ENTREPRENEURSHIP ECOSYSTEM
IN THE ARAB COUNTRIES

Dr. Nibal Idlebi
Chief
Innovation Section
Content

- Key Guiding Questions
- Methodology
- Entrepreneurial Ecosystem
- 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

<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
<th>Ease of Doing Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Arab Emirates</td>
<td>26</td>
<td>76.89</td>
</tr>
<tr>
<td>Bahrain</td>
<td>63</td>
<td>68.44</td>
</tr>
<tr>
<td>Oman</td>
<td>66</td>
<td>67.73</td>
</tr>
<tr>
<td>Morocco</td>
<td>68</td>
<td>67.5</td>
</tr>
<tr>
<td>Malta</td>
<td>76</td>
<td>65.01</td>
</tr>
<tr>
<td>Tunisia</td>
<td>77</td>
<td>64.89</td>
</tr>
<tr>
<td>Qatar</td>
<td>83</td>
<td>63.66</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>94</td>
<td>61.11</td>
</tr>
<tr>
<td>Kuwait</td>
<td>102</td>
<td>59.55</td>
</tr>
<tr>
<td>Jordan</td>
<td>118</td>
<td>57.3</td>
</tr>
<tr>
<td>Iran, Islamic Rep.</td>
<td>120</td>
<td>57.26</td>
</tr>
<tr>
<td>Egypt, Arab Rep.</td>
<td>122</td>
<td>56.64</td>
</tr>
<tr>
<td>Regional Average</td>
<td>116</td>
<td>56.36</td>
</tr>
<tr>
<td>Lebanon</td>
<td>126</td>
<td>55.9</td>
</tr>
<tr>
<td>West Bank and Gaza</td>
<td>140</td>
<td>53.21</td>
</tr>
<tr>
<td>Algeria</td>
<td>156</td>
<td>47.76</td>
</tr>
<tr>
<td>Iraq</td>
<td>165</td>
<td>45.61</td>
</tr>
<tr>
<td>Djibouti</td>
<td>171</td>
<td>44.5</td>
</tr>
<tr>
<td>Syrian Arab Republic</td>
<td>173</td>
<td>41.43</td>
</tr>
<tr>
<td>Yemen, Rep.</td>
<td>179</td>
<td>39.57</td>
</tr>
<tr>
<td>Libya</td>
<td>188</td>
<td>33.19</td>
</tr>
</tbody>
</table>

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
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: BBF 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
Oman Case Study

Oman’s Ecosystem Performance

33rd World Rank

Strongest Area: Risk Capital; High Growth; Human Capital

Weakest Area: Competition; Start-up 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
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
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.
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