



The Saudi Woman: A Catalyst for Change?

- How will the Saudi woman adapt, grow and develop?
- How will she spend her USD11.9 billion cash?
- Where will she spend her USD11.9 billion cash?
- Do we realize the importance of this pool of human and financial capital?
- Will the Saudi woman change Saudi Arabia?



Executive Summary

A large portion of Saudi Arabia's wealth is in the hands of its women, who are believed to be sitting on pure cash totaling USD11.9 billion. However, their true potential has been undermined for many years due to the many religious, social and political constraints imposed on them by society. Women constitute almost 45% of Saudi Arabia's total population, and have a literacy rate of 79%. However, only about 65% of them are employed and 78.3% of unemployed women are university graduates. Saudi Arabia has the lowest national female labor participation rate (20.1% in 2009) compared to its peers, such as Qatar, UAE and Kuwait. The government is the largest employer of women in the country and their exposure to the private sector is minimal (0.8% of total private sector employees).

Government promoting female labor force participation: Recognizing the large pool of human capital in women, the government built the King Abdullah Science and Technology University (KAUST), which was opened in September 2009 and became the country's first co-educational university. During 2005, the government announced plans to set up 17 technical colleges in different parts of the country that would offer various specializations in line with the needs of the job market and designed exclusively for women. In 2007, the government also announced plans to set aside one-third of all government jobs for Saudi women. Saudi Arabia earmarked 25.5% of its budget for 2010 for education & training, up from 13% in 2009.

To promote entrepreneurship among Saudi women, the government created the King Abdul Aziz Women's Charity Association's Al-Barakah Loans Center that finances projects undertaken by low-income, divorced and widowed Saudi women. The Saudi King also established The Centennial Fund (TCF) in 2005 to provide funding services to young entrepreneurs — so far, TCF has directed 26% of funding to projects run by women. Many NGOs are also providing training programs for the recruitment and employment of women in Saudi Arabia. For instance, the Abdul Latif Jameel (ALJ) Community Services Program has created more than 113,855 job opportunities for both men and women in Saudi Arabia since 2003.

Financial sector trying to tap Saudi women's enormous wealth: Many local and foreign banks, such as National Commercial Bank (NCB), Riyadh Bank, Saudi Hollandi Bank and BNP Paribas, have opened commercial ladies-only branches to tap the huge wealth in the hands of Saudi women. Moreover, women-focused funds such as Al Jawharah Ladies Fund and TNI Dana Women's Fund have also been launched to help manage women's sleeping wealth. In fact, women in the Middle East controlled 22% (or USD0.7 trillion) of the region's total assets under management (AUM) in 2009. Consequently, the region ranked fifth among global regions in terms of AUM controlled by women.

Can Malaysian model be replicated by Saudi Arabia? Saudi Arabia can take cues from Malaysia, which has already implemented strategies for women's empowerment that greatly aided the country's economic development. Malaysian women's participation in the workforce is fairly diversified. Also, contrary to Saudi Arabia, the private sector in Malaysia is the largest employer of women. Malaysia also ranks fifth globally in terms of the percentage of senior positions held by women in medium-to-large enterprises (MLEs).

Way forward: Considering the significant human capital represented by Saudi women and the large pool of wealth in their hands, Saudi women could and should become a major growth driver for the country's diversification policy, and reduce the Kingdom's overdependence on oil. By tapping into this large potential, the Saudi public and private sectors have a new tool through which to develop and grow social and economic policies that transcend generations. While the government discovers new ways to engage this human capital, the financial services sector is doing its part to extract the considerable wealth lying idle and introduce it into the money supply. However, both methods are being implemented within current social restrictions. The true potential lies in this development happening in parallel with positive growth in the mindset of the society. Only then will we see the real impact of the Saudi woman.

Saudi Women – A Large Pool of Human and Financial Capital

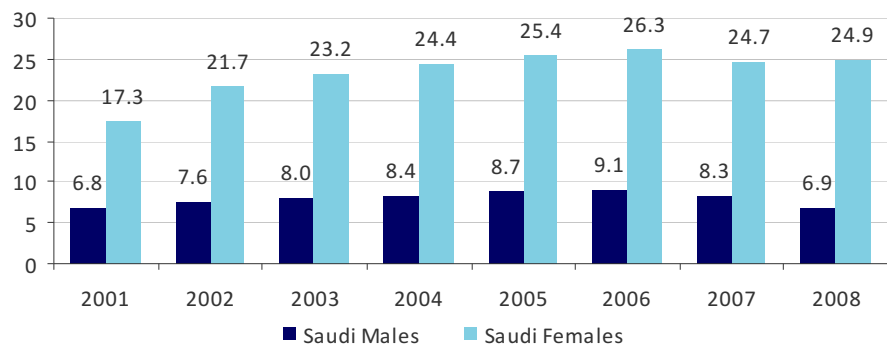
High on Education; Low on Employment

Saudi Arabia has one of the Lowest Female Labor Force Participation Rates

Women unemployment rate stood at 24.9% in 2008, almost four times that of men

Women in Saudi (including expatriates) constitute 45% of Saudi Arabia's population and have a literacy rate of 79%. Despite this, only 65% of them are employed. This reveals the huge potential for including the Saudi women in the labor force and utilizing them in the broader economic development. The unemployment rate among Saudi women was 24.9% at the end of 2008, 3.6 times higher than the 6.9% rate for men. Moreover, the employment situation of women has deteriorated in the country; while the female unemployment rate increased from 17.3% in 2001 to 24.9% in 2008 and averaged 23.5% over the period, the percentage of unemployed males averaged 8% over this period (3 times less). A series of social and religious restrictions have prevented Saudi women from participating in the nation's labor force.

Exhibit 1: Saudi Unemployment Rate (%)

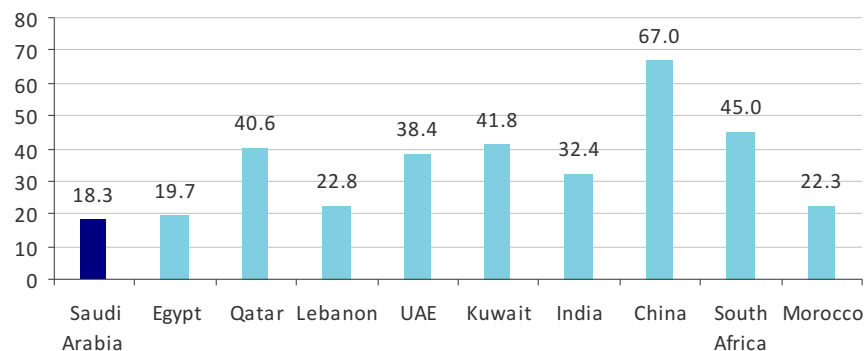


Source: Saudi Arabian Monetary Agency (SAMA) *Does not include foreign workers

Saudi Arabia has one of the lowest national female labor participation rates in the MENA region

Saudi Arabia has one of the lowest national female labor participation rates in the MENA region. According to the MasterCard Worldwide Index of Women's Advancement, the female labor force participation (LFP) rate in Saudi Arabia was 18.3% in 2009, much lower compared than Kuwait (41.8%), the UAE (38.4%) and Qatar (40.6%).

Exhibit 2: Female Labor Force Participation Rate, 2009 Estimates (%)



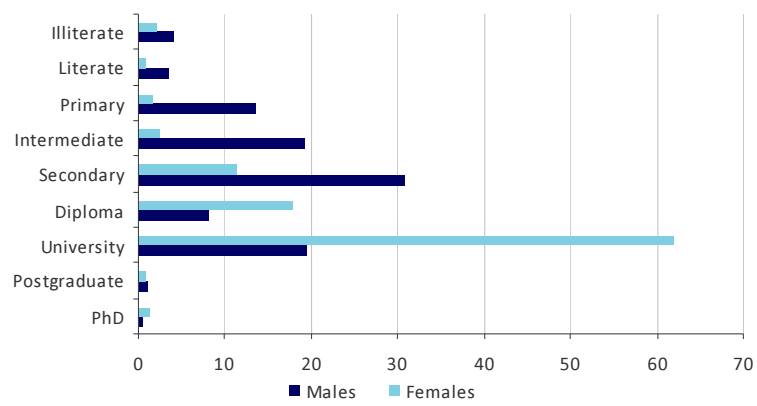
Source: MasterCard Worldwide Index of Women's Advancement, 2009

Unemployed women are educated too: 78.3% of them are university graduates

More than 93% of Saudi Women Hold a Secondary or University Degree

Although female labor participation is limited in Saudi Arabia, Saudi women are ahead of their male counterparts in terms of obtaining higher education. Over 93% of employed females hold either a secondary qualification or a university degree versus around 60% of employed men. In fact, 78.3% of the unemployed women are university graduates, while 76% of the unemployed men have a secondary education or lower (according to a Booz & Co. report published in 2010). Social pressures and the lack of family support prevent women from entering the labor market.

Exhibit 3: Breakdown of Saudi Labor Force by Education Level in 2008 (%)



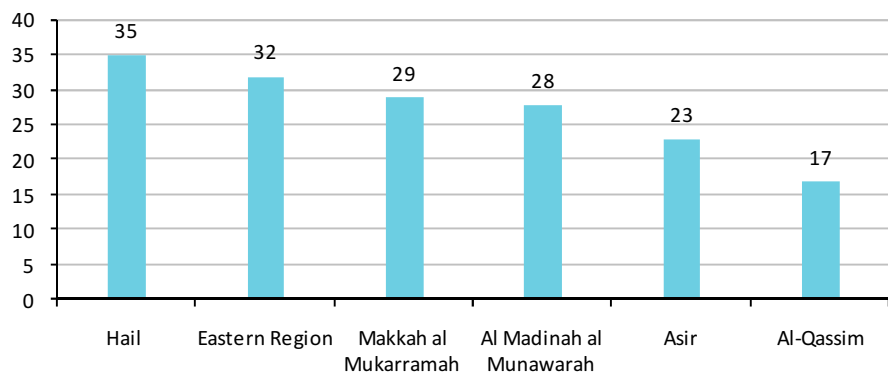
Source: UNDP National Millennium Development Goals Report 2009 (Saudi Arabia)

Illiteracy is High Among the Young Female Population and in Rural Areas

Besides the problem of voluntary unemployment in the case of educated females, high illiteracy among young females living in rural areas is yet another issue hindering the participation of women in the labor force. According to a UNDP report, only 2.1% of the employed Saudi women are illiterate compared to 4.0% for men, in 2008. Also, the Saudi female illiteracy rate in 2008 for the age group of 15 years and above (both employed and unemployed) was 15.27% compared to 9.77% for males. Women in rural areas face even more challenges, due to conservative social norms, and thereby display high illiteracy and unemployment rates. According to the Saudi Ministry of Economy and Planning, illiteracy among females was highest in Makkah al Mukarramah at 23%, whereas that of Asir was the third highest at 13%.

The illiteracy rate for younger female population was 15.3% compared to 9.8% for men

Exhibit 4: Breakdown of Unemployment by Region in Saudi Arabia (%)



The Hail region has the highest rate (35%) of unemployment in Saudi

Source: Booz & Company

Almost 86% of the total employed females are in education and teaching jobs and Around 93% of female graduates in 2007 specialized in education and humanities

Low Female Participation in the Country's Economic Activity

The higher education level among women is not reflected in their participation in the country's important economic sectors, limiting their role in economic development. Employed women are highly concentrated in the education sector (teaching and administrative jobs), which employs 85.8% of the total female workforce, according to the Ministry of Economy and Planning's Eighth Development Plan. Around 93% of the female university graduates in 2007 specialized in education and humanities.

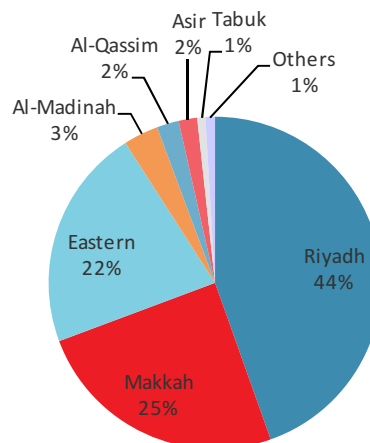
The government is the largest employer of women in Saudi Arabia. In 2003, 83.4% of women employed by the government were in the education sector, making Ministry of Education the largest employer of women, followed by the Ministry of Health which employed 5.4% of employed females. Thus, the presence of women in important economic activities such as information and communications technology (ICT), commerce and banking is largely restricted. Moreover, as the supply of labor in the education sector exceeds demand, some of the country's women are forced to seek opportunities in other countries. According to a Booz & Co. report, more than 300 Saudi women graduates have accepted teaching jobs in Bahrain, Kuwait and Qatar in 2007.

Females accounted for only 0.8% of the total private sector workforce

Women's Exposure to the Private Sector is Mostly Restricted to Urban Areas

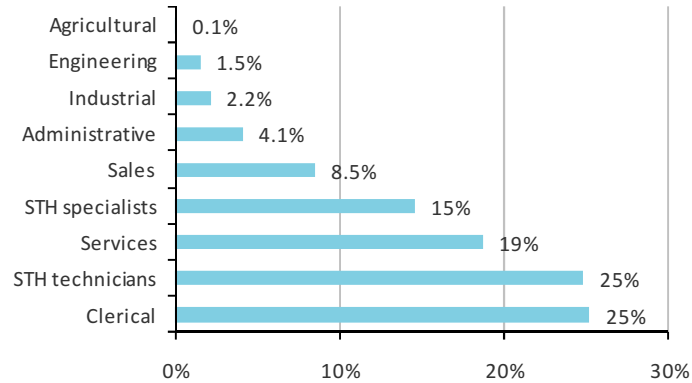
Saudi females accounted for just 0.8% (51,451 individuals) of the private sector's total workforce in 2008. This lack of participation can be attributed to the strict laws and regulations in Saudi Arabia that give women the right to work but only in a proper environment, described as one not requiring a woman to mix with men or not exposing women to any kind of harassment. Moreover, as women in rural areas are reluctant to work in the private sector due to societal pressures, private sector exposure is skewed more toward urban areas. Around 44% of the total female labor force in the private sector is in the city of Riyadh. Moreover, women there occupy positions such as clerical and scientific, technical and human technician (includes teaching) jobs. Women's presence in the banking sector is also low, though it has increased considerably from 972 in 2000 to 3,700 in 2008. However, their contribution in the fields of engineering, communication and IT is negligible.

Exhibit 5: Female Labor Force Distribution in the Private Sector by Region in 2008 (%)



Source: SAMA Annual Report, 2009

Exhibit 6: Female Labor Force Distribution in the Private Sector by Profession in 2008 (%)



Source: SAMA Annual Report, 2009

* STH denotes to Scientific, Technical and Human

Women own much of the country's wealth

Saudi Business Women are Estimated to have SAR45 billion in pure Cash...

Although women in Saudi Arabia lack the opportunities and support compared to their male counterparts, their economic power cannot be underestimated. According to statistics provided by the Sayyida Khadija bint Khuwaylid Centre of the Chamber of Commerce in Jeddah, Saudi business women have cash savings of more than SAR45 billion (USD11.9 billion) in Saudi banks, and SAR8 billion (USD2.1 billion) of funds in investments. In addition, their total real estate investments stand at around SAR120 billion (USD31.9 billion). One reason for this is that females own around 40% of the family-run companies though mostly as sleeping partners. Additionally, due to the absence of most woman-specific services in Saudi Arabia such as ateliers, workshops, and beauty centers, savings are high among females. However, women need a male trustee/guardian to do any kind of investment or start a business. In the absence of such partner, they are unable to proceed and their funds remain frozen in bank accounts. According to Booz & Co., although the permission of a male guardian was overruled officially, it is yet to take effect.

Females own around 40% of family-run companies in Saudi Arabia

...Restricted by Social Factors

According to the Islamic Inheritance law, a married woman's inherited wealth is her own and she can use it personally as the household responsibility is completely on the husband. In addition, Saudi women (in fact all Muslim women) are legally allowed to inherit and donate their wealth even after marriage, without any obligation to cede the wealth to either their husband or any family member. However, in most cases, the accumulated wealth remains idle in bank accounts as stringent Saudi laws prohibit women from participating in certain social, political and cultural activities.

Real Estate and Shares: Preferred Investment Options for Saudi Women

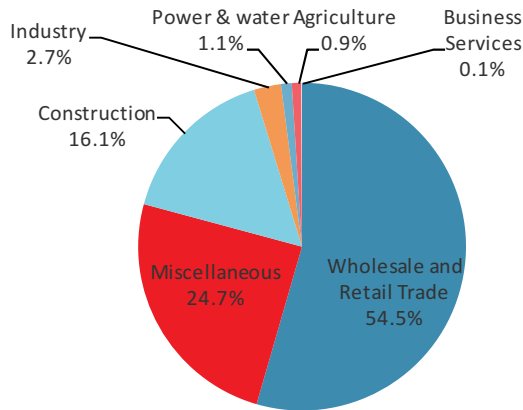
According to a study by the Khadija bint Khuwaylid Businesswomen's Center at the Jeddah Chamber of Commerce and Industry (JCCI), investments by Saudi businesswomen totaled around SAR8 billion in 2006, accounting for almost 21% of total private sector investment. In 2006, the National Commercial Bank reported that Saudi women owned 40% of the country's real estate assets, 20% of stocks, and over 18% of current bank accounts. According to Asharq Alawsat newspaper, some of the businesswomen explained their rationale for selecting shares and real estate as preferred investment options: faster and higher returns with low risks compared to other instruments. Real estate is considered the best option as some of them believe that investments in this sector may suffer in the short term but are unlikely to be totally lost.

Saudi women own 12% of firms in the country, including 16% of large manufacturing companies

Increasing entrepreneurial drive among women

Despite social constraints on taking up a job, Saudi women have taken a step ahead to set up businesses. According to the UNDP's National Millennium Development Goals Report published in 2009, the number of commercially registered firms owned by women exceeded 35,400 as of January 2009. This represents a 57.3% increase from around 22,500 registered firms in May 2004 which constituted 4.7% of all businesses registered at the CCI. According to Booz & Co., Saudi women also own 12% of firms in the country, including 16% of the large manufacturing firms. Concentration of women in two to three sectors is also a dominant characteristic as almost 58.9% of women-owned commercially registered firms in 2009 were engaged in wholesale & retail trade and construction activity followed by Miscellaneous Services (includes transport, storage, cold storage, and social & personal services) as shown in the chart below.

Exhibit 7: Female-Owned Commercially Registered Enterprises by Type of Activity, 1-Jan-09



Source: UNDP National Millennium Development Goals Report 2009 (Saudi Arabia)

Women Empowerment Speeding up in Saudi Arabia

The Government's Role in Empowering Women

Promoting Women's Education

Nora bint Abdullah al-Fayez was the first woman in Saudi Arabia to be included as a deputy education minister in the Cabinet

King Abdullah bin Abdulaziz al-Saud (King Abdullah) has been taking steps to modernize the Saudi economy and diversify it away from energy by encouraging the development of technical skills locally. Believing that empowering and educating more women would be a major step in this direction, King Abdullah is focusing on building the required infrastructure and offering greater opportunities of education for women. Several steps have been taken in this regard, which have resulted in a constant struggle with Saudi Arabia's powerful religious clerics. In February 2009, the King appointed a woman, US-educated Nora bint Abdullah al-Fayez, to the Cabinet for the first time as a Deputy Education Minister in charge of girls' schooling in Saudi Arabia. It is the highest government rank a Saudi woman has attained in the country's history. In neighboring Kuwait, the parliament also elected four women for the first time in the country's history in May 2009, reflecting the changing political environment and the emergence of women in politics. Saudi Arabia's King Abdullah also contributed to the establishment of the country's first co-educational university, King Abdullah Science and Technology University (KAUST), in September 2009. It offers several facilities such as state-of-the-art labs as well as one of the world's fastest supercomputers. Moreover, the university ushers in a major change in policies for women — the religious police will not operate on-site. Women are allowed to mix freely with men and drive on campus; they are also not required to wear veils in the co-educational classes. Additionally, Saudi Arabia's first women-only university in Riyadh is under construction and, once complete, will house 26,000 students. The university plans to focus on educational programs that serve the requirements of the country's job market. It will have 13 new colleges and 15 academic faculties to choose from. One of the other prominent changes in the educational policies for women is that law and engineering degrees are also available for them.

Saudi Arabia's first women's university comprising 13 new colleges in Riyadh is under construction

Growing Opportunities for Women to Join the Workforce

The increasing focus on women's employment in Saudi Arabia is driven by two factors. With the population growing and inflation averaging 9.9% in 2009, there is a growing economic need for women to hold more jobs. The fact that families can hardly maintain a comfortable standard of living without two incomes (unless the male member is very wealthy) is driving women into the job market.

Government announced plans to set up 17 technical colleges for women in different parts of the country

The human resources sector received about 57.1% of the total allocation for development under the Seventh Development Plan (UNDP). Additionally, Saudi Arabia's 2010 budget earmarked 25.5% of the total expenditure for education & training, up from 13% in the 2009 budget. Dr. Ali ibn Nasser Al-Ghafees, Governor of the General Organization for Technical Education and Vocational Training (GOTEVOT), in 2005, announced plans to set up 17 technical colleges for women in different parts of the country. These would offer specializations in line with the needs of the job market and the general disposition of women. The move is in line with the government's plan to expand job opportunities for women beyond the traditional sectors of health and education. The Kingdom's Saudization policy, aimed at increasing the proportion of Saudi nationals in new competitive jobs, has identified positions particularly suitable for women: receptionists, tailors, banquet-hall employees, nutritionists, governesses, photographers, beauticians, caterers, and hospitality and recreation-industry workers. Moreover, in 2007, the government announced plans to set aside one-third of government jobs for Saudi women. The tourism sector too has opened up to women.

The Saudi Woman: A Catalyst for Change?

Government support is growing in terms of funding and technical education

Rising Support for Enterprising Women

To encourage entrepreneurship among women, the Saudi government is providing funding in terms of easy loans as well as technical knowledge related to training services to females in the country. King Abdul Aziz Women's Charity Association's Al-Barakah Loans Center offers finances to projects undertaken by low-income, divorced and widowed Saudi women. More than 800 Saudi women with projects ranging from the sale of clothing and livestock to furniture benefited from the scheme. The King established the Centennial Fund (TCF) in 2005 to provide funding as well as mentoring services to young entrepreneurs outside the Kingdom. According to Booz & Co., 26% of the TCF's projects have benefited Saudi women so far.

During 2009, four Middle Eastern women featured on the annual list of top 100 most influential women in finance

Increased Visibility of Middle Eastern Women in the Global Financial Arena

Throughout the Middle East, women are increasingly becoming a part of the larger workforce and even setting up their own businesses. In 2009, Financial News released its annual list of top 100 most influential women in finance, which, for the first time, featured Middle Eastern women such as: (i) Haliza Abd Rahim, Head of Project Management for BMB Islamic UK; she manages a team that is responsible for the USD10 billion assets of high and very-high net-worth customers in the Middle East; (ii) Soha Nashaat, Head of MENA and Turkey for Barclay's Wealth, (a subsidiary of UK-based Barclay's Group), has been leading Barclay Wealth's Dubai hub since 2006; and (iii) Nahed Taher, a leading economist and executive banker, cofounded Gulf One Investment Bank in 2005 and became the first woman to head a bank in the GCC region. This reflects the rising influence of women in the corporate arena of the Middle Eastern economy.

The Private Sector is Catching Up

NGOs Focusing on Rural Women

NGOs, such as Al-Nahda Philanthropic Society for Women, offer training to Saudi women to help them find employment

Besides government initiatives, various non-governmental organizations have led efforts to create economic opportunities for poor and uneducated women in urban and rural areas through vocational training and small business loans. According to Booz & Co., the Al-Nahda Philanthropic Society for Women in Riyadh's Training and Employment Center aims to improve human resources for Saudi females and provides free training programs for the recruitment and employment of women. The center has so far provided jobs to 2,015 Saudi women in factories, banks, and social, educational, and health associations and institutes. One of the major private sector initiatives is the Abdul Latif Jameel (ALJ) Community Services Program, which has created more than 113,855 job opportunities for both men and women since 2003. ALJ created 24,772 jobs for women in 2009 in different parts of the country. Moreover, the Empowering Capabilities, Skills and Aptitude (ECSA) employment agency, the first for women in Saudi Arabia, has placed more than 200 women in various companies so far.

The Saudi Woman: A Catalyst for Change?

Growing Interest of the Financial Sector

Demand for banking services from Saudi women is increasing in the country driven by the growing population of working women as well as the large amount of funds available with them. Sensing the untapped potential, many local as well as foreign banks have been targeting Saudi women as for many years now. While local banks began opening special branches for women almost two decades ago, international banks have recently started focusing on building banking products designed for women. Some of the initiatives taken by financial institutions in Saudi Arabia include opening of commercial ladies-only branches, launching of women-focused funds, and developing retail products and services that suit women's needs. In 1980, Saudi Arabia's National Commercial Bank (NCB) opened two women-only branches in Jeddah and Riyadh; a few years ago, it opened a VIP center for women having accounts of over GBP200,000. NCB currently has 46 ladies-only branches and offices across the Kingdom. Other major Islamic banks in Saudi Arabia also offer ladies banking services. For example, Al Jazira Bank has three exclusive branches for women, while Arab National Bank has 21 ladies sections. Riyadh Bank, Saudi American Bank and Saudi British Bank (SABB) employ the highest proportion of Saudi women staff within the banking sector. In fact, SABB achieved 100% Saudization in the ladies section, which amounts to 17% of the bank's total staff.

NCB has a wide network of 46 ladies-only branches in Saudi Arabia

Saudi Hollandi Bank opened two new ladies branches to encourage women investment

Saudi Hollandi Bank, the oldest bank operating in the Kingdom, opened two new ladies branches (Al-Khobar City and Al-Ghadir District) in December 2009. With this, the bank aims to develop and expand its ladies-only branches all over the Kingdom to cater to the needs of the female clientele. Saudi Hollandi Bank has 11 ladies-only branches in the country and aims to increase the number to 15 by the end of the year, expecting growth in banking usage by women as more and more of them join the workforce. Three out of the total 13 branches are dedicated to Islamic banking products, in line with the growing demand for these by women. Among international banks, BNP Paribas was the first to have customized banking policies for women in Saudi Arabia. The latest products advertised to Saudi women include private banking, asset management and corporate services portfolios.

Advertising Campaign to Promote Investments by Women

Banque Saudi Fransi undertook an advertising campaign to promote investments by women

In 2008, Banque Saudi Fransi launched an advertising campaign, which consisted of a 40-second television commercial depicting a Saudi woman, wearing a hijab, in a variety of settings – in a business meeting with other women, working at a computer, at her wedding and playing with her children. This was followed by slogans such as “You have your dreams, You have your ambitions”, “You are not alone, and With you is Banque Saudi Fransi”. The advertisement broke traditional barriers and reflected a new identity of Saudi women. It also created a sense of awareness for better fund management among Saudi women. Recently, Saudi Hollandi Bank launched a new campaign to encourage investments by women and introduced a new slogan “Behind Every Great Woman, A Bank that Puts her First” to target women customers.

Women focused funds such as 'Al Jawharah', and 'TNI Dana Women Fund' are increasing in the Middle East

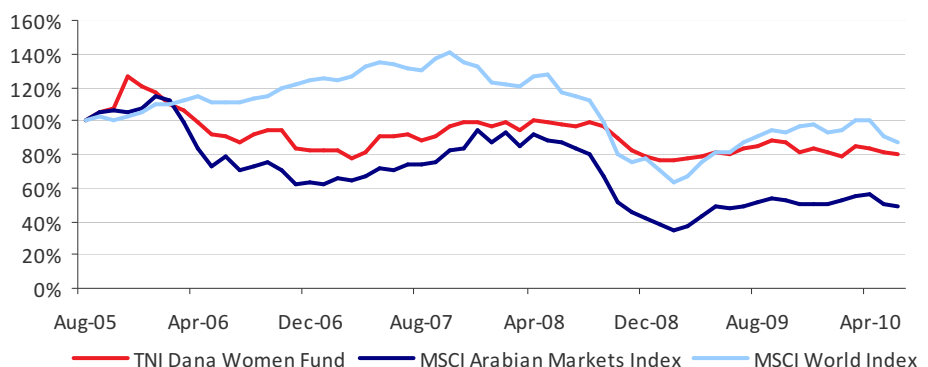
Launch of Women-Focused Funds in Recent Years in the Gulf

Saudi based Al Rajhi Capital has an Al Jawharah Ladies Fund (launched in May 2001), which specifically targets the Saudi female population, particularly, those seeking diversified investments. Since inception, the fund has given 7.24% annualized returns (until June 2010) compared to the 2.23% return on the benchmark (25% of USD 3-month LIBOR and 75% of Dow Jones Islamic Market Index). The annual performance of the fund exhibited 11.7% returns in June 2010 compared to 9.1% returns by the benchmark. Further, the monthly performance of Al Jawharah Ladies Fund marginally declined by 0.56% in June 2010 (compared to May 2010), however, the fund outperformed the benchmark, which contracted 2.41% during the same period. Al Rajhi Capital also launched its new Ladies Wealth Management Division in Riyadh in January 2010. Saudi women are especially attracted to Islamic investments as these carry low risks, generate stable income streams and are Shariah Compliant. Therefore, demand for investment funds yielding regular returns is increasing.

UAE-based investment and merchant banking firm – The National Investor (TNI) – launched its AED100 million, TNI Dana Women Fund in June 2005 for female GCC nationals. At the time of launch, the fund was 60% invested in publicly traded stocks of companies based in the UAE and GCC, 20% in international fixed income securities, 10% in international equities and 10% in international hedge funds. The fund fell 0.54% between May 2010 and June 2010. Nevertheless, it outperformed the benchmarks, MSCI Arabian Markets Index and MSCI World Index, which declined 2.78% and 3.56%, respectively, during the same period.

Exhibit 8: TNI Dana Women Fund vs. MSCI Arabian Markets & MSCI World (rebased)

TNI Dana Women Fund, since its inception, has outperformed MSCI Arabian Markets Index



Source: Bloomberg

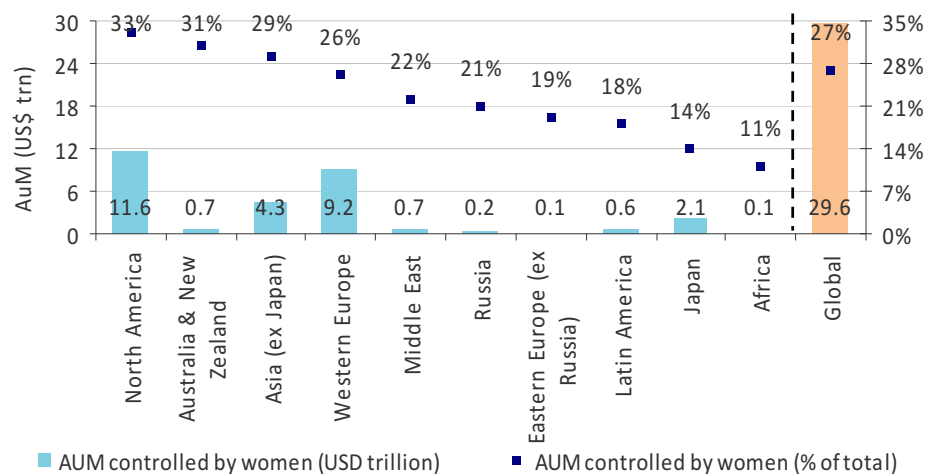
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In November 2009, a women-focused fund, 'Ameerah', was launched by Mayfair Wealth Management in the Middle East

In 2008, UK-based fund management firm, Bramdean, launched its ladies-only wealth management service – Bramdiva – in the Gulf region aimed at capturing a portion of women’s wealth. Prior to launching the fund, Bramdean conducted several workshops and seminars in Saudi Arabia with wealthy women, including a Saudi princess, to discuss the problems they face while investing so that they can address obstacles. In November 2009, Cayman Islands-based Mayfair Wealth Management (MWM), one of the leading offshore financial and investment advisory service providers, announced the launch of its fund, ‘Ameerah’, in the Middle East. Ameerah would target female investors in the Middle East and the company would offer investment advice on Shariah-compliant products. In January 2007, a women-only investment company – FORSA – was formed in Dubai to encourage high net-worth and professional women to invest in and benefit from GCC region’s growth. FORSA was set up by the Dubai World portfolio of companies and its investment team comprises only women.

In some other GCC nations, there are more specialized asset management companies catering to women investors. Qatar Ladies Investment Company (QLIC–now re-branded as Amwal) was founded in 1998 by Sheikha Hanadi Nasser Bin Khaled Al Thani to focus on specialized financial services for women in Qatar and other GCC regions. Amwal, along with Citigroup Private Bank, also conducted a wealth management seminar in Qatar in May 2004, the second of its kind in the Middle East region, to encourage women to invest their wealth.

Exhibit 9: AUM Controlled by Women and as a Percentage of the Region’s Total in 2009



Middle Eastern women controlled 22% of the region’s AUM in 2009

Source: BCG Global Wealth Market-Sizing Database, 2010

According to Boston Consultancy Group (BCG)’s Global Wealth Management report (2010), women in the Middle East controlled 22% (equivalent to US\$0.7 trillion) of the region’s total assets under management (AUM) in 2009. The region ranked fifth among global regions in terms of AUM controlled by women. Therefore, women in the Middle East are considered as “financial power-houses” by several global banks and financial institutions.

Lessons from Malaysia in Women Empowerment

Malaysia Boasts a Female Labor Participation Rate of 46%

Private sector is the largest employer of women in Malaysia

Being a Muslim country with similar cultural values, Malaysia can be compared to Saudi Arabia with regard to the empowerment and education of women. Malaysia was quite early and fast in identifying the importance of involving women in the country's economic development. The labor force participation of Malaysian females increased from 37.2% in 1970 to 46.4% in 2007 (UNDP). Labor participation by sector is also fairly diversified compared to that in Saudi Arabia. By sector, women represent 41% of all manufacturing employees, 40% of all finance, insurance, real estate and business services employees, 39% of wholesale and retail trade, hotel and restaurant employees, and 26% of agriculture, forestry, livestock and fishing employees (Eighth Malaysia Plan). According to Booz & Co., the private sector is the largest employer of women in the workforce in Malaysia.

Exhibit 10: Female Labor Force Distribution by sector in Malaysia 2007 (%)



Source: Eighth Malaysia Plan

Favorable Economic Policy and Increased Literacy are Major Drivers

Malaysia ranks fifth globally in terms of the percentage of senior positions held by women

The launch of the new economic policy marking a shift toward a labor-intensive industry created more job opportunities for Malaysian women. Higher literacy rates are also an important driver of increased participation of women in the labor force. The adult literacy rate among women rose from 74% in 1990 to 83% in 2000 (UNICEF). In Malaysia, various special assistance schemes are available to acquire or upgrade technology, relocate businesses, and receive training in business management, marketing, sales, packaging and labeling, and business networking, all of which help Malaysian women establish small businesses. Malaysia also ranks fifth globally in terms of the percentage of senior positions held by women in medium-to-large enterprises (MLEs).

Social Norms Hinder Empowerment of Women in Saudi

Opposition by Traditional Clerics

Saudi law restricts a woman from working in a mixed-gender environment

As the Saudi society largely defines a woman's role as a wife and mother, greater female participation in the labor force is opposed by conservative clerics who perceive this as a threat to the traditional family system. Although there are some males who support females joining the workforce, a large portion oppose the change. Moreover, the Saudi law specifically bans women from working in an environment where they are exposed to mixing with unrelated men, thereby restricting them to just a few traditional sectors such as education and healthcare. This not only leads women to educate themselves towards these sectors, but can also boost unemployment as these sectors become saturated.

Legal Requirements and Lack of Technical Education are a Drag

Lacking knowledge in IT and management, women are sometimes left behind

A Saudi woman needs a male guardian/representative to manage her business and represent her in government agencies. This practice results in many cases of fraud and financial losses. Saudi women are also not allowed to drive which makes it difficult for them to commute without a male driver or a family relative. Additionally, there is a wide mismatch between the demand and supply of the labor market. Women's education is concentrated in the areas of teaching and healthcare. The Saudi education system does not incorporate technical knowledge such as mathematics, science, technology and computer literacy, which are important driver for economic development. Women lack knowledge in the areas like IT and management. Consequently, they lag behind men in occupying important positions in the corporate sector.

Transformation is Underway

Financial institutions are recruiting more women in the workforce as well as conducting seminars and lectures to educate female customers

Financial institutions focusing on Saudi female customers are hiring more women in their sales force to help understand their target customers' psyche and innovate new products and services. In some financial institutions, the entire staff — right from wealth managers to branch managers — consists of women in order to create a comfortable atmosphere for their customers. Moreover, financial institutions are offering special training programs to help their employees. In addition, this could promote the larger participation of Saudi women in the workforce as they become more comfortable in a business, work like environment.

The financial institutions need to do their part in creating unique, out-of-the-box financial solutions that appeal directly to the needs and investment knowledge of the Saudi women. Any investment solution that appeals to the characteristics of the female psyche automatically becomes a viable investment vehicle. What would a structured product, under Shariah compliance and an underlying basket of MENA retail stocks create? Could it cause an easier commitment of funds to the product? It will. Why? Because there is a strong possibility that Saudi women will clearly understand the investment rationale behind buying Al Hokair, which has multiple designer labels under its trading name, than it would behind the reason to buy Saudi Cement.

Similarly, financial institutions and investment houses need to explore ideas that play into the daily lives of Saudi women. A product or investment vehicle that incorporates the daily household budget immediately generates interest. A combination of accounting skills that help the daily budget requirements coupled with an investment portion that increase the savings portion of the daily or monthly allowance will not only make the Saudi woman show genuine interest but it will create a foundation that builds on investment knowledge and enhances money management skills.

Conclusion: Significant Potential Yet to be Unlocked

Given the significant human capital they represent and the financial resources they have, Saudi women could lead Saudi Arabia's drive to diversify the economy from oil. The country needs to invest in its human capital by developing the educational and training infrastructure, if it wants to emerge as a knowledge-based economy. Increasing the contribution of women in key economic sectors can speed up economic diversification. Establishing a just workplace for both men and women can generate significant economic value. Moreover, greater educational support for women to take up jobs in IT and communications can increase the government's return on investments in the country's education system. Additionally, effective channelization of the huge funds held by Saudi women that currently yield negligible returns into enterprises or investment activities can earn profitable returns as well as boost the money supply.

The purpose of this report is to shine a light on a potential pool of human and financial capital that has the power and ability to bring about significant social and economic change. But this can only be done within the right parameters. The change will not be effective and long lasting if it is done outside the current norms and social etiquettes of Saudi Arabia. For this change to be an effective change it needs to grow and develop organically within the boundaries of what is acceptable and understandable to the Saudi society. The idea being promoted by this report may be revolutionary but the implementation needs to be evolutionary.



The Saudi Woman: A Catalyst for Change?

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