ENTREPRENEURSHIP ECOSYSTEM IN THE ARAB COUNTRIES

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Entrepreneurship in the Arab region

- Entrepreneurship is very popular today in the Arab region
- There are a number of programs for promoting Entrepreneurship in Arab countries
- Are these entrepreneurship program sustainable?
- Do we have a suitable eco-system for Entrepreneurship in the region?
Support of entrepreneurship in some Arab countries

<table>
<thead>
<tr>
<th></th>
<th>Lebanon</th>
<th>Jordan</th>
<th>Egypt</th>
<th>Tunisia</th>
<th>Morocco</th>
<th>Algeria</th>
<th>Bahrain</th>
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</thead>
<tbody>
<tr>
<td><strong>Incubators/Techo Parks</strong></td>
<td>Berytech, BIAT, SouthBIC</td>
<td>iPark, JICs, Al Urdonia</td>
<td>Flat6Labs, Tahrir2, AlGhazela &amp; Sfax techno Parks, iPark</td>
<td>Casablanca Technopark</td>
<td>Cyberparc Sidi Abdellah</td>
<td>BBIC</td>
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<td><strong>Accelerators</strong></td>
<td>AltCity, Seeqnce</td>
<td>Oasis500</td>
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<td><strong>Funds (VC, Angels)</strong></td>
<td>Berytech Fund, MEVP</td>
<td>Oasis500 Fund, N2V, Bidaya</td>
<td>Ideavelopeurs, Cairo Business Angels, Oasis500</td>
<td>Maroc Numeric Fund</td>
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<td><strong>Support organization</strong></td>
<td>Bader, Cisco Entra Institute</td>
<td>Queen Rania Center for Entrepreneurship</td>
<td>Nebny Foundation, Egypreneur</td>
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Innovation and Entrepreneurship programs in Arab Region

• Regional Support programs
  – Wamda, TechWadi, Mowgli (mentorship & networking), INJAZ (youth)

• ARTECNET: The Arab Technology Incubator and Technology Park Networks ARTECNET
  http://www.arotecnet.org/
Innovation and Entrepreneurship programs in Arab Region

• National and Regional Awards
• Alecso Mobile Awards (Annual)
• MIT Pan Arab Startup Competition (since 2006)
  – Targeting 21 Arab countries & more than 4,000 applications every year
  – Winner gets 50k$ + visibility + exposure + mentoring
• Stars of Science, by Qatar Foundation
  – Pan-Arab reality-TV program dedicated to innovation & next generation of young Arab innovators, with more than $500,000 in cash prizes for the top 3 finalists
Innovation and Entrepreneurship programs in Arab Region

• **Funds**
  - Wamda, Intel Capital, Malaz Capital, Riyada Entreprise Development, Jabbar Internet Group, Silicon Oasis Ventures, Sindbad Ventures

• [https://en.wikipedia.org/wiki/List_of_Arab_entrepreneurship_initiatives](https://en.wikipedia.org/wiki/List_of_Arab_entrepreneurship_initiatives)
Example- Impact of Entrepreneurship in Arab Region: QRCE impact in Jordan

• The Queen Rania Center for Entrepreneurship is a Non-Profit organization established in 2004.

• The Center plays the role of a national Center of Excellence for Entrepreneurship. Impact:

  +25K people participating in networking activities

  +150 Training workshops & seminars organized

  +400 Jobs created

  +20 National conferences & competitions organized

  +$2M Annual incomes for the supported companies
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
## Distinctions made between the concepts of Entrepreneurship vs. Small Business

<table>
<thead>
<tr>
<th>Factor</th>
<th>Distinction</th>
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<tbody>
<tr>
<td><strong>Entrepreneur</strong></td>
<td><strong>Small Business Owner</strong></td>
</tr>
<tr>
<td><strong>Amount of Wealth Created</strong></td>
<td>Successful entrepreneurial ventures generate <strong>substantial wealth</strong> – in excess of several millions of dollars</td>
</tr>
<tr>
<td><strong>Speed of Wealth Created</strong></td>
<td><strong>Substantial income</strong> may be generated in only 5 years, for example</td>
</tr>
<tr>
<td><strong>Risk</strong></td>
<td><strong>High risk</strong> – risk of failure <strong>BUT</strong> less people pursuing similar ideas → more opportunities are created, higher margin of accumulating large wealth in less time</td>
</tr>
<tr>
<td><strong>Innovation</strong></td>
<td><strong>Higher level of innovation</strong> – either in products or services or in the processes <strong>Higher competitive advantage</strong> → higher wealth creation</td>
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Question?

How we can encourage entrepreneur to contribute to the achievements of SDGs?
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
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

- United Kingdom: 1.82
- EU-27: 1.78
- Tunisia: 0.92
- Turkey: 0.72
- Morocco: 0.64
- Jordan: 0.34
- Qatar: 0.33
- Lebanon: 0.30
- Sudan: 0.29
- Egypt: 0.23
- Oman: 0.17
- Algeria: 0.16
- Syria: 0.12
- Kuwait: 0.09
- Saudi Arabia: 0.05
- Bahrain: 0.04
ACCESS TO MARKETS AND EASE OF DOING BUSINESS

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
ACCESS TO FINANCE

MENA’s TOP 200 Start-ups distribution according to investment rounds ($)

DISCLOSED INVESTMENTS BY STAGES ’10-’17: Acceleration in number and size of fundings in recent years

(TOP 200 STARTUPS ONLY EXCL. SERIES D)

- Early Stage
- Series A
- Series B
- Later Stage

# of Deals: 2009 - 2
2010 - 5
2011 - 12
2012 - 15
2013 - 46
2014 - 34
2015 - 70
2016 - 79
2017 - 63
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: 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
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
Main Recommendation…..
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 in the region

▪ 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
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
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.
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