

# COUNTRY INSIGHTS

EXPLORING TRENDS AND  
CHALLENGES TO SCALE  
FOR STARTUPS IN EGYPT,  
JORDAN, LEBANON AND  
THE UAE

WAMDA RESEARCH LAB  
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INSIGHT



Beirut  
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**The Wamda Research Lab** is Wamda's research program that produces studies on entrepreneurship in the Middle East and North Africa (MENA) and seeks to foster thought leadership in this field. Its agenda is to inform investors, policymakers, and other stakeholders on barriers to and solutions for developing entrepreneurship in MENA.

**Endeavor Insight** is Endeavor's research arm and studies high-impact entrepreneurs and their contribution to job creation and economic growth. Along with the Kauffman Foundation and the World Bank, Endeavor Insight is a founding member of the Global Entrepreneurship Research Network (GERN). Its research educates policy makers and practitioners and helps them to accelerate entrepreneurs' success and the development of entrepreneurship ecosystems around the world.

**International Finance Corporation (IFC)** is a member of the World Bank Group and is the largest global development institution focused exclusively on the private sector. Working with private enterprises in about 100 countries, the IFC uses its capital, expertise, and influence to help eliminate extreme poverty and boost shared prosperity. In FY14, the IFC provided more than \$22 billion in financing to improve lives in developing countries and tackle the most urgent challenges of development.

**Beirut Digital District (BDD)** is a hub for the digital and creative industries in Lebanon. BDD provides a state of the art business environment, value-added services and infrastructure so that companies can increase their productivity and grow. BDD also offers a healthy living environment where this young and dynamic workforce can work and live with their families.

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# METHODOLOGY

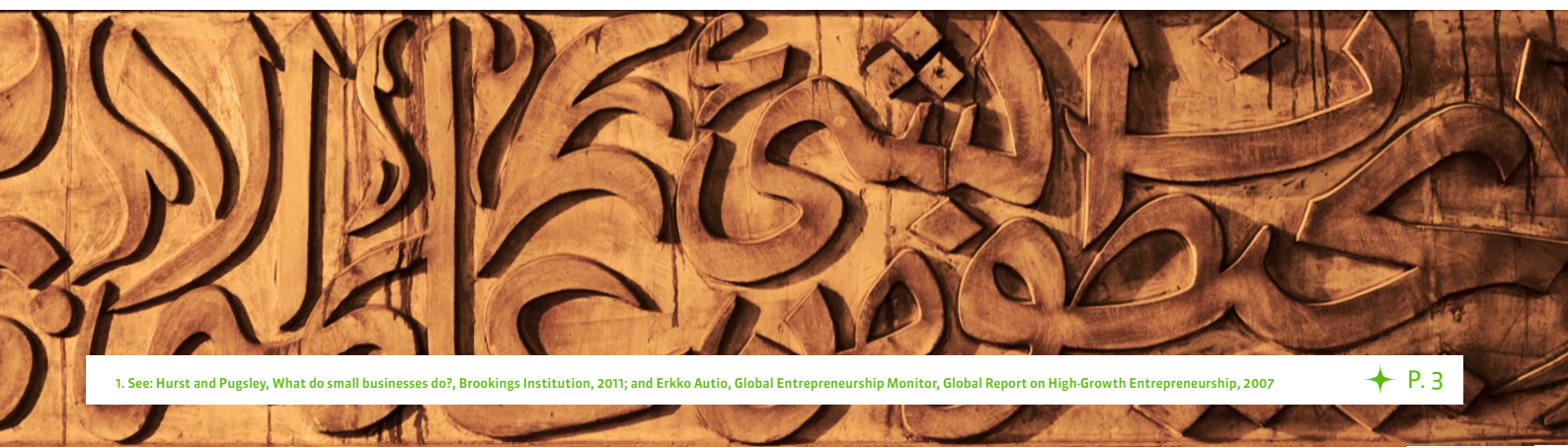
Our research is based on a survey data set of 494 entrepreneurs based in Egypt, Jordan, the UAE and Lebanon, with a country breakdown as follows: Egypt (120), Jordan (136), Lebanon (117), UAE (121). The survey questions focused on various challenges that companies face as they try to scale and also asked entrepreneurs to indicate company-level information such as the age, size, number of founders, industry and background of founders of each company. This study focuses on entrepreneurs in these countries who are working to scale their companies. Although there is no official figure for the number of entrepreneurs in the region who are looking to scale, we assume that, based upon global figures, entrepreneurs with the opportunity/resources to scale are rare in MENA.<sup>1</sup>

We built our sample by mapping the institutions that support entrepreneurs in MENA and by using Wamda's media arm and social media communities. This sampling method introduces certain constraints to our data set, thus we do not claim that our findings are representative of all entrepreneurs in MENA. Additionally, over 50% of surveyed companies in this report are working in tech industries with many others working on tech-based products and services. This characteristic can help policymakers and ecosystem stakeholders to understand how the trends and challenges in this report affect tech startups specifically in MENA. All respondents completed a self-administered online questionnaire, which was circulated from February 24, 2013 through May 30, 2013.

Additional data on business reforms in MENA is taken from the World Bank's Doing Business Reports from 2008 – 2014. We cite these reforms to indicate when new policy decisions were made, though we do not indicate if and how effectively the reforms have been implemented.

Throughout the report we refer to the concept of an entrepreneurship ecosystem. There is no universally agreed on definition of what an entrepreneurship ecosystem includes, but for purposes of this report when discussing ecosystems we focus on institutions that are mandated to support entrepreneurs or have a program within their operations that is mandated to support entrepreneurs, primarily those entrepreneurs with an ambition to grow their companies either locally, regionally or globally. This definition includes publicly and privately funded organizations though within this report we exclude micro-finance organizations and social protection programs providing support to firms. Lastly, several of the institutions identified in each country's ecosystem are no longer active but have been kept in the timelines to reflect when certain developments in the ecosystem occurred.

The mapping on page 8-13 does not reflect all of the institutions supporting entrepreneurs in each country, though the majority of the primary players in each ecosystem are represented. To categorize different ecosystem players we use a set of terms that reflects various inputs to supporting entrepreneurs – i.e. funding source, support organization and incubator/accelerator. Each category is comprised of a variety of models and methods, though for purposes of this report, our aim is to only reflect the general types of support each institution provides. Lastly, investment numbers on pg.17 are taken from WRL's report Enhancing Access: Assessing the Funding Landscape for MENA's Startups.



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# EXECUTIVE SUMMARY



To date the Middle East and North Africa's (MENA) entrepreneurship ecosystem has grown substantially, particularly in Egypt, Lebanon, Jordan and the United Arab Emirates (UAE). These four countries have been home to the lion's share of entrepreneurship development in MENA in terms of new funds, incubators and other institutions supporting entrepreneurs. Gradually, best practices in supporting entrepreneurs are developing in each country, yet many challenges remain. This report looks at some of the main trends in ecosystem development in each country while also highlighting some of the most prominent obstacles needing to be solved.

<p><b>ENTREPRENEURSHIP ECOSYSTEM GROWTH</b></p>	<p><b>Many new players and investments</b></p> <p>New incubators, funds and accelerator programs have been created and investments in entrepreneurial ventures have increased notably in MENA. In fact, <b>over 80% of new ecosystem</b> institutions created since 2010 have been launched by local MENA stakeholders. Most, 60%, of these new institutions have been created in Jordan, Egypt, Lebanon and the United Arab Emirates.</p>	<p><b>60%</b></p> <p>of new ecosystem institutions created in MENA” in the past 5 years have been in Jordan, Egypt, Lebanon and the UAE</p>
<p><b>ENTREPRENEURS' PROFILE</b></p>	<p><b>Predominantly male, educated and with experience abroad</b></p> <p>Over <b>70% of founders were male</b> and of the entrepreneurs surveyed, <b>most had at least a university level education</b>. Additionally, the <b>majority of surveyed entrepreneurs had worked or studied abroad</b>.</p>	<p><b>82%</b></p> <p>of all founders in Egypt were male</p>
<p><b>ACCESS TO RESOURCES</b></p>	<p><b>Resources from family and friends, minimal commercial bank involvement and mentorship gaps</b></p> <p><b>Forty-three percent of surveyed entrepreneurs received resources from family and friends</b>. Most notably, 50% of Jordan's entrepreneurs relied on resources from family and friends, the highest of any country surveyed. While <b>commercial bank funding is most common in Lebanon and the UAE</b> (22% and 17% respectively), these countries also have the smallest percentage of VC and angel-backed companies (Lebanon: 11%, UAE: 23%). <b>Large mentorship gaps</b> were observed across all four countries, with as many as 50% of entrepreneurs in some countries working without mentors.</p>	<p><b>50%</b></p> <p>of entrepreneurs in Jordan received resources from family and friends</p> <p><b>50%</b></p> <p>of entrepreneurs in Lebanon did not have a mentor</p>
<p><b>PATHWAYS TO SCALE</b></p>	<p><b>Entrepreneurs plan to expand their presence in the Gulf</b></p> <p>Companies in the Levant that plan to scale across borders <b>intend to open offices in the Gulf</b>. Even companies with operations in the Gulf want to expand their presence in this part of the region.</p>	<p><b>38%</b></p> <p>of Jordanian companies want to expand presence in Saudi Arabia in the near future</p>
<p><b>CHALLENGES TO SCALE</b></p>	<p><b>Challenges limit the ability to scale</b></p> <p>While the ecosystem has grown in recent years, there are underlying <b>challenges across four main areas that affect enterprise scaling: generating revenues, obtaining investment, acquiring the right talent and expanding across borders efficiently</b>. These challenges were commonly cited by entrepreneurs across all countries surveyed.</p>	<p><b>68%</b></p> <p>of UAE companies said finding talent was a challenge</p>



# INTRODUCTION

Over the past two years the Wamda Research Lab has mapped the organizations supporting fast growing and growth-driven entrepreneurs in the Middle East and North Africa (MENA). The findings from our research suggest that more and more players are realizing the economic and social returns that supporting entrepreneurship can have on cities, countries and the region itself. Here are some important insights:

- **Locally generated institutions:** Over 80% of institutions in the WRL mapping created since 2008 have been started by MENA's local stakeholders while the rest come from international organizations opening regional offices.
- **New organizational models:** By 2013, new organizational models for supporting entrepreneurs had come to fruition, which were virtually nonexistent several years prior. Accelerators, crowd-funders and media outlets focusing on entrepreneurship were either absent or nascent in 2008.
- **More available funding:** The number of funding sources has grown considerably. The bulk of this growth is comprised of early-stage investment institutions including venture capital funds and angel investment networks, while other new institutions offer loan and grant programs. Incubators and accelerators have also grown in number, providing entrepreneurs and their companies with mentorship, as well as technical and financial support.

Additionally, institutions in **Egypt, Jordan, Lebanon and the United Arab Emirates (UAE)** made up roughly 60% of the organizations included in the mapping. Each of these four countries has become a key player in shaping MENA's entrepreneurship ecosystem in recent years as their respective ecosystems have taken root and begun to grow.

However, the process of creating healthy entrepreneurship ecosystems for startup-company creation and scaling across these four countries is laden with barriers. In particular, although these countries have taken steps to support entrepreneurs and their companies, helping startups to become scaleups, which are key drivers of job growth in MENA, is a lingering challenge.<sup>2</sup> For instance, the majority of surveyed companies have indicated plans to expand their operations beyond their home countries. Yet, key factors to scale such as building teams, obtaining investment, moving across borders and revenue generation are notable trials facing these companies.

To better understand how ecosystems in these four countries have developed and how entrepreneurs can move beyond the startup stage and into scaling their companies, this report focuses on a sample of 494 companies surveyed across these four countries. It examines key developments in each country's ecosystem, funding patterns for entrepreneurial ventures in recent years, the types of entrepreneurs trying to scale their businesses in each country and the pathways and challenges they face in achieving their goals for growth.















# NOTABLE ECOSYSTEM DEVELOPMENTS IN JORDAN, EGYPT, LEBANON, AND THE UAE<sup>3</sup>

<sup>3</sup>Institutions listed in the ecosystem mappings within the four countries were identified through desk research and interviews with stakeholders in the entrepreneurship ecosystem in each country. The mappings do not reflect all institutions supporting entrepreneurs in each country, though the majority of the primary players in each ecosystem are present. Additionally, several of the institutions identified in each country's ecosystem are no longer active and have been kept in the timelines to reflect when certain developments in the ecosystem occurred.

# ECOSYSTEM DEVELOPMENTS IN JORDAN

Though Jordan is home to some of the earliest notable ecosystem developments in MENA, in recent years it has not been as active in creating new entities compared to the other 3 countries. This mapping highlights some of Jordan's main organizations supporting growth-focused entrepreneurs in the country.

## Domain legend

- |  |  |  |   |
|--|--|--|---|
|  Support organization |  Business reform    |  Funding source     |  Incubator/Accelerator |
|  Corporate program    |  Government program |  University program |  Angel network         |
|  Co-working space     |  Event              |  Technology park    |  Media                 |

 31

Total institutions identified

 01 2010

Most active year

 13

Number of reforms





# ECOSYSTEM DEVELOPMENTS IN EGYPT


With the largest population between the four countries, Egypt is home to the largest number of ecosystem institutions and also passed the highest number of business reforms. This mapping highlights some of Egypt's main organizations supporting growth-focused entrepreneurs in the country.

 **47**













Total institutions identified

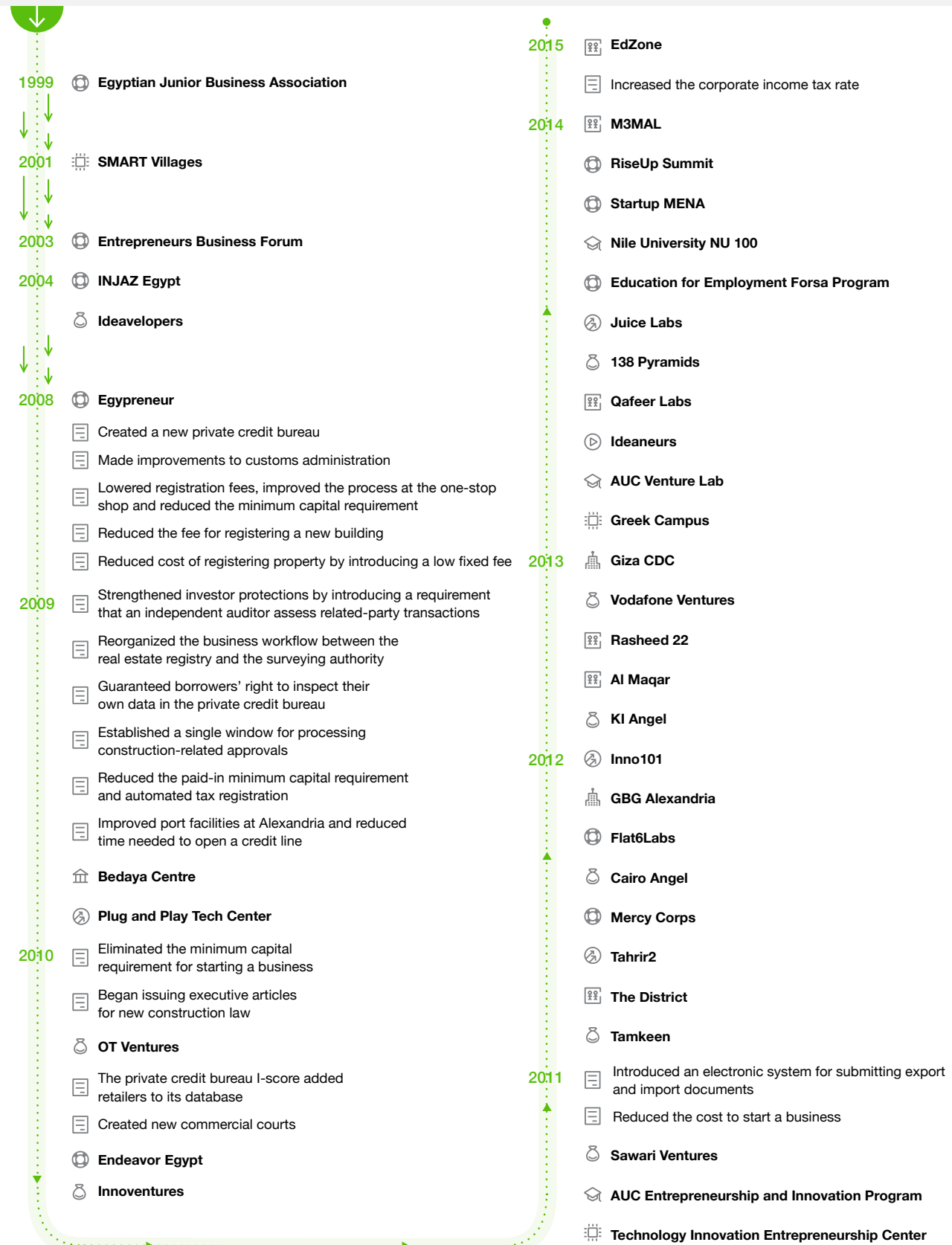
 **2013**

Most active year

 **19**  
Number of reforms

## Domain legend

- |   |  |  |   |
|---|--|--|---|
|  Support organization |  Business reform    |  Funding source     |  Incubator/Accelerator |
|  Corporate program    |  Government program |  University program |  Angel network         |
|  Co-working space     |  Event              |  Technology park    |  Media                 |



# ECOSYSTEM DEVELOPMENTS IN **LEBANON**


Despite having the smallest population of the four countries, Lebanon has arguably the most active collection of investment funds and funding sources for entrepreneurs in MENA. This mapping highlights some of Lebanon's main organizations supporting growth-focused entrepreneurs in the country.

 **27**













Total institutions identified

 **2011/13**

Most active year

 **7**  
Number of reforms

## Domain legend

- |  |  |  |   |
|--|--|--|---|
|  Support organization |  Business reform    |  Funding source     |  Incubator/Accelerator |
|  Corporate program    |  Government program |  University program |  Angel network         |
|  Co-working space     |  Event              |  Business cluster   |  Media                 |



# ECOSYSTEM DEVELOPMENTS IN THE UAE

The UAE's ecosystem is home to the highest number of corporation and government-backed initiatives and programs for entrepreneurs in the four countries. This mapping highlights some of the UAE's main organizations supporting growth-focused entrepreneurs in the country.

 **31**

Total institutions identified













 **2013**

Most active year

 **7**

Number of reforms

## Domain legend

- |  |  |  |   |
|--|--|--|---|
|  Support organization |  Business reform    |  Funding source     |  Incubator/Accelerator |
|  Corporate program    |  Government program |  University program |  Angel network         |
|  Co-working space     |  Event              |  Technology park    |  Media                 |







## ASSESSING ECOSYSTEM DEVELOPMENTS

The WRL identified over 120 institutions supporting entrepreneurs and nearly 50 business reforms that have been created in the past 4-5 years in Jordan, Egypt, Lebanon and the UAE. These numbers are not inclusive of every new effort or entity that has been created to foster entrepreneurship in the four countries, yet they do reflect where and when the ecosystems' most notable growth has taken place.

While assessing the volume of ecosystem growth it is important to note that because the majority of the reforms and institutions are relatively new, it is difficult to gauge the full impact that these developments have had to date. Nevertheless, the creation of so many new institutions is an indication of growing energy and focus on supporting entrepreneurship in these countries. The most prominent developments have been in the creation of new funds and incubation/acceleration facilities, while corporate programs, media initiatives and formal university programs had minimal representation in the ecosystem.

Lastly, though the full effect – positive or negative – of the business reforms has yet to be realized, it is important to note that many of these reforms are not targeted towards facilitating the scaling process. Many of the adjustments noted in the mapping are focused on enterprises' early-stages – primarily facilitating the starting process.<sup>4</sup>

Consequently, these profiles, while necessary to supporting the firm creation process, will not necessarily facilitate or enable the scaling process, a critical phase to ensuring that entrepreneurs have an impact on the countries in which they operate.

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4. For more information on programs and policies to support enterprise scaling in entrepreneurship ecosystem please see: Morris and Penido, *How did Silicon Valley Become Silicon Valley? Three Surprising Lessons for Other Cities and Regions*, Endeavor Insight, 2014 and Goodwin, Michael, *The Power of Entrepreneur Networks, How New York City Became the Role Model for Other Urban Tech Hubs*, Endeavor Insight, 2014.





# COUNTRY TRENDS AND CHALLENGES

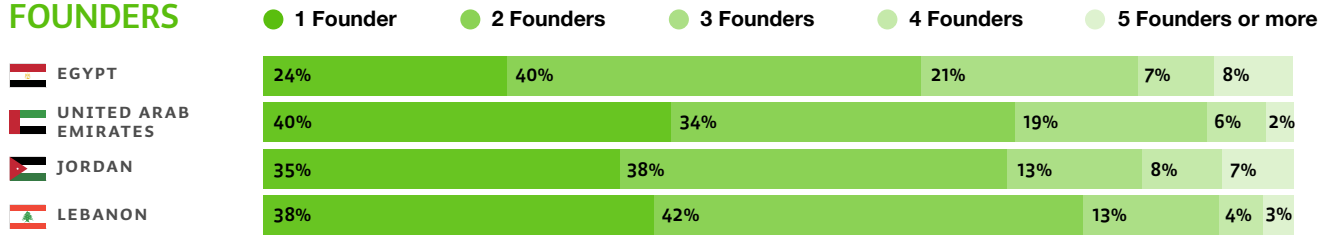




Figure 1:

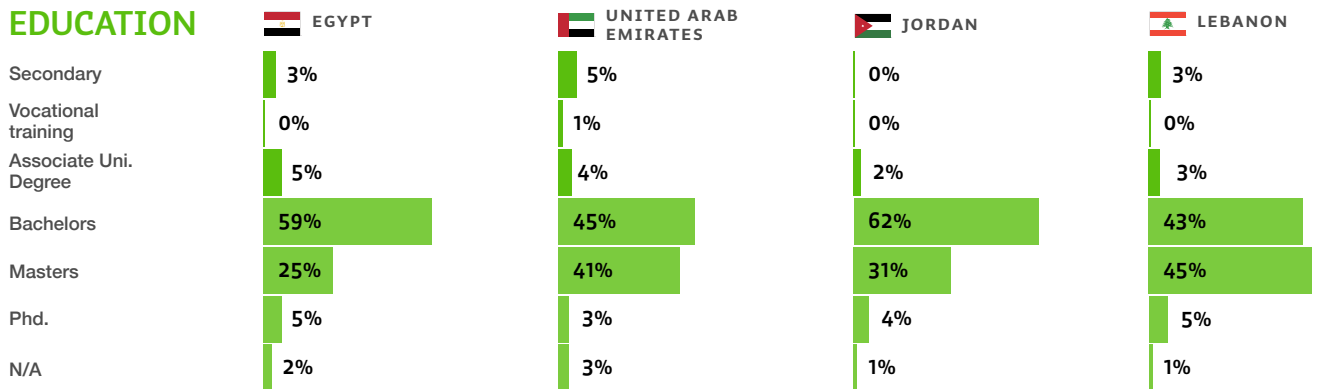
## ENTREPRENEUR PROFILES

### FOUNDERS



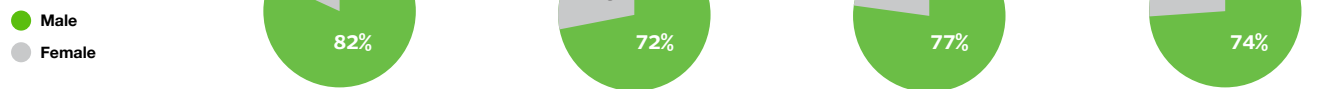
BASE: EGY: N=120 UAE: N=121 JOR: N=136 LEB: N=117

### EDUCATION



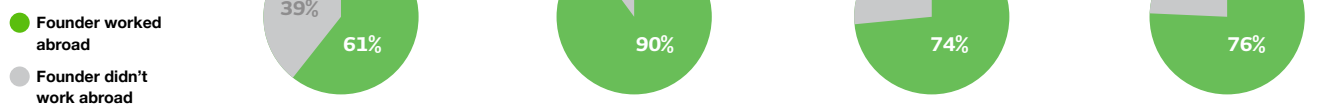
BASE: EGY: N=110 UAE: N=111 JOR: N=128 LEB: N=106

### GENDER



BASE: EGY: N=266 UAE: N=226 JOR: N=294 LEB: N=207

### EXPERIENCE ABROAD



BASE: EGY: N=109 UAE: N=111 JOR: N=129 LEB: N=107

Across the four countries, entrepreneurs and companies surveyed shared a set of similar characteristics. In each country, the majority of surveyed companies had over 70% males on their founding teams. The highest male representation in founding teams was present in Egypt with 82% of founders being male. Additionally, there were very few entrepreneurs surveyed who did not have at least a university level education. In both the UAE and Lebanon, nearly half of the entrepreneurs had a masters degree. Similarly, the majority of entrepreneurs in all four countries had spent time either working or studying abroad. This was highest in the UAE, where 90% had some form of academic or productive experience abroad. Lastly, the majority of entrepreneurs worked with at least one other co-founder. Two co-founders was the most common scenario in all countries except the UAE where 40% of companies were started by just one entrepreneur.

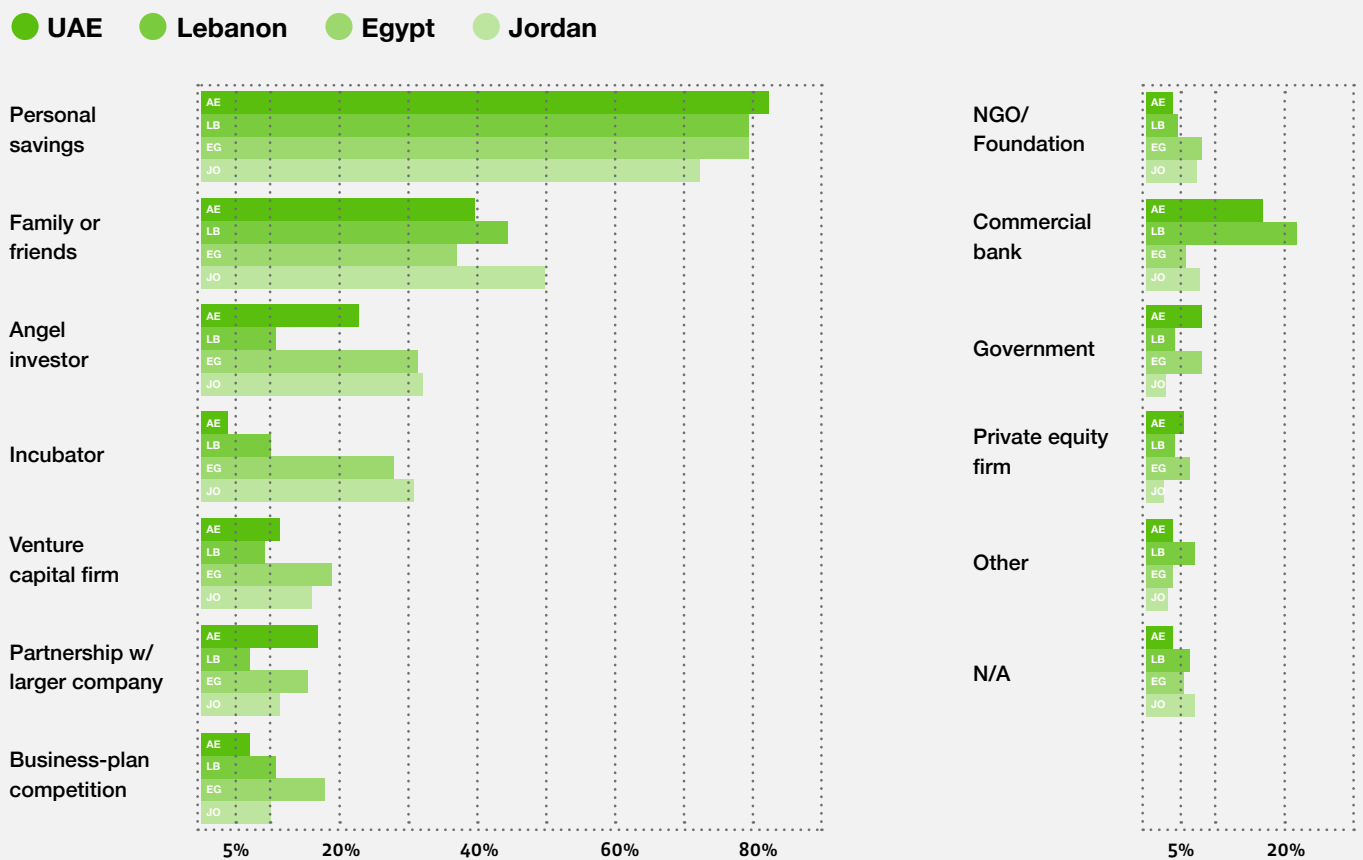


## ACCESS TO RESOURCES

Nearly all surveyed entrepreneurs relied on personal savings to at least partially fund their companies. Family and friends also played a role in supporting these entrepreneurs, particularly in Jordan.

Figure 2:

### SOURCES OF SUPPORT IN UAE, LEBANON, EGYPT AND JORDAN



BASE: EGYPT - N=108, JORDAN - N=132, LEBANON - N=113, UAE - N=110

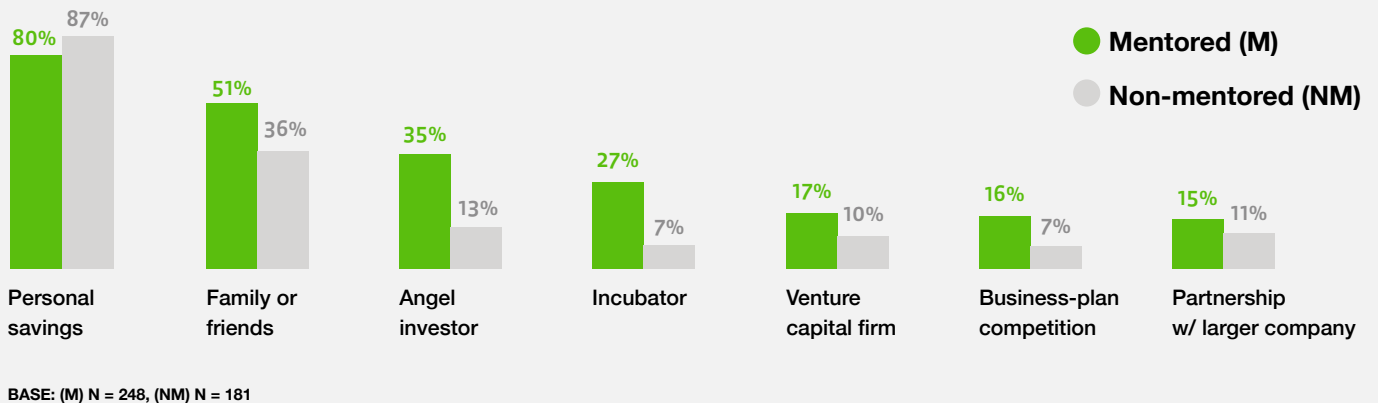
Across the four countries, a relatively equal percentage of entrepreneurs are reliant on personal savings. The second most accessed resource in each country is funding from family or friends. Jordan is the only country where a majority of entrepreneurs (50%) received funding from family or friends.

In regards to institutional support, surveyed entrepreneurs from Lebanon and the UAE are not receiving as much support from angel investors (11% and 23%) and incubators (10% and 4%) as are entrepreneurs in Egypt (32% and 29%) and Jordan (36% and 34%); they do, however, show higher levels of commercial bank usage (22% in Lebanon and 17% in the UAE).

## ENTREPRENEURS WITH MENTORS OBTAIN GREATER ACCESS TO RESOURCES.

Figure 3:

### RESOURCES ACCESSED BY MENTORED VS. NON-MENTORED ENTREPRENEURS

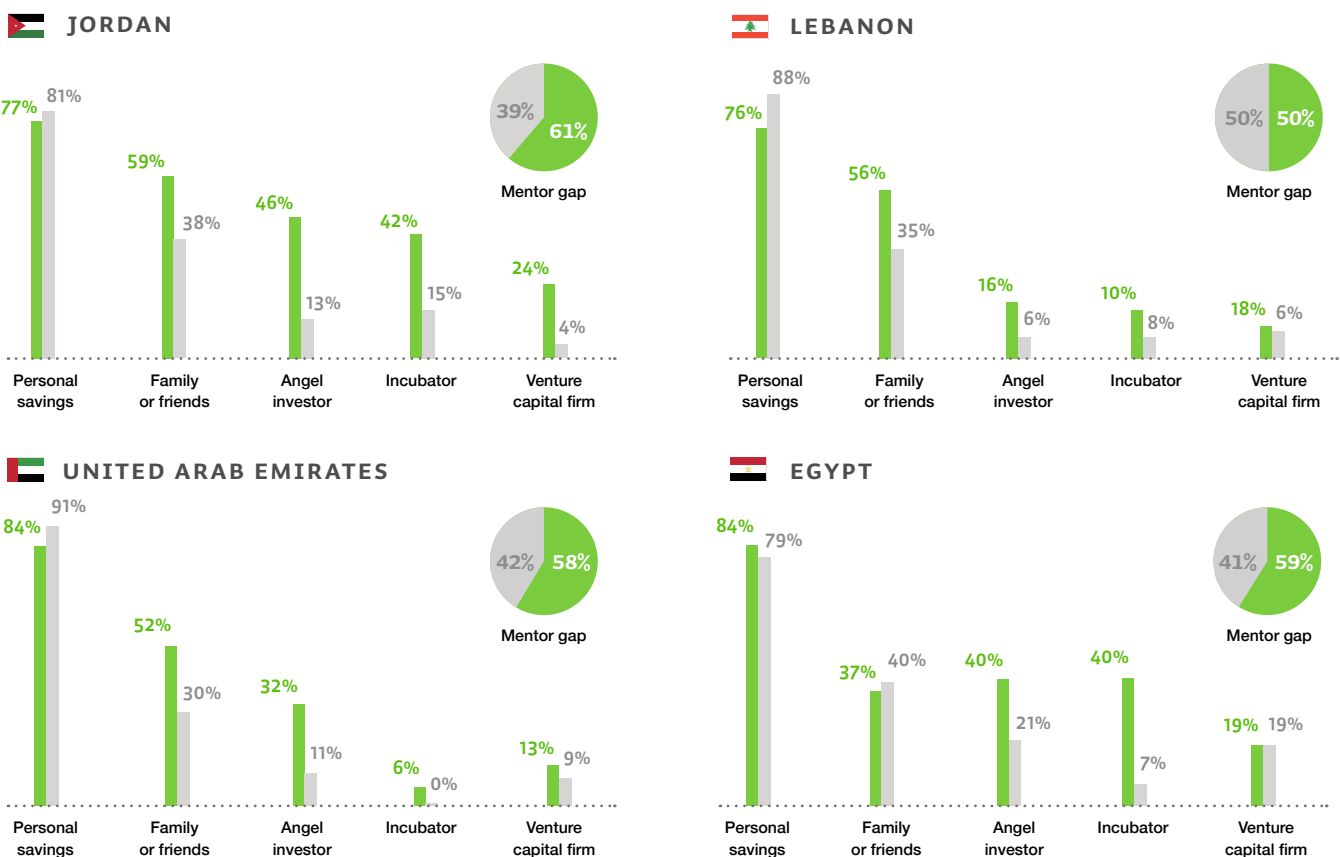


Entrepreneurs with mentors tend to access resources like angel investors, incubators and venture capital at higher rates than those without mentors. Additionally, mentor-less entrepreneurs in our sample are slightly more dependent on personal savings than those with mentors (87% and 80%, respectively).

## LARGE MENTOR GAPS WERE NOTED IN ALL SURVEYED ENTREPRENEURS ACROSS THE FOUR COUNTRIES.

Figure 4:

### RESOURCES ACCESSED BY MENTORED VS. NON-MENTORED ENTREPRENEURS – COUNTRY-LEVEL (WITH MENTOR GAPS)



RESOURCE ACCESS BASE: JOR: (M) N=74, (NM) N=47 LEB: (M) N=50, (NM) N=51 UAE: (M) N=62, (NM) N=44 EGY: (M) N=62, (NM) N=43  
 MENTOR GAPS BASE: JOR: (M) N=74, (NM) N=47 LEB: (M) N=50, (NM) N=51 UAE: (M) N=62, (NM) N=44 EGY: (M) N=62, (NM) N=43

**EXPLAINING MENTORSHIP LINKAGES:** Mentors can help entrepreneurs access much-needed financial and non-financial resources. Investors, seasoned entrepreneurs and other experts can all serve as mentors to entrepreneurs, bringing with them a large network and years of experience. Simultaneously, funds, incubators and other supporting institutions often create networks of mentors to support portfolio companies. Whether mentors enable entrepreneurs to access certain resources or funds, incubators and other institutions in creating access to mentors is debatable. Regardless of which party drives the exchange of resources, the relationship between having a mentor and also having access to such resources is consistent across countries. Similarly, the mentor gap across countries is also suggestive of a missed opportunity for entrepreneurs and a gap in the supporting ecosystem.

## INVESTMENTS IN ENTREPRENEURIAL VENTURES INCREASED FROM 2009-2012, THOUGH MOST WERE AT THE SEED AND EARLY STAGES.

Figure 5:

### INCREASE IN INVESTMENT DEALS FROM 2009-2012

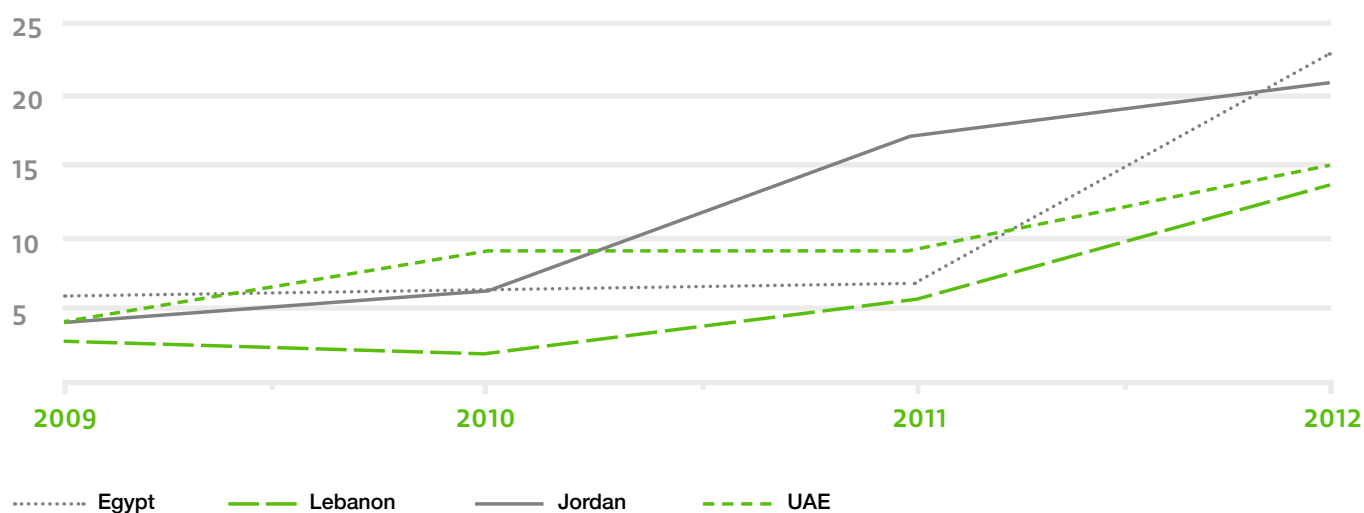
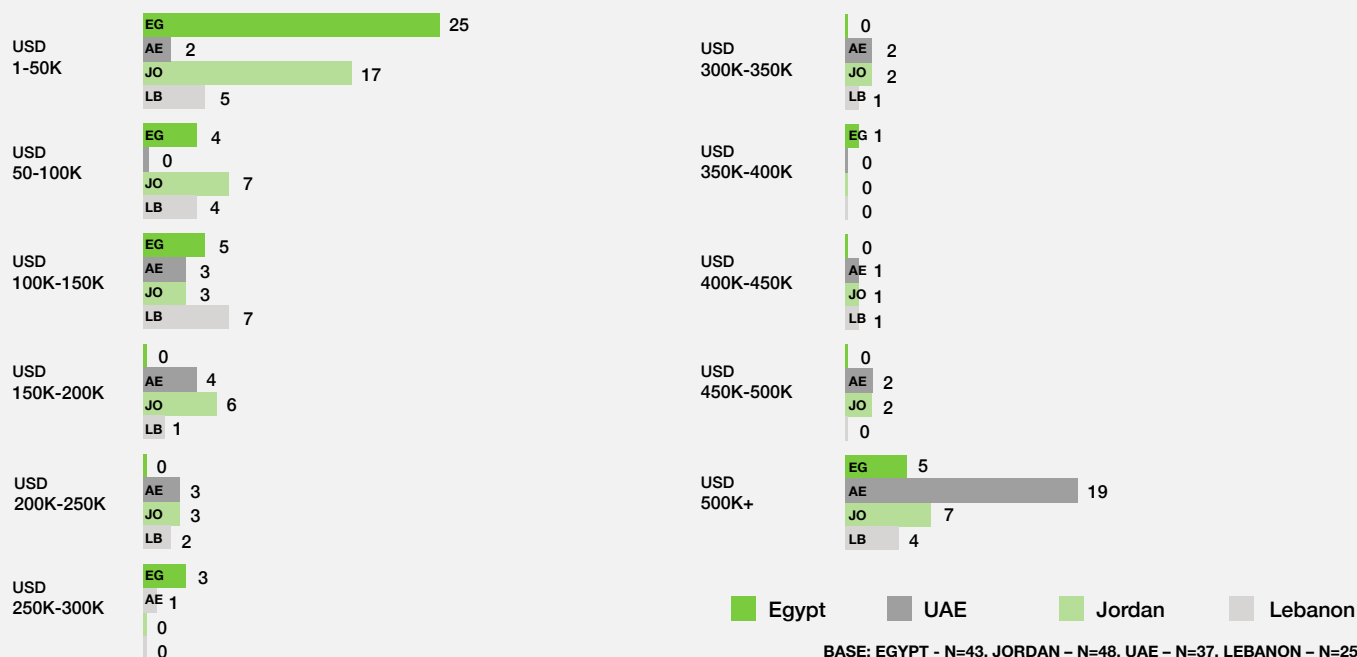


Figure 6:

### INVESTMENT SIZES PER COUNTRY



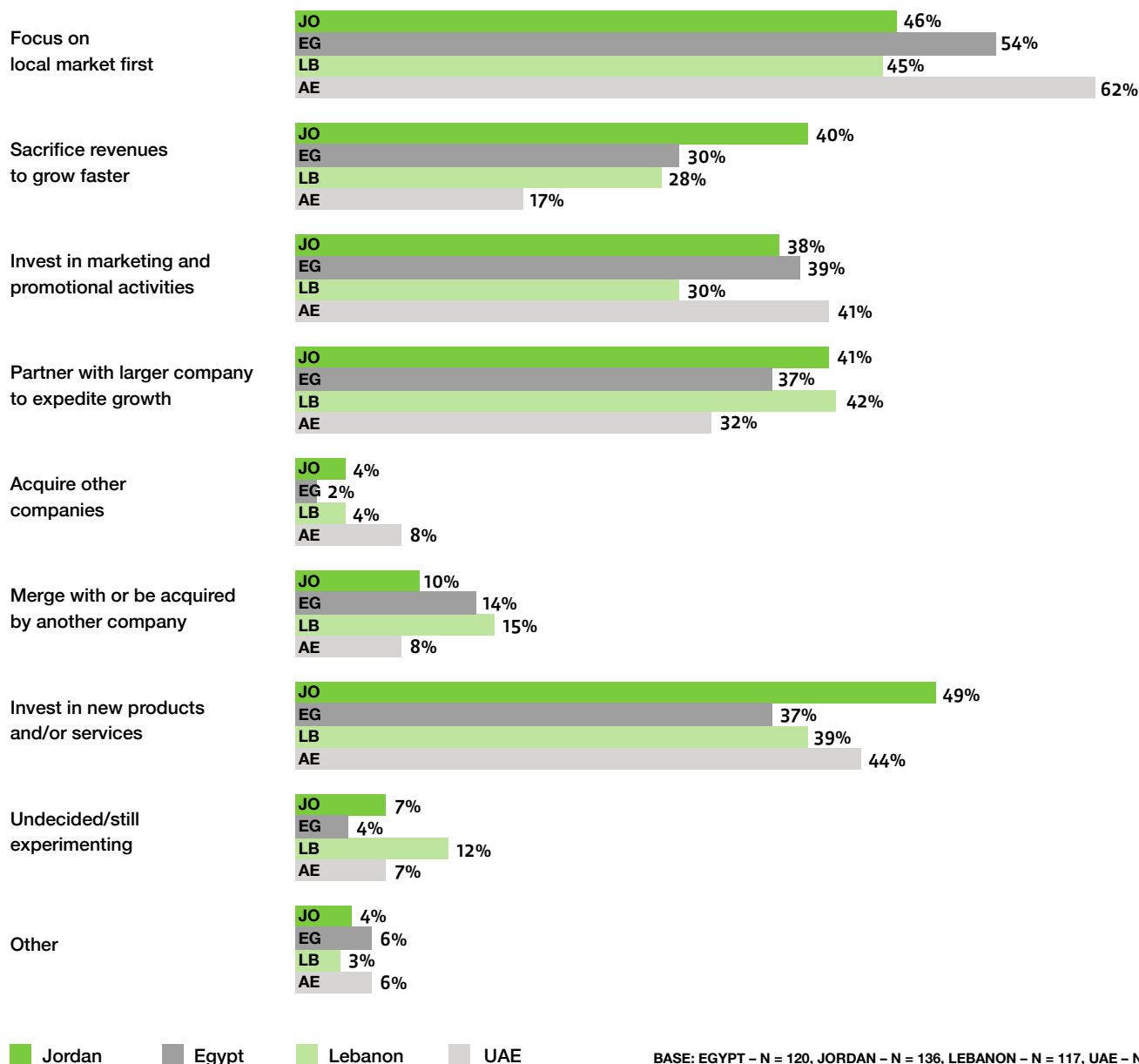


## Pathways and Challenges to Scale

**FOCUSING ON THE LOCAL MARKET FIRST, COMBINED WITH INVESTING IN NEW PRODUCTS, PARTNERSHIPS AND MARKETING WERE THE MOST COMMONLY CITED STRATEGIES TO SCALE.**

Figure 7:

### STRATEGIES TO SCALE



Across the board, surveyed companies identified multiple strategies they employ or plan to employ in order to scale. The majority of companies in Egypt and the UAE intend to focus on their local markets for the time being, while others indicated their plans to invest in new products or services while also sacrificing revenues in the near-term to expand their reach.

## Examining the pathways

The following figure indicates the top locations where surveyed companies plan to scale. At the time of the study, only 34% of companies surveyed in these four countries had opened offices in new geographies. However, 72% planned to enter new countries or expand their presence in current markets within two years.

Figure 8:

### MENA'S MOST ATTRACTIVE MARKETS - WHERE ENTREPRENEURS WANT TO SCALE

#### STARTUPS WANT TO SCALE IN KSA, UAE AND QATAR

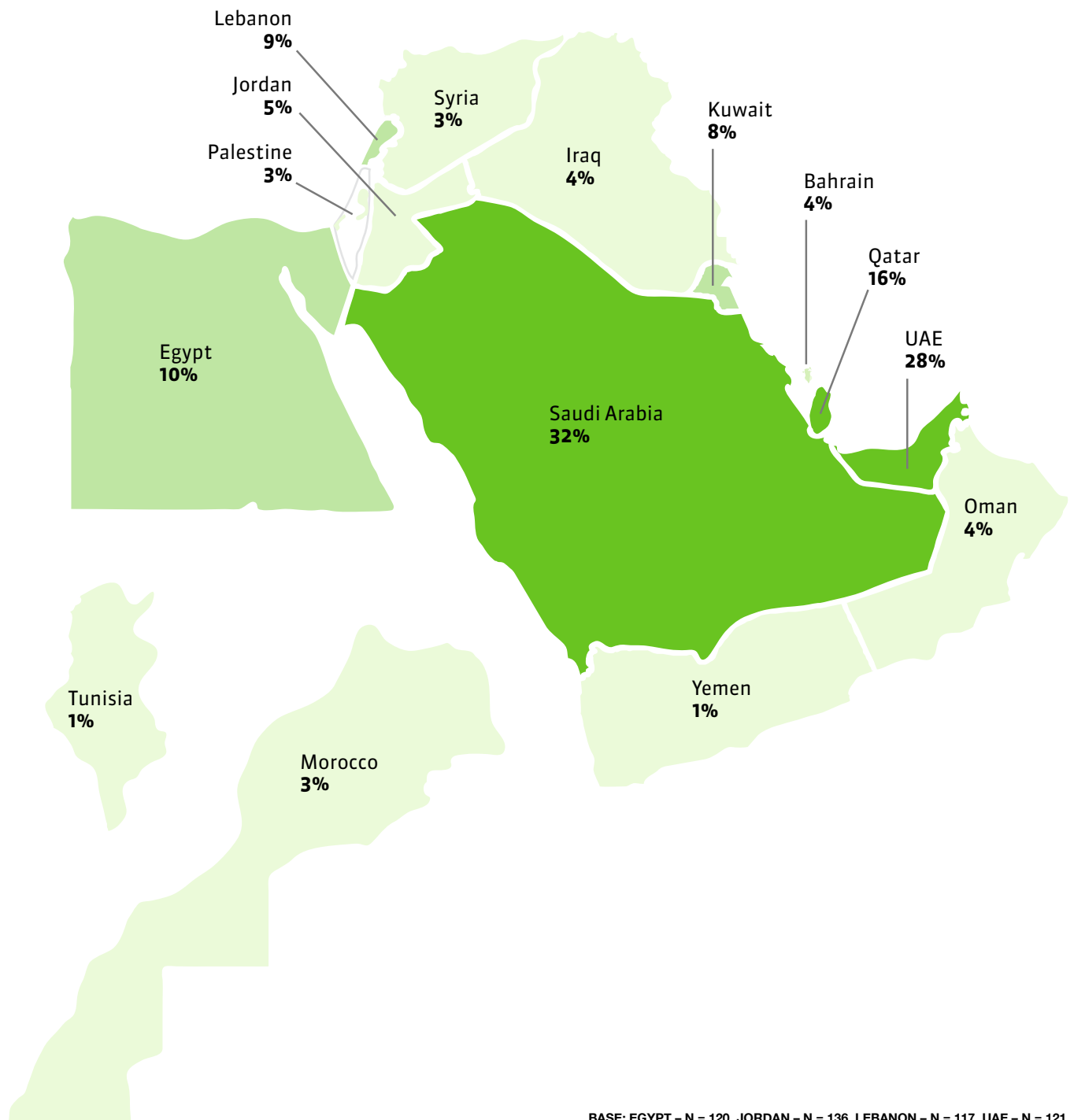


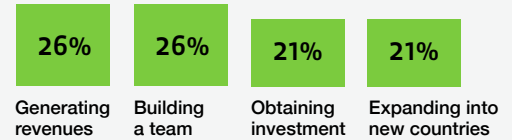
Figure 9:

## ASSESSMENT OF CHALLENGES TO SCALE FOR ENTREPRENEURS IN EACH COUNTRY

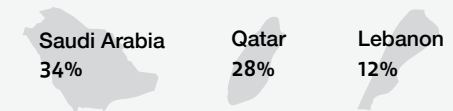
### UAE

While the UAE is regarded as a hub for acquiring talent from around the world, 26% of the entrepreneurs surveyed said that building a team was a challenge. Furthermore, despite its large corporate sector and high digital penetration rates, revenue generation is also a notable hurdle for surveyed companies.

Top challenges to scale



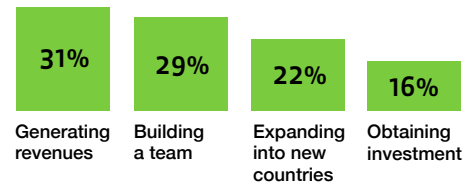
Where entrepreneurs want to expand into



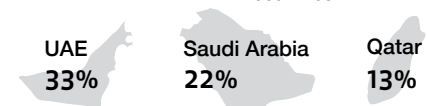
### Lebanon

In Lebanon, obtaining investment was ranked as a lesser challenge relative to other factors to scale, which could be due to the fact that the country is home to a relatively strong bank lending policies and recent measures such as Circular 311 have helped to increase funding opportunities.

Top challenges to scale



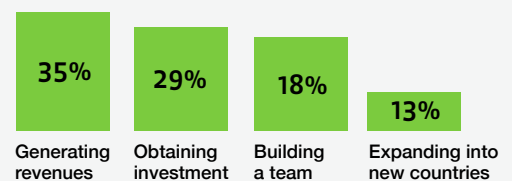
Where entrepreneurs want to expand into



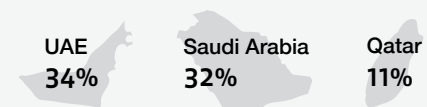
### Egypt

Despite Egypt being the most populous Arab country and thus home to the largest local market, a higher percentage of Egyptian entrepreneurs cited generating revenues to be a challenge versus the other three countries in this report. Additionally, Egyptian entrepreneurs cited the smallest degree of difficulty expanding into new countries, most likely because of the large market they have at home, which could diminish the need to scale into other countries.

Top challenges to scale



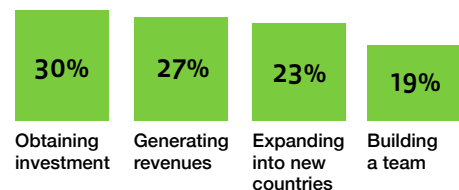
Where entrepreneurs want to expand into



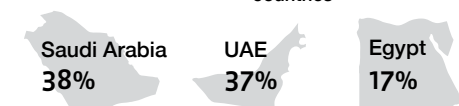
### Jordan

Despite Jordan having the highest percentage of surveyed companies with angel investment and second highest with venture capital funding, obtaining investment was the most cited challenge to scale amongst surveyed entrepreneurs in Jordan. This could be because many companies who receive early-stage funding in Jordan are facing a hurdle in obtaining additional funding rounds needed to scale into other countries.

Top challenges to scale



Where entrepreneurs want to expand into



BASE: EGYPT - N = 120, JORDAN - N = 136, LEBANON - N = 117, UAE - N = 121

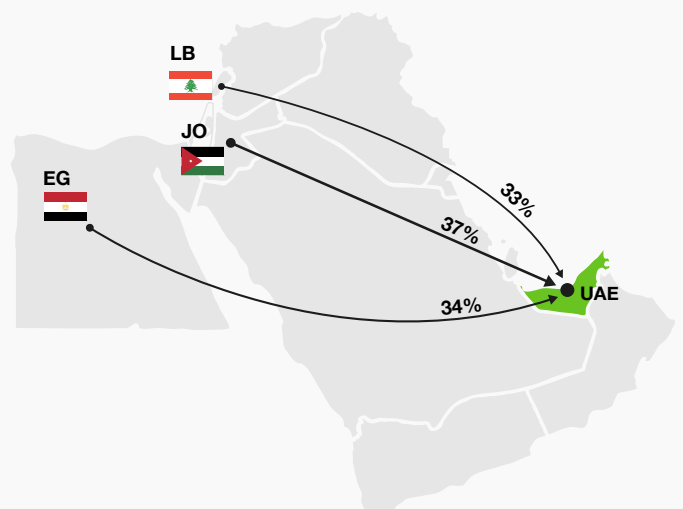
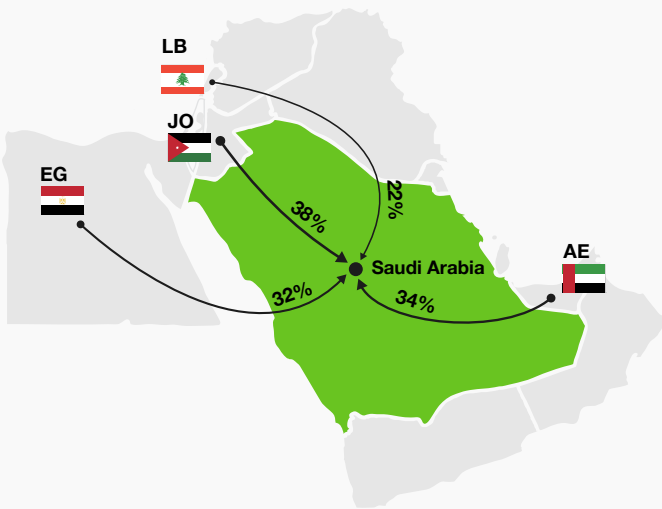
Figure 10:

PATHWAYS TO SCALE

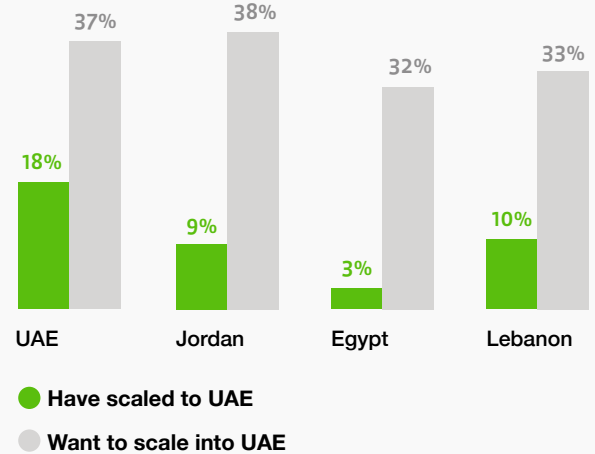
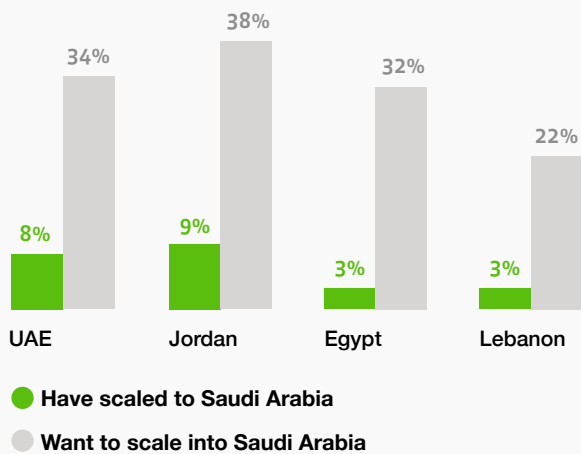
Key Insights - where surveyed companies want to scale

MANY SURVEYED COMPANIES FROM UAE, LEBANON, EGYPT AND JORDAN ARE INCLINED TO EXPAND INTO SAUDI ARABIA

SIMULTANEOUSLY, MANY JORDANIAN, EGYPTIAN AND LEBANESE ENTREPRENEURS WANT TO OPEN OFFICES IN THE UAE



WHILE ENTREPRENEURS ACROSS ALL FOUR COUNTRIES PRIMARILY WANT TO SCALE INTO SAUDI AND UAE, ONLY A SMALL PERCENTAGE HAD BEEN ABLE TO AT THE TIME OF THE SURVEY



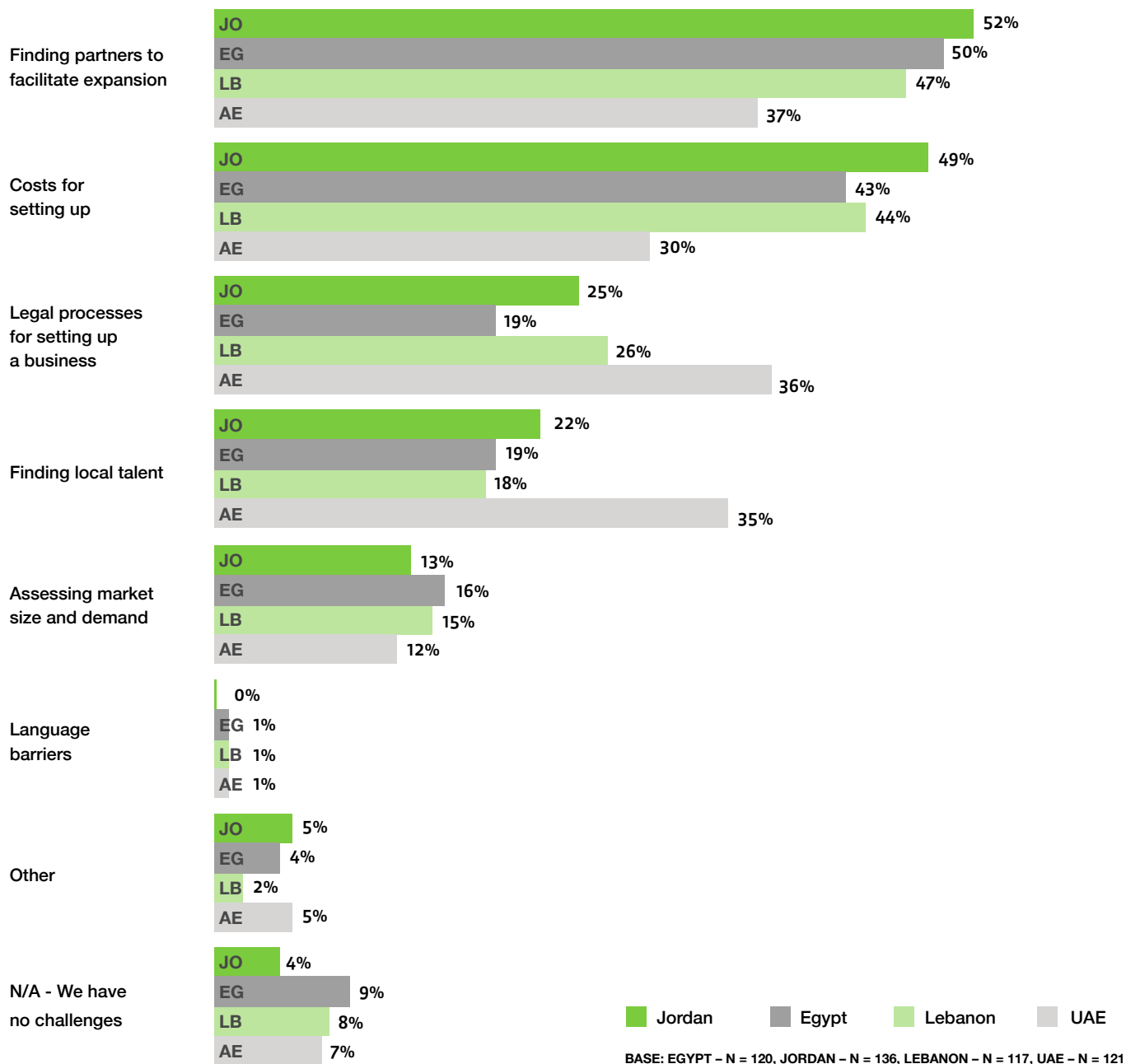
BASE: EGYPT - N = 120, JORDAN - N = 136, LEBANON - N = 117, UAE - N = 121



## FINDING PARTNERS WAS THE MOST CITED CHALLENGE FOR SCALING ACROSS BORDERS FOR COMPANIES IN EGYPT, JORDAN, LEBANON AND THE UAE.

Figure 11:

### CHALLENGES TO EXPANDING INTO NEW COUNTRIES

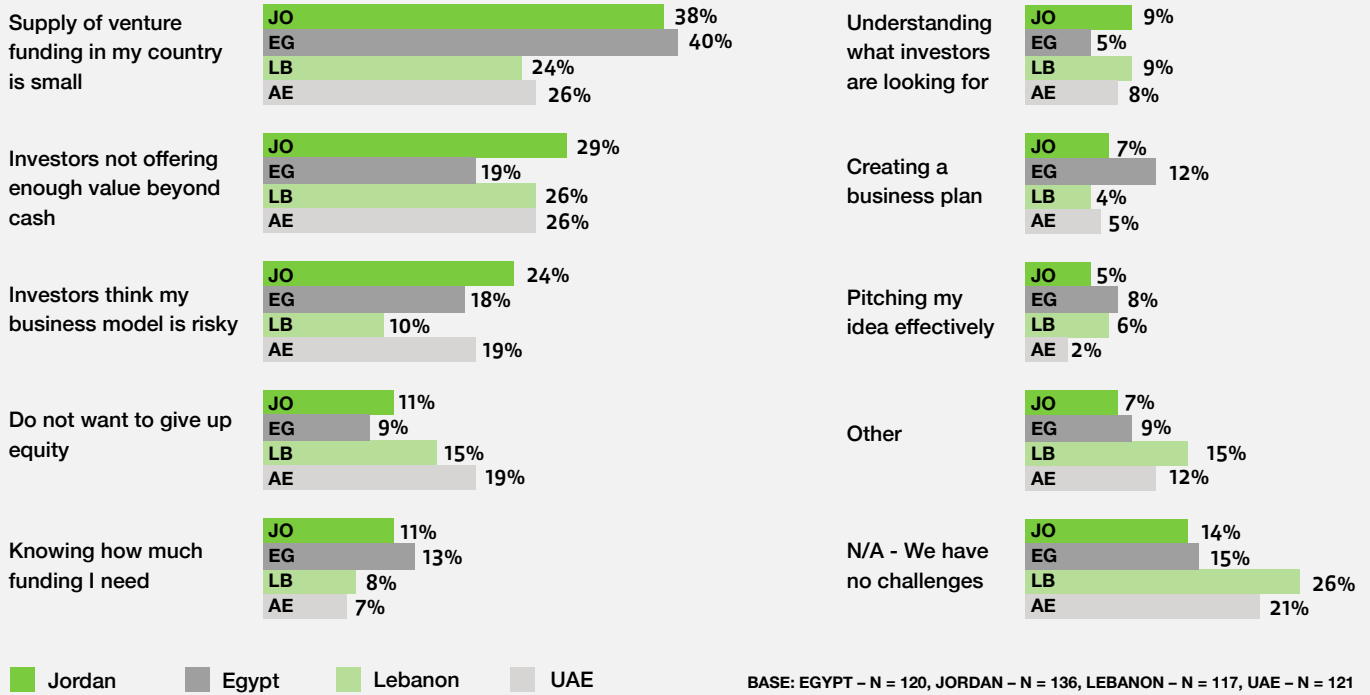


Entrepreneurs in Egypt, Jordan and Lebanon rank finding partners to facilitate expansion (50%, 52% and 47% respectively) and costs for setting up a business (43%, 49% and 44% respectively) as the two biggest challenges to expanding into new markets. A higher percentage of UAE companies cited legal processes for setting up a business as the biggest hurdle for expanding geographically (38% compared with 26% in Lebanon, 25% in Jordan and 19% in Egypt).

# THE LIMITED SUPPLY OF VENTURE FUNDING AND FINDING VALUE-ADDED INVESTORS ARE THE TOP CHALLENGES FOR OBTAINING INVESTMENT.

Figure 12:

## CHALLENGES TO OBTAINING INVESTMENT



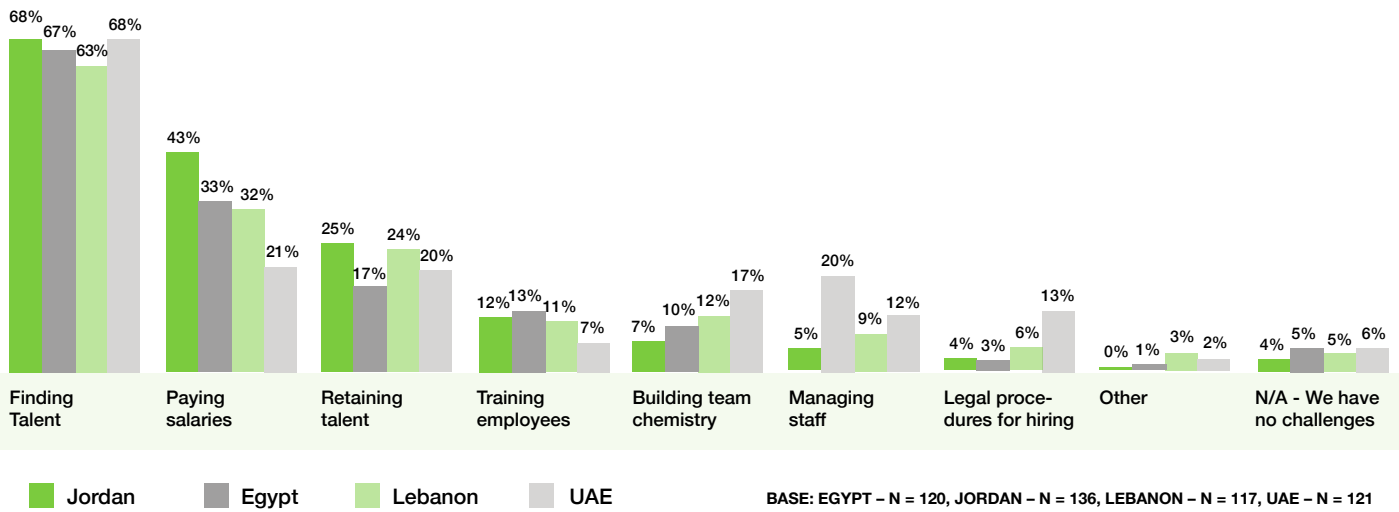
Challenges to obtaining investment differed slightly from country to country. In Egypt and Jordan, the most selected challenges were the available supply of venture funding. However, in the UAE and Lebanon, fewer entrepreneurs pointed to challenges of supply and focused more on difficulties in optimizing resources from investors.



## THE MAJORITY OF ALL COMPANIES SURVEYED ACROSS THE FOUR COUNTRIES POINTED TO CHALLENGES WITH FINDING TALENT WHEN BUILDING THEIR TEAMS.

Figure 13:

### CHALLENGES TO BUILDING TEAMS

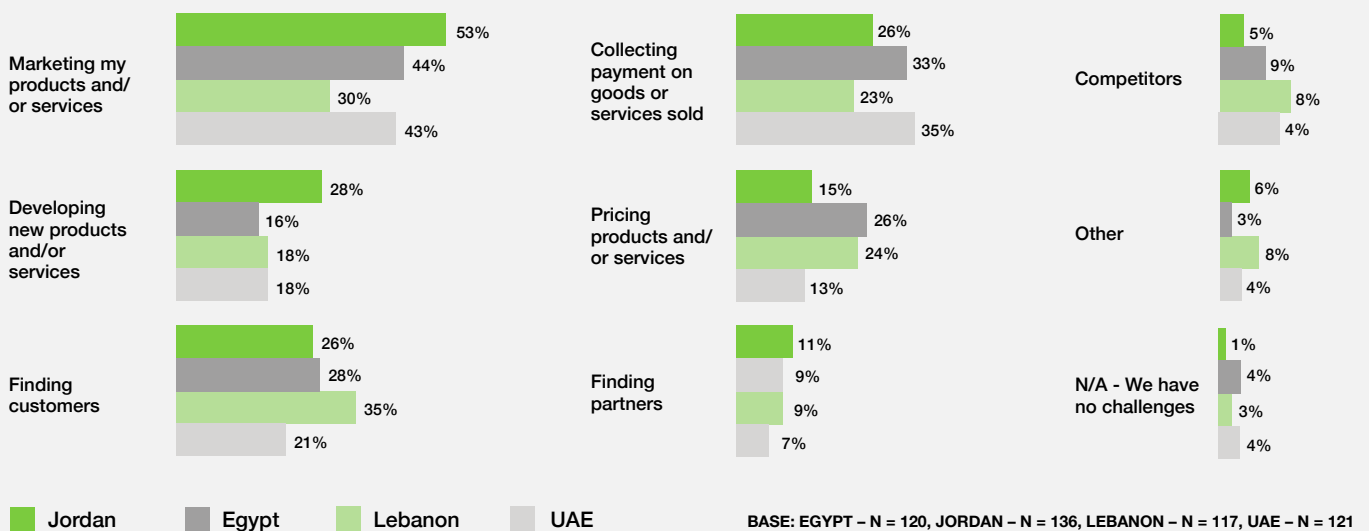


Finding talent was the most noted challenge to building teams across all for countries, though nearly half of Jordanian entrepreneurs cited challenges to paying salaries and roughly one in four Lebanese and Jordan entrepreneurs pointed to challenges with retaining talent. Interestingly, while virtually no entrepreneurs in Jordan, Lebanon or Egypt pointed to legal challenges over one in ten entrepreneurs did in the UAE.

## CHALLENGES SURROUNDING MARKETING, COLLECTING PAYMENTS AND FINDING CUSTOMERS ARE THE TOP HURDLES FOR GENERATING REVENUES ACROSS ALL FOUR COUNTRIES.

Figure 14:

### CHALLENGES TO GENERATING REVENUES



Entrepreneurs in Egypt, Jordan and the UAE cited marketing products and services as a challenge to generating revenues. Differing slightly, 35% of surveyed entrepreneurs in Lebanon pointed to collecting payments and finding customers as a top challenge.



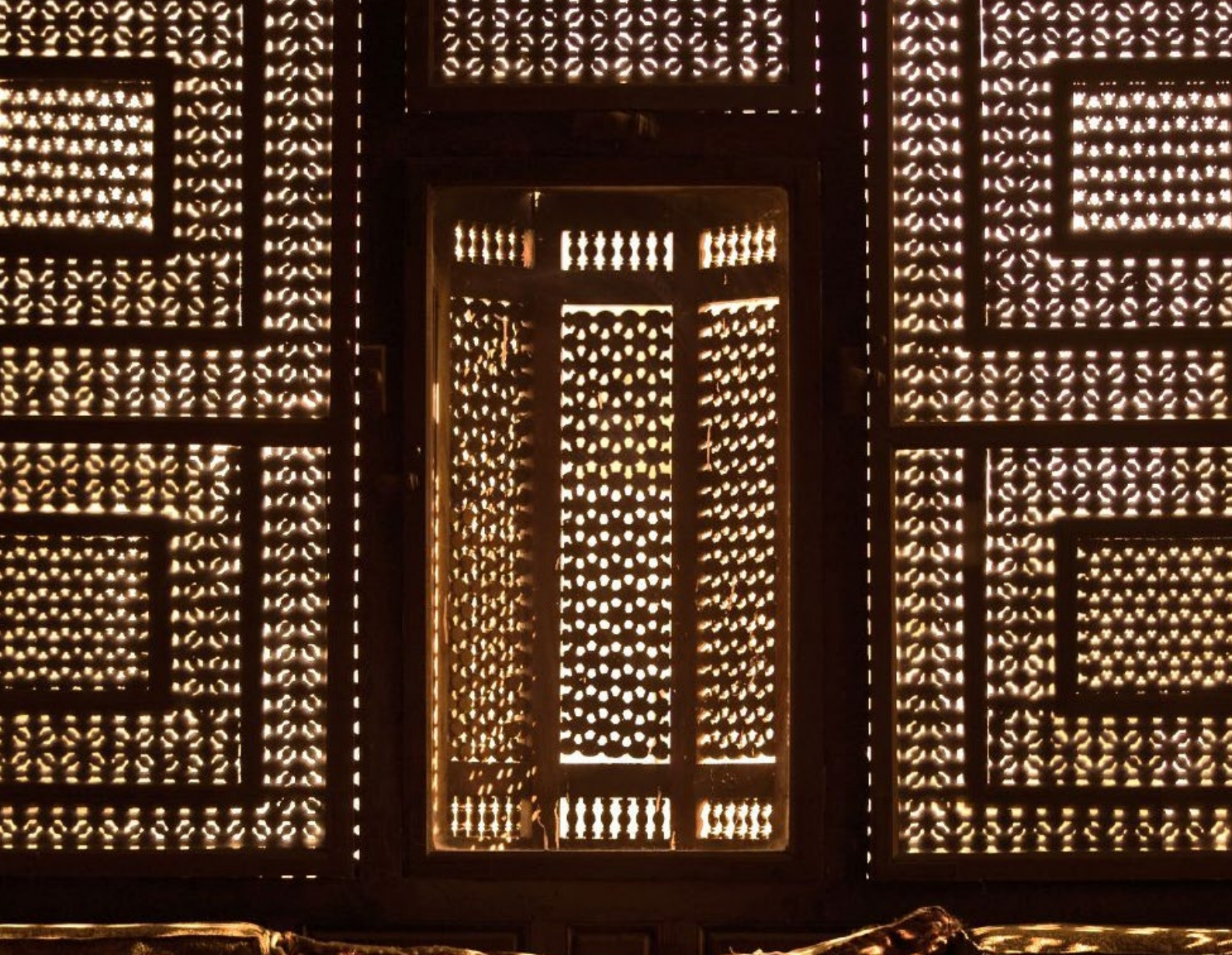
# EXPLAINING THE TRENDS AND GAPS



Further analysis and conversations with entrepreneurs and investors help to explain how exactly these challenges have taken shape.







## 1. Finding partners and ease of market access hold back the expansion process

Given the small population sizes of many markets in MENA, entrepreneurs who seek to scale their companies will have to think about expanding into multiple countries. However, legal hurdles and challenges to finding good local partners can hold back the scaling process. Such fragmentation and unclear legal structures can make the geographic expansion process long and uncertain, which directly limits the scaling process.

“Our region is fragmented into many smaller markets. We often need to set up shop in multiple countries. You need to have a customized marketing strategy for each country, which will require local knowledge and expertise for each one, including a different type of dialect for each. Finding a pan-Arab channel to market is expensive.” –Zafer Younis, [The Online Project](#)

“Entrepreneurs need to catch customers as soon as possible. You need to be where the customer is and there must be better integration. Access to markets and reaching the customer must be emphasized and facilitated to allow entrepreneurs to reach their clients with minimal challenges.”  
–Zaid Ayoub, [R TMZ Investments](#)





## 2. More funding is becoming available, but gaps remain in terms of building capacity and dialogue with investors

In recent years new funds and investment opportunities have become increasingly present in MENA. There is general recognition throughout the ecosystem as well that gaps in venture capital and angel investment are gradually shrinking. In 2014 and 2015 a series of new public, private and international initiatives were created to unlock more financial capital for entrepreneurs. Specifically, these entities are mandated to provide larger fund sizes for more mature startups. Wamda Capital, Leap Ventures, Middle East Venture Partners Impact Fund, the Circular 311 initiative from the Lebanese government, Sawari Ventures and Silicon Badia are several notable examples of how regional funds are enhancing their reach and deploying more capital.

“It is still important to help the entrepreneurs understand the different ticket sizes of different investors and what they want to see in order to invest this amount so that entrepreneurs can plan effectively. They have to think in terms of metrics from day one and they need to think of their startup the same way a scientist would think of a lab experiment.” –Ziad Mokhtar, [Ideavelopers](#)

However, simply increasing the amount of funding alone is not adequate to stimulating a healthier environment for funding. Survey data and conversations with investors and entrepreneurs suggest that greater dialogue between the supply and demand sides could help in improving the investment cycle. In fact, in Lebanon, where a series of new lending and investment initiatives have appeared in the past 5 years, more surveyed entrepreneurs in our study identified challenges in finding investors who added value than those who cited challenges concerning the actual supply of capital.



### 3. Education systems and minimal cultural interest in working for a startup impinge on the hiring process

Globally, finding talent is a challenge any company may face. However, it is arguable that this hurdle is magnified in MENA where roughly one in ten of people are without jobs and one in four youth are unemployed. Current realities suggest that although government spending to improve education has increased, graduates and labor market entrants do not have the skills that employers require.<sup>5</sup> Furthermore, interviews with entrepreneurs suggest that the prospect of working for a startup is not attractive for most MENA job seekers, which further complicates the hiring process for young companies seeking to find talent to build their teams.

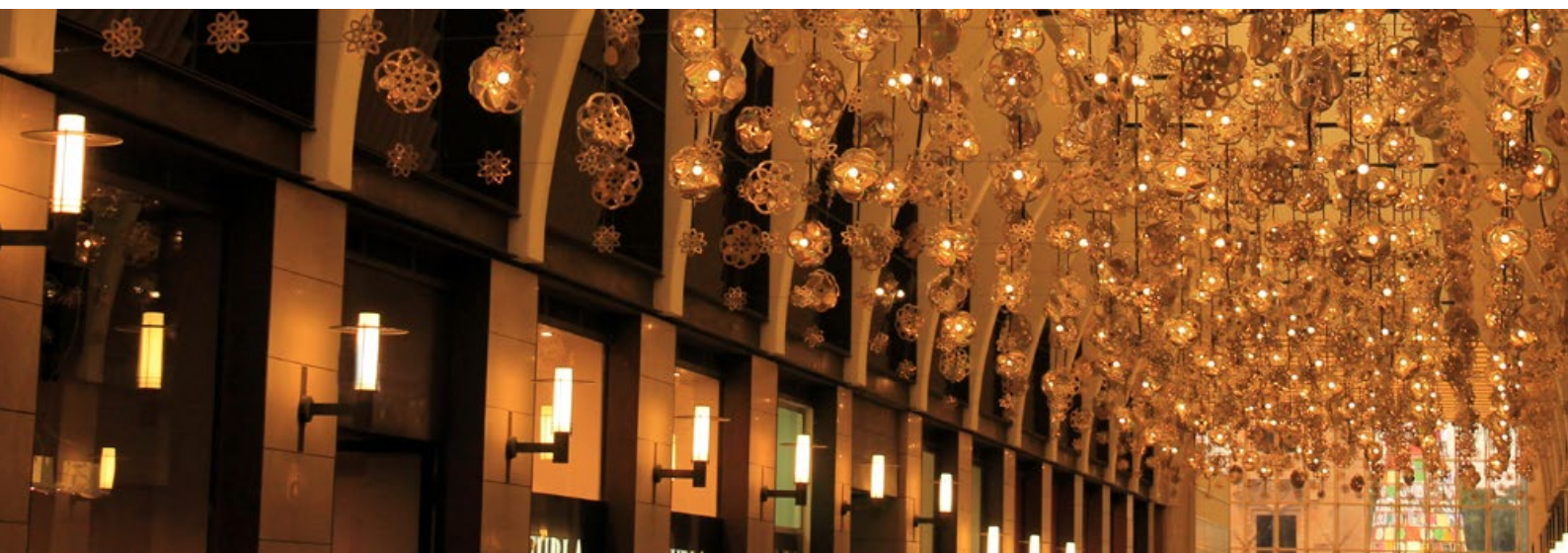
“Finding committed talent and knowing where to look to find good people are large challenges. Another challenge is finding salaries to compete with larger companies in order to retain employees.” –Yasmine El-Mahairy, SuperMama

### 4. Skills needed for marketing and sales are lacking

Many entrepreneurs pointed to the challenges of marketing and finding customers when trying to generate revenues. Investors and entrepreneurs explained these challenges in terms of a lack of market knowledge research and also a skills gap around marketing and sales competencies. Finding people with good sales skills and marketing knowledge can be a significant enabler when entering new markets or launching new products.

“Entrepreneurs must really understand their market and competition, in addition to figuring out customer profiles and behavior. Extensive market research, and the systematic gathering, recording, and analysis of both quantitative and qualitative data, is key to determining whether timing is right for a specific market, and whether there is demand for the value they are providing. It is important to validate and disvalidate assumptions before spending on sales and marketing.”  
– Omar Sati, Dash Ventures

“There is a major lack of sales culture in MENA. Entrepreneurs assume that once they launch a product people will buy it. However, you have to always be pitching. Once you stop you’re doomed. The ability to make sales will differentiate the strong companies from the weak ones.”  
– Abed Agha, Vinelab





# CONCLUSION AND RECOMMEND- ATIONS





# KEY TAKEAWAYS



The four countries highlighted in this report - Egypt, Jordan, Lebanon and the UAE - have been the most active in promoting entrepreneurship in MENA over the past 4-5 years. However, the ecosystems in each country are still very young and have much room to grow. A number of key trends and challenges characterize the evolution of these ecosystems to date and based on the findings in this report, any policymaker or ecosystem stakeholder should note the following:

<p><b>ECOSYSTEM PROGRESS</b></p>	<p>Ecosystems, investments and new reforms are growing in number. In most cases, these new institutions in the ecosystem have been created by players from the region as opposed to organizations coming from abroad. Most of the growth in the region's ecosystem has been in Egypt, Jordan, Lebanon and the UAE.</p> <p>Despite these promising developments, our data suggests that there is still work to be done, and many topics that need to be better understood by stakeholders in every country.</p>
<p><b>SPECIFIC PROFILES</b></p>	<p>Many entrepreneurs looking to scale their companies have specific profiles and backgrounds. Over 70% of all founders surveyed are male and nearly all have obtained a university-level education, with many holding Masters degrees. Furthermore, many have had educational and/or work experience abroad.</p>
<p><b>PATHWAYS TO SCALE</b></p>	<p>Most companies surveyed want to open new offices in other countries, especially in the Gulf. Even companies in the UAE plan to deepen their presence in the Gulf by scaling into countries such as Saudi Arabia and Qatar. Few companies indicated an interest in opening an office in North Africa, suggesting that the pathways to scale lead to the Gulf.</p>
<p><b>RECOMMENDATIONS FOR ENHANCING SCALABILITY</b></p>	<p>Many factors contribute to enterprise scaling and any comprehensive ecosystem strategy must take all of these factors into account. Several of these core areas must include:</p> <ul style="list-style-type: none"> <li>• <b>Talent:</b> Improve access to talent and retention of employees. Updating regional education systems will directly improve local talent pools. These efforts must be accompanied by incentives and programs to ensure that startups can retain talent.</li> <li>• <b>Funding:</b> Increase access to capital while diversifying the sources and types of available funding. More access and stronger communication challenges will both contribute to helping create new and more productive funding opportunities</li> <li>• <b>Expanding across borders:</b> Ease processes for entering and registering in countries while also facilitating access to partners. Reducing legal challenges and costs will facilitate enterprise expansion. In parallel, initiatives to support entrepreneurs in identifying partners will greatly boost entrepreneurs' success of accessing markets.</li> <li>• <b>Revenue generation:</b> Improve market knowledge and methods for marketing as companies enter new markets. More marketing talent and increased access to market research can both help in strengthening ties between entrepreneurs and consumers.</li> </ul> <p>Identifying the main trends and bottlenecks characterizing enterprise scale in MENA and creating more robust institutions to support entrepreneurs is crucial to creating jobs and facilitating economic development in the region. Understanding the pathways and challenges to scale is an important advantage for policy and decision makers trying to improve conditions for the region's entrepreneurs.</p>

## Appendix 1 – Acknowledgments:

We would like to thank the following institutions and individuals for their support in lending their expertise and connecting us to entrepreneurs in each of their countries. Without their contributions, we would not have been able to complete this study:

INSTITUTION	COUNTRY
Abu Dhabi University	UAE
Abraaj Group	UAE
Ahmad Zaidan	Jordan
Aline Mayard	Morocco
AMIDEAST/Cisco Entrepreneur Institute	MENA
Aureos Capital	MENA
Berytech	Lebanon
Dash Ventures	Jordan
The District Egypt	Egypt
Dubai Silicon Oasis	UAE
Dubai SME 100	UAE
E2E	Jordan
Business Development Center	Jordan
Endeavor Egypt	Egypt
Endeavor Jordan	Jordan
Endeavor Lebanon	Lebanon
Flat6 Labs	Egypt
Ideavelopers	Egypt
InfoDev, World Bank	MENA
iPark	Jordan
Jabbar Group	UAE
Kafalat	Lebanon
Maya Rahal	Lebanon
MENA Venture Investments	Jordan
Middle East Venture Partners	Lebanon
MIT Enterprise Forum	Lebanon
Mohammad Omara	Egypt
Mowgli	Jordan
National Net Ventures	Jordan
Nile University	Egypt
Oasis 500	Jordan
OT Ventures	Egypt
Plug and Play	Egypt
Queen Rania National Entrepreneurship Competition	Jordan
Rehaf Al-Khateeb	Jordan
Serene Touma	UAE
Silicon Badia	Jordan
Tahrir 2	Egypt
UNIDO Lebanon	Lebanon
Vodafone Ventures	Egypt
Wamda Capital	UAE

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