GENDER-SMART INVESTING IN SUPPORT OF INCLUSIVE GROWTH IN NORTH AFRICA

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LIST OF ABBREVIATIONS

ADF	African Development Fund
AFEM	Association of Women Entrepreneurs of Morocco
AFICS-Egypt	Association of Former International Civil Servants
ANSEJ	Algeria National Agency for the Support of Youth Employment
APII	Agency for the Promotion of Industry and Innovation
AWEF	Arab Women's Enterprise Fund
AWTAD	Egypt's Association for Women's Total Advancement and Development
BII	British International Investment
CCG	Central Guarantee Fund
DFI	Development Finance Institution
DPI	Development Partners International
EBank	Export Development Bank of Egypt
EBRD	European Bank for Reconstruction and Development
ECA	Economic Commission for Africa
EDGE	Economic Dividends for Gender Equality
FAO	Food and Agriculture Organization of the United Nations
FEI	Female Entrepreneurship Index
G7	Group of Seven
GEM	Global Entrepreneurship Monitor
GEP	Global Entrepreneurship Programme
GU	Gender Unit
IFC	International Finance Corporation
IFI	International Finance Institution
KfW	German Development Bank
MDB	Multilateral Development Banks
Mena	Middle East and North Africa
MSME	Micro, Small and Medium Enterprises
NCW	National Council for Women
OECD	Organisation for Economic Co-operation and Development
SDG	Sustainable Development Goals
SFD	Social Fund for Development
SME	Small to Medium-sized Enterprises
UNCTAD	United Nations Conference and Development Trade
UNIDO	United Nations Industrial Development Organization
USAID	US Agency for International Development
WBDC	Women Business Development Centre
WEF	World Economic Forum
WIB	Women in Business

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EXECUTIVE SUMMARY

This study investigates both the entrepreneurial and the small to medium-sized business (SME) landscapes across the North African region with a specific focus on the role being fulfilled by women. This analysis is complemented by an assessment of how policies and other initiatives such as gender-smart investing can be leveraged to address social gaps – particularly gender inequality – towards the ultimate goals of accelerated economic growth, development, and job creation.

NORTH AFRICA EMPLOYMENT TRENDS

Female employment across North Africa low even from a global perspective

Even before the onset of the COVID-19 shock, the discrepancy between male and female employment in North Africa relative to the rest of the world was substantial. In most North African countries, less than 20% of the employed working-age population is female, with the remainder of jobs being filled by men – lower labour force participation by women relative to men also plays a role in this regard. **This is nonetheless much lower than the world average of just above 40%, and points to the fact that women in North Africa face much greater challenges at accessing employment opportunities than men.**

The latest unemployment figures disaggregated by gender demonstrate that women have become increasingly disenfranchised since the onset of the COVID-19 pandemic. Furthermore, the more recent economic and other challenges across parts of the region pose yet further obstacles to North African women going forward.

THE IMPORTANCE OF ENTREPRENEURSHIP AND SMEs

Entrepreneurs and SMEs boost growth, jobs and help overcome social gaps

The literature clearly illustrates that SMEs and entrepreneurship are positively linked to faster economic growth and job creation in general. Many North African countries have begun to recognise the social and economic role of SMEs and entrepreneurs and have taken certain steps to support these enterprises.

In general, though, SMEs and entrepreneurs in North African countries are still faced with various barriers, preventing these economies from leveraging the immense benefits associated with a thriving entrepreneurial landscape characterised by an innovative ecosystem.

Aside from the economic benefits, enhanced promotion of SMEs and entrepreneurship can also help overcome social challenges – specifically referring to the high level of unemployment among women and the extremely low levels of female ownership of businesses.

THE ROLE OF WOMEN IN THE NORTH AFRICAN BUSINESS LANDSCAPE

When the assessment shifts to a specific focus on women's contribution to the North African business landscape, then there is no denying that majority female ownership of businesses still lags far behind. Majority female ownership is also significantly more prevalent in SMEs.

Interventions supporting female-owned businesses can create more jobs for women

This suggests female entrepreneurs may encounter challenges when attempting to start a business, and female owners of SMEs may be faced with obstacles to scale up operations and grow their firms.

Furthermore, the findings propose that firms with female participation in ownership – a much broader definition – are linked with weaker sales performance, hinting that female-owned firms may be needing to confront difficulties their male counterparts are not. Also, female participation in ownership is associated with stronger employment growth to some extent.

Firms leaning towards the smaller side of the spectrum with female participation in ownership also tend to employ more workers in general and these jobs are proportionally more associated with female employment.

In turn, this alludes to the fact that policies, strategies, and investments aimed at supporting female-owned SMEs may have a greater impact and multiplier effect towards creating more jobs for women and addressing both the large employment gap between males and females and the prevalence of female unemployment across North African countries.

FACTORS DRIVING SUCCESS AND FAILURE

Access to finance a key determinant of entrepreneurial and SME success

According to the literature, some of the more general factors crucial for SME success include: 1) financing; 2) strategic planning & competencies; 3) entrepreneurship & innovation; and 4) management capacity. Other factors related to the broader economic, infrastructural, and policy environment also play an imperative role in encouraging entrepreneurial activity and supporting business ventures.

Meanwhile, according to the World Bank Global Enterprise Survey (2021), SMEs operating in North Africa identify 1) the practices of competitors in the informal sector; 2) access to finance; 3) tax rates & administration; and 4) electricity as major constraints. Added limitations recognised include business licensing and permits; customs and trade regulations; labour regulations; and an inadequately educated workforce.

ACCESS TO FINANCE

Female access to finance disproportionately low across North Africa

Access to financing or broader financial services is clearly an essential driver of SME and entrepreneurial success.

However, access to finance is not only unequal across company size in North Africa, but also across gender lines, with women's access to finance disproportionately low.

Although women's access to finance has improved significantly over the past decade, the World Bank reports that women in North Africa still perform poorly relative to men across several financial inclusion metrics, including account ownership and borrowing from financial institutions and other service providers.

GENDER-SMART INVESTING IN THE BIGGER PICTURE

Gender-smart investing has a key role to play in closing various gender gaps

Gender-smart investing does not only apply to investment specifically directed at female-owned firms. Rather, there are typically three gender-lens approaches: 1) providing women with access to capital; 2) addressing workplace equity throughout the value chain; and 3) promoting products and services that benefit women. By allocating capital to companies that are committed to improving women's representation in leadership, besides gender diversity, gender-smart investors can contribute towards attaining gender equality. Many firms are taking action to improve gender equality – companies making significant strides in this regard may ultimately also benefit from partners, stakeholders, and investors striving towards similar goals. Furthermore, gender-smart investing can target and strengthen sectors that employ women, as well as support the development of financial products and services demanded by women, thus improving women's ability to access finance and supporting their business endeavours. **By enhancing the economic opportunities for women, gender-smart investing also supports social, educational, and health outcomes.** This in turn buoys sustainable development, job creation, and resilience during times of economic crisis. Overall, gender-smart investing has a key role to play in levelling the playing field across several different areas, such as wages, employment, capital, and access to social services.

THE ROLE OF PUBLIC POLICY

Much room for policy to explicitly target female enterprises and scope for DFIs to ramp up support

Most North African countries have made considerable progress in adopting comprehensive legislation concerning SMEs. Despite a relatively well-established legislative environment for SMEs in North Africa, the legal frameworks tend to be gender neutral. In other words, the specific impediments faced by female entrepreneurs and female business owners in accessing information, markets, financial services, land, and other assets are not explicitly addressed. Specific policies directed towards supporting female entrepreneurship and female-owned businesses are also lacking. A wanting gendered approach to SME and entrepreneurship policy has meant that women's entrepreneurship programmes are implemented at the national level, often in collaboration with development finance institutions (DFIs), international finance institutions (IFIs), multilateral organisations, and the private sector. These partners have played a leading role in bridging the gender gap in finance. Probably among the most significant commitments to gender-smart financing was made by the G7 countries through the 2X Challenge, raising some $11bn in gender-focused funds globally – only 5% of this was directed at the Middle East and North Africa. Following the success of the initial campaign, the 2X Challenge has committed to raising a further $15bn over the 2021-22 period. That said, both commercial and development banks are increasingly adopting gendered approaches to investment and lending in North Africa. Meanwhile, there has been a growing trend towards gender-lens investing among DFIs and IFIs in North Africa. Venture capital firms that provide funds to start-ups or early-stage companies have also shown a growing interest in investing in women. While there has been a growing trend towards gender-lens investing in North Africa, not all countries have benefitted. There is still significant room for DFIs, IFIs, international actors, and impact funds to expand their footprint in countries such as Algeria, Egypt, Mauritania, Morocco, and Tunisia.

KEY RECOMMENDATIONS

Holistic approach needed with support from government and broader stakeholders

With the key findings elaborated on above providing the necessary context, the following are salient recommendations towards improving the female business landscape and addressing high levels of female unemployment across the North African region:

1) **Enhance policy focus on female entrepreneurship and SMEs**: In some cases, specific policies tailored to supporting female entrepreneurship and female-owned businesses are lacking and the implementation of such policies, ideally in line with global best practice, needs to be considered. Governments should aim to explicitly include female entrepreneurs in their SME strategies, targets, and action plans. Furthermore, to complement broader national SME strategies, specific strategies designed for promoting female entrepreneurship need to be developed.
2) **Improve policy alignment:** The policy and regulatory environments in place need to be aligned with national objectives, ensuring cross-cutting strategies and action plans across different spheres of the public sector.
3) **Leverage and encourage support from a wide range of stakeholders**: A broader enabling environment is crucial to the ultimate success of interventions such as gender-lens investing. Government support, through incentive structures, supportive policies, and frameworks, could encourage increased gender-lens investing from the private sector and actors such as DFIs, while also improving the probability of success and the scale of potential benefits.
4) **Gender-lens investing entails more than just financial support:** While access to finance is indispensable, stakeholders and investors need to realise the importance of broader, but closely aligned, interventions related to capacity building, skills development, and the upliftment of women in the workplace and across the value chain.
5) **DFIs, private sector, and investors can expand North Africa intervention:** The findings from this study suggest that DFIs, IFIs, international actors, and impact funds are able to expand their footprint in countries such as Morocco, Tunisia, Algeria, Mauritania, and Egypt. These stakeholders should emphasise adopting a holistic approach which extends beyond simply providing women with access to capital. The private sector can also boost interventions in support of female-owned businesses and entrepreneurs. A value-chain approach often works well in this regard by sourcing from female-owned businesses and providing financial and broader support mechanisms in the form of support from government and multilaterals, as well as incentive structures locally and abroad.
6) **Shift social perceptions on the role of women**: Limitations to female economic activity are also of a social nature. Women are perceived to fulfil different societal roles than men. Women are still considered the primary caregiver and homemaker, and because of this they are often treated differently when it comes to entrepreneurship and business. The key really is to change the overall perception of the contribution of women in a male-dominated society.

1. INTRODUCTION

This study investigates the entrepreneurial and SME landscapes across the North African region with a specific emphasis on the role being fulfilled by women. To set the scene and to provide context, recent macroeconomic developments across North African countries are considered, before the attention turns to employment statistics and trends to ascertain the extent of the gender employment gap across North Africa, also when viewed from a global perspective.

This is followed by a consideration of why policies and strategic interventions should be geared towards encouraging entrepreneurship and SME development, how this affects economic growth and development, and in what way it addresses various social gaps such as high unemployment (specifically also female unemployment) and gender inequality.

The next step entails exploring the role being assumed by women across the North African business landscape. This is achieved by firstly examining the prevalence of female-owned businesses and the broader share of women in ownership structures. The assessment also considers business performance, specifically intended to determine whether there are marked differences in business performance by gender of ownership.

The discussion then turns to the factors driving or inhibiting entrepreneurial and SME businesses' success, concentrating on the North African landscape. Entrepreneurial and SME success is partly driven by having access to finance and so, the financial inequality gap between males and females is probed.

The emergence of gender-lens investing as a strategy to address disparities between men and women is subsequently provided. As a precursor, a conceptual framework on the role of female entrepreneurship and female SME ownership in sustainable development and job creation is outlined, before turning to an investigation of what gender-lens investing entails, how gender-smart investing can empower women economically, both in job creation and in resilience. Lastly, we explore the stumbling blocks faced by gender-smart investors.

Public policies fulfil a vital role in creating an enabling environment for gender-lens investments to succeed and to maximise the potential benefits thereof. Various existing initiatives are explored, along with public policy shortcomings. The assessment is complemented through examining the role which other stakeholders, including the private sector, development institutions, and multilateral organisations, can fulfil to help drive and support interventions aimed at boosting entrepreneurship among women.

The study concludes with a summary of the main findings along with highlighting key recommendations.

2. ECONOMIC AND EMPLOYMENT SETTING

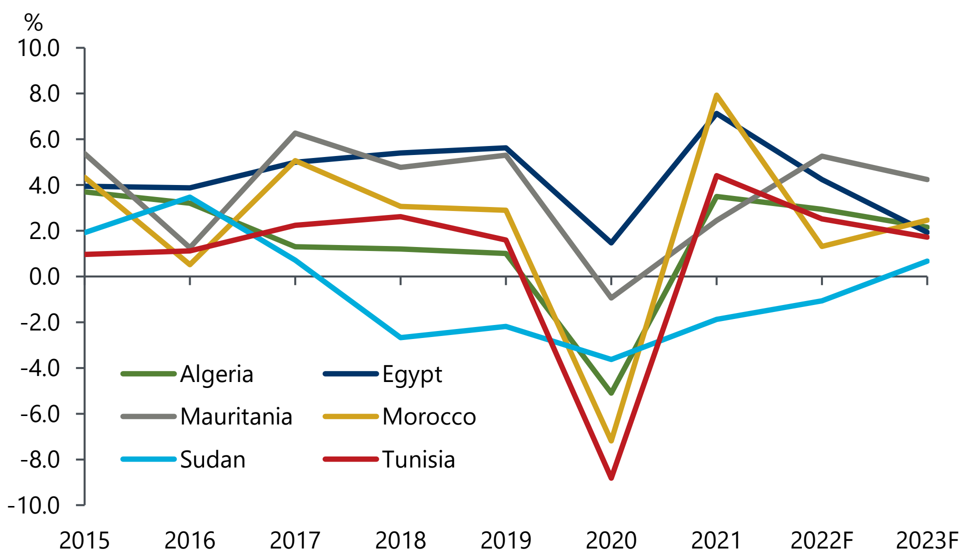
This section provides a brief description of recent economic and employment developments in North African countries to provide the necessary background and context for the analysis to follow.

2.1. ECONOMIC TRENDS

The North African region was hard-hit by the COVID-19 crisis. Tourism-reliant economies Morocco and Tunisia saw their real GDP contract by 7.2% and 8.8% in 2020, respectively. A drop in oil prices weighed heavily on Algerian exports and gave rise to an economic contraction of 5.1%, while Libya's oil-driven economy was burdened by a resumption of hostilities. Although Sudan caught sight of its first year of leadership under a civilian government, the road to recovery was rocky. The Mauritanian economy, meanwhile, was hampered by weak global demand for iron exports. By contrast, Egypt recorded positive real GDP growth in 2020 at around 1.5%. In 2021, the recovery across the region was uneven. In fact, Morocco was the only economy to bounce back to pre-pandemic output levels with GDP growth of 7.9%, supported largely by a bumper cereal harvest. The consumption-driven boost to the Egyptian economy continued, with GDP growth surging by 7.1%. Tunisia and Algeria, however, struggled to return to pre-pandemic output levels, with a third COVID-19 wave weighing on Tunisia and weaker commodity prices affecting Algerian exports. Sudan, meanwhile, experienced another coup, while in Libya, oil production rebounded strongly as a ceasefire allowed for production to resume.

Most North African countries were hard-hit by the COVID-19 pandemic

Figure 1: Real GDP growth



Source: Oxford Economics Africa

The Russia-Ukraine war has presented yet another massive external shock to the region

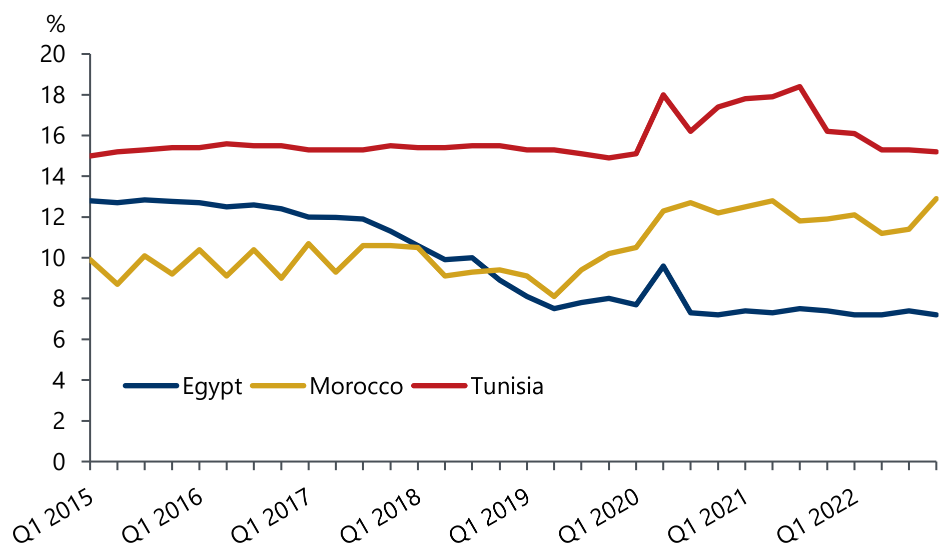
The Russia-Ukraine war continues to hold major implications for economies across the world. As a net importing region, all North African countries are vulnerable to fluctuating commodity prices, with sweeping surges in inflation and import bills. Soaring inflation poses a serious threat to businesses across the region that are battling to keep up with increasing input costs, supply chain disruptions, and rising wage demands from workers. Egypt has been faced with a particularly challenging situation characterised by big currency losses, skyrocketing inflation, soaring domestic borrowing costs and dollar shortages. Tunisia, too, faces a challenging outlook, with rising inflation and hard currency shortages weighing on business activity. Morocco, meanwhile, suffered from a severe drought in 2022, although the outlook is slightly more encouraging. Algeria is benefitting from higher oil prices, while energy and mining projects have boosted the outlook for Mauritania. Unfortunately, the situation has deteriorated markedly in Sudan with the outbreak of intense conflict – the situation remains very unstable.

2.2. EMPLOYMENT TRENDS

While the COVID-19 pandemic saw the unemployment rate rise in every country in the North African region, the extent of the impact was highly variable. In both Morocco and Tunisia, the unemployment rates soared with the onset of COVID-19, as the tourism-reliant economies took a massive knock from the shutdown of international travel. The unemployment rate in Morocco rose from a record-low level of 8.1% in Q2 2019 to a record high of 12.8% in Q2 2021, and although the unemployment rate improved slightly in Q3 2021, it has since been rising again due to a severe drought. Furthermore, although the unemployment rate rose for both Moroccan men and women over the past two years, it was still higher for women at 18.8% in Q4 2022, compared with 11.2% for men.

The unemployment rate rose at the onset of the COVID-19 pandemic

Figure 2: Unemployment rate by country



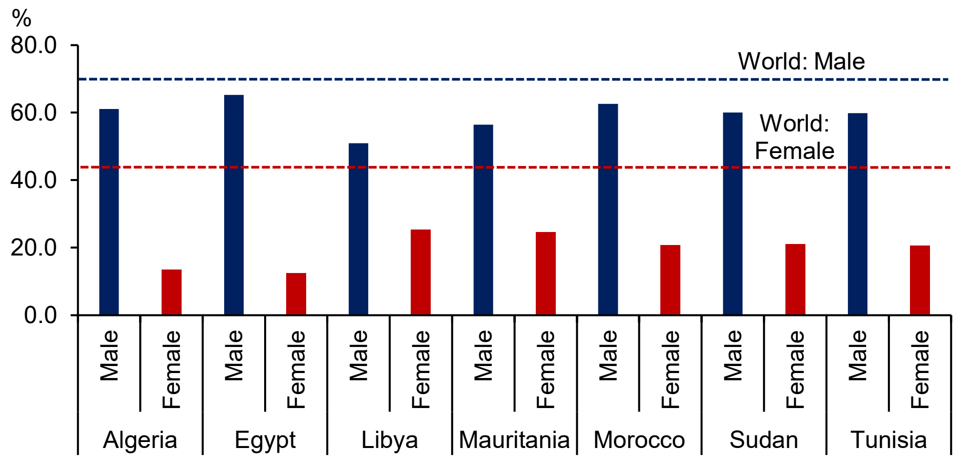
Source: Oxford Economics Africa

Less than 20% of the employed working-age population is female in North Africa

A fairly similar situation unfolded in Tunisia where the unemployment rate skyrocketed to a high of 18.4% in Q3 2021 as the COVID-19 pandemic caused massive disruptions to the services sector. Looser COVID-19 restrictions, however, have seen an uptick in economic activity and an improvement in the unemployment rate which fell to 15.2% in Q4 2022. While unemployment increased for both men and women during the pandemic, it remained consistently higher for women (20.1% by Q4 2022) relative to men (12.9% by Q4 2022).

Egypt has proven to be an outlier with its unemployment rate following a downward trend after it rose to 9.6% in Q2 2020. As of Q4 2022, the Egyptian unemployment rate had fallen to 7.2%. The improvement has been driven by a significant increase in the number of employed persons. That said, most of the new jobs created since Q2 2020 have been filled by men. By the end of 2022, the unemployment rate for women stood at 19.3% with the corresponding figure for men at 4.7%.

Figure 3: Employment to working-age-population (15+) ratio, 2019



Source: International Labour Organisation

Female employment already faced challenges prior to COVID-19 and obstacles remain

Even before the onset of the pandemic, the discrepancy between male and female employment in North Africa relative to the rest of the world was substantial. Figure 3 shows that in most North African countries, less than 20% of the employed working-age population is female, with the remainder of jobs being filled by men – lower labour force participation by women relative to men also plays a role in this regard. **This is much lower than the world average of just above 40%, and points to the fact that women in North Africa face much greater challenges at accessing employment opportunities than men.** The latest unemployment figures disaggregated by gender demonstrate that women have become increasingly disenfranchised since the onset of the COVID-19 pandemic. **Women experienced significantly higher unemployment rates during the worst of the COVID-19 pandemic, and they continue to experience relatively higher unemployment rates in the face of the recovery**. The more recent economic and other challenges across parts of the region pose yet further obstacles to North African women going forward.

3. RATIONALE FOR SUPPORTING ENTREPRENEURSHIP AND SMEs

Before delving deeper into the role of female entrepreneurs and female ownership in SMEs, it is worth considering why policies and strategic interventions should be geared towards encouraging entrepreneurship and SME development, how this affects economic growth and development, and in what way does it address various social gaps such as high unemployment (specifically also female unemployment) and gender inequality.

3.1 A GLOBAL PERSPECTIVE

SMEs and entrepreneurs positively correlated with faster growth and job creation

The role of entrepreneurs and SMEs in driving economic growth and creating employment opportunities has been well documented. Many empirical studies from the literature have demonstrated the aggregate relationships between entrepreneurship and SME activity and economic growth and job creation (OECD, 2011).

Researchers have shown that a larger number of small businesses and new start-ups are positively linked to more rapid economic growth (Audretsch & Keilbach, 2005; Acs et al., 2005; Erken, Donselaar & Thurik, 2008).

Similarly, an important link has been established between new and small business activity and job creation, as new and small firms absorb labour from downsizing elsewhere in the economy, create new employment opportunities, and boost competitiveness (Neumark, Wall & Zhang, 2008; Haltiwanger, 1999; Halabisky, 2006; Henrekson & Johansson, 2009).

In fact, the International Labour Organization (ILO, 2019) highlights that the self-employed and small businesses together accounted for around 70% of total employment in a sample 99 countries.

The self-employed and SMEs account for large shares of employment

Furthermore, it was found that the combined employment share of the self-employed and small businesses declined as a country's income level increased. In other words, entrepreneurs and small businesses tend to account for larger shares of employment in middle- and low-income countries. **Specifically, the ILO (2019) found that this employment share is highest across Africa, the Middle East, and South Asia.**

The large share of employment accounted for by entrepreneurs and small businesses also means this market segment – and the policies, environments, and strategies intended to support SMEs – can play a vital role in addressing key social and development obstacles. In this regard, the ILO (2019) recommends the following: ***"Supporting small economic units should be a central part of economic and social development strategies worldwide, but especially in low- and middle-income countries."***

North Africa can do more to support SMEs and entrepreneurs

3.2 THE NORTH AFRICAN PERSPECTIVE

The Organisation for Economic Co-operation and Development (OECD, 2018) highlights that many North African countries increasingly recognise the social and economic role of SMEs and entrepreneurs and have taken certain steps to support these enterprises.

That said, policies and strategies implemented in support of SMEs and entrepreneurs vary significantly across countries and are at different stages of advancement.

The OECD (2018) notes, though, that North African countries can do more in general to maximise the resources devoted to SMEs and entrepreneurs and enhance coordination among the many policy actors.

Various other areas for improvement are advised, including simplifying regulatory environments, bridging information asymmetries, and leveraging additional sources of funding.

The monitoring and evaluation of policies targeted at promoting SMEs are key to assessing their effectiveness and to determining what steps need to be taken to improve policy outcomes in the future.

Policy governance is crucial to ensuring respective stakeholders take accountability for the implementation of policies.

The World Economic Forum (2017) takes a more negative tone, highlighting that many North African countries are *"still nowhere close to effectively catering to SMEs, due to an array of impediments which have not yet been successfully tackled."*

Enhanced support for SMEs can help overcome social challenges

In general, SMEs and entrepreneurs in North African countries are still faced with several obstacles, which will be discussed in greater detail in subsequent sections of this report.

These obstacles prevent North African countries from leveraging the immense benefits associated with thriving SME and entrepreneurial landscapes characterised by an innovative ecosystem.

Aside from the economic benefits, enhanced promotion of SMEs and entrepreneurship can also help overcome social challenges, referring to the high level of unemployment among women and the extremely low levels of female ownership of businesses.

4. THE ROLE OF WOMEN IN THE BUSINESS LANDSCAPE

This section examines the role being fulfilled by women across the North African business landscape. This is achieved by firstly looking into the prevalence of female-owned businesses and the broader function of women in ownership structures.

The analysis then turns to an assessment of business performance, specifically aimed at determining whether there are marked differences in business performance by gender of ownership.

4.1 WOMEN AND BUSINESS OWNERSHIP

Share of women holding ownership in business is extremely low

The share of women holding majority or part ownership in businesses is extremely low in North Africa. Figure 4 shows the percentage of firms with majority female ownership for five North African countries: Egypt, Mauritania, Morocco, Sudan, and Tunisia. The data is sourced from the World Bank Global Enterprise Survey (2021), and the data for the respective countries are for the following years: Egypt – 2019/20; Mauritania – 2014/15; Morocco – 2019/20; Sudan – 2014; Tunisia – 2019/20.

The results are also disaggregated by firm size, where a small firm is classified as having less than 20 employees; a medium-sized firm 20 – 99 employees; and a large firm more than 100 employees.

It is immediately evident that for all these countries, irrespective of firm size, the share of majority female ownership is significantly lower than the global average at 14.4% across different firm sizes. Women being the majority owners of small businesses in Tunisia come closest to the global average but remain some way off with a 9.4% share.

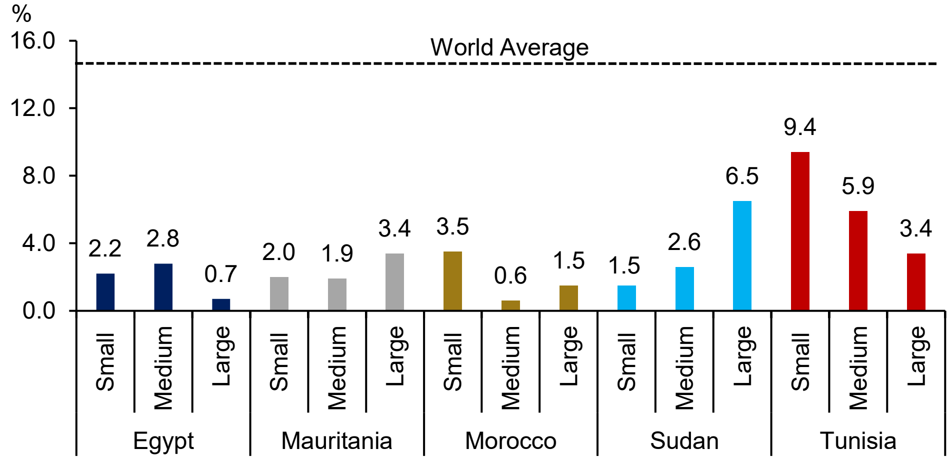
Women more likely to be majority owners of SMEs

Among the sample of North African countries, Tunisia has the highest proportion of majority female-owned businesses across all the different firm size categories. This might be because the share of women who benefit from entrepreneurship products and services (such as scholarships as well as management and technical training) offered by the public sector tends to be higher than men's share (refer to section 8.1). The likes of Egypt, Mauritania, and Morocco all exhibit majority female ownership shares of below 4%.

When considering the results by firm size, it seems women are more likely in general to be majority owners of small to medium-sized firms than of large firms in all the countries except for Mauritania and Sudan.

That said, in most cases the proportion of firms with majority female ownership is disappointingly low and still lags the global average by a significant margin.

Figure 4: Percentage of firms with majority female ownership



Source: World Bank Global Enterprise Survey (2021)

When taking a broader view and considering female participation in firm ownership (women holding anything from 1% - 100% ownership), the results improve in all the countries. This is most evident in the case for Tunisia, where the percentage of firms with female participation in ownership exceeds the global average across all firm sizes.

Also evident from figure 5 is that female participation in ownership is comparatively low in Egypt's case, irrespective of firm size, when compared with the other North African countries in the sample.

Female participation in ownership more likely in larger firms

When assessing the results by business size, it is interesting to note that female participation in ownership is more prevalent in large firms across most of the countries, whereas majority female ownership tended to be more prevalent for small and medium-sized businesses, albeit marginally so.

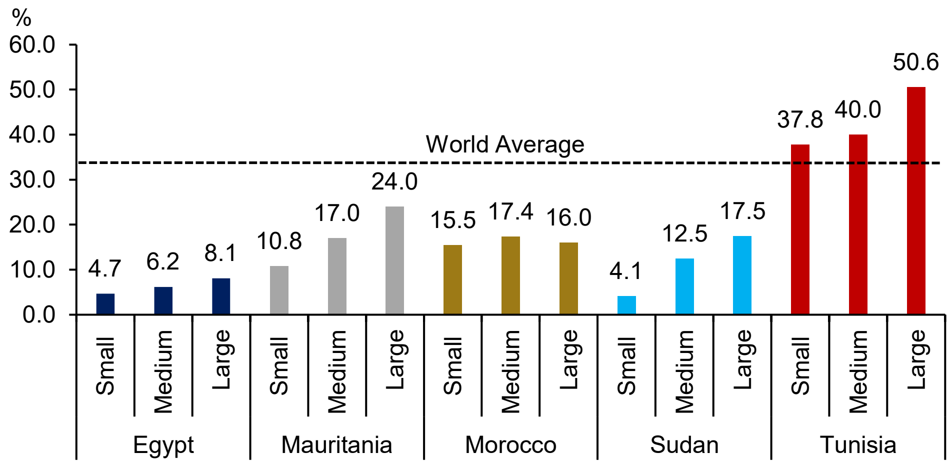
There are one or two possible reasons for this. Firstly, bigger firms typically have larger ownership structures, thereby raising the possibility of women fulfilling minority ownership roles.

Larger firms are also more likely to have to adhere to legislation, policies, or strategies aimed at promoting gender equality.

Regardless, the proportion of firms with majority female ownership is considerably low across different firm sizes, and female participation in ownership is significantly lower for small and medium-sized businesses.

This suggests female entrepreneurs may encounter several stumbling blocks when attempting to start a business, and female owners of small and medium-sized businesses may be faced with obstacles to scale up operations and grow their firms.

Figure 5: Percentage of firms with female participation in ownership



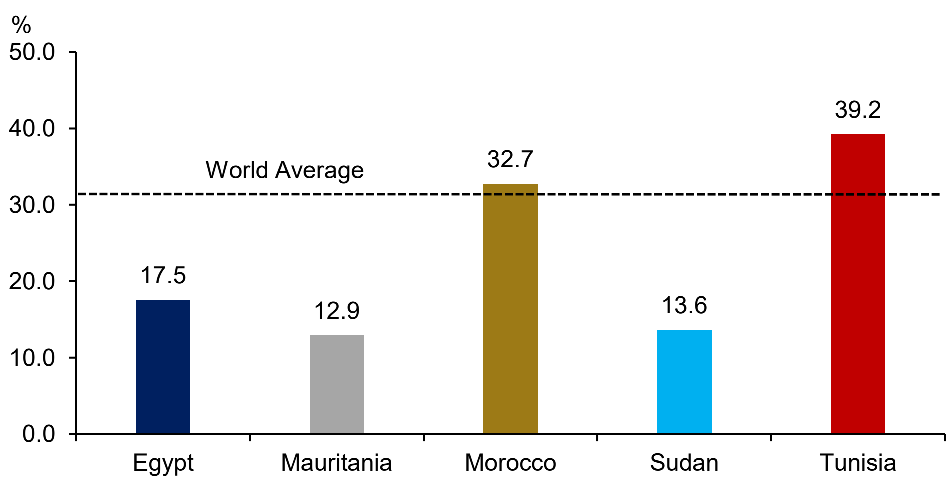
Source: World Bank Global Enterprise Survey (2021)

Proportion of female employment low in most countries

When deliberating the permanent full-time employment of women, the results differ significantly among the North African countries considered. As shown in figure 6, the proportion of permanent full-time employees that are female is significantly higher in Tunisia (39.2%) and Morocco (32.7%).

Both these countries also exhibit higher shares of females in permanent full-time employment than compared to the global average (32.0%).

Figure 6: Proportion of permanent full-time employees who are female

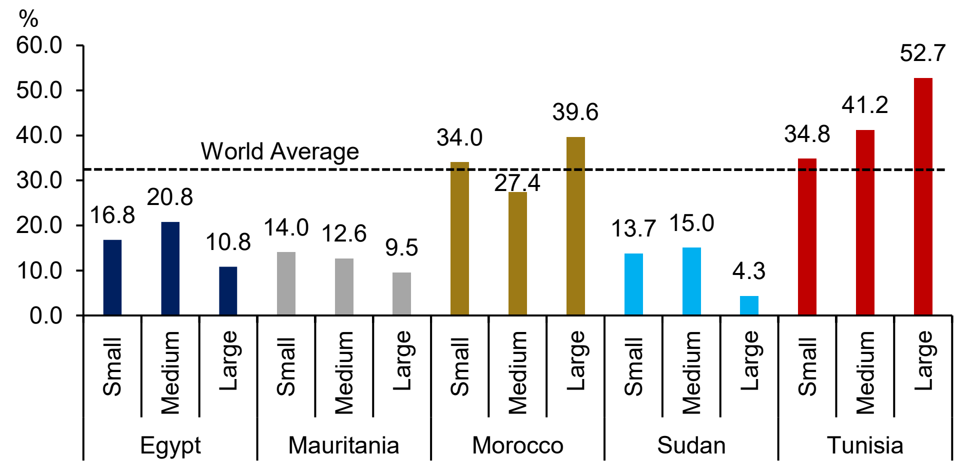


Source: World Bank Global Enterprise Survey (2021)

Egypt, Mauritania, and Sudan lag much further behind. The proportion of permanent full-time employees that are female is estimated at 17.5% in Egypt, with Mauritania and Sudan recording even lower ratios of 12.9% and 13.6%, respectively.

Figure 7 reflects these same figures, just categorised by firm size. In the cases for Tunisia and Morocco, where the proportion of permanent full-time employees that is female is significantly higher compared to the other countries, large firms employ comparatively more women.

Figure 7: Proportion of permanent full-time female employees by firm size



Source: World Bank Global Enterprise Survey (2021)

SMEs fulfil an important role in creating jobs for women

That said, SMEs in these countries also have significant shares of permanent female employees.

In fact, in most cases the proportion of permanent full-time workers employed by small and medium-sized firms exceeds the global average.

This is evident in Morocco where the proportion of permanent full-time female employees is equal to 34.0% for small firms. In Tunisia, the proportion of permanent full-time female employees is equal to 34.8% for small firms and 41.2% for medium-sized firms.

Interestingly, in the remaining countries where female employment is generally much lower (Egypt, Mauritania, and Sudan), SMEs employ proportionally more women.

In general, the results show that small and medium-sized firms fulfil an essential role in creating employment for women in these North African countries.

4.2 EVIDENCE ON THE GENDER GAP IN SME PERFORMANCE

The question arises whether business performance differs according to gender of ownership. The evidence around difference in performance between female-led ventures compared with male ones is mixed and inconclusive. Some studies find that female-owned businesses display weaker levels of performance compared with male-owned firms. One of the most widely cited reasons is a lack of access to finance and credit for female-owned firms. Other explanations for this underperformance include societal factors and poor education.

Fairlie and Robb (2009), for example, investigate the performance of female-owned businesses relative to male-owned businesses using confidential US Census Bureau data for the years 1992 to 1996. They find that female-owned businesses are less successful than their male counterparts for reasons which include having less start-up capital and lower levels of human capital (acquired through prior work experience).

Literature finds female business underperforms due to inhibiting factors

Similarly, examining the SME landscape in India, Chaudhuri, Sasidharan and Raj (2018) found significant underperformance in the size, growth, and efficiency of firms owned by women. The authors also highlight that their findings show that limited access to small-business credit represents a significant disadvantage for female-owned firms. Williams and Kedir (2017), meanwhile, found a negative association between female ownership and firm performance as captured by annual sales growth rates and annual employment growth rates when considering the case for Turkey.

Other studies have also found that female-led SMEs consistently report lower average profits and lower productivity than male-owned SMEs (Campos & Gassier, 2017; Hardy & Kagy, 2018).

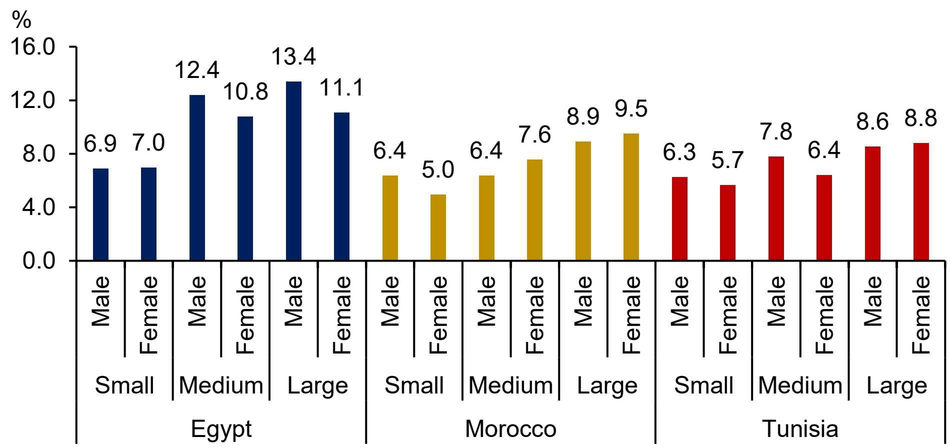
However, certain studies argue that there is no statistical difference in firm performance when comparing male and female ownership. Through a survey analysis of 109 SMEs based in King William's Town in the Eastern Cape Province of South Africa, Shava and Rungani (2016) find no evidence of a difference in firm performance between male and female entrepreneurs within the minimal or extensive business-related experience categories. Others, meanwhile, argue this point but highlight that this is mainly the case when certain factors are controlled for. When controlling for important demographic differences, Robb and Watson (2012) find that the gender gap in firm performance disappears.

Conversely, there are instances where researchers have found that female ownership is in fact associated with stronger firm performance. Wu et al. (2017) investigated the Chinese landscape and concluded that female participation in top management significantly promotes SME performance. Kengne (2016), meanwhile, investigated the financial performance of SMEs in South Africa and observed that mixed ownership resulted in better performance. Separate studies carried out by Nordea Bank, Credit Suisse, and Boston Consulting Group (BCG) also find promising evidence of female ownership being associated with better performance metrics.

In this study, performance is broadly viewed from both a sales and an employment perspective. The main source in this regard is the firm-level survey data from the World Bank Global Enterprise Survey (2021). When the available data is disaggregated by gender, the sample sizes for the North African countries are too small in relation to the narrower definition of majority female ownership. Thus, the broader definition relating to female participation in ownership was used instead. Sample size constraints also prevent including Mauritania and Sudan in the assessment.

The annualised nominal sales growth for firms of different sizes in Egypt, Morocco, and Tunisia is shown in figure 8. In Egypt, small firms reflect fairly similar sales growth performance when comparing firms with female participation in ownership and those with only males as owners. For medium and large businesses, however, firms with only males as owners record stronger sales growth. In the case for Morocco, small male-owned firms register stronger sales growth, whereas female participation in ownership is associated with higher sales growth for medium-sized and larger businesses. In Tunisia, small and medium-sized firms with only males as owners perform better, whereas sales growth is fairly equal in the case of larger firms.

Figure 8: Nominal annual sales growth by firm size and gender of ownership



Source: World Bank Global Enterprise Survey (2021)

Female participation in ownership linked to weaker sales growth

On average, the results suggest that male-owned businesses perform better in terms of sales growth in more cases across countries and firm sizes, and this is also the case when only SMEs are considered. That said, there are a significant number of cases where female participation is associated with stronger performance, and hence the results may not be definitive. This may partly be explained using the broader definition of female participation rather than majority female ownership – due to sample constraints.

In turn, this means that even if females participate in ownership, ultimate control over decisions may still rest with males. In fact, in the sample of firms with female participation in ownership, roughly 70% constitute firms where females have minority ownership.

Furthermore, sample sizes for businesses with female participation in ownership remain small, which makes the findings more susceptible to specific firm responses, even after accounting for outliers. That said, this partly stems from the low prevalence of female-owned businesses in these countries.

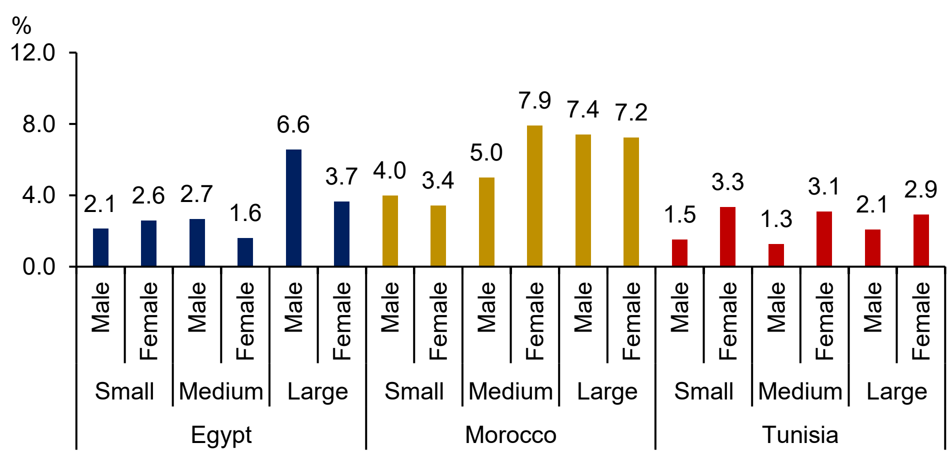
Nonetheless, the results leaning towards solely male-owned firms, even when compared with the broader female participation classification, taken together with the very low incidence of female-owned businesses, suggest that women may be confronted with various challenges and obstacles that inhibit sales performance and broader entrepreneurial ambitions.

When the attention turns to growth in the number of jobs, it is immediately evident from figure 9 that employment growth was significantly slower than sales growth in most cases. This is partly explained by the fact that the assessment above considers nominal sales growth, while relatively elevated inflation in the likes of Egypt (inflation averaged 7.1% during 2019-20) and Tunisia (inflation averaged 6.2% during 2019-20) would have weighed on real sales growth performance.

Female participation in ownership linked to stronger jobs growth

Regardless, in most instances , the evidence suggests that employment growth was stronger in more cases across countries and business sizes when a firm had female participation in ownership. This was less evident in Egypt and most evident in the case of Tunisia. Also noteworthy is that employment growth tended to be stronger in larger firms, which is in line with the higher sales growth recorded by these companies. This outcome is contrary to the finding on sales growth, and while the same limitations apply regarding the broader female-ownership participation classification and small sample sizes, the results do suggest that female participation in business ownership is associated with stronger employment growth to some extent.

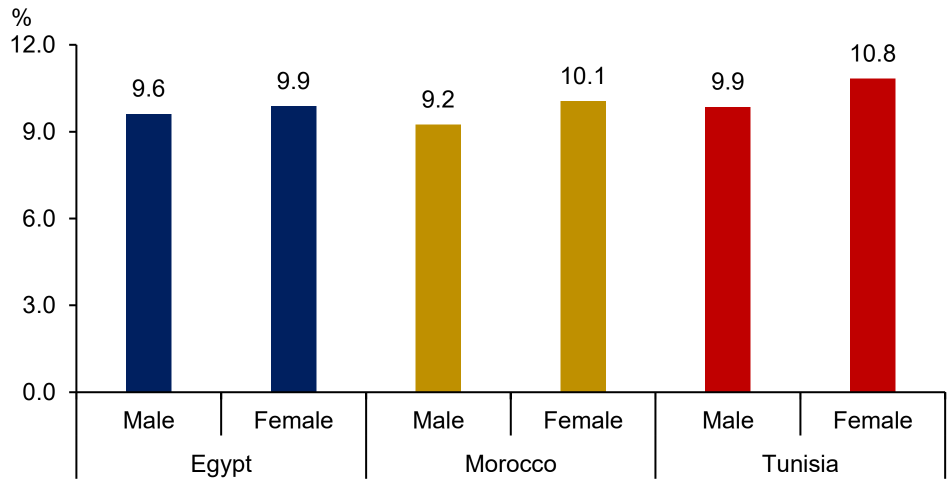
Figure 9: Annual employment growth by firm size and gender of ownership



Source: World Bank Global Enterprise Survey (2021)

Next, considering the average number of workers employed by small firms and disaggregated by gender, it is evident from figure 10 that small businesses with female participation in ownership tend to employ more workers on average across all three countries being considered.

Figure 10: Average number of employees in small firms by gender of ownership

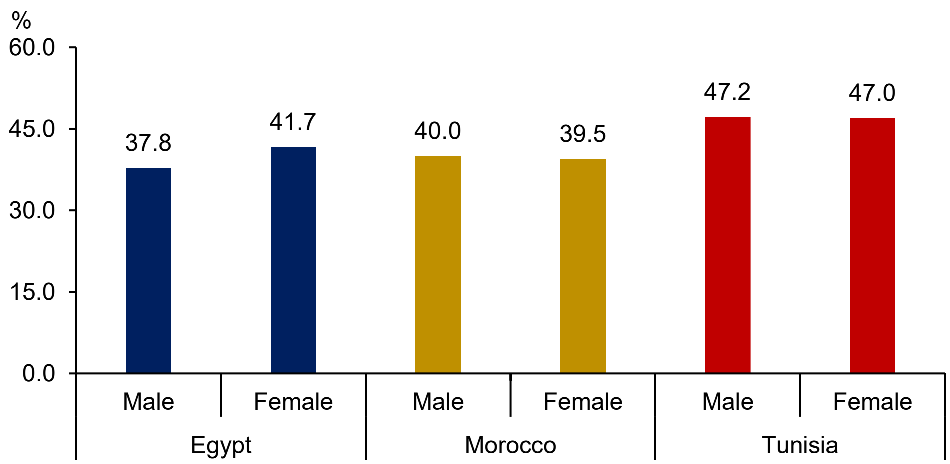


Source: World Bank Global Enterprise Survey (2021)

Small firms with female ownership employ more workers

For medium-sized firms the results are more uniform across gender in the cases for Morocco and Tunisia, whereas firms with female participation in ownership employ significantly more workers on average in the case of Egypt.

Figure 11: Average number of employees in medium-sized firms by gender of ownership

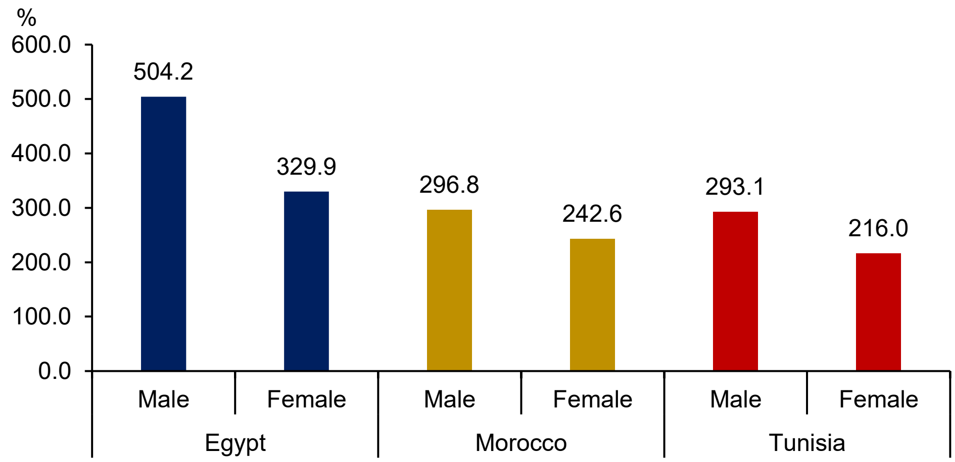


Source: World Bank Global Enterprise Survey (2021)

Interestingly, the findings related to large firms reflect the opposite of that witnessed in small firms. In all cases, large firms with only male owners employ significantly more workers. **Taking a more holistic view, the consolidated results suggest that firms with female participation in ownership employ**

more workers in smaller firm settings, whereas female participation in ownership is associated with lower employment on average in the case of larger firms.

Figure 12: Average number of employees in large firms by gender of ownership

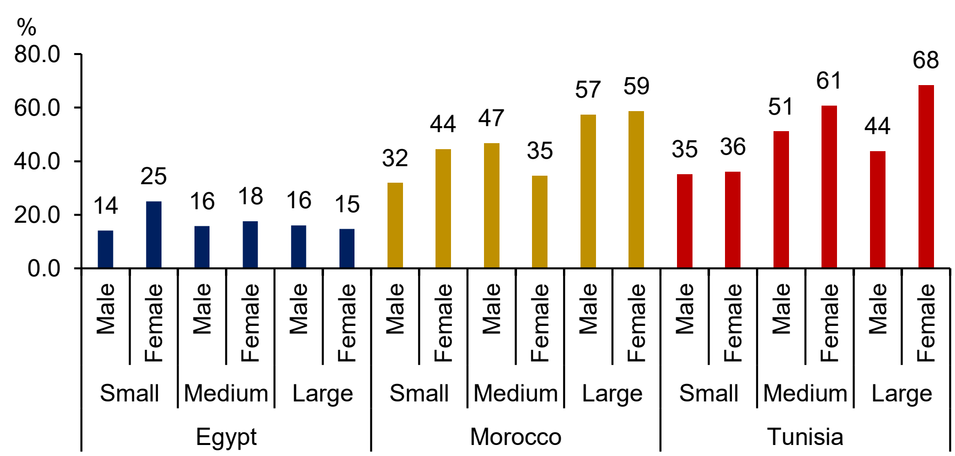


Source: World Bank Global Enterprise Survey (2021)

Firms with female ownership employ proportionally more women

Next, when considering the employment of women specifically, **the results from the assessment suggest that firms with female participation in ownership tend to employ proportionally more women**. These findings are evident from figure 13, which shows the proportion of female workers by firm size and gender of ownership. In most cases across countries and firm sizes, firms with female participation in ownership is associated with a higher share of women in employment. These findings are especially evident for small firms in Egypt, small firms in Morocco, and both medium and large firms in Tunisia.

Figure 13: Proportion of female workers by firm size & gender of ownership



Source: World Bank Global Enterprise Survey (2021)

4.3 KEY FINDINGS

This section summarises the key findings from the assessment above, also drawing inferences from a more holistic view in relation to the results.

Firstly, in terms of female ownership of businesses, these inferences are noteworthy:

- Majority female ownership of businesses is considerably low across the sample of North African countries.
- Majority female ownership is significantly more prevalent in SMEs.
- Women are more likely to assume minority ownership roles in larger firms.
- SMEs fulfil a vital role in creating employment for women.

In examining the possible differences in firm performance by gender of ownership, it is worth emphasising that sample size constraints (partly due to the low prevalence of female ownership) necessitated utilising the broader definition of female participation in ownership rather than considering majority female ownership. The following key findings should be stressed:

- Female participation in ownership is linked to weaker sales growth performance.
- Female participation in business ownership is associated with stronger employment growth to some extent.
- Smaller firms with female participation in ownership employ more workers on average.
- Firms with female participation in ownership tend to employ proportionally more women.

Investment and policies geared towards female-owned SMEs can boost jobs for women

In summary, majority female ownership of businesses is extremely low across the sample of North African countries. Majority female ownership is also significantly more prevalent in SMEs. **This suggests female entrepreneurs may be faced with challenges when attempting to start a business, and female owners of SMEs may be confronted with obstacles to scale up operations and grow their firms.**

Furthermore, the findings suggest that **policies, strategies, and investments directed towards supporting female-owned SMEs may have a greater impact and multiplier effect towards creating more jobs for women and addressing the large employment gap between males and females and the high rate of female unemployment across North African countries.**

5. FACTORS DRIVING AND INHIBITING ENTREPRENEURS AND SMEs

The purpose of this section is to consider the factors driving or inhibiting entrepreneurial and SME businesses' success, with the North African landscape being the focal point.

5.1 FACTORS CRITICAL FOR SUCCESS

Despite being a key driver of economic growth and innovation, most new small businesses are fragile and often tend to fail. It is estimated that around 80% of new start-ups go out of business within five years, while even fewer start-ups survive past ten years (Urban, 2020).

According to the literature, some of the factors crucial for SME success are:

- **Financing:** A successful business is one that is profitable, and access to capital is crucial for expansion and achieving economic efficiency. However, SMEs often struggle to gain access to loans or credit through formal financing means, leaving them reliant on personal finances.

  This implies that an individual's socio-economic background also plays a role in their ability to successfully start and run a small business, further emphasising the importance of making financing available to entrepreneurs (Rodrigues et al., 2021).

Access to capital is crucial for expansion and achieving economic efficiency

- **Strategic planning and other competencies:** Strategic planning is not only key to ensuring long-term growth, but also to ensure adaptability within an ever-changing environment. Without strategic and operational plans, small-business owners often fail to estimate the profitability required to sustain operations in the long run.

  This tends to lead to companies operating at a loss and exiting the market (Urban, 2020). Those companies that manage to operate at a profitable margin may still struggle to achieve optimal growth levels without a clear strategy in place.

- **Entrepreneurship and innovation:** A successful business owner usually has an entrepreneurial and innovative spirit – they look for opportunities and challenges and seek out networks and partnerships.

  Networks can be key to gaining access to resources, new markets, or social capital (Rodrigues et al. 2021).

- **Management capacity:** A small-business owner may have an entrepreneurial spirit but could lack the management skills necessary to make the business successful. In these cases, an owner might appoint a manager to deal with the day-to-day operations of the business.

  Managerial skills include budget planning, customer relations, finance, sales, marketing, and human resources management. Soft skills also known as “people skills” are invaluable when it comes to navigating interpersonal interactions in the workplace. Soft skills differ from hard skills or “technical skills” and include communication, attitude, work ethic, critical thinking, and teamwork (Doyle, 2022). The development of these soft skills for women is especially necessary to empower them to confront patriarchal structures within the business context.

Other factors related to the broader economic, infrastructural, and policy environment also play a role in encouraging entrepreneurial activity and supporting business ventures.

5.2 THE MAIN CONSTRAINTS

The Global Entrepreneurship Monitor (GEM, 2022) provides details about the general entrepreneurial environment of over 50 different economies.

In all four North African countries under consideration, basic school entrepreneurial education & training and R&D transfer are identified as being close to *“very inadequate”* on a scale of 0 to 10, where 0 = very inadequate and 10 = very adequate.

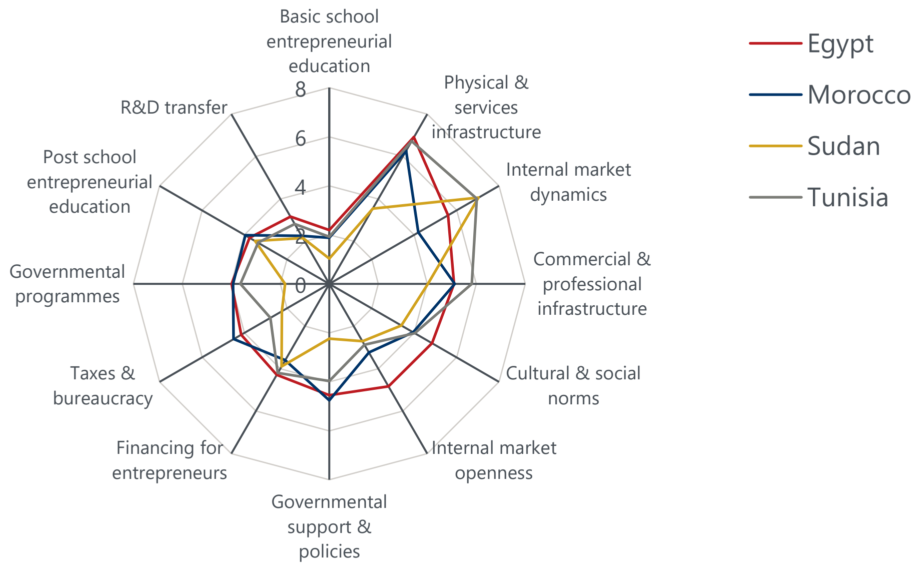
Other factors, such as post-school entrepreneurial education, governmental programmes, tax & bureaucracy, financing for entrepreneurs, government support & policies, internal market & openness, and cultural & social norms are also considered less than adequate in most of the countries (with a score of five or less), while factors such as physical & services infrastructure, internal market dynamics, and commercial & professional infrastructure are closer to *“very adequate”.*

These findings suggest there is much to be done in terms of improving the broader entrepreneurial framework conditions in North Africa, particularly when it comes to education (both basic and post-school), government support in the form of policy programmes and R&D, and financing for entrepreneurs. By improving the broader entrepreneurial environment, governments can foster entrepreneurship − a process that leads to the creation of SMEs.

But SMEs in North Africa also face a wide array of challenges when it comes to entering and operating in the private sector.

Entrepreneurial education is considered inadequate across North Africa

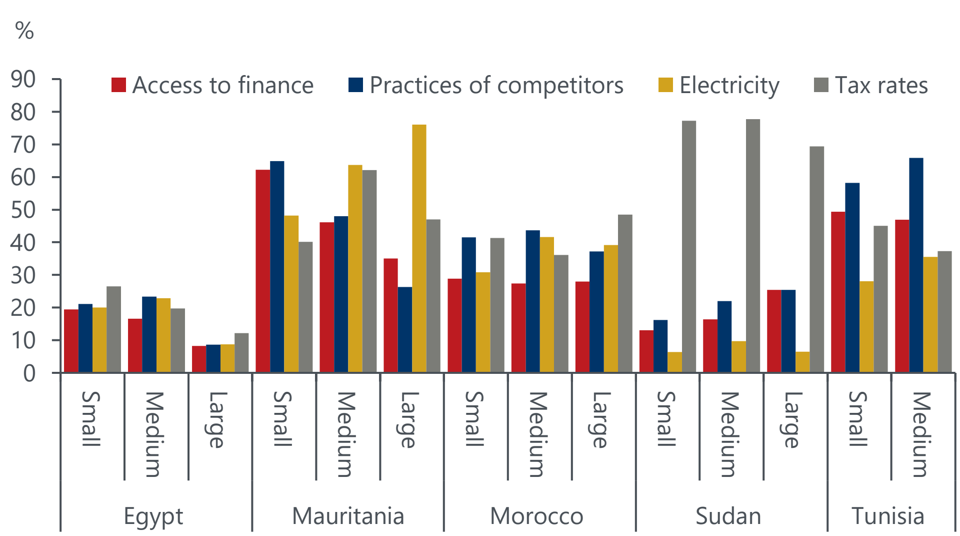
Figure 14: Expert ratings of the entrepreneurial framework conditions



Source: Global Entrepreneurship Monitor (2022), 0 = very inadequate; 10 = very adequate

According to the World Bank Global Enterprise Survey (2021), small (5 – 19 employees) and medium-sized (20 – 99 employees) firms operating in North Africa identify the practices of competitors in the informal sector, tax rates, electricity, and access to finance as major constraints. Each of these are considered in more detail below. Other factors deemed major constraints, albeit to a lesser degree, include business licensing and permits, customs and trade regulations, labour regulations, and an inadequately educated workforce.

Figure 15: Major constraints to SMEs



Source: World Bank Global Enterprise Survey (2021)

- **Practices of competitors in the informal sector:** Small and medium-sized firms, particularly in Mauritania, Tunisia, and Morocco, identify practices of competitors as a major constraint.

  Activities in the informal sector are hidden from regulation and because of this, firms operating in the informal sector may benefit from lower input costs or engage in tax avoidance or tax evasion. This often enables them to sell goods at a lower price than businesses in the formal sector, which ultimately squeezes the profit margin of registered SMEs. **Female entrepreneurs also tend to have trouble accessing markets not only due to the practices of competitors in the informal sector, but also because of a lack of access to inputs, tools, assets, and networks**.

- **Tax rates and tax administration:** While several studies have found that the Mena region in fact has comparatively low tax rates when compared with the rest of the world, the issue for SMEs seems to be one of fairness and efficiency.

  According to the IMF, in the Mena region, *"corporate income taxes have relatively competitive rates, but suffer from widespread exemptions, often provided in non-transparent ways and with a high degree of discretion"* (Jewell et al., 2015). The tax administration in many Mena countries is also often *"inefficient and exercises significant discretion, which leads to unfair treatment of citizens and businesses"* (Jewell et al., 2015). A lack of transparency and preference in taxation may leave SMEs feeling unfairly treated, while an inefficient tax administration simply adds to the frustrations of small-business owners.

  That said, countries such as Egypt have made significant progress in making their tax regimes more SME friendly in recent years. In 2020, Egypt issued the New Micro, Small and Medium Enterprises (MSMEs) Development Law, which grants tax and non-tax incentives to MSMEs.

Many SMEs in North Africa identify electricity as a major constraint

- **Electricity:** Egypt, Tunisia, and Morocco have levels of electricity access comparable with Europe, the US, and Australia[1]. Nevertheless, many SMEs still identify electricity as a major constraint. In fact, between 20% and 40% of SMEs participating in the World Bank Enterprise Survey in Egypt, Tunisia, and Morocco said that they experience electrical outages. This figure is much higher (around 90%) for Mauritania and Sudan. On average, SMEs in Egypt, Morocco, and Tunisia say they are affected by one or less electrical outage in a typical month, while this figure rises to between three and six outages per month in Mauritania and Sudan.

[1] Where electricity access is defined as having an electricity source that can provide very basic lighting and charge a phone or power a radio for four hours per day.

Fakih, Ghazalian and Ghazzawi (2020) also note that *"the extents of power outages in the Mena region are more significant compared to many other geo-economic regions".* They also highlight that *"power outages have generally direct and indirect effects on the overall performance of firms, causing increases in economic costs, reductions in produced quantities, and eventually decreases in sales and productivity".* Many North African countries have, however, acknowledged these challenges and are making strides in becoming energy self-sufficient and shifting towards the use of renewable energies.

Access to finance is identified as a major constraint by SMEs in North Africa

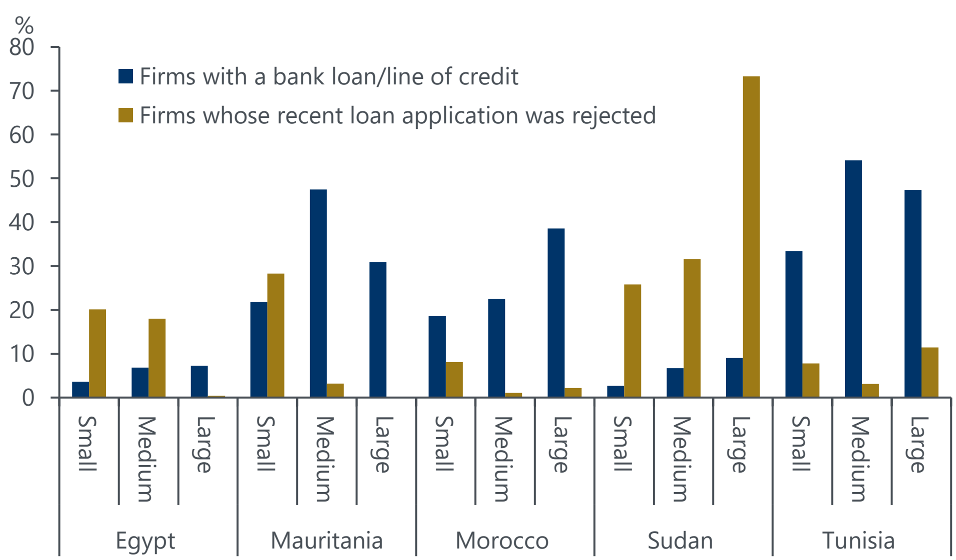
- **Access to finance:** While the North African banking system and the private sector are relatively large and well-established compared with other African countries, larger companies often benefit disproportionally from bank lending relative to smaller companies.

  This is commonly the result of a lack of standardised auditing or regulatory frameworks for assessing SME creditworthiness and risk, which makes banks reluctant to lend to smaller businesses (Ahamed, 2021). Public entities also still tend to dominate the borrower profiles of state-owned banks, which makes it difficult for private sector companies to obtain the funding necessary to implement the changes required for further growth and development.

  According to the World Bank Enterprise Survey, a greater share of smaller firms relative to large firms identify access to finance as a major constraint in most North African countries. Specifically, the survey shows that between 50% and 70% of small and medium-sized firms in Tunisia and Mauritania identify access to finance as a major constraint, while this figure is lower for Morocco, Egypt, and Sudan (ranging between 10% and 30% of SMEs).

Figure 16: Access to formal financing is a constraint

SMEs often struggle to gain access to bank credit relative to large firms

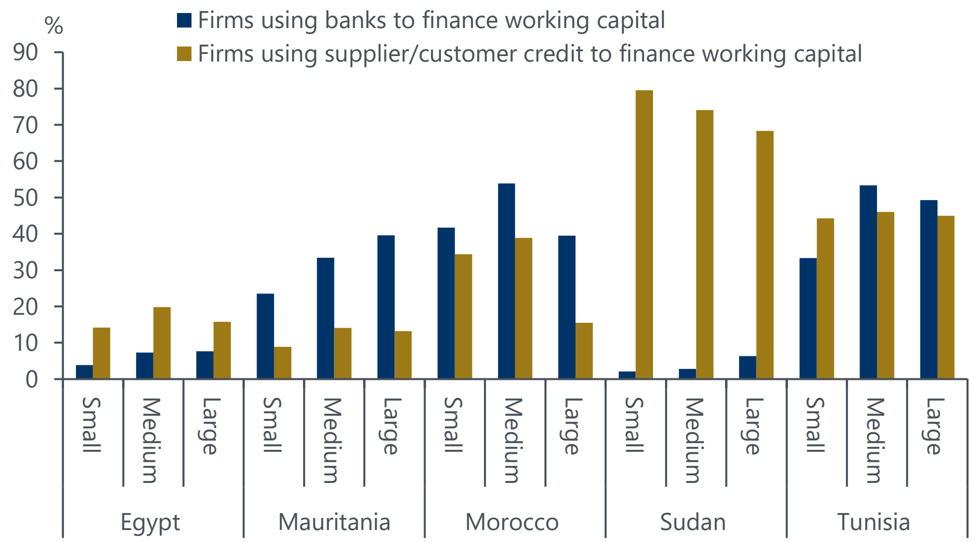


*Source: World Bank Global Enterprise Survey (2021) *dataset ranges 2014-20*

Figure 16 shows that in most cases the percentage of firms with a bank loan/line of credit is typically lower for smaller firms relative to larger firms, while the percentage of firms whose recent loan application was rejected is often higher for smaller firms relative to larger firms.

Given that SMEs struggle disproportionately relative to large firms to gain access to formal lines of credit, they often resort to other means of financing. Figure 17 shows that smaller businesses in North Africa often turn to supplier or customer credit to finance their working capital because they cannot get access to bank credit.

Figure 17: Financing working capital using supplier/customer credit or bank



*Source: World Bank Global Enterprise Survey (2021) *dataset ranges 2014-20*

Similar studies also suggest that entrepreneurs rely to a large extent on informal sources of finances, such as family and friends, because they face *"substantial difficulties obtaining the funding necessary for business creation and expansion"* (OECD, 2011).

A financing disconnect often leaves SMEs credit constrained and unable to access the funding necessary to make investments that would enable their further expansion, and hence growth.

6. ACCESS TO FINANCE

Given the essential role that access to finance fulfils in driving entrepreneurial and SME success, this section considers financial access in greater detail, highlighting any differences between males and females.

Access to finance is not only unequal across company size in North Africa, but also across gender lines, with women's access to finance disproportionately low.

Although women's access to finance has improved significantly over the past decade, the World Bank reports that women in North Africa still perform poorly relative to men across several financial inclusion metrics.

According to the World Bank, financial inclusion means that *"individuals and businesses have access to useful and affordable financial products and services that meet their needs, delivered in a responsible and sustainable way"* (World Bank, 2022).

Account ownership − which shows owners of accounts with a bank or regulated institution such as a credit union, microfinance institution, or mobile money service provider – is a fundamental measure of financial inclusion.

Women perform worse than men when it comes to account ownership

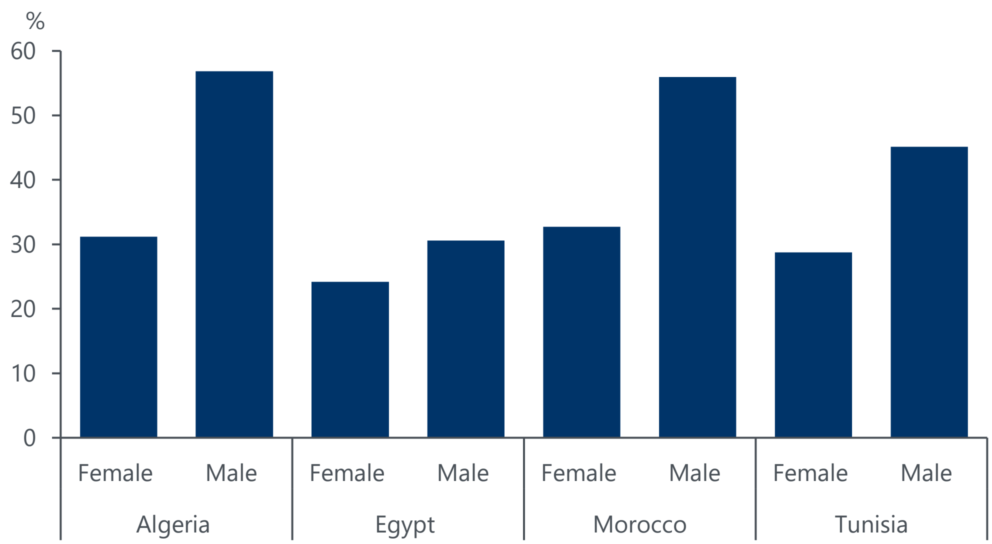
Account ownership enables account holders to access various types of financial products and services, such as credit, savings, insurance, remittances, and payments and therefore acts as a gateway to financial access.

Evidence shows that account holders are more likely to use these financial services *"to start and expand businesses, invest in education or health, manage risk, and weather financial shocks"* relative to those who are not account holders (World Bank, 2022).

Therefore, account ownership is a stepping stone to other types of financial services that enable entrepreneurs and SME owners to access financing necessary to start and expand businesses.

Figure 18 demonstrates that women perform worse than men across North Africa when it comes to account ownership. This implies that women struggle more than men to gain access to the types of financial products and services made accessible through account ownership, which may act as a barrier to female entrepreneurship.

Figure 18: Account at a financial institution or mobile money service

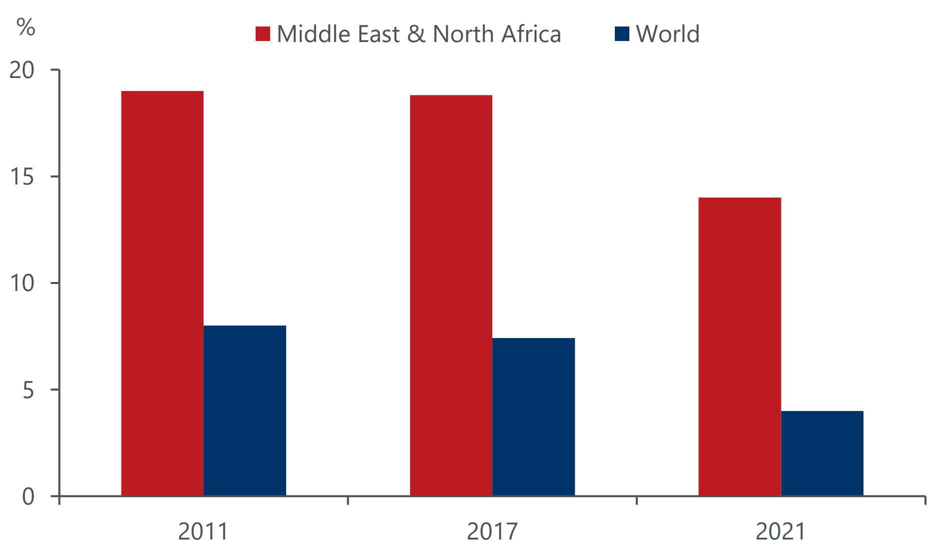


Source: World Bank's Global Findex Database (2021)

A significant gender gap in account ownership in the Mena region is shown in figure 19. Although the account ownership gender gap in the Mena region has fallen by 5 ppts to 14 ppts over the 2011-2021 period, it remains high relative to the global average of 4 ppts. In 2021, 60% of men compared with 46% of women in the Mena region owned an account, compared with the global average of 78% of men and 74% of women.

Low account ownership among women affects financial access

Figure 19: Gender gap in account ownership, 2017 - 2021



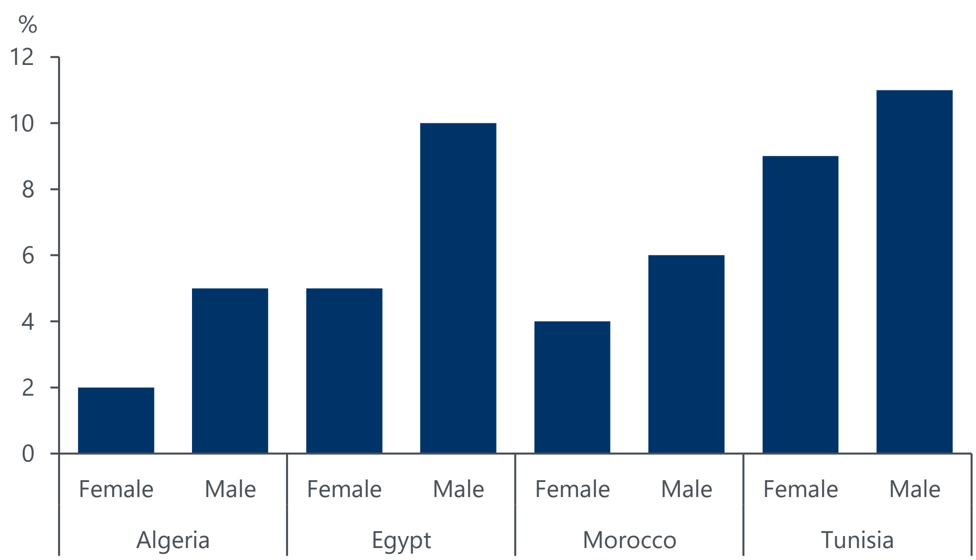
Source: World Bank's Global Findex Database (2021)

If account ownership is a stepping stone to financial products and services, it is therefore not surprising that women perform poorly relative to men on most other financial inclusion metrics.

Figure 20 confirms that significantly fewer women relative to men have borrowed money from a formal financial institution or a mobile money account. Algeria, Egypt, Morocco, and Tunisia also score considerably worse on this metric when compared to the global average of 28% of women and 31% of men.

This suggests that despite having among the more developed financial and banking sectors on the African continent, North Africa still lags advanced economies when it comes to formal financing channels. This means that not all private sector financing needs are fulfilled by formal financing channels.

Figure 20: Borrowed from a financial institution or mobile money account

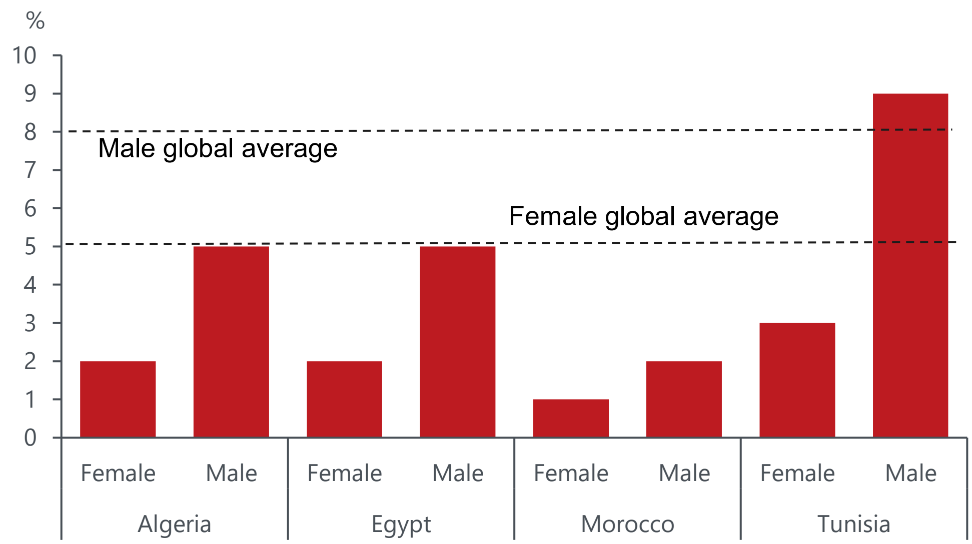


Source: World Bank's Global Findex Database (2021)

A lack of access to formal financial institutions or mobile money accounts compared to men has also meant that fewer women have borrowed money to start, operate, or expand a business.

For this metric, North African countries also score below the global average of 5% of women and 8% of men, except for Tunisia, which scored slightly higher than the global average for men.

Figure 21: Borrowed money to start, operate, or expand a farm or business



Source: World Bank's Global Findex Database (2021)

Fewer women than men have borrowed money from a formal financial institution

Data from the World Bank's Women, Business, and the Law (2022) series, which measures the laws and regulations that affect women's economic opportunity in 190 economies, also shows that the limitations on women's access to finance in North Africa are not necessarily of a legal nature – thanks to many discriminatory legal provisions being eliminated in recent years.

Limitations on women's access to finance are not necessarily of a legal nature

In fact, the dataset finds that there are no explicit laws limiting women in North Africa from opening a bank account, gaining access to credit, or even registering and owning a business.

The dataset does, however, suggest that the restrictions to economic activity may be of a more social nature. In some North African countries, women might be treated differently to men when it comes to travelling, signing a contract, participating in employment deemed to be too dangerous or in a specific industry, being the head of a household, and having immovable property rights.

These findings suggest that many women still face obstacles in their day-to-day lives that men otherwise do not. These traditional gender norms may implicitly extend to perceptions around female entrepreneurship and women in business.

7. THE ROLE OF GENDER-SMART INVESTING

This section firstly outlines the conceptual framework for the role of female entrepreneurship and female SME ownership in sustainable development and job creation. Thereafter, we turn to defining gender-smart investing, before focusing on how this strategy assists in bridging the gender financing gap while also highlighting the challenges faced by gender-smart investors.

7.1 FEMALE ENTREPRENEURSHIP IN SUPPORT OF SUSTAINABLE DEVELOPMENT AND JOB CREATION

There is a wide collection of literature on the relationship between female entrepreneurship and sustainable development. Through a bibliometric analysis and systematic literature review of research on female entrepreneurship published between 1991 and 2021, Raman et al. (2022) find that existing research tends to frequently link female entrepreneurship with SDG 10 (reducing inequality), SDG 8 (decent work and economic growth), and SDG 5 (gender equality). They also find evidence of at least 14 other SDGs being interlinked with female entrepreneurship in the literature.

Much of the literature seems to suggest that a greater social awareness on the part of women compared with men tends to be a key channel through which women affect sustainable development. Raman et al. (2022) highlight that *"women possess strong creative and opportunity-sensing capabilities that lean towards innovative, socially responsible business leadership, promoting societal well-being and sustainable development".* This enhanced social awareness often starts at home or within their own communities, where women are more likely to share their economic and non-economic gains such as education, health, and other resources (Orser, Riding & Manley, 2006; Sajjad et al., 2020).

In fact, the African Development Bank (2022) highlights that women typically reinvest up to 90% of their income in the education, health, and nutrition of their family and community, compared with up to 40% for men, which implies that investing in women's businesses can positively transform societies.

Nichter and Goldmark (2009) argue that female-owned SMEs *"play a crucial role in increasing and diversifying household incomes".* Increased financial independence on the part of the women, whose role also usually extends to homemaker and caretaker, often means that they are more likely than men to spend their money on household needs. This supports poverty alleviation and improved care for children (Ge et al., 2022). Greater investment in a child's future essentially contributes to the demographic transition and gives *"a new generation of young women a better starting position to enter the labour market or to start their own businesses"* (Quak, Barenboim & Guimarães, 2022).

This is also a key message in the World Bank's 2012 report on Gender Equality and Development, which argues that *"greater gender equality is also smart economics, enhancing productivity and improving other development outcomes, including prospects for the next generation and for the quality of societal policies and institutions"* (Fulvia, 2013). Through entrepreneurship, women become empowered both economically and socially, which leads to greater gender equality. This gives women more influence in household decisions, which enables them to *"challenge gendered cultural practices and renegotiate social and political inequalities"* (Ge et al., 2022).

A regression analysis on the data of 69 developing and developed countries from the 2015 female entrepreneurship index (FEI) report further confirms the *"positive impact of women entrepreneurship on all economies of the world including developed and developing nations".* The study finds that female entrepreneurs contribute towards greater social development, partly through their impact on improving education and health outcomes. Female entrepreneurs also act as role models for future entrepreneurs, passing their skills and knowledge on to the next generation (Sajjad et al., 2020).

Several studies have been carried out on the role of female entrepreneurship in promoting female empowerment, social inclusion, economic freedom, equality, innovation, and poverty alleviation. In a qualitative case study, Okolie et al. (2021) explore how Igbo Women's Basket Weaving Enterprise in Nigeria alleviates poverty through *"informal entrepreneurial learning, socio-cultural and economic issues, individual values in business start-ups and development in the cities after post-primary education".*

A survey by UNCTAD on female entrepreneurship and innovation, which uses a sample of 456 male and female high-growth entrepreneurs across a total of six developing and developed countries, also finds that drivers of innovation for female and male entrepreneurs differ: *"Women entrepreneurs, more often than men, innovate to address a social need in their communities,"* (Fulvia, 2013).

The ability of female economic empowerment (through entrepreneurship) to promote further employment opportunities (SDG 8: decent work and economic growth) is also outlined in a paper by Quak, Barenboim and Guimarães (2022). The paper discusses the rationale behind MUVA – a Mozambican not-for-profit programme focused on female entrepreneurship projects in Mozambique.

The paper argues that female-SME ownership not only creates employment opportunities for individual women, but it also opens opportunities for working with others, both directly – *"as employees (male and female)"* – and indirectly – *"through forward and backward linkages with other enterprises in the formal and informal economies".*

A growing body of literature suggests that female-led businesses tend to employ more women and hence create jobs while also bridging the gender gap in the labour market.

Okah-Efogo and Timba (2015) show that in Cameroon, male-owned businesses had between one and seven female employees, while female-owned businesses employed between two and 15 females in the workplace.

Coffman, Exley and Niederle (2018) also find during a research experiment conducted in the United States that female employers will hire female workers approximately 50% of the time, compared with male employers who will hire female workers less than 40% of the time.

This phenomenon is called "homophily" or the "attraction of similarity" − a sociological theory coined in 1954 by Paul Lazarsfeld and Robert Merton, which states that similar individuals will move toward each other and act in a similar manner. Homophily extends beyond the labour market to the venture capital space, where it has been found that *"the overwhelming majority of investors are men who tend to invest in ventures run by all-male founding teams"* (Skonieczna & Castellano, 2020).

Similarly, *"venture capital firms with women partners are more than twice as likely to invest in women-led enterprises and more than three times more likely to invest in enterprises with women CEOs"* (Skonieczna & Castellano, 2020). These findings suggest that increased female SME-ownership may lead to increased representation of women.

This matches our findings (in section 4.3) for North Africa, which show that:

- Female participation in business ownership is associated with stronger employment growth to some extent.
- Smaller firms with female participation in ownership employ more workers on average.
- Firms with female participation in ownership tend to employ proportionally more women.

7.2 DEFINING GENDER-SMART INVESTING

In 2009, the term *"gender-lens investing"* was coined by Jackie VanderBrug and Joy Anderson in response to an emerging field by a group of gender-equity leaders (AWEF, 2021). Gender-lens investing is often used interchangeably with the term *"gender-smart investing"* in the literature.

Gender-smart investors acknowledge the disparities between men and women, particularly within the context of financial systems, and seek to use finance as a tool for promoting gender equality.

Gender-smart investing, therefore, refers to *"the process by which these gender-smart individuals and organisations apply that [gender smart] approach to investment design"* (GenderSmart, 2022). Specifically, this entails using capital to *"simultaneously generate financial return and advance gender equality".*

Gender-lens investing is more than just providing women with access to capital

This type of investment typically occurs through three key gender lenses:

1. **Providing women with access to capital:** investing in businesses that are owned or led by women.

2. **Addressing workplace equity internally and throughout the value chain:** investing in businesses which tend to or intend to have workplace equity as a key policy.

3. **Promoting products and services that benefit or address the commercial needs of women and girls:** viewing women and girls as consumers and offering products and services that fill this market opportunity (Sasakawa Peace Foundation, 2020).

Gender-lens investing takes many different forms and has emerged in numerous African countries via private equity funds, impact investing funds, microcredit institutions, venture capital or even angel investor groups. In some countries, it targets specific economic sectors.

This investment approach has gained popularity in recent years, with investment strategies focused on female fund managers and gender-lens investing amounting to $7.7bn of assets under management in 2021, up by 61% from 2018.

In the North African context, gender-smart investing has a significant part to play in addressing the finance gap and therefore supporting female empowerment.

7.3 GENDER-SMART INVESTING EMPOWERS WOMEN ECONOMICALLY, BOOSTS JOBS AND RESILIENCE

Gender-smart investing plays an essential role in improving the gender outcomes of women and thus in achieving the fifth goal of the UN's SDGs 2030, which is to *"achieve gender equality and empower all women and girls"* (United Nations, 2022). Specifically, by allocating capital to companies that are committed to improving women's representation in leadership, as well as gender diversity and inclusion, gender-smart investors can contribute towards attaining gender equality.

Box 1: Moroccan OCP Group earns its first EDGE certification

The OCP Group, a world leader in the phosphate fertiliser market, acquired its first level of Economic Dividends for Gender Equality (EDGE) certification in early 2022. EDGE is the global standard for assessing corporate performance in terms of gender equality.

The first level, which is referred to as Assess, includes several criteria related to *"the gender balance within core functions, recruitment and promotion policies, pay equity, and inclusive culture".*

By acquiring the first level of the qualification, the OCP Group has positioned itself as a pioneer for not only Moroccan companies but also the global mining industry. The OCP Group hopes to attain the highest level of EDGE certification by 2024.

Furthermore, gender-smart investing can target and strengthen sectors that employ women, thus helping to not only create job opportunities, but to improve the quality of existing jobs. In addition, gender-smart investors can support the development of financial products and services required by women, thus improving women's ability to access finance and supporting their personal and business endeavours.

Box 2: Reducing staff turnover through communication in Egypt

A study by the Arab Women's Enterprise Fund (AWEF) found that female employees in the Egyptian citrus subsector were often ill-treated by their predominantly male supervisors, resulting in a high staff absenteeism and turnover of female employees. To address this issue, the Train-the-Trainer (ToT) model was developed by AWEF in partnership with leading agricultural firms and training service providers. The training focused on strengthening communication between female employees and their male supervisors and changing the behaviours of male supervisors towards female employees. The nine packhouse firms which participated in the training reported substantial savings in terms of improved production, productivity, quality, efficiency, and effectiveness, as well as lower staff turnover and absenteeism rates (AWEF, 2021).

Gender-smart investing plays an important role in closing gender gaps

The impact of gender-smart investing does not end there. Given the crucial role of women at home, the empowerment of women both economically and socially leads to improved development outcomes for the entire family unit and often even for the community (this is outlined in the conceptual framework in section 7.1). This links back to the findings which suggest that women tend to reinvest more of their income in the education, health, and nutrition of their family and community compared to men. This contributes towards the achievement of several other SDGs, including eliminating poverty (SDG 1), reducing hunger and achieving food security (SDG 2) , achieving good health and well-being (SDG 3), and fostering quality education (SDG 4).

In this regard, the OECD-DAC (2011) argues that more equitable access to assets and services, such as land, water, technology, innovation and credit, banking, and financial services, will strengthen women's rights, increase agricultural productivity, reduce hunger, and promote economic growth. This is because *"gender equality and empowered women are catalysts for multiplying development efforts".* Therefore, the OECD argues that investment in gender equality and women's empowerment is key to improving economic, social, and political conditions in developing countries.

In the same context, the Food and Agriculture Organization of the United Nations (FAO, 2011) highlights that if the agricultural yield gap between rural men and rural women was brought to the same level, overall agricultural output in developing countries would increase by 2.5% to 4%. This would reduce the number of undernourished people by 12% to 17% (100 million – 150 million). To achieve this, however, women would need to have the same access to resources such as land, technology, financial services, education, and markets as men − this requires investment with a specific focus on women.

Bridging the gender gap through increased investment in female employees and female entrepreneurs is, therefore, a key first step to achieving not only sustainable development, but also in building the resiliency required to both survive and recover from the economic crisis (UN Women, 2020).

Box 3: Helping rural women in Tunisia through technology

The World Bank's #EmpowerHer initiative connects rural women with young and unemployed tech graduates to develop start-ups for apps that help provide rural women with services.

Over 97 youth were brought together through a series of 'hackathons' whereby apps were designed and created, and five winning app ideas were selected.

The apps included: Ahimni (an online service that enables rural women to enrol in social services), Hands & Crafts (a web platform selling traditional craftworks), Carpet Plus (a platform for the design and sale of hand-made personalised carpets), Auction it 4 Her (an online bidding platform for authentic Tunisian products), and She Shares (a pooling platform for female artisans to buy and transport raw materials) (Haddad, 2018).

The benefits of gender-smart investing extend to enhancing company competitiveness and performance, solidifying supply bases, and improving human capital (CDC & IFC, 2020). This can *"unlock opportunities for increased profit, growth, and innovation"* while also contributing towards a more diverse and improved workplace culture.

7.4 CHALLENGES TO GENDER-SMART INVESTORS

Although investing from a gender lens is on the rise, some have questioned whether the practice leads to improved financial performance. In February 2021, the Financial Times (2021) published research which suggests that gender-lens funds have *"collectively underperformed their relative benchmarks"*.

Although the methodology applied in the Financial Times research has been criticised, a separate piece of research by Capital Monitor (Bindman, 2021) also finds that *"gender lens funds appear to be neither strongly under[performing] nor outperforming their peers",* supporting arguments by some fund managers that gender lens-investing is not necessarily associated with better financial returns.

Gender-lens investors need to meaningfully engage on gender-related issues

Capital Monitor, however, argues that it might be difficult to unlock the benefits of gender-smart investing if gender inequality continues to persist at the company and societal level . This is because broadly entrenched gender norms may be inhibiting the performance of gender-lens funds.

This suggests that beyond providing financial assistance to companies, gender-lens investors need to ensure meaningful engagement with companies on gender-related issues at the policy level.

An article written by the founder of Domini Impact Investments, a mutual fund company with a small portfolio that applies the gender lens, highlights that in many countries it is uncommon to see women in leadership positions. This makes it difficult to implement the qualifying purchase requirement that a company must employ one female on the executive management team or have one female on the board of directors. When the one woman on the board or in a top management position leaves the company, fund managers are often faced with a situation in which they must sell portfolio holdings because the qualifying purchase requirement is no longer met. This seems to suggest that inclusion or diversity may not be filtering through to the whole company (Domini, 2018).

Furthermore, a paper on the Gender Lens Investing Landscape (Sasakawa Peace Foundation, 2020) in East & Southeast Asia explores some of the key challenges faced by gender-lens funds.

These include varying understandings of gender-lens terminology; pre-conceived notions about gender-lens investing; conscious or unconscious gender biases possessed by members of an investment team; difficulty accessing female entrepreneurs or businesses that may be in *"less visible pipelines";* and challenges around gender-disaggregated data on impact metrics.

8. THE ROLE OF PUBLIC POLICY

This section considers the role of public policies in supporting female entrepreneurs and businesses owned by women. Various initiatives already in place are highlighted, along with public policy shortcomings. The section also examines what role other stakeholders, including the private sector, development institutions, and multilateral organisations, can fulfil to help drive and support interventions aimed at boosting entrepreneurship among women.

8.1 POLICY ENVIRONMENT

Most North African countries have made considerable progress in adopting comprehensive legislation concerning SMEs. Despite a relatively well-established legislative environment for SMEs in North Africa, the legal frameworks tend to be gender neutral. In other words, the specific challenges faced by female entrepreneurs and business owners in accessing information, markets, financial services, land, and other assets are not explicitly addressed. Specific policies geared towards supporting female entrepreneurship and female-owned businesses are also lacking. This is largely due to the underrepresentation of women in law and policymaking (OECD/ILO/CAWTAR, 2020).

Egypt

SME legislation tends to be gender neutral in North Africa

Since the late 1990s, the Egyptian government has been promoting SMEs – initially through the adoption of the National Policy for SME Development, and subsequently through several other strategies which have sought to boost financial and technical support (IDSC, 2021). Some of the most noteworthy initiatives include the establishment of a dedicated SME agency (the MSME Development Agency, MSMEDA); an SME regulator; a law which formalises the informal economy; and an SME clusters programme. Authorities also launched the National MSME & Entrepreneurship Development Strategy & Operational Plan 2018 - 2030.

However, according to the OECD (2018), Egypt has not made much progress on developing a public-private dialogue platform to improve policy formulation (OECD/EU/ETF, 2018). The ILO (2016) asserts that although women's enterprise development is stated as a priority in Egypt's various national development plans and strategies, a specific action plan is yet to be defined. There is also *"no evidence of gender-sensitivity in the policy framework for SME development".* The current SMEs strategy *"does not recognise the challenges faced by women entrepreneurs or consider measures to foster women entrepreneurship development"* (ILO, 2016). This sentiment is echoed in a report by the Association of Former International Civil Servants in Egypt (AFICS-Egypt, 2007), which identifies a gender gap in the current MSME policies, programmes, and services.

That said, the ILO (2016) does acknowledge that women's entrepreneurship development has been integrated into two government organisations: the Women Business Development Centre (WBDC) – a joint project of the National Council for

Women (NCW) and the US Agency for International Development (USAID) – and the Gender Unit (GU) at the Social Fund for Development (SFD).

The WBDC in cooperation with development partners provides training, business counselling, small-business-related information, and sources of financing for women. In 2011, the WBDC together with the US Government's Global Entrepreneurship Programme (GEP) and Egypt's Association for Women's Total Advancement and Development (AWTAD) hosted a one-on-one mentoring event for over 30 female entrepreneurs). More recently, the Rabeha programme was launched by the UN Industrial Development Organization (UNIDO) and UN Women in partnership with the National Council for Women, the Ministry of Trade and Industry, and the Micro, Small and Medium Enterprises Development Agency. The programme endeavours to significantly boost women's economic empowerment in Egypt by mid-2024 by increasing the economic participation of at least 6,300 women across growth-orientated sectors.

Morocco

Other North African countries could draw inspiration from Morocco's attempts to improve SME policy. In 2002, Morocco adopted an SME law, which established an SME agency, acknowledges associations in support of SMEs, and lays out the support mechanisms in place for SMEs. Since then, Morocco has significantly improved the implementation of its policies for promoting SMEs and entrepreneurship – for example, business legislation has been improved and a strategy to promote micro-enterprises was launched (OECD/EU/ETF, 2018). The SME policy agenda is positioned within the context of the broader national development agenda, which was driven by the Industrial Acceleration Plan for 2014-2020. The SME agency has adopted a contractual framework which aligns with this national development plan and prioritises SME competitiveness and fostering entrepreneurship (OECD/EU/ETF, 2018).

In 2015, Morocco also introduced the *"auto-entrepreneur status"*, which seeks to *"foster entrepreneurial spirit among Moroccans"* through an array of support measures (OECD/EU/ETF, 2018).

Despite these achievements, the OECD asserts that *"there is still much to do to make SMEs a vehicle for competitiveness and development"* (OECD/EU/ETF, 2018). One of these recommendations includes developing a mechanism to monitor and evaluate the impact of measures implemented to support women's entrepreneurship. Much like Egypt, the ILO (2016) asserts that the issue of female entrepreneurship is often not expressed as a priority in government declarations in Morocco. The specific needs of women have not been integrated into these strategies. It is noted that *"businesses run by women, tried, when they could, to benefit from existing policies and strategies which most often turned out to be ill-suited to their needs"* (ILO, 2016).

It is within this context that initiatives resolving to promote female entrepreneurship have been driven largely by a female elite, the private sector, and non-governmental organisations – more attention is required from government (ILO, 2016). In 2000, for example, the Association of Women Entrepreneurs of Morocco (AFEM) − a women's professional association − was founded with the objective of promoting female entrepreneurship. Among other achievements, AFEM played a key role in negotiating a system with the Central Guarantee Fund (CCG) (public financial institution), which covers 80% of an investment loan for an entrepreneurship project led by a woman.

Despite a lacking gendered approach to SME policy, several official national institutional structures support women's issues. These include the Ministry of Solidarity, Women, Family and Social Development (one of its priorities is women's economic empowerment), the Mohammed V Foundation for Solidarity (income-generating activities are promoted through micro-projects for rural women), and the Ministry of Handicrafts and the Social and Solidarity Economy (promotes microenterprises, cooperatives, and mono-artisans, including women).
Other national institutions, including the National Agency for the Promotion of Small and Medium Enterprises, renamed Maroc PME, have also launched female empowerment-related initiatives.

Tunisia

SME strategies should take a more gendered approach

Unlike Egypt and Morocco, Tunisia, meanwhile, lacks a national SME and entrepreneurship strategy. However, a specific SME support policy is in the pipeline (OECD/EU/ETF, 2018). Several support instruments for SMEs have also been implemented by authorities, including financial restructuring, industrial upgrading, and an export development programme. The Ministry of Industry, Energy and Mines is responsible for SME and entrepreneurship promotion through the General Directorate for SMEs (DGPME) and the Agency for the Promotion of Industry and Innovation (APII).

In 2016, a new investment law was introduced, which has provisions that affect SMEs. According to the OECD (2018), SME coordination remains an unresolved issue − each ministry has their own SME-related mandate, but the coordination mechanism is weak.

Against the backdrop of an absent national SME strategy, a national strategy for women's entrepreneurship is also lacking. The ILO (2016) notes that although there is a growing awareness within government of the potential of women's entrepreneurship, there is an *"absence of a focal point within the government for the promotion and coordination of women entrepreneurship development".* That said, the Ministry of Women, Family and Children is responsible for women's issues in general and is developing a national programme for female entrepreneurship (ILO, 2016).

The ILO (2016) also highlights that the entrepreneurship products and services offered by the public sector tend to lack a gendered approach. Nonetheless, the share of women who benefit from these services and products is high. In 2014, for example, the number of female beneficiaries of microenterprise services (including support scholarships, management training, and technical training) from ANETI (National Employment and Self Employment Agency) was overwhelmingly higher than the number of male beneficiaries (more than 50%). This is probably because the training offered by the public institution tends to target the unemployed population, which is dominated by girls and women.

Several other programmes, which seek to support female entrepreneurs through collaboration between the Tunisian authorities and development partners, also exist. Souk At-tanmia, for example, is a partnership involving almost 20 stakeholders of development business, public and private institutions, as well as civil and academic society, which seeks to provide entrepreneurship support.

General remarks

The findings suggest that specific government policies tailored to female entrepreneurship and female-owned businesses are lacking in North African countries. Nevertheless, programmes targeted at women's entrepreneurship are being implemented at the national level, often in collaboration with international development partners. However, much work needs to be done in terms of gender inclusivity.

Governments should aim to explicitly include female entrepreneurs in their SME strategies, targets, and action plans. Furthermore, to complement broader national SME strategies, specific strategies intended to promote female entrepreneurship need to be developed. These strategies could include objectives for increasing the number of female-owned SMEs, as well as programme measures to address the specific needs of female entrepreneurs.

The lack of gender specifics in SME policy frameworks should, nevertheless, not detract from the significant progress made in passing laws that create a more equal and inclusive environment for women – the broader legal and regulatory environment plays an important role in women's ability to enter business (OECD/ILO/CAWTAR, 2020).

8.2 SUPPORTING PUBLIC POLICY

A lacking gendered approach to SME and entrepreneurship policy has meant that DFIs, IFIs, multilateral organisations, and the private sector have played a leading role in bridging the gender gap in finance.

In 2014, the first line of credit dedicated solely to financing women-owned SMEs in developing countries (valued at $600m) was announced by the International Finance Corporation (IFC) and Goldman Sachs.

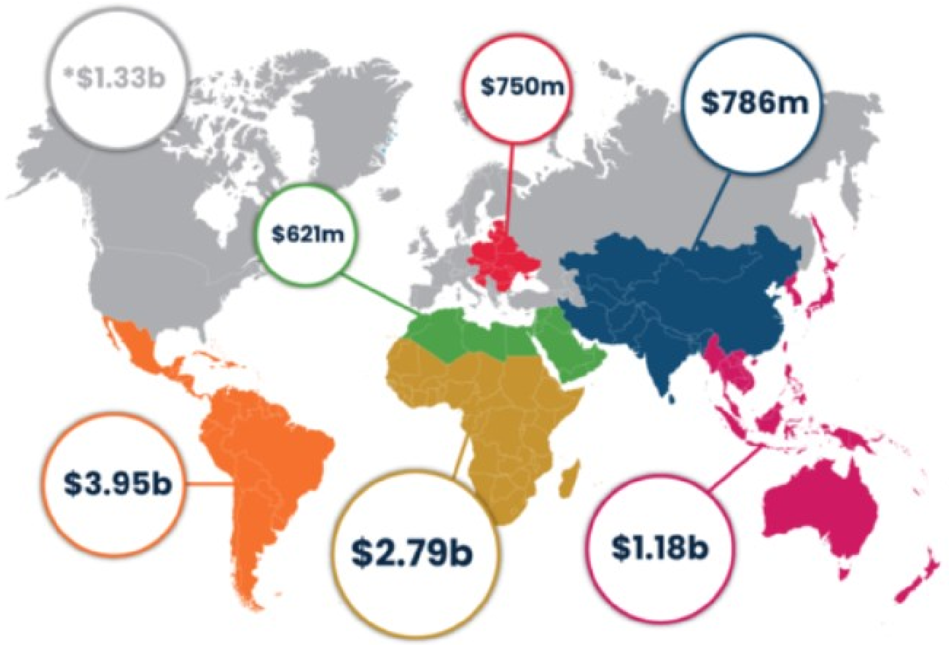
Since then, funding commitments made by DFIs, multilateral development banks (MDBs), funds, and other financial institutions have grown exponentially (AWEF, 2021). Probably among the most significant commitments to gender-smart financing was made by the Group of Seven (G7 countries): Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

At the 2018 summit, they committed to bringing gender-smart investing to DFIs, IFIs, and the broader private sector through the 2X Challenge. The initial target of the 2X Challenge was to raise $3bn in gender-focused investment funds. However, over the 2018-20 period, around $11.5bn in gender-focused funds were committed and mobilised, surpassing this goal substantially.

Only 5% of the funds mobilised during the G7's 2X Challenge went to the Mena region

Most of these funds stemmed from DFI capital ($6.9bn), while the remainder came from private sector capital ($2.5bn) and from other capital ($2.1bn). The funds were mobilised across the financial services, manufacturing, agri-business, and infrastructure sectors. Figure 22, however, shows that just 5% of the $11.5bn went to the Mena region, implying there is room to boost DFI and private sector support for gender-smart investing to North Africa through this initiative (2X Challenge, 2022).

Figure 22: 2X Challenge's investments committed and mobilised (2018-2020)



Source: 2X Challenge

That said, companies with operations in North Africa have benefited from the G7's push for gender-focused investing – see **Box 4** below for more details. Following the successes of the initial fundraising campaign, the 2X Challenge has also committed to raising another $15bn over the 2021-22 period.

Box 4: A pan-African private equity firm takes a gender lens

In 2020, Development Partners International (DPI), a pan-African focused private equity firm, was chosen as the first 2X Flagship Fund as part of the global 2X Challenge. DPI invests in and partners with fast-growing companies operating in high-growth sectors across Africa. Under the African Development Partners III (ADP) fund, the DPL has included several companies operating in North Africa in its portfolio (2X Challenge, 2020). In 2019, the DPI invested $54m in Channel VAS (renamed Optasia), a fintech provider of mobile financial and airtime credit services with operations in Algeria and Egypt (Private Equity Wire, 2019).

In 2020, the DPI invested $56m into Société Industrielle des Conserves Alimentaires (Sicam), a leading Tunisian tomato processing and agri-business. Also in 2020, the DPI, CDC (renamed British International Investment), and the European Bank for Reconstruction and Development (EBRD) established Kelix Bio, a $750m pan-African pharmaceuticals platform (Africa Global Funds, 2022). In March 2022, the platform acquired the Pharmaceutical Institute (PHI), a Moroccan-headquartered producer and distributor of generic and therapeutic pharmaceuticals (Africa Global Funds, 2022). The DPI also partnered with an Egyptian fintech company, MNT-Halan, in 2021 (TechCrunch, 2021).

Both commercial and development banks are also increasingly adopting gendered approaches to investment and lending in North Africa. In May 2022, HSBC Bank launched a $1bn lending fund for female-owned businesses called the Female Entrepreneur Fund in eleven markets, including Egypt. Through the fund, female entrepreneurs can *"access a series of masterclasses hosted by experienced business leaders as well as tailored networking sessions with major companies in markets where the fund operates".* Female entrepreneurs can also pitch to angel investors, gain insights from the investor community, and receive bespoke advisory from experienced HSBC bankers (Zawya, 2022).

Banks are also adopting gendered approaches to investment

Also in May 2022, the EBRD, a multilateral developmental investment bank, offered a $25m financing package to the Export Development Bank of Egypt (EBank) to support SMEs. The funds include a $5m loan under the EBRD's Women in Business (WIB) programme. These funds are intended to serve the financial needs of female-led SMEs, while additional advisory services and know-how will be provided through the EBRD's Advice for Small Businesses Programme (Zawya, 2022). Earlier this year, the German Development Bank (KfW) launched a Regional Call for Proposals in Egypt, Morocco, Senegal, and Tunisia under its Facility Investing for Employment (IFE). The IFE will provide grants to qualifying businesses according to several gender-related criteria (Zawya, 2022).

Meanwhile, there has been a growing trend towards gender-lens investing among DFIs and IFIs in North Africa. In September 2022, the African Women Impact Fund (AWIF) announced that it had received its first commitment of $60m to accelerate its long-term ambitions of raising $1bn over 10 years for female fund managers.

AWIF is an initiative of the ECA together with its partners: UN Women, the Office of the Special Envoy on Women, Peace and Security of the African Union Commission, and the African Women Leadership Network. The initiative is also established in collaboration with the Standard Bank Group, MiDA Advisors, and RisCura. The initial funds, which were received from the Arab Bank for Economic Development (BADEA), the Motor Industry Retirement Funds (MIRF), and Copartes Pension Fund in South Africa, will be invested in high-impact sectors and projects across Africa (ECA, 2022).

British International Investment (BII), the development finance institution of the UK government, is actively supporting the BMCE Bank of Africa in Morocco through a dedicated Gender Action Plan. This plan "*includes supporting the bank to strengthen gender diversity in the workforce and training in banking strategies that are targeted at women and their empowerment*" (Cleverly, 2022).

In 2021, the IFC also launched SheWinsArabia, an initiative which strives to "*help women-led start-ups across the Mena region get the advice, mentorship, and finance they need to grow*". This initiative boosted the knowledge of 15 venture capital funds and 15 accelerators. Just under 80 female start-ups from Morocco, Algeria, Tunisia, Egypt, Jordan, the West Bank and Gaza, Yemen, and the United Arab Emirates were reached through the initiative. To raise funding, the entrepreneurs were also able to pitch their businesses to a panel consisting of Amazon Web Services, Lotus Capital, Plug and Play, and the Abu Dhabi Global Market Academy (We-fi, 2022).

Venture capital firms are also increasing investment in female-owned start-ups

Venture capital firms that provide funds to start-ups or early-stage companies have also shown a growing interest in investing in women. For example, Egypt-based Flat6Labs, a leading seed and early-stage venture capital firm, was the most active investor in female and mixed-team start-ups in Mena in 2021, participating in 18 deals (Wamda, 2022).

While there has been a growing trend towards gender-lens investing in the Mena region, Wamda finds that investment in female-founded start-ups accounted for just 1.2% of total capital raised across 52 deals in 2021 (that is $34.6m of $2.8bn). Given that a large portion of the total funds raised (irrespective of gender) went to start-ups in the UAE ($1.46bn), Saudi Arabia ($647m) and Egypt ($445m), the data suggests that much of the investment did not reach large parts of North Africa (Wamda, 2022). This implies there is significant room for DFIs, IFIs, international actors, and impact funds to expand their footprint in countries such as Morocco, Tunisia, Algeria, Mauritania, and Egypt. These stakeholders should also emphasise adopting a holistic approach, which extends beyond simply providing women with access to capital.

Capacity building of female entrepreneurs and individuals working in the investment space is just as crucial to leverage the full benefits of gender-smart investing.

9. KEY RECOMMENDATIONS

As a precursor to proposing fundamental recommendations and possible remedial actions that may be considered, we first review some of the **key findings** highlighted in this report.

i. The discrepancy between male and female employment in North Africa relative to the rest of the world is substantial. Less than 20% of the employed working-age population in North Africa is female.

   Women experienced significantly higher unemployment rates than men during the height of the COVID-19 pandemic, and they continue to experience relatively higher unemployment rates in the face of the recovery. The economic challenges posed by the Russia-Ukraine war present yet another obstacle to North African women going forward.

ii. The vital role that entrepreneurship and SMEs can fulfil in boosting growth and employment has been well documented in the literature. Aside from the economic benefits, enhanced promotion of SMEs and entrepreneurship can also help overcome social challenges ensuing from the high level of female unemployment and the scant levels of female ownership of businesses.

iii. An investigation into the share of women in the North African business landscape revealed that majority female ownership of businesses is extremely low across the sample of North African countries – suggesting female entrepreneurs may be confronted with difficulties when attempting to start a business, and female owners of SMEs may be faced with obstacles to scale up operations and grow their firms.

   Majority female ownership is also significantly more prevalent in SMEs, which in turn play a substantial part in creating employment for women. Furthermore, female participation in ownership – a broader definition – is only slightly linked to weaker sales growth performance but stronger employment growth performance. Also, firms with female participation in ownership tend to employ proportionally more women.

iv. Access to finance represents a key driver of entrepreneurial and SME success. Other factors related to the broader economic, infrastructural, and policy environment also have a stake in stimulating entrepreneurial activity and supporting business ventures.

   That said, access to finance is not only unequal across company size in North Africa, but also across gender lines, with women's access to finance disproportionately low.

v. Gender-smart investing has the potential to boost economic growth and the employment of women. By improving the economic opportunities for women, gender-smart investing also supports social, educational, and health outcomes.

   All this said, enabling policies and legal frameworks are critical to support gender-lens investing. Specific policies tailored towards encouraging female entrepreneurship are lacking in many North African countries, while there is room to improve the strategic alignment of existing policies.

vi. By advancing female employment and thereby broadening economic opportunities for women, gender-smart investing can contribute to the achievement of the United Nations' SDGs.

   Four of these SDGs are particularly relevant when talking about the outcomes of gender-smart investing: end poverty in all its forms everywhere (SDG 1); achieve gender equality and empower all women and girls (SDG 5); promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all (SDG 8); and reduce inequality within and among countries (SDG 10).

With the key findings elaborated on above providing the necessary context, the following are salient **recommendations** towards improving the business landscape for females and addressing high levels of female unemployment across the North Africa region:

1) **Enhance policy focus on female entrepreneurship and SMEs**: In some cases, specific policies tailored to supporting female entrepreneurship and female-owned businesses are lacking and the implementation of such policies, ideally in line with global best practice, needs to be considered.

   Governments should aim to explicitly include female entrepreneurs in their SME strategies, targets, and action plans. Furthermore, to complement broader national SME strategies, specific strategies directed towards promoting female entrepreneurship should be developed.

2) **Improve policy alignment:** The policy and regulatory environments in place need to be aligned with national objectives, ensuring cross-cutting strategies and action plans across different spheres of the public sector.

3) **Leverage and encourage support from a wide range of stakeholders**: A broader enabling environment is crucial to the ultimate success of gender-lens investing. Government support, through incentive structures, supportive policies, and frameworks, could encourage increased gender-lens investing from the private sector and actors such as DFIs, while also improving the probability of success and the scale of potential benefits.

4) **Gender-lens investing entails more than just financial support:** While access to finance is indispensable, stakeholders and investors need to realise

the importance of broader, but closely aligned interventions related to capacity building, skills development, and the upliftment of women in the workplace and across the value chain.

5) **DFIs, private sector, and investors can expand North Africa intervention:** The findings from the study suggest that DFIs, IFIs, international actors, and impact funds should expand their footprint in countries such as Morocco, Tunisia, Algeria, Mauritania, and Egypt.

   These stakeholders should adopt a holistic approach, which extends beyond simply providing women with access to capital. The private sector can also boost interventions in support of female-owned businesses and female entrepreneurs.

   A value-chain approach often works well in this regard by sourcing from female-owned businesses and providing financial and broader support mechanisms in the form of support from government and multilaterals, as well as incentive structures locally and abroad.

6) **Shift social perceptions on the role of women:** Limitations to female economic activity are also of a social nature – women are perceived to fulfil different societal roles than men.

   Women are still considered the primary caregiver and homemaker, and because of this they are often treated differently when it comes to entrepreneurship and business. To achieve the ultimate goals of accelerated economic growth, development, and job creation, the overall perception of the contribution of women in a male-dominated society needs to be changed.

CONCLUSION

This study investigates the entrepreneurial and SME landscapes across the North African region with a specific focus on the role being fulfilled by women.

The findings highlight that female employment across North Africa is not only disparagingly low when compared to the situation for males, but this gender gap is also wide when viewed from a global perspective. The literature confirms the significant role that entrepreneurship and SMEs can fulfil in boosting growth and employment and addressing gender inequalities. In general, though, it is clear that SMEs and entrepreneurs in North African countries are still faced with various obstacles, preventing these countries from leveraging the immense benefits associated with a thriving entrepreneurial landscape characterised by an innovative ecosystem.

When concentrating on women's share in the North African business landscape, it is evident that majority female ownership of businesses is extremely low. Furthermore, female participation in ownership is weakly linked to weaker sales growth performance and stronger employment growth performance; however, firms with female participation in ownership tend to employ proportionally more women. **This suggests that policies, strategies, and investments conducive to female-owned SMEs may have a greater multiplier effect towards creating more jobs for women and addressing the large employment gap between males and females, besides high female unemployment across North African countries.**

In terms of entrepreneurial and SME success drivers, access to financing or broader financial services is indispensable. Nonetheless, access to finance is not only unequal across company size in North Africa, but also across gender lines, with women's access to finance disproportionately low.

Gender-smart investing's role in improving access to finance and boosting growth and employment cannot be overstated. This said, enabling policies and legal frameworks are critical to support gender-lens investing interventions. Specific policies aimed at supporting female entrepreneurship are lacking in many North African cases, while there is room to improve the strategic alignment of existing policies.

Some of the key recommendations related to the above include: 1) An increased political commitment to focus policy on female entrepreneurship and SMEs; 2) Improve policy alignment; 3) Leverage and encourage support from broader stakeholders; 4) Adopt a more holistic approach to gender-lens investing; and 5) Gain increased support and participation from DFIs, the private sector, and investors across North Africa and abroad.

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