



Entrepreneurial Compass:
Your Guide to Start Ups and Funding in the
MENA Region

January 2015

INJAZ Al-Arab

INJAZ Al-Arab is the only non-profit organization in the region that harnesses the mentorship of business leaders to help inspire a culture of entrepreneurship and business innovation among Arab youth, operating in 14 countries across the Middle East and North Africa. Partnering with leading companies in the private sector, INJAZ Al-Arab equips Arab youth to drive the economies of the Arab World forward through training designed to inspire them to develop ambition, entrepreneurship and professional skills.

Named one of the top 100 NGOs in the world by Global Journal for two consecutive years (2012, 2013), INJAZ Al-Arab has influenced the lives of over 2 million students since its inception in 2004. INJAZ Al-Arab is a member of Junior Achievement; the world's largest and fastest-growing youth business organization dedicated to educating students about workforce readiness, entrepreneurship and financial literacy through experiential, hands-on programs.

Junior Achievement is the world's largest organization dedicated to educating students about workforce readiness, entrepreneurship and financial literacy through experiential, hands-on programs. Junior Achievement programs help to prepare young people for the real world by showing them how to generate wealth and effectively manage it, how to create jobs that make their communities more robust, and how to apply entrepreneurial thinking to the workplace. Building on the success of the JA Programs, INJAZ Al-Arab is working towards improving the work readiness, financial literacy and entrepreneurship spirit of young people.

Boeing is the world's leading aerospace company and the largest manufacturer of commercial jetliners and military aircraft combined. Boeing works with a variety of customers and partners in the Middle East: with the region's ambitious airlines that have successfully made the Middle East a global air transport hub; with defense forces that use state-of-the-art technology to secure their land and sea borders, while providing humanitarian assistance where required; with communications enterprises using satellite technology to link the region with the world; and with schools, universities and Non Profit Organizations that are making a visible difference in their communities. For more information, please visit: www.boeing-me.com

Ahead of the Curve (ATC) is the first of its kind social business dedicated to the promotion of sustainable management practice, inclusive market growth and social innovation across growth markets. With a specific focus on knowledge creation, training and technical assistance, ATC has worked with companies and foundations, both locally and internationally, to promote and facilitate more sustainable and inclusive practices across growth markets.

EXECUTIVE SUMMARY

Finance and business support is a core element of a thriving entrepreneurial ecosystem. The availability of multiple financing forms including venture capital, loans, and grants among other forms is one of the necessary determinants of entrepreneurship. Business support in the form of industry networks, accelerators and incubators among others is also another key determinant of entrepreneurship within any given entrepreneurship ecosystem¹. Research has found that one of the challenges hindering entrepreneurship in the Middle East and North Africa (MENA) region is the lack of a key determinant: financing opportunities for entrepreneurs. This remains true despite an upsurge in financing options over the past few years, information about which remains un-consolidated. For this reason, it has been deemed necessary to consolidate a database that gathers and analyzes gaps within the current financial support ecosystem in the MENA region.

This publication consolidates accessible information about funding opportunities available to entrepreneurs from six Arab countries. Namely: Morocco, Egypt, Lebanon, the Kingdom of Saudi Arabia (KSA), Qatar and the United Arab Emirates (UAE). Desk research was conducted to identify information about available funding and lending schemes, grant opportunities, comprehensive support models and competitions.

The public dissemination of this research shall be beneficial to the region's numerous emerging entrepreneurs. In compiling accessible data about available funding opportunities, we also hope that the ecosystem's players from the private, public and civil society sectors will be better enabled to respond to identified gaps, avoid effort duplication and enhance existing opportunities.

Who is financing entrepreneurs?

The study's results revealed that the private sector is playing an integral role in supporting entrepreneurship. The public sector also plays a vital role in promoting entrepreneurship in countries like Morocco and the UAE. Civil society's role in promoting entrepreneurship is note-worthy in countries like Egypt and Lebanon. The below figures demonstrate the role each sector plays in the countries assessed:

¹ Aspen Network of Development Entrepreneurs (ANDE). (2013). Entrepreneurial Ecosystem Diagnostic Toolkit. Retrieved from: http://www.aspeninstitute.org/sites/default/files/content/docs/pubs/FINAL%20Ecosystem%20Toolkit%20Draft_print%20version.pdf



Figure 1. Sectors of Identified Opportunities (6 countries)

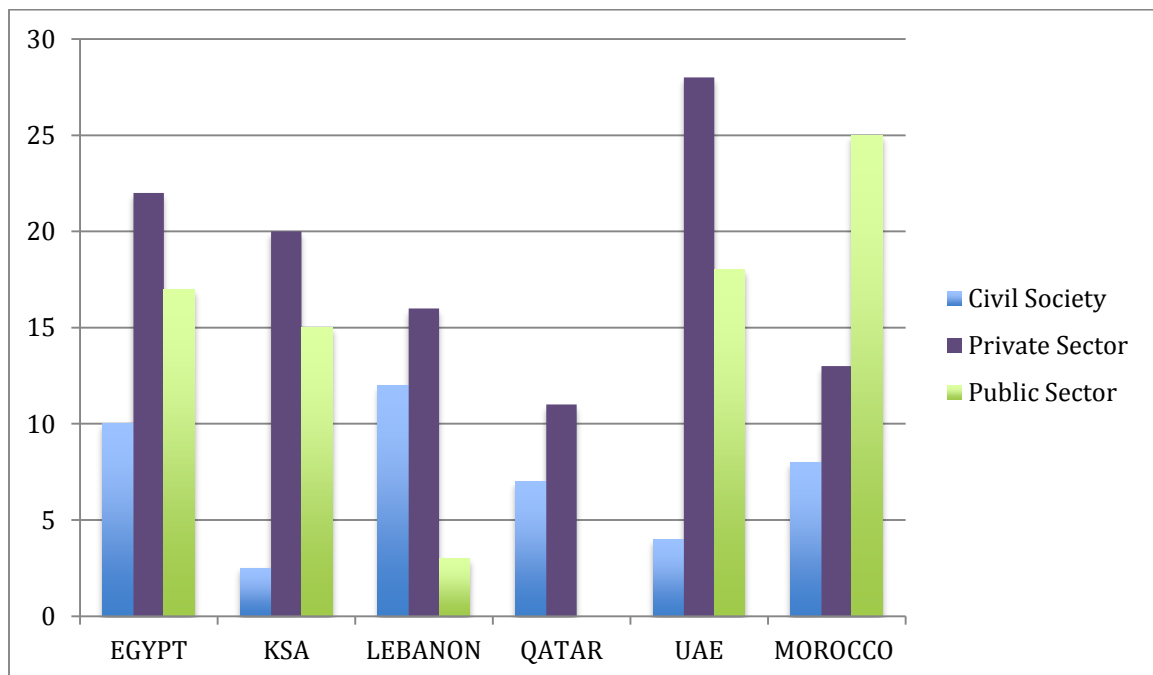


Figure 2. Sectors of Identified Opportunities (by country)

What are the sectors being financed?

Findings reveal that across the region, most identified funding opportunities are either open to entrepreneurs from various sectors, or focus on the technology and ICT sectors. While fostering the ICT sector can bring about multiple economic benefits including enhancing

competitiveness and creating quality jobs², there are necessary determinants for such outputs. To foster a competitive ICT sector across the region, parallel investments are needed in the Arab World’s Research and Development (R&D) infrastructure and innovation infrastructure among other necessary elements. According to the latest Global innovation Index³, R&D infrastructure scores remain low across all of the assessed countries. While other key factors such as ICT infrastructure have advanced in selected GCC countries and Morocco, they remain low in Egypt and Lebanon. On the innovation linkages sub-index, Egypt, Lebanon and Morocco are far behind assessed GCC countries⁴. Across all assessed countries, patent applications remain low when compared to countries with advanced technology sectors⁵. The below figure reveals the sum of funding opportunities for each sector across the six assessed countries:

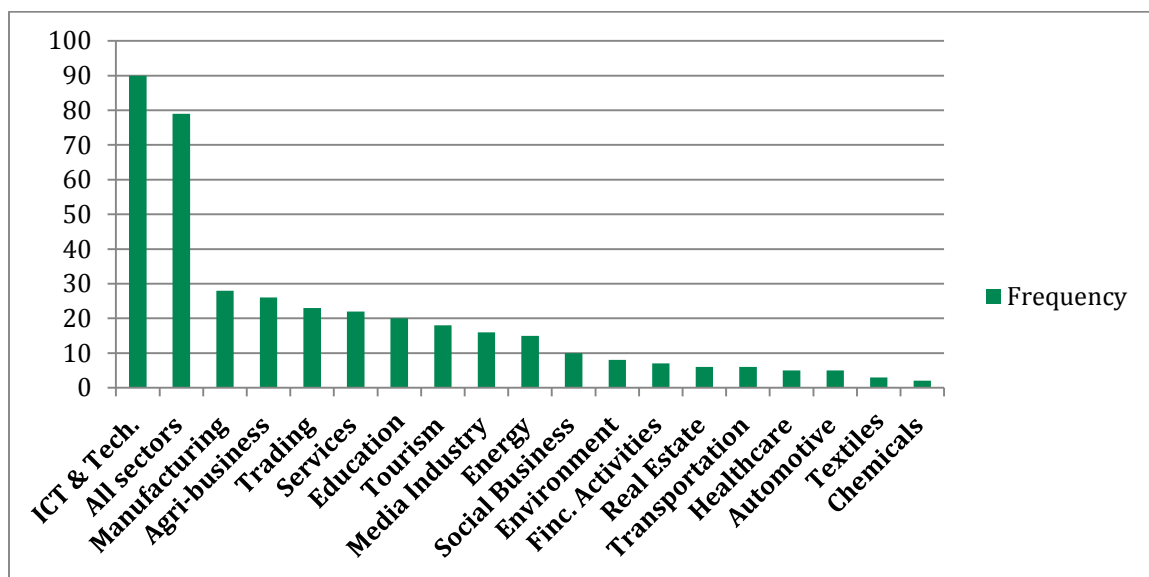


Figure 3. Funded Sectors (6 countries).

What are the kinds of available financing opportunities?

According to a recent study by Wamda’s Research Lab, entrepreneurs from the Middle East and North Africa (MENA) region are more reliant on venture capital and equity investments than they are on bank lending⁶. This is true despite the fact that bank-lending opportunities

² Intel. (2009). “The Economic Benefits of Strategic ICT Investments.” Retrieved from: http://www.intel.com/Assets/PDF/whitepaper/Economic_Benefits_of_ICT_Spending.pdf

³ The Global Innovation Index. (2014). Data Analysis Tool. Retrieved from: <https://www.globalinnovationindex.org/content.aspx?page=interactive-bar-chart>

⁴ Ibid.

⁵ The World Bank. (2012). “Patent Applications, Residents.” Retrieved from: <http://data.worldbank.org/indicator/IP.PAT.RESD/countries/1W?display=default>

⁶ Wamda Research Lab. (2014). *Assessing The Funding Landscape For Mena’s Startups*. Retrieved from: <https://s3-eu-west-1.amazonaws.com/wrl-reports/english/wrl-enhancing-access.pdf>

are in abundance across all of the studied countries. Current bank-lending schemes remain unviable for early stage entrepreneurs given banks' restrictions or high interest rates. Identified opportunities across the 6 assessed countries belonged to the following categories:

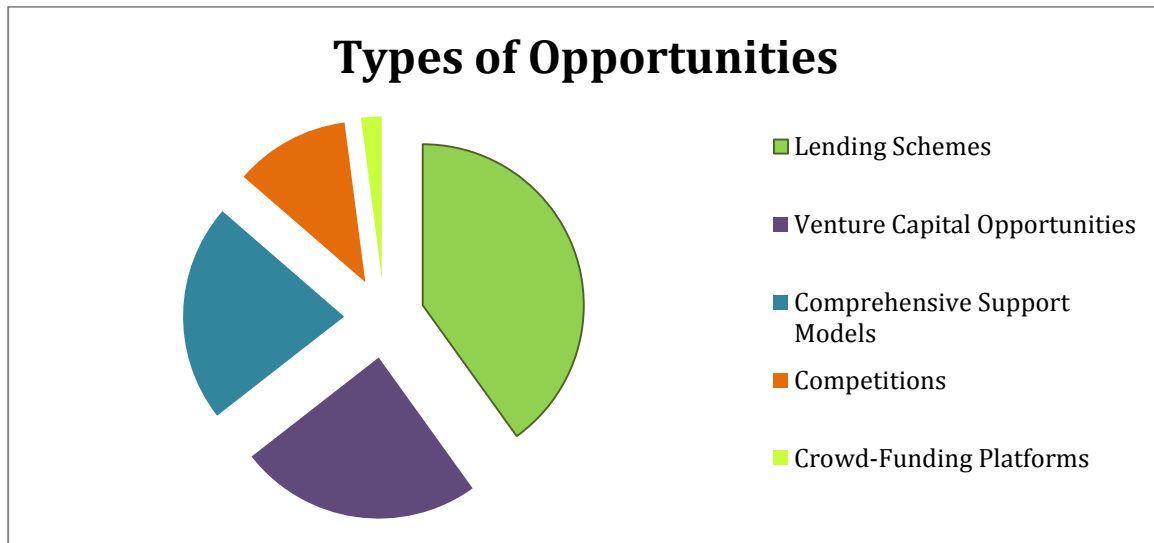


Figure 4: Types of Opportunities (6 countries)

A. General Findings:

Stemming from the importance of funding entrepreneurship, this study assesses the state of the funding opportunities in each of the studied countries. Naturally, every country has its own economic context. Before explaining each one separately, light should be shed on some of the commonalities between them.

Literature on the topic reveals that funding entrepreneurs to start-up their small and medium-sized enterprises (SMEs) is a key challenge for economies in the MENA region. In the case of the six countries chosen for this study, SMEs are essential for economic growth.⁷ It is a sector that employs a great chunk of the labour force and constitutes a considerable portion of each country's GDP. In addition, from a demographic viewpoint, the age structure of these countries can be described as youthful. Egypt, for example, suffers from a youth bulge. One of the symptoms of this phenomenon is a high youth unemployment rate. With the exception of Qatar, all the researched countries suffer from high unemployment rates especially amongst youth. A potential solution to this problem is to create an entrepreneurial ecosystem for young entrepreneurs.

Youth are already attracted to the prospects of self-employment for a better future due to their limited prospects to contracted jobs and wish to become self-employed.⁸ However, barriers to start-up one's own business in the MENA region include: limited access to finance,

⁷European Investment Bank. (2011). Supporting SMEs in developing countries. Retrieved from: <http://www.eib.org/infocentre/press/news/all/supporting-smes-in-developing-countries.htm>

⁸La Cava, Gloria. (2013). Unlocking the potential of young micro-entrepreneurs in Morocco. Retrieved from: <http://blogs.worldbank.org/arabvoices/unlocking-potential-young-micro-entrepreneurs-morocco>

minimal business training and skills, high risks affiliated with entrepreneurship, and the need for connections to succeed.⁹

Entrepreneurs' limited access to finance has gained both domestic and international attention. All six governments have been working to support entrepreneurs in the form of funding, providing advisory assistance, and also attract foreign investors to invest in SMEs.

In regards to the lack of entrepreneurial skills, a survey conducted among Arab youth conveyed that 75% of participants stated that neither their teachers nor their mentors encouraged them to pursue entrepreneurial businesses.¹⁰ This type of educational orientation is one of the causes youth do not have entrepreneurial and managerial skills. Several positive efforts exist to enhance such a situation in each of the six countries. Initiatives and programs are led by civil society, the public and private sector, and international organizations. They are all playing a role in fostering entrepreneurship and offering start-up support models.

Apart from the lack of funding and skills required for entrepreneurs, other problems face these countries. For example, excluding the UAE, the governments are centralized in the capital cities. Hence the effort exerted tends to lose its impact in various regions. Furthermore, in the case of Egypt, Morocco, and Lebanon, investors face challenges like red tape, corruption, high taxes, and subjective licensing decisions among others.

The following table provides figures that outline certain economic and demographic aspects of each country:

Country	Population (in millions)	Literacy rate	Unemployment	Youth Unemployment	GDP (in billions)
Morocco ¹¹	33	67%	9.5%	18.6%	\$180
Egypt ¹²	87	74%	13%	23%	\$272
Lebanon ¹³	5.9	90%	12.5%	25%	\$44
Saudi Arabia ¹⁴	27.3	87%	10.5%	30%	\$745
Qatar ¹⁵	2.1	96%	1.6%	1.7%	\$203
UAE ¹⁶	8	90%	4.2%	11%	\$384

⁹ Hattab, H. (2012). *Global Entrepreneurship Monitor Egypt Report*. Retrieved from: <http://www.bue.edu.eg/pdfs/PR/GEMEgyptreprt.pdf>

¹⁰ AlMunajjed, M., & Sabbagh, K. (2011). *Youth in GCC Countries Meeting the Challenge*. Booz & Company Inc.

¹¹ Central Intelligence Agency. (2014). *The World Factbook: Morocco*. Retrieved from: <https://www.cia.gov/library/publications/the-world-factbook/geos/mo.html>

¹² Central Intelligence Agency. (2014). *The World Factbook: Egypt*. Retrieved from: <https://www.cia.gov/library/publications/the-world-factbook/geos/eg.html>

¹³ CIA. (2014). *The World Factbook*. Retrieved from: https://www.cia.gov/library/publications/the-world-factbook/geos/print/country/countrypdf_le.pdf

¹⁴ Central Intelligence Agency. (2014). *The World Factbook*. Retrieved November 12, 2014, from CIA: <https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html>

¹⁵ CIA. (2014, June 20). *The World Factbook*. Retrieved from: <https://www.cia.gov/library/publications/the-world-factbook/geos/qa.html>

¹⁶ CIA. (2014, June 23). *The World Factbook*. Retrieved from: <https://www.cia.gov/library/publications/the-world-factbook/geos/ae.html>

The following illustration provides figures extracted from the “Doing Business” report conducted by the World Bank which compares 189 countries from around the world¹⁷:

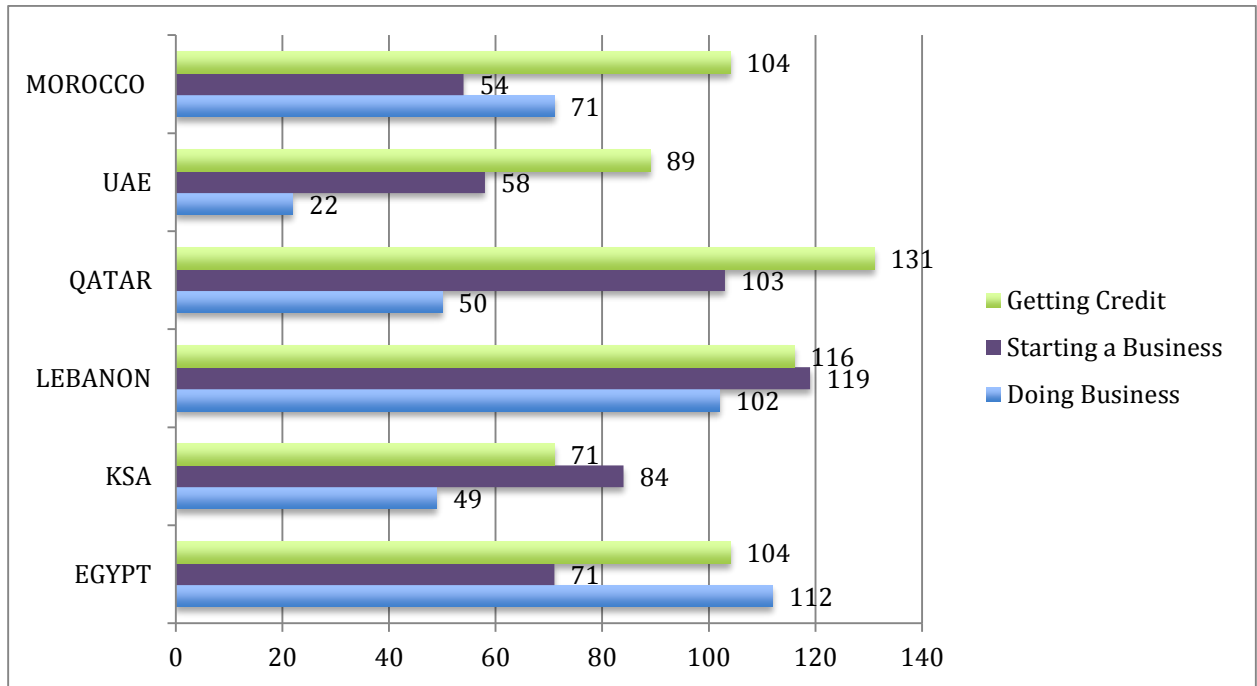


Figure 5: Doing Business Rankings

Following the illustration of the general findings, a summary of the specific situation of each country covered in the report is given below.

¹⁷ World Bank. (2014). *Doing Business 2015: Going Beyond Efficiency*. Washington, DC: World Bank Group



B. KINGDOM OF MOROCCO

A total of 54 opportunities are available to Moroccan entrepreneurs, most of which are based in Casablanca and Rabat with a concentration in the former.

Identified opportunities belong to the following categories:

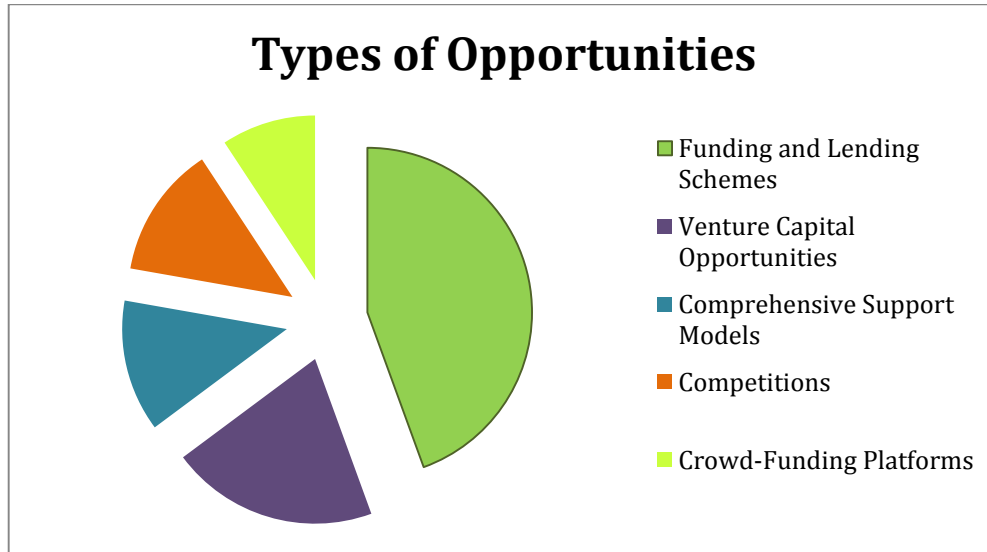


Figure 6: Types of Opportunities (Morocco)

To view details about each identified opportunity, click [here](#).

Fortunately, the Moroccan government considers improving the business environment a top priority on its agenda. In the past few years it has demonstrated a commitment to creating an entrepreneurial ecosystem and has reformed its own policies accordingly. Morocco's government is currently working on reformations and projects to include women and youth in the ecosystem that would lead to an integrated society and economy – a crucial requirement to achieve sustainable development. In addition, initiatives by the public, private, civil society sectors, as well as international organisations have addressed these problems by offering financial and advisory services to entrepreneurs.

There are, however, aspects that the Moroccan government must not neglect. Most importantly, the public educational system needs reformation to raise the literacy rate. This is a necessity, especially for women. Furthermore, with all that is happening in the region since the Arab Spring, there is a threat of political and economical instability. To end this threat, the state must address issues that include but are not limited to: education, women's rights, corruption, and unemployment.

PRACTICE EXAMPLE



[The Moroccan Center for Innovation and Social Entrepreneurship](#) (CISE) is a platform that acts for social change in Morocco through Innovation and Social Entrepreneurship. It conducts research, awareness and advocacy activities around social entrepreneurship in the country. It also hosts one of the region's few Social Enterprise incubators.



C. ARAB REPUBLIC OF EGYPT

A total of 60 opportunities were identified in Egypt, most of which are based in Cairo.

Identified opportunities belong to the following categories:

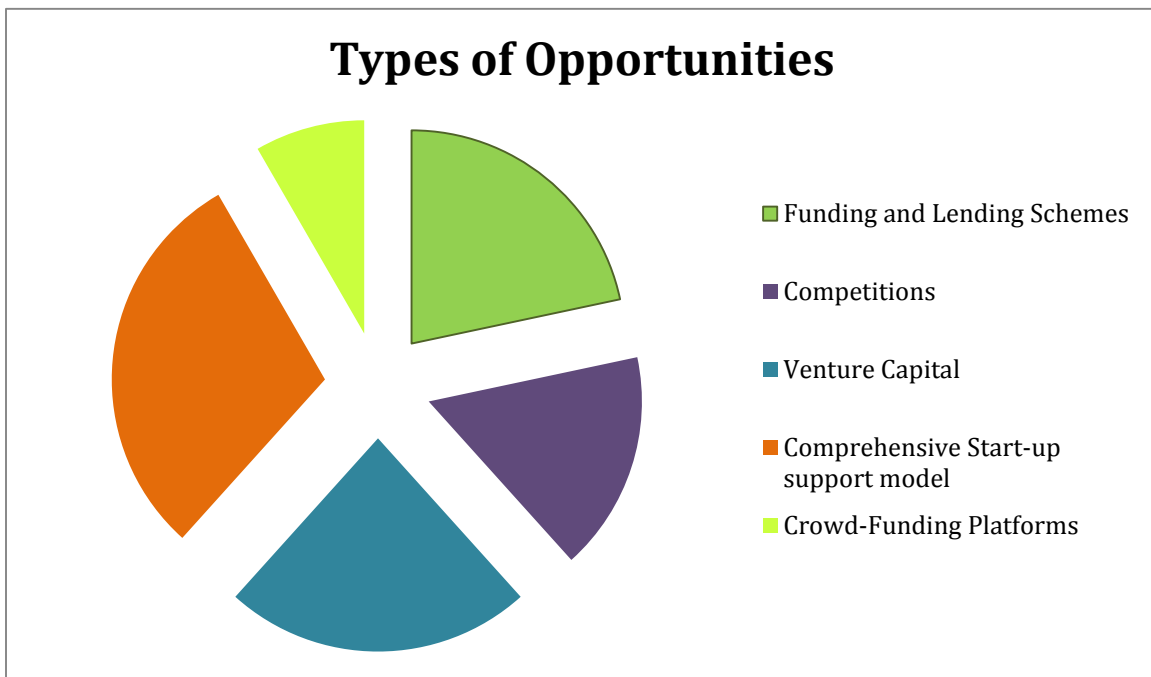




Figure 7. Types of Opportunities (Egypt)

To view details about each identified opportunity, click [here](#).

The government has introduced several initiatives to support entrepreneurial activity and SME development. Civil society and the private sector have had a role to play in fostering these initiatives. Plenty of awareness and educational efforts led by both civil society and the

public sector are encouraging young people to venture into the entrepreneurship world. Egypt has a large domestic market, a robust private sector and a diversified services segment with high levels of domestic demand especially for consumer basics¹⁸.

That does not mean that developing Egypt’s entrepreneurship ecosystem is an easy goal. The country has many obstacles to overcome like, for example, the fact that the banking sector’s role in fostering and enabling SME growth remains minimal even though banks should act as a key driver to the growth of entrepreneurship¹⁹. The country’s legal framework and corruption is a challenge to entrepreneurship development as well²⁰. These are two problems that should be urgently addressed.

PRACTICE EXAMPLES	
	<p>Flat6Labs is a regional startup accelerator program that fosters and invests in bright and passionate entrepreneurs with cutting-edge ideas. We provide seed funding, strategic mentorship, a creative workspace, a multitude of perks, entrepreneurship-focused business training, and directly support our startups through an expansive network of partner entities, mentors and investors. We create an environment where you can advance your company an incredible amount in a short period of time.</p>
	<p>The Technology Innovation and Entrepreneurship Center (TIEC) aims to drive innovation and entrepreneurship in ICT for the benefit of national economy. The center was launched in 2010 and has since implemented multiple competitions, capacity building, and research finding schemes that drove entrepreneurship across multiple segments of Egyptian society.</p>

¹⁸ African Economic Outlook. (2014). “Egypt 2014.” *African Economic Outlook*. Retrieved from: http://www.africaneconomicoutlook.org/fileadmin/uploads/aeo/2014/PDF/CN_Long_EN/Egypte_ENG.pdf

¹⁹ Ghanem, H. (2013). “The Role of Micro and Small Enterprises in Egypt’s Economic Transition”. *Global Economy and Development at Brookings*, Working Paper No. 55. Retrieved from: <http://www.brookings.edu/~media/research/files/papers/2013/1/egypt%20economic%20transition%20ghanem/01%20egypt%20economic%20transition%20ghanem.pdf>

²⁰ World Bank. (2013). *Doing Business 2014: Understanding Regulations for Small and Medium-Size Enterprises*. Washington, DC: World Bank Group.

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D. THE LEBANESE REPUBLIC

A total of 40 opportunities were identified through the conducted review. Those opportunities belong to the following categories:

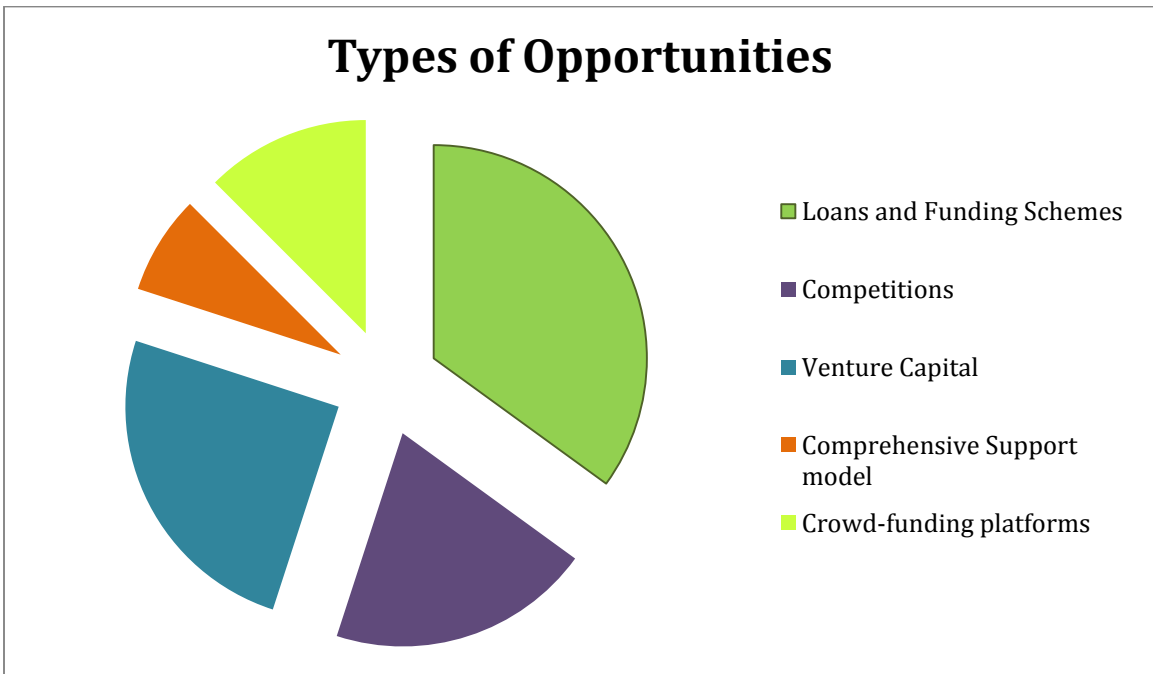


Figure 8. Types of Opportunities (Lebanon)


To view details about each identified opportunity, click [here](#).

To tackle issues facing entrepreneurship in Lebanon, several formal and informal education initiatives have taken place to build a more supportive entrepreneurial ecosystem in Lebanon. The focus on entrepreneurship has increased which has led to the emergence of new players in the ecosystem. The Lebanese ecosystem differs from the rest of the MENA region by the fact that the number of female business owners is high²¹. This is a strength that should not be underestimated. Another strength point is that Lebanon has an abundant amount of funding opportunities relative to the size of its population and a large number of them are open to any

²¹ International Development Research Center. (2009). Global Entrepreneurship Monitor: GEM MENA Regional Report 2009.

sector of economic activity. All of which are initiatives that offer both financial and advisory assistance.

There are, however, three major aspects that must change for Lebanon to create a healthy entrepreneurship ecosystem. Firstly, the public sector is not as engaged as it should be with the challenge. Second, there is a lack of funding opportunities that target start-up businesses in their early stages. Lastly, the banking sector is conservative; loans are given primarily to large companies²².

PRACTICE EXAMPLE	
	<p>Middle East Venture Partners (MEVP) is a leading MENA focused venture capital firm that invests in the early and growth stages of innovative companies run by talented entrepreneurs primarily in Beirut, Amman and Dubai. With offices in Beirut, Dubai and Silicon Valley and more than \$75 million in Assets Under Management, MEVP is the pioneer and largest VC firm in the MENA region, with clear cross border investment appetite. MEVP has invested in over 25 Technology companies since 2010.</p>
<p>KAFALAT S.A.L.</p>	<p>Kafalat is a financial company that provides loan guarantees to allow SMEs to obtain bank loans with little or no collateral. Its establishment served as a solution to the few opportunities for entrepreneurs to get banks to finance their investments, as banks often required collateral of up to 200% of the loan's value²³.</p>

²² Ibid.

²³ Endeavour (2012). How to improve access to finance in Lebanon. Retrieved from: <http://share.endeavor.org/pdf/Access%20to%20Finance%20in%20Lebanon%2011-5%20%28spreads%29.pdf>



E. THE KINGDOM OF SAUDI ARABIA

The conducted review identified a total of 54 funding opportunities available to Saudi entrepreneurs. These opportunities primarily belonged to following categories:

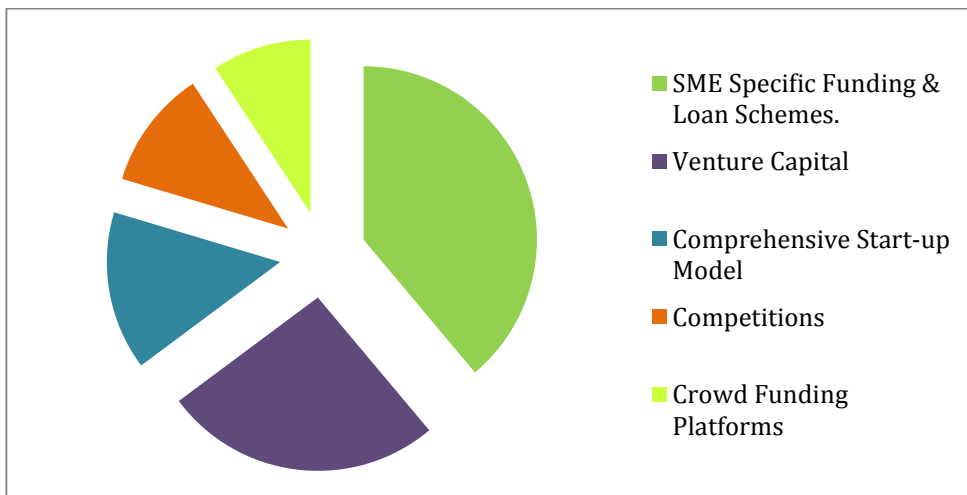



Figure 9: Types of Opportunities (KSA)

To view details about each identified opportunity, click [here](#).

Even though Saudi Arabia has a diverse ecosystem that supports entrepreneurship in various ways, there are other problems that it has to address. To create a healthy ecosystem, all players must participate. The public and private sector are already engaged in facing this challenge but the civil society sector is almost absent. A more serious problem is the unemployment of qualified females in Saudi. This is a major issue that should be resolved through entrepreneurship and helping Saudi women with the support and funds they need.

PRACTICE EXAMPLE

 <p>جامعة الملك عبدالله للعلوم والتقنية King Abdullah University of Science and Technology</p>	<p>The King Abdullah University of Science and Technology hosts a Seed and Pre-Seed Fund. The Seed Fund is a product development funding mechanism that can help move promising ideas forward toward commercialization and ultimately, formation into new businesses. It aims to provide KAUST with a way to turn science projects into companies, as well as highlight successful models that may be replicated nationwide. The funding helps bridge the initial gap at the lab/patent stage of development, and provides support to entrepreneurs when they need it most to increase the likelihood of success.</p> <p>The KAUST Pre-Seed Fund is designed to help entrepreneurs at the early stage of taking their ideas and innovations from the lab to the marketplace. Pre-seed fund is aiming to help applicants with innovative ideas build a working prototype or better estimate the market potential. After Pre-Seed funding, applicants are still eligible for Seed Funding and may have an improved chance at receiving the funds</p>
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F. THE STATE OF QATAR

The conducted review of opportunities identified 32 different funding opportunities, primarily belonging to the categories of:

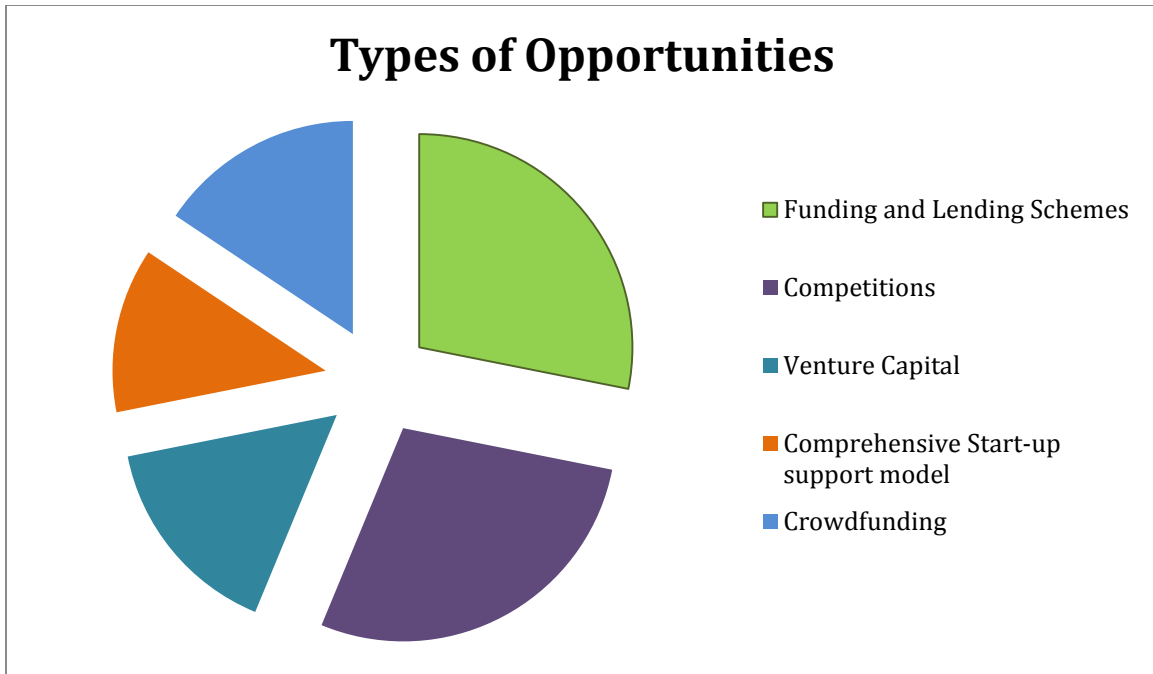



Figure 10. Types of Opportunities (Qatar)

To view details about each identified opportunity, click [here](#).

One of the major strength points in the Qatar in relation to the region is that the government is funding the education sector in alignment with creating a knowledge economy²⁴. Also, the funding opportunities offered are open to enterprises from multiple sectors. However, Qatari entrepreneurial funding landscape suffers from a shortage in funding opportunities that focus on growth-stage enterprises. Another apparent problem is that despite the fact that the majority of the Qatari labor force, and population, is made up of non-locals, Qatari entrepreneurship ecosystem primarily targets Qatari nationals.

PRACTICE EXAMPLE	
	<p>Stars of Science is a TV format initiative of the Qatar Foundation. It encourages the Arab world's next generation of aspiring science and technology innovators. Candidates are challenged to prove their resourcefulness during different stages of the innovation cycle with the support of engineering and design. The competition simultaneously raises awareness around entrepreneurship as a viable career option.</p>

²⁴ Government of Qatar Planning Council (2007). "Turning Qatar into a Competitive Knowledge-Based Economy." Retrieved from: <http://siteresources.worldbank.org/KFDLP/Resources/QatarKnowledgeEconomyAssessment.pdf>



G. THE UNITED ARAB EMIRATES

A total of 60 funding opportunities were identified as a result of the conducted review. Identified opportunities primarily belonged to the following categories:

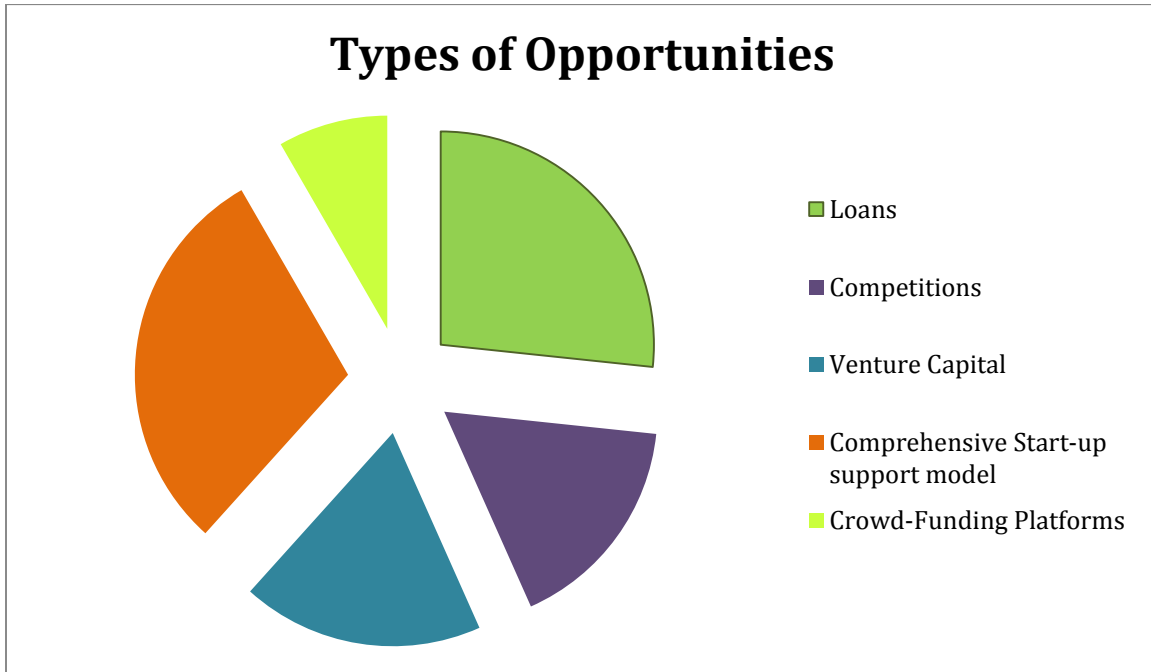


Figure 11. Types of Opportunities (UAE)

To view details about each identified opportunity, click [here](#).

The UAE, compared to other Arab countries, has a relatively high number of venture capital investors that cater for enterprises in the earlier phases of their development. Furthermore, a large number of the identified opportunities do not limit their offerings to a specific sector and are rather open to any sector of economic activity. However, there is a lack of funding opportunities that specifically target entrepreneurs who wish to prototype and commercialize their ideas²⁵. Moreover, eligibility for bank lending, or probability of acceptance, is in most cases tied to the age of the enterprises²⁶.

²⁵ KFED. (n.d.). Youth and Entrepreneurship in the UAE. Retrieved from: http://www.khalifafund.ae/SiteAssets/KF/Documents/Youth_and_entrepreneurship.pdf

²⁶ "SME Financing in the United Arab Emirates." (n.d.) Khalifa Fund for Enterprise Development. Retrieved from: http://www.khalifafund.ae/SiteAssets/KF/Documents/SME_Financing.pdf

PRACTICE EXAMPLE



[i360accelerator](#) is a seed fund and development program for early stage startups. It offers a 120-day program during which teams are taught the basics of entrepreneurship while working on and refining a specific idea with a foundational team. i360accelerator is managed by Innovation 360, the leading innovation management consultancy in the UAE.



The [Khalifa Fund](#) (KF) provides several financial programs to assist Emirati entrepreneurs in gaining the necessary capital to start a feasible business (SME) that contribute to the national economy. The direct investment fund also provides comprehensive programs which fulfill the needs and requirements of entrepreneurs seeking to establish or expand their business ventures.