

SOCIAL ENTREPRENEURSHIP IN THE MIDDLE EAST

TOWARD SUSTAINABLE DEVELOPMENT FOR THE NEXT GENERATION

EXECUTIVE SUMMARY

Despite the promise of an increasingly educated population of young people, the Middle East's "youth bulge" generates pressure on education systems, labor markets, health care, natural resources and infrastructure. In this context, and with constrained public and private resources, traditional development frameworks in the Middle East are proving inadequate and are in need of transformation. Within the complex ecosystem of domestic governments, international donors, private businesses and individual philanthropists, the emerging model of social entrepreneurship offers potential as being one model to address the multi-sectoral challenges young people face in the Middle East.

This report draws on existing literature to focus on four central principles of social entrepreneurship:

- ***Achievement of positive social impact:*** Social entrepreneurship responds to communities that have been marginalized or excluded by existing market actors and non-market institutions;
- ***Non-conventional thinking:*** Social entrepreneurship aims for what Joseph Schumpeter called "creative destruction," a revolutionary transformation of a pattern of production which is often associated with entrepreneurship at large but, in the case of social entrepreneurship, is applied to social challenges;
- ***Use of sustainable methods:*** Social entrepreneurship must include a strategy for achieving financial sustainability, such as earning income; and,

- ***Innovation that can be adapted and “scaled up” beyond the local context:*** It is by pioneering ideas that can be applied at a larger scale that social entrepreneurship is able to contribute to systemic and path-breaking change.

Social entrepreneurship often requires more than one individual to achieve impact and, often, a dedicated organization through which to carry out its work. The social enterprise is an organization with a clear social mission and a strategy that combines resourcefulness and innovation, which allow it to be financially sustainable. Social enterprises can assume a variety of legal and organizational models, but generally can be divided into four categories:

- ***Leveraged nonprofits*** capitalize on the interest of a variety of stakeholders to operate and to secure ongoing support based on a diversified portfolio of funding.
- ***Enterprising nonprofits*** have a self-financing component contributing to the organization’s sustainability.
- ***Hybrid enterprises*** combine aspects of the for-profit and nonprofit legal models, either through an innovative legal structure or by using a for-profit subsidiary to support the social activities of the nonprofit.
- ***Social businesses*** are those that can demonstrate market-level financial performance and competitiveness while expressing an equal or greater commitment to a social aim.

Several trends in the region point to the important role that social entrepreneurship can play in capitalizing on the youth bulge, including an increased sense of social commitment expressed by a growing youth population, the incremental yet increasing ease of doing business in many of the countries, and the growing strategic orientation that is being adopted by the region’s philanthropic donors. Together, these represent promising trends for social entrepreneurs seeking talent and capital to start their own enterprises. Yet only with a conducive institutional

environment can social entrepreneurship grow into a transformative tool in the field of youth economic development.

The Landscape of Social Entrepreneurship in the Middle East

The Middle East is an underrepresented region in the growing literature on social entrepreneurship. More time and research is needed to identify and map the region’s social entrepreneurs and social enterprises. To date, an estimated 78 globally recognized and awarded social entrepreneurs are operating in the Middle East. This report draws analysis from this focused group with the intent to examine trends and patterns. A look at their personal backgrounds and professional accomplishments shows seven common characteristics:

- They are a highly educated group, with the majority of them having attained university degrees and post-graduate degrees.
- As children and youth, most of these individuals were engaged in extracurricular activities, including sports, the arts and youth organizations.
- A third of this group has studied, lived or worked abroad and cite their experience abroad as a factor that has shaped their professional aspirations.
- Most of them have an intimate understanding of, or personal experience with, the problems they are trying to solve.
- A majority of them are pursuing systemic change, with many reaching out to governments to achieve wide-reaching impact.
- They are pioneering new areas of focus, service delivery methods, or products across a wide range of sectors.
- Due to issues of organizational and funding priorities, 73 out of the 78 internationally recognized social entrepreneurs are drawn from only five countries in the region: Egypt, the West Bank and Gaza, Jordan, Lebanon, and Morocco.

Social entrepreneurs in the Middle East face a number of challenges, some of which are common with their counterparts globally, and others that are more unique to the environment in the region. Their challenges can be broadly clustered in three broad categories: policymaking and governance related challenges, the need for greater institutional, operational and financial support, and the lack of social and cultural awareness and recognition of their work.

The Role of Key Institutional Actors

Globally, social entrepreneurship has flourished where key institutions and economic actors are actively engaged in creating a conducive environment that supports and cultivates new, indigenous ideas and innovative practices.

Governments have a critical role to play in fostering the growth of this nascent field by i) creating and enforcing the appropriate regulatory framework for the functioning of social enterprise, ii) engaging with social enterprises and rewarding success through recognition, procurement and partnership, and iii) developing and supporting the broader ecosystem for social entrepreneurship.

Businesses in the Middle East, including multinational corporations, are finding it increasingly worthwhile to invest in producing a better trained workforce and creating fertile ground for entrepreneurship and innovation. To this end, social engagement by the corporate sector can take three forms: i) providing traditional corporate philanthropy, ii) engaging in strategic social partnerships, and iii) developing commercially viable, inclusive business models. Within each of these categories, there is room for greater coordination and collaboration with social entrepreneurs working on the ground.

In addition to an increasing interest from social investors, there is a growing array of global organizations providing more than just financial capital to social enterprises. **Intermediary organizations** provide a variety of services that connect

social entrepreneurs and enterprises to the capital and services they need to build their organization. They are also useful to investors, providing valuable information on investment risks and mitigation. International support organizations for social entrepreneurs are active in the Middle East but are limited in their coverage, reaching only a few countries in the region. There are only a small number of investment networks, market facilitators and incubators specifically for social enterprises in the region.

International official development assistance plays a central role in economic development in many parts of the region, such as Egypt, Iraq, Jordan, the Palestinian Territories and Yemen. Given this presence, international donors and other global actors have the potential to play a more catalytic role in cultivating youth innovation and development by partnering with social enterprises on the ground.

Across the Middle East, **higher educational institutions** are beginning to support the study and practice of traditional entrepreneurship through competitions, academic programs and incubators. Such initiatives are crucial for the promotion of entrepreneurship and should be adapted and replicated throughout all universities in the region. However, it is equally important that they include a clear social entrepreneurship component which is currently lacking. Educational institutions can play a major role in i) raising awareness and building a knowledge base on social entrepreneurship, ii) building a social entrepreneurial culture and developing skills, and iii) providing services and creating pathways for the sector's development.

Moment of Opportunity

In the Middle East, any progress in youth development will depend on active collaboration across institutions on the national level as well as greater cooperation between countries at the regional level. The moment of opportunity for global players to influence and harness the potential of such partnerships is now. Social entrepreneurship is one platform upon which to do

so. It requires that key institutional actors work together to create a supportive environment for innovation and growth in the area of sustainable development. Government, business and civil society leaders must pursue new ways to identify and then adapt good practices emerging across the region and around the globe. The rec-

ommendations in this report are proposed to facilitate the development of institutional alliances that need to take place in order to capitalize on social entrepreneurship, boost economic opportunities for young people in the Middle East, and prepare the region become more fully integrated into a rapidly changing global economy.

Recommendations

The following recommendations are directed toward multiple institutions and stakeholders across regional and local levels. are drawn from field-based interviews and consultations with practitioners throughout the region.

- 1** *Clearly define social entrepreneurship in the Middle East.*
- 2** *Standardize benchmarks for measuring social and environmental returns and impact.*
- 3** *Support incubators and seed funds targeting youth-led social enterprise start-ups.*
- 4** *Assess the feasibility of national replication funds.*
- 5** *Set up a regional social investment forum for scaling up youth initiatives.*
- 6** *Improve coordination of multistakeholder efforts.*
- 7** *Convene national and regional policy dialogues on legal frameworks.*
- 8** *Strengthen the demand for and the culture of social entrepreneurship among youth and communities.*