Weekly Insights 11 Mar 2021: Will removing legal & regulatory barriers reduce MENA's yawning gender gap?

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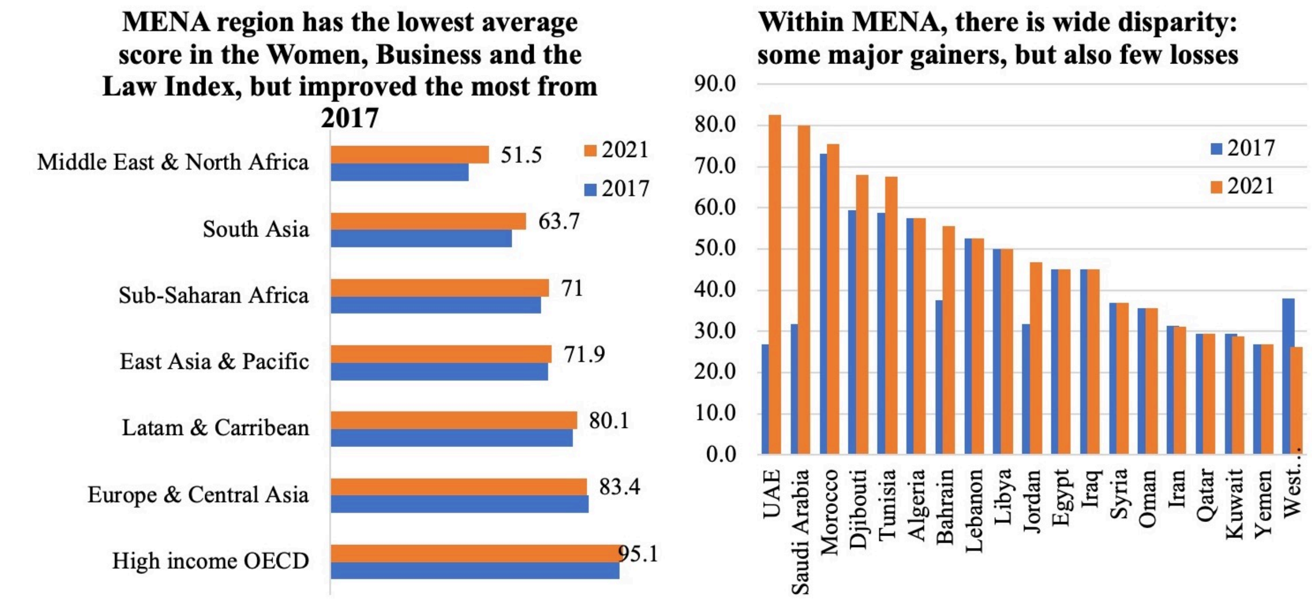
Chart 1. MENA & OECD high-income economies reformed the most in Women, Business & the Law Index 2021



Source: Women, Business and the Law (WBL) database. Charts created by Nasser Saidi & Associates

- The latest edition of Women, Business and the Law found that **economies in MENA reformed the most, posting an average score of 51.5 in 2021.** Agreed, most started from a low base, have lot to catch up on and cross-country variations are the highest!
- **Within the region, the lowest score is at 26.8 (West Bank & Gaza) and highest at 82.5 (UAE)**
- WEF's **Global Gender Gap Index** found that gender gap in MENA narrowed by 3.6 points b/n 2006 & 2019: assuming same progress rate, **it will take approx. 150 years to close gender gap in MENA**

Chart 2. Removing Regulatory Barriers Is Only the Start: it’s a Long Way to Gender Parity!

Where are the Middle East nations lagging behind when it comes to the Law related to women and...

	Mobility	Workplace	Pay	Marriage	Parenthood	Entrepreneurship	Assets	Pension
UAE	100	100	100	60	60	100	40	100
Bahrain	50	75	25	40	40	100	40	75
Djibouti	100	100	50	20	60	100	40	75
Algeria	75	75	50	60	60	75	40	25
Egypt	50	75	0	0	20	75	40	100
Iran	0	0	50	0	60	75	40	25
Iraq	25	100	50	0	20	75	40	50
Jordan	25	0	75	20	40	100	40	75
Kuwait	50	0	0	40	0	75	40	25
Lebanon	100	50	50	60	20	75	40	25
Libya	75	50	75	20	40	75	40	25
Morocco	100	100	50	60	80	100	40	75
Oman	0	75	25	20	0	75	40	50
Qatar	25	0	50	20	0	75	40	25
Saudi Arabia	100	100	100	60	40	100	40	100
Syria	25	25	0	40	40	75	40	50
Tunisia	100	100	25	60	40	75	40	100
West Bank & Gaza	25	25	0	20	0	75	40	25
Yemen	25	25	25	0	0	75	40	25

Source: Women, Business and the Law (WBL) database. Table created by Nasser Saidi & Associates

- **Consider the “best performing” regulatory aspects in MENA** (from the table below):
  - **Entrepreneurship**: 7 of the 19 nations score a perfect 100 and others 75;
  - **Mobility & workplace** regulations should encourage women to enter the workforce;
- ***Does this translate into practice?***

Chart 3. Have Better Regulations Supported Entry of More Women Entrepreneurs in MENA?

Women's Entrepreneurship: Is the gap narrowing in the Middle East?

	Owners of new LLCs	Sole propreitors	Directors of new LLCs
	Share of female business owners	Share of female sole proprietors	Share of female directors
Algeria_2014	6.2%	6.0%	6.1%
Algeria_2018	6.9%	6.6%	6.8%
Bahrain_2014	22.6%	n.a.	17.5%
Bahrain_2018	21.5%	n.a.	19.2%
Jordan_2014	14.6%	16.0%	n.a.
Jordan_2018	17.8%	17.8%	n.a.
Morocco_2014	15.6%	n.a.	10.6%
Morocco_2018	16.7%	41.0%	13.1%
Oman_2014	17.3%	23.1%	12.1%
Oman_2018	13.8%	29.7%	10.6%
Qatar_2014	13.3%	29.3%	7.9%
Qatar_2018	12.6%	21.6%	8.0%
Saudi Arabia_2014	n.a.	n.a.	n.a.
Saudi Arabia_2018	14.6%	n.a.	10.7%
UAE_2014	9.7%	13.5%	n.a.
UAE_2018	8.8%	14.4%	n.a.

Source: World Bank's Entrepreneurship Survey and database.

- **Less than one-fifth of new limited liability company owners are women in the Middle East**: ranges between a high of 21.5% in Bahrain to low of 6.9% and 8.8% in Algeria & UAE respectively
- **Sole proprietorships are more frequently used by female entrepreneurs**: but, evidence shows a wide disparity of women business owners relative to men. This male-female **gap is the lowest in Morocco** with share of women business owners (as sole proprietors) at 41% versus men at 59%

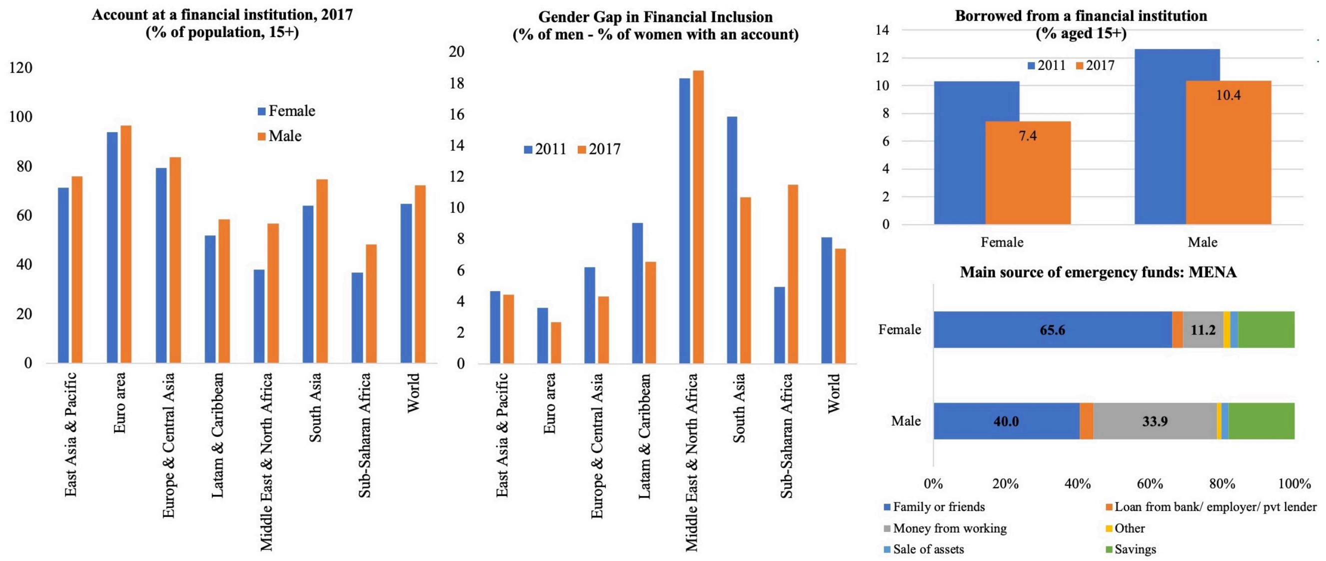
Chart 4. Access to Finance is a Major Barrier

- **One of the biggest challenges when it comes to women**

entrepreneurs is access to finance

1. Higher the access to bank accounts for women, the higher the share of female entrepreneurs;
2. Higher the lending to women, the higher the share of female entrepreneurs

- **MENA reported the largest access to finance gender gap of any region**: 52% of men vs only 35% of women have an account; the **gender gap in financial access increased between 2011 and 2017!**
- **Borrowing from a financial institution was low for both men and women in MENA**: 10.4% and 7.4% respectively in 2017 (lower than in 2011). When in need of emergency funds, **women raise money from friends & family (65%) than other sources**

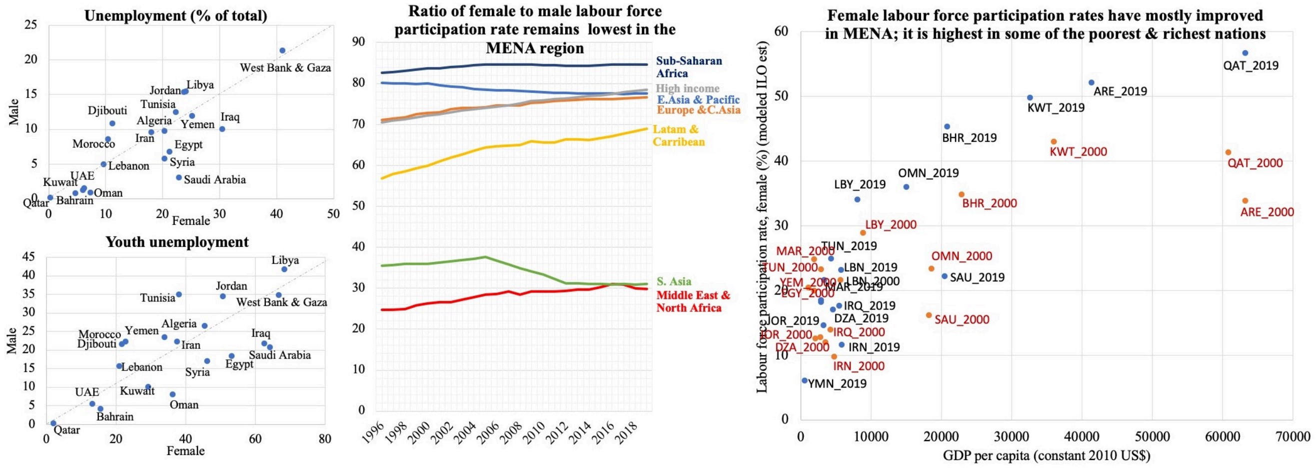


Source: Global Findex database, World Bank. Charts created by Nasser Saidi & Associates

Chart 5.Gender Inequality in Labour Market Outcomes Persist in the MENA region

- **Ratio of female to male labour force participation rates (LFPR) continue to be the lowest in MENA**
- **Large variations in Female LFPRs within MENA**: as high as 56% in Qatar, 34% in Libya (low-income) to lows of 6% & 11% in Yemen and Iran respectively. In most cases, **female LFPR is higher among single women than married** (signalling the influence of cultural/ social norms)

- Even when women actively participate in the workforce, their **share of employment in senior & middle management is small**: 15.8% in the UAE, 19.3% in Tunisia, 19.8% in Iran and 28.9% in Lebanon (ILO)
- Despite relatively high levels of education, **female unemployment is high in MENA & female youth unemployment even higher!**



Source: World Development Indicators, ILO. Charts created by Nasser Saidi & Associates

What can be done to support regulatory reform aiming for gender equality?

- Removing legal and regulatory barriers is necessary but not sufficient condition to reduce the yawning gender gap in the Middle East & North Africa region
- The IMF estimates that reducing the gender gap in labour force participation to double (rather than triple) the average for emerging market and developing economies would have doubled GDP growth in MENA over the past decade: a gain of USD 1trn in cumulative output
- Digital economy and labour market reforms (part-time, flexible work arrangements) will boost women’s overall participation
- Support for women entrepreneurs via: (a) access to finance (loan guarantees, grants, microfinance); (b) women-led networks (VC, angel investors) to invest in women-owned businesses; (c) a “sandbox” for texting new products/ concepts

- Encourage the collection of disaggregate data by gender by the private sector, share them with regulators for policymaking (e.g. share of females employed in senior & management levels, reason for leaving employment, banks' loan portfolios etc.)

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Jordan: Adjustment & Reform along the Path(s) to Economic Prosperity – Opening keynote at EY's Entrepreneur of the Year 2018 Jordan Forum, 26 Nov 2018

Dr. Nasser Saidi gave the opening keynote presentation "Jordan: Adjustment & Reform along the Path(s) to Economic Prosperity" at EY's Entrepreneur of the Year 2018 Jordan Forum titled "The Path to Economic Prosperity" in Amman on the 26th of November 2018.

The presentation covered the global macroeconomic outlook and risks, and focused on Jordan's economic performance and recent reforms. Dr. Saidi also proposed a list of structural reforms needed for private sector development in Jordan, including increasing female labour force participation and a national

digitalisation policy. The talk ended with a slide on focused reforms for “Paths to Prosperity” for Jordan.
Click here to download the presentation.

Enabling the transformative power of new technologies: Article in The National, 1 Jun 2018

The article titled “Enabling the transformative power of new technologies” appeared in The National on 1st June, 2018 and is posted below. Click here to access the original article.

Enabling the transformative power of new technologies

New technologies are disrupting regulated industries including finance, transport, energy, telecoms, health, defense & government

Technology has often resulted in disruptions (remember typewriters, fax machines, film cameras, desk telephones and floppy disks?) but also supported the process of globalization via digital transformations, cross-border flows of data and information, e-commerce and cloud computing.
New technologies have been disrupting many regulated industries including banking and finance, transport, energy, telecoms, health, defense & government. We now live in a world where the largest movie house no longer owns any cinemas

thanks to Netflix, the largest accommodation provider, Airbnb, owns no real estate and where Skype, WeChat and WhatsApp exist without owning any telecom infrastructure.

Blockchain – which has become a buzzword and is associated by the public largely with Bitcoin – distributed ledger technology (DLT) and artificial intelligence (AI) are *general purpose technologies*, with widespread applicability in modern economies.

DLT applications can be used for digital identities of people and companies, maintaining patient records in healthcare, or sale and purchase of real (think property) as well as digital assets, or supply chain like IBMs' fully transparent food system use case for instance. AI will soon become ubiquitous, with applications in national security, data science, business intelligence, healthcare, entertainment and the list goes on.

The UAE's aspiration to support and become a leader in the 4th industrial revolution – with its blockchain and AI strategy – is likely to benefit it to help it transform and diversify its economy. Given its growing digitisation over the past decades, the banking and financial sector is a leading candidate for disruption.

Total global investment in the fintech sector was $122 billion over the past three years, with 2017 alone seeing investments to the tune of $31bn, ,according to Kpmg. The US remains the largest player, accounting for some two-thirds of the investments, but China is fast catching up in this space. As the fintech grows, increased focus should be on its economic development potential: given widespread availability of smartphones, fintech is an enabler for financial inclusion and access to finance.

The Middle East is a ripe playing field for such initiatives, especially given the relatively high mobile phone penetration: among the *unbanked*, 86 per cent of men and 75 per cent of women have a mobile phone but only 35 per cent of women have a bank account. Not to mention how useful it could be for creating digital identities and thereby allow for access to finance and e-services for more than 15 million Syrian, Iraqi and other refugees and displaced in the region. All of this requires investment in infrastructure and an enabling environment.

Supportive Regulatory Frameworks for New Technologies

Current bank regulatory and supervisory frameworks generally predate the emergence of technology-enabled innovation. As regulators in the region start implementing new supervisory models, it is critical to avoid regulatory barriers to adoption and spread of new technologies, especially those that could stifle innovative ideas, while ensuring consumer protection and financial stability.

To facilitate innovation, regulators across the globe have focused on either building regulatory sandboxes – testing in a controlled environment, with tailored policy options – or developing accelerators or "boot-camps" for start-ups, ending with a pitch presentation, or just enabling an "innovation hub" that acts as a place to meet and exchange ideas. In the region, both the DIFC and ADGM are at the forefront with accelerators and regulatory sandboxes in place.

Given the cross-country applications of the technology like DLT and payment systems, coupled with global growth of some fintech firms, cross-country and cross-sector cooperation is essential between regulators. Ongoing discussions are needed, especially with respect to uncertainties: safeguarding data privacy, digital identity and its impact on the use of financial services, cyber security, compliance with anti-money laundering and countering financing of terrorism (AML/CFT), risk mitigation when there is a technology-governance gap and so on.

While incumbents and new entrants evolve and adjust to the disruptive potential, regulators are themselves starting to adapt within this ecosystem, leading to a branch called regtech. What is regtech? The Bank for International Settlements defines it as "any range of fintech applications for regulatory reporting and compliance purposes by regulated financial institutions. This can also refer to firms that offer such applications".

Regtech could transform regulatory compliance by reducing its and risk management at financial institutions. It could also facilitate identity management (know your customer for onboarding, AML/ CFT checks) and improve fraud detection. Suptech – technology for supervisors – goes a step beyond and could increase supervisory effectiveness and efficiency. Some examples include algorithmic regulation and supervision (in areas such as high-frequency trading, algorithm-based credit scoring, robot-advisors) or real time supervision (look at the data as it is generated in the regulated institutions' operational systems) or even moving towards machine-readable regulations. Together, these could result in major paradigm shifts as to how a regulator functions and a major challenge.

Enabling Innovation & Fintech

A new integrated, digital financial world is emerging. The region's policy makers and regulators should support the burgeoning, innovative start-up culture, rather than being protective of incumbents, which are typically owned by governments and have been shielded from competition. Some guidelines and principles are:

1. Be supportive of technologies like DLT, AI and related innovations, and remove barriers to their use by undertaking a pro-active and regular review of regulatory regimes.
2. Create and support innovation facilitators like hubs, sandboxes, incubators, accelerators. The best practice is to review and create structural mechanisms to enable ongoing market engagements.
3. Coordination, collaboration and communication between domestic regulators is necessary. The emergence of innovations such as digital money, crypto-assets, initial coin offerings (ICOs), digital financial and non-financial services, requires the development of new regulatory regimes and cooperation & coordination between regulators in different industries, such as telecoms.
4. Build staff capacity and knowledge of regulators and supervisors in the fast-evolving landscape
5. Digital finance has gone beyond cross-border to become borderless. This requires international coordination and cooperation by authorities to monitor macro-financial risks, mitigate of cyber-risks, and the managing of operational risks from third-party providers, such as cloud-based services.