

# ICSB GAZETTE

THE GLOBAL LEADER SUPPORTING MICRO-, SMALL AND MEDIUM ENTERPRISES

MONDAY, MARCH 18, 2019. ISSUE 15

## MIDDLE EAST AND NORTH AFRICA: A NEW ENTREPRENEURSHIP DAWN

WRITTEN BY: AMR ABOU ELAZM, CHAIRMAN, TAMWEELY MICRO FINANCE, ICSB VICE PRESIDENT, EGYPT



**"The MENA region is witnessing a rapid social, political, and economic transformation."**

The Middle East and North Africa (MENA), is one of the most problematic regions in the world. Eight of the nineteen MENA states are among the fifty most unstable countries globally. Four of them--Syria, Libya, Iraq, and Yemen--are "failed states". Demographics signify a phenomenon where the working-age group is growing faster than jobs. The MENA region has the second-highest unemployment rate across the planet (after Sub-Saharan Africa), and between now and 2035 almost six million additional individuals will be entering the labor market annually. At the same time, more children are attending school and educational standards have improved, and an entrepreneurship curriculum is available.

Educational standards may have risen, but the quality of education is not in conformity with the requirements of the twenty-first century. Vocational training is virtually nonexistent in all MENA countries. Although the proportion of graduates is increasing, there are too few skilled laborers with business-related qualifications, as most students choose courses which would enable them to become civil servants.

There is very little innovative private entrepreneurship in MENA countries in comparison with other economies. The region needs the successful small and medium-sized enterprises (SMEs) that drive growth and jobs in economies throughout the world. Instead, the majority are VSE and micro- enterprises with few employees and low productivity, offering simple goods and services. The rate of start-ups in MENA countries is lower than in any other region except Sub-Saharan Africa.



Women are frequently well-qualified though they remain challenged in the labor market. Less than one in three women between 25 and 34 is employed or looking for work. Egypt is the only country in the region where the rate of women and men in the workforce is increasing. What is more, very few women are entrepreneurs, which means an enormous loss of potential for the region: according to estimates, the MENA gross domestic product in 2030 would be approximately three billion dollars over the predicted level if the current gender inequalities were eradicated.

The differences between the nineteen MENA states are in some cases considerable. The spectrum ranges from an extremely high standard of living in Saudi Arabia or the United Arab Emirates to widespread poverty in Yemen, with a medium standard in Egypt and Lebanon and from politically stable to unstable.

Among the more stable MENA countries are Bahrain, Egypt, Kuwait, Morocco, Saudi Arabia, and the United Arab Emirates. With a combined total of 158 million inhabitants, they comprise 40 percent of the MENA population. Around 260 million people live in these countries, and by 2030 this is expected to grow to 360 million.



"One of the greatest barriers to the growth of startups is still in the bureaucracy and the complex procedures companies go through in multiple public buildings and places around the region."

The MENA region is witnessing a rapid social, political, and economic transformation. Signs of economic recovery post-2011 are prominently starting to show in many parts of the region, with a rapid growth in GDP of up to 13% in some countries. More importantly, we are now witnessing an unprecedented youth revolution in innovation and entrepreneurship. Unlike previous revolutions that took place, this revolution is taking place in universities, venture labs, and entrepreneurial hubs. This revolution has the support of governments, private sector investors, and the public sector. Perhaps the one commonality it shares with previous revolutions lies within its potential to generate a large positive socio-economic impact. But, instead of calling for the governments to change, entrepreneurs are advocating change by risk, venture spirit, and developing innovative solutions to some of the hardest problems society is facing. Here is where they are cooperating with governments to realize the MDGs.

The governments in MENA have also started to support MSMEs, and have taken steps in promoting entrepreneurship as a career option for students and the younger generations. With the combined efforts of the public and private sectors, major positive leaps towards the improvement of regulations on setting up businesses and bankruptcy laws have been made, such as the investment law in Egypt; making it easier than ever before for individuals to set up a company. Not only that, but legislative bodies are also slowly but surely adapting to be more accommodating of new technologies and business models, specifically in the areas of Fintech, Blockchain, and Venture Capital, such as the Egyptian startup financial legal support system and tax incentive structure for startups and informal turning into formal.

Some governments in conjunction with the private sector have even launched their own support initiatives. Area 2071 in the Emirates is a space availed to new initiatives with the objective of bringing some of the best minds in alignment to create a disruptive movement with the aim of serving the bottom billion. In KSA, the Public Investment Fund announced later in the year the launch of USD\$1B in funds being invested Venture Capital and private equity funds that target SMEs.

The Bahrain Economic Development Board also allocated a USD \$100M 'fund of funds' to support investing in local startups, as well as, the launch of Bahrain Fintech Bay. In Egypt, the Ministry of Investment launched a massive incubator called 'Fekretk Sherketak' that will incubate over 100 startups across the country providing financial, technical, and legal support. In addition to the MSME, authorities in Egypt are making available risk capital funds for start-ups. Egypt also is amending its MSMEs and the new proposed law in Egypt that will help startups and entrepreneurship through protective measures and collaborative actions amongst different government and public entities to help entrepreneurship and MSMEs. Acquisition of successful investments and startups has flourished in MENA, including Amazon's acquisition of Souq.com and Careem, becoming the region's first unicorn after closing its largest Series E round of USD \$500 million. Other large funding rounds including Fetchr's USD \$4M Series B and Paytabs \$20M investment round to support its global expansion are an indication of the region's potential to produce billion-dollar companies. Startups are not just increasing in value, but are growing. Last year Egypt Fawry invested in the Egyptian Based logistics startup Bosta, and Careem invested in the public transport app SWVL, and more recently acquired the online restaurant listing platform RoundMenue.

Nevertheless, one of the greatest barriers to the growth of startups is still in the bureaucracy and the complex procedures companies go through in multiple public buildings and places around the region. Most countries in MENA rank very low on the World Bank's Ease of Doing Business rankings, except for the UAE, which ranks 21st globally. Though Morocco and Egypt have improved their ranking, still, a lot remains.

On the human entrepreneurship path, countries like Syria, Libya, and Yemen remain war-torn and the refugee crisis is affecting resources of host countries. However, this crisis has a silver lining with many of the entrepreneurially-spirited population of the MENA. This has resulted in many innovative solutions to help refugees settle and integrate locally, and many have started their own businesses, especially in Lebanon, Egypt, and Jordan. Innovative initiatives such as MIT's Innovate for Refugees competition and the Refugees Code Week contributed to job creation and income generation, tackling the areas with the highest trouble through employing technology and support for entrepreneurship.

The MENA region's entrepreneurial ecosystem, which has been developing significantly over the years, is set to rapidly flourish. With key investments from major international players, the region is positioned to diversify product offerings and catapult entrepreneurship. Development of a sustainable start-up ecosystem can create a system which is conducive to entrepreneurs and investors. Egypt is a leading example according to the Global Entrepreneurship Monitor Report 2017; 73% of the population of Egypt find entrepreneurship a key career choice. Technology has a major role in MENA, especially in Egypt and the UAE, to further enhance the landscape for new start-up product developments and networking with global investors.



### **About ICSB Gazette:**

The ICSB Gazette is a weekly edition of a key topic that ICSB will showcase. The content is varied from research, practice, policy, and education. The editor of the ICSB Gazette is Ms. Jordyn Murphy, ICSB Operational Manager. She will be soliciting ideas and articles from ICSB members world-wide.

### **ICSB Executive Director Comment:**

As Amr Abou Elazm said "Development of a sustainable start-up ecosystem can create a system which is conducive to entrepreneurs and investors. Egypt is a leading example according to the Global Entrepreneurship Monitor Report 2017." This a topic that will be heavily covered at the ICSB World Congress in Cairo, Egypt from June 18-21, 2019.

Dr. Ayman El Tarabishy



### **Jordyn Murphy Editor, ICSB Gazette**

Jordyn is the Operations Manager at the International Council for Small Business in Washington, D.C and the Editor of the ICSB Gazette.

### **Contribute:**

Have a topic you would like to see or an article to share? Please submit for consideration to [jordyn@icsb.org](mailto:jordyn@icsb.org)