competitiveness and productivity

27. Competitiveness and productivity form the foundation of growth and take on national and enterprise-level dimensions. Policies to enhance productivity and competitiveness need to recognise diversity, be customized in line with countries’ levels of development, available resources and institutional capacity. Clearly there is no magic formula, but trends can be discerned and can indicate the relative importance of different factors, according to levels of development. Greater focus within countries on emerging sectors and linking skills development to investment is critical in order to increase both the quantity and quality of employment.

- The challenge in low-income countries (such as Yemen, Mauritania or Djibouti) is often to move beyond competing on cheap labour or natural resource endowments. This is probably best achieved by focusing on a broad range of basic conditions, including basic education, employability, technical skills and health, and addressing infrastructure weaknesses, rather than placing the priority on upgrading regulatory standards for businesses.
- For middle-income countries (such as Egypt, the Libyan Arab Jamahiriya and Morocco), significant competitiveness factors will most likely involve improving the marketing and management capacities of enterprises and the relevance of post-secondary education and vocational skills, expanding the export base, improving the quality of telecommunications infrastructure and expanding internet usage.
- For high-income countries (such as Qatar, the United Arab Emirates and Bahrain), increasing innovative capacities and attracting nationals to entrepreneurship will be crucial. National com-

17 M.K. Nabli: *Breaking the Barriers to Higher Economic Growth: Better Governance and Deeper Reforms in the Middle East and North Africa* (World Bank, 2007), p. 339.

petitiveness is significantly influenced by factors such as the quality of corporate governance, the extent of bureaucratic red tape, the quality and flexibility of skilled labour supported by recognition and portability of skills across occupations and industries, improved financial markets which reduce barriers to foreign investment, and the depth of cluster development.

28. Obviously, this is a stylized representation of complex and diverse processes. However, it illustrates that the level of development is likely to influence which factors represent the most significant constraints and thus the need to develop situation-specific policy responses rather than relying solely on copying policies from other countries. Furthermore, it must be recognized that these categories are not mutually exclusive and that constraints will vary and often overlap between sectors and localities.¹⁸

29. According to the *Global Competitiveness Report 2009-2010*, the Middle East and North Africa region appears to be, on average, somewhat less affected by the global economic crisis than other emerging regions. With the exception of Kuwait and Saudi Arabia, all countries in the region expect positive growth rates for 2009. With respect to national competitiveness, significant differences between countries persist. In many energy-exporting countries, abundant oil windfall profits have triggered a wave of reforms aimed at improving competitiveness. As a result, some of the more successful reformers, such as Qatar (22nd), the United Arab Emirates (23rd) and Saudi Arabia (28th), place in the top tier of the emerging markets. Although non-oil exporting countries from the region also benefited from the boom through foreign investment and remittances, the progress in improving competitiveness has been less pronounced or non-existent. Consequently, the poorest regional performers – such as the Libyan Arab Jamahiriya (88th) and the Syrian Arab Republic (94th) – continue to lag behind most of the world's economies with respect to national competitiveness (see Annex II).

1.6. A conducive environment for the development of sustainable enterprises

30. A favourable business climate and efficient legal environment are necessary conditions for promoting private sector development and for the creation of

jobs needed for the rapidly growing labour force in the Arab region. Generally, strategies for improving the business environment in the region have evolved from approaches based on industrial policies toward specific sectors and broader reforms strategies aimed at improving the institutions and procedures that cut across all areas of enterprise activity.

31. The reforms undertaken remain limited to a number of countries in the region and need to be generalized. For instance, the ILO conducted a number of business environment assessments for small enterprises in Lebanon, Saudi Arabia and the Syrian Arab Republic. The main challenges outlined in Lebanon focused on difficult entry and exit procedures, cumbersome fiscal and customs clearance matters as well as a lengthy and complex process of contract enforcement and dispute resolution. Problems related to an inefficient social security system in addition to an inadequate and expensive supply of training programmes, gaps in the provision of business information and networking, as well as difficulties related to accessing finance, were also stated in the study.

32. As far as Saudi Arabia is concerned, contract enforcement, dispute and contract resolution mechanisms were reported among others to be cumbersome, expensive and time-consuming. In the Syrian Arab Republic, a range of issues related to business incorporation, excessive paperwork and government controls, difficulty in accessing finance and monopoly of big businesses were highlighted.¹⁹

33. Sustainable business environments are important for ensuring dynamic and inclusive societies. An enabling environment for sustainable enterprises is likely to be characterized by appropriate regulations, minimal red tape and bureaucratic procedures, good infrastructure, the rule of law, effective safeguards of property rights, the absence of corruption and so forth. This encourages investment and promotes higher levels of growth by creating incentives for the formation and growth of enterprises of all types – both small and large – and cooperatives (see Annex IV, SME policies: The case of Tunisia).

19 ILO unpublished report 2006: "Creating an Enabling Environment for Small and Medium Enterprise Development in the Kingdom of Saudi Arabia", by Nabeel Goheer.

ILO Study 2009: "Reforming the Business Environment for Small Enterprises in Syria: Challenges and Recommendations", By Nabeel Goheer and Samir Seifan.

ILO draft report 2006: "Improving the Business Environment for Micro and Small Enterprise Development in Lebanon", by Fadi Assrawi and Nabeel Goheer

18 See Islamic Development Bank: IDB Productivity Report: Productivity Growth in IDB Member Countries (May 2007) for detailed country-level productivity assessments.

34. Policy reforms in the business environment are often a prerequisite for successful interventions using other types of enterprise-level support such as credit or business services. In comparison to direct enterprise-level support, policy reforms can be a cost-effective means to achieve significant impact by reaching large numbers of enterprises. Investment decisions – including investment within the region by resource-rich countries – depend greatly on the business environment of the particular countries.
35. There is no one size fits all approach to supporting an enabling environment for business. For example, the policy environment for small enterprises is a sub-set of the broader policy or enabling environment for the private sector as a whole. Generally, a good policy environment for broad-based private sector development is also good for small enterprises, but there are certain aspects of the business environment that are of particular relevance to small enterprises.
36. The annual *Doing Business*20 survey undertaken by the IFC/World Bank measures regulations affecting ten stages of a business's life cycle: starting a business, dealing with licences, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. The indicators are used to analyse economic outcomes and identify what reforms have worked, where and why. In the 2010 report, it is stated that governments in the Middle East and North Africa are reforming at a rate similar to those in Eastern Europe and Central Asia (17 of 19 economies reformed in 2008-09). Egypt, Jordan and the United Arab Emirates were among the most active reformers. In recent years, economies in the region have increasingly picked up reform practices from one another. Eight of the region's economies have reduced or eliminated

their minimum capital requirement since 2005. Five of these eight used to have among the highest requirements in the world – up to US\$120,000 in Saudi Arabia until 2007. Egypt, Jordan, Morocco, Saudi Arabia, Tunisia, the United Arab Emirates and Yemen all operate one stop shops for starting a business. In 2008-09 reforms also intensified in other areas, simplifying processes for getting construction permits, for trading across borders and for enforcing contracts through the courts (see Annex III).

The Middle East and North Africa saw nine reforms making business start-up easier

Egypt and the United Arab Emirates eliminated the minimum capital requirement. The Syrian Arab Republic reduced the amount from more than 40 times income per capita to about ten times – still the highest in the world. It also put registration forms on line. But higher publication and incorporation fees almost doubled the total cost. Jordan replaced multiple counters at the one stop shop with a single one for document filings. Lebanon abolished the requirement to have company books stamped at the commercial registry but reversed earlier reforms combining tax and company registration. Oman simplified name verification and fee payment at the company registry. Saudi Arabia combined all registration procedures for local limited liability companies. Yemen removed the requirement to obtain a bank account certificate for company registration. Authorities in the oPt made it more difficult to start a business by increasing the minimum capital requirement five-fold.

Source: World Bank, *Doing Business* 2010.

20 The *Doing Business* methodology has limitations. Other areas important to business – such as a country's proximity to large markets, the quality of its infrastructure services (other than those related to trading across borders), the security of property from theft and looting, the transparency of government procurement, macroeconomic conditions or the underlying strength of institutions – are not studied directly by *Doing Business*. To make the data comparable across countries, the indicators refer to a specific type of business – generally a limited liability company operating in the largest business city, which is not representative of the majority of businesses in most countries, especially low-income countries. Most fundamentally, the “employing workers” indicator – one of the ten indicators used to calculate the overall index – is seriously flawed, can serve to reward countries for failing to strengthen or protect workers' rights and does not properly recognize the benefits of labour market regulation. For further details on the employing workers indicator see ILO: Governing Body paper, GB.300/4/1 (November 2007 Session) on *The United Nations and reform: Developments in the multilateral system: World Bank Doing Business report: The employing workers indicator*, available at http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_085125.pdf

2. Entrepreneurship: Leveraging the potential of women and young people

37. Entrepreneurship plays a crucial role in driving economic development and job creation. Countries in the region display different proclivities towards what can be called entrepreneurial culture. For example, in the GCC, employment in the public sector remains the main career aim for men and women in the labour market and among new graduates, and it can be a challenge to foster interest in self-employment and entrepreneurship. However, a number of governments have risen to the challenge of promoting entrepreneurship. The Syrian

Arab Republic, Oman, Iraq, Yemen, Egypt and the Palestinian Authority have recently acknowledged the importance of promoting self-employment among youth and have engaged in the introduction and implementation of entrepreneurship education in their vocational and technical education systems.

38. Women and youth entrepreneurship can be a path out of poverty through job creation, economic growth and social cohesion. However, women and youth encounter specific constraints and barriers that hinder them from starting and managing their enterprises. Such constraints – many of which are particularly pronounced in the region – can include the lack of cultural support, poor education and training, a paucity of business support services, an absence of gender equality regulations and limited access to finance and local promotion programmes.

Oman: SANAD Programme (Self-Employment and National Autonomous Development)

The Programme was launched in 2001, with the objectives to promote entrepreneurship and provide job opportunities to the Omani labour force, especially youth; to expand the private sector; foster the Omanization plan (to provide employment for Omani nationals); and promote sustainable development.

SANAD aims to spread a culture of initiative and self-employment among Omani nationals through the provision of financial support, entrepreneurial training and follow-up to the projects. Loans are given through the Oman Development Bank, up to a maximum of OR5,000, with an interest rate of 2 per cent, used to pay for the bank's service. Repayment starts after one year of operation and should be made over six years. One of the major criteria for the approval of financing a project is a 100 per cent Omanization rate. Skills training is delivered by the public vocational training centres (VTCs) and/or private training institutes. Mentoring and consultancy services are also provided to beneficiaries of the programme. All such services are provided free of charge to Omanis aged 18-40 years old and unemployed. In the first five years of the programme's operation (2002-07), more than 17,000 job opportunities were created, 8,000 entrepreneurs were assisted to start their own businesses with a repayment rate of loans ranging between 70 and 80 per cent, and more than 3,000 men and women were trained in a technical skill.

participation rates in the workforce of women in the age range 15-29 has increased from 23 per cent to 32 per cent. Across all ages, women's participation in the labour force rose from about 22 per cent in 1960 to almost 25 per cent in 1980, 27 per cent in the 1990s, and 32 per cent in 2000. Furthermore, female participation is forecasted to reach 43 per cent in 2020 (UNDP, *Arab Human Development Report 2005*). In many countries, female participation in higher education is high; in some countries in the region 63 per cent of university students are women. However, it is clear that much of this investment in human capital is not translated into productive employment: job opportunities for women graduates are limited; the relevance for the world of work and the quality of many study programmes can be questioned; and many graduates (both male and female) may lack core skills for employability.

40. Women's firm ownership and representation in full-time workers and senior positions remain low. Recent enterprise surveys show that the Arab States with data available have some of the lowest shares in the world of firms with women's participation in ownership, at 17.9 per cent (see table below). No Arab State has a share higher than the world average of 29.2 per cent. The only Arab State featuring a share of full-time women workers higher than the world average of 27.4 per cent is Morocco, at 40 per cent, with the Syrian Arab Republic having the lowest at 3.2 per cent, and the regional average standing at 16.2 per cent. As for the share of women in senior positions, the regional average of 5.9 per cent is less than two thirds of the world average of 9.1 per cent, with the highest share in Morocco at 8.3 per cent and the lowest in the Syrian Arab Republic at 0.4 per cent.

39. Youth, especially women in the MENA region, have a huge potential role to play in economic development and job creation. Since the 1970s, the

Table 2: Women's firm ownership and representation in full-time workers and senior positions

Country	% of firms with participation of women in ownership	% of full time women workers	% of women in senior positions
Algeria (2007)	15.03	21.47	5.74
Egypt (2007)	20.89	14.74	1.28
Jordan (2006)	13.13	15.96	4.92
Lebanon (2006)	27.88	24.36	..
Mauritania (2006)	17.26	5.08	14
Morocco (2007)	13.12	39.99	8.31
Oman (2003)	..	4.5	6.81
Syrian Arab Republic (2003)	..	3.24	0.42
West Bank and Gaza (2006)	18
World	29.23	27.43	9.13
Arab States	17.90	16.17	5.93

Source: World Bank, 2008. Enterprise surveys. Available online: <http://www.enterprisesurveys.org/>.

Note: Data for 2006 & 2007 cover manufacturing only.

The text and the table above are from M. Omeira: , *Schooling and women's employability in the Arab States Region: A Regional Overview* (Unpublished Report, UNESCO/Beirut, 2008).

41. In the Arab region, considerably more women are undertaking entrepreneurial activities in recent years, yet, they face a range of business challenges in addition to gender-based constraints (lack of access to productive resources and mobility restrictions). As increasing numbers of women are becoming visible as entrepreneurs, the public expectations and perceptions are also changing. More needs to be done to unleash women's entrepreneurship as a source of economic potential in the region.
42. The empowerment of women through the increase of their bargaining power, their capacity for decision-making and their representation, are all crucial parts of the broader policy environment for sustainable enterprise development. Legal empowerment of women does not only call for change in the legal framework, but also in the social structures of society.
43. An entrepreneurial culture provides a solid foundation for the promotion of sustainable enterprises, but it is not enough. Among the many other important factors, access to financial services is vital. A well-functioning financial system provides the lubricant for a growing and dynamic private sector.

44. Throughout the region, potential entrepreneurs are often thwarted by a lack of access to appropriate financial services. This is especially acute for young people and women who are likely to be confronted by particular legal, social and cultural obstacles to getting credit. Making it easier for SMEs, including cooperatives and start-ups, to access financing – credit, leasing, venture capital funds, etc. – creates appropriate conditions for a more inclusive process of enterprise development (see Annex V). The development of new instruments based on the principles of Islamic financing holds much promise.

3. Impact of the crisis on SMEs

45. The Middle East and North Africa region appears to be, on average, somewhat less affected by the global economic crisis than other emerging regions.
46. For SMEs, the prevailing structural challenges and weaknesses highlighted in this paper represent a greater burden than what the crisis added.
47. The highly publicized job losses in large enterprises potentially distracted attention from the significant impact that the financial and economic crisis is having, and will increasingly have, on employment in SMEs.
48. The impact on SMEs and their workers arises from two major results of the crisis, namely:
 - increased difficulties in accessing credit and financial services;
 - reduced demand for goods and services provided by SMEs linked both to falls in aggregate demand and to decreased activity of global supply chains.
49. The distribution of these negative impacts is uneven, and varies significantly between and within countries. Regions and territories that are reliant on a few key industry sectors that are deeply embedded in global supply chains (e.g. automotive, natural resources, etc.) are likely to be severely impacted.
50. As a result of these impacts, there is already an observed increase in SME closures and bankruptcy, with a corresponding increase in employment insecurity, downward pressure on wages and job

losses. This trend is likely to increase as the crisis deepens, and as long as structural weaknesses are not adequately addressed.

51. While the impact of the crisis is clearly negative, it opens the way for new business opportunities that SMEs can take advantage of: (a) as larger enterprises restructure their operations; and (b) broader economic stimulus packages provide new or expanded opportunities (e.g. infrastructure stimulus packages). In addition to these new business opportunities, experience shows that there is often an increase in the number of micro- and small enterprises activities (particularly in the informal economy) as a result of people becoming unemployed.
52. The ILO has developed a Five Point Crisis Response to help existing MSMEs weather the crisis and to support unemployed workers, including migrants, in creating self-employment:²¹
 - a. Rapid assessment of the enterprise environment which will pinpoint problem areas.
 - b. Advice for policy-makers on enterprise access to finance.
 - c. Advice for policy-makers on public procurement programmes.
 - d. Advice and training on business development services.
 - e. Advice and training on strengthening small business associations which can be a valuable support mechanism for businesses during the downturn. They allow members to share ideas and knowledge, provide information on new policies and programmes and advocate on behalf of their members vis-à-vis governments.

structural reforms to diversify the private sector. Especially important are improvements to the investment climate/business environment, opening economies to greater trade and improving governance. Clear guidance on the conditions for **a conducive environment for sustainable enterprises** has been provided by the ILC Conclusions on the promotion of sustainable enterprises. The ILO has proven expertise in supporting business environment reform through promotional and training packages, policy advocacy and capacity-building support for constituents and policy-makers (see Annex V).

- Instilling **responsible enterprise-level practices to raise productivity and competitiveness** based on decent work. The ILC Conclusions, referred to above, provide guidance on what constitutes decent work at the enterprise level and a range of tools exist to promote good policies and practices at the workplace based on social dialogue, full respect of fundamental principles and rights at work, international labour standards and on fostering good labour-management relations.
- Promoting more inclusive, **broader and deeper growth through greater regional cooperation and integration**. ILO constituents can play a role in fostering region-wide (and sub-regional) alliances, knowledge sharing, service delivery, representation, policy dialogue and advocacy platforms.
- Generating **job opportunities, especially for women and youth** who are entering the labour market at an increasing rate. **Promoting entrepreneurship is key**. In some countries, an entrepreneurial culture needs to be fostered and the ILO has tools to support this. Targeted enterprise development packages – particularly for women – can be used to support the creation and growth of small enterprises and the ILO has training packages for this (see Annex V).

4. Concluding remarks

53. Given the great diversity throughout the region, there are no blueprint solutions to the fundamental challenge of employment creation through sustainable enterprise development. However, some common trends exist and can be the focus of country-level plans of action:
 - Increasing and sustaining job growth requires

²¹ ILO: *Micro, Small and Medium-sized Enterprises and the Global Economic Crisis: Impacts and Policy Responses* (Geneva, 2009).

5. Issues for debate

1. What are the best strategies for promoting entrepreneurship among women and youth?
2. Which are the binding constraints in the business environment in the region, especially from the perspective of small enterprises?
3. How can the tripartite constituents better engage in policy and practice in terms of responsible enterprise-level principles for sustainable enterprise development?
4. What are some of the measures governments should take to support and sustain SME development in the region in light of the financial crisis?

Annexes

ANNEX I: The conclusions at a glance Committee on Sustainable Enterprises, International Labour Conference, 2007

Conditions for a conducive environment for sustainable enterprises

1. Peace and political stability
2. Good governance
3. Social dialogue
4. Respect for universal human rights
5. Entrepreneurial culture
6. Sound and stable macroeconomic policy
7. Trade and sustainable economic integration
8. Enabling legal and regulatory environment
9. Rule of law and secure property rights
10. Fair competition
11. Access to financial services
12. Physical infrastructure
13. Information and communications technology
14. Education, training and lifelong learning
15. Social justice and social inclusion
16. Adequate social protection
17. Responsible stewardship of the environment

Role of government in the promotion of sus- tainable enterprises

1. Facilitating and participating in social dialogue
2. Labour law enforcement through efficient labour administration, including labour inspection
3. Encouragement of voluntary concept of corporate social responsibility
4. Promotion of socially and environmentally respon-
sible public procurement, lending and investment
5. Promoting sectors and value chains

6. Flexibility and protection to manage change
7. Targeted programmes
8. Research and innovation
9. Access to information and business and financial services
10. Policy coordination and coherence
11. International policies
12. Production and consumption patterns
13. Supporting skills development

Enterprise-level principles for sustainable enterprises

1. Social dialogue and good industrial relations
2. Human resource development
3. Conditions of work
4. Productivity, wages and shared benefits
5. Corporate social responsibility
6. Corporate governance

Role of the social partners in the promotion of sustainable enterprises

1. Advocacy
2. Representation
3. Services
4. Implementation of policies and standards

ANNEX II: The Global Competitiveness Index 2009-10 rankings and 2008-09 comparisons²²

	GCI 2009 - 2010		GCI 2008- 2009
Country/Economy	Rank	Score	Rank*
Switzerland	1	5.60	2
United States	2	5.59	1
Singapore	3	5.55	5
Sweden	4	5.51	4
Denmark	5	5.46	3
Finland	6	5.43	6
Germany	7	5.37	7
Japan	8	5.37	9
Canada	9	5.33	10
Netherlands	10	5.32	8
Hong Kong SAR	11	5.22	11
Taiwan, China	12	5.20	17
United Kingdom	13	5.19	12
Norway	14	5.17	15
Australia	15	5.15	18
France	16	5.13	16
Austria	17	5.13	14
Belgium	18	5.09	19
Korea, Rep	19	5.00	13
New Zealand	20	4.98	24
Luxembourg	21	4.96	25
Qatar	22	4.95	26
United Arab Emirates	23	4.92	31
Malaysia	24	4.87	21
Ireland	25	4.84	22
Iceland	26	4.80	20
Israel	27	4.80	23
Saudi Arabia	28	4.75	27
China	29	4.74	30
Chile	30	4.70	28
Czech Republic	31	4.67	33
Brunei Darussalam	32	4.64	39
Spain	33	4.59	29
Cyprus	34	4.57	40
Estonia	35	4.56	32
Thailand	36	4.56	34
Slovenia	37	4.55	42
Bahrain	38	4.54	37
Kuwait	39	4.53	35
Tunisia	40	4.50	36
Oman	41	4.49	38
Puerto Rico	42	4.48	41
Portugal	43	4.40	43
Barbados	44	4.35	47
South Africa	45	4.34	45
Poland	46	4.33	53
Slovak Republic	47	4.31	46
Italy	48	4.31	49

India	49	4.30	50
Jordan	50	4.30	48
Azerbaijan	51	4.30	69
Malta	52	4.30	52
Lithuania	53	4.30	44
Indonesia	54	4.26	55
Costa Rica	55	4.25	59
Brazil	56	4.23	64
Mauritius	57	4.22	57
Hungary	58	4.22	62
Panama	59	4.21	58
Mexico	60	4.19	60
Turkey	61	4.16	63
Montenegro	62	4.16	65
Russian Federation	63	4.15	51
Romania	64	4.11	68
Uruguay	65	4.10	75
Botswana	66	4.08	56
Kazakhstan	67	4.08	66
Latvia	68	4.06	54

²² World Economic Forum: *The Global Competitiveness Report 2009-2010* (Geneva, 2009)

ANNEX II: The Global Competitiveness Index 2009-10 rankings and 2008-09 comparisons (Cont'd)

	GCI 2009-2010		GCI 2008-2009
Country/Economy	Rank	Score	Rank*
Colombia	69	4.05	74
Egypt	70	4.04	81
Greece	71	4.04	67
Croatia	72	4.03	61
Morocco	73	4.03	73
Namibia	74	4.03	80
Vietnam	75	4.03	70
Bulgaria	76	4.02	76
El Salvador	77	4.02	79
Peru	78	4.01	83
Sri Lanka	79	4.01	77
Guatemala	80	3.96	84
Gambia, The	81	3.96	87
Ukraine	82	3.95	72
Algeria	83	3.95	99
Macedonia, FYR	84	3.95	89
Argentina	85	3.91	88
Trinidad and Tobago	86	3.91	92
Philippines	87	3.90	71
Libya	88	3.90	91
Honduras	89	3.86	82
Georgia	90	3.81	90
Jamaica	91	3.81	86
Senegal	92	3.78	96
Serbia	93	3.77	85
Syria	94	3.76	78
Dominican Republic	95	3.75	98
Albania	96	3.72	108
Armenia	97	3.71	97
Kenya	98	3.67	93
Nigeria	99	3.65	94
Tanzania	100	3.59	113
Pakistan	101	3.58	101
Suriname	102	3.57	103
Benin	103	3.56	106
Guyana	104	3.56	115
Ecuador	105	3.56	104
Bangladesh	106	3.55	111
Lesotho	107	3.54	123
Uganda	108	3.53	128
Bosnia and Herzegovina	109	3.53	107
Cambodia	110	3.51	108
Cameroon	111	3.50	114
Zambia	112	3.50	112
Venezuela	113	3.48	105
Ghana	114	3.45	102
Nicaragua	115	3.44	120
Cote d'Ivoire	116	3.43	110
Mongolia	117	3.43	117

Ethiopia	118	3.43	121
Malawi	119	3.42	119
Bolivia	120	3.42	118
Madagascar	121	3.42	125
Tajikistan	122	3.38	116
Kyrgyz Republic	123	3.36	122
Paraguay	124	3.35	124
Nepal	125	3.34	126
Timor-Leste	126	3.26	129
Mauritania	127	3.25	131
Burkina-Faso	128	3.23	127
Mozambique	129	3.22	130
Mali	130	3.22	117
Chad	131	2.87	134
Zimbabwe	132	2.77	133
Burundi	133	2.58	132

* The 2008-2009 rank is out of 134 countries. One country covered last year, Moldova, had to be excluded this year for lack of survey data

ANNEX III: Rankings on the ease of doing business in the MENA region

Rank 2010	<i>Rank 2009</i>	Economy	Reforms
13	15	Saudi Arabia	2
20	18	Bahrain	1
33	47	United Arab Emirates	3
39	37	Qatar	0
61	52	Kuwait	2
65	60	Oman	2
69	73	Tunisia	2
99	103	Yemen	3
100	104	Jordan	6
106	116	Egypt	4
108	101	Lebanon	2
128	130	Morocco	1
136	134	Algeria	4
139	137	West Bank and Gaza	2
143	138	Syrian Arab Republic	1
153	150	Iraq	0
154	149	Sudan	2
162	153	Comoros	0
163	157	Djibouti	1
166	161	Mauritania	0

Note: The rankings for all economies are benchmarked to June 2009 and reported in the country tables. Rankings on the ease of doing business are the average of the economy's rankings on the ten topics covered in *Doing Business 2010*. Last year's rankings are presented in italics. These are adjusted for changes in the methodology, data corrections and the addition of two new economies. The number of reforms excludes reforms making it more difficult to do business.

Source: *World Bank Doing Business 2010*.

ANNEX IV: SME policies: The case of Tunisia

Period 1986-2006:

- Wide scope operation of enterprise restructuring and privatization with effective involvement of the private sector
- Tax reform drastically reduced the number and weight of taxes
- 1991: Competition law, Consumer Prices law and Consumer Protection law
- Unified facilitation system for enterprise creation and development: regrouping all laws and regulations in one investment code, with specific dispositions for MSEs:
 - Grant of 70 per cent of the cost of preliminary and feasibility studies
 - Contribution to the capital of the enterprise
 - Government takes over the employer's share in social security coverage
 - Government contributes 30 per cent of the cost of the land and the premises
 - On top of the above, micro-enterprises get 6 per cent of the investment cost and a loan reimbursable over 11 years without interest
- Launching of the President's programme targeting the creation of 70,000 SMEs during the period 2004-09 (1.4 enterprises every 1,000 citizens, against 0.8 during the previous period)
- Creation of the National Council for Enterprise Creation and Innovative Projects (BDS)
- Expanding the outreach of the one stop shops and creation of the virtual one stop shop (enterprise creation through internet by linking all government websites)
- Reducing the minimum capital to less than US\$1,000
- Waiving 70 per cent of the procedures for enterprise creation (objective: 90 per cent in 2009)
- Special attention given to the promotion of BDS institutions all over the country, in strategic economic sectors
- Creation of business centres delivering information and providing technical support to new small entrepreneurs
- Setting up of the spin-off system with related necessary funds
- Creation of two fully fledged banks specializing in credit and micro credit for MSMEs

- Launching and implementation of wide scope programmes for the benefit of MSMEs in various areas such as capacity-building, enterprise restructuring, product quality, vocational training, competitiveness and economic information, all funded by the government up to 70 per cent of the incurred costs. 2,400 enterprises benefited from the pilot operation. BDS institutions, banks and other stakeholders took part in these programmes.
- Creation of a task force , a mobile unit of experts who provide technical assistance to MSMEs in the field
- Creation of the National Investment Portal which provides a wide scope of information to existing and potential entrepreneurs and foreign investors
- Creation of six technopoles with participation of universities, research centres and technical and engineering institutes, mainly in the areas of innovative energies, biotechnology, chemicals and medicines, IT, multimedia, mechanics, electronics, media, textiles and food processing

Conclusion:

As a main result of these dynamics and the effectiveness of measures taken, laws enforcement, continuous monitoring and evaluation of national programmes, wide participation of the private sector and all concerned stakeholders, indicators of the national economy are on the rise. There is an effective enabling environment for the development of a modern MSMEs sector. World Bank reports such as the yearly *Doing Business*, as well as the World Economic Forum's Competitiveness Report, all rank Tunisia high in the area of economic and social development, among developing countries and mainly among African and Arab countries.

Source: ILO Sub-regional Office for North Africa, Cairo.

ANNEX V: Some ILO guides, strategies and tools for enterprise development

Start and Improve Your Business (SIYB) Programme

This is a management-training programme with a focus on starting and improving small businesses as a strategy for creating more and better employment (a complementary, related product, Expand Your Business (EYB) targets SMEs with growth potential). It seeks to enable local business development service (BDS) organizations and, in particular, women's organizations, to effectively and independently implement business start-up and improvement training, and related activities, for potential and existing entrepreneurs and to enable potential and existing small entrepreneurs, both women and men, through these BDS organizations, to start viable businesses and to increase the viability and profitability of existing enterprises, creating quality employment for others in the process. SIYB has been undertaken in Jordan, Qatar, Sudan and in the Maghreb.

Expand Your Business (EYB) Programme

Integrated support package for the owners and managers of growth-oriented enterprises (GOEs). It assists growth-oriented entrepreneurs to develop strategies for the growth of their business through strengthening of their key business functions – namely strategic management, strategic marketing, strategic human resources development, strategic financial management – and linking the business with providers of services needed to achieve growth.

Know About Business (KAB)

Most people in most countries in the region possess a cultural bias in favour of public sector and corporate employment. To foster an entrepreneurial culture, the ILO promotes entrepreneurship education in vocational, secondary and higher education through the KAB tool, which addresses the challenge of youth unemployment; it promotes awareness among young people of the opportunities and challenges of entrepreneurship and self-employment. KAB is used in a number of countries in the region, including Oman, the Syrian Arab Republic, Yemen, the occupied Palestinian territory, Iraq and in the Maghreb.

Women's Entrepreneurship Development (WED) Capacity-Building Guide

The guide – used in Iraq, Saudi Arabia and the occupied Palestinian territory, among other countries – promotes full participation of women in entrepreneurship and economic development, and facilitates the creation of new and better jobs by women entrepreneurs.

Gender and Entrepreneurship Together: GET Ahead for Women in Enterprise

This package – used in Iraq, Lebanon and the occupied Palestinian territory – provides practical information about income-generation and enterprise activities. It enables low-income women entrepreneurs to shift from marginal income generation to profitable business development by participatory and action-oriented training, highlighting essential business skills from a gender perspective.

Women Entrepreneurs' Associations (WEA) Capacity-Building Guide

The guide ensures that women are effectively represented in small business associations and creates awareness regarding gender inequalities faced by women entrepreneurs.

The Women's Entrepreneurship Development (WED) Capacity-Building Guide

The guide is aimed at improving the skills of staff in small and medium enterprise (SME) support institutions and projects, enabling them to provide more effective services. The guide provides an introduction to a range of supportive tools and approaches that can benefit women entrepreneurs, including women with disabilities. The WED guide takes account of many of the practical issues that women entrepreneurs experience in starting, formalizing and expanding their enterprises. It looks at broader strategic issues that work against women in private sector development, such as discriminatory policies and unequal access to resources.

Assessing the influence of the business environment on small enterprise employment – An assessment guide

This guide provides guidance on assessing the effect of external influences on employment in small enterprises. It covers three topics of assessment: profiling small enterprises and small enterprise employment; assessing the policy, legal and regulatory framework for small enterprise development; and assessing markets and the business environment for small enterprises.

Guidelines for cooperative legislation

This book is published jointly by the ILO and the Committee for the Promotion and Advancement of Cooperatives and provides guidance on how to draft a cooperative law.

Creating an enabling environment for sustainable small enterprise development – ILO/ITC training course

The ILO/ITC course contributes to improving the skills of participants to analyse, design and implement programmes for reforming and improving the business environment for small enterprise development.

Labour and labour-related laws in micro and small enterprises: Innovative regulatory approaches

This study identifies a number of innovative regulatory approaches that States have adopted to try to achieve the goal of applying labour and labour-related laws to MSEs without imposing significant costs upon them.

Small Enterprise Development - An Introduction to the Policy Challenge

This booklet introduces the policy and legal framework as an important external influence on the capacity of small enterprises to create more and better jobs. It expands upon Recommendation No. 189 of the International Labour Conference entitled “General conditions to stimulate job creation in small and medium enterprises”.