

THE ARAB ENTREPRENEURIAL ECOSYSTEM

HOW COMPLEMENTARITY AMONG ARAB COUNTRIES CAN ACHIEVE THE UN SDGS

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UNITED NATIONS

الاسواق

ESCWA

[Based on an ESCWA study under preparation]

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KEY GUIDING QUESTIONS

- To what extent can an innovation and technology driven entrepreneurial ecosystem help the Arab region in overcoming its main challenges, difficulties and pitfalls?
 - More specifically, how can this ecosystem contribute to achieving the SDGs in this region?
- What model is most efficiently applicable in this region and what are the main obstacles preventing Arab countries from growing and sustaining an entrepreneurial ecosystem?

METHODOLOGY [1]

The Methodology is based on two dimensions:

1. A Data Driven Assessment of the Arab Entrepreneurial Ecosystem involving the following main pillars:

- Access to Market and Ease of Business
- Access to Talents and Human Capital
- Access to Financing
- Legal Framework and Public Policies

METHODOLOGY [2]

2. Stakeholders' Perspectives

Three main types of stakeholders were considered and specific questions were raised:

Entrepreneurs. The key question he/she needs to answer are:

- Where should I form my tech start-up in order to maximize my chances of building a global success?
- Where should I open a second office and move a company function, taking advantage of another ecosystem's strengths and compensating for weaknesses in my original ecosystem?

Investors

- How can I help address the ecosystem's weaknesses?
- What are the critical relevant factors to select an entrepreneurial ecosystem?
- How to assess accurately a start-up and its chances to succeed?

Public Sector Decision-Makers

- How can I help address the ecosystem's weaknesses?
- What are the critical relevant factors to select an entrepreneurial ecosystem?
- How to assess accurately a start-up and its chances to succeed?

FOCUS GROUP PURPOSE

As part of the research and analysis of this Report, Focus Groups (FGs) were conducted in the 3 designated Arab countries: [Lebanon](#), [Morocco](#), and [Oman](#), to bring government decision makers, entrepreneurs and venture capitalists together to discuss a number of topics related to [entrepreneurship](#) and [innovation](#).

DEFINING AN ENTREPRENEUR

The Entrepreneur: the definition of Entrepreneur has come a long way from its 18th century French roots - culminating an Entrepreneur as “a person who organizes and operates a business by taking a financial risk” (Hoque, 2013) – reaching today, more hearty definitions:

“An entrepreneur is an individual who, rather than working as an employee, 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)

5 types of Entrepreneurial Activities were identified:

1. New product innovation or the 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

Factor	Distinction	
	Entrepreneur	Small Business Owner
Amount of Wealth Created	Successful entrepreneurial ventures generate substantial wealth – in excess of several millions of dollars	Generates income stream that generally replaces traditional employment
Speed of Wealth Created	Substantial income may be generated in only 5 years, for example.	Substantial income is generated over a lifetime
Risk	High risk – risk of failure <u>BUT</u> less people pursuing similar ideas → more opportunities are created, higher margin of accumulating large wealth in less time	Lower risk – leading to more people pursuing similar ideas → opportunities diminish
Innovation	Higher level of innovation – either in products or services or in the processes used to deliver them Higher competitive advantage → higher wealth creation	Less likely to be able to showcase innovation or innovative ideas, products, services or processes.

DEFINING ENTREPRENEURSHIP: THE START-UP AND ITS EVOLUTION STAGES



Ideating

Entrepreneurial ambition and/or potential scalable product or service idea for a big enough target market. Initial idea on how it would create value. One person or a vague team; no confirmed commitment or no right balance of skills in the team structure yet.

Concepting

Defining mission and vision with initial strategy and key milestones for next few years on how to get there. Two or three entrepreneurial core co-founders with complementary skills and ownership plan. Maybe additional team members for specific roles also with ownership.

Committing

Committed, skills balanced co-founding team with shared vision, values and attitude. Able to develop the initial product or service version, with committed resources, or already have initial product or service in place. Co-founders shareholder agreement (SHA) signed, including milestones, with shareholders time & money commitments, for next three years with proper vesting terms.

Validating

Iterating and testing assumptions for validated solution to demonstrate initial user growth and/or revenue. Initial Key Performance Indicators (KPIs) identified. Can start to attract additional resources (money or work equity) via investments or loans for equity, interest or revenue share from future revenues.

Scaling

Focus on KPI based measurable growth in users, customers and revenues and/or market traction & market share in a big or fast growing target market. Can and want to grow fast. Consider or have attracted significant funding or would be able to do so if wanted. Hiring, improving quality and implementing processes

Establishing

Achieved great growth, that can be expected to continue. Easily attract financial and people resources. Depending on vision, mission and commitments, will continue to grow and often tries to culturally continue "like a startup". Founders and/or investors make exit(s) or continue with the company.



WHAT IS AN ENTREPRENEURIAL ECOSYSTEM? AND HOW TO ASSESS IT?

THE PILLARS OF THE ENTREPRENEURIAL ECOSYSTEM

A DETAILED DESCRIPTION [1]

Pillar	Description	Sub-Pillar
1. Access to Markets and Ease of Doing Business	<p>The ability to access markets is the end-goal of all entrepreneurs – to break the market, to have solidified a presence. Essentially, the availability of accessible markets is important for the growth of companies in a region.</p> <p>The premise for this pillar is basically the number and category of a company's potential clients/customers. Another premise is the location of these customers – if they are coming from domestic (local) or foreign (regional/international) markets. The combination of both these 2 premises, makes up the components of an accessible markets pillar.</p>	<p>Domestic Market:</p> <ul style="list-style-type: none"> - Large companies as customers - SMEs as customers - Government as customers <p>Foreign Market:</p> <ul style="list-style-type: none"> - Large companies as customers - SMEs as customers - Government as customers
	<p>An additional component here is the ease of doing business (World Bank's Doing Business 2017), which in itself comprises several sub-components. It measures and tracks changes in regulations affecting 11 areas in the life cycle of a business.</p>	<p>Ease of Doing Business</p> <ol style="list-style-type: none"> 1. Starting a business 2. Dealing with construction permits 3. Getting electricity 4. Registering property 5. Getting credit 6. Protecting minority investors 7. Paying taxes 8. Trade across borders 9. Enforcing contracts 10. Resolving insolvency 11. Labor market regulation (data is included an annex-World Bank).
2. Human Capital/Skills	<p>Human Capital can either make or break a company. There is a high emphasis among entrepreneurs in finding the right team – diversity, experience, skills, and competencies - to ensure the continuation and success of their company.</p>	<ul style="list-style-type: none"> - Management Talent - Technical Talent - Entrepreneurial company experience - Outsourcing availability - Access to immigrant workforce
3. Funding and Finance	<p>Funding and finance is made up of all the financial mechanisms, entities and structures that are put in place to help support entrepreneurs achieve growth.</p> <p>Access to finance is most often cited as one of the major barriers facing entrepreneurs today – especially pre-seed, seed and early-stage financing.</p>	<ul style="list-style-type: none"> - Friends and family - Angel investors - Private equity - Venture capital - Access to debt
4. Network and Support Systems	<p>An entrepreneurship network is essentially made of up of business support mechanisms and systems that are geared towards promoting entrepreneurship and entrepreneurs.</p> <p>These mechanisms can be at the business-level (business development, coaching, mentoring), skills-level (workshops, training, technical support), or financial-level (awards, competitions).</p>	<ul style="list-style-type: none"> - Mentors/advisers - Professional services - Incubators/accelerators - Network of entrepreneurial peers

WHAT IS AN ENTREPRENEURIAL ECOSYSTEM? AND HOW TO ASSESS IT?

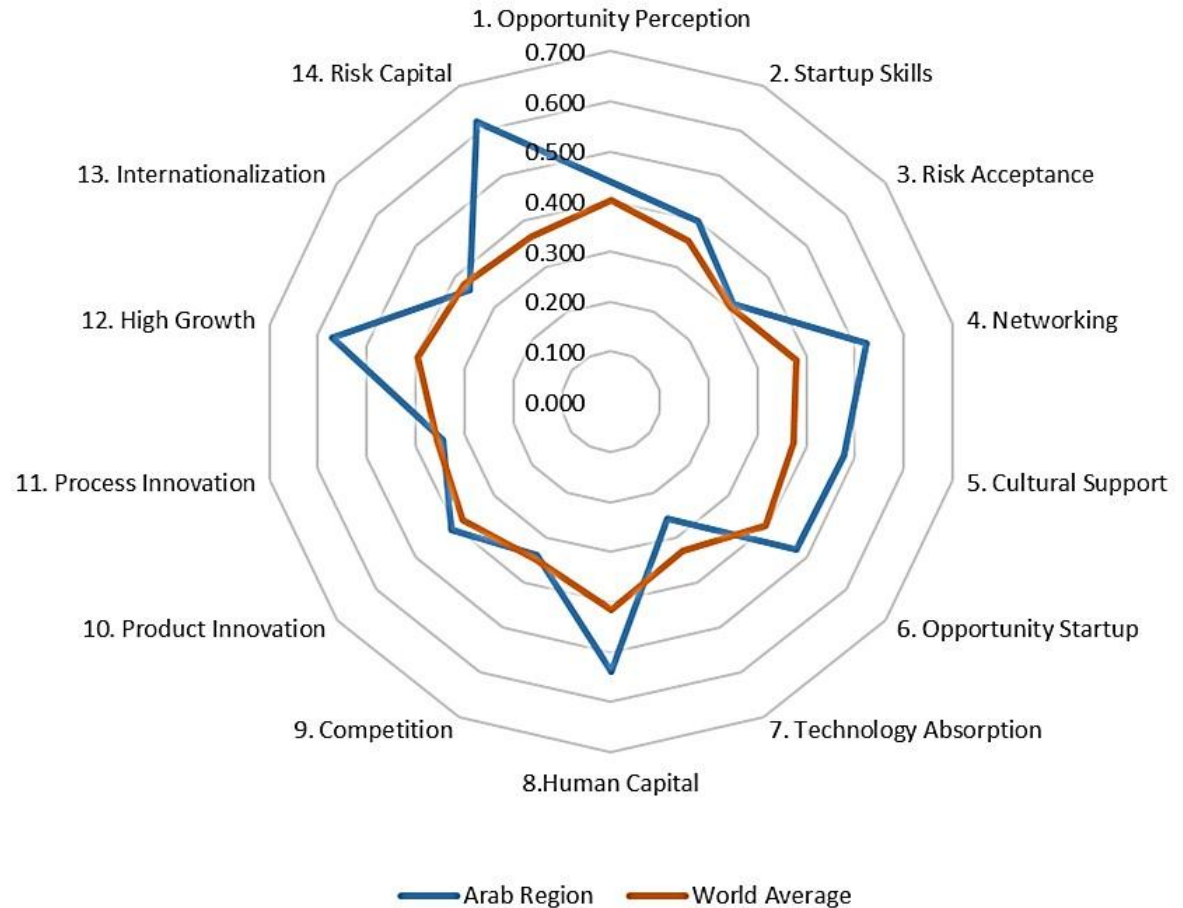
THE PILLARS OF THE ENTREPRENEURIAL ECOSYSTEM

A DETAILED DESCRIPTION [2]

5. Government and Regulatory Framework	<p>Just as any system is governed by laws and regulations, so is an entrepreneurial ecosystem. The government plays an essential role in the promotion of innovation, technology and entrepreneurship in a country.</p> <p>Knowing this, certain government barriers and increased bureaucratic procedures can often hinder the ease of starting a business (ex. registering the company), maintaining it (ex. access to financial and business support), and even closing it (ex. filing for bankruptcy).</p>	<ul style="list-style-type: none">- Ease of starting a business- Tax incentives- Business-friendly legislation/policies- Access to basic infrastructure- Access to telecommunications/broadband- Access to transport
6. Universities, Education, and Training	<p>The role that academia plays in entrepreneurship is often a catalyst. Universities and the educational system play an important role in breeding an entrepreneurial spirit and culture in a country's youth, not to mention in building their entrepreneurial skills and competencies through designated entrepreneurship education and training.</p> <p>Moreover, through their programs, universities can promote innovation and entrepreneurship through academia-industry collaboration (matching students to the job market).</p>	<ul style="list-style-type: none">- Available workforce with pre-university education- Available workforce with university education- Entrepreneur-specific training
7. Physical Infrastructure	<p>The physical environment surrounding entrepreneurs is just as important to their success as the conceptual one. Very much tied to the pillar on Government and Regulatory Framework, accessing basic infrastructure (electricity, telecommunication, hardware, co-working spaces, etc.) is one of the important elements that are conducive to a healthy entrepreneurial ecosystem.</p>	<ul style="list-style-type: none">- Access to basic infrastructure: electricity, water- Access to transportation: roads, public transportation- Access to telecommunications: internet, landlines, etc.- Access to co-working spaces- Access to prototyping labs, fabrication labs- Access to hardware (equipment, tools, machinery)

OVERVIEW OF THE ARAB ECOSYSTEM

Global Entrepreneurship Index 2016-2017



HUMAN CAPITAL / ACCESS TO SKILLS AND TALENTS

Three common themes characterize Arab labor markets:

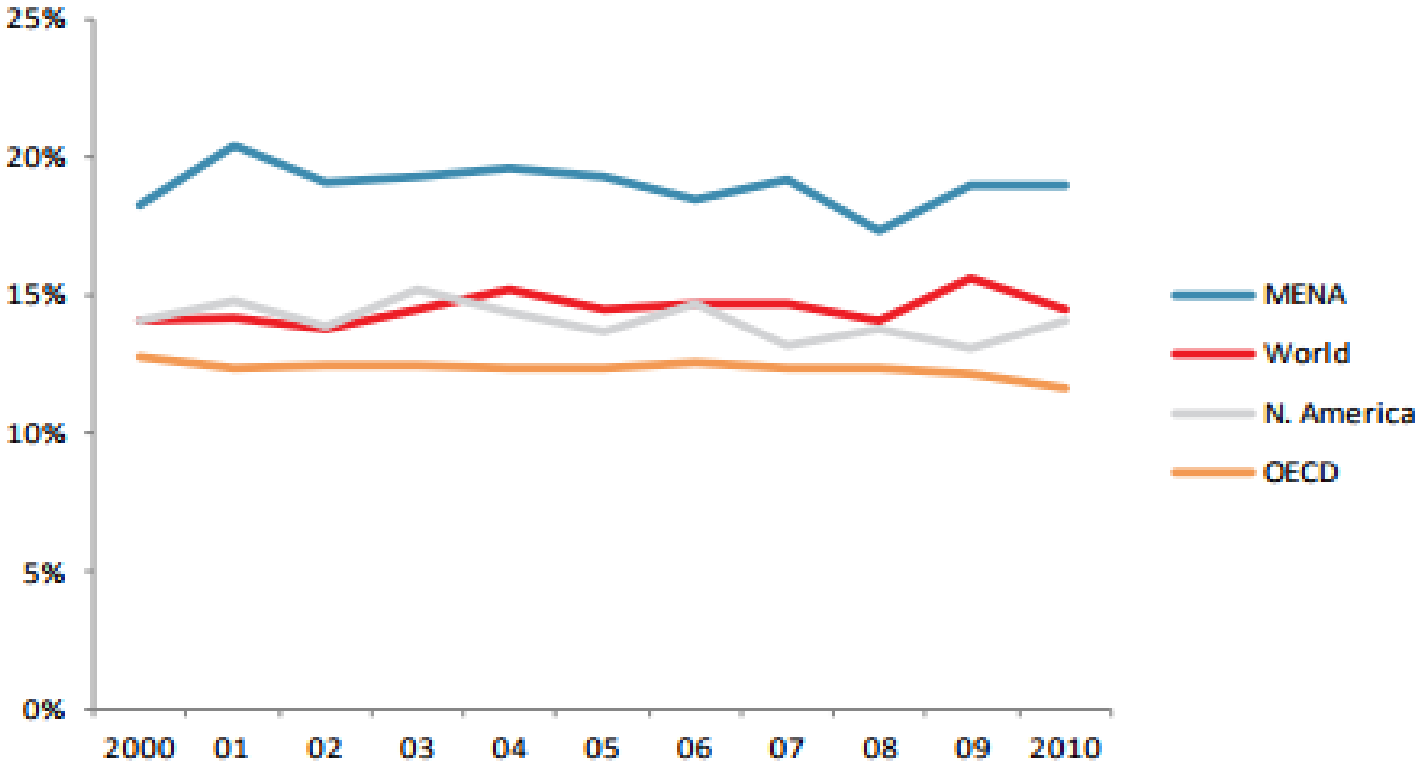
1. Low but increasing levels of workforce participation by women
2. High rates of unemployment and under-employment, especially among the young and relatively well-educated
 - Youth unemployment in the MENA region stands at 31% and university graduates are making up nearly 30% of the total unemployed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

Arab Entrepreneurial Ecosystem

LABOR MARKET STRUCTURE

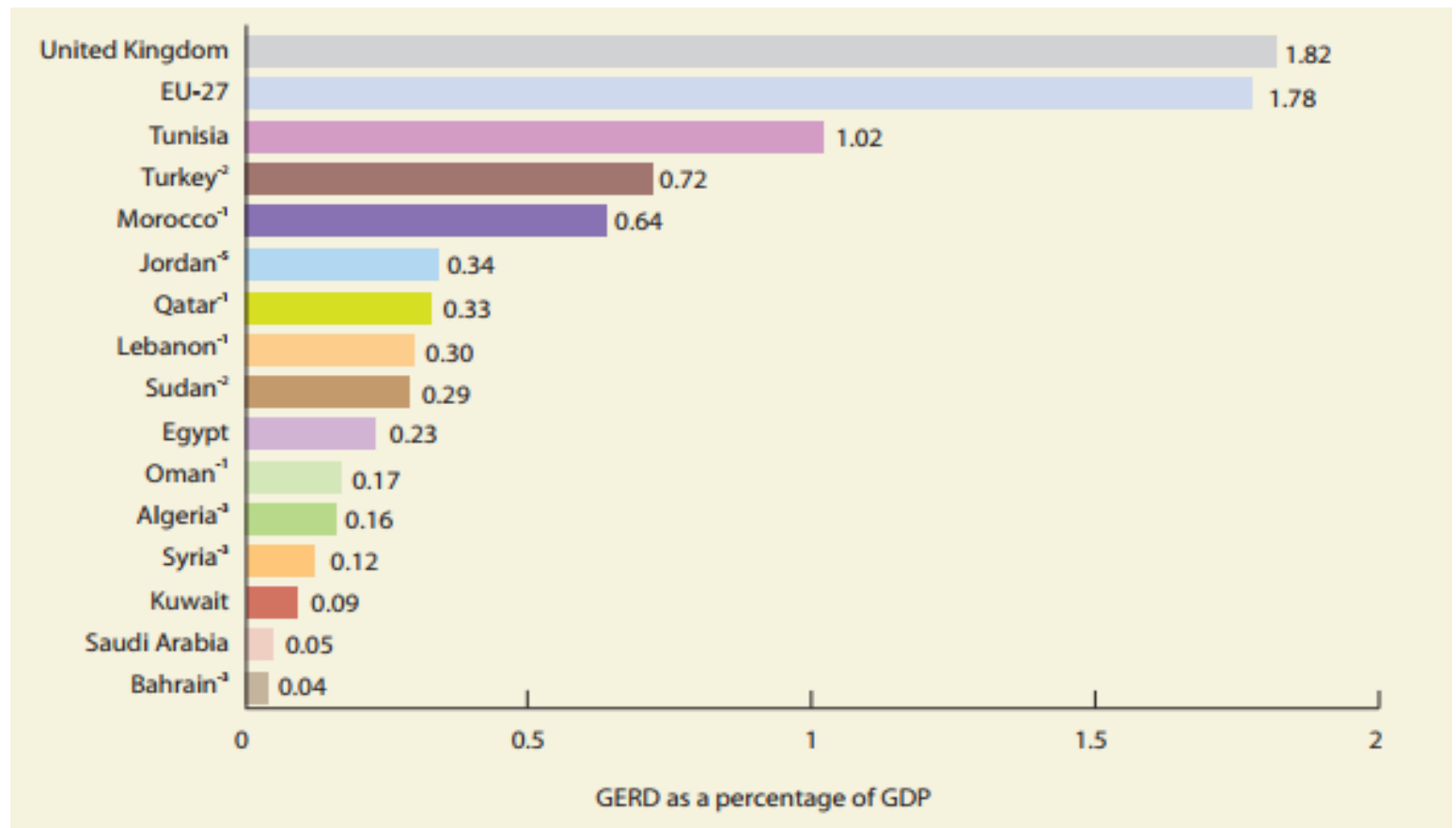
- High-skilled employment stands at 21% on average, middle-skilled roles account for 66% of all formal sector jobs
- Among the high-skilled employees the percentage of digital skills remain limited

Public Expenditure on Education as a % of Government Expenditure



Source: The World Bank

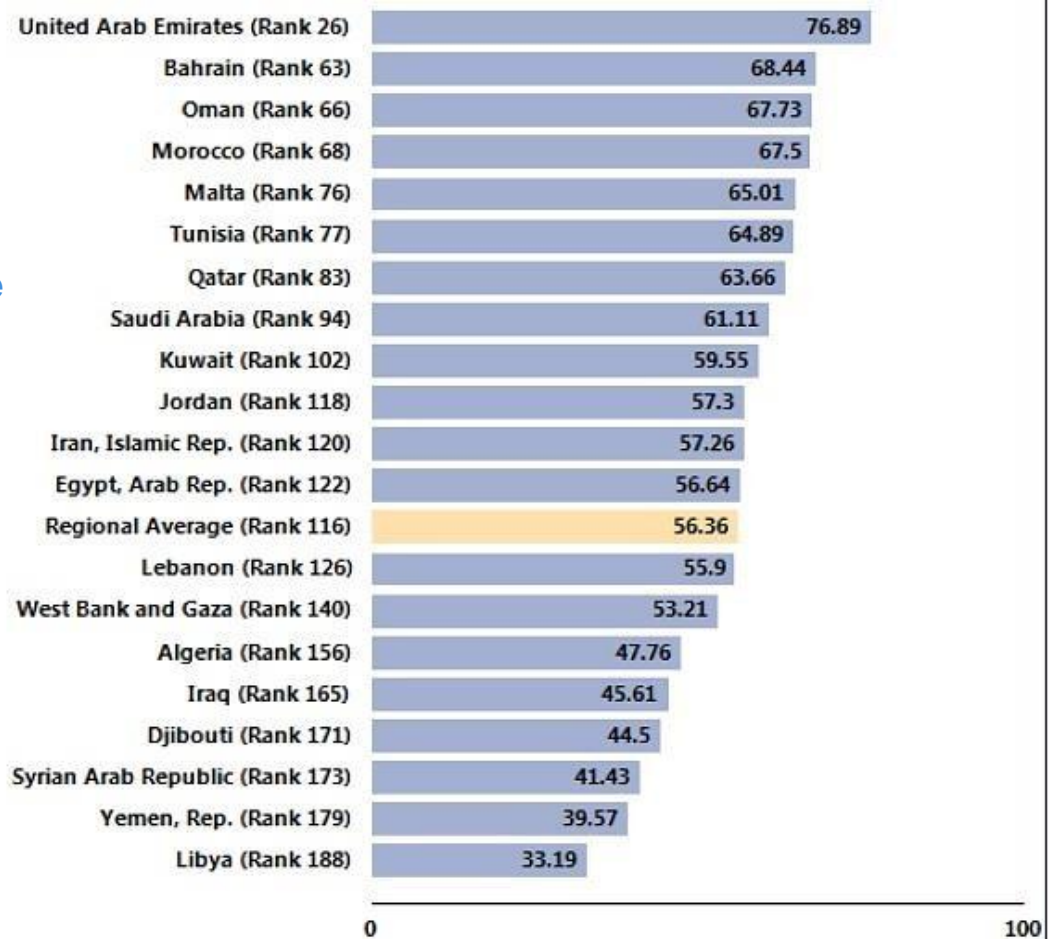
GERD as a % of GDP



Arab Entrepreneurial Ecosystem

ACCESS TO MARKETS AND EASE OF DOING BUSINESS [1]

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



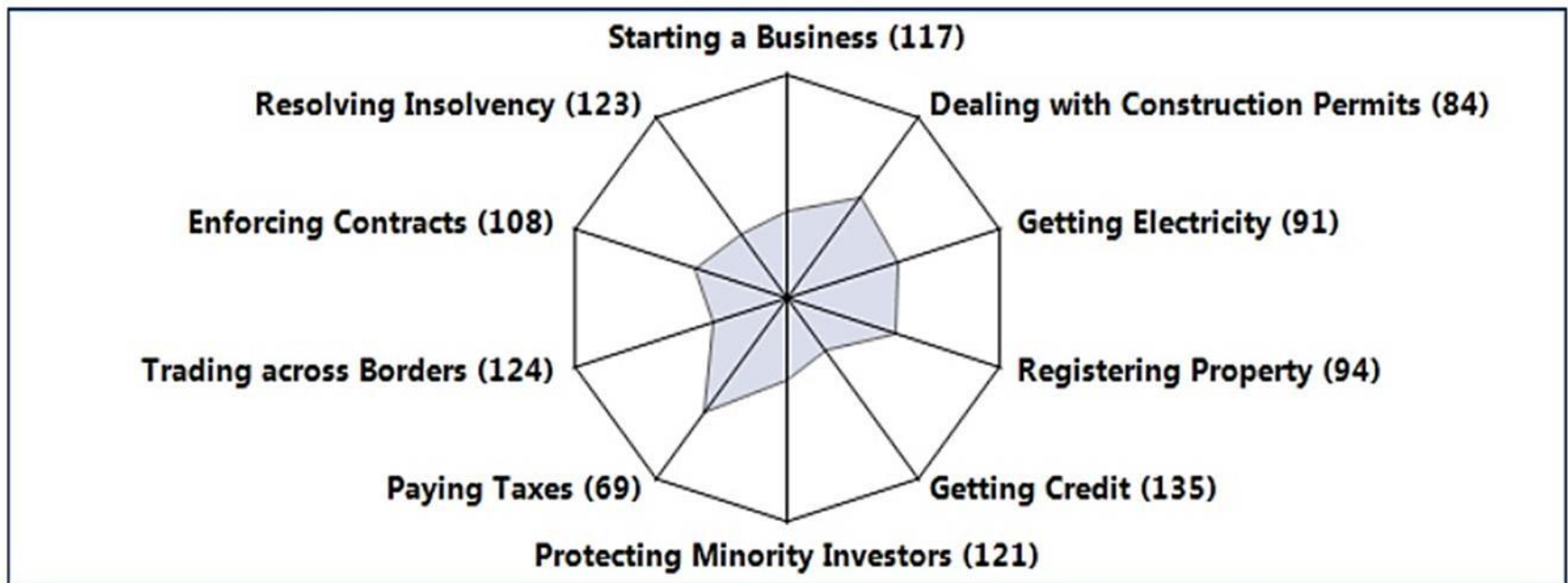
Arab Entrepreneurial Ecosystem

ACCESS TO MARKETS AND EASE OF DOING BUSINESS [2]

Figure 1.3 Rankings on *Doing Business* topics - Middle East and North Africa (MENA)

(Scale: Rank 190 center, Rank 1 outer edge)

Regional average ranking



Arab Entrepreneurial Ecosystem

ACCESS TO FINANCE [1]

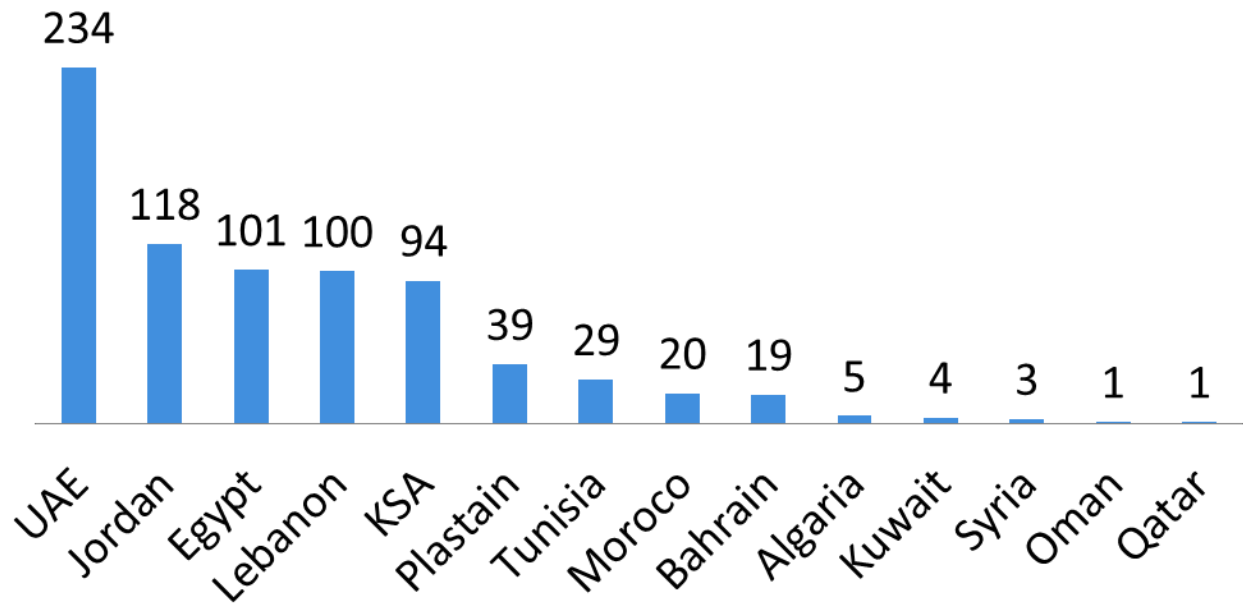
- According to the International Finance Corporation (IFC), almost **63% of Micro-and SMEs in the region have no access to finance.**
- Notably, there is a **gap in accessing finance for pre-seed, seed and early-stage ventures.**
- Financing is evolving in the MENA ecosystem to include **more investments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

Source: [MAGNiTT, 2017; Hariharan, 2017](#)

Arab Entrepreneurial Ecosystem

ACCESS TO FINANCE [2]

Cumulative Number of Disclosed Deals Between 2013-2016

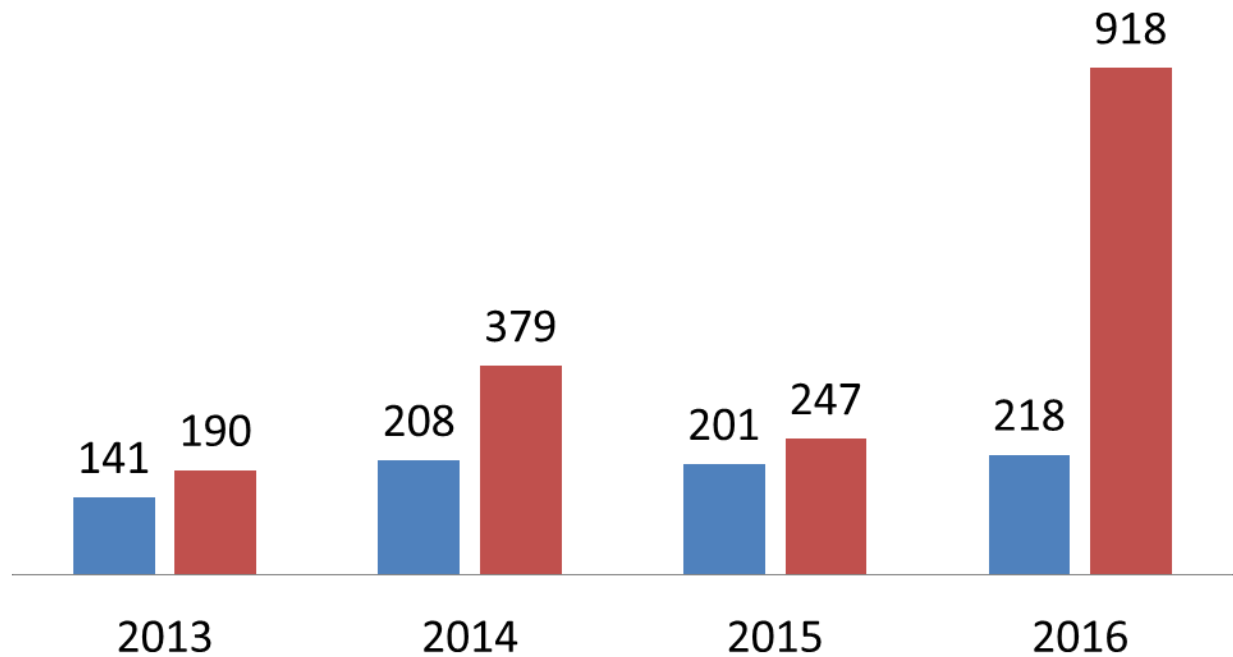


MENA's Top 200 Start-ups
Report
Source: MAGNiTT, 2017

Arab Entrepreneurial Ecosystem

ACCESS TO FINANCE [3]

Number and Value of Disclosed Deals per Year

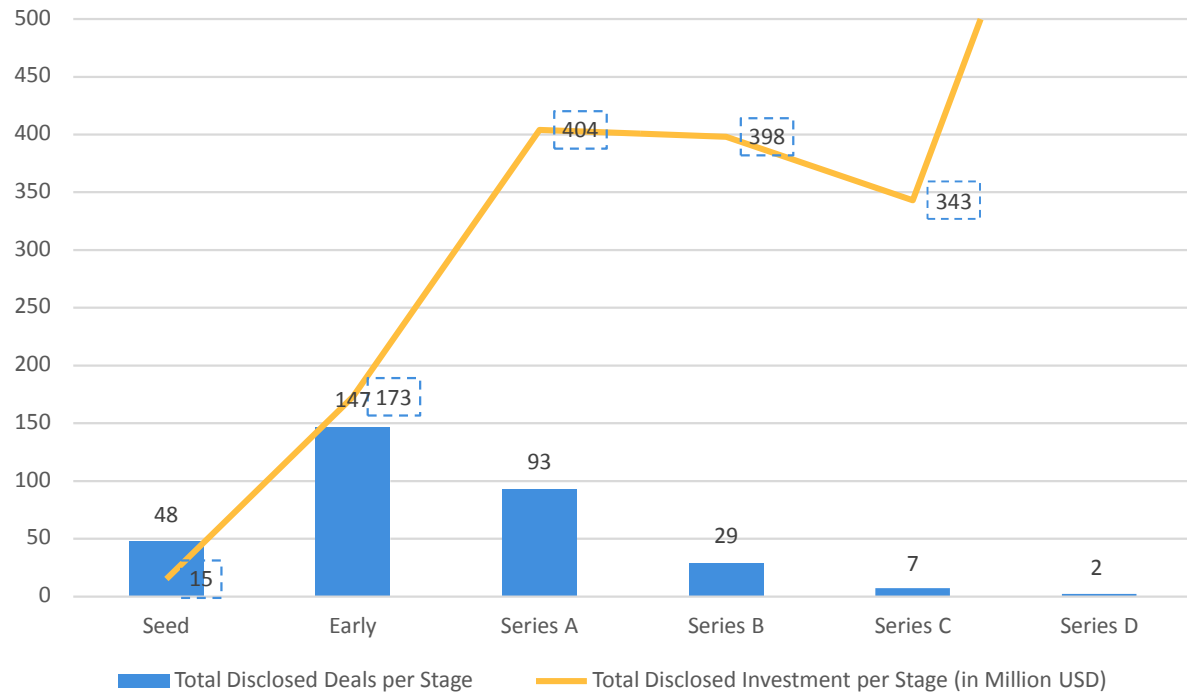


MENA's Top 200 Start-ups
Report
[Source: MAGNiTT, 2017](#)

Arab Entrepreneurial Ecosystem

ACCESS TO FINANCE [4]

Total Disclosed Deals and their Amounts per Stage



MENA's Top 200 Start-ups Report

Source: Based on MAGNiTT, 2017

Lebanon

Regulatory Framework – Role of the Government [1]

IP - Ministry of Economy and Trade (MoET)

- **Amendments to the Patent Law** – the patenting system is “merely a registry and not more than that, creating a problem for entrepreneurs, especially regarding IP protection” – *Lawyer Linda Kassem, Senior Legal Trade Specialist/Legal Consultant, UNDP/MoET*
- **Amendments to the Copyright Law** – dating back to 1999
- **Amendments to Industrial Designs**

Laws on Transfer of Technology – Presidency of Council of Ministers (PoCM)

- Work towards preparing a **Technology Transfer Law**
- Establish a **National Technology Transfer Office (NTTO)** to coordinate the universities' TTUs, initiate efficient communication between universities and industries, provide legal advice on regulatory frameworks for scientific collaboration between universities and industries

Coordination – CNRS-IDAL-BDL

- Need to establish a **National Innovation Agency** that:
 - Coordinates policymaking across sectors
 - Monitors and evaluates innovation policies and strategies
 - Provides specific knowledge and guidance to the National Innovation System (NIS) of the country
 - Develops and refines coordination mechanisms among governance agencies, sector ministries, research institutions, industry

Lebanon

Regulatory Framework – Role of the Government [2]

Ease of Doing Business (Launching-Running-Closing a Business): A reforms package impacting SMEs is currently in the pipeline at the **MoET**, waiting for approval by the Parliament:

- Amendments to the codes of commerce for all types of SMEs and start-ups
- **Amendment to types of companies (SAL, SARL, etc.)**
- **Promotion of a bankruptcy law**
- Establishment of a **one-stop shop for business registration**
- Incorporating sole partnership companies
- **Drafting insolvency laws and for insolvency practitioners**
- **Draft law on private equity funds**
- Law on preferred shares (stock options)
- **Promotion of e-payment and e-transaction laws**
- **Amendment of the Investment Law No. 360**

- Lawyer Linda Kassem, Senior Legal Trade Specialist/Legal Consultant, UNDP/MoET

What is an SAS (Société par Actions Simplifiée)? A French-based hybrid law that more adaptable and offers more flexibility to entrepreneurs than an SAL. With an SAS:

- You can build your own company status
- You are not restricted to a minimum capital
- You can shut down operations easily
- You can have 2 shareholders
- You can enter new investments easily

- Bassel Aoun, Project Manager, Kafalat

Morocco

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
- **Law No. 23-13:** Amendment and Supplement to Law No. 17-97 on the **Protection of Industrial Property** (2014)

Laws on Transfer of Technology

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

Coordination

“Find a middle ground between the initiatives of the MoI and the MoEF – enhance inter-agency coordination at the ministerial levels” – *Dr. Najiba Elamrani, Head of Electrical Engineering Department, Faculty of Science and Technology - Fez*

“Governance is a major institutional problem. There is a lack of coordination as well and priorities should be made concerning strategic sectors in Morocco”

“The government has a role to play in incentivizing [large] companies towards integrating entrepreneurship in their corporate strategies – they need to be institutionalized on behalf of the government”

– *Representative of the Ministry of Industry, Investment, Trade and Digital Economy (MoI)*

FINDINGS & RECOMMENDATIONS [1]

	Findings	Recommendations
Access to Market	<ul style="list-style-type: none">- 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	<ul style="list-style-type: none">- 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
Access to Finance	<ul style="list-style-type: none">- 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.	<ul style="list-style-type: none">- 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 & RECOMMENDATIONS [2]

	Findings	Recommendations
Human Capital / Access to Skills	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - 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 (TTOs) at the level of the universities with the support at the national level for enhancing the mechanisms of transfer and providing highly-skilled experts
Legal Framework and Public Policies	<ul style="list-style-type: none"> - Conflicting interests among the different entities of the public sector - 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 	<ul style="list-style-type: none"> - 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, based on real, complete and continuously updated data, which requires Observatories for the assessment of the national entrepreneurial ecosystems - 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 for a designated amount of years (3-10 years)

SYSTEMIC AND REGIONAL RECOMMENDATIONS

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, and providing information about technology institutions, universities, incubators, accelerators, and industries

LEBANON CASE STUDY



UNITED NATIONS

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Profile

- **133rd/190** – World Bank's **Doing Business 2018**
- **81st/127** – Global Innovation Index (**GII**) **2017**
- **101st /138** – Global Competitiveness Index (**GCI**) **2016-2017**

KEY CHALLENGES

Corruption, government instability, inadequate supply of infrastructure, inefficient government bureaucracy, policy instability, insufficient capacity to innovate, tax rates, access to financing

KEY ACHIEVEMENTS

- **2009** – Lebanon made it easier to register a company by streamlining its business registration process
- **2013** – **BDL Circular 331**: To date, **\$300-\$320 million** have been raised with around half this amount invested in over **40 start-ups**; creation of new VC funds (seed, growth, and series B), new accelerators, and new co-working spaces
- **2014** – Lebanon's SME Strategy: A Roadmap to 2020 (MoET/UNDP)

Attitudes Towards Entrepreneurship

- Entrepreneurial activity in Lebanon is driven by opportunity.
- Lebanese entrepreneurs tend to go for more high-growth, consumer-oriented enterprises and have high-employment potential.

CONTRIBUTING FACTORS TO LEBANON'S ENTREPRENEURIAL CULTURE:

History of family businesses, Strong human capital – young, educated and resourceful workforce, Marketing and PR mentality, Successful and widespread Diaspora, BDL's Circular 331

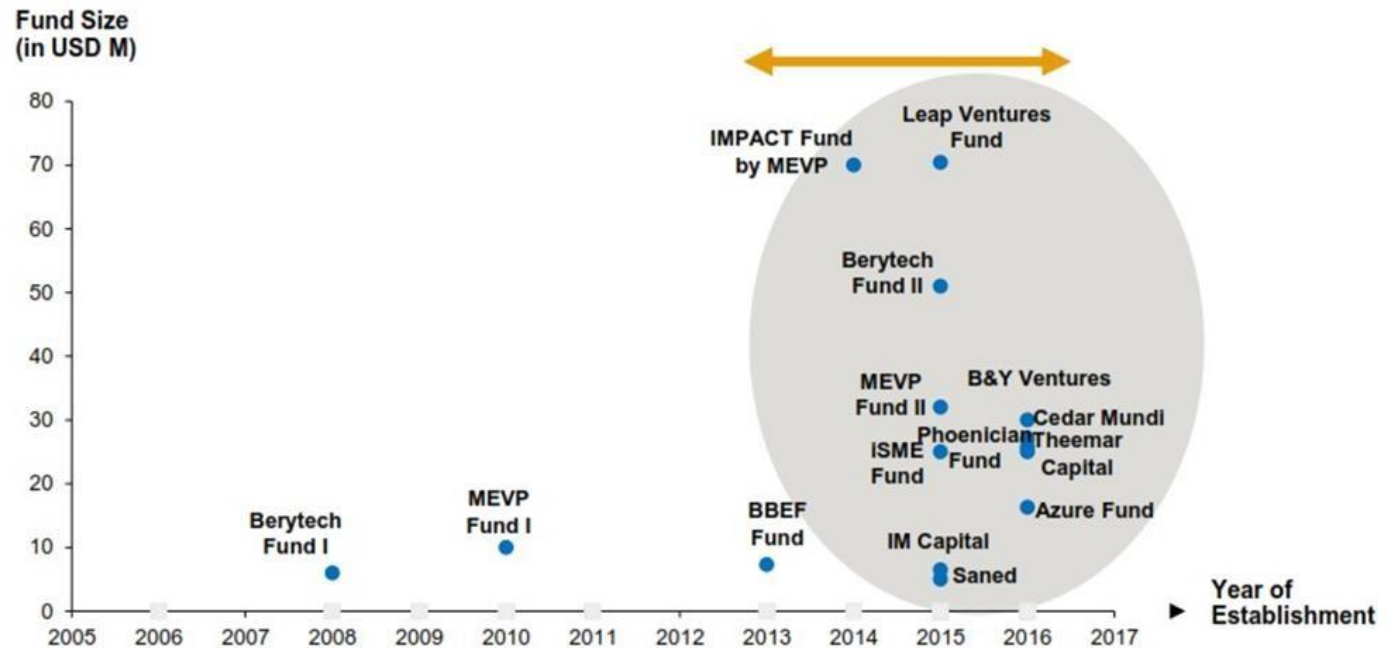
DOUBLE-EDGED SWORD: Seeing that as highly educated youth is more likely to start a business, they are also more likely to be employed as soon as they graduate, indicating a lack of incentive for students to consider the entrepreneurial track as one that is career-beneficial - given the added appeal of traditional employment for many in comparison

FEMALE ENGAGEMENT IN ENTREPRENEURSHIP:

Participation among women is low, however, there are numerous efforts and initiatives on the rise: BLC Bank's Women Empowerment (WE) Initiative, SME Toolkit, Cartier Women's Initiative Awards, Femme Francophone Entrepreneure Awards

Access to Funds and Finance

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



Source: Lebanon SME Forum 2017. Access to Finance: Gaps and Recommendations (World Bank, 2017)

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

Lebanon Case Study

BANQUE DU LIBAN (BDL)

- One cannot talk about the entrepreneurial ecosystem in Lebanon without paying tribute to the country's Central Bank - Banque du Liban (BDL).
- BDL is the **main actor governing the financial ecosystem and provides businesses and SMEs with the necessary access to finance.**
 - In this respect, the most important law issued by BDL is the **Circular 331** and its amendments.
- To date, **\$300-\$320 million have been raised with around half this amount invested in over 40 start-ups** → spurring the **creation of new venture capital funds which cover the various levels of funding (seed, growth, and series B), new accelerators, and new co-working spaces”**
- Just as there are key players of the Lebanese entrepreneurial ecosystem that have **hailed Circular 331 as a game-changer** in its pursuit towards a Knowledge Economy, there are many who have **flagged some of the Circular's drawbacks and limitations.**

BDL's Pitfalls:

- The February 2017 **Intermediate Circular 452** raised a number of complaints namely among start-ups → **it puts limitations on how start-ups could invest the money that they receive under Circular 331, thus “stipulating that any investment, direct or indirect, must be made in Lebanon”**
 - **Circular 452 endangers Circular 331** given that it forbids any expense from outside Lebanon, without making a clear distinction between what an investment is and what an expense is (i.e. it does not differentiate between spending and investment).
- **In March 2017, following much resistance and lobbying** from the entrepreneurial ecosystem, **Circular 452 was amended - Amendment 454 – to permit start-ups to “buy services and equipment abroad should they be unavailable in Lebanon. Additionally, it allows that further exceptions can be granted by BDL on a case-by-case basis”.**

Access to Talent and Skills

62nd/118 in the Global Talent Competitiveness Index 2017

“There is a need for more nurturing for entrepreneurs at the early stages – as early as school, with educational programs that highlight the potential of entrepreneurship in creating change in the world to young students who are about to choose their next educational or career path” – *Abdallah Absi, CEO of Zoomaal & GivingLoop*

“The challenge in Lebanon is on popularizing the spirit of entrepreneurship and shifting mentalities among Lebanon’s youth towards entrepreneurship” – *Dr. Bijan Azad, Director, Darwazah Center for Innovation Management and Entrepreneurship, AUB*

AT THE SCHOOL-LEVEL: INJAZ Al-Arab → working towards promoting youth experiential learning in workforce readiness, financial literacy and entrepreneurship in the Arab region

AT THE UNIVERSITY-LEVEL: AUB’s Center for Research and Innovation (**CRInn**), **AUB CRInn Riyada**, **LAU** Institute of Family and Entrepreneurial Business, **BAU’s** Center for Entrepreneurship (academic incubator), and **ESA** Business School are creating much support for entrepreneurs in Lebanon

AT THE WORK-LEVEL: New Entrants to Work (NEW) program → World Bank (2011) - aims at improving the employability of Lebanese first-time job seekers and offers participants an integrated program of life skills training (50-hours), intermediation (placement) and monitoring services combined with 2 years on-the-job training (OJT) in a private firm

MOROCCO CASE STUDY



UNITED NATIONS

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Profile

- **69th/190** – World Bank's **Doing Business 2018**
- **72nd/127** – Global Innovation Index (**GII**) **2017**
- **70th/138** – Global Competitiveness Index (**GCI**) **2016-2017**

KEY CHALLENGES

- Attracting and maintaining talent, bureaucratic and institutional barriers, lack of coordination between government ministries

KEY ACHIEVEMENTS

- **2002** – Creation of **MarocPME** - National Agency for the Promotion of Small and Medium-sized Enterprises
- **2010** – Creation of the **Maroc Numeric Fund (MNF)** – 1st VC Fund
- **2014** – **2014-2020 Industrial Acceleration Plan** - set forth by the Ministry of Industry, Investment, Trade and Digital Economy

Access to Funds and Finance

- **38% OF ENTREPRENEURS LACKED FUNDING FOR LATER-STAGE SUPPORT, FROM SOURCES SUCH AS VENTURE CAPITALISTS, INVESTORS, OR LOANS**
- **A 2011 WORLD BANK STUDY NOTES THAT “ONLY 8% OF BANK LOANS IN THE MENA REGION HAVE BEEN ALLOCATED TO SMES, RANGING FROM 2% IN THE GULF STATES TO 13% IN THE REST OF THE REGION, WITH MOROCCO, LEBANON, AND TUNISIA AS THE TOP PERFORMERS.”**
- **IN A REPORT CONDUCTED BY THE MOROCCAN ASSOCIATION OF EQUITY INVESTORS (AMIC), IN 2015, “BUSINESSES REQUIRING SEED MONEY AND VENTURE CAPITAL WERE THE RECIPIENTS OF A MERE 6% OF ALL INVESTMENTS MADE IN MOROCCO, ONE OF THE LOWEST RATES OF THIS SORT OF INVESTMENT IN THE MIDDLE EAST AND NORTH AFRICA REGION”.**
- **2016 – CREATION OF INNOVINVEST FUND**
 - To leverage USD 50 million in financing from the World Bank Group to plug gaps in equity financing for start-ups
 - Implemented by the Caisse Centrale de Garantie (**CCG**), which provides pre-seed, seed, and venture capital to innovative young firms.
 - Supports training, incubators, and acceleration activities for project developers, both through intermediaries in the financial ecosystem and through strengthening an angel investors’ network

Sources: Igniting Climate Entrepreneurship in Morocco. World Bank, 2017; Akeel, 2017

Access to Talent and Skills

118th/130 in the Global Human Capital Index 2017

96th/118 in the Global Talent Competitiveness Index 2017

In Morocco, student entrepreneurs can obtain a Statut Etudiant Entrepreneur or a status that indicates they are student entrepreneurs at their respective university – students become incubated in the university setting, and benefit from the university facilities, at the same time being able to pursue their degree.

AT THE SCHOOL-LEVEL: INJAZ Al-Maghrib is a non-profit organization that engages the private sector with the youth to contribute to the emergence of a new generation of entrepreneurs. The ***Company Program*** – INJAZ Al-Maghrib's flagship program, aims to instill an entrepreneurial spirit among Moroccan high school students.

AT THE UNIVERSITY-LEVEL:

- In 2011, a joint project between **UNESCO** and the UK's **StratREAL Foundation** attempted to instigate entrepreneurial education in several Arab states, including Morocco.
- The **Emines School of Industrial Management of the Mohammed VI Polytechnic University in Ben Guerir** has a two-fold mission statement, part of which is to prepare students to become entrepreneurs.
- The **ESCA Écoles de Management**, a business school in Casablanca, has a program in entrepreneurship and international development which exposes students to a broad range of entrepreneurship courses.

OMAN CASE STUDY



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Oman's Ecosystem Performance



14 Pillar Comparison



33rd World Rank

Strongest Area: Risk Capital; High Growth; Human Capital

Weakest Area: Competition; Start-up Skills, Process Innovation

Attitudes Towards Entrepreneurship

- **Entrepreneurial spirit in Oman is considered to be low**, compared to neighboring MENA countries. This is due to the following factors:
 - Business environment in Oman is **not conducive** for doing business and creating more jobs
 - Results of study by Ibrahim et. al. (2017) on the attitude of Omani graduate towards entrepreneurship revealed: Despite a positive attitude, **only 18% of the students showed an interest in working in self-employment schemes after graduation**, compared to 38% who preferred to work in the government sector, and 44% in the private sector
 - **Rising numbers of graduates** (increased from **12,518 in 2011** to **16,343 in 2015**) in the labor force and **saturation of employment** in the **government sector**
 - Majority of university students in Oman are **optimistic** and interested in starting their own business, **but lack the knowledge** about how to achieve this
- **Other factors include:**
 - Family influences
 - Confidence / Fear of failure
 - Entrepreneurship education and training

Access to Funds and Finance

- **UNDER RIYADA, THERE ARE A NUMBER OF PROGRAMS WITH FINANCIAL SCHEMES THAT SUPPORT UPCOMING ENTREPRENEURS IN OMAN, FOR EXAMPLE:**
 - **Sharakah** – equity scheme, loan scheme, bill discounting scheme
 - **Zubair Small Enterprises Center** – launched the **Direct Support Program**
 - Qualified members of the Zubair SEC can receive financial grants and facilitations from this program, as well as benefit from advisory and training services
 - **Startup Oman**
 - Startup Oman Angel Network
 - Eureka.com – Crowdfunding platform
 - The Cell – seed financing and training
 - Al Raffd Fund – support to SMEs
 - **Al-Wathbah** – offers up to RO 400K in terms of funding for small commercial establishments and up to RO 1M in terms of funding for medium commercial establishments subject to certain requirements stipulated by Bank Muscat
 - Term Loan, Short Term Loan, Overdraft, Letter of Credit & LTR, Bill Discounting, Advances Against Receivables, Letter of Guarantee, Government loan guarantee.

Access to Talent and Skills

Global Talent Competitiveness Index 2017 Ranking

- Oman is ranked **9th/18** among Arab MENA countries and **59th/118 overall**
- The Sultanate has a score indicating that it could develop more in the area of global knowledge skills.

AT THE UNIVERSITY-LEVEL:

- **Sultan Qaboos University** and **Salalah College of Technology** are the **main academic institutions** acting as a catalyst in Oman, creating and growing young businesses by providing them with necessary support and financial and technical services, either acting as a **standalone incubator** or in **cooperation with** other governmental initiatives such as the **SME Development Fund**.
- **Collaboration between Higher Education Institutions and SME Development Fund** → **Entrepreneurial Campus Program** - acts as a space that provides a community, resources and physical environments essential to fostering entrepreneurial exploration
 - **In 2016** → **18 colleges serving 1,200 students through 11 clubs**
- The Innovation and Entrepreneurship Group at Sultan Qaboos University has this academic year **launched a series of “INOVENT Talks”** targeted at students and the general public → **hosting successful entrepreneurs to share their experiences and help develop a culture of innovation and entrepreneurship among a wider audience**

Regulatory Framework – Role of the Government

IP – Ministry of Commerce and Industry

- Is the **intellectual property office for the Sultanate**. Online filing for patent, utility model and trade mark applications will be available soon.
- Oman is a member of the Gulf Cooperation Council (GCC) Patent Office
- Member of the Patent Cooperation Treaty (PCT) since 2001, as per Royal Decree No. 37/2001
- The Sultanate's **copyright law** has been **supplemented** by **Royal Decree No. 65/2008 Promulgating the Law on Copyright and Related Rights** and its **law on Industrial Property Rights** by Royal Decree No.67/2008.

Source: NIPC Law, 2011, <http://nipc-gulf.blogspot.com/2011/08/intellectual-property-law-in-oman.html>; Abu-Ghazaleh Intellectual Property, 2017

Ease of Doing Business (Launching-Running-Closing a Business)

- **2017-2018** - Oman made exporting and importing easier by **enhancing its online single window system** for exports and imports, reducing the time required for documentary compliance.
- **2012** - Oman **improved its credit information system** by launching the **Bank Credit and Statistical Bureau System**, which **collects historical information on** performing and non-performing **loans** for both firms and individuals.
- **2009** - Oman made **paying taxes easier** for companies through a **new tax law modernizing the tax regime and simplifying procedures**.

Source: World Bank Doing Business 2018

THANK YOU

Economic and Social Commission for Western Asia



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