

ENTREPRENEURSHIP ECOSYSTEM IN THE ARAB COUNTRIES

Economic and Social Commission for Western Asia



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- Key Guiding Questions
- Methodology
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- Overview of the Arab Entrepreneurial Ecosystem
- Findings and Recommendations

KEY GUIDING QUESTIONS

- To what extent an innovation and technology driven entrepreneurial ecosystem can help the Arab region in overcoming its main challenges?
- What model is most efficiently applicable in this region ?
- What are the main obstacles preventing Arab countries from growing and sustaining an entrepreneurial ecosystem?

METHODOLOGY based on two dimensions

1. A data Driven Assessment of the Arab Entrepreneurial Ecosystem
2. Stakeholders Perspectives
 - Entrepreneurs.
 - Investors
 - Public Sector Decision-Makers

Focus Groups (FGs) were conducted in the 3 designated Arab countries: Lebanon, Morocco, and Oman

DEFINING AN ENTREPRENEUR

An entrepreneur is an individual who runs a small business and assumes all the risks and rewards of a given business venture, idea, or good or service offered for sale.

The entrepreneur is commonly seen as a business leader and innovator of new ideas and business processes (Investopedia, 2017)

We can identify 5 types of Entrepreneurial Activities :

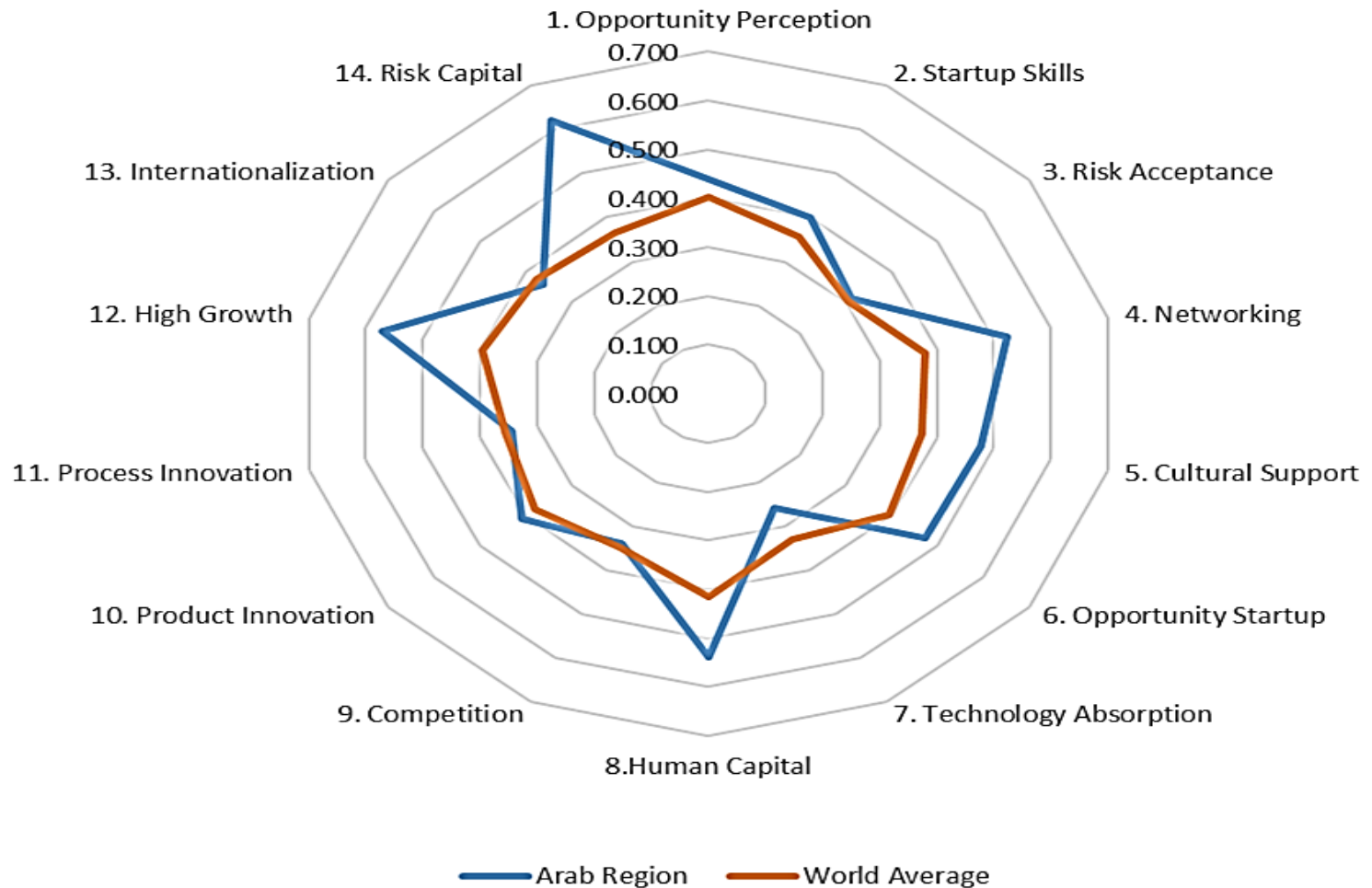
1. **New product** innovation or introduction of a new service
2. **New process** innovation or new methods of production
3. **Market innovation** or the opening of new markets
4. Input or **resources innovation**
5. **Organizational innovation**, which is the complete restructuring of an entire industry or the breaking up of a monopoly

THE PILLARS OF THE ENTREPRENEURIAL ECOSYSTEM

- 1. Access to Markets and Ease of Doing Business**
- 2. Human Capital/Skills**
- 3. Funding and Finance**
- 4. Network and Support Systems**
- 5. Government and Regulatory Framework**
- 6. Universities, Education, and Training**
- 7. Physical Infrastructure**

OVERVIEW OF THE ARAB ECOSYSTEM

Global Entrepreneurship Index 2016-2017



HUMAN CAPITAL / Access to Skills and Talents

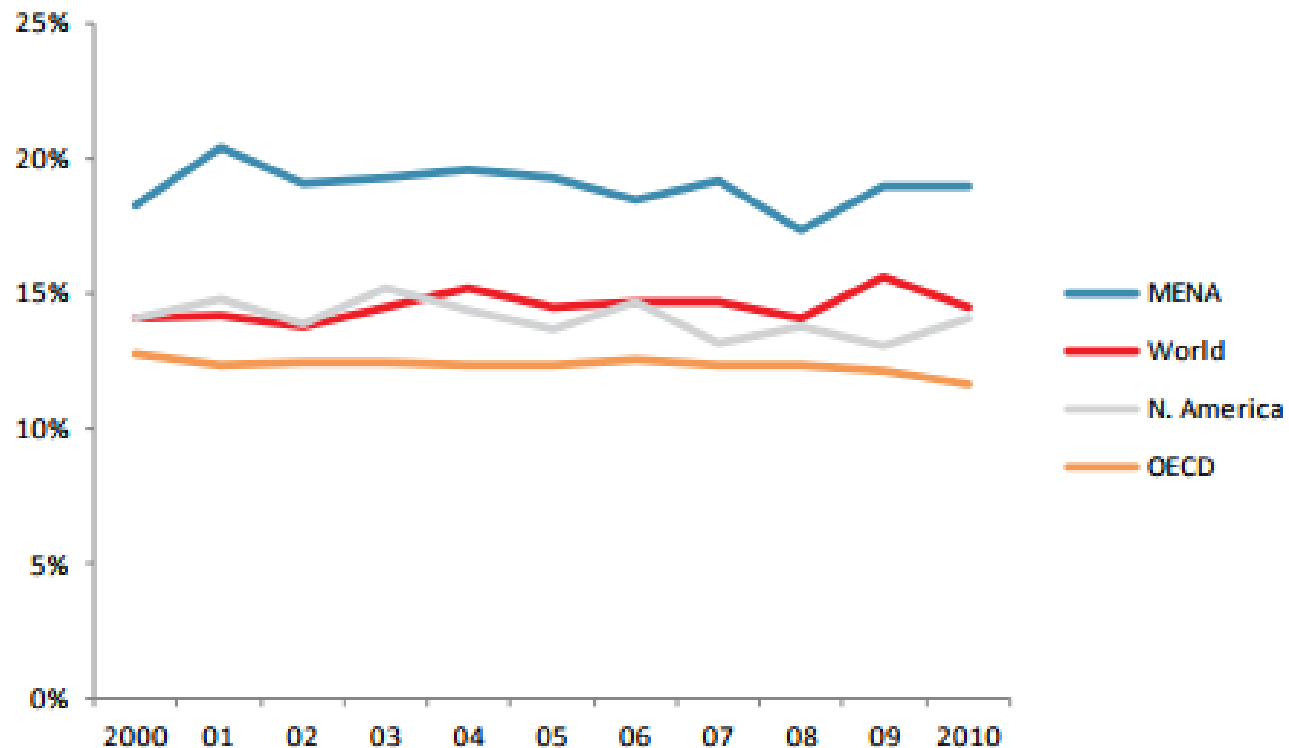
Three common themes characterize Arab labor markets:

1. Low but increasing levels of workforce participation by women
2. High rates of unemployment especially among the young and relatively well-educated
 - Youth unemployment in the MENA region stands at 31% and university graduates are making up nearly 30% of the total unemployed pool
3. Large but decreasing shares of public sector employment

LABOR MARKET STRUCTURE

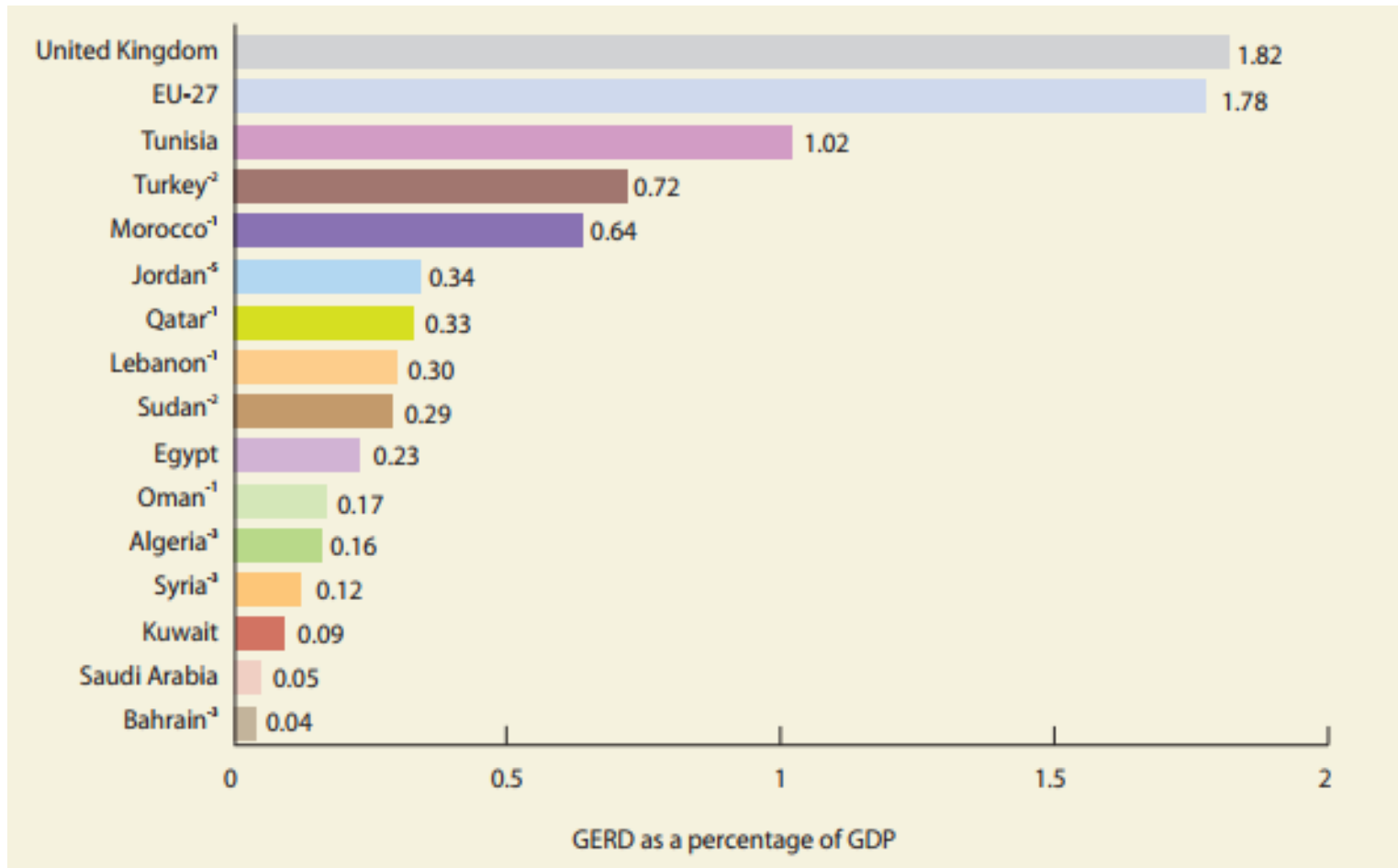
- High-skilled employment stands at 21% on average, middle-skilled roles account for 66% of all formal sector jobs
- Among the high-skilled employees the percentage of digital skills remain limited

Public expenditure on education as a % of government expenditure

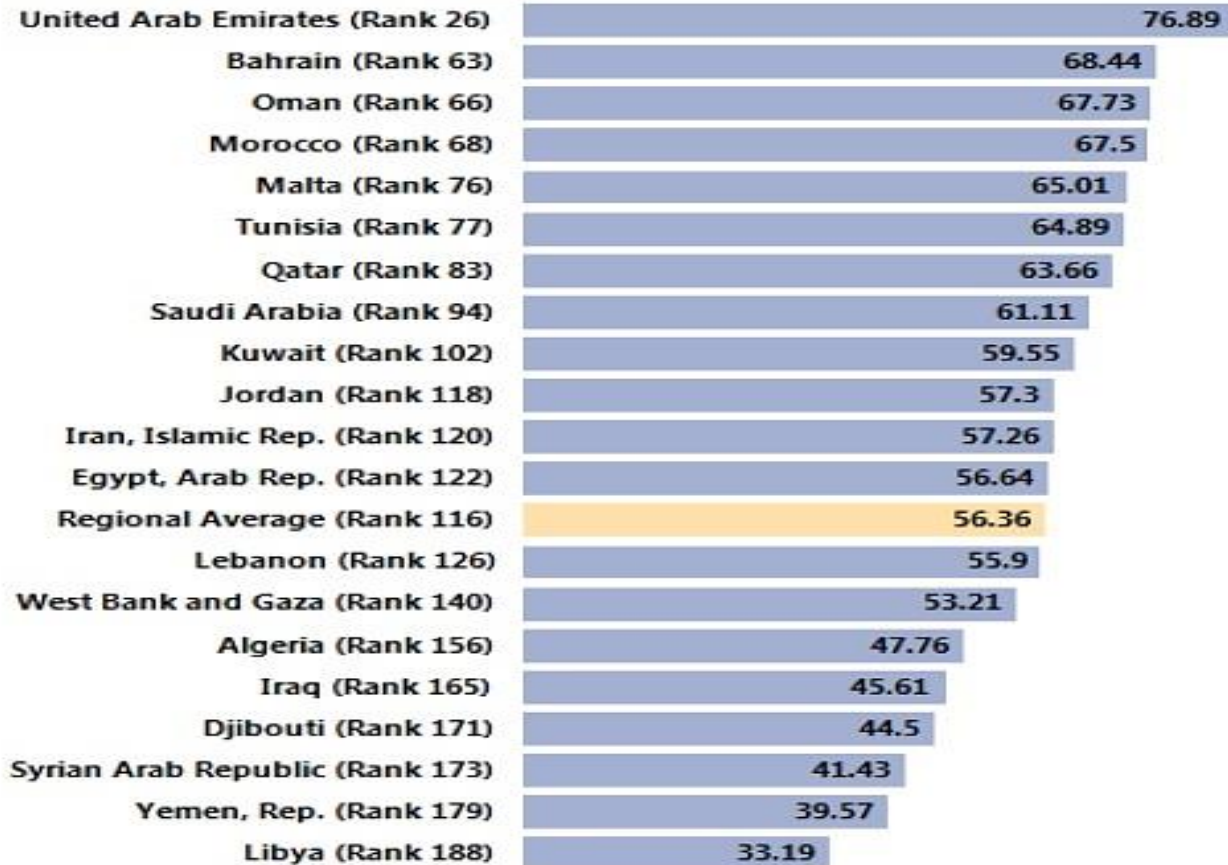


Source: The World Bank

GERD as a percentage of GDP



ACCESS TO MARKETS AND EASE OF DOING BUSINESS



How MENA economies rank on the Ease of Doing Business (World Bank, 2017)

Arab Entrepreneurial Ecosystem

ACCESS TO FINANCE

- According to the International Finance Corporation (IFC), almost **63% of Micro-and SMEs in the region have no access to finance.**
- Notably, there is a **gap in accessing finance for pre-seed, seed and early-stage ventures.**
- Financing is evolving in the MENA ecosystem to include **more investments in seed and early stage,**

Source: MAGNiTT, 2017; Hariharan, 2017

Lebanon Case Study:

Evolution of VC in Lebanon

Evolution of VC Landscape in Lebanon
(per year of establishment and fund size)

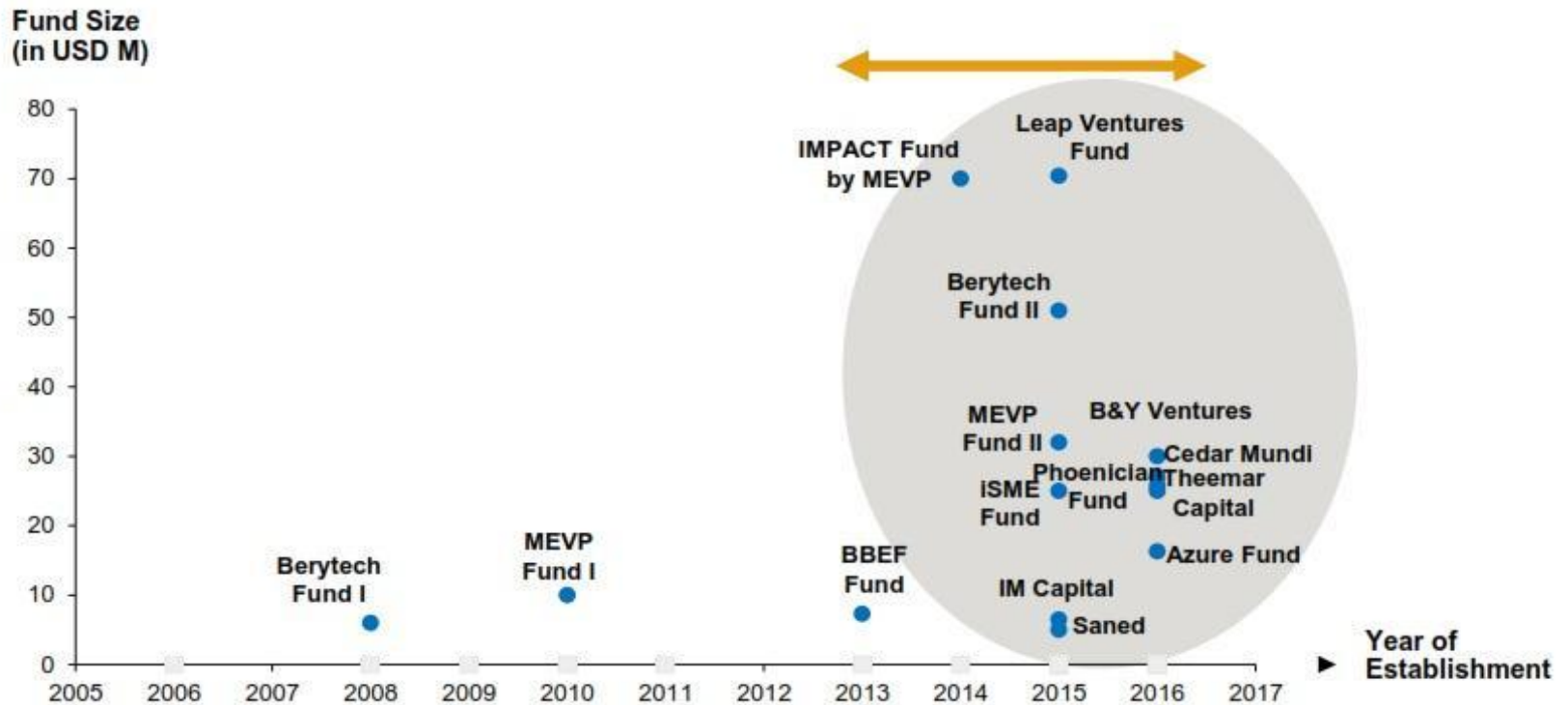


Figure does not include funds that stopped operating: BBEF Fund in 2006 and Lebanon Growth Capital Fund in 2011. It also does not include Angel Funding: LBA - Business Angels in 2009, Seeders in 2016. It does not include funding made available by accelerators such as SPEED.
Source: Funds Websites, World Bank analysis

Morocco Case Study

Regulatory Framework – Role of the Government

IP - Moroccan Industrial and Commercial Property Office (OMPIC)

- Morocco is a Member of the Patent Cooperation Treaty (PCT) since 1999

Laws on Transfer of Technology

- Need to establish a Technology Transfer Law
- **Upcoming Project: Setting up a Technology Transfer Office**

- **Governance is a major institutional problem as there is a lack of coordination.**

- **The government has a role to play in incentivizing [large] companies towards integrating entrepreneurship in their corporate strategies**



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Oman Case Study

Oman's Ecosystem Performance

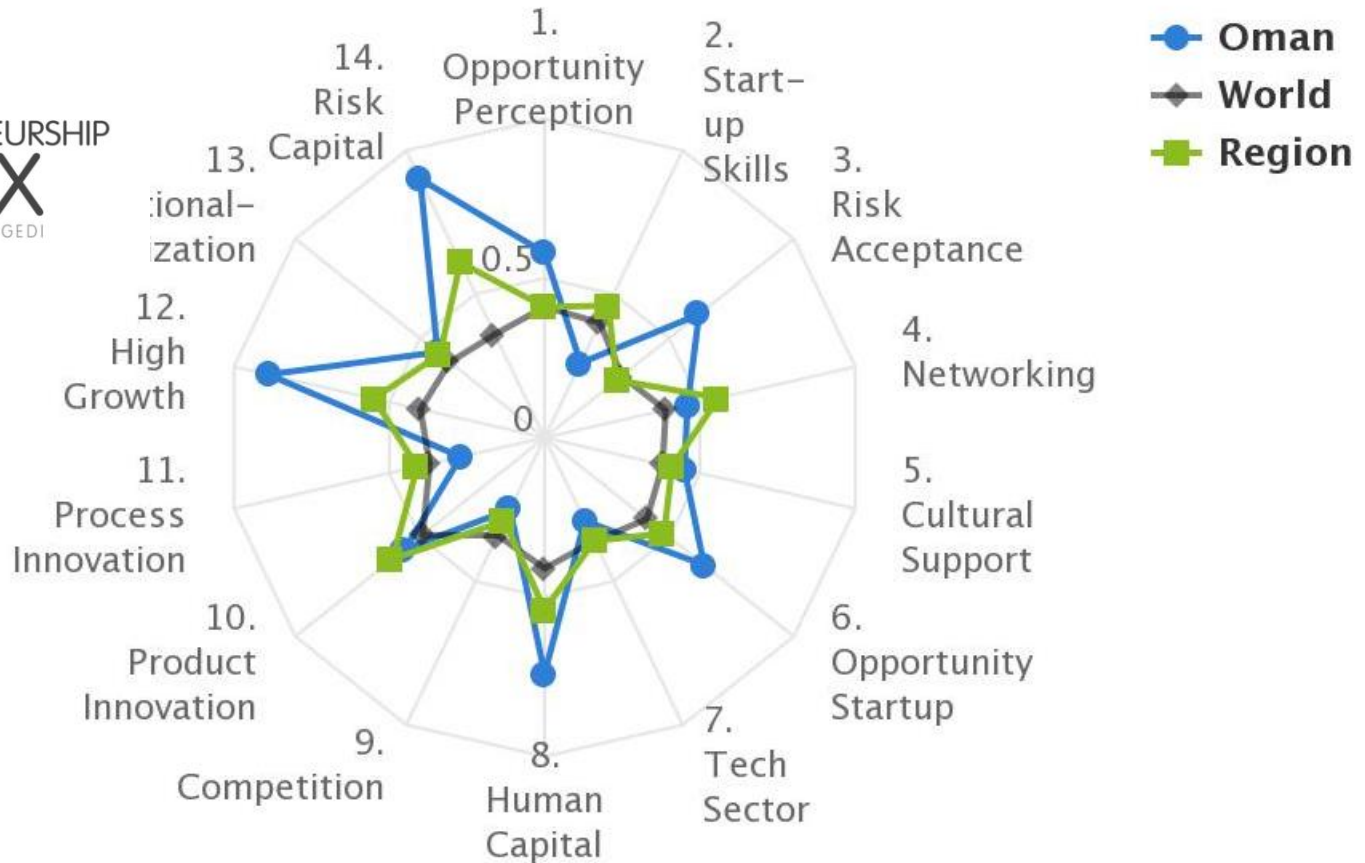


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33rd World Rank

Strongest Area: Risk Capital; High Growth; Human Capital

Weakest Area: Competition; Start-Skills; Process Innovation



Findings [1] :

Access to Market

- Each country in the MENA ‘market’ has its own, varying, set of systems, laws and regulations, which impose some limitations to the promotion of entrepreneurship
- Among the most successful start-ups attracting funding and investments are from the e-commerce sector
- MENA region lags behind on internationalization

RECOMMENDATIONS [1]

Access to Market

- **Facilitation of free movement of goods, people (human capital) and companies, which would provide a significant boost to start-ups and businesses**
- **Strengthening the links with the Arab diaspora to open up new markets for Arab entrepreneurs**
- **Expanding the market information for entrepreneurs and helping them in participating to international exhibitions by creating special funds for this purpose**

Findings[2]

Access to Finance

- **Funding is concentrated in the early stages of the start-up chain.**
- **Start-ups have difficulties to find funds at the pre-seed and seed stages and there is a risk of not finding enough funds for the later stages, series c and above.**

RECOMMENDATIONS [2]

Access to Finance

- **Promoting the angel networks among the successful entrepreneurs in the Arab countries and in the diaspora through angel clubs, for example**
- **Promoting and facilitating the foreign investments in growth stage Arab start-ups**
- **Creating specialized funds for pre-seed financing for minimum viable product (mvp) and for experimental prototypes**



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Findings [3]

Human Capital / Access to Skills

- **Strong investment in primary, secondary and higher education**
- **Gap in the quality of highly skilled staff**
- **Lack of highly skilled people in ICT**
- **Inadequacy in the university offer in the market needs**
- **Important brain drain**
- **Few graduates engaged in research activities**
- **High unemployment rate among university graduates**



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RECOMMENDATIONS [3]

Human Capital / Access to Skills

- Making higher education more adapted to the needs of the economy by creating incentives for university-business collaboration
- Improving the agility of the skilled labor through the development of continuing education adapted to the changes in the economy
- Creating incentives for academia to conduct research and to promote entrepreneurship among academic staff and students
- Supporting transfer of technology between universities and industries through technology transfer offices.

Findings [4]

Legal Framework and Public Policies

- **Fragmentation of the initiatives**
- **Lack of follow-up on the implementation of strategies and plans**
- **Lack of clear and enforced intellectual property laws**
- **Absence of tax incentives for supporting start-ups**
- **Need for streamlining the administrative procedures for starting a business**

RECOMMENDATIONS [4]

Legal Framework and Public Policies

- **Creating a one-stop shop to facilitate the business registration procedures**
- **Strengthening the institutional capacity for monitoring and evaluation (M&E)**
- **Integrating M&E at every component of the entrepreneurial ecosystem**
- **Issuing and empowering up-to-date intellectual property rights laws, tax incentives for investors and early start-up companies, and tax exemptions for the start-ups.**



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RECOMMENDATIONS [5]

Systemic and Regional Recommendations

- **Creating an Arab intellectual property organization facilitating both the filing and enforcement procedures to avoid outsourcing to other countries**
- **Launching an Arab program to support start-ups across the region, founded by entrepreneurs from the different Arab countries**
- **Establishing a digital platform putting in contact investors, entrepreneurs, researchers and policy makers.**

THANK YOU

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