

Press Release:

New report points to ways to boost entrepreneurship in MENA

Research shows that despite positive perceptions and intentions about entrepreneurship in MENA, the region is, on average, lagging behind when it comes to starting and running a business relative to other world regions.

Almost three-quarters of people in the Middle East and North Africa (MENA) region see entrepreneurship as a good career choice and 38% of the adult population express intentions to start a business. This is higher than the averages for all other world regions. However, new research from the Global Entrepreneurship Monitor (GEM) shows that these positive markers are not translating into a robust entrepreneurial ecosystem in the region.

The MENA Regional Report, which draws on data from the 2015 and 2016 GEM national surveys, reveals that there is a marked drop off between intending and active entrepreneurs. The number of total early-stage entrepreneurs (TEA) in the MENA region is 70% lower than the number expressing entrepreneurial intentions. Just 10.8% of the adult population had started a business in 2016.

Additionally, the MENA region had the lowest rate of established entrepreneurs compared to other regions (6.8%) and a high rate of business discontinuance at 6.2%. For every person exiting a business in MENA there were only 1.7 people engaged in early-stage entrepreneurial activity. The global average is one person to every three.

“The MENA region has experienced significant economic and social losses from poor economic management and conflicts since the 2011 Arab Spring,” said lead author of the report Ayman Ismail, Abdul Latif Jameel Endowed Chair of Entrepreneurship at the American University in Cairo School of Business. “Our research shows that there is an urgent need to deploy the region’s substantial human, natural, and financial assets more efficiently through adopting economic and social policies that create long-term sustainable and inclusive economic growth.”

Shining a light on problem areas

GEM’s MENA Regional Report is a point-in-time snapshot of entrepreneurial and business activity. It offers an analysis of entrepreneurial trends in the region and explores the needs and challenges of entrepreneurs with a view to allowing policymakers to make more informed decisions. Some of the countries participated in the research: Egypt, Iran, Jordan, Lebanon, Morocco, Saudi Arabia and the United Arab Emirates. Although Tunisia did not participate in the 2016 GEM research cycle, data from 2015 from that country was also included in the report.

While these countries range in economic development and show divergent levels of entrepreneurship, they almost all face common problems including job creation, low education and skills levels (especially among women) and access to technology.

Across the region, the high rate of business discontinuance was a cause for concern, the report highlighted.

“The fact that positive perceptions and intentions to start a business are not turning into business activity is concerning,” said Ismail. “And even when businesses are started – too many of them close within three years. This suggests that there are key gaps in support being offered to entrepreneurs throughout their lifespan that need to be addressed.”

Most often, entrepreneurs cited lack of profitability or problems accessing finance as concerns. In Jordan and Morocco, these reasons together account for over 70% of business exits.

Gender disparity is also a key concern in the region. Women in the MENA region were only half as likely to be engaged in TEA (Total Entrepreneurial Activity) as their male counterparts, the report found. In Africa, Latin America and the Caribbean, in contrast, eight women were engaged in TEA for every ten male entrepreneurs.

Gender parity was stronger in Saudi Arabia, where there were around eight women for every ten male entrepreneurs. Jordan, by contrast, reported the widest gender gap, with fewer than three women entrepreneurs for every ten men.

Of interest is the fact that in six of the nine MENA countries surveyed, women entrepreneurs were more likely to be motivated by opportunity than men. This puts them on a par with female entrepreneurs in Europe and suggests that developing women entrepreneurs in the region would result in more opportunity-driven businesses that are more likely to last and create jobs.

Towards better policy

The report recommends extensive policy shifts to facilitate a more enabling environment for entrepreneurs.

“The opportunity to leverage change exists mostly in the under developed SME sector, as many of the larger organisations in the region have achieved international status and a high degree of competitiveness,” said Mike Herrington, co-author of the report and Executive Director of GEM. “In ten of the twelve entrepreneurship areas considered by GEM to be important to foster entrepreneurship growth in a country the MENA experts report scores below the GEM average.”

He added that the report’s recommendations would help policymakers and business leaders put into place precise, practical and targeted solutions to address each area of concern.

“It is difficult to propose a ‘one solution for all’ approach,” noted Herrington. “However, the research did flag three key areas that would benefit the region overall if given attention: education, the regulatory environment, and strategies to uplift women.”

Other areas needing attention are school-level entrepreneurship education and R&D transfer. The MENA experts reported average ratings for existing government policy on taxes and bureaucracy, government entrepreneurship programmes, and market burdens or entry regulations.

To download the full report go to: <http://gemorg.bg/wp-content/uploads/2018/02/gem-2017-mena-report-1511260863.pdf>

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About GEM

[The Global Entrepreneurship Monitor \(GEM\)](#) was initiated in 1999 as a joint venture of Babson College and the London Business School. It has gained widespread recognition as

the most authoritative longitudinal study of entrepreneurship in the world and accomplishes this effort through the collaborative work of a consortium of national teams consisting of academic researchers from across the globe. Each national team oversees an annual survey of at least 2,000 working-age adults (ages 18 to 64). Starting with just ten developed economies in 1999, the project has grown to involve more than 100 economies over 18 annual cycles. GEM is unique because, unlike most entrepreneurship data sets that measure newer and smaller firms, GEM studies the behaviour of individuals with respect to starting and managing businesses.

At a time in history when individual entrepreneurial activity may hold the key to transforming the global economy and discouraging ingrained economic disparity in countries with minimal economic opportunity, GEM data has influenced national economic policies and is a trusted resource on entrepreneurship for key international organisations like the United Nations, World Economic Forum, World Bank, and the Organisation for Economic Co-operation and Development (OECD), providing custom datasets, special reports and expert opinion. These bodies leverage GEM's rich data, tried-and-tested methodology and network of local experts to promote evidence-based policies towards entrepreneurship around the world.

For more information: www.gemconsortium.org
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Regional focus suggestions

Lebanon

- Bucking regional trend/regional top performer
- High rate of TEA 21.2% 3X regional average.
- Almost 40% of this activity is necessity-motivated. However, there is very little drop of to established business ownership.
- Three people engaged in TEA for every individual discontinuing a business.
- Highest innovation levels in region
- Reports encouragingly positive levels of entrepreneurial perceptions and competencies across all parameters – 60% of individuals perceive good entrepreneurial opportunities, while two-thirds believe they have the skills to run a business and a similar proportion have access to entrepreneurial role models.
- Reports the highest innovation levels by a substantial margin (more than double the regional average).
- Over 60% of entrepreneurs have access to latest technology.

Egypt

- Highest 83,4% number of adults who think entrepreneurship is good career choice and 63% who intend to start a business (63%)
- But early-stage activity is less than fifth the number with entrepreneurial intentions. Steep drop off is a concern.
- Less than half of Egyptians believe they have the skills to pursue entrepreneurial opportunities
- Egyptians are also least likely to know a start-up entrepreneur (19%, which is less than half the regional average).

United Arab Emirates (UAE)

- Rated as having the most enabling entrepreneurial frameworks.

- But early-stage activity is less than fifth the number with entrepreneurial intentions. **United Arab Emirates** along with Morocco has the lowest TEA rates at 5.7% (half the MENA average).
- Despite strongly positive societal attitudes towards entrepreneurship, only a quarter of the population perceive good opportunities in their area (the lowest regional rate of opportunity perception). This is substantially below the regional average, as well as the average for all innovation-driven economies that participated in the 2016 GEM survey (41%).
- The UAE also has the highest fear of failure rate for the region, with more than half of adults indicating that this factor would constrain them from pursuing entrepreneurial opportunities

Tunisia

- A positive finding of MENA report is that the region has a high technology orientation. Over 60% of entrepreneurs in Tunisia have access to latest technology.
- 79,3% of entrepreneurs motivated by opportunity. Third highest in the region.
- But, TEA rates at 10.1% are slightly below regional average and show steep drop off between intending and action in line with rest of region.

Morocco

- **Morocco** and the **United Arab Emirates** have the lowest TEA rates 5.6% and 5.7% (half the MENA average).
- **But** stands out with respect to use of the latest technology – almost 3/4 of entrepreneurs use technology that has only been available since the previous year.

Saudi Arabia

- TEA rate is five times higher than the established business rate, suggesting a poor level of new firm sustainability in this country.
- Lowest innovation levels.
- But surprisingly have one of the best gender gaps in the region. Eight women for every 10 men are engaged in entrepreneurship. The regional average is 5 to 10.
- Voted as having “generally insufficient” enabling entrepreneurial frameworks by experts (Iran also scores poorly here).