

Social Integration through Entrepreneurship



Dialogue Snapshot Report
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the Hollings Center
for international dialogue

Dialogue Summary

Today, the Middle East in North Africa (MENA) region faces the great challenges of social integration and economic diversification. According to an Organisation for Economic Co-operation and Development report on youth in the MENA region, “young men and women in the MENA region face the highest youth unemployment levels in the world. With the share of youth (aged 15–29) exceeding 30 percent of the working-age population in most countries.”¹ The MENA region is also host to an unprecedented number of refugees and internally displaced persons. In 2017, according to the United Nations High Commission for Refugees, the MENA region hosted just 6 percent of the world’s population, but nearly a quarter of the world’s refugees, returnees, stateless people, internally displaced people and asylum-seekers.² Many lower and upper-middle income countries are host to these refugees, such as Lebanon, Turkey, and Jordan. The dual challenges of needing economic diversification and addressing marginalized populations create competing demands. Countries must grapple with decisions about access to labor markets and social programs for refugees while also meeting the demands of its own citizens who may also be struggling with unemployment and access to opportunities.

The Hollings Center for International Dialogue has held numerous dialogues focusing on the economic and educational issues in the MENA region. One recurring theme in these dialogues was the important role entrepreneurship can play in growing economies, providing jobs, encouraging innovation, developing communities, and integrating migrants into social and economic structures. Entrepreneurship is seen as a critical driver of economic and social development. Currently there are numerous entrepreneurship and livelihood programs throughout the region, run by governments, international non-governmental organizations (INGOs), corporations, and local organizations. Incubation hubs are also flourishing. International and local organizations have invested large sums of funds into such programs. Yet, while the belief persists that programs like entrepreneurship training, vocational training, and financial education can provide a means of livelihood of the economically marginalized, the efficacy and long-term impacts of these programs remain largely unknown.

There is growing recognition that sustainable economic solutions are needed for both marginalized communities and refugees. Consequentially, integration of these populations is also integral to have a flourishing, sustainable entrepreneurial ecosystem beneficial to communities and nations. Many challenges, such as lack of formal education, capital, social capital, language skills, knowledge of local market and regulations and access to credit, exist for these people. “Local integration is a complex and gradual process with legal, economic, social

¹Youth in the MENA Region—How to Bring Them In,” OECD, December 2, 2016, www.oecd.org/gov/youth-in-the-mena-region-9789264265721-en.htm.

²United Nations. "UNHCR Global Report 2017 - Middle East and North Africa (MENA) Regional Summary." UNHCR. 2017. Accessed July 17, 2019. <https://www.unhcr.org/en-us/publications/fundraising/5b30ba237/unhcr-global-report-2017-middle-east-north-africa-mena-regional-summary.html>.

and cultural dimensions. It imposes considerable demands on both the individual and the receiving society.”³ Entrepreneurship can serve as a tool to overcome some of these challenges if properly introduced.

To look at these issues and address the challenges of developing an entrepreneurial ecosystem in the MENA region, the Hollings Center hosted a dialogue program to look at current efforts and determine the efficacy of ongoing initiatives. Held in Amman, Jordan, in November 2018, the dialogue participants reached the following conclusions:

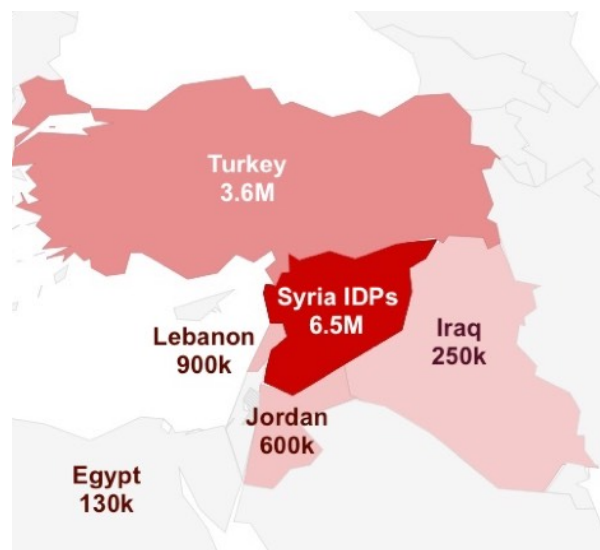
- **Current entrepreneurship capacity-building programs merit some criticism.** Too often, the programs focus on short-term inputs and have not displayed medium- and long-term sustainability. Expectations of these programs should be realistically scoped. Stakeholders and entrepreneurs need to be prepared for high rates of failure. But when breakthroughs do occur, they should be highlighted prominently.
- **A communications gap exists between and within stakeholding sectors.** The use of different standards and definitions has contributed to the patchwork approach to entrepreneurship in the region. The question of what does and does not constitute an “entrepreneurship program” and should be considered. Goals and expectations between stakeholders should be well defined.
- **Understanding the local market is key in developing entrepreneurial ecosystems in the region.** It is also the avenue with least barrier to entry and more likely to have positive impact on marginalized communities. Programs should take this into consideration.
- **Barriers to economic entry in many countries of the region should be eased.** Easier business registration and access to startup capital would help entrepreneurs enter the market. Throughout the meeting, outdated regulations and arcane processes were regularly cited as the primary hindrance to entrepreneurial and job development. Foreign actors, such as international governments and INGOs, can have a major impact in this.
- **Regarding refugees and other marginalized communities, many countries are facing an inflection point, particularly with the Syrian crisis.** Will the refugee groups be allowed to stay or not? Right now, many governments in the region are dithering on this question for one reason or another. As a result, many of these marginalized communities are excluded from the economy or forced into the informal one. Participants noted this is unsustainable.

³United Nations High Commissioner for Refugees (UNHCR), “Local Integration,” www.unhcr.org/local-integration-49c3646c101.html.

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The Region's Inclusion Crisis: An Inflection Point

The negative aftermath of the 2011 protests in the region known collectively as the Arab Spring continues to resonate throughout the region. Besides calls for political reform, the strong popular desire for economic empowerment helped trigger the desire for change in countries throughout the region. However, nearly a decade later the regional ecosystem for entrepreneurship and economic empowerment remains critically underdeveloped, and in some countries that ecosystem has worsened since 2011. Significant numbers of unemployed persons in marginalized communities and underserved populations remain. According to a report issued by the International Monetary Fund in 2018, youth unemployment in the region remains the worst in the world at 25 percent.⁴ Women's participation in the labor sector also lags behind most of the rest of the world, ranging from rates of 5–40 percent depending on the country.⁵ Throughout the region, countries, international organizations, and investors have spent millions of dollars for skills training, capacity building, and entrepreneurship programs to help diversify economies and better incorporate marginalized and underrepresented communities.



The Syrian refugee crisis alone accounts for the displacement of close to 12 million people in Syria and neighboring countries. This is only one of three such crises in the region, with ongoing conflict in Yemen and Libya as well. Data source: UNHCR.

Combined with the greater macro- and microeconomic challenges throughout the region are the ongoing civil and military conflicts since 2011 in Iraq, Libya, Syria, and Yemen that have precipitated multiple waves of refugees and internally displaced persons. Further complications in the region, such as ongoing tensions within the Gulf Cooperation Council and increased Iranian interference, have guaranteed the persistence of the crisis. The Syrian refugee crisis in particular has placed significant strain on the resources of numerous nearby countries currently providing shelter. According to the United Nations High Commissioner for Refugees (UNHCR), as of May 2019 an estimated 5.6 million Syrians have sought refuge or asylum outside of Syria with most residing in Turkey (3.6 million), Lebanon (0.9 million), and Jordan (0.6 million).⁶ As the

⁴ Andrew England, "Middle East Jobs Crisis Risks Fueling Unrest, IMF Warns," *Financial Times*, July 12, 2018, www.ft.com/content/3daf3d5a-8525-11e8-a29d-73e3d454535d.

⁵ Ibid.

⁶ "Operational Portal," *Situation Syria Regional Refugee Response*, May 2019, <https://data2.unhcr.org/en/situations/syria>.

Syrian civil war approaches its ninth year, many refugees have chosen not to return, and regional governments are struggling with the sobering possibility that many may never return to Syria. Responses over how to integrate these populations socially and economically into host countries varies, but more than one dialogue participant noted the denial displayed by regional governments that still see this nearly decade-long crisis as temporary. The political calculus within these countries remains against economic integration of these refugee and migrant communities, so most of the pressure to do so comes from the international community. In support of improved economic and social integration, these international groups have presented entrepreneurship development programs as one possible solution.

The Entrepreneurial Ecosystem of the Middle East

Combined, these two challenges of economic marginalization and the crisis of refugees has amplified the need for more aggressive economic action, which in turn begets several important challenges that require addressing if a successful entrepreneurial ecosystem is to take shape in the region. The entrepreneurial ecosystem in the Middle East can be summarized two-fold. First, it is highly localized and differential in each country, making common one-size-fits-all approaches to ecosystem development ineffectual. The inability to begin entrepreneurship programs in large scale makes attracting corporate investment difficult. This makes the



Expectations for entrepreneurial development should be realistic. Not all entrepreneurship is technological. Service sector development and fostering more small and medium enterprises can have a larger economic impact on local communities. Image source: [Mike Dotta](#)

entrepreneurial development sector more dependent on donors and governments instead of the private sector or investors. As a result, many of the region's programs have focused on capacity building, using the education sector as the stop-gap. As one Jordanian participant noted, these educational programs provide training, access to important networks, media coverage, and introductions to peers that can be supportive of the more grassroots entrepreneurial growth found in the region.

This highlights the second characteristic of the region's entrepreneurial picture. Different stakeholders in the MENA region have completely different definitions of what constitutes entrepreneurship. As noted by a participant from Lebanon, "Entrepreneurship is used interchangeably with income-generating economic activity, job creation, etc. This leads to different expectations among donors and implementing organizations." Another participant emphasized this difference. "Donors see it as jobs created. The private sector sees it as how many growth-oriented startups are created." This debate over definitions even played out among the dialogue's participants. Some agreed with the viewpoint that entrepreneurship is a channel to job creation. Others called for a definition that displayed greater social impact on the community. Some preferred a definition that modeled the experience of many Western tech startups. According to one participant from Turkey, to be an entrepreneur requires "a person who tries to find a gap in the market, create a business to make it profitable, and then make an exit." Regardless of the definition used, the existence of multiple definitions and viewpoints has made benchmarking and assessment of these entrepreneurship programs between sectors extremely difficult. The result is an entrepreneurial pipeline in each country missing pieces, requiring varied action across communities.

"Entrepreneurship is used interchangeably with income-generating economic activity, job creation, etc. This leads to different expectations among donors and implementing organizations"

- Conference Participant

Stakeholder Challenges

Improving the entrepreneurial ecosystem in the MENA region will require better communication between the stakeholders involved in promoting entrepreneurial growth. According to participants, this includes entrepreneurs, donors, investors, governments, and other supportive groups. Throughout the dialogue, participants identified these challenges and made suggestions on how best to address them.

Foundations, Private Donors, and Non-Governmental Organizations (NGOs)

The infusion of capital and material support is critical to any startup venture, but in the MENA region the rush to start programs has created roadblocks and a sense of "entrepreneurship fatigue" among international non-governmental organizations (INGOs), foundations, and other donors. As one participant noted, "Donors want quick wins." Although several participants agreed that this is well-intentioned, as producing results can have great impact on a community, it assumes an impossibly speedy outcome. That participant continued, "You end up with 40,000

people trained on entrepreneurship and out of that you get three success stories.” To provide justification for further donations, a competitive system has developed where INGOs and local NGOs are treating inputs as outcomes when reporting to donors. Too often, reporting highlights the number of individuals trained, rather than the number of successful, sustainable businesses created. Some participants contended that this has made most entrepreneurship programs ineffectual. Others noted that the success stories that do come out of these programs should be broadly defined and highlighted qualitatively as much as possible. Doing so, some said, would have far more impact on growing entrepreneurial networks than short-term qualitative metrics currently standardized.

The general discourse concluded that much room for improvement exists when it comes to the actions and conduct of donors and NGOs. Participants provided recommendations to these stakeholders to improve their efforts:

- **Think long-term.** As one participant said, “When designing these programs, you need to look at what the next phase will look like.” Too often these programs are “one-and-done” style interventions, when they instead need to be more prolonged. As another participant stated, “You bring people into a room for three days, call it a hackathon, and expect them to create ideas. But, the ideas die on the third day.” Donors need to adjust their priorities and be more receptive to multi-year programs that produce results over time through nurturing business relationships and filling growth gaps.
- **Understand the local contexts.** Successful programs that deal with economic empowerment and social integration will need better local impact. In many of the countries affected by the refugee crisis, such as Turkey or Lebanon, the political or humanitarian situation can change rapidly. The participants also recommended creating committees to avoid tension between refugees and host communities. Participants said that this would help alleviate misperceptions and create more mutually beneficial economies.
- **Assess the donors and NGOs.** Participants called for greater assessment of donors and NGOs working in the region. Expectations should be properly scoped and realistic. The role of these stakeholders in the success or failure of initiatives needs to be considered.
- **Move beyond central areas.** Whether it is due to ease of government access or proximity to centralized economic systems, too often NGO activity is rooted near capital cities instead of more marginal areas. This results in activity not reaching peripheral

“You bring people into a room for three days, call it a hackathon, and expect them to create ideas. But, the ideas die on the third day...”

- Conference Participant on the need for sustained programs by NGOs.

areas where it is needed the most. As one participant noted, “We as NGOs need to work on that.”

Governments

Throughout the region, governments play an outsized role in business development and exert great influence over whether an environment exists for entrepreneurial development and social integration. In the MENA region, the results of government action in this sphere are mixed, as participants cited examples that highlighted confusing intentions across all layers of government, particularly when it comes to entrepreneurship in marginalized communities. One participant cited an example from Lebanon. “The local governments in many instances do not facilitate entrepreneurship as they see this as a direct competition to the host community, even if such activity has economic advantages.”

Mixed intentions exist on the national level, too. In Jordan, which established a center for entrepreneurship, existing legal frameworks and bureaucracy deter the establishment of small enterprises. This is especially the case with refugees, where Jordanian law requires foreigners to have a Jordanian business partner with 51 percent or greater ownership to register. In Egypt, where government involvement has become so restrictive, small enterprises are forgoing using legal channels. In many of these cases, entrepreneurs in marginalized circumstances either operate in the shadow economy or simply withdraw. As one Egyptian participant stated, “One of the main problems in Egypt is that we are abandoning the government because people think they will reject us and that they are thinking we are creating competition.” Another Egyptian participant continued, “A lot of entrepreneurs are working in the black market—they are not waiting for anyone to give them anything. Is that an opportunity for us? Is that a challenge? Do we work with that?”

In general, participants agreed that governments have created the greatest roadblock to both entrepreneurial development and improved integration of marginalized communities into the economy. Changing the environment so that government rhetoric matches the reality will take significant effort, but participants made some suggestions on how to begin.

- **Understand government’s intentions.** Governments have agendas just like donors, NGOs, and the private sector. Too often, NGOs and entrepreneurs approach the government highlighting that organization’s goals and intentions, which may contrast government goals. This creates a counter-productive disconnect and limits the access to government-side investment for entrepreneurs. “The money governments have is tied to strategic objectives and plans. It’s also useful to approach government officials from the perspective of helping them meet their goals as opposed to your own goals.”
- **Push for institutional change.** Participants commented that NGO strengths lie in their ability to make substantive connections to private industry and donors, as well as push governments for regulatory reforms. Most importantly, NGOs can help combat the negative perception of marginalized refugee or migrant communities. As one representative noted, “we should see them as taxpayers and customers.”



When developing a startup, representatives of the business community stressed the importance of developing strong business plans that go beyond the ideation phase. Doing so would demonstrate critical capacities and competencies to potential investors and increase chances for funding. Photo: [Mindandi](#)

Private Sector and Investors

Early in the dialogue, participants cited access to markets and networks as the greatest need for entrepreneurs in marginalized communities. More than any other stakeholder, both international and national private sector industries can provide this access. “The private sector is able to move much more quickly because they are not tied to donor strings or bureaucracy. They are freer because the capital is there.” Engagement of these stakeholders remains a formidable challenge, particularly for startup businesses in marginalized communities. Summarized by one participant, “Reputational risks, legal risks, and ignorance are the hurdles in the way of understanding refugee and migrant communities. There is no credit history or legal status to operate for these people. Banks think there is a high risk of flight.” Furthermore, pervasive corruption and conflict throughout the region lowers the risk tolerance of businesses to invest.

In the interest of attracting the investments of the private sector, the participants had a few recommendations:

- **Develop stronger business plans.** One participant noted, “The ‘ask’ needs not to be for philanthropy or aid, but a business case.” Too often, both the development sector and startups look to the private sector as donors, instead of investors. As such, when opportunities for investment occur, many entrepreneurs are not prepared. Participants stated that entrepreneurial training programs do a better job of preparing prospective applicants for their pitches.
- **Understand the local context.** Like NGOs, participants called for better understanding of local needs and contexts when considering where and how to invest. To gain better

understanding, participants encouraged using existing corporate social responsibility programs to understand better what's happening on the ground.

- **Amplify investment successes.** Participants believed that both national and international corporations could do a better job highlighting successful investments and partnerships. Throughout the dialogue, they cited numerous success stories not being highlighted. Instead, attention is going to the creation of innovation and startup hubs, which to date have minimal results.
- **“Intrapreneurship.”** One participant from Turkey suggested another method in which corporations and investors can support a better ecosystem. “We can develop this system in alternate ways. We can get people employed in a company and they can learn through that experience.” Intrapreneurship can provide alternative ways to innovate in local companies and provide important experience on how to develop a product, manage a company, and understand important processes in business beyond the ideation phase.

Creating Adaptive Business Environments

When it comes to marginalized communities, creating entrepreneurial ecosystems will remain challenging. Midway through the dialogue, one participant asked an important question: “Do individuals in the discussion want to be integrated?” The answer, like the situation on the ground, varies. Regardless, it is clear that entrepreneurs will continue to find gaps in the local marketplace to fill, whether formal or informal. Energies and resources from stakeholders can be better channeled and more adaptive going forward. According to participants, women are now advocating for greater ownership stakes. Disadvantaged youth are seeking opportunities. Refugees are not waiting for legal reforms to start businesses to serve their communities. All of this can be better channeled into positive actions through improved business education and alternative business models such as social cooperatives.

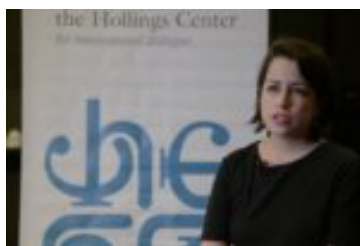
Going forward, if entrepreneurship is to succeed in marginalized communities, it will require what one participant called, “mutually beneficial communities” with realistic expectations and honest intentions. For this to occur, better communication and standardization of language and terms would be helpful. Participants noted that entrepreneurs, corporations, donors, NGOs, and governments all seem to be speaking a different language to each other. Although stated intentions may be more aligned than presented, the use of different terminology and assessment standards has created confusion about intentions in different economic sectors. Exposure to different sectors will be the key for individuals to overcome this definitions gap. As one participant aptly stated at the conclusion of the dialogue, “All of us have a similar mission, but different approaches and perspectives. Let’s remember that we each have complimentary skills and offerings.” With better communication and understanding of intentions, participants contended that better entrepreneurial ecosystems can be created. And in turn, those ecosystems can be more adaptive to the distinct challenges of the MENA region.

For More Information



Successful Economic Empowerment and Entrepreneurship Programs

Khaled Hijab discusses what makes economic empowerment and entrepreneurship programs for marginalized communities successful. He is the executive director of Tech Tribes. Through his expertise in social innovation and information and communications technologies for development (ICT4D), Khaled connects youth-focused NGOs across the region with technology tools useful for advancing their work, increasing civic participation and cause-based advocacy. He is the founder of Tech Tribes, a regional organization that helps youth, cause-groups and CSOs better achieve their missions by utilizing new media and mobile technology.



Cooperatives for Socioeconomic Integration Programs

Maru Bautista discusses how worker cooperatives could be utilized as an alternative business model to promote the socioeconomic integration of marginalized communities. Maru Bautista is the director of the Cooperative Development Program at the Center for Family Life in Brooklyn, New York. For the past five years, she has worked with her team and the Sunset Park community to strengthen immigrant-led worker cooperatives in New York City.

The Hollings Center for International Dialogue is a non-profit, non-governmental organization dedicated to fostering dialogue between the United States and countries with predominantly Muslim populations in the Middle East, North Africa, South Asia, Eurasia, and Europe. In pursuit of its mission, the Hollings Center convenes dialogue conferences that generate new thinking on important international issues and deepen channels of communication across opinion leaders and experts. The Hollings Center is headquartered in Washington, D.C. and maintains a representative office in Istanbul, Turkey.

To learn more about the Hollings Center's mission, history and funding:

<http://www.hollingscenter.org/about/mission-and-approach>

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