



Global  
Entrepreneurship  
Monitor  
UAE

# ANNUAL REPORT

UNITED ARAB EMIRATES  
2017/2018







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## DISCLAIMER

Although GEM data were used in the preparation of this report, their interpretation and use are the sole responsibility of the authors.

The authors of the GEM UAE report 2017/18 would like to express their gratitude to Mira Krusteff for her previous help with the management of GEM 2017 cycle. The authors would like to extend their thanks to the GEM 2017 participating national teams for conducting the GEM survey in their respective economies. Special thanks go to Jonathan Carmona, Alicia Coduras, and Forrest Wright for their contribution to the data-collection procedures and data analysis, to Chris Aylett and all the GEM Global team for their precious support and guidance. Finally, the authors express their sincere appreciations to Saudi Arabia team and mainly to Alicia Coduras for her generosity and help, to Iñaki Peña from GEM Spain and to Iskren Krusteff from GEM Bulgaria for his continuous support. The usual disclaimer applies.

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## **GLOBAL ENTREPRENEURSHIP MONITOR FOREWORD**

The United Arab Emirates aspires to become a global capital of innovation and a hub for emerging technologies that will shape the future in all aspects of life. The UAE Vision of 2021, which was launched in 2010 aims to position UAE amongst the leading countries in the world.

To support the transition to a competitive knowledge-based economy driven by innovation and entrepreneurship, the UAE National Agenda has led the government in setting policies and programs to enable the UAE nationals in driving the force of UAE's economic development through their active participation in small and medium enterprises.

The UAE government has created a nurturing environment to attract the outstanding talents from all over the world to bring innovative solutions to improve the lifestyle of the nation and enhance its wellbeing.



In support of this transformation, the United Arab Emirates University (UAEU), “The University of the Future” has developed its strategic plan and initiatives that aim to foster leadership, creativity, responsibility and ambition in the new generation by establishing an entrepreneurial culture. The University has also developed structures and programs intending to introduce inventions as products through start-up creations and other commercialization solutions.

It is in the framework of its strategic initiatives that UAEU has led the sixth Global Entrepreneurship Monitor (GEM) cycle in the UAE and the second consecutively after the release of the 2016 report. UAEU believes in the importance of providing in-depth, evidence-based analysis of entrepreneurship to help policy and practice. This year, the UAE Cabinet has adopted GESI

“Global Entrepreneurship Spirit Index” as a benchmark for the entrepreneurship goal of the national agenda. UAEU is working closely with the Ministry of Economy and the national agenda team to ensure that GEM continues its objective in improving the entrepreneurial ecosystem and activity in the country.

UAEU would like to thank its strategic partners from industry and other educational institutions for their valuable contribution in steering GEM UAE in achieving its goals.

**Saeed Ahmed Ghobash**  
Chancellor



## SPONSORING & LEADING INSTITUTION

### UNITED ARAB EMIRATES UNIVERSITY - THE UNIVERSITY OF THE FUTURE



جامعة الإمارات العربية المتحدة  
United Arab Emirates University

**UAEU**

The United Arab Emirates University (UAEU) - the first and foremost comprehensive national university in the United Arab Emirates. It was founded in 1976 by the late Sheikh Zayed Bin Sultan Al Nahyan, as he dreamed of a national flagship university that would provide students with a world class education and supply the knowledge and the skilled workers necessary to support the national economy, while helping to solve some of the nation's most pressing problems through research. Today, UAEU is an internationally accredited institution (WASC accredited) and aspires to become a comprehensive, research-intensive university and currently enrolls approximately 14,000 Emirati and international students.

As the UAE's flagship university, UAEU offers a full range of accredited, high-quality graduate and undergraduate programs through nine Colleges: Business and Economics; Education; Engineering; Food and Agriculture; Humanities and Social Sciences; IT; Law; Medicine and Health Sciences; and Science. With a distinguished international faculty, state-of-the-art new campus, and full range of student support services, UAEU offers a living-learning environment that is unmatched in the UAE.

In its drive to achieve international research stature, UAEU works with its partners in industry to provide research solutions to challenges faced by the nation, the region, and the world. The University has established research centers of strategic importance to the country and

the region which are advancing knowledge in critical areas ranging from water resources to cancer treatments. UAEU is ranked among the top research universities in the GCC and the Arab World. It has been ranked the nation's best university and now stands among the top 1.5 percent of universities in the world, according to a prestigious global overview of higher education institutions (the QS World University Rankings 2018). By 2030, the university aims to rank among the top 20 academic institutions in Asia and the top 200 in the world.

UAEU aspires to be "the University of the Future" in the UAE and the Middle East. It seeks to be the university of choice for undergraduate and graduate education, and research, training and lifelong learning. The university is one of the leading institutions contributing to the UAE government's efforts towards realizing UAE Vision 2021 by encouraging and supporting excellence and creativity in the fields of scientific research and technology and by promoting knowledge transfer through innovation, entrepreneurship and leadership. In its pursuit to achieve the UAE vision 2021, UAEU and the Telecommunications Regulatory Authority, represented by the ICT Fund, have established in 2016 the National Space Science and Technology Centre (NSSTC) whilst in 2017, UAEU in collaboration with the National Happiness and Positivity Program, established the Emirates Center for Happiness Research (ECHR), the first of its kind in the UAE and the Middle East.

## VISION

Leadership and innovation in higher education, research and community service at national and international levels.

## MISSION

UAEU will continue its positive contribution to the advancement of UAE by delivering undergraduate and graduate education that meets international standards, engaging effectively with the community and the world to foster knowledge creation and dissemination, and enhancing the research capacity of the country.

## GOALS

**Goal 1:** Prepare students to be distinguished in their areas of specialization, leaders and productive members of society.

**Goal 2:** Develop research capacity and innovation in areas of national and global importance.

**Goal 3:** Expand international accreditation for the university and its academic programs and promote the university's global reputation.

**Goal 4:** Promote the University's role in the transfer of knowledge and skills to serve the society.

**Goal 5:** Ensure high quality, efficient and transparent administrative services.

**Goal 6:** Entrench a culture of innovation in institutional work environment.



## GEM UAE TEAM

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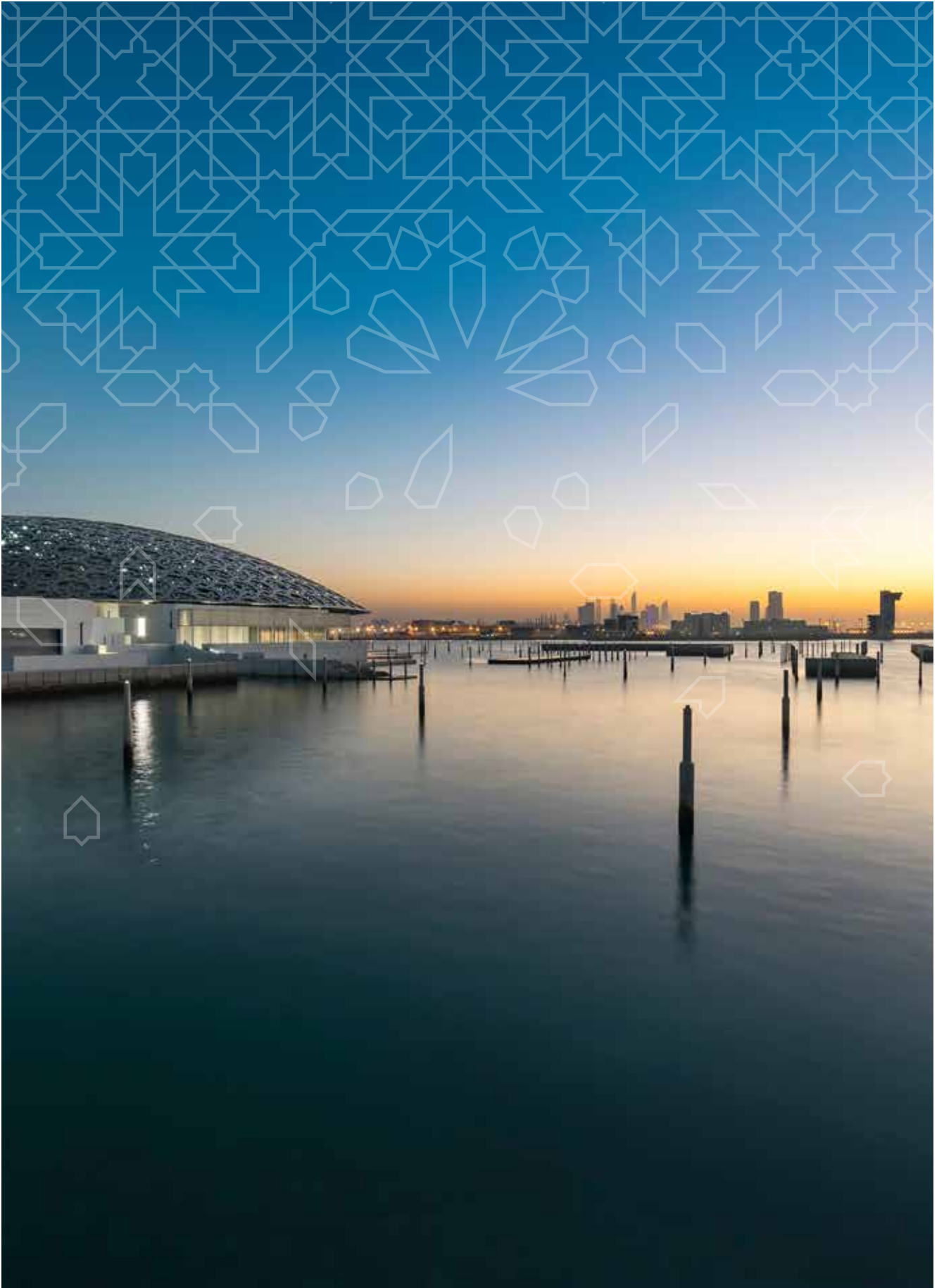
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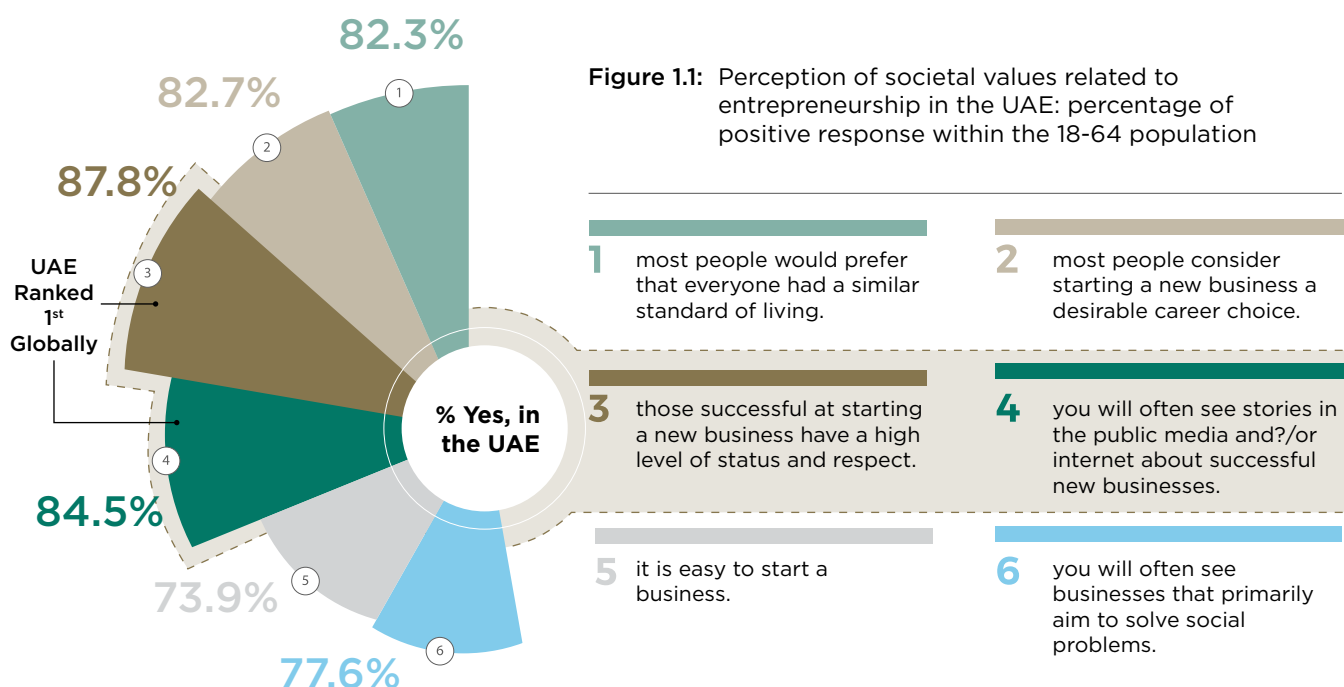


# EXECUTIVE SUMMARY, KEY FINDINGS & RECOMMENDATIONS

2017 is the sixth year that GEM has tracked in the UAE rates of entrepreneurship activity and assessed the characteristics, motivations, and ambitions of entrepreneurs, the attitudes of UAE society towards entrepreneurship and the quality of its entrepreneurial ecosystem. This report includes results based on 4000 working-age individuals (between the ages of 18 and 64 years) completing the Adult Population Survey (APS) and 36 experts completing the National Experts Survey (NES). Below are selected key findings from the report as well as recommendations to policy and practice.

## SOCIETAL VALUES

There is a positive view of entrepreneurship in the UAE as compared to benchmark countries, despite an increasing preference since 2006 for living in a less competitive society. The effects of the financial crisis are behind the UAE and with improving economic conditions more people are considering entrepreneurship a good option.



An important observation is that Emiratis have overall more positive perception of entrepreneurship than non-Emiratis expats. From a regional perspective, the northern emirates (mainly Fujairah and UAQ) seem to have the most positive societal attitudes towards entrepreneurship.

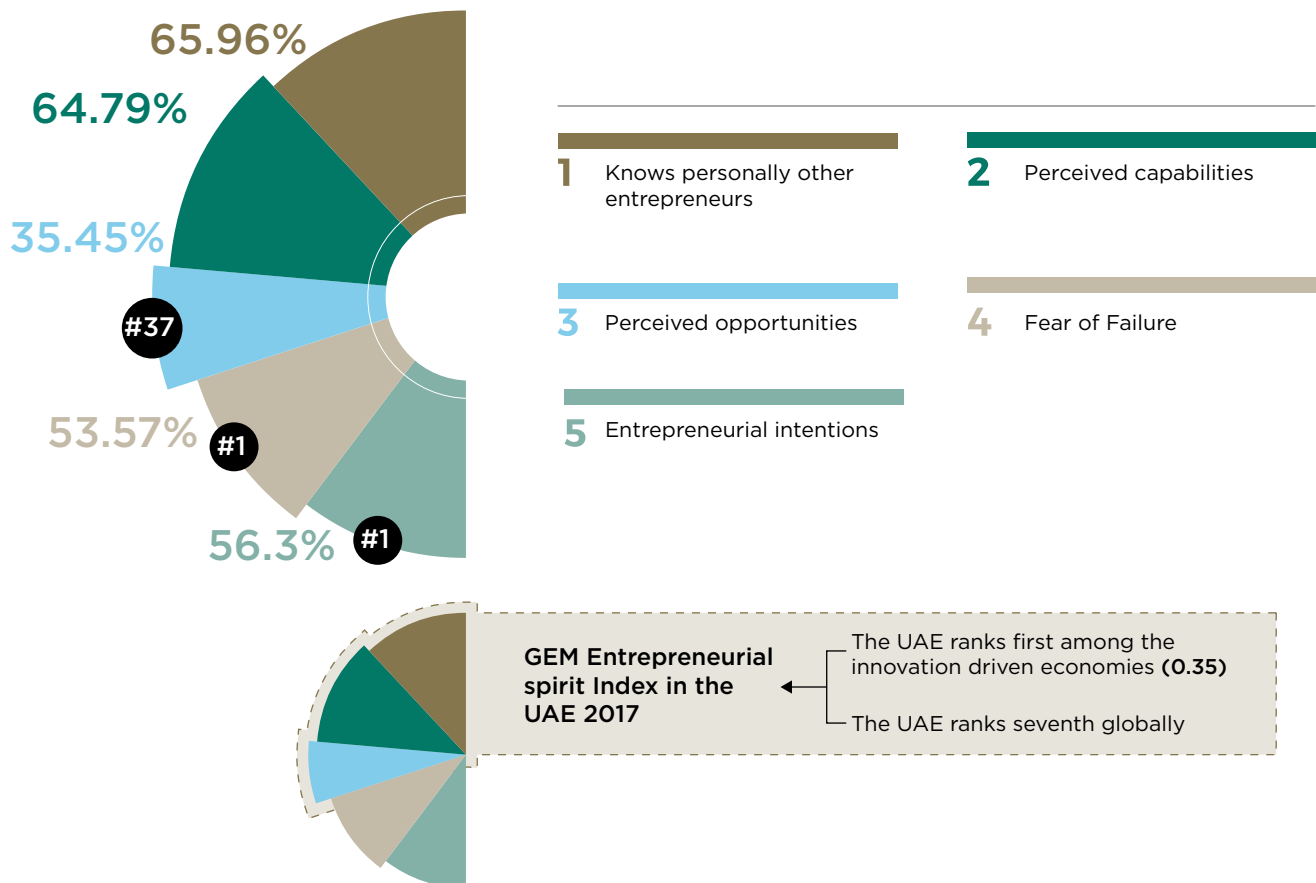
## INDIVIDUAL PERCEPTIONS ABOUT ENTREPRENEURSHIP & GEM ENTREPRENEURIAL SPIRIT INDEX (GESI)

The UAE adult population perceives entrepreneurship very favourably. The UAE adult population has the highest intention in the world to start a business, although it has also the highest rate of fear of failure, a fear which has been continuously increasing since 2006. Moreover, the UAE adult population exhibits a high desire for entrepreneurship despite a lack in perceived opportunities. Only one third of the population sees good opportunities in starting up new businesses in the next six months – the lowest rate compared to the benchmarked countries (# 37 globally). We believe there is a huge opportunity to improve the level of entrepreneurial activity in the future if both fear of failure and perceived opportunities are further investigated and addressed (see Recommendations R1 & R2).

The findings show that the UAE youth (18 to 24 years old) have a significantly less than positive individual self-perception about entrepreneurship. They have the highest fear of failure (68.1%), the lowest perceived opportunities (26.4%) and the lowest knowledge of entrepreneurs (49.4%). They also think having the least capabilities to start-up a business (53.3%). Recommendation R3 addresses the issue of youth entrepreneurship in the UAE.

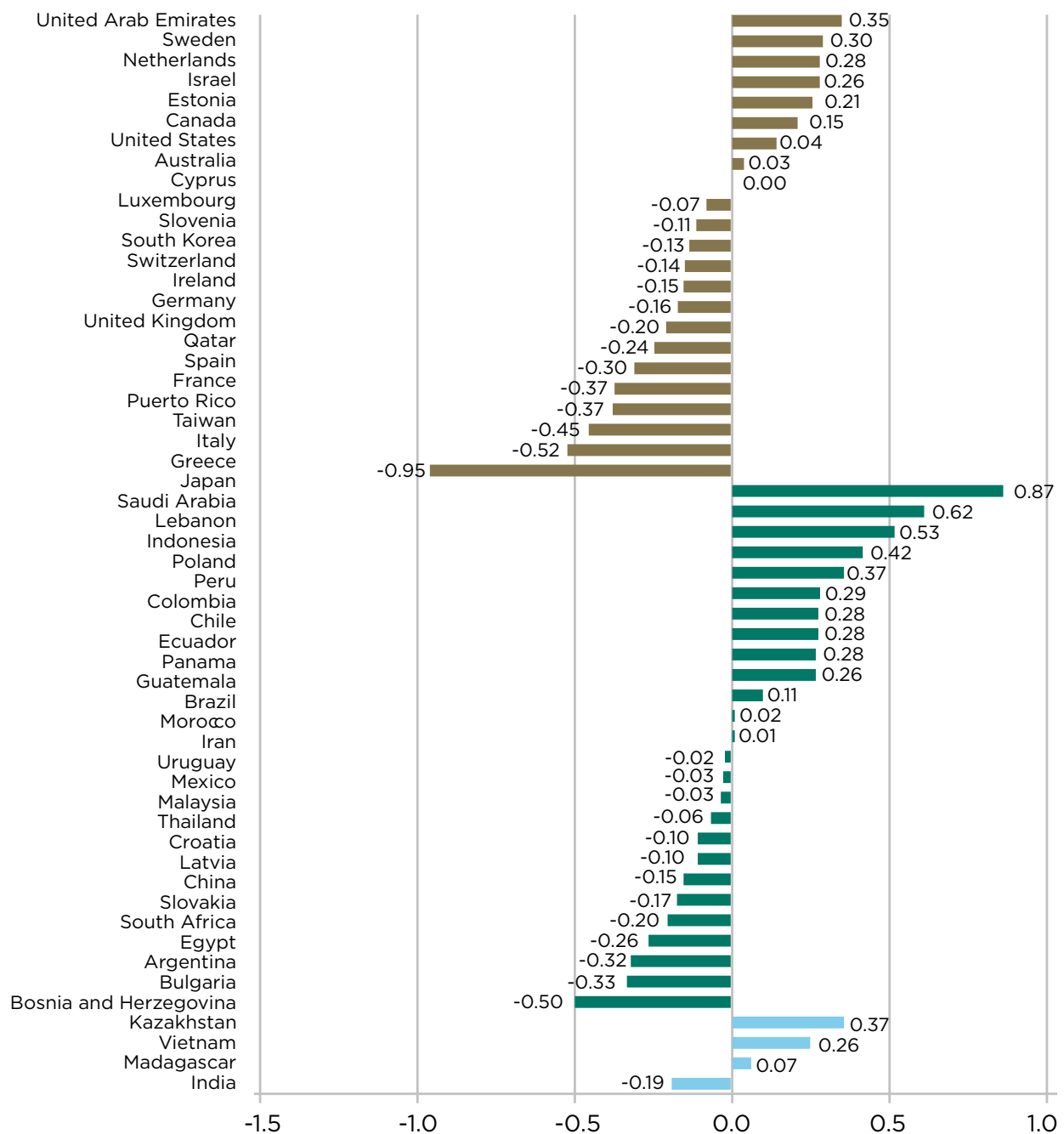
Another finding shows that the adult population with graduate experience seems to have a significantly lower fear of failure than the other groups (48.4%) although they perceive themselves having the least capabilities to start-up a business (60.8%). When looking at the characteristics of those involved in entrepreneurial activities in 2016 and 2017, the involvement of this group in early stage entrepreneurial activity seems to be still limited. To build a knowledge economy, there should be specific actions to increase their participation (see recommendation R4).

### INDIVIDUAL SELF-PERCEPTIONS IN THE UAE 2017



In 2017, GEM introduced its Entrepreneurial Spirit Index (GESI), which is a combination of three yes/no questions related to entrepreneurial awareness, opportunity perception and entrepreneurial self-efficacy. The UAE has the highest GESI among all innovation driven economies in 2017 despite its adult population not spotting enough opportunities to start-up a business.

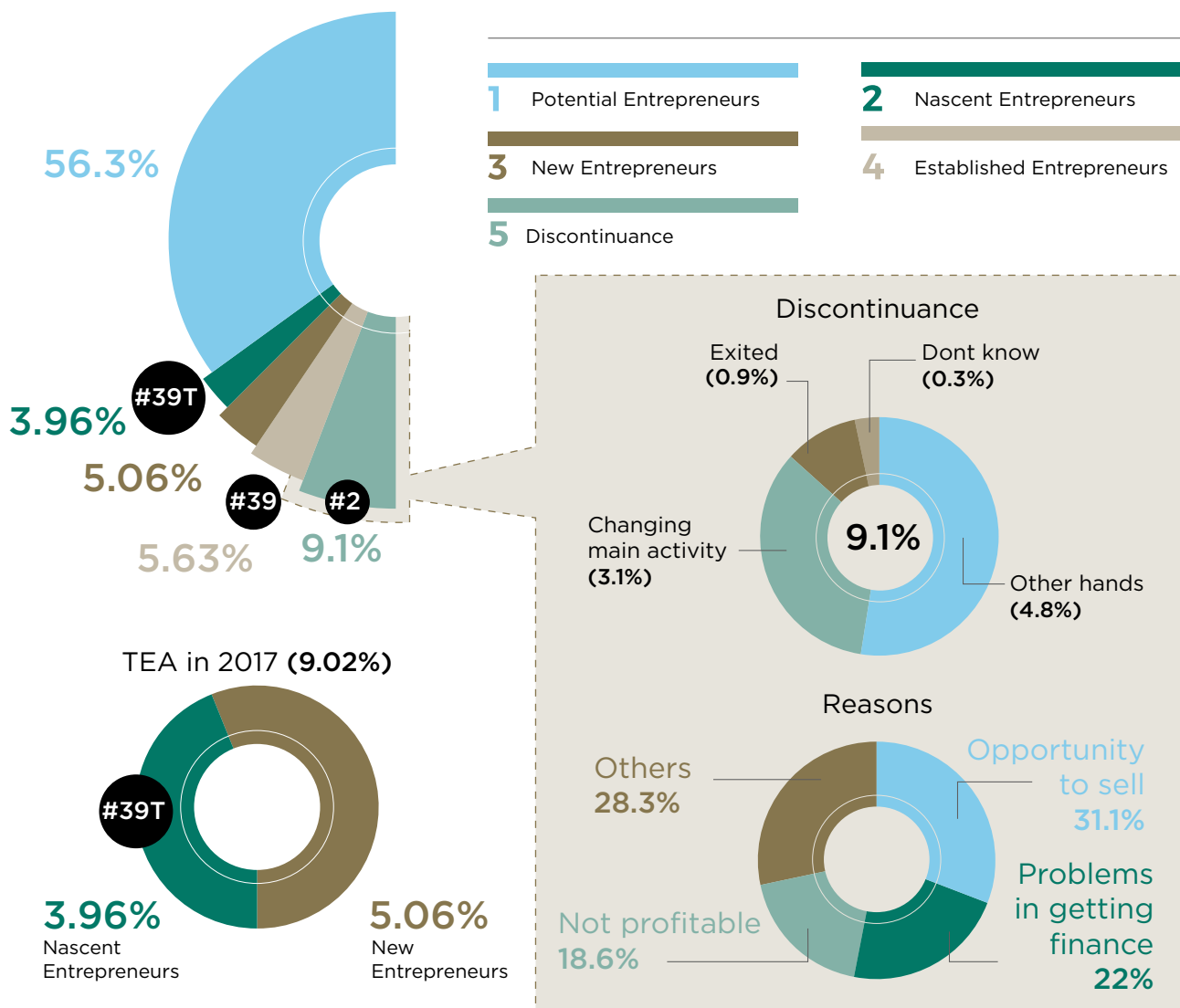
### GEM ENTREPRENEURIAL SPIRIT INDEX (GESI) IN 2017



## THE ENTREPRENEURIAL PIPELINE IN THE UAE

Although the UAE adult population has the highest intention in the world to start new businesses, only approximately 16% of them are transforming their intentions into activities. If the new entrepreneurs (active in the market for 3–42 months) represent 5.06% of the adult population, only 3.96% have been active in the market up to three months (nascent entrepreneurs), which represent approximately 7% of the potential entrepreneurs. With 9.02% of TEA, the UAE ranks 33rd globally.

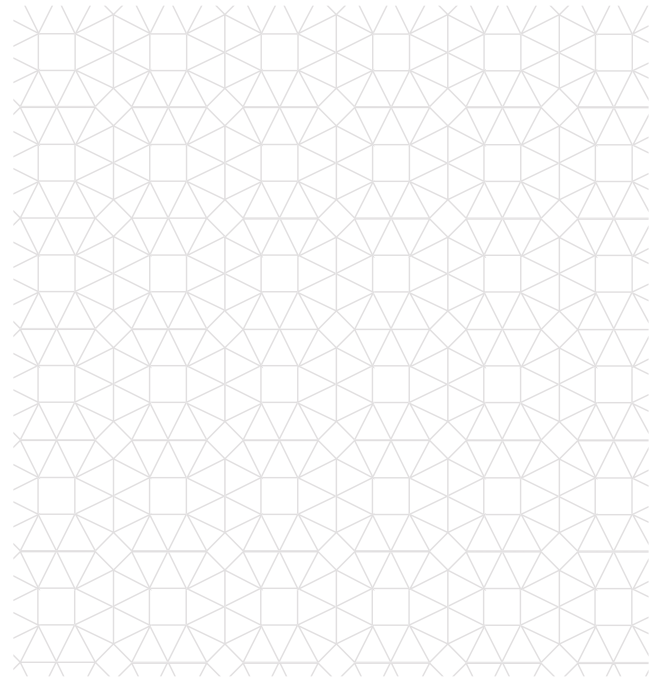
### ENTREPRENEURIAL ACTIVITY IN THE UAE 2017



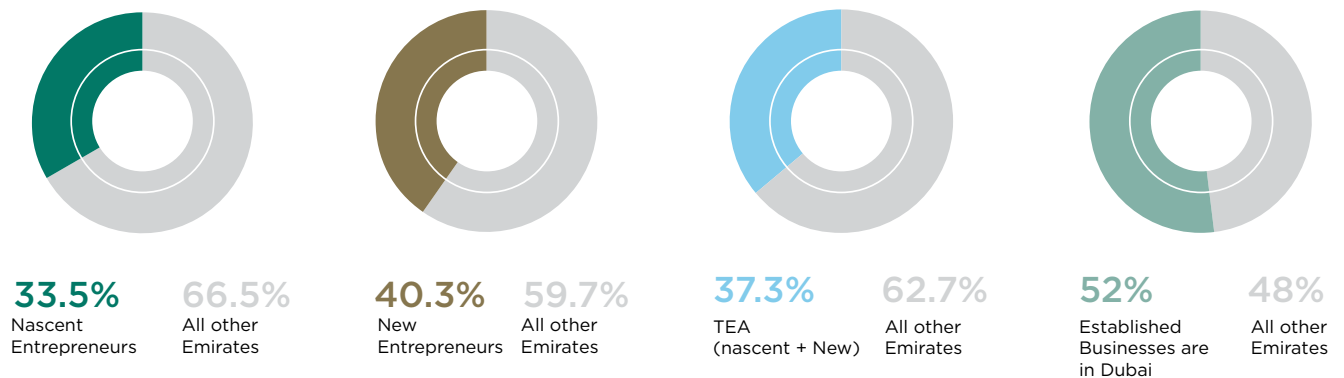
Although the rate of discontinuation is 9.1%, ranking the UAE second globally with Thailand after Egypt, the pace of business consolidation versus destruction is rather balanced. First, considering the rates of nascent, new and established businesses, it is apparent that the entrepreneurial business creation process has improved in 2017 compared to 2016 as the attrition rate in the entrepreneurial initiatives is decreasing, meaning that higher proportion of businesses started previously survives the 3.5 years of the consolidation process. Second, among discontinued businesses, there are more businesses which are either changing hands or their main activity, while businesses exiting the market entirely consist of only 0.9% in 2017 compared to 32.6% in 2016. Finally, the rate of nascent activity to those exiting the market is 4.4, which suggests that there are more start-ups in the current year than exited businesses.

Therefore, nascent activities are covering well the business exits of the year. Overall, it seems there is greater confidence in the UAE. This may be due to the announcement effect of the bankruptcy law and other regulatory reforms, although the real impact of these changes will not be visible before few years.

When looking at the reasons why businesses are discontinuing in 2017, 31.1% of the cases suggest that there are opportunities to sell, while in 2016, most of the businesses stopped for lack of profitability (39.9%). However, if only 8.4% of businesses discontinued in 2016 for problems getting finance, this issue seems to become more serious in 2017 with 22% of businesses discontinuing due to finance problems. Finance for entrepreneurs was identified a major issue in this report and R5 proposes recommendations to address this problem.



#### ENTREPRENEURIAL ACTIVITY IN DUBAI



From a regional perspective, Dubai has the highest rate of nascent, new and established businesses. From a gender perspective, one third of the entrepreneurial activity at all stages is performed by women, which is net progress compared to 2016, where women involvement represented only one quarter of entrepreneurial activity. Considering the residency perspective, Emiratis are involved in 40% of nascent entrepreneurial activities, 35.6% of new businesses, which makes a 37.7% TEA by Emiratis. Yet, the rate of established businesses by Emiratis is only 15.4%. Representing only 10% of the population living in the UAE, Emiratis are proportionally more involved in entrepreneurial activity mainly at early stages, where they are four times more active than non-Emiratis expats. Regulatory reforms related to corporate bank accounts, bankruptcy and residency regimes are essential to increase the involvement level of non-Emiratis expats in the entrepreneurial pipeline.

Finally, in addition to independent entrepreneurial activity, 4.1% of the adult population are involved in “intrapreneurship”, that is, an entrepreneurial activity within a company or organization. Similar to 2016, compared to innovation-driven economies, the level of intrapreneurial activity in the UAE suggests that there is still considerable room for improvement.

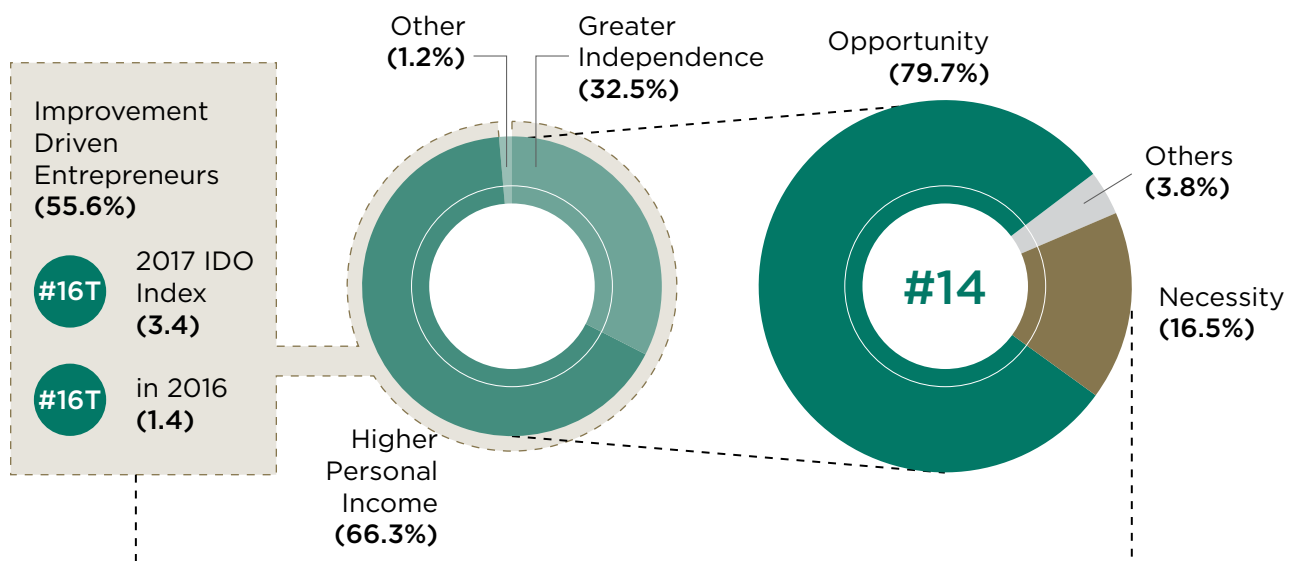


## MOTIVATIONS

79.9% of entrepreneurs in the UAE in 2017 (compared to 61.8% in 2016) have started to pursue an opportunity rather than out of necessity. Those opportunity entrepreneurs who are motivated by gaining greater independence or higher personal income are called improvement-driven opportunity (IDO) entrepreneurs. In 2017, they represent 55.6% of all entrepreneurs involved in TEA in the UAE (compared to 40.7% in 2016). The motivational index, which compares IDO entrepreneurs to those starting out of necessity, is 3.4 in 2017 (compared to 1.4 in 2016).

**79.9% of entrepreneurs in the UAE in 2017 have started to pursue an opportunity**

### TEA MOTIVATION IN 2017



Considering both regional and residency perspectives, we note that almost one fifth of Emiratis are involved in early stage entrepreneurial activities out of necessity in both Ras Al Khaimah and Sharjah; this rises to 22% of non-Emiratis expats TEA in Abu Dhabi, 25% in Umm Al Quwain, and 40% in Fujairah.

## ENTREPRENEURIAL ACTIVITY CHARACTERISTICS & IMPACT

### ENTREPRENEURIAL ACTIVITY CHARACTERISTICS IN 2017

#### Sectors of Activity

Customers Service **(50%+)**

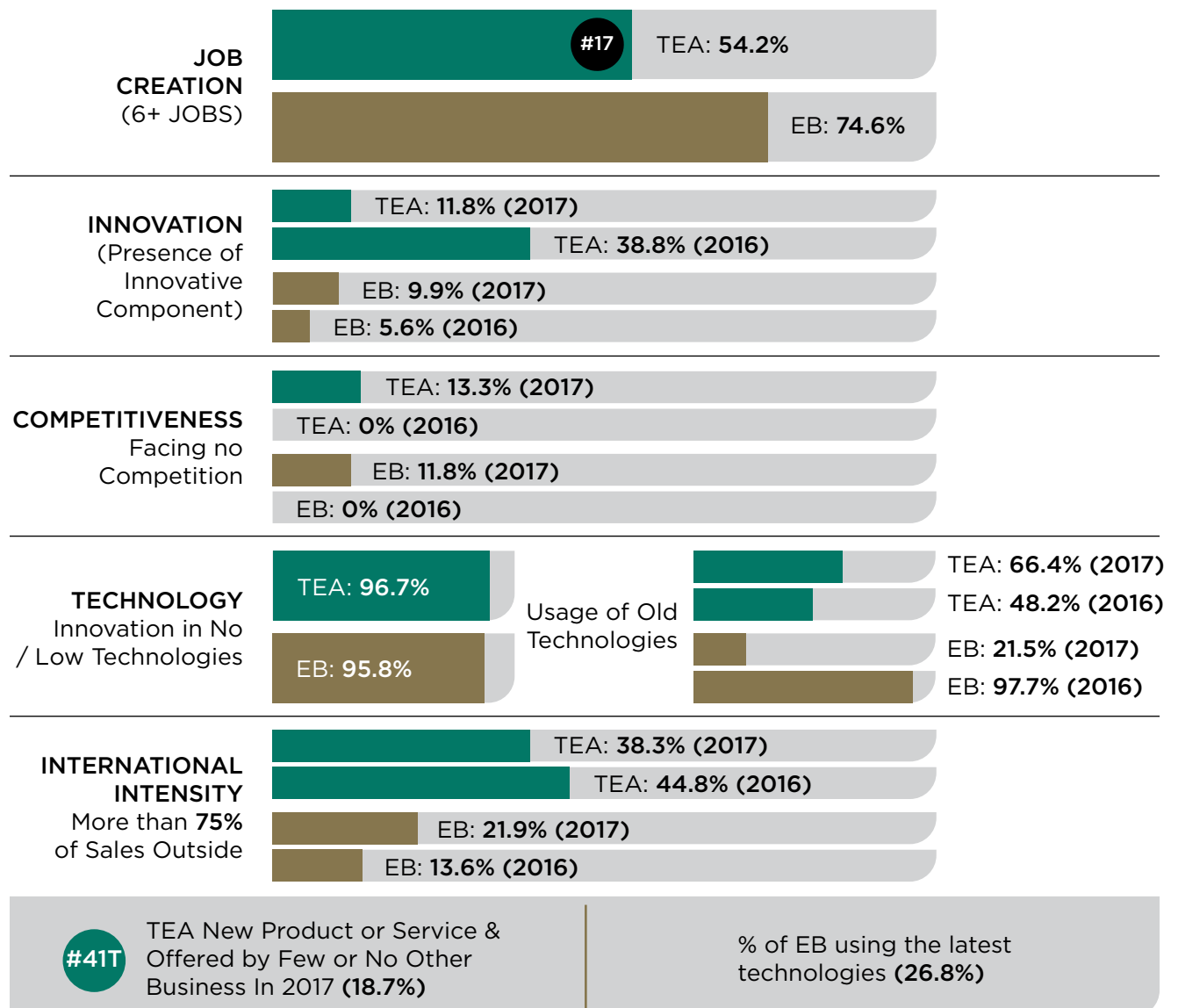
#### Owners

(1 owner in **50%+** of the cases)

In 2017, 50% of early stage and established businesses are in the 'Consumer Services' sector. The 'Business Services' sector represents approximately one fourth of early stage and established entrepreneurial activities. Regarding the characteristics of owners, more than half

of the entrepreneurial activities in the UAE (all categories included) are by a single entrepreneur. The average number of owners involved in TEA in the UAE in 2017 is 2.25 while it is 1.79 for established businesses.

### ENTREPRENEURIAL ACTIVITY CHARACTERISTICS IN 2017



## JOB CREATION

In 2017, more than 54% of early stage entrepreneurs have created more than 6 jobs, while half of them have even created more than 20 jobs. Job creation has definitely increased since 2007. As they gain market experience, established businesses tend to create even more jobs. For instance, 74.6% of established businesses in the UAE employ more than 6 employees and 35.6% have created more than 20 jobs in 2017. Job creation expectations reflect growth expectations by entrepreneurs. Since 2009, the rate of medium to high growth entrepreneurs in the UAE is steadily increasing. However, the rate of established businesses that expect to employ more than 6 employees in the next five years has dropped in 2017 to 84% (compared to 96.7% in 2016). For early stage entrepreneurs, growth expectation is less dynamic. In 2017, 65.6% of them are aspiring to employ more than 6 employees in the next 5 years (compared to 79.3% in 2016 and 87.9% in 2009).

**In 2017, 54% of early stage entrepreneurs created more than 6 jobs**

## INNOVATION

GEM estimates the presence of innovative components by asking entrepreneurs how many (potential) customers consider the product/service they offer as new or unfamiliar. Of course, this evaluation does not reflect whether the innovation component is competitive only within the country, or more broadly at international level. For instance, customers who are exposed to international markets may already know the product or service, yet it does not mean the same product or service exists in the UAE. In these latter cases, entrepreneurial firms could be offering an incremental innovation, which is not recognized as such. The share of the early stage entrepreneurs offering new products have decreased considerably, from 38.8% in 2016 to a mere 11.8% in 2017, the lowest rate amongst the comparator countries. Furthermore, 63.4% of them responded that they do not offer an innovative product and/or service to their customers, as compared to 40% in 2016. For established businesses, the situation is the opposite with a decreasing share of firms with no innovative product/services from 94.4% in 2016 to 45.8% in 2017. Moreover, the share of innovative established businesses has increased from 5.6% in 2016 to 9.9% in 2017.



## DEVELOPMENT OR USAGE OF RECENT TECHNOLOGIES

Although innovation is frequently associated with businesses developing new technologies, in the case of the UAE, innovation is almost fully related to sectors with no or low technological intensity. This situation has remained unchanged since 2009 with a slight change for the high-tech sector with 1.8% of early stage and 2.2% of established entrepreneurial activities taking place in this sector (compared to 0% for both in 2016).

GEM measures the modernity of technologies used by entrepreneurs to produce their goods and services. The share of early stage businesses using old technology has increased from 48.2% in 2016 to 66.4% in 2017, while the use of very latest technology has passed from 23.4% to 14.3%, a decline of almost 10%. However, with 26.8% of established businesses using the latest technologies, the UAE finds itself in the leading position by far amongst the comparator countries, and quite above the GEM and innovation-driven countries' averages.

**In 2017, 13.3% of early stage entrepreneurs and 11.8% of established businesses think they have no competitors**

## COMPETITIVENESS

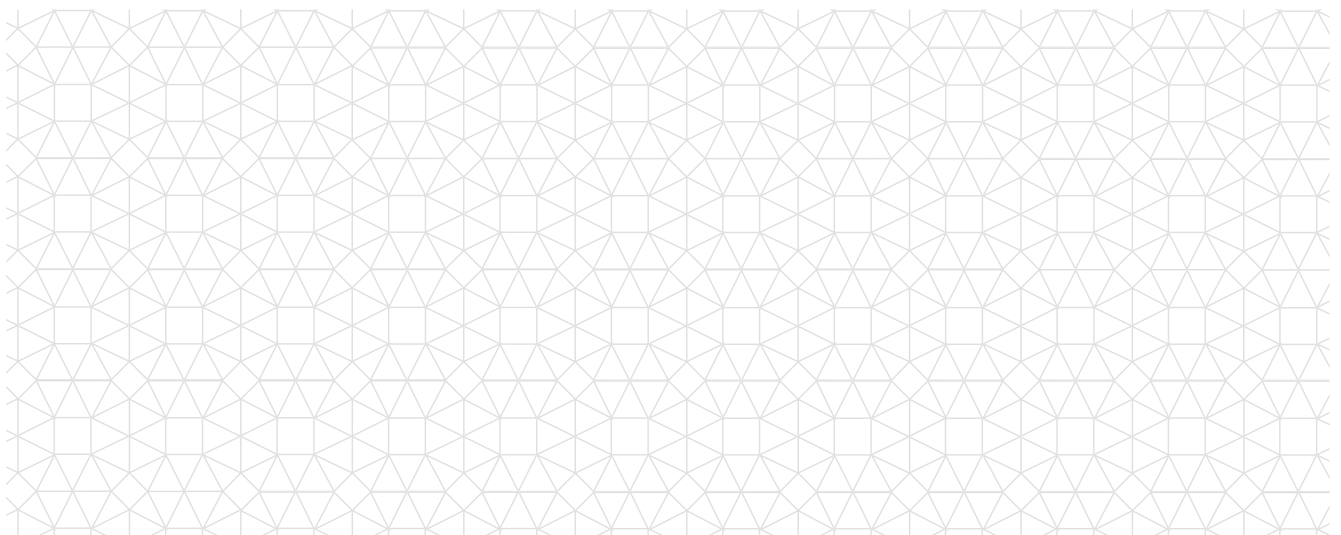
GEM estimates the proportion of businesses that consider how many firms offer the same products or services in their target markets. More than 50% of early stage entrepreneurs think they have many competitors while only one third of the established businesses think they are in the same situation (compared to 95.3% in 2016). In 2017, there are 13.3% of early stage entrepreneurs and 11.8% of established businesses who think they have no competitors, a rate which was zero for both in 2016.

## INNOVATION / COMPETITIVENESS

If we consider both innovation and competitiveness, those who are involved in TEA and offer new products or services with little competition represent only 18.7% of the adult population. This ranks the UAE 41st globally.

## INTERNATIONALIZATION

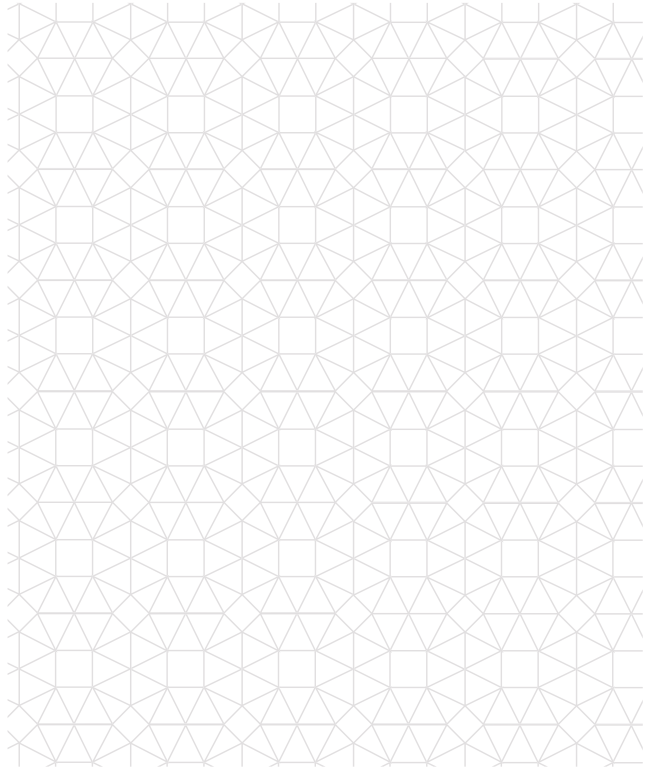
GEM estimates internationalization through the percentage of entrepreneurs involved in export activities. In 2009, 32.3% of early stage entrepreneurial activities and 25.5% of established businesses were not internationalized. Since then export activity intensity has increased steadily with only 3.8% of early stage activities and 9.6% of established businesses not having any export activity in 2017, while 38.3% of the TEA and 21.9% of EB have more than 75% of their sales out of the country.



## TYPICAL PROFILES OF UAE EARLY STAGE ENTREPRENEUR & INFORMAL INVESTOR

There is no significant gender differentiation for the UAE entrepreneurial activity with comparable TEA rates for males (9.3%) and females (8.3%) relative to their respective populations when compared to the benchmarked countries. Considering opportunity entrepreneurs, the female TEA rate ranks the UAE 13th globally. These findings demonstrate that the UAE entrepreneurial landscape is egalitarian.

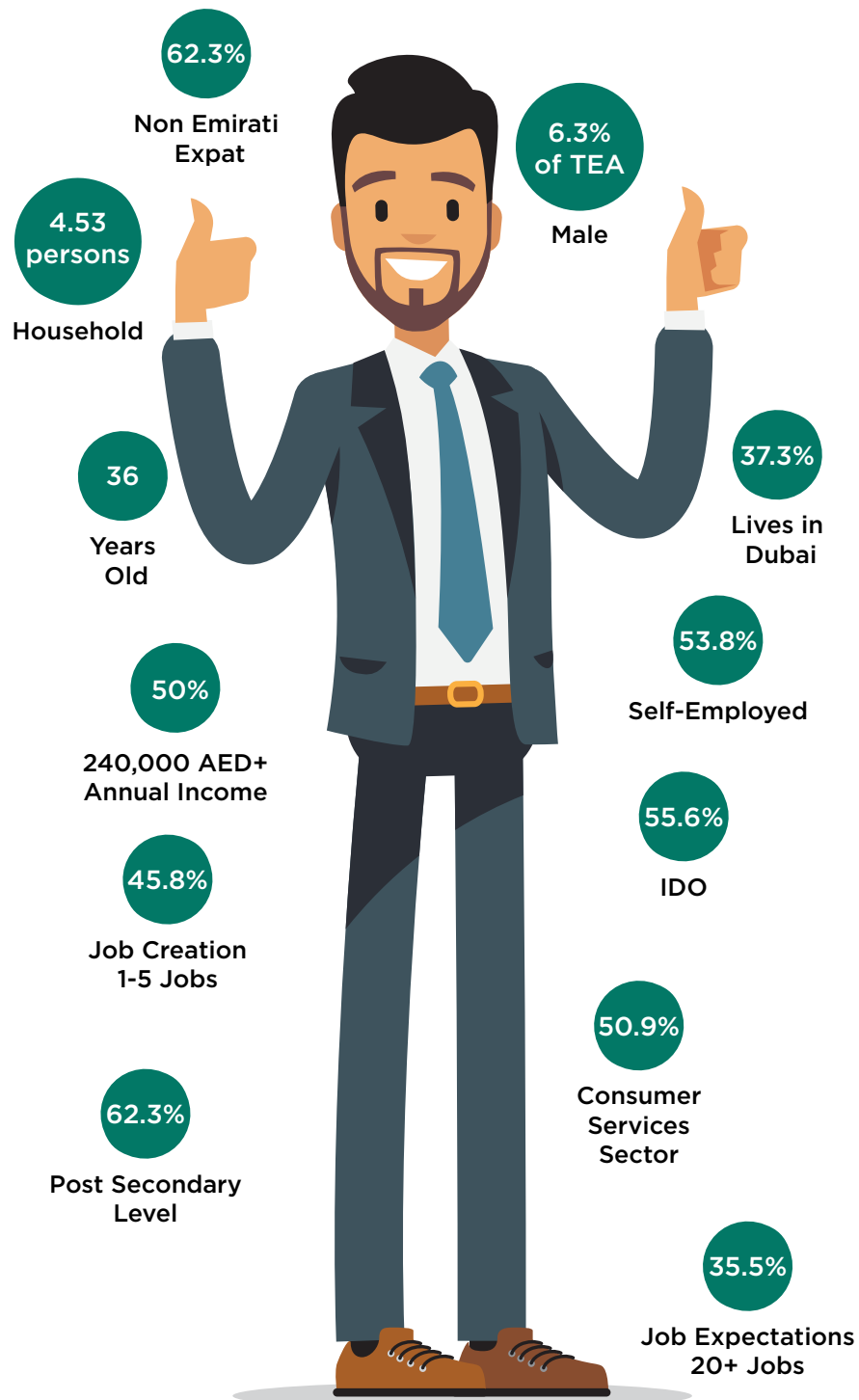
In 2017, 8.6% of the adult population in the UAE has acted as informal investors (compared to 4.7% in 2016), comparable to other countries. However, the average individual contribution of informal investors in 2017 is close to AED51,700, which has steadily decreased since 2009, where the same average contribution was above AED266,000.





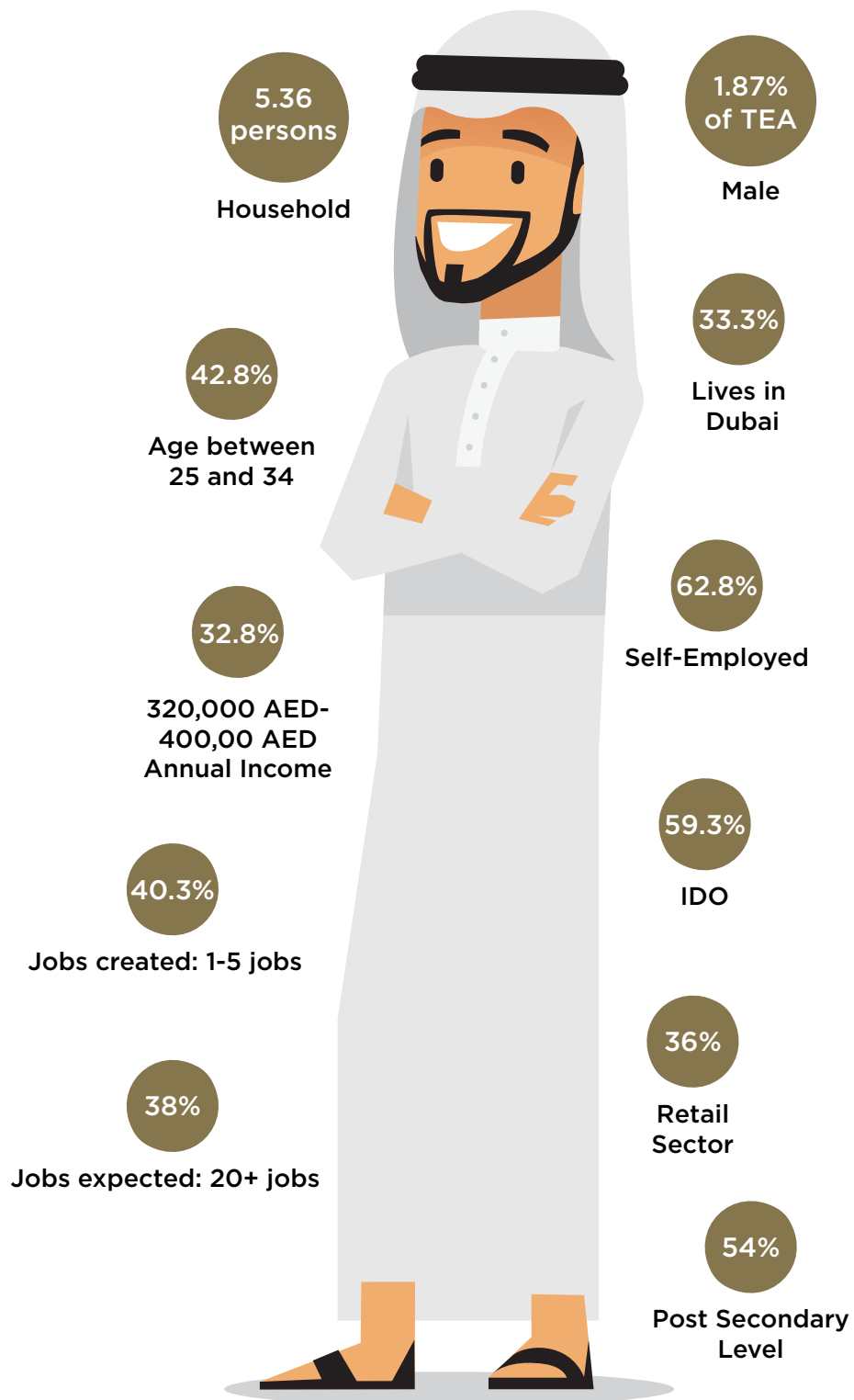
## UAE EARLY STAGE ENTREPRENEUR & INFORMAL INVESTOR TYPICAL PROFILES IN 2017

### UAE EARLY STAGE ENTREPRENEUR



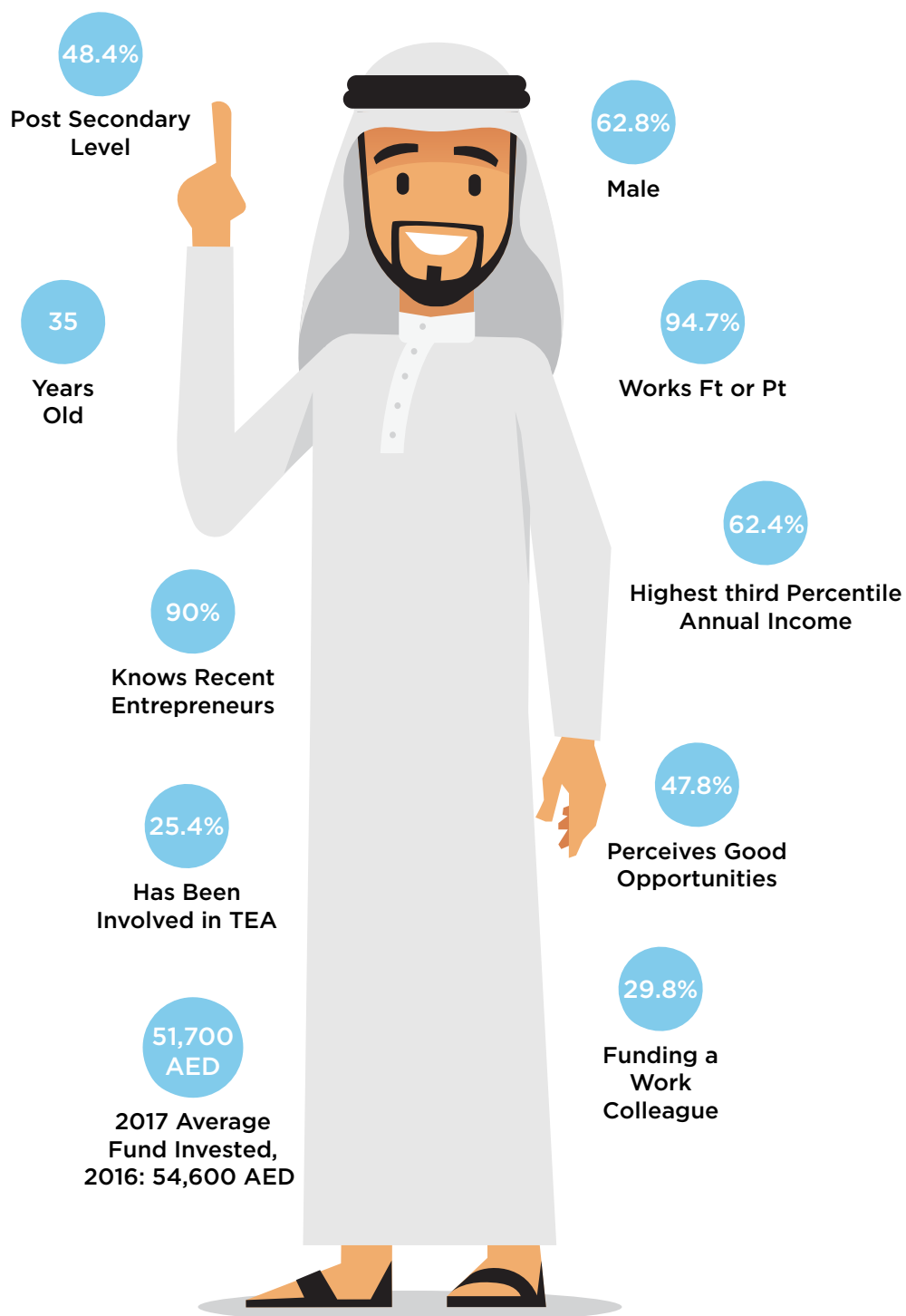
## UAE EARLY STAGE ENTREPRENEUR & INFORMAL INVESTOR TYPICAL PROFILES IN 2017

### EMIRATI EARLY STAGE ENTREPRENEUR



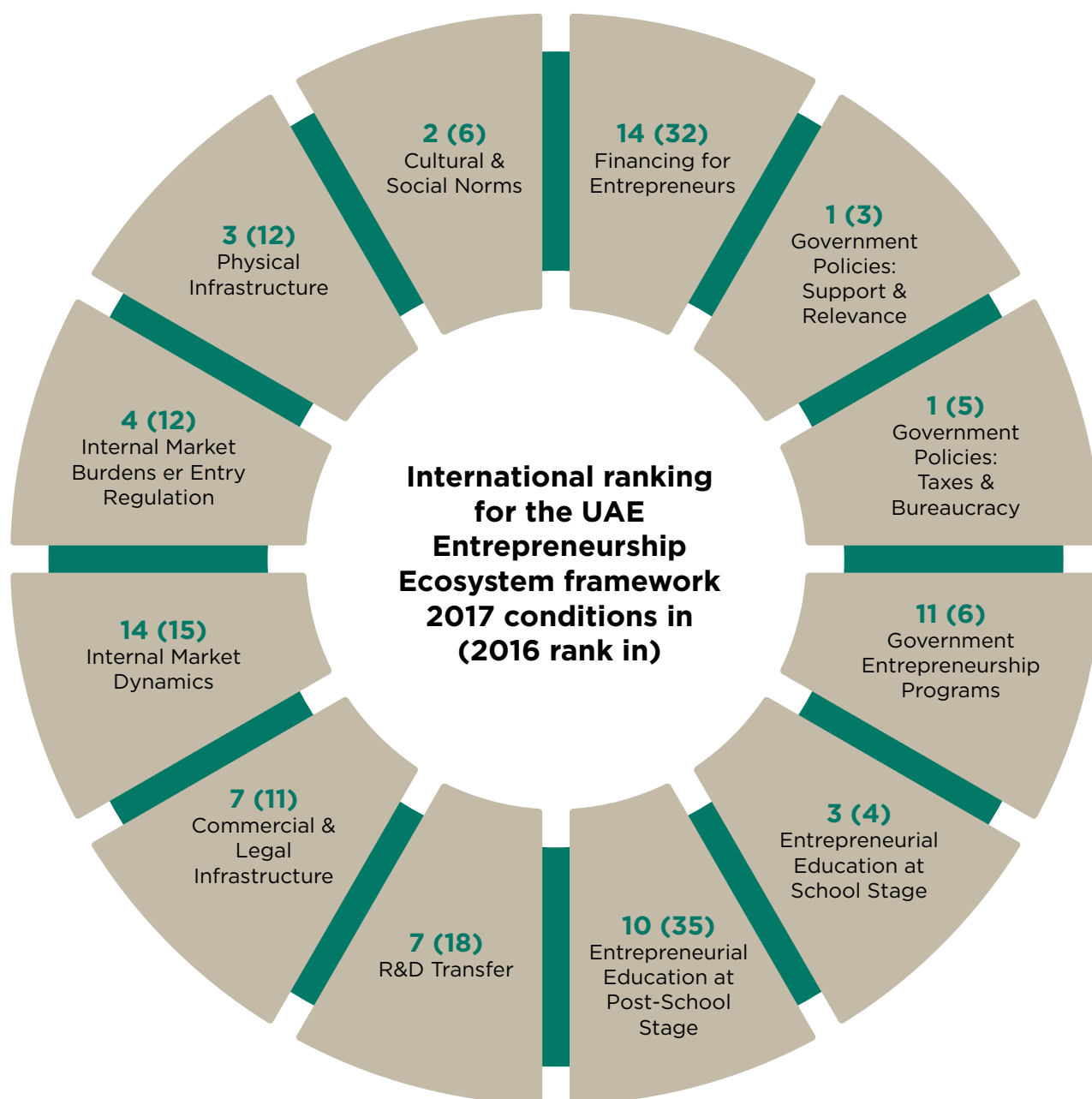
## UAE EARLY STAGE ENTREPRENEUR & INFORMAL INVESTOR TYPICAL PROFILES IN 2017

### UAE INFORMAL INVESTOR

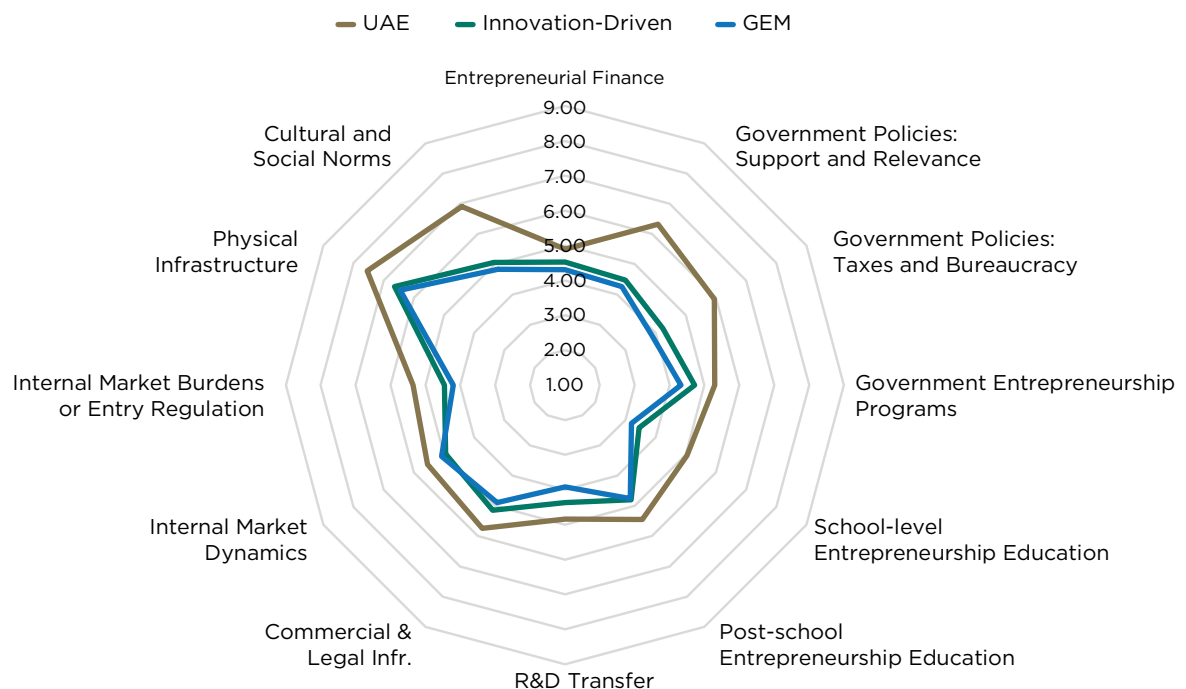
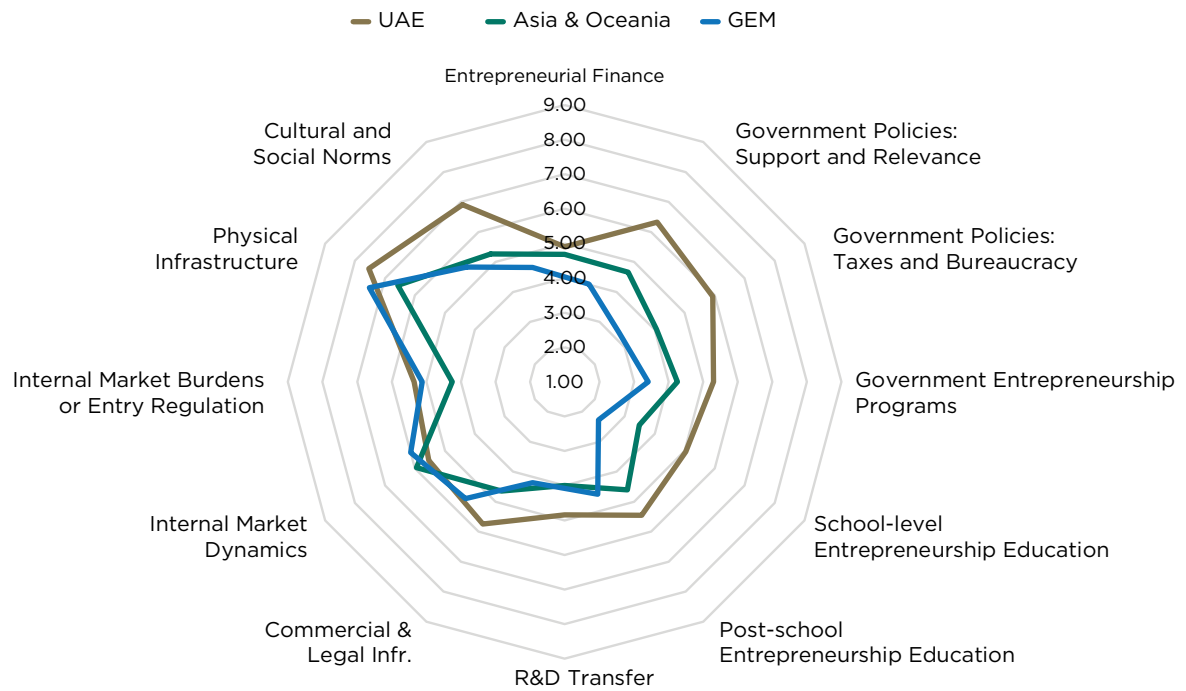


## ENTREPRENEURSHIP ECOSYSTEM IN THE UAE

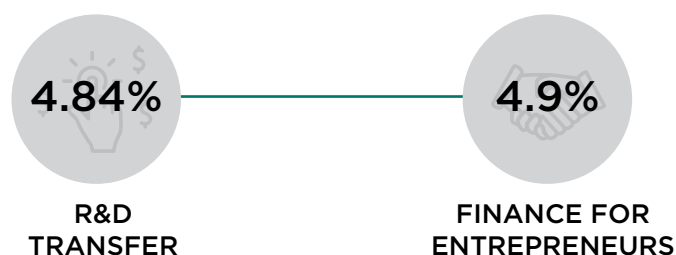
The quality of the entrepreneurship ecosystem in the UAE is assessed through the National Experts Survey (NES). Among the 54 economies participating in GEM 2017, the UAE ranks as follows for the 12 main entrepreneurial framework conditions evaluated by GEM experts:



When compared to the GEM index, innovation-driven countries and Asia & Oceania averages, the UAE outperforms on all aspects except internal market dynamics for Asia & Oceania where it is slightly less. It outperforms most strongly on cultural and social norms, government policies and school-level entrepreneurship education. It less well outperforms on physical infrastructure, internal market burdens, commercial and legal infrastructure, post-school entrepreneurship education, and R&D transfer. However, its outperformance is weakest on entrepreneurial finance.






## ENTREPRENEURSHIP ECOSYSTEM FRAMEWORK CONDITIONS WITH AVERAGES BELOW 5

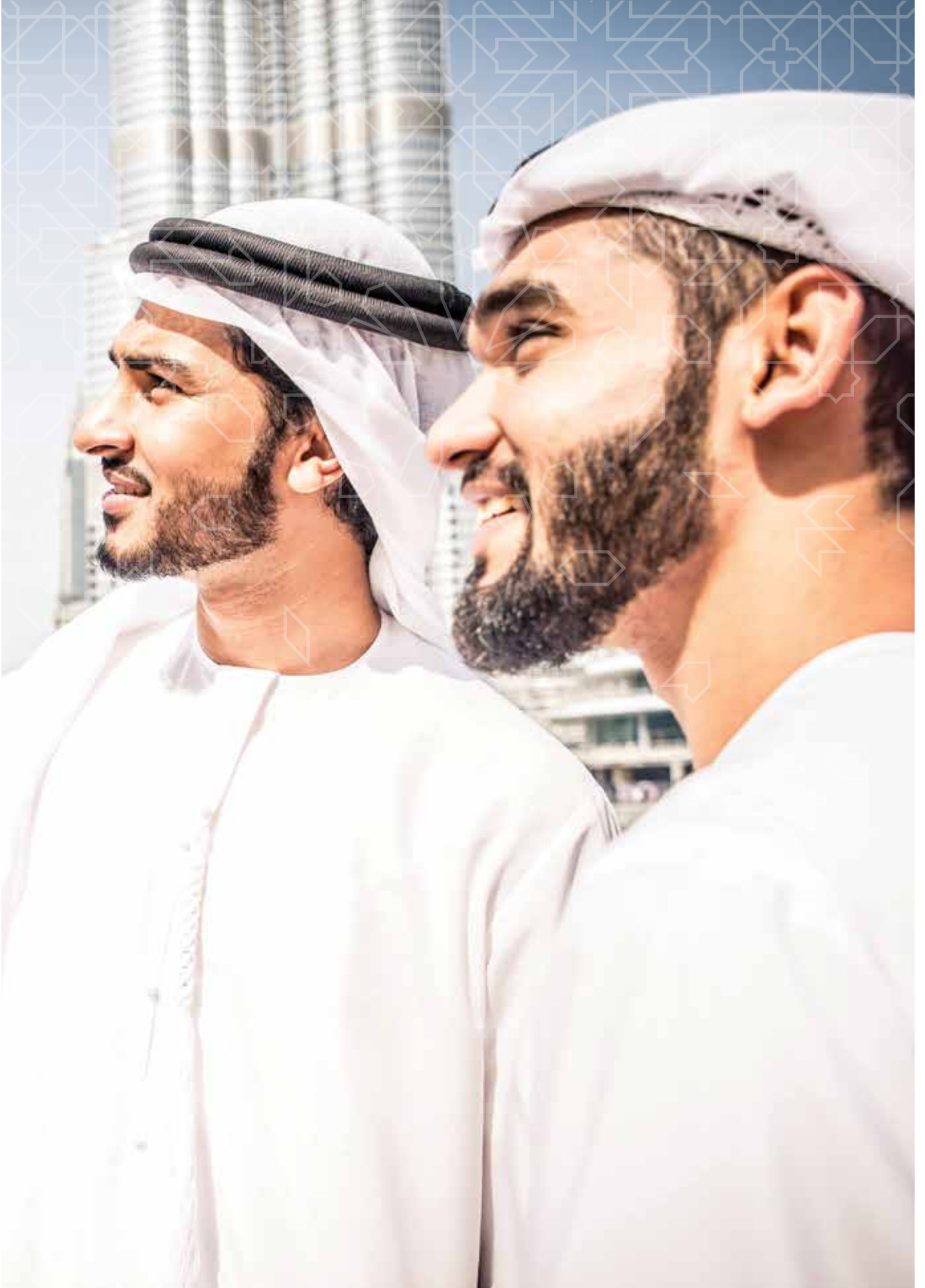


Utilizing a principal components factorial technique to calculate synthetic indicators for the entrepreneurial framework conditions (ranging from 1 – highly insufficient to 9 = highly sufficient), all components of the UAE entrepreneurial ecosystem are above the mid of 4.5, with only two conditions having an average less than 5: Entrepreneurial finance (4.9) and R&D Transfer (4.84). Although the last condition has dramatically improved since 2009, some improvement is still required in a context of building a knowledge economy. However, for the availability of financing for entrepreneurs, there has been a significant decrease since 2009. Recommendations R4 and R5 address both conditions.

Finally, since 2017, GEM developed a sub-index using NES data to rank countries ecosystems based on their experts' overall evaluation of the framework conditions. The experts evaluate the 12 framework conditions on a scale of 1-10, with 1 = not important and 10 = extremely important. The index represents the average condition for entrepreneurship ecosystem in each country, in a scale of ten points (0 = completely insufficient, 10 = completely sufficient). GEM UAE along with Saudi Arabia and Bulgaria agreed to carry out a pilot test for 2017. The NES composite index produced results that aligned with expectations:

 <b>UAE</b>	6.36 points, first position of the pilot rank [sufficient]
 <b>Bulgaria</b>	4.73 points, second position of the rank [close to sufficiency]
 <b>Saudi Arabia</b>	4.28 points, third position of the rank [insufficient]

The index highlights the most important framework conditions in each country with the financial environment and government policies being the most critical framework conditions to be addressed.



## POLICY RECOMMENDATIONS

Although the UAE is considered among the GEM leading countries for ecosystem framework conditions, there are still many areas for improvement to consider. For government policies, we recommend the following:

- 1. Policy Recommendation 1:** The UAE has had a Federal Law on SMEs since June 2014. Although there is some overlap between SME policies and entrepreneurship policies, there is a need for a more focused entrepreneurship policy in the UAE to create a holistic approach and coordinated actions with instruments focused on supporting individuals, fostering an entrepreneurship culture and encouraging the creation of new firms (and not only enhancing the performance of established firms);
- 2. Policy Recommendation 2:** Assess and improve the existing government procurement programs designed to enable SMEs access contracting opportunities with government departments in the UAE;
- 3. Policy Recommendation 3:** Create a unique online procurement platform to monitor government departments purchasing spend to SMEs and to ensure it has reached the agreed 10% threshold;
- 4. Policy Recommendation 4:** Many experts and entrepreneurs think the business setup process needs to be known in advance by making available online detailed information about incorporation, fees and regulations. Also, the process still needs to be streamlined and simplified through one-stop-shops in all emirates;
- 5. Policy Recommendation 5:** Finally, the UAE government has put in place many policies and programmes to favour and support entrepreneurship. Better communication is required to increase the level of entrepreneurs' awareness about these measures, which should be made more visible.



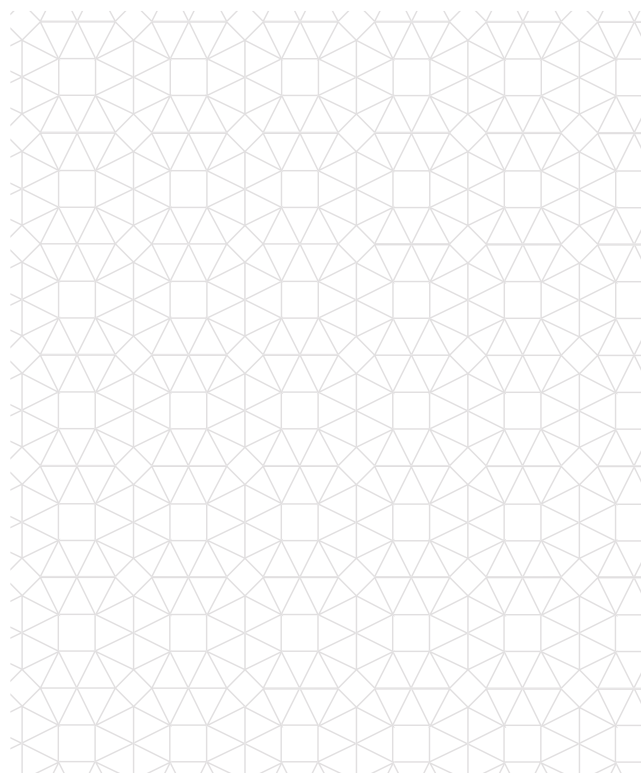




## GENERAL RECOMMENDATIONS

To address the issues discussed in the report, we propose the following recommendations:

1. **Recommendation 1 (R1):** This recommendation addresses the issue of perceived opportunities and how to increase the entrepreneurs' capabilities in spotting opportunities;
2. **Recommendation 2 (R2):** This recommendation addresses the issue of fear of failure, which prevents entrepreneurs who spotted an opportunity from starting-up a business;
3. **Recommendation 3 (R3):** This recommendation addresses the youth entrepreneurship issues in the UAE;
4. **Recommendation 4 (R4):** This recommendation tackles the issue of the quality of entrepreneurial activity and the need for more R&D transfer and innovation. R4 also addresses the need for more entrepreneurs with graduate experience;
5. **Recommendation 5 (R5):** This recommendation addresses the issue of finance for entrepreneurs in the UAE.



## R1 – ADDRESSING PERCEIVED OPPORTUNITIES

Since economic systems never reach their full potential and as long as there are always technological changes, imperfect knowledge and changes in values and preferences, entrepreneurship research considers the notion of opportunity as reflecting the idea that there is always room for actions to take an economic system from its natural state of disequilibrium to be closer to the equilibrium (Dimov, 2011). Opportunities are either concrete realities (to be discovered) or an enactment of an entrepreneur's unique vision (to be created) (Alvarez & Barney, 2007). They are at the intersection of macro-level considerations associated with the state of an economy and micro-level aspects related to individuals themselves.

Opportunities exist at the macro-level because an economy is naturally moving towards equilibrium and opportunities are generally discovered or recognized by alert entrepreneurs who come upon opportunities by surprise (Kirzner, 1979). The essential entrepreneurial act is therefore the noticing and acting upon a profit opportunity, which in turn will help balancing an economy and a more efficient allocation of resources (Kirzner, 1973). On the micro-level, opportunities are created endogenously by the actions of entrepreneurs who continuously develop and modify ideas in their action in pursuit of imagination. In fact, entrepreneurs act as creators based upon their beliefs about what the future might be.

There are many approaches to create the conditions for entrepreneurs to better recognize or discover opportunities, to create them or to combine both approaches through an ambidextrous methodology:

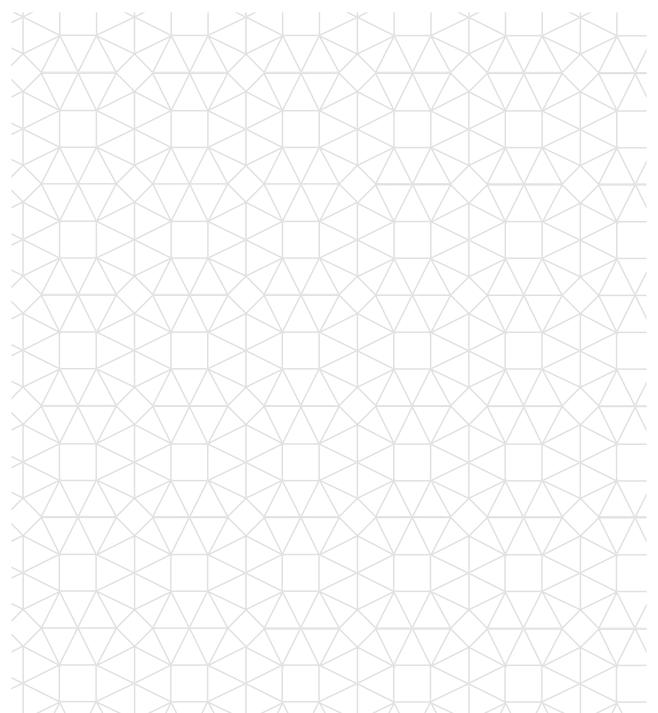
1. **Education institutions should nurture “opportunity finders”** by increasing the cognitive and learning capacity of students to help them develop curious inquiry, think more deeply about issues and be able to bring together seemingly separate issues. This requires abandoning the conventional teaching method, which exposes students to specific deep knowledge clustered in different courses in separate majors and specialisations. Rather, a focus on problem identification and solving is to be encouraged;



2. **Education institutions should develop growth mind-set**, whereby students understand that their talents and abilities are not fixed but can be developed through effort, good learning and persistence;
3. **Encourage engagement in behavioural, cognitive and action learning, experiential learning and reflective observation** to increase the effectiveness of the discovery and formation phases of the opportunity recognition process;
4. **Adopt an inclusive approach to knowledge** by making market and macro-economic trends knowledge universal to increase the alertness and readiness to recognize market disequilibrium;
5. **Foster a data culture** by building capacity to question, collect data, read and analyse, build stories to communicate and share;



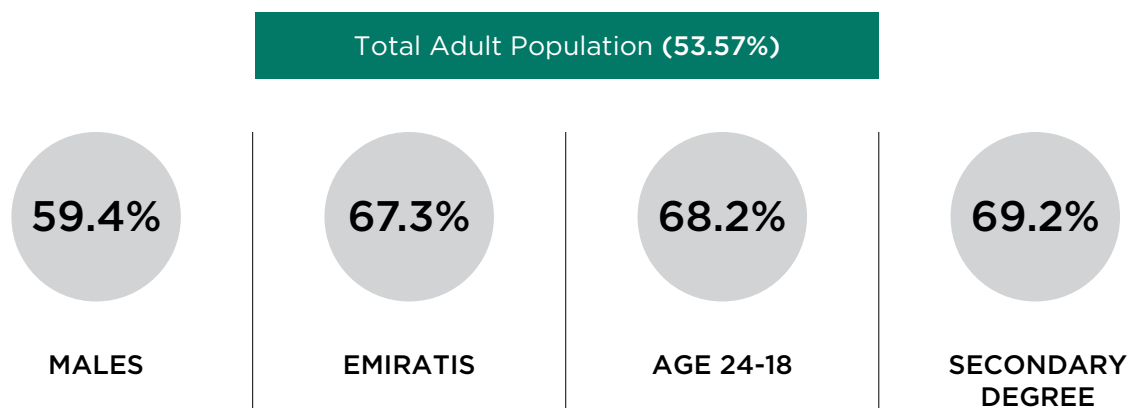
6. **Create a “nutrient-rich” environment,** which provides potential entrepreneurs with cultural and social support, mentoring, information, awareness and tacit knowledge;
7. **Increase the number of “seedbeds”** where resources are available and visible and where needless deterrents are curbed to help potential entrepreneurs spot opportunities;
8. **Use the societal shift towards quality of life and wellbeing, the Emirates Mars Mission, the UAE strategy for artificial intelligence, and the fourth industrial revolution, to leverage public debate** to change attitudes and social and cultural norms that could be translated into new concrete opportunities.



## R2 – ADDRESSING FEAR OF FAILURE

In entrepreneurship research, fear of failure is predominantly investigated as a psychological factor that inhibits entrepreneurial behaviour and acts as a barrier to entrepreneurship. Empirical evidence confirms that fear of failure generally exerts a negative impact on entrepreneurial activity by shaping the opportunity identification process and obstructing the nascent entrepreneurial activities (Arenius and Minniti, 2005). However, some studies suggest the possibility of both motivating and inhibitory responses to fear of failure in entrepreneurial action (Cacciotti et al., 2016). Most literature on fear of failure is dominated by a static approach that views fear of failure as a barrier to entrepreneurship only, instead of seeing it as being situated in a larger social context and dependent on the entrepreneur's point in the entrepreneurial process. This limits understanding of the dynamics of how people experience fear of failure throughout the entrepreneurial process.

### FEAR OF FAILURE IN THE UAE (61.1% OF THOSE WHO PERCEIVE OPPORTUNITIES)



The UAE has the highest rate of fear of failure in the world with 53.57% of the adult population considering that fear of failure would prevent them from starting a business (the rate rises to 61.1% when focusing on those who perceive opportunities to start a business). Overall, those who have higher fear of failure rates are males compared to females (59.4%), Emiratis compared to expats (67.3%), the youth aged between 18 and 24 years old (68.2%) and adult population with secondary degree (69.2%).

### The UAE has the highest rate of fear of failure in the world

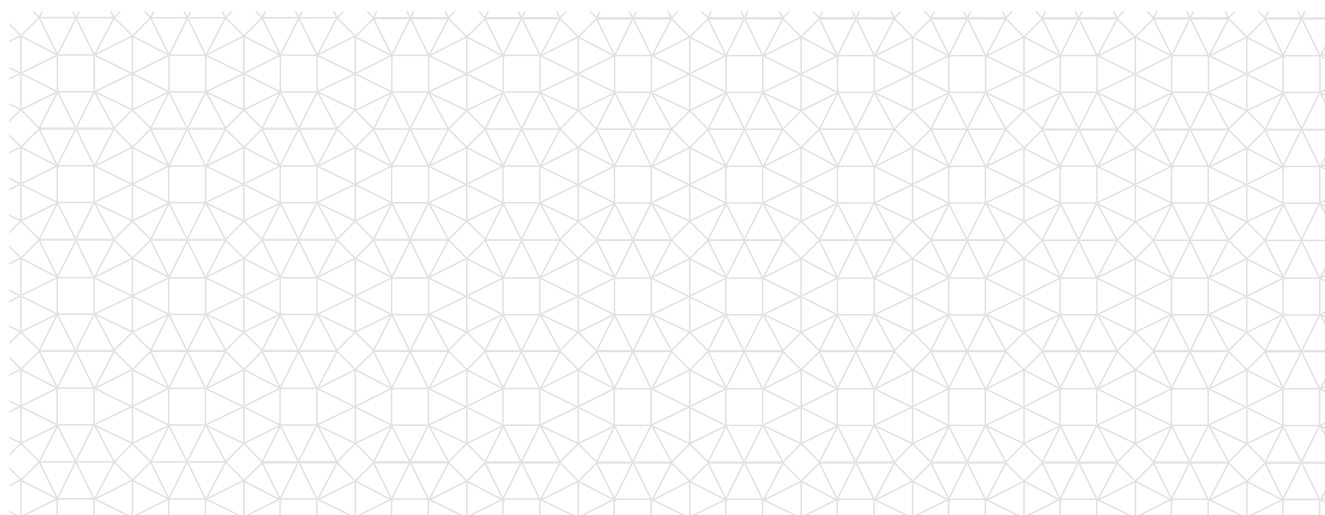
Based on GEM findings, 41.7% of Emiratis perceive opportunities to start a business, 65.8% of them think fear of failure would prevent them from starting a business. However, 70% express intentions to start up a business but only 12.6% actually do. For non-Emiratis expats, 34.2% of this population perceive opportunities, 63.1% of those perceiving opportunities think fear of failure would prevent them from starting a business. However, 73.8% express intentions while only 4.6% have started a business in 2017. While non-Emiratis expats have less fear of failure and higher intentions, they perceive less opportunities and fewer of them start a business. The findings might suggest the existence of more inhibitory than motivating responses to fear of failure for both Emiratis and non-Emiratis expats.<sup>1</sup>

<sup>1</sup> Inhibition as a behavioural response represents the decrease or cessation of opportunity pursuit behaviour, the preference for inaction over action, and the tendency to procrastinate fear-arousing activities, while a motivating response is associated with an increased level of intensity and persistence of behaviour in the direction of an opportunity, idea or venture, which was fuelled by the experience of fear of failure (Cacciotti et al., 2016).

The motivating outcome could be related to the high intentions both Emiratis and non-Emiratis expats expressed to start businesses in the coming periods, which might reflect that while they could experience fearful thoughts and feelings, they may ultimately continue aspiring for starting-up a business. Lastly, since 5.8% of

non-Emiratis expats are involved in established businesses compared to 4.9% of Emiratis, and considering the 19.3% of Emirati TEA compared to 6.8% of non-Emirati TEA, it seems that fear of failure affects less non-Emiratis expats during the business consolidation phase.

	Emiratis		Non-Emiratis Expats	
	Total population	Those who perceive opportunities	Total population	Those who perceive opportunities
<b>Perceive opportunities</b>	41.7%	100%	34.2%	100%
<b>Fear of failure</b>	67.3%	65.8%	57.2%	63.1%
<b>Potential</b>	60.8%	70.0%	55.1%	73.8%
<b>Nascent</b>	9.0%	12.6%	2.0%	4.6%
<b>New</b>	10.3%	14.6%	4.0%	7.7%
<b>TEA</b>	19.3%	26.9%	6.8%	12.1%
<b>Established</b>	4.9%	8.5%	5.8%	12.5%





## SOURCES OF FEAR OF FAILURE

In entrepreneurship, fear of failure has been examined in terms of economics and psychology. The economics-based view considers that fear of failure perceptions negatively influence entrepreneurship as an occupational choice and results in an avoidance behaviour as an outcome. The social psychological view is that fear of failure is a socio-cultural trait that influences attention to rewards in the social environment, which suggests that individuals' attitude towards failure is influenced by the presence of social norms that see failing as a shameful experience. It also reflects risk aversion preference (Cacciotti et al., 2016).<sup>2</sup> The sources of fear of failure can be grouped into sources external to the individual, which entail evaluative situations based on how the individual relates to the external situated social cues reflecting threats ('financial security', 'ability to finance the venture', and 'venture's ability to execute'), and others that rest upon internal evaluations by the individual ('personal ability', 'potential of the idea', 'social esteem' and 'opportunity costs') (Cacciotti et al., 2016).

Since 82.7% of the adult population in the UAE considers entrepreneurship as a good career choice, 87.8% of the working adults think successful entrepreneurs have high status, which ranks the UAE first globally, 64.79% think they have the capabilities to start-up a business and 65.96% know entrepreneurs (have social capital to start a business), fear of failure in the UAE is most likely influenced by social norms considerations and risk aversion preferences intensified by the lack of access to finance and a low level of perceived opportunities.

**Fear of failure in the UAE is most likely influenced by social norms and risk aversion intensified by the lack of access to finance**



<sup>2</sup> There is a purely psychological view of fear of failure in entrepreneurship for which fear of failure is a negative feeling that results from the anticipation of the possibility of failure and is associated with psychological and behavioral outcomes. GEM data do not allow measuring the negative emotions and affects to capture this level of analysis.



## FEAR OF FAILURE, FINANCIAL INSECURITY, LACK OF FINANCE AND THE POTENTIAL OF THE IDEA

Financial insecurity is related to the notion that potential entrepreneurs might be afraid of investing too much of their own money into the venture and not being able to pay the debt back and losing their wealth as the result of potential insolvency. Indeed, the state of finance for entrepreneurs in the UAE might contribute to increasing fear of failure. The combination of the lack of finance opportunities and individual concerns over loss or potential for loss of their livelihood and stored wealth (financial insecurity) could be triggers of fear of failure, mainly in a context where the UAE just adopted a bankruptcy law, which application is still limited. A further source of fear of failure that is especially situated in the entrepreneurial context is related to fearful thoughts over the validity, potential or future market of the core idea on which the venture is based (the potential of the idea). In the UAE, only 35.45% of the adult population

perceive opportunities to start-up a business, which might contribute to the increasing rate of fear of failure.

Our assumption that fear of failure may be related to financial insecurity, which is compounded by the lack of access to finance and the lack of perceived opportunities, is especially relevant in a context where most individuals (mainly Emiratis) have to leave secure jobs to start up a business. For non-Emirati expats, their continued stay in the country is based upon a residency regime based on corporate sponsorship. In a report about the unemployment challenge in the Arab World, the World Economic Forum (2012) highlights the role the dominant patterns favouring public sector jobs in the region have in inhibiting the growth of a dynamic private sector. For instance, public sector hiring practices, greater job security, and more generous on-wage benefits have inflated wage expectations and placed a premium on diplomas over actual skills, influencing educational choices, contributing to skill mismatches and hindering more productive jobs in the private sector to be created. Therefore, we recommend the following to support the private sector growth:

1. **Review and reform job market regulations** to favour the private sector growth;
2. **Review and reform residency regimes** to allow non-Emiratis expats to be more involved in entrepreneurial activities;
3. **Make finance for entrepreneurs more accessible** mainly for non-Emiratis expats;
4. **Increase the capacity to perceive opportunities** (see Recommendation R1);
5. **Enforce the bankruptcy law** and its application for nascent and new entrepreneurs.

**Only a third of the UAE population see start-up opportunities.**



## FEAR OF FAILURE, SOCIAL ESTEEM AND OPPORTUNITY COSTS

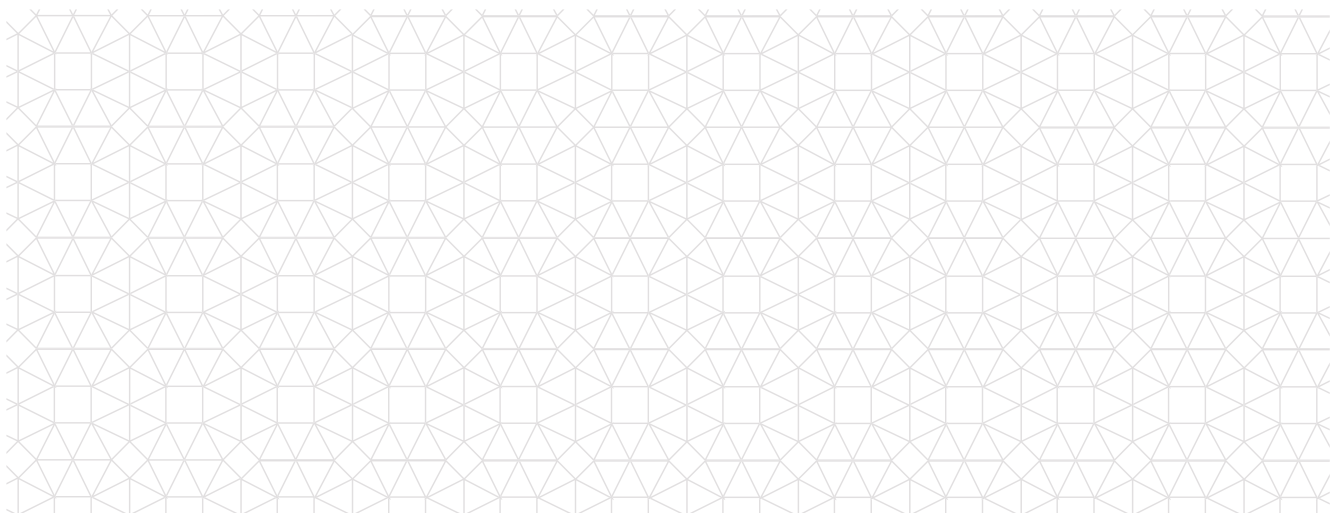
According to Cacciotti et al. (2016), threats to social esteem represent an additional source of fear of failure. In the entrepreneurial process, there are multiple stakeholders that the entrepreneur seeks to satisfy and do not want to let down. Furthermore, entrepreneurs do not want to be shamed by the stigma of negative social judgements and the gaze of others. Among these stakeholders, such as investors, business partners, customers, employees and family, the latter has a specific status in the Arab World. If we also add the concern not to lose work-life balance and to have enough time to spend with family, friends and loved ones (opportunity costs), **we expect fear of failure in the UAE to be significantly affected by the responsibility individuals perceive having towards their family.**

In a context where payment defaults were treated as criminal offence, which lead to devastating personal and family consequences, the likelihood of shame for falling short of the standards and social requirements, is high. Following McGregor and Elliot (2005), we expect that many individuals will exhibit avoidance and withdrawal behaviour to hide themselves from the scrutiny of significant others. Moreover, feelings of shame are experienced when one fails and attributes the failure to a lack of ability, further decreasing the likelihood of starting a business (Cacciotti et al., 2016). With 64.79% of adult population in the UAE thinking they have the capabilities to start-up a business, while only 9.02% of them are involved in early stage entrepreneurial activities in 2017, aspects related to social esteem and shame seem to be important sources of fear of

failure in the UAE. Besides the regulatory reform related to the bankruptcy law and its application (mentioned previously), education has a key role to play in reducing the shameful experience individual might associate with failure. Therefore, we recommend the following:

1. **Increase the presence and implementation of specific entrepreneurial education programs in the education system;**
2. **Increase the use of role models** and engage students to discuss the successes and pitfalls during their entrepreneurial journey;
3. **Organize events and prizes around entrepreneurship, creativeness and innovation** to make failure a trivial experience by allowing students to fail early and to celebrate the learnings that come from failure;
4. **Make students' assessment less neutral to success and less punishing of failure;**
5. Increase the presence of examples and news related to entrepreneurs and innovation on the media.

The UAE team will be introducing new questions to its data collection instrument (APS) in 2018 to investigate the propositions on the sources of fear of failure in the UAE. A detailed case study will be included in the GEM UAE 2018/19 national report with further detailed recommendations.



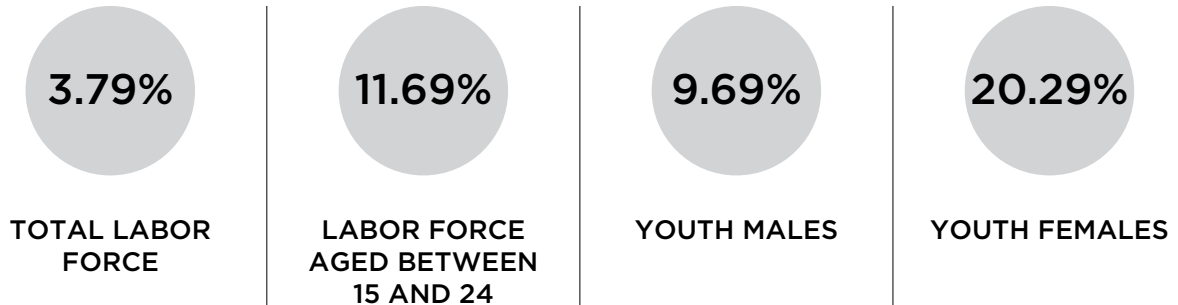
### R3 – ADDRESSING YOUTH ENTREPRENEURSHIP

In 2017, only 5% of adults aged between 18 and 24 years were involved in early stage entrepreneurial activity, which ranks the UAE 39th globally. Moreover, the youth fear of failure (68.2%) is the highest compared to the other age groups. The findings show also that the UAE youth have a significant less positive individual self-perception about entrepreneurship: they perceive having the least social capital (knowing other entrepreneurs) with 53.3%, the least capabilities (53.3%) and the least perceived opportunities (26.4%) to start-up a business.

In 2017, the World Bank estimates<sup>3</sup> of unemployment in the UAE are as follow:



#### UNEMPLOYMENT RATES IN THE UAE

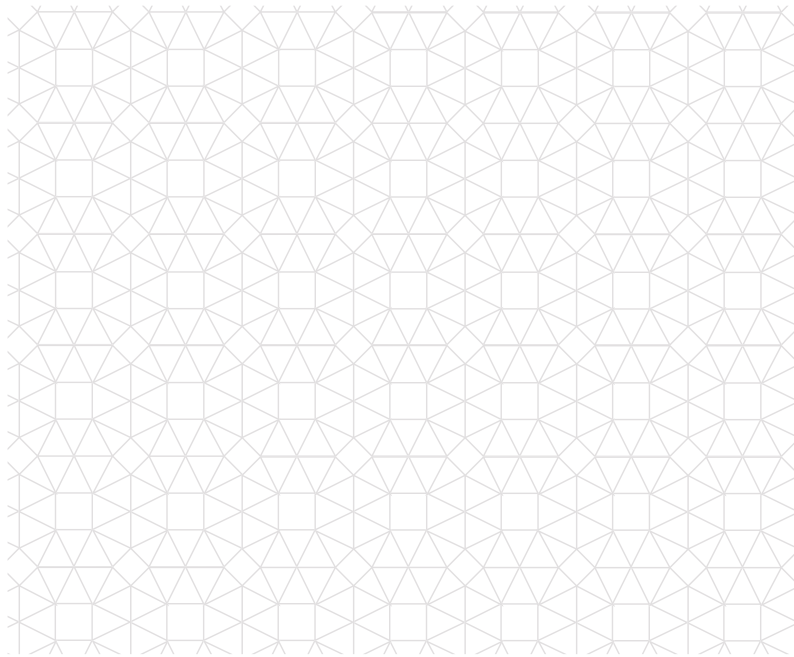


According to the last Arab Youth Survey (2017), more than one in three young Arabs (35%) believe that the biggest obstacle to the development of the Middle East is unemployment. Moreover, concern about unemployment has increased as the number of young Arabs 'very concerned' about unemployment has increased by 9 points from 2016 to 51% in 2017 – meaning one in two young Arabs are unsure of their job prospects. Although the UAE has better trends than other countries in the region, the youth in the UAE increasingly must wait to find a job.

Entrepreneurship is an effective way to help youth not only develop new skills, knowledge and experiences that can boost their chances for future jobs, but also to include them in the professional world, mainly in the private sector, by increasing self-employment and the employment of others. According to Ouimet and Zarutskie (2013), promoting youth entrepreneurship is a good strategy to boost youth employment and job creation. They are more likely to hire fellow youths and pay them higher wages than older.

<sup>3</sup> Based on ILO estimates.

1. Reflecting the importance of youth to society and the economy, the UAE has appointed Her Excellency Shamma bint Suhail Faris Al Mazrui, Minister of State for Youth, to head a youth council. This council has been charged with a number of vital tasks: develop youth-related strategies that are aligned with future trends in the UAE to be endorsed by the UAE Cabinet; identify challenges facing youth and provide solutions and programmes; propose solutions to ensure positive participation of young people in the community in various sectors; learn about young people's views about related issues; ensure their contribution in boosting national identity and good citizenship among young people; coordinate with relevant entities to implement projects that address talent young people's needs; represent youth in international fora; and any other tasks as delegated by the Cabinet.







Considering the GEM findings on youth entrepreneurship in the UAE, and to support the government efforts in empowering this category of population, the following recommendations are intended promoting the involvement of youth in entrepreneurship:

1. **Introduce entrepreneurship in the education programmes at all levels** (ranging from kindergarten, primary, secondary and tertiary education, through to vocational and mixed training programmes) and encourage learning by doing;
2. **Allow the youth feel closer to the work culture as well as that of entrepreneurship.** Many initiatives could be promoted such as:
  - a. Making internship compulsory in tertiary education;
  - b. Redesigning internship so that students have progressive contact with the professional world and institute a minimum of 15 months internship experience to graduate (for example: 3 months after 30 credit hours; 6 months after 60 credit hours and 6 months before graduation with the possibility to have a one-year gap);
  - c. Introducing professional experience in secondary education (example: one-week in the private sector to learn collective action);
  - d. Encouraging students' associations that deal with entrepreneurship like "Junior Entrepreneurs", a famous association existing in the French system of the "Grandes Ecoles". In France, "Junior Entrepreneurs" is an association that offers an interface between companies and students, helping students to offer tailored solutions to companies at competitive prices. Services delivered by students with different profiles can vary from the creation of a software, to doing market research or conducting surveys and writing short reports, etc. The association may organize exhibitions such as "the skills village" to put both students and companies in contact.
3. **Use more role models to inspire youth** and help them gain self-confidence and find their own self-drivers to start-up a business;
4. **Awake the interest of youth for the value of work** and link it to becoming more self-reliant, having more freedom of choice and fulfilling self-accomplishment;



5. **Make connection between youth and research centres and institutes** to provide them with ideas to start-up a business (create databases of latest scientific findings and inventions and make them available to be seized by the youth);
6. Youth are the most exposed to the liability of newness (Stinchcombe, 1965) and its inherent three forms of novelty – novelty to market, novelty to management and novelty in production. The “liability of newness” is also associated with legitimacy, reliability and accountability issues, which result from the new venture’ lack of an established track record, which in turn, makes it difficult for its managers to convince potential resource providers such as investors, suppliers and customers, to conduct business with the new venture. Hence, business incubators and accelerators need to support entrepreneurs and mainly the youngest overcome this handicap. More important than providing them with money, **young entrepreneurs need favourable judgments of acceptance, appropriateness and worthiness to help them face the liability of newness.**
7. As part of the European Commission Employment Strategy for 2020, the “Youth Guarantee” initiative commits the Member States to ensure that all young people under the age of 25 years receive a good quality offer of employment, continued education,<sup>4</sup> apprenticeship, and traineeship within a period of four months of becoming unemployed or leaving formal education. One of the successful innovative measures introduced is the “one-stop guidance centres for youth” launched by Finland in 2015 to strengthen and simplify services for young people and to eliminate the duplication of activities. Located in 35 municipalities these centres provide low-threshold support to all young people below the age of 30, including personal advice and guidance, support in life management, career planning, social skills, as well as education and employment support.<sup>5</sup> The UAE has launched in 2017 the Youth xHub located in Dubai to be a new home for Youth and centre to connect Youth to people, power and potential.<sup>6</sup> **We recommend extending this initiative to have a youth hub in each Emirate and to offer multiple services ranging from advice to skilling, capacity building, network building, and easy services to help the youth set-up easily their businesses, etc.;**





8. The UAE has also launched during the Government Summit in February 2017 the Arab Youth Centre,<sup>7</sup> chaired by H.H. Sheikh Mansour Bin Zayed Al Nahyan, Deputy Prime Minister and Minister of Presidential Affairs, to be the beacon of hope that carries the message of benevolent development and growth. The centre will provide scholarships, projects, studies and reports about Arab youth. **Many initiatives could be conducted through this centre to support bringing together the entrepreneurs from the UAE and the Arab World to work together on the common challenges of the region, which could boost youth entrepreneurial activity in the UAE.**
9. **Develop microfinance solutions adapted to help youth develop micro-enterprises** and introduce new forms of finance provision to support them while pursuing the business set-up, such as providing them with a secure income for a limited period (for example, 18 months).

**We recommend a youth hub in each Emirate and multiple services ranging from advice to skilling, capacity building, network building, and easy services to help youth set up their businesses.**

4 <http://ec.europa.eu/social/main.jsp?catId=1079&langId=en>  
 5 <http://hub.youth.gov.ae/en/#the-hub>  
 6 <http://arabyouthcenter.org/index.php>  
 7 <http://arabyouthcenter.org/index.php>

## R4 – ADDRESSING QUALITY OF ENTREPRENEURIAL ACTIVITY

Innovation and research are essential to supporting long-term sustainable and inclusive growth. It has been unanimously recognized by economic theory that research and innovation are the prerequisites for the creation of more and better jobs, productivity growth, competitiveness, and structural economic growth.<sup>8</sup> Although higher spending in R&D could lead to more generated breakthrough technologies that could be translated into innovations, such as new products, processes and services taken up within the wider economy and society, innovation is a broader concept than R&D. According to the Oslo Manual published by the OECD and Eurostat (2005), innovation is the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization or external relations. It requires a degree of novelty.

The Oslo manual distinguishes three types of novelty: an innovation can be new to the firm, new to the market or new to the world. The first concept covers the diffusion of an existing innovation to a firm – the innovation may have

already been implemented by other firms, but it is new to the firm. Innovations are new to the market when the firm is the first to introduce the innovation on its market. An innovation is new to the world when the firm is the first to introduce the innovation for all markets and industries.

In 2017, 18.7% of the entrepreneurs involved in early stage activities think their product is new to all or some customers, while few or no other businesses offer the same product. If we add the usage of latest technologies and having a product in medium or high-tech sectors, the percentage decreases dramatically.

**In 2017, 18.7% of entrepreneurs think their product is new.**

Innovation levels	TEA	New product / new to the market	New product / new to the market & using latest technologies	New product in medium or high tech / new to the market & using latest technologies
In number	366	68	14	2
In percentage	100%	18.7%	3.8%	0.54%



<sup>8</sup> [http://ec.europa.eu/research/horizon2020/pdf/proposals/horizon\\_2020\\_impact\\_assessment\\_report.pdf#view=fit&pagemode=none](http://ec.europa.eu/research/horizon2020/pdf/proposals/horizon_2020_impact_assessment_report.pdf#view=fit&pagemode=none)



Creating an ecology for innovation through appropriate framework conditions is crucial to lead to higher level of innovation and better quality of entrepreneurial activity. Such a framework needs to include a skilled and adapted workforce, a financial system that is ready to support risk-taking, and other government incentives to ensure that the knowledge generation process can effectively be linked to market applications (so that innovative ideas can be turned into products and services that create jobs and growth). Besides attracting the most innovative international businesses and talent through vibrant, healthy and creative communities, with strong quality of life (quality of schools, environmental preservation, and transportation need to be made a priority), boosting the associated infrastructure, and enabling technologies and services such as information and communication technologies (ICTs), we also recommend the following:

1. **Increase the interaction between participants of the innovation process** (the quadruple helix stakeholders: citizens, Government, firms and universities) to support their involvement in creating the drivers of innovation that emerge from the social and cultural objectives they express and in the production of innovation that will ultimately make life better. Building networks and stimulating the formation of clusters to create connection opportunities that will not otherwise arise spontaneously are to be considered as alternatives to stimulate innovation system formation;
2. The government of the UAE has identified priority sectors in the UAE National Innovation Strategy. Setting policies that stimulate coordinated research efforts, aimed at addressing the UAE priority sectors and fostering initiatives to transform the outcomes into new products and services is required. For instance, instead of setting stand-alone thematic sectoral policies, **the UAE might need to identify high-level objectives to be explicitly breakdown into intermediate and operational objectives** so that the focus will be on the achievement of such objectives rather than on sectors and technologies;
3. The example of Horizon 2020, the biggest European Union Research and Innovation programme, promises more breakthroughs, discoveries and world-firsts by taking great ideas from the lab to the market,<sup>9</sup> highlights the importance of coordinated public funding schemes. In fact, to avoid low scientific and technological outputs per AED invested, better coordination would prevent duplication and fragmentation that might result in higher investments than needed. One solution would be to **create a federal agency to push forward a common research agenda, to avoid compartmentalized research agencies, to achieve the funding scale required for tackling critical societal challenges, and to foster competition for funds and encourage higher scientific quality**. The federal fund could be also used to encourage international mobility and training actions for UAE inventors to help them access complementary knowledge, develop excellent skills and be able to have the imagination, which is crucial to the experimental process and the growth of knowledge generation or absorption. The fund could also be used to attract the best researchers to come to the UAE. Finally, it could be used to complement funding industrial doctorates in the UAE and abroad;

**Creating an ecology for innovation through appropriate framework conditions is crucial to lead to higher level of innovation and better quality of entrepreneurial activity**

**The UAE needs to explicitly break down high-level goals into intermediate and operational objectives.**

<sup>9</sup> <https://ec.europa.eu/programmes/horizon2020/en/what-horizon-2020>





4. The government needs to identify a high-tech sector where the UAE could be the global lead in solving important local or global challenge. An example could be decoupling growth from natural capital depletion, and building a holistic framework to build blocks of the innovation ecology in that field. Supply side innovation policies are needed to support the firms that will supply innovation (through incentives and direct support to R&D and innovation, support to access to finance of innovative ventures, skill upgrade and human resources policies, entrepreneurship policy, technical services and advice, cluster, collaboration and networking policies, etc.). Demand side innovation policies are required to shape the context within which these firms operate (measures to stimulate private demand for innovation, intelligent and pre-commercial procurement policies, innovation inducement prizes, etc.). The following measures are recommended:
  - a. According to the OECD Innovation Strategy (2010),<sup>10</sup> human capital is the essence of innovation since people are the ones who generate the ideas and knowledge that power innovation, the ones who will apply this knowledge and the resulting technologies, products and services in the workplace and finally, the ones who will be the end consumers of this innovation. Therefore, the capacity to learn, absorb, adapt or retrain, particularly following the introduction of radically new products and processes as well as a wide variety of skills are required. **Universities, colleges and vocational training centres are vital to produce and attract the needed human capital and to develop capabilities that will contribute to innovation problem solving and usage in the field.** For instance, vocational training help firms make incremental changes to production processes and adopt technologies, and lift the overall capacity to innovate;

<sup>10</sup> <https://www.oecd.org/site/innovationstrategy/>

- b. Fund research to increase opportunities to invent by **increasing spending in exploratory, generic and “blue sky” frontier research with the aim of increasing the production of new knowledge** embodied in larger number of influential publications;
- c. Promote engaging the quadruple helix stakeholders in multiple roles and integration dynamics that generate new institutional and social frameworks. The GEM 2017 report findings show a limited involvement of the adult population with graduate experience. Although this category seems having significantly less fear of failure than the other groups (48.4%), 60.8% perceive themselves having the least capabilities to start-up a business. Among those who pursue early stage entrepreneurial activity in the UAE, only 9.6% of them have graduate experience. Therefore, targeted incentives are required to promote “entrepreneurial universities” to put in place structures and programs to train inventors to design thinking, to increase the capacity of researchers to productize inventions and the readiness of students to create start-ups, and to increase spin-offs for other commercialization solutions.
- d. Support new entrepreneurial activities in the field through targeted incentives, including early-stage financial support to high-risk innovative technology-based ventures with commercial promise. **Developing risk-sharing schemes with the private sector might be required to ease early stage innovative ventures’ access to debt and equity finance.** It is also crucial that this financial support does not lead to any dilution of ownership or required repayment and guarantees to recipients retaining rights to intellectual property developed using the funding, with no royalties owed to the government. Finally, **reduce barriers to entry by lessening start-up regulations and administrative burdens and by helping them planning exit and reduce its cost** through the bankruptcy law and the possibility of restructuring for failing businesses, with due regard to risk management and the need to avoid moral hazard. This process results in creative destruction, as new firms enter the market and increase their market share, replacing others with low productivity. The reallocation of resources is crucial to drive aggregate productivity growth;
- e. **Raise the awareness of early stage entrepreneurial ventures of intellectual property** by establishing a federal helpdesk (one-stop-shop) on Intellectual Property Rights (IPR). This should focus on induction and orientation through organizing events to provide them with the targeted information and coaching;

**Only 9.6% of early stage entrepreneurs have graduate experience**





- f. **Support entrepreneurial ventures in identifying opportunities to innovate by improving their absorptive capacities** through better communication with the public knowledge base as well as with other firms whether suppliers or customers. This could be facilitated by the employment of qualified scientists and engineers and the increasing conduct of R&D in these ventures;<sup>11</sup>
- g. **Help entrepreneurial ventures lower research risks** and enable certain research to take place outside by helping them source external knowledge from academia. Scientists and innovators with useful discoveries are in need to identify entrepreneurs who can convert these scientific advances into products and businesses tailored to the needs and customs of local consumers. And conversely, entrepreneurs need the capacity to find, adapt and adopt useful technology. Policy measures are needed to bring them together along the length of the innovation chain to develop formal and informal collaboration through partnerships, alliances and joint ventures. Foster knowledge transfer through licensing of patents in the field will lead these ventures to develop new marketable products and processes, develop and use new tools and techniques, design and test models and simulations, and produce prototypes, demonstrators and pilots. The use of testbeds, where pilot and market replication projects aiming at involving end-users to reduce commercial risks through testing in real conditions these innovative solutions that have not yet significantly penetrated the market due to high residual risks could enable more rapid and wider dissemination of the outcomes leading to better exploitation and a larger impact;
- h. **Stimulate the uptake of innovations resulting from ventures' efforts to exploit these new outcomes through developing public purchasing programmes and the identification of lead users to support the demand side of innovation systems.** The German solar Panel Policy (Renewable Energy Heating Act and Market Incentive Programme) is an example of an effective demand side policy aiming at fostering the development of the sector of renewable energies by encouraging the use of renewable energies in heating processes, with the overall objective to increase the share of renewable energies in the heating market from 10% in 2012 to 14 % by 2020;<sup>12</sup>
- i. **Encourage open innovation within the ecology and beyond** to enable the nascent and new businesses move along the complete innovation chain.
5. According to the OECD Innovation Strategy (2015),<sup>13</sup> impact of innovation policies should be measured and learning from experience is crucial for good implementation. **Good governance requires the evaluation of policies to be embedded into the process. It also requires alignment between the federal and local policies.**

<sup>11</sup> The UAE team intends introducing a new question to its APS instrument to measure the level of expenditure in R&D starting from 2018.

<sup>12</sup> Renewable Energy Heating Act and Market Incentive Programme (MAP) <http://www.res-legal.eu/search-by-country/germany/> <http://energytransition.de/2012/10/renewable-energy-heating-act-and-market-incentive-program-map/>

<sup>13</sup> <https://www.oecd.org/site/innovationstrategy/>

## R5 – ADDRESSING FINANCE FOR ENTREPRENEURS

Access to finance has been raised by entrepreneurs in the UAE as one of the main reasons for discontinuing their businesses in 2017. The NES has showed that most UAE experts consider that the financing for entrepreneurs needs to be improved. Therefore, it is important for policy makers to design adequate financing schemes to bring financial actors to play an effective role and to support entrepreneurs in developing and growing high impact sustainable businesses.

1. **Pre-seed and seed stage ventures in the UAE still face a shortage of viable funding options** since most investors including angels focus their attention on later-stage ventures that are perceived less risky. Considering the vision of the country to move towards a knowledge economy and in order to support more innovative start-ups, the government needs to play an important role in filling gaps in pre-seed and seed funding. Two approaches to funding should be adopted:
  - a. **An inclusive approach and universally available programme exclusively funded by the government to support broader number of entrepreneurs** (to infuse a culture of entrepreneurship) with a special focus on the youth. It should also be used to fund scientific research in universities and research institutes as well as knowledge transfer and commercialization programmes. Public aid, grants and low interest start-up loans are the main mechanisms that can be used at this level. Other indirect government funding tools could be designed with the introduction of taxes in the UAE and should be extended to non-Emiratis expats.
  - b. **A selective incentive funding approach in partnership with the private sector (hybrid and co-investment funds) should be made available only for high impact entrepreneurs** who will help the country achieve the shift towards a knowledge economy. Access to these funds is subject to a strict screening process to favour viable business opportunities and strong entrepreneurial teams who have the skills and capabilities for execution. Non-financial incentives could be granted also through this programme as well as strong mentorship to mitigate risks.
2. Although more business angels are operating in the UAE, their number is still not significant and more importantly, their scope is not appropriate as most of them prefer funding later stage ventures. Moreover, there is still a gap in connecting them with promising entrepreneurs and ideas. We recommend **creating a platform to help early stage entrepreneurs access a formalized network of business angels**. Finally, the government might create incentives to push the increasing number of professional business angels to invest more in early stage ventures.
3. **There is an increasing risk aversion among the region's investors who invest more overseas, which has made equity finance more difficult to find for the UAE entrepreneurs.** Meanwhile, more companies with significant cash positions and private equity firms are attracted by the dynamism of entrepreneurial businesses. We recommend creating the legal framework for better collaboration between them and the entrepreneurs mainly who are in growing stage. More important than the funds they can bring, these actors are called to provide entrepreneurs with more disciplined corporate governance and a more structured framework to run a business as well as the stability much needed at this stage of growth. Their provision of advice, mentoring, assistance to develop management capabilities and operational improvements is crucial and should be made more systematic.

**A selective incentive funding approach in partnership with the private sector (hybrid and co-investment funds) should be made available**

4. Although many regulatory initiatives have been adopted recently, such as the bankruptcy law and the new legal system for venture capital funds, the financial system still needs to be strengthened. An area of improvement is to **help investors and entrepreneurs planning exits in advance and to have more options to exit, which will reinvigorate funding flows**. Creating a junior market for trading in shares of entrepreneurial ventures could be an alternative to consider, where the listed companies can benefit from public funds before stepping to a larger market. Also, the government should put in place appropriate safeguards for the ecosystem players as well as appropriate incentives to channel the existing funds to be invested locally and at all stages. The government might use the UAE National Strategy for the year of giving to include provisions in the new regulatory framework associated to the CSR pillar to enhance the contribution of financial institutions and actors in supporting entrepreneurial ventures at all stages.

5. Despite an SME policy, bank lending remains difficult to obtain mainly in the early stages of growth. In its SME Competitiveness Outlook (2015) the International Trade Centre shows that this issue is exacerbated by SMEs through their own actions. SMEs usually lack accounting records, reliable financial statements, or the understanding and skills to prepare a viable business plan to underpin their loan application. This 'opaqueness' renders their risk assessment challenging, and as a result, SMEs generally have to face higher interest rates for any loans they are able to secure, as well as more stringent requirements for collateral. Moreover, they also have a "collateral gap" or a mismatch between assets they own and those that most banks accept as collateral (which are generally fixed assets). Therefore, the government may need to **introduce a movable collateral framework and an efficient collateral registry** so that the previously dead capital could be used by SMEs for collateral. Capacity building for banks to strengthen their credit risk assessment would help those interested in lending to SMEs, without putting financial stability at risk (European Bank for Reconstruction and Development, European Investment Bank, and The World Bank, 2016).

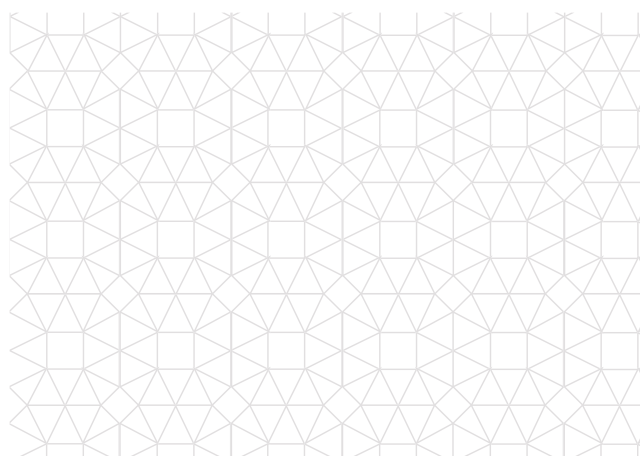
The government may also need to **increase monitoring mechanisms to assess lending levels to SMEs associated with penalties to be enforced in case funding is perceived to be too low**. Finally, **credit guarantee schemes are needed to give the financial institutions more confidence that funds will be reimbursed in the event of a default**.

6. **Training investors is crucial**. It is vital that each financial player makes an adequate risk assessment so as to not to transfer risks to the rest of the chain.

7. **Training entrepreneurs on developing new financing strategies is important**. Education programs should help potential entrepreneurs consider alternative channels and strategies such as peer-to-peer lending, crowdfunding and bootstrapping.

8. **Help entrepreneurs reduce their working capital by financing supply chain through reverse factoring**. Reverse factoring is a significantly more effective than the traditional form of factoring – where the supplier, not the buyer, sells accounts receivable to the intermediary. The intermediation cost incurred by factoring is higher since the discount rate for the supplier (the early stage entrepreneur), based on the creditworthiness (which reflects the interest plus service fees), is higher.

Considering the importance of this ecosystem framework condition, GEM UAE will start tracking finance for entrepreneurs to be published in its yearly national reports.



# INTRODUCTION TO GEM

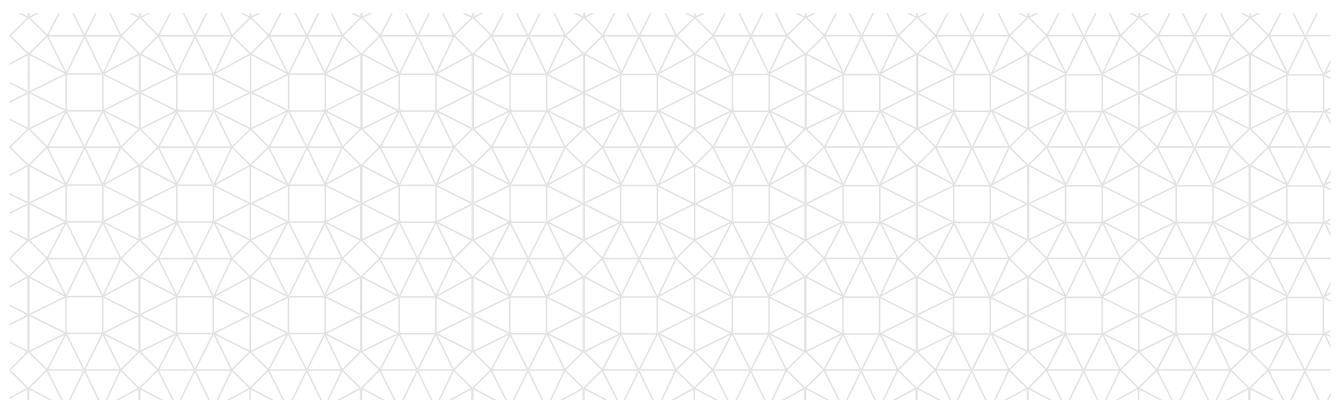
The Global Entrepreneurship Monitor (GEM) is a worldwide study of entrepreneurship. Started in 1997 by two academics, one from London Business School (Michael Hay) and the other from Babson College (Bill Bygrave) in the United States, the GEM was launched to address the lack of recognized international research that focused on entrepreneurship, as the word was not as recognized as it is today. At the time, the relevance of entrepreneurship was slowly emerging as academics and policy makers recognized the importance of small, medium and micro-sized enterprises development to the overall well-being of an economy, towards decreasing the levels of unemployment, and in fighting the abject poverty which at that time prevailed in many developing, third world countries.

The first published reports came out in 1999 and involved just 10 economies, eight from the OECD, Japan and the United States. 19 years later, the Consortium of GEM countries has grown substantially, where over 100 economies have participated from all levels of economic development and in almost all geographic regions. In 2017, 54 economies participated in the GEM study, comprising approximately 67.8%

of the world's population and 86% of the world's total GDP. Today, GEM can claim to be truly global and to be the most authoritative and informative study on entrepreneurship in the world. Only a few areas of the globe are not represented such as certain countries in mid/central Asia, a few countries in South East Asian and some from West and Central Africa.

The participating economies (see Figure 1) are classified by region following the United Nation's composition of the world's macro geographical regions,<sup>14</sup> and according to their economic development level, following the World Economic Forum classification into factor-driven, efficiency-driven and innovation-driven economies.<sup>15</sup>

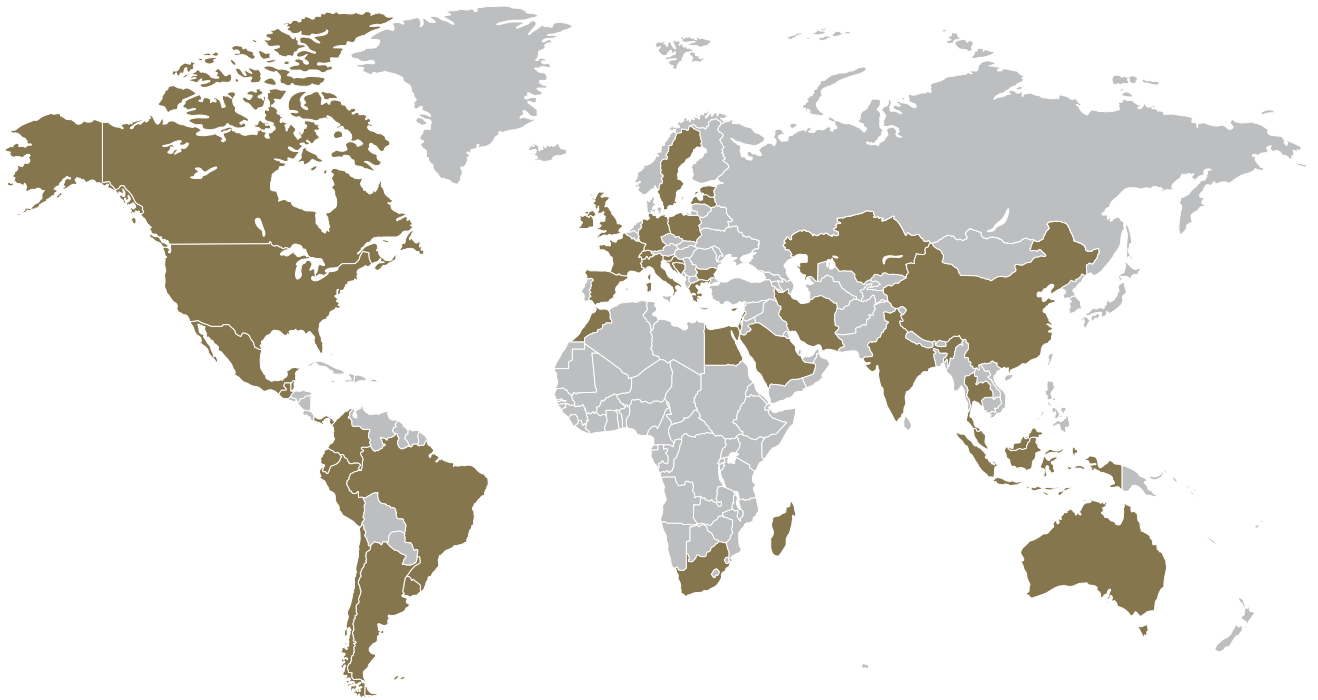
**In 2017, 54 economies participated in the GEM study, comprising approximately 67.8% of the world's population and 86% of the world's total GDP**



<sup>14</sup> <http://unstats.un.org/unsd/methods/m49/m49regin.Htm>

<sup>15</sup> According to World Economic Forum's classification (<http://weforum.org>), factor-driven economies are dominated by subsistence agriculture and extraction businesses, with a heavy reliance on (unskilled) labor and natural resources. Efficiency-driven economies are more competitive with more-efficient production processes and increased product quality. As development advances economies can emerge to become innovation-driven, where businesses are more knowledge-intensive, and the service sector expands.

**Figure 1:** Geographical coverage of 2017 GEM survey cycle – gold shaded countries





# GEM CONCEPTUAL FRAMEWORK

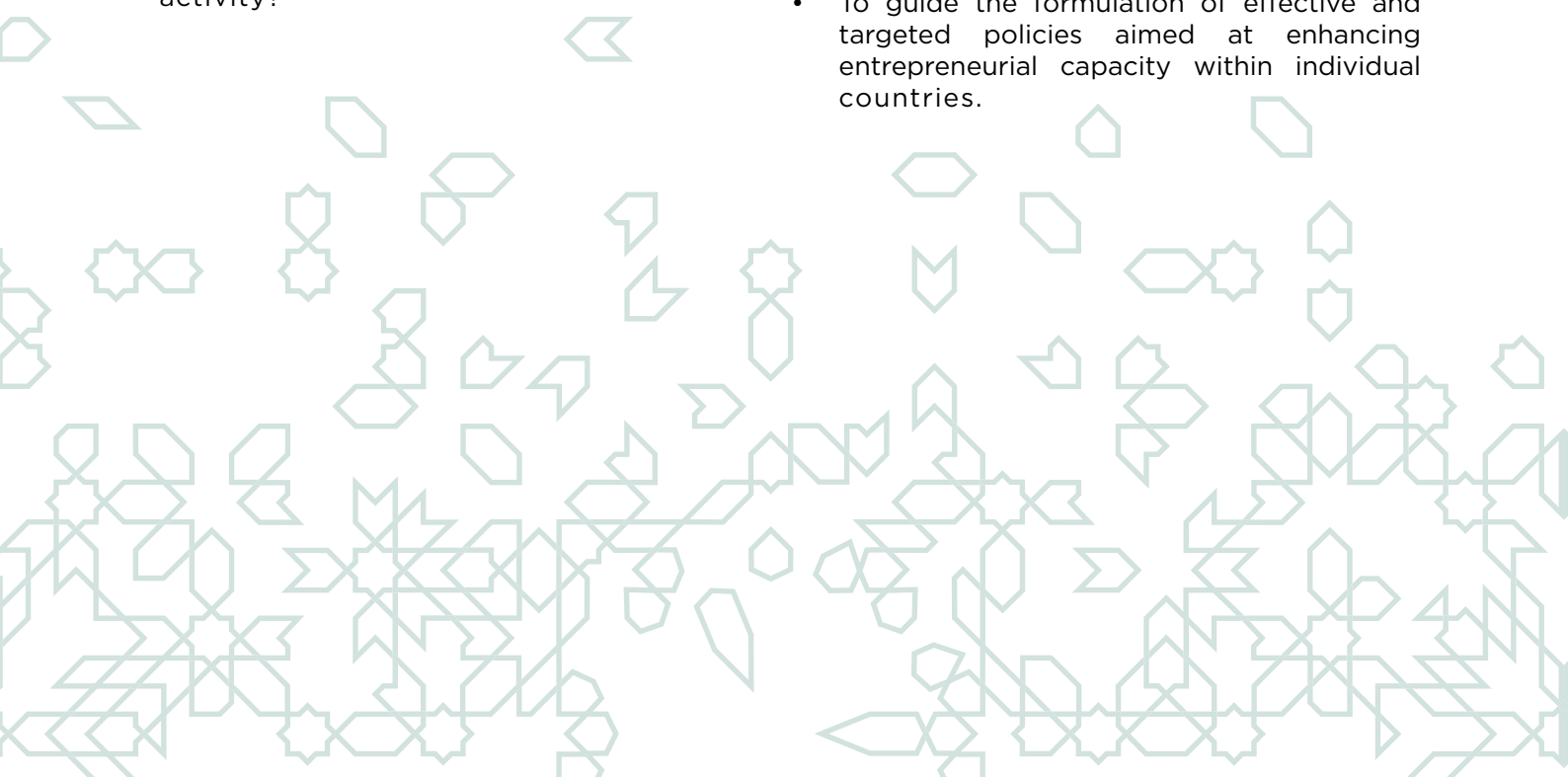
Entrepreneurship is defined as “any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, a team of individuals, or an established business” (Reynolds, P. et al, 1999, p. 3).

Academics and policy makers agree that entrepreneurs, and the new businesses they establish, play a critical role in the development and wellbeing of their societies. GEM longitudinal studies and comprehensive analyses of entrepreneurial attitudes and activity across the globe have improved our understanding of the relationships between entrepreneurship and national development. The three questions that originally opened the way to the GEM survey (ibid) were formulated as follows:

- Does the level of entrepreneurial activity vary between countries, and if so, to what extent?
- Does the level of entrepreneurial activity affect a country's rate of economic growth and prosperity?
- What makes a country entrepreneurial and what factors influence entrepreneurial activity?

To answer these questions, GEM developed a conceptual framework that captures the relationships between entrepreneurship and national development. During the last 19 years, this conceptual framework and the basic definitions have evolved gradually without compromising the comparability of the collected information but bringing more clarity to assumed relationships. This process was supported by the work of several researchers who, using GEM data, contributed to building an entrepreneurship paradigm (Alvarez et al., 2014, Bosma, 2013, Levie and Autio, 2008). Today, the GEM conceptual framework remains aligned with its original key objectives:

- To allow for comparison of levels of entrepreneurial activity among different countries, geographic regions and economic development levels;
- To determine the extent to which entrepreneurial activity influences economic growth within individual economies;
- To identify factors which encourage and/or hinder entrepreneurial activity (especially the relationships between national entrepreneurship conditions, social values, personal attributes and entrepreneurial activity);
- To track entrepreneurial attitudes, activity and aspirations within countries to provide annual national assessment of the entrepreneurial sector;
- To guide the formulation of effective and targeted policies aimed at enhancing entrepreneurial capacity within individual countries.

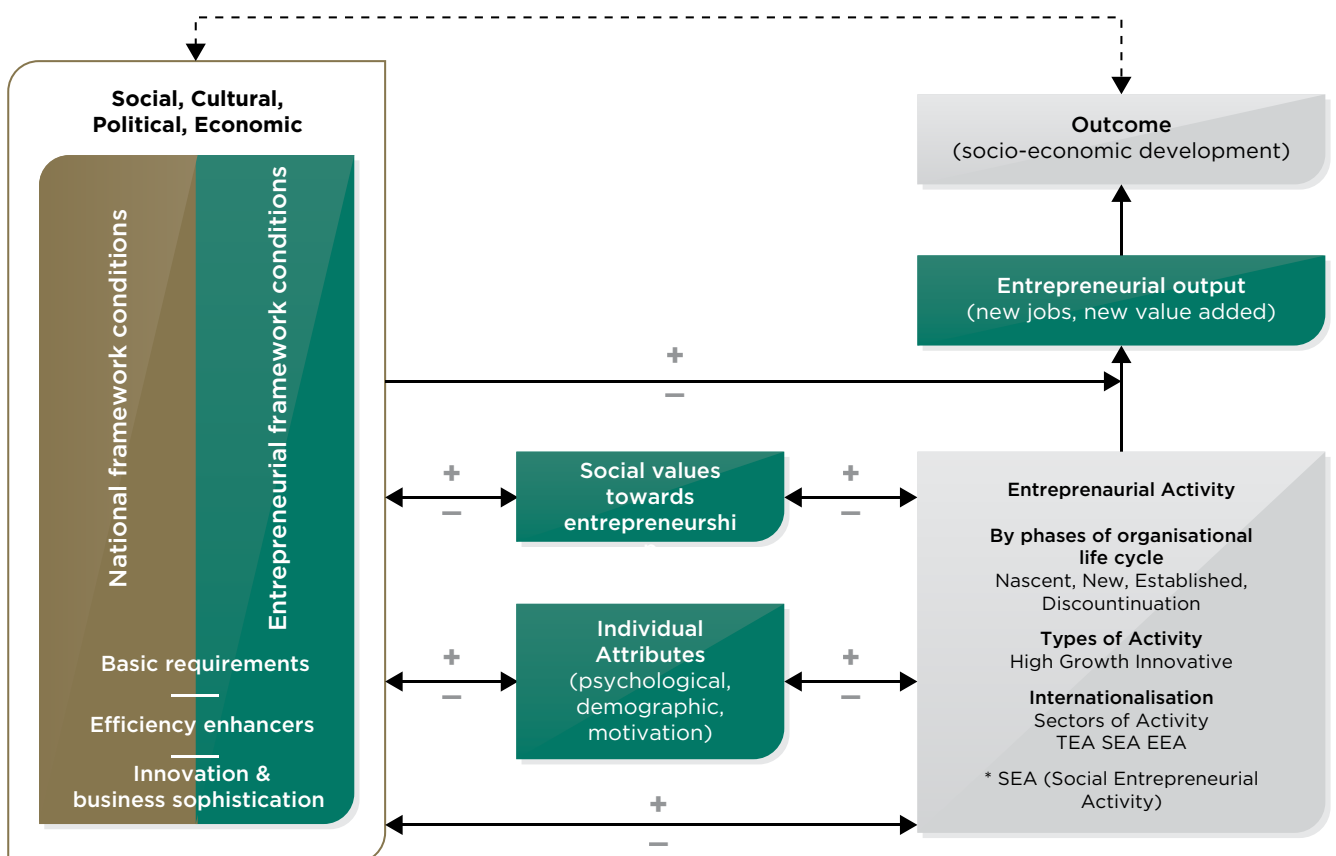




**What makes GEM different from most current studies on entrepreneurship is the fact that it does not just look at businesses but also at individuals, their attributes, aspirations, attitudes, perceptions and intentions.** It looks at what makes them think and do, and not just do, as these indicators play an important part in the entrepreneurial pipeline moving from potential, to intentional to those entrepreneurs who actually start a business and those that become fully established and growing.

The GEM conceptual framework (Figure 2) derives from the basic assumption that national economic growth is the result of the personal capabilities of individuals to identify and seize opportunities, and that this process is affected by environmental factors which influence individuals' decisions to pursue entrepreneurial initiatives. Entrepreneurial activity is thus an output of the interaction of an individual's perception of an opportunity and capacity (motivation and skills) to act upon this and the distinct conditions of the respective environment in which the individual is located. In addition, while entrepreneurial activity is influenced by the framework conditions in the particular environment in which it takes place, this activity ultimately benefits this environment as well, through social value and economic development. For example, entrepreneurs create jobs for themselves and others, which create income for families. They develop new products that improve people's lives and advance the knowledge and competitiveness of their societies.

**Figure 2:** The GEM conceptual framework



Source: GEM Global Report 2017/18

## THE COMPONENTS OF THE GEM CONCEPTUAL FRAMEWORK ARE AS FOLLOWS:

**1. Social, cultural, political, and economic context** is represented through National Framework Conditions and Entrepreneurial Framework Conditions, which are conceptualized as influencing entrepreneurial activity more directly. The National Framework Conditions are defined according to the twelve pillars of competitiveness derived from the World Economic Forum's Global Competitiveness Index.<sup>16</sup> The Entrepreneurial Framework Conditions consist of entrepreneurial finance, government policy, government entrepreneurship programs, entrepreneurship education, Research and Development (R&D) transfer, commercial and legal infrastructure, internal market dynamics and entry regulation, physical infrastructure, and cultural and social norms.

**2. Societal values about entrepreneurship** include aspects such as the extent to which society values entrepreneurship as a good career choice; whether entrepreneurs have high societal status; and the extent to which media attention to entrepreneurship is contributing to the development of a positive entrepreneurial culture.

**3. Individual attributes** include demographic factors (such as gender, age, geographic location); psychological factors (perceived capabilities, perceived opportunities, fear of failure); and motivational aspects (necessity versus opportunity-based ventures, improvement-driven ventures).

**4. Entrepreneurial activity (and its outcomes)** encompasses multiple phases of the business process (nascent, new business, established business, discontinuation), potential impact (job creation, innovation, internationalization), and the type of activity [(total early-stage entrepreneurial activity (TEA), social entrepreneurial activity (SEA) or employee entrepreneurial activity (EEA)].

Over the years, GEM's role as one of the world's leading research consortia has been confirmed. GEM surveys have established that entrepreneurial activity in different forms (nascent, start-up, employee entrepreneurship) is positively correlated with economic growth, but that this relationship differs according to phases of economic development (Acs and Amorós, 2008; Van Stel et al., 2005; Wennekers et al., 2010). GEM surveys have also confirmed that the level of entrepreneurial activity varies among countries at a fairly constant rate as it takes time and consistency for individuals to develop capacity for identifying and exploiting opportunities, for society to develop an entrepreneurial culture, and for policy interventions to enhance and develop the factors, which contribute to entrepreneurial activity.

<sup>16</sup> The twelve pillars are institutions, infrastructure, macroeconomic environment, health and primary education, higher education and training, goods market efficiency, labor market efficiency, financial market development, technological readiness, market size, business sophistication, and innovation. To calculate the competitiveness index, these pillars are in turn organized into three sub-indexes: basic requirements, efficiency enhancers, and innovation and sophistication factors. The three sub-indexes are given different weights in the calculation of the overall Index, depending on each economy's stage of development, as proxied by its GDP per capita and the share of exports represented by raw materials.

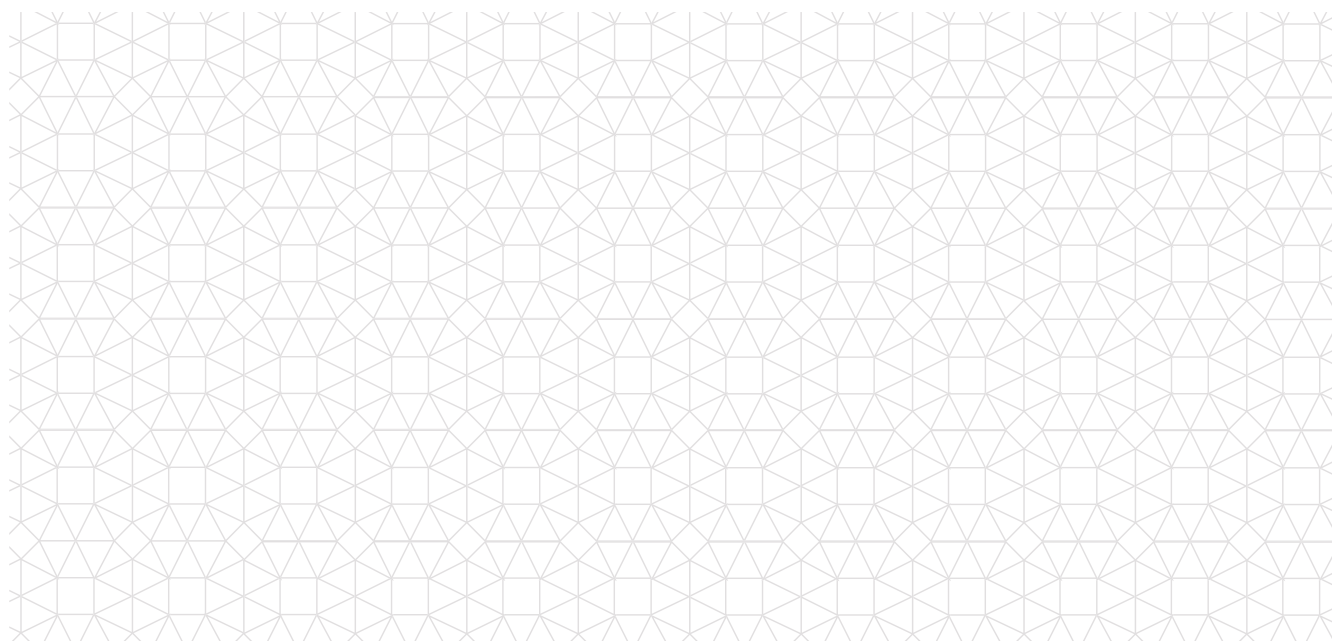
## GEM MODEL OF BUSINESS PHASES AND ENTREPRENEURSHIP CHARACTERISTICS

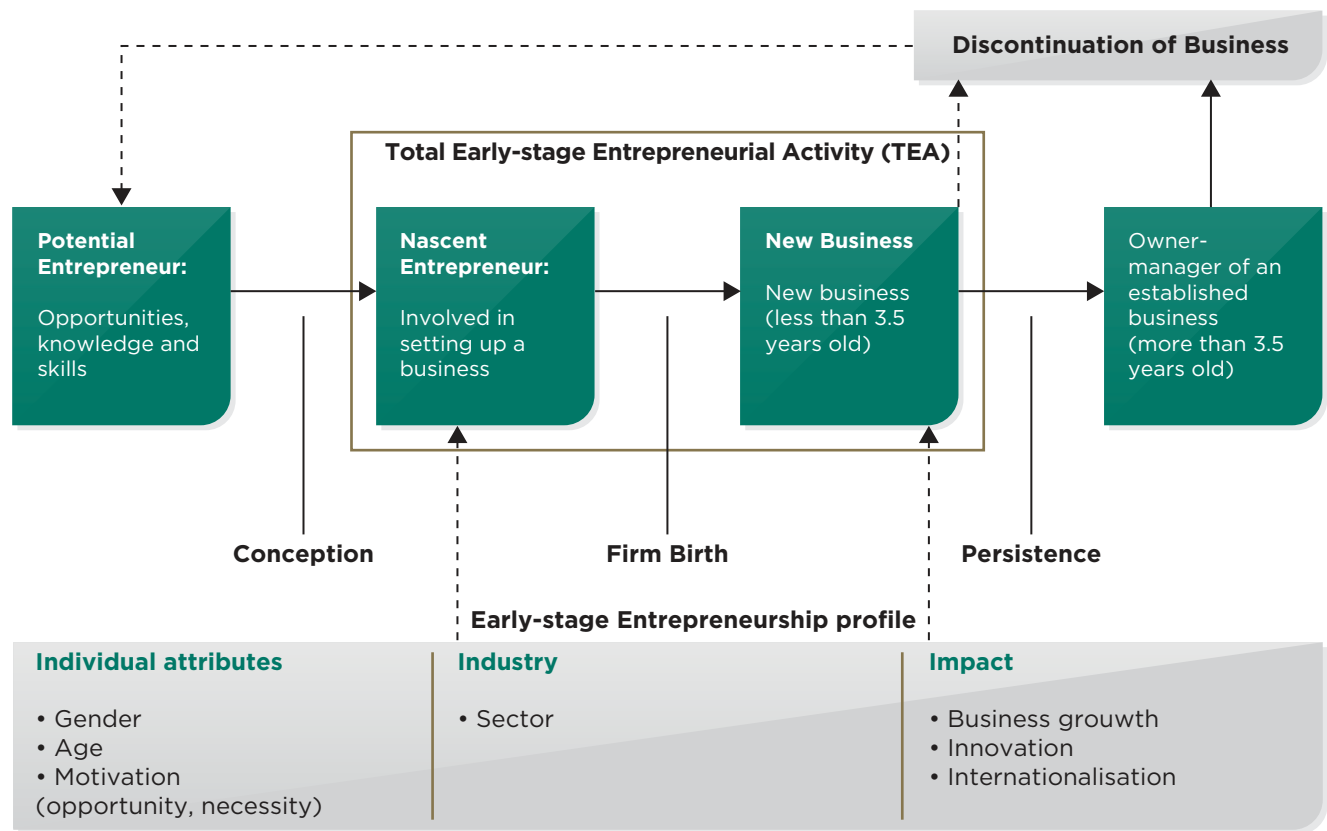
Entrepreneurial activity begins with “intentions” to start a business and continues with successive phases of effective business start-up (nascent activity), business consolidation (new or baby activity), business development and persistence (established activity), and business discontinuation (activity exited from the market).

GEM understands entrepreneurial activity as the core of a complex process (see Figure 3 below) that begins with individuals’ or groups of individuals’ entrepreneurial intention and that continues with successive phases of effective business start-up (nascent activity), business consolidation (new or baby activity), business development and persistence (established activity), and business discontinuation (activity exited from the market). Countries may have varying levels of participation at different points in this process; however, a healthy entrepreneurial

society needs people active in all phases. For example, to have start-ups in a society, there must be potential entrepreneurs. Later in the process, people that have started businesses must have the ability and the support to enable them to sustain their businesses into maturity. To provide insights into the level of engagement in each stage, GEM is focused on individual participation across the multiple phases of the entrepreneurial process and reports the characteristics of individuals involved and the types of entrepreneurial activities they engage in.

GEM’s individual-level focus enables a more comprehensive account of business activity than firm-level measures of formally registered businesses. In other words, GEM captures both informal and formal activities. This is important because in many societies, most entrepreneurs operate in the informal sphere. In addition, GEM’s emphasis on individuals provides an insight into who these entrepreneurs are: for example, their demographic profiles, their motivations for starting ventures, and the ambitions they have for their businesses. GEM also assesses broader societal attitudes about entrepreneurship, which can indicate the extent to which people are engaged in or willing to participate in entrepreneurial activity, and the level of societal support for their efforts. The GEM database allows for the exploration of individual or business characteristics, as well as the causes and consequences of new business creation.



**Figure 3:** The entrepreneurial process

Source: GEM Global Report 2017/18

## OPERATIONAL DEFINITIONS

GEM multi-phase measures of entrepreneurship are given in Figure 4 below.

**Figure 4:** GEM Multi-phase measures of entrepreneurship & operational definitions

### Potential entrepreneurs

Those that see opportunities in their environments, have the capabilities to start businesses and are undeterred by fear of failure.

### Intentional entrepreneurs

Those who intend to start a business in the future (in the next three years).

### Nascent entrepreneurs

Those who have taken steps to start a new business, but have not yet paid salaries or wages for more than three months.

### New entrepreneurs

Those who are running new businesses that have been in operation for between 3 months and 42 months.

### Established business owners

Those who are running a mature business, in operation for more than 42 months.

### Discontinued entrepreneurs

Those who, for whatever reason, have exited from running a business in the past year.

### TEA rate

A primary measure of entrepreneurship used by GEM. TEA indicates the prevalence of individuals engaged in nascent entrepreneurship and new firm ownership in the adult (18 - 64 years of age) population. As such, it captures the level of dynamic early-stage entrepreneurial activity in a country.

### Impact

Every person engaged in any behaviour related to new business creation, no matter how modest, contributes to the national level of entrepreneurship. However, it is important to recognise that entrepreneurs can differ in their profiles and impact. For this reason, GEM provides a range of indicators that describe the unique, multifaceted pattern exhibited in each society. It is therefore important to consider not just the number of entrepreneurs in an economy, but other aspects such as the level of employment they create, their growth ambitions, and the extent to which groups such as youth and women are participating in entrepreneurial activity.



## GEM METHODOLOGY AND INSTRUMENTS (APS & NES)

GEM data is gathered on an annual basis from two main sources. All GEM participating countries use similar research design, survey questionnaires and data collection methodology, to ensure consistency and comparability of the data. GEM report is based on two main surveys: the Adult Population Survey (APS), and the National Expert Survey (NES).

### ADULT POPULATION SURVEY (APS)

The Adult Population Survey (APS) methodology was developed to provide a comprehensive view of entrepreneurship across the globe. Each year, GEM research teams in each participating economy collect primary data to measure entrepreneurial activity in a way that allows for meaningful cross-national analyses, as well as intra-country comparisons over time. They administer and oversee the survey, which is conducted using a random representative sample of at least 2,000 adults between the ages of 18 and 64 years. The surveys are conducted at the same time every year (between May and July) and a standardised questionnaire provided by the GEM Global Data Team is used. The questionnaire is translated into local languages, and back-translated for a validity check.

To ensure that the sample is representative, area stratified probability sampling is used. The sample is stratified by gender, age and population group, then by region and community size. Cities and large towns, small towns and villages, and even rural areas are additionally assessed in some economies. Accredited research companies in each economy conduct the survey. Upon completion of the survey in each economy, the raw data is sent to the Global Data Team for quality control checks and uniform statistical calculations. GEM global team uses a research design that harmonises the data over all participating economies to provide for reliable comparisons across economies. The data are then released to the participating economies for analysis and interpretation, and, ultimately, to be utilised in the compilation of annual national reports. Results for the entire dataset are released in a global executive report, which is launched each January or February at the GEM annual meeting.

The UAE 2017 APS sample was composed of 4,000 adults selected following the strict sampling procedure by GEM and its data quality standards. Data collection was conducted by Top Level MENA and supervised by Opinometre during the months of May-August 2017 using mobile phones (50%) and face-to-face interviews (50%).

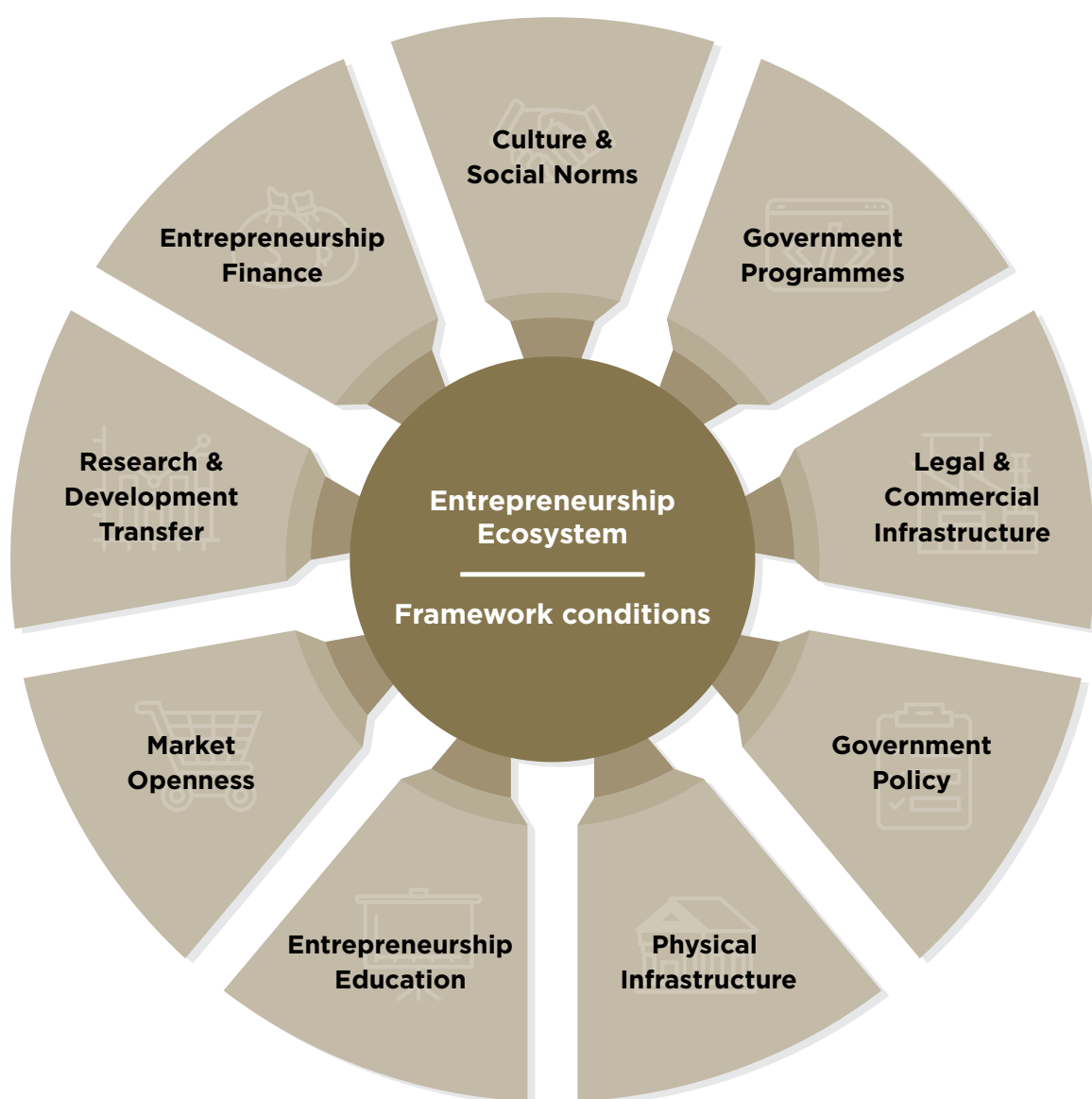




## NATIONAL EXPERT SURVEY (NES)

Complementing the APS is a National Expert Survey (NES), which gathers in-depth opinions from selected national experts about the factors that have an impact on the entrepreneurship ecosystem in each economy. The information is also used to add context to country-specific GEM reports and to help explain the relationship between entrepreneurial activity and economic growth. At least four experts from each of the entrepreneurial framework condition categories (Figure 5 below) must be interviewed, making a minimum total of 36 experts per country.

**Figure 5:** GEM entrepreneurship ecosystem framework conditions



To construct a balanced and representative sample, the experts are drawn from entrepreneurs, government, academics, and practitioners in each economy. A minimum of 25% must be entrepreneurs or business people, and 50% must be professionals. Additional aspects such as geographical distribution, gender, involvement in the public versus private sector, and level of experience should also be considered when balancing the sample. Table 2 below shows the list of UAE experts interviewed in 2017.

**Table 2:** List of UAE national experts in 2017<sup>17</sup>

## FINANCE

1	<b>Arif Alawi</b>	Investment Advisor, Mohammed Bin Rashid Fund For SMEs
2	<b>Amir Farha</b>	Managing Partner, BECO Capital entrepreneur
3	<b>Christos Mastoras</b>	Founder and Managing Partner, Iliad Partners
4	<b>Elissa Freiha</b>	Angel Investor and Founder, WOMENA

## GOVERNMENT POLICIES

5	<b>Faisal Abdulla S. Al Hmoudi</b>	Senior Manager Takamul Program, Department of Economic Development, Abu Dhabi
6	<b>Saeed Al Marri</b>	Deputy CEO, Dubai SME
7	<b>H. E. Najeeb Al Ali</b>	Senior Vice President, Unified Project Management Office, Expo 2020
8	<b>Anonymous</b>	RAK Economic Zone, Government of Ras Al Khaimah

## GOVERNMENT PROGRAMS

9	<b>Fareed Al Amiri</b>	DBA candidate and Senior Manager, Tawazun Holding
10	<b>Mouza Al Naseri</b>	Executive Director, Enterprise Development Department, Khalifa Fund for Enterprise Development
11	<b>Ned Jaroudi</b>	Innovation and Entrepreneurship Senior Executive, UAE
12	<b>H.E. Khalfan Belhoul</b>	CEO, Dubai Future Accelerators

<sup>17</sup> Seven experts interviewed preferred remaining anonymous.

## EDUCATION & TRAINING

13	<b>Catherina Ballout</b>	COO, MIT Enterprise Forum Pan Arab
14	<b>Anonymous</b>	UAE University
15	<b>Dr. Bushra Al Mulla</b>	Director of Education & Social Affairs Strategy and Policy, Prime Minister Office
16	<b>Shainoor Khoja</b>	Founder & CEO, Better Business Enterprise Ltd

## R&D TRANSFER

17	<b>Dr. Ounsi El Daif</b>	Founder and CEO, Eedama, Environmental consultancy
18	<b>Mohamed Al Hajeri</b>	Incubation Manager, ICT FUND, Telecom Regulatory Authority
19	<b>Anonymous</b>	Mubadala
20	<b>Ahmed Salah</b>	Partner, Head of Patents & Designs (R&D and Innovations), Al Tamimi & Co.

## COMMERCIAL INFRASTRUCTURE

21	<b>Rama Chakaki</b>	Co-founder and a shareholder in Baraka Advisors & Turn 8 fund
22	<b>Fatema Khalifa Abdalla Al Muqarrab</b>	Executive Board Member, International chamber of commerce UAE
23	<b>Sameer Sortur</b>	Founder, SQUARECIRCLE Tech
24	<b>Mohamed Al Musharrakh</b>	Director, Sharjah Forgein Direct Investment Office

## INTERNAL MARKET OPENNESS

25	<b>Anonymous</b>	Fujairah Free zone authority
26	<b>Anonymous</b>	Ministry of Economy
27	<b>Banu Akbez</b>	Co-Chairwoman & CEO, BPW Middle East Company, management consultancy
28	<b>Dr. Noah Raford</b>	COO, Dubai Future Foundation

## PHYSICAL INFRASTRUCTURE

29	<b>Anonymous</b>	Abu Dhabi Water & Electricity Authority
30	<b>Hisham Safadi</b>	Founder UDENZ, app for dental services
31	<b>Mourad Tarzi</b>	GM, Emirates Refreshments
32	<b>Ashish Panjabi</b>	COO, Jacky's Retail LLC

## CULTURAL AND SOCIAL NORMS

33	<b>Tarek Hajjiri</b>	Expert, Public Policy
34	<b>Philip Bahoshy</b>	Founder, Magnitt an online MENA ecosystem platform
35	<b>Anonymous</b>	Abu Dhabi Pension Fund and female entrepreneur
36	<b>Medera Nocentini</b>	Co-Founder and CEO, Consult and Coach for a Cause (C3) & Senior Vice President, Strategy at OSN



# DASHBOARD OF GEM INDICATORS

This report features a detailed review of key entrepreneurship indicators for the UAE covering all the topics described in the conceptual framework. GEM Global and National Reports do the same for each participating economy, giving them a ranking on every indicator. Overall, this group of indicators constitutes a dashboard (see Figure 6 below) representing a comprehensive set of measures that collectively contribute toward the impact entrepreneurship has on a society and the extent to which society supports this activity.



## Societal Values and perceptions:

- Good Career Choice
- High status to successful entrepreneurs
- Media attention for entrepreneurship
- Social preference between competitive and non competitive environments
- Easiness of starting up in the country
- Business having solving social problems as principal aim

## Individual self-perceptions about entrepreneurship

- Perceived opportunities
- Perceived capabilities
- Entrepreneurial intention
- Fear of failure rate
- GEM Entrepreneurial Spirit Index

## Entrepreneurial activity indicators

- Total Early-stage Entrepreneurial Activity - TEA
- Established business ownership rate
- Business discontinuation rate
- Entrepreneurial Employee Activity - EEA



### Characteristics of entrepreneurial activities

- Motivational index
- Sector of activity
- Number of owners
- Number of employees
- Job creation
- Innovative component
- Usage of recent technologies
- Competitiveness
- Internationalization

### Characteristics of entrepreneurs

- Gender
- Age
- Origin
- Educational level
- Income
- Region

### Informal investment activity

- Population acting as informal investors
- amount of informal investment
- informal investors characteristics

### Perceived quality of entrepreneurial ecosystem

- Entrepreneurial finance
- Government policy
- Government entrepreneurship programs
- Entrepreneurship education
- R&D transfer
- Commercial and legal infrastructure
- Internal market dynamics; internal market burdens or entry regulation
- Physical infrastructure
- Cultural and social norms
- Main perceived constraints
- Main supports
- Recommendations



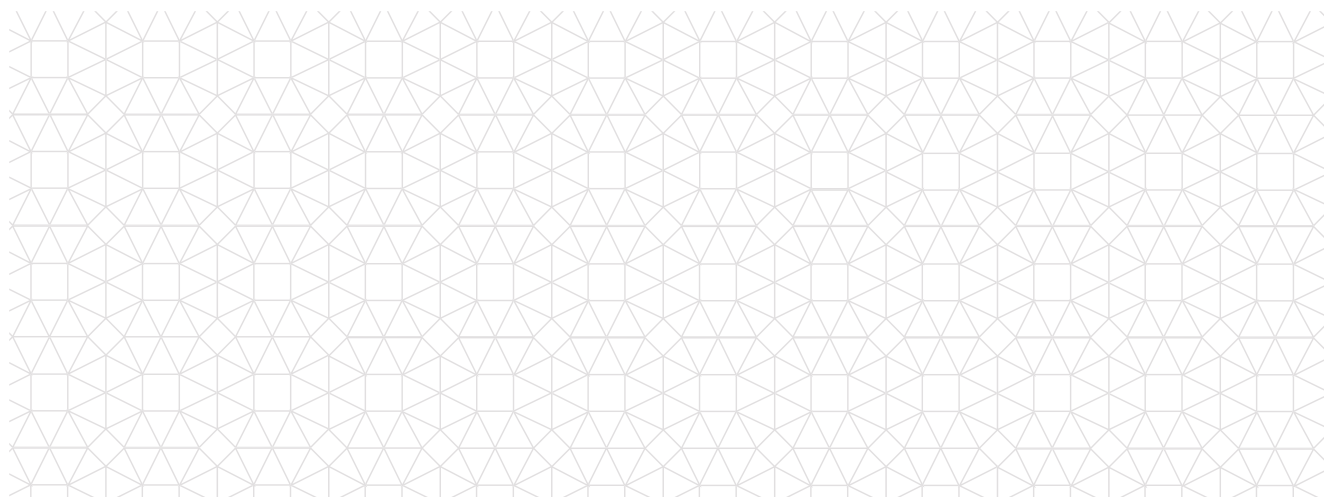
**Table 3:** Global report 2017/18 key findings

PART	KEY FINDINGS	HIGHEST   LOWEST
SOCIETAL VALUES ABOUT ENTREPRENEURSHIP	<ul style="list-style-type: none"> <li>70% of the adult population believes that entrepreneurs enjoy high status within their societies (same level as it was in 2016)</li> <li>61% of the adult population believes that entrepreneurs garner substantial media attention (marginally more than last year)</li> <li>Starting a business is regarded as a good career choice by 66% of adults in efficiency-driven economies, (65%) in factor-driven economies and (57%) in innovation-driven economies</li> </ul>	<ul style="list-style-type: none"> <li>Africa reports 76.2% of adults who consider entrepreneurship a good career choice</li> <li>Africa reports 74.5% of adults who believe that entrepreneurs are admired in their societies</li> <li>North America reports 75.5% of adults who believe that entrepreneurs have media attention</li> </ul>
SOCIETAL VALUES ABOUT ENTREPRENEURSHIP	<p><b>COMPARED TO 2016:</b></p> <ul style="list-style-type: none"> <li>No significant change in perceived opportunities, capabilities and entrepreneurial intentions to start a venture worldwide</li> <li>A moderate increase in the fear of failure</li> </ul> <p><b>CONSIDERING ECONOMIC DEVELOPMENT GROUPS:</b></p> <ul style="list-style-type: none"> <li>In all groups, four out of every ten individuals see good opportunities for starting a business within the next six months</li> <li>Surveyed adult population indicate having appropriate perceived capabilities <ul style="list-style-type: none"> <li>55% in both factor and efficiency driven economies</li> <li>40% in innovation-driven economies</li> </ul> </li> <li>Fear of failure is higher in innovation-driven economies (over 40%) possibly because there are more viable alternative opportunities to self-employment. In the other economies, the rate is close to one third of the working age adult population</li> </ul> <p><b>GEM ENTREPRENEURIAL SPIRIT INDEX</b></p> <ul style="list-style-type: none"> <li>A new composite index produced by GEM</li> <li>Although results suggest that countries with a high and low entrepreneurial spirit may belong to any of the stages of economic development, there is dominance of entrepreneurial spirit among efficiency-driven economies</li> <li>With a positive score of 0.35, the UAE ranks 7th globally and 1st among the innovation-driven countries</li> </ul>	<ul style="list-style-type: none"> <li>North America: highest rate of perceived opportunities (61.9%)</li> <li>Latin America and Caribbean: highest perceived capabilities rate (58.8%)</li> <li>Africa: Highest entrepreneurial intention rate (33.4%)</li> <li>Asia and Oceania: highest fear of failure rate (40.4%)</li> </ul>
		<ul style="list-style-type: none"> <li>Africa: lowest rate of perceived opportunities (37.2%)</li> <li>Europe: lowest perceived capabilities rate (43.4%)</li> <li>Europe: Lowest entrepreneurial intention rate (10.8%)</li> <li>Latin America and Caribbean: lowest rate of fear of failure (30.5%)</li> </ul>

PART	KEY FINDINGS	HIGHEST   LOWEST
ENTREPRENEURIAL ACTIVITY	<p><b>TOTAL EARLY STAGE ACTIVITY (TEA)</b></p> <ul style="list-style-type: none"> <li>In 2017, the average TEA rate for the factor-driven economies is almost double that for the innovation-driven economies (16.4% compared to 9.2%) – same as in 2016</li> <li>Most entrepreneurs around the world are opportunity-driven (close to 75%) – same as in 2016</li> <li>Ratio of female to male TEA is 0.98 in factor-driven economies, 0.76 in efficiency-driven economies and 0.63 in innovation-driven countries</li> <li>The highest female TEA by necessity (% of female TEA) is in efficiency-driven economies (30.9%) and not in factor-driven economies as it was the case in 2016. This rate is only 19.1% in innovation-driven economies</li> <li>The highest prevalence of entrepreneurial activity is among those aged 25–34 years and 35–44 years across all three development phases</li> </ul> <p><b>ESTABLISHED BUSINESS (EB)</b></p> <ul style="list-style-type: none"> <li>In 2017, the average rate of established businesses for the factor-driven economies is almost double that for the innovation-driven economies (15.7% compared to 6.8%)</li> </ul> <p><b>BUSINESS DISCONTINUANCE</b></p> <ul style="list-style-type: none"> <li>In factor- and efficiency- driven economies: 5.4%, compared to 3.6% in innovation-driven countries</li> <li>Lack of business profitability is the prevalent reason for discontinuance since 2015. In 2017,             <ul style="list-style-type: none"> <li>38.7% of cases in efficiency-driven</li> <li>26.4% of cases in innovation-driven economies</li> <li>21.6% of cases in factor-driven countries.</li> </ul> </li> </ul> <p><b>ENTREPRENEURIAL EMPLOYEE ACTIVITY (EEA)</b></p> <ul style="list-style-type: none"> <li>EEA rates are higher in innovation-driven economies (5.1%) in comparison with factor-driven and efficiency-driven economies (1.4% and 1.9% respectively)</li> </ul>	<ul style="list-style-type: none"> <li>Latin America and the Caribbean: highest TEA rates (18.5%)</li> <li>North America: most opportunity driven entrepreneurs (82%)</li> <li>North America: highest motivational index (5.2)</li> <li>Ecuador: highest TEA (30.6%)</li> <li>Latin America and the Caribbean: highest average female TEA rate (17%)</li> <li>Factor-driven countries: highest level of youth entrepreneurship (close to 16%)</li> <li>Latin America and the Caribbean: highest level of youth entrepreneurial activity (16.5%)</li> <li>Africa: highest established business rate (11.9%)</li> <li>Lebanon: highest EB rate (33.2%)</li> <li>Egypt: highest discontinuance rate (close to 10%)</li> <li>Lebanon: highest discontinuance rate because of a lack of profitability (70.9%)</li> <li>North America: highest EEA rate (7.9%)</li> <li>Estonia: highest EEA (9.1%)</li> </ul> <ul style="list-style-type: none"> <li>Europe: lowest TEA rate (8.1%)</li> <li>Factor-driven economies: lowest average opportunity-motivation</li> <li>Africa: lowest motivational index (1.5)</li> <li>Bulgaria and Bosnia Herzegovina: lowest TEA (less than 5%)</li> <li>Europe: lowest average female TEA rate (6%)</li> <li>Innovation-driven: lowest level of youth entrepreneurship (close to 8%)</li> <li>Europe: lowest TEA for youth entrepreneurship (7.3%)</li> <li>Europe and North America: lowest EB rates: (7%)</li> <li>Africa: lowest EEA rate (0.9%)</li> <li>Morocco and South Africa: lowest EEA (0.5%)</li> </ul>

Part	Key Findings	Highest   Lowest
IMPACT OF ENTREPRENEURIAL ACTIVITY	<b>JOB CREATION EXPECTATIONS</b> <ul style="list-style-type: none"> <li>Job expectation patterns in efficiency-driven and innovation-driven economies in 2017 are almost the same as in 2016</li> <li>In factor-driven economies, job expectations worsened significantly:</li> <li>55% do not expect job creation (compared to 47% in 2016)</li> <li>21% expect to create 1 to 5 jobs (compared to 30% in 2016)</li> </ul>	<ul style="list-style-type: none"> <li>Highest expectation for medium to-high growth in the number of jobs</li> <li>Economic group: Innovation-driven countries (22.2%)</li> <li>Region: North America (29.5%)</li> <li>Country: USA (38.6%)</li> <li>Highest innovation intensity</li> <li>Region: North America (39.6%)</li> <li>Country: Luxembourg (57.1%)</li> </ul>
	<b>INNOVATION</b> <ul style="list-style-type: none"> <li>Entrepreneurs in innovation-driven economies are considerably more innovative (31.2% consider their products new to the market and within their respective industries) – compared to only 21% in factor-driven countries (same trends as in 2016)</li> </ul>	<ul style="list-style-type: none"> <li>Lowest expectation for medium to-high growth in the number of jobs <ul style="list-style-type: none"> <li>Economic Group: Factor-driven (11.3%)</li> <li>Region: Africa (17%)</li> </ul> </li> <li>Lowest innovation intensity <ul style="list-style-type: none"> <li>Region: Latin America and the Caribbean (22.9%)</li> <li>Country: Panama (8.5%)</li> </ul> </li> </ul>
INDUSTRY SECTOR	<p>GEM assesses the intensity of entrepreneurship activity measured by TEA in the top ten industries, which are then clustered in five groups. The most prevalent industry sectors in:</p> <ul style="list-style-type: none"> <li>Factor-driven economies: Wholesale / retail (55%)</li> <li>Efficiency-driven economies: Wholesale / retail (51%)</li> <li>Innovation-driven economies: ICT and Finance, Professional and other services (50%)</li> </ul>	<ul style="list-style-type: none"> <li>Wholesale / retail activity:</li> <li>Highest region: Latin America and the Caribbean (55.7%)</li> <li>Highest country: Malaysia (78.4%)</li> <li>Lowest: North America (21.6%)</li> <li>ICT and Finance, Professional and other services activity:</li> <li>Highest region: North America (60.8%)</li> <li>Highest country: The Netherlands (11.8%) in ICT, Japan (14.4%) in Finance, Sweden, Canada and Italy (20%) in professional services, Croatia (12.9%) in administrative services, Sweden (8.8%) in consumer/personal services and Switzerland (33.8%) in health, education, government and social services</li> <li>Lowest: Africa (15.5%)</li> <li>Europe has the highest activity in manufacturing (8.3%)</li> <li>Africa has the highest activity in agriculture (12.6%)</li> </ul>

Part	Key Findings	Highest   Lowest
INDUSTRY SECTOR	<p>Entrepreneurial framework conditions are better evaluated in innovation-driven economies than in other economies</p> <p>Factor-driven economies are leading in internal market dynamics and relevance of government policies for entrepreneurship</p> <p>Globally, education at school stage, government policies related to taxes and bureaucracy and R&amp;D transfer have a more hindering than stimulating impact on entrepreneurial activity in 2017 as was the case in 2016 (with average scores below 4)</p>	<p><b>REGION PERSPECTIVE</b></p> <ul style="list-style-type: none"> <li>North America has the most supportive entrepreneurial framework conditions</li> <li>Africa, Latin America and the Caribbean have the least favourable entrepreneurship environment</li> </ul>
	<p>Constraining components (rated very low at less than 4.0) in</p> <ul style="list-style-type: none"> <li>Factor-driven economies: R&amp;D transfer, entrepreneurship education at school age, government entrepreneurship programs and government policies on taxes and bureaucracy</li> <li>Efficiency-driven economies: Internal market burdens or entry regulations, R&amp;D transfer, entrepreneurship education at school stage, government programs, government policies on taxes and regulation and relevance of government policies</li> <li>Innovation-driven economies: entrepreneurship education at school stage</li> </ul>	<p><b>COUNTRY PERSPECTIVE</b></p> <p>Five top-ranking countries that reported the highest values for the 12 ecosystem components:</p> <ol style="list-style-type: none"> <li>The Netherlands: 10 out of 12</li> <li>Indonesia: 9 out of 12</li> <li>The UAE: 6 out of 12</li> <li>Estonia: 6 out of 12</li> <li>Switzerland: 4 out of 12</li> </ol> <p>Countries that need to address as much as 4 to 7 ecosystem components are:</p> <ol style="list-style-type: none"> <li>Croatia</li> <li>Egypt</li> <li>Iran</li> <li>Morocco</li> <li>Puerto Rico</li> <li>South Africa</li> <li>Uruguay</li> </ol>





# INTRODUCTION TO THE REPORT

## THE UAE IN BRIEF

Situated in the Southeast of the Arabian Peninsula, bordering Oman and Saudi Arabia, the United Arab Emirates was created in December 1971 through the federation of six emirates - Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al-Quwain, and Fujairah, while the seventh emirate, Ras Al Khaimah, joined the federation in 1972. The capital city is Abu Dhabi, located in the largest and wealthiest of the seven emirates, Abu Dhabi.



The UAE has undergone a profound transformation since the 1960s to become a modern state with a high standard of living. The UAE has 6% of the world's proven crude oil reserves with about 98 billion barrels and the seventh largest proven natural gas reserves with 6,091 billion cu. m. In 2016, petroleum exports were US\$45 billion compared to US\$52 billion in 2015.<sup>18</sup> The UAE is now one of the wealthiest countries on a per capita basis. In 2017, the International Monetary Fund (IMF) estimates the UAE GDP per capita to be approximately USD\$40,100.<sup>19</sup>

According to the same source, the UAE GDP in 2017 is USD\$407 billion and the growth rate is forecasted by the World Bank to be 2% before a modest recovery to +3% in 2018.<sup>20</sup> According to Euler Hermes Economic Research country report published in 2017, there are some downward pressures on the UAE economy, including the extension of the OPEC deal to limit oil production until March 2018, announced in May 2017. Starting from 2018, with the expected recovery in oil prices, which will improve liquidity and bolster business sentiment in the medium term, growth will be accelerated by Expo 2020 investments and the increase in the global trade momentum.<sup>21</sup>

Net annual foreign direct investment inflows were expected to continue growing in 2017 compared to 2016, which according to the statistics released by UNCTAD, were 9.0 billion USD\$ compared to 8.8 billion USD\$ in 2015. This ranks the UAE second after Turkey in the West Asia region and first in the GCC whereby the country acquired about 50% of the GCC inflows investment estimated at 17.9 billion dollars. According to the World Bank UAE Economic Outlook published in October 2017, the average rate of inflation increased slightly to 2.2 percent in 2017 from 1.6 percent in 2016 partly reflecting utility and gasoline price adjustments, and higher imported inflation, in addition to an uptick in activity.<sup>22</sup> Finally, according to the World Bank and the International Labour Organization (ILO), in 2017 the UAE still has one of the lowest rates of unemployment in the entire region (3.7%), with the male unemployment rate at 2.8% and female unemployment is 9.6%.<sup>23</sup>

<sup>18</sup> [http://www.opec.org/opec\\_web/en/about\\_us/170.htm](http://www.opec.org/opec_web/en/about_us/170.htm)

<sup>19</sup> <https://www.imf.org/external/pubs/ft/weo/2016/02/weodata/index.aspx>

<sup>20</sup> <https://data.worldbank.org/country/united-arab-emirates>

<sup>21</sup> <http://www.eulerhermes.com/economic-research/blog/EconomicPublications/uae-country-report-jun17.pdf>

<sup>22</sup> <http://www.worldbank.org/en/country/gcc/publication/united-arab-emirates-economic-outlook-october-2017>

<sup>23</sup> [http://www.economy.gov.ae/EconomicalReportsEn/MOE%20Annual%20Report%202017\\_English.pdf](http://www.economy.gov.ae/EconomicalReportsEn/MOE%20Annual%20Report%202017_English.pdf)

## UAE VISION 2021, NATIONAL AGENDA AND ENTREPRENEURSHIP

In 2010, the UAE Vision 2021 “United in Ambition and Determination” was launched with goal of making the UAE among the best countries in the world to live, work, and do business. Transforming the economy into a competitive knowledge-based economy is one of the six priorities identified in the agenda; it places a strong emphasis on promoting innovation, research and development (R&D), strengthening the regulatory framework for key sectors, and encouraging high value-adding sectors. The

UAE government also specifically recognized that entrepreneurship plays a key role in driving economic development. In particular, the Vision aimed to make the UAE among the best countries in the world for entrepreneurship by both encouraging UAE Nationals to be the driving force of economic development through small, medium enterprises (SMEs), and by serving as a magnet for entrepreneurs from throughout the region and the world who would like to start or scale businesses.



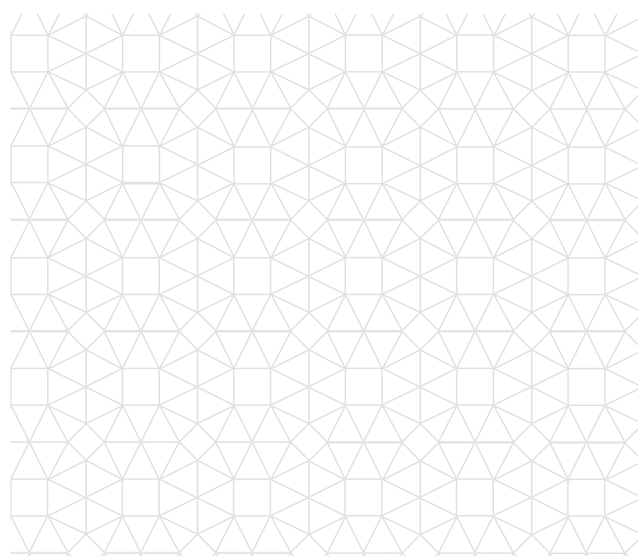
## FROM 2015, THE YEAR OF INNOVATION TO 2017, THE YEAR OF GIVING

The UAE government has embraced innovation as a national priority. 2015 was declared the “Year of Innovation” during which a “National Strategy for Innovation” was announced. The National Strategy for Innovation is aimed at embedding a culture of innovation amongst individuals, companies and governments in seven key innovation sectors, specifically renewable energy, transportation, education, health, water, technology, and space.<sup>24</sup> To turn this strategy into reality, a AED300 billion “Emirates Science, Technology and Innovation Higher Policy” budget was established to foster sustainable innovation based on science and technology in an attempt to build a true knowledge-based economy. Of this amount, AED200 billion was dedicated to alternative energy, AED40 billion to aviation research, AED20 billion to the space industry, AED31 billion to science research, and AED12 billion to innovation incubator and academic research centres.<sup>25</sup> In an initiative of the Federal Government, the Ministry of Finance launched the “Sheikh Mohammed bin Rashid Al Maktoum Fund to Finance Innovation”, worth AED2 billion, to support resident individuals and

companies (of all sizes) registered in the UAE, provided that they offer unique and innovative ideas whether they be technologies, products, services and processes.<sup>26</sup>

From this auspicious start, many significant initiatives have followed, mainly from the Emirate of Dubai. In 2016, Dubai Future Foundation (DFF) was launched to play a pivotal role in shaping the future of Dubai. This, along with the Dubai Future Agenda, which acts as a roadmap for the Foundation, has the medium and long-term goals of shaping strategic sectors in cooperation with government and private sector entities. After the “Museum of the Future”,<sup>27</sup> the Dubai Future Accelerators programme,<sup>28</sup> and Dubai 3D Printing Strategy,<sup>29</sup> all launched in 2016, the DFF continued launching new initiatives in 2017, such as the Mohammed bin Rashid Centre for Accelerated Research, which was founded to pioneer a new way in accelerating scientific progress. The Centre accelerates the scientific funding process and lets the best young researchers around the world focus on the most important opportunities of the 21st Century.

**The National Strategy for Innovation is aims to embed a culture of innovation amongst individuals, companies and government**



<sup>24</sup> <http://www.uaeinnovates.gov.ae/docs/default-source/pdfs/national-innovation-strategy-en.pdf?sfvrsn=2>

<sup>25</sup> [http://www.investuae.com/wp-content/uploads/2017/03/Invest-UAE\\_EE\\_digital.pdf](http://www.investuae.com/wp-content/uploads/2017/03/Invest-UAE_EE_digital.pdf)

<sup>26</sup> <https://www.mof.gov.ae/En/About/programsProjects/Pages/MohamedBinRashidInnovationBox.aspx>

<sup>27</sup> <http://motf.ae>

<sup>28</sup> <http://www.dubaifuture.gov.ae/our-initiatives/dubai-future-accelerators/>

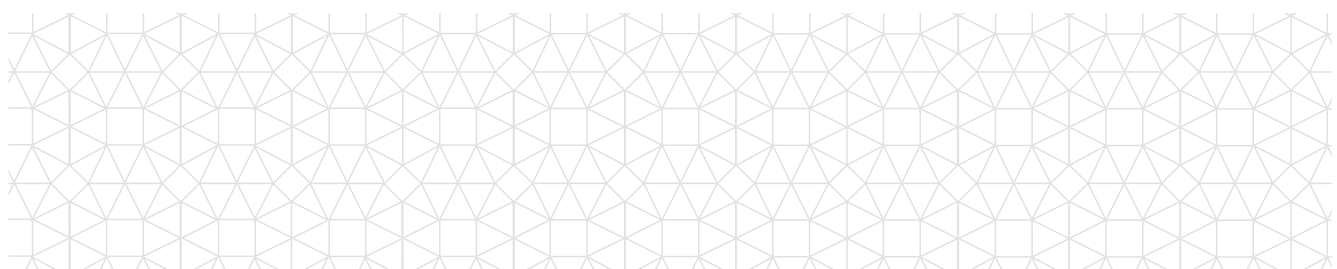
<sup>29</sup> <http://www.dubaifuture.gov.ae/our-initiatives/dubai-3d-printing-strategy/>



The centre's first challenge focuses on radical ideas for space settlement.<sup>30</sup> AREA 2071 is another initiative launched by DFF in 2017. It is designed to help both the next generation of Emirati innovators and the best talent from across the world direct the revolutionary changes happening in the world towards addressing human needs.<sup>31</sup> Dubai 10X is another initiative of the DFF launched in 2017 to make Dubai think out of the box and always being 10 years ahead of other cities.<sup>32</sup> Smart Dubai is an initiative under the umbrella of Smart Dubai Office, whose vision is to make Dubai the happiest city on earth by empowering, delivering and promoting an efficient, seamless, safe and impactful city experience for residents and visitors. The major initiatives of Smart Dubai are: the happiness Meter, smart district guidelines, smart Dubai index, Dubai data, smart Dubai platform and Dubai Blockchain.<sup>33</sup> Mohamed bin Rashed Al Maktoum Global Initiatives continue supporting entrepreneurship and innovation for the future, empowering communities, spreading knowledge and combatting poverty. By 2025, it is expected that the entrepreneurship and innovation for the future initiative would have supported and incubated 5,000 innovators across the region, AED5.5 billion would have been invested in creating innovation incubators, 500,000 job opportunities would have been created by the companies supported by the initiative and 50,000 young entrepreneurs would have been trained and supported.<sup>34</sup> As part of the Mohammed bin Rashid Al Maktoum Global Initiatives (MBRGI) foundation, His Highness Sheikh Mohammed bin Rashid Al Maktoum has

launched in October 2017 the One Million Arab Coders initiative, which seeks to equip young Arabs with the tools to build their future, starting with fluency in coding and programming. It will also provide Arabs with employment opportunities and empower them with the skills needed to contribute to the development of the digital economy.<sup>35</sup>

On the Federal level, since the establishment of the Mohammed bin Rashid Centre for Government Innovation in 2014 to stimulate the culture of innovation within the government sector and to make the UAE one of the most innovative governments around the world, many initiatives have been launched. In partnership with the University of Cambridge in the UK, an innovation diploma was launched in 2015 to support the government plan to prepare a generation of innovative CEOs in the government entities.<sup>36</sup> The other major initiatives are: government innovation labs,<sup>37</sup> Ibtikar talks,<sup>38</sup> Afkari, which aims to support and fund innovative ideas of federal government employees that will contribute to the development of government services in the ministries and entities. Since 2015, the UAE has created a new post for every government department titled "CEO of Innovation", launched the UAE Innovation Week, which became the UAE Innovation Month since 2017. As part of Dubai Internet City (DIC), Tecom Group is establishing a new huge 1.8 million square feet township called Innovation Hub to facilitate idea creation, networking, knowledge sharing and dynamic industry events. Phase 1 of the project should be delivered in 2017 and the project is expected to be completed in 2019.<sup>39</sup>



<sup>30</sup> <http://www.mbrfutureresearch.ae/en/>

<sup>31</sup> <https://www.area2071.ae>

<sup>32</sup> <http://dubai10x.ae/about-dubai-10x/>

<sup>33</sup> <http://www.smartdubai.ae/index.php>

<sup>34</sup> <http://www.almaktouminitiatives.org/en/entrepreneurship-innovation>

<sup>35</sup> <http://www.arabcoders.ae/en/>

<sup>36</sup> <https://www.mbrcgi.gov.ae/PSID.html>

<sup>37</sup> <https://www.mbrcgi.gov.ae/government-innovation-labs.html>

<sup>38</sup> <https://www.mbrcgi.gov.ae/ibtikar-talks.html>

<sup>39</sup> <http://www.dic.ae/innovation-hub/>



## 2016 WAS DECLARED THE YEAR OF READING

2016 was declared the year of reading and starting from 2017, March was declared to be the UAE month of reading. This has been supported with a AED100 million fund, backed by H.H. Sheikh Mohammed bin Rashid Al Maktoum, and the National Reading Policy, which includes the 10-year strategy to implement a strong reading culture across the country. This includes 30 main national initiatives sectors including education, health, culture, social development and the media and content industries. The policy also includes a UAE National Reading Law, which aims to ensure the sustainability of all government efforts to consolidate reading in the UAE for all ages, as well as identify the key responsibilities of government agencies in the field.

## 2017 WAS DECLARED BY THE UAE AS THE YEAR OF GIVING

2017 was declared by the UAE as the Year of Giving with the launching of the UAE National Strategy for the Year of Giving, a comprehensive plan to institutionalize humanitarianism in the public and private sectors, focused on three key pillars: Corporate Social Responsibility (CSR), Volunteering, and Serving the Nation. The strategy aims to establish the UAE as the most philanthropic country in the world. A legislative framework has been developed to provide tools in order to achieve the vision, mission and general objectives of the National Strategy. Many initiatives have followed in each pillar. For instance, the CSR related initiatives include “CSR National Statistics, Index and Annual Celebration of CSR Results”, whereby periodical data and statistics will be collected

about the state of CSR in the UAE, an annual index of the percentage of contribution to projects and initiatives by companies across the UAE will be announced in an annual event; “CSR Mandatory Disclosure”, which is a framework requiring all private sector companies and establishments renewing their trade license to disclose their CSR initiatives and contributions; and “Responsible Procurement”, which is a percentage of government contracts will be dedicated to private sector companies and contractors that excel in CSR. The major volunteerism related initiatives include “The National Strategy for Volunteerism 2021” to bring the UAE to become a philanthropy leader both regionally and globally by 2021; “The National Volunteer Training Programme”, which trains volunteers in various fields and enable them refine their skills; “Volunteerism Mandatory Disclosure assorted with Incentives”, according to which companies are required to disclose their contributions to volunteering, with regard to how many employees they have and the total number of volunteer hours they accumulated per annum; and an “Annual Volunteer Event” for volunteers and institutions. In the third pillar, youth are an important target and are provided a suitable environment to evolve their talents, and to serve their country in various sectors and fields. Initiatives include “Pioneers of Goodness”, which aims at creating and preparing young Emiratis to be social media pioneers, so that they may promote the values of goodness and giving and “The Nation’s Role Models”, which seeks to highlight the honourable members of society who set an ideal example of serving their nation, as doctors, engineers, teachers, directors, or even students, who have led distinctive national initiatives or adopted a pioneering idea in this field.

By assigning specific policies for both the public and private sectors, the UAE creates huge opportunities for entrepreneurs to start businesses. The UAE also fosters a nurturing ecosystem to help entrepreneurs pursue the increasing opportunities created.



## A NURTURING ENTREPRENEURSHIP AND INNOVATION ECOSYSTEM

The country is considered today as one of the most welcoming business environments in the world. The UAE enjoys political and social stability with established method of succession. It has a strategic location, serving as a gateway to the growing markets in the Middle East, Africa and South Asia. It also offers a great deal of security and stability. **According to the 2017 Social Progress Index, the UAE has the lowest levels of violent crime in the world.** The World Bank ranks the UAE in the top quarter of countries worldwide for “political stability and absence of violence and terrorism”.<sup>40</sup> To strengthen Dubai’s position as a world leader in innovation, safety and security, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the United Arab Emirates, and Ruler of Dubai, launched in June 2017 the “Dubai Cyber Security Strategy”. The same year, the 10th cyber defence summit was organized in Dubai.

**The 2018 Doing Business report ranks the UAE 21st among the 190 surveyed countries** (first in the MENA region). The UAE ranks first globally for the ease of getting electricity and for paying taxes. The report shows that it takes 4 procedures (5 for women), 8 days (9 for women) and 13.4% of the income per capital to start a business in the UAE, while entrepreneurs in the MENA region need in average 8 procedures, 19 days, 18.7% of income per capita and a minimum of capital that represents almost 10% of the income per capita to start a business.<sup>41</sup> The report highlights the reforms made by the UAE in 2017 to make it easier to do business: (1) Dealing with Construction Permits: The UAE strengthened construction quality control by imposing stricter qualification requirements for professionals reviewing drawings. It also reduced the time and cost to obtain a building permit by eliminating a procedure; (2) Getting Electricity: The UAE made getting electricity easier by streamlining the connection process

and eliminating interactions between the customer and the utility to obtain external works. Getting electricity was also made less costly by the elimination of the security deposit for connections under 150 kVA; (3) Getting Credit: The UAE improved access to credit information by starting to provide consumer credit scores to banks and financial institutions; and finally (4) Resolving Insolvency: The UAE made resolving insolvency easier by adopting an insolvency law that introduces a reorganization procedure and facilitates continuation of the debtor’s business during insolvency proceedings. A case study on the newly adopted bankruptcy law is included in this report.

The Global Innovation Index (GII) measures the openness and readiness of countries’ economies for innovation. In 2017, the UAE ranked 35<sup>th</sup> (41<sup>st</sup> in 2016) out of 127 economies, third in the Northern Africa and Western Asia and first in the MENA region. The UAE ranked 23<sup>rd</sup> (25<sup>th</sup> in 2016) for the Innovation Input Sub-Index; 56<sup>th</sup> (75<sup>th</sup> in 2016) for the Innovation Output Sub-Index; and 104<sup>th</sup> (117<sup>th</sup> in 2016) for the efficiency ratio. The report highlights the following as areas of strength: Ease of paying taxes (1<sup>st</sup>), tertiary inbound mobility (1<sup>st</sup>), electricity output and logistics performance in the infrastructure condition (10<sup>th</sup> and 13<sup>th</sup> respectively), ease of protecting minority investors (9<sup>th</sup>), intensity of local competition (8<sup>th</sup>), GERD financed by business (4<sup>th</sup>), state of cluster development (2<sup>nd</sup>), ICTs and business model creation (10<sup>th</sup>), ICTs and organizational model creation (13<sup>th</sup>). However, the main challenges besides the low innovation efficiency ratio, ease of resolving insolvency (92<sup>nd</sup>), gross capital formation (84<sup>th</sup>), ease of getting credit (84<sup>th</sup>), ICT services imports (92<sup>nd</sup>), patents by origin (114<sup>th</sup>), scientific and technical articles (106<sup>th</sup>), high-tech exports less re-exports (95<sup>th</sup>), trademarks by origin (101<sup>st</sup>), and industrial designs by origin (102<sup>nd</sup>). Overall, the UAE still suffers weakness in knowledge and technology outputs as well as creative outputs, which deteriorates the efficiency ratio (input to output).

**The 2018 Doing Business report ranks the UAE 21<sup>st</sup> among the 190 surveyed countries**

<sup>40</sup> <https://www.naseba.com/content-hub/topic/women/uae-prime-destination-entrepreneurs-investors/>



Published by the World Economic Forum, the Global Competitiveness Report (GCR) ranks countries based on the Global Competitiveness Index. Covering 137 economies in 2017, the UAE rank is 17<sup>th</sup> (16<sup>th</sup> in 2016). The UAE leads the Arab World in terms of competitiveness, but it loses one place as other countries post even larger gains. The report attributes the position of the UAE to the resilience of its economy, in part due to increased diversification, which is reflected in its strengthening macroeconomic environment and its ability to weather the double shock of lower oil and gas prices and reduced global trade. Although

the IMF predicted the GDP growth to drop to 1.3% in 2017, non-oil growth is expected to pick up, suggesting that the country's diversification strategy is bearing fruit. The report recommends speeding up progress in terms of spreading the latest digital technologies (36<sup>th</sup>) and upgrading education (36<sup>th</sup>) to further increase the UAE competitiveness. The UAE ranks 94<sup>th</sup> and 87<sup>th</sup> respectively for tertiary education and primary education enrolment components. Considering the areas for improvement for doing business "access to financing" is the most challenging, followed by "inflation", "inadequately educated workforce", and "restrictive labour regulations".

**The Global Competitiveness Report (GCR) ranks countries based on the Global Competitiveness Index. Covering 137 economies in 2017, the UAE rank is 17<sup>th</sup>**

**The Global Innovation Index (GII) measures the openness and readiness of countries' economies for innovation. In 2017, the UAE ranked 35<sup>th</sup>**

<sup>41</sup> <https://www.naseba.com/content-hub/topic/women/uae-prime-destination-entrepreneurs-investors/>

## THE SME POLICY

According to Ministry of Economy, the SME sector represents more than 94% of the total number of companies operating in the country (95% in Dubai) and provides jobs for more than 86% of the private sector's workforce (42% in Dubai). In Dubai alone, SMEs contribute around 40% to Dubai's GDP.<sup>42</sup> Federal Law No. 2 of 2014 on SMEs (the "SME Law") came into force in June 2014, specifically introducing interventions to support the development of locally owned SMEs in the UAE. One important aspect of this law is the unified definition of a SME (in Cabinet Resolution No. 22 of 2016), which standardized their identification and hence presumably standing with existing UAE legislation, as well as an SME Council to promote UAE SMEs. Another aspect of the law establishes a "National Programme for SMEs" that gives registered SMEs various benefits, such as reduced licensing fees, simpler business procedures, and expertise, technical support and training. The SME Law also exempts SMEs from customs tax for equipment, raw materials, and goods for production purposes, as well as the obligation to pay bank guarantees for each new worker.

### Federal Law No. 2 of 2014 on SMEs (the "SME Law") came into force in June 2014, specifically introducing interventions to support the development of locally owned SMEs in the UAE

This law also mandates federal government entities to source 10% of their procurement requirements from SMEs, as well as obliging firms in which the government holds more than a 25% stake to give at least 5% of their contracts to SMEs. Furthermore, the Emirates Development Bank (EDB) must ensure that at least 10% of its

loans are directed to SMEs. In 2017, the Central Bank of the UAE issued draft rules aimed at getting banks to lend more to small and medium-sized enterprises (SMEs) after some lenders had cut their exposure to such companies or raised their charges further to huge provisions they have passed against bad debts, much of it relating to SMEs. The Central Bank urged all banks to have a dedicated unit in place for SME lending, steered by an SME lending strategy and policy. Also, it required banks not to impose "unreasonable collateral requirements" in return for lending and to provide an explanation to the Central Bank in cases where lending to SMEs falls below their target.<sup>43</sup>

### Expo 2020 Dubai underscored its commitment to SMEs through its pledge to allocate 20% of its total direct and indirect spend, representing more than AED5 billion [USD\$1.36 billion] in contracts, to local and international SMEs

Encouragingly this law has also created a trend for other SME supportive initiatives. For instance, in 2016, Expo 2020 Dubai underscored its commitment to SMEs through its pledge to allocate 20% of its total direct and indirect spend, representing more than AED5 billion [USD\$1.36 billion] in contracts, to local and international SMEs.<sup>44</sup> Other regulations reflect the strong commitment of the UAE government to provide entrepreneurs with a friendly regulatory environment. For example, Federal Law No. 4 of 2012 (the Competition Law) prohibits certain anti-competitive practices gives advantages to SMEs through exemptions.

<sup>42</sup> <https://www.government.ae/en/information-and-services/business/crowdfunding/the-impact-of-smes-on-the-uae-economy>

<sup>43</sup> <http://gulfnews.com/business/sectors/banking/uae-central-bank-drafts-rules-pushing-banks-to-lend-to-smes-1.1979798>

<sup>44</sup> <http://www.usuaebusiness.org/u-s-u-a-e-business-council-hosts-expo-2020-dubai-officials-in-new-york-city/>



## REGULATION AND TAXATION

Although the UAE government had been formally considering amendments to the insolvency regime since 2009, it was only in 2016 that the Federal Decree Law on Bankruptcy (No. 9 of 2016) was issued and came into force. Its most important provisions represent a step forward for the UAE's insolvency regime, notably including the removal of the criminal offence of bankruptcy by default, criminal involvement in matters relating to bounced cheques, and a new threshold and requirement for creditor-initiated insolvency proceedings. Previously, the difficulty in liquidating companies, and the fact that individuals could face criminal action if they defaulted on debt, has led expatriates sometimes to flee the country instead of facing imprisonment.<sup>45</sup>

### In 2016, the Federal Decree Law on Bankruptcy (No. 9 of 2016) came into force

The taxation system in the UAE is also favourable for entrepreneurs. The UAE does not levy income tax on individuals and it offers companies a relatively low-tax operating environment and corporate taxes are levied only on oil companies and foreign banks. There are significant advantages to businesses registered within the 45 UAE free zones, 27 of which are in Dubai.<sup>46</sup> In these free zones, companies are exempted

from corporate tax for certain time (which can be extended), as well as exempted from import duties on goods brought into a trade zone. Besides the taxation advantages, companies in a UAE free zone can also circumvent the regulation mandating that UAE nationals own at least 51% of a UAE registered company. Despite these advantages, the free zones still restrict the ability of companies to operate in the UAE proper.<sup>47</sup> The UAE started levying Value Added Tax (VAT) from January 2018 at a rate of 5% with certain exemptions listed in Article 45 of the Federal Decree-Law no. (8) of 2017 on Value Added Tax. VAT provides the UAE with a new source of income, which will be utilized to provide high-quality public services. It will also help government move towards its vision of reducing dependence on oil and other hydrocarbons as a source of revenue. Businesses, which anticipate that the total value of their VATable supplies will exceed the mandatory registration threshold of AED375,000, are required to register for VAT with effect from January 1st, 2018 in accordance with the deadlines announced by the Federal Tax Authority. Failing to comply with the deadline might expose them to administrative penalties that could reach AED20,000.<sup>48</sup>

### The taxation system in the UAE is favourable for entrepreneurs

<sup>45</sup> [http://www.investuae.com/wp-content/uploads/2017/03/Invest-UAE\\_EE\\_digital.pdf](http://www.investuae.com/wp-content/uploads/2017/03/Invest-UAE_EE_digital.pdf)

<sup>46</sup> <http://www.uaefreezones.com>

<sup>47</sup> [http://www.investuae.com/wp-content/uploads/2017/03/Invest-UAE\\_EE\\_digital.pdf](http://www.investuae.com/wp-content/uploads/2017/03/Invest-UAE_EE_digital.pdf)

<sup>48</sup> <https://www.clydeco.com/insight/article/vat-two-urgent-action-points-for-uae-businesses>



# HOW TO READ THE UAE GEM REPORT

In this report, we continue using most of the comparator countries we used in 2016 but we replace Singapore by South Korea. To assist the reader, the following figure explains the structure of the report.

**Figure 7:** Structure of the 2017/18 report

## **CHAPTER 1: SOCIETAL VALUES AND INDIVIDUAL SELF-PERCEPTIONS ABOUT ENTREPRENEURSHIP**

Factors that encourage or hinder entrepreneurial activity which are related to societal values (section 1) and personal attributes in terms of individual self-perceptions about entrepreneurship. GEM Entrepreneurial Spirit Index (GESI), a composite index combining entrepreneurial awareness, opportunity perception and entrepreneurial efficacy is also presented (section 2).

## **CHAPTER 2: ENTREPRENEURIAL AND BUSINESS ACTIVITY IN THE UAE**

Total early activity, established businesses and discontinuance as well as employee entrepreneurial activity.

## **CHAPTER 3: ENTREPRENEURIAL ACTIVITY CHARACTERISTICS AND ASPIRATIONS**

Motivation to start a business (section 1), the sector in which the entrepreneurial activity is established (section 2), the number of owners involved (section 3) and the impact measured through job creation and aspirations (section 4).

## **CHAPTER 4: INNOVATION AND COMPETITIVENESS**

Levels of innovation, competitiveness and internationalization related to the entrepreneurial activity.

## **CHAPTER 5: UAE ENTREPRENEUR PROFILE**

The characteristics of the typical entrepreneur in the UAE.

## CHAPTER 6: INFORMAL INVESTMENT ACTIVITY

The status of informal investment in the UAE in terms of volume and the characteristics of the adult population acting as informal investors and their relationship with the beneficiaries.

## CHAPTER 7: PERCEIVED QUALITY OF ENTREPRENEURIAL ECOSYSTEM

The perceived quality of the entrepreneurship ecosystem conditions by the national experts, the main constraints and supports for entrepreneurial activity, as well as their major recommendations. At the end of this chapter we also present the new NES composite index (pilot).

Each chapter begins with an introductory section presenting an overview and the major related GEM indicators. We then present a comparison of the UAE results to comparator countries.<sup>49</sup> The third section presents temporal evolution of the indicators throughout the period when GEM was active in the UAE (2006, 2007, 2009, 2011, 2016 and 2017). The fourth section is deeper analysis considering additional factors such as the residency status (nationals and expats), gender, age, educational level and the region.

The report includes several case studies on important entrepreneurship related topics, regulatory reforms (legal environment for entrepreneurs' track), events / competitions that happened in 2017 as well as emerging ecosystem actors and role models in the entrepreneurial landscape.

1. **Topic:** entrepreneurship and wellbeing
2. **Regulatory reform:** Bankruptcy Law
3. **Competition:** Pitch@Palace UAE
4. **Emerging ecosystem players:** Sheraa
5. **Role models:** H.E. Sheikha Dr. Hind Bint Abdul Aziz Al Qassimi

<sup>49</sup> Throughout the report we systematically compare the UAE GEM indicators to GEM and innovation-driven economies averages. We also compare the UAE indicators to regional countries: Saudi Arabia (GCC) and Lebanon (MENA). In the innovation-driven economies group we compare the UAE to the Netherlands (for its similar size) and to Canada (for its relatively similar federal administrative system). The last country we use as comparator is South Korea for being an aspiring economic model for the UAE policy makers.







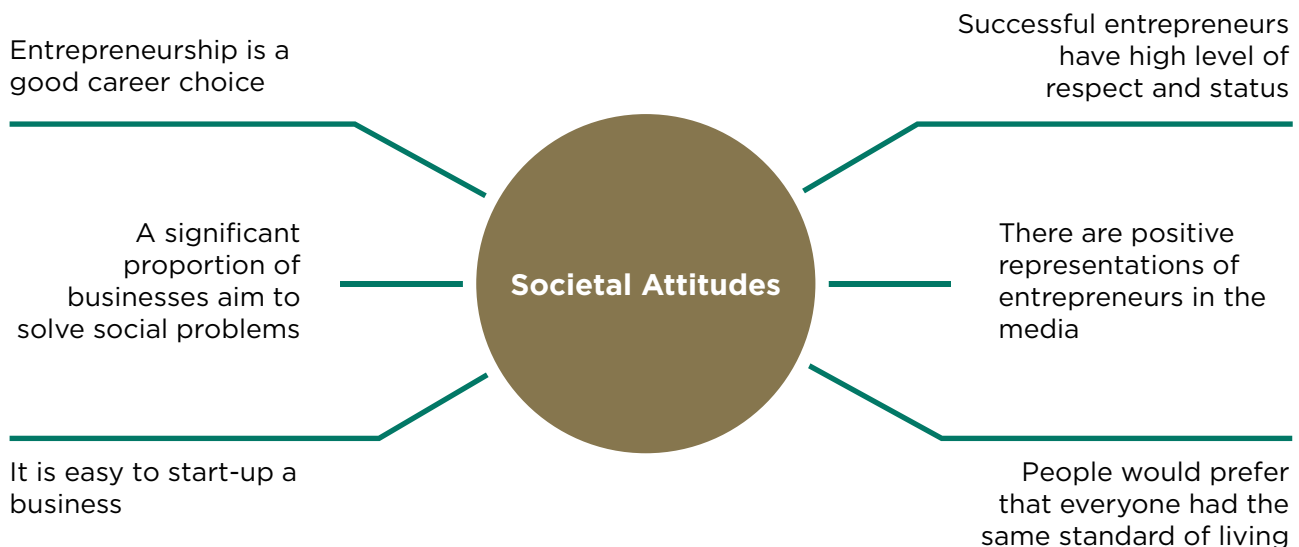


CH.

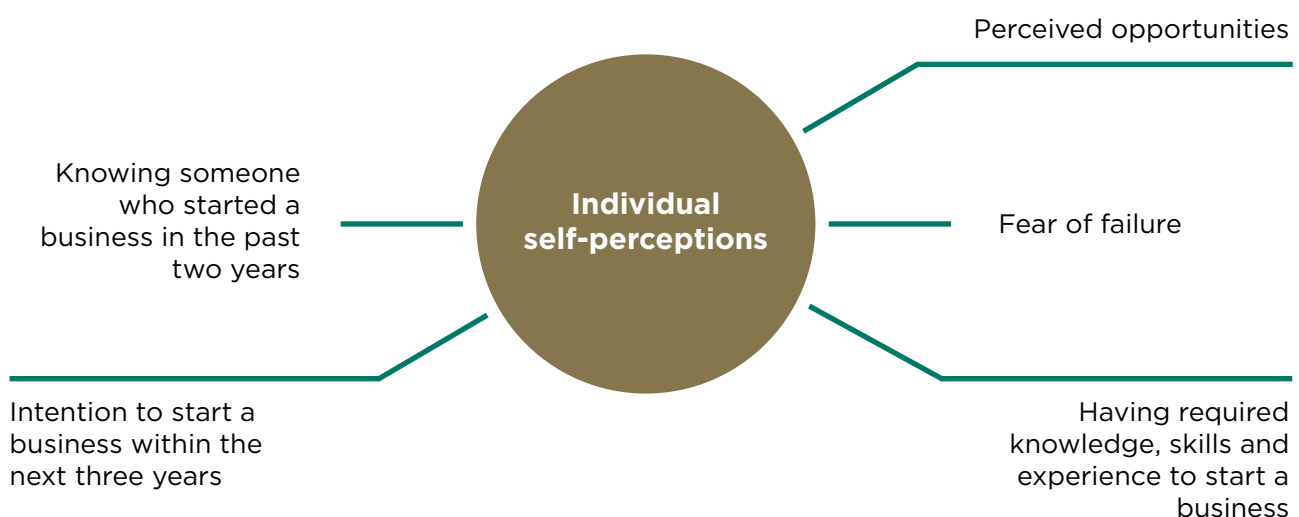
# 01

Societal Values  
and Individual Self-  
Perceptions about  
Entrepreneurship

To understand the rate of entrepreneurial activity in a country, the GEM framework considers societal values and attitudes of the population towards entrepreneurs as they affect entrepreneurial ambitions and the extent to which entrepreneurial activity will be supported. GEM assesses the extent to which people think entrepreneurship is a good career choice (1), whether they feel entrepreneurs are afforded high status (2), whether there are positive representations of entrepreneurs in the media (3), to what extent people think that their society has or not preference for competitive environments (4), to what extent they think it is easy to start up a business in their country (5), and to what extent they think a significant proportion of businesses takes as first aim solving social problems (6) (See section 1).



Besides societal attitudes, personal perceptions about entrepreneurship may influence whether one would consider starting a business. GEM assesses individual self-perceptions regarding whether people see opportunities around them (1), whether those seeing opportunities would feel constrained by fear of failure (2), whether they believe they can start a business (3), whether they know someone who started a business in the past two years (4), and whether they intend to do so within the next three years (4) (see section 2).





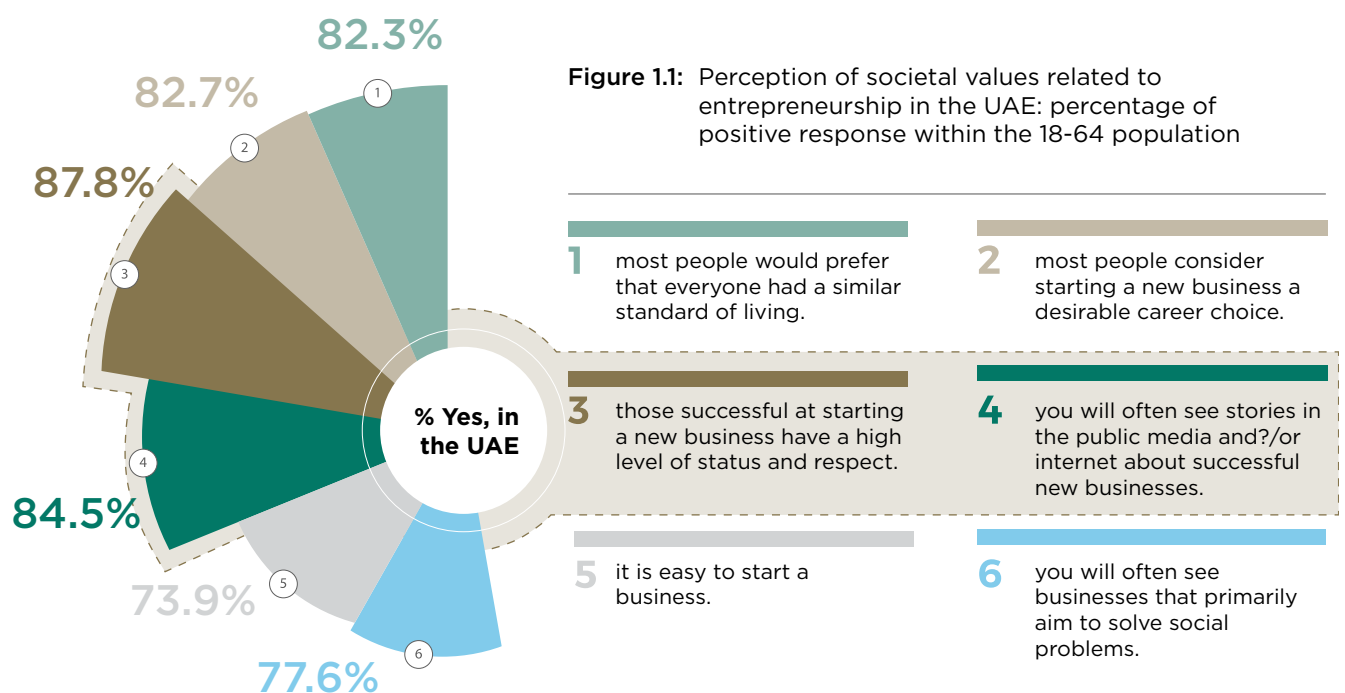
# GEM ENTREPRENEURIAL SPIRIT INDEX (GESI)

GEM Global report 2017/18 launched a new composite index, which combines three self-perception dimensions (entrepreneurial awareness, opportunity perception and entrepreneurial self-efficacy). The factor score is presented as a numerical value indicating a country's relative spacing or standing on the "entrepreneurial spirit" (the latent factor). The index and the GEM 2017 participating economies' ranking is presented at the end of this Chapter.

## 1.1 SOCIETAL VALUES

### GENERAL OVERVIEW

Results for 2017 indicate that a high proportion of the UAE adult population (82.7%) considers that starting a new business is a desirable career choice, and that those successful at starting a new business have high level of social status and respect (87.8%). People in the UAE also believe that public media and Internet present successful new businesses well (84.5%). The UAE adult population also shows a high proportion (72.8%) of people perceiving that some businesses have as first aim the solution of social problems. Furthermore, the UAE's adult population believes it is rather easy to start a new business (73.9%). However, the UAE's adult population also strongly prefers living in a non-competitive environment with 82.3% preferring that everyone had a similar standard of living.





## INTERNATIONAL POSITION

Overall, perceptions of entrepreneurship in the UAE are more favourable than most of the comparator countries.

In terms of perceiving entrepreneurship as a good career choice, the UAE scores highest (82.7%) among the comparative countries. In particular, it is slightly higher than the Netherlands (81.0%), and significantly higher than Saudi Arabia (67.9%), Canada (65.7%), Innovation-Driven Countries in general (57.6%) and the GEM average (62.5%).

Furthermore, people in the UAE have the highest rates of perceiving entrepreneurship as a high-status career (87.8%), followed at a distance by Canada (74.0%), and is well above the Innovation-Driven Country (69.9%) and GEM (68.5%) averages.

The UAE also has the highest perception (84.5%) of media and internet positive coverage of success, followed by Canada (76.5%) and Saudi Arabia (66.9%), which are all much higher than the Innovation-Driven Country (62%) and GEM (61%) averages.

However, the UAE has the lowest level of competition, with 82.3% preferring living in a non-competitive environment, compared to other countries, with only Canada (74.9%) being comparable.

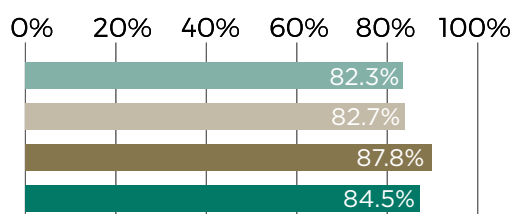
In contrast, most other countries are much more competitive and close to the GEM average (62.4%) and Innovation-Driven Countries average (61.5%), with Saudi Arabia the most competitive (60.6%).

**The UAE has the lowest level of competition, with 82.3% preferring living in a non-competitive environment, compared to other countries**

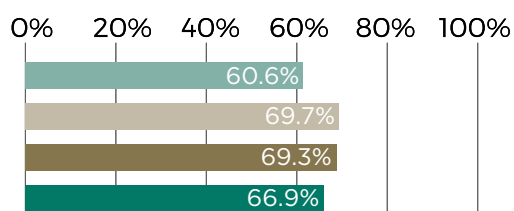


**Figure 1.2:** UAE international position about indicators on perception of societal values related to entrepreneurship

### 1 UAE

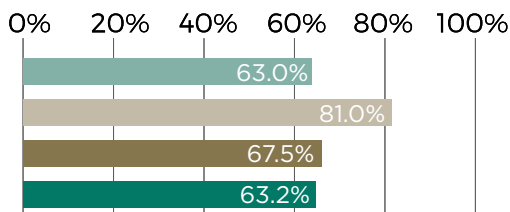


### 2 SAUDI ARABIA

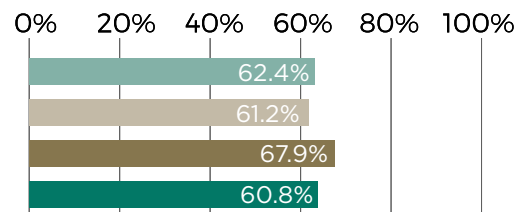




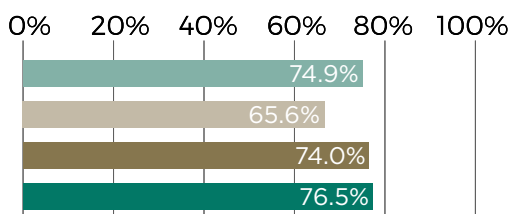
### 3 NETHERLANDS



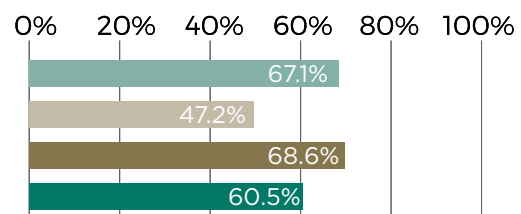
### GEM



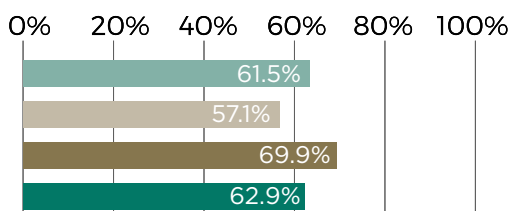
### 4 CANADA



### 5 SOUTH KOREA



### INNOVATION DRIVEN



- Preference for similar living standard
- Entrepreneurship good career choice
- Entrepreneurship has high status
- Media as echo of successful Entrepreneurship

Note: Lebanon did not ask the questions related to this topic.

## TEMPORAL EVOLUTION

The UAE previously participated in GEM in 2006, 2007, 2009, 2011 and 2016. The only indicator which has shown a clear change over this period is the desire for less competition and more similar standard of living, rising from the lowest in 2006 (39.4%) to a high of 85.6% in 2016, dropping to 82.3% in 2017.

Over the same period of study, most indicators have exhibited a U-shape – gently decreasing over the years before rising close to or exceeding their 2006 level in 2017.

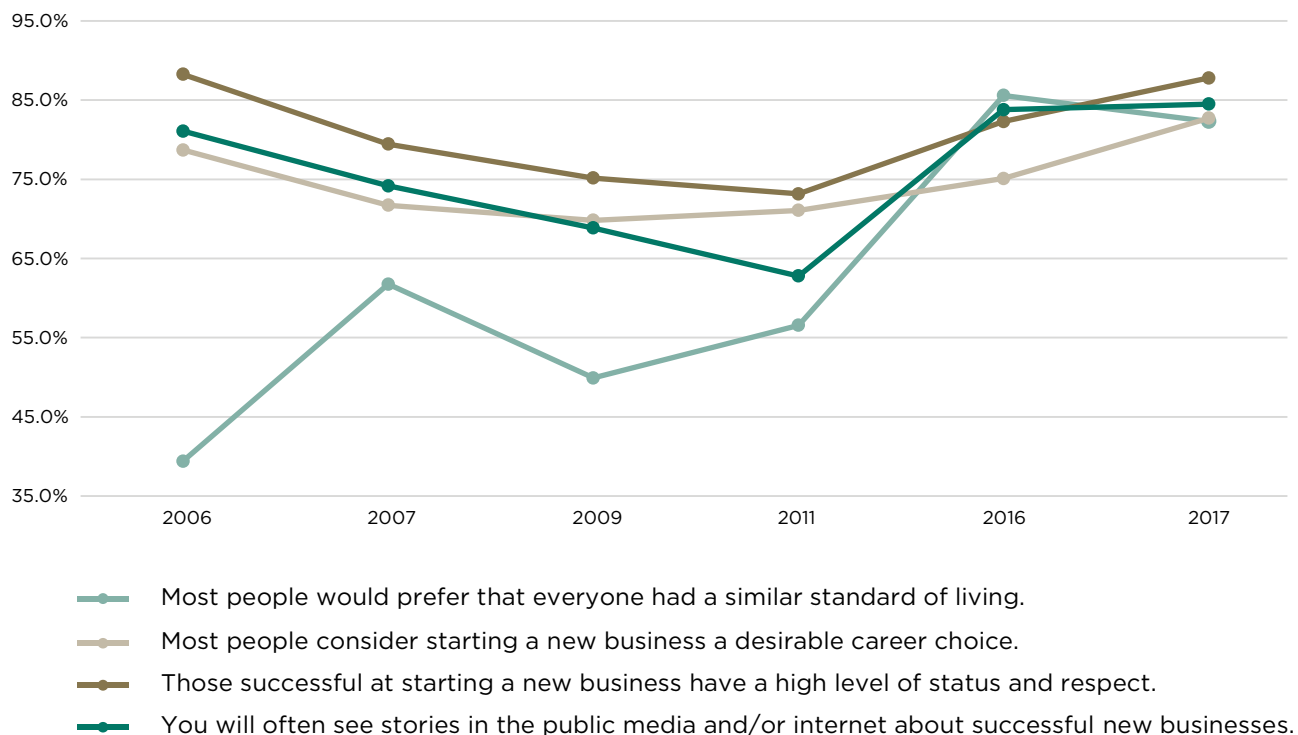
For instance, people considering starting a new business as a desirable career choice is now at its highest levels since 2006, rising to 82.7%, compared to 78.7% in 2006. Similarly, the rate of people considering those starting a business have a high level of status and respect was 88.3% in 2006 compared to 87.8% in 2017.

The referencing of entrepreneurship in the media or on Internet decreased since 2006 until 2011 from 81.1% to 62.8% to increase again to 83.8% in 2016 and then marginally increasing to 84.5% in 2017.

This U-shape suggests that with improving economic conditions more people in the UAE are considering entrepreneurship a good option.

**Improving economic conditions more people in the UAE are considering entrepreneurship a good option**

**Figure 1.3:** Temporal evolution of indicators on perception of societal values related to entrepreneurship



## FURTHER ANALYSIS OF THE PERCEPTION OF SOCIETAL VALUES RELATED TO ENTREPRENEURSHIP IN THE UAE

Although the perception of societal values related to entrepreneurship is high in the adult population of the UAE, it is interesting to note some subtle differences that occur by residency status (whether the respondent was an Emirati or a non-Emirati expat) and region of the UAE. These differences are relevant from the standpoint of public policy design and understanding of the entrepreneurial ecosystem.

Figure 1.4 below presents the results of the perception of societal values related to entrepreneurship. Emiratis consistently view the other aspects of entrepreneurship more positively than non-Emirati expats. For instance, 90.3% of Emirati have positive perceptions of entrepreneurial stories in the media in comparison to 83.2% for non-Emiratis expats. Similarly, 94.5%

**Starting a business is considered rather easy in most Emirates**

of Emiratis view those who start businesses having a higher level of respect compared to 86.3% for non-Emirati expats, and 89.9% of Emiratis considering starting a new business desirable career choice compared to 81.3% for non-Emirati expats. This trend continues starting a business and the purpose of businesses, with Emiratis considering it is easier to start a business (84.3%) than non-Emirati expats (71.5%), and that businesses are primarily aimed to solve social problems (88.3% for Emiratis versus 75.3% for expats). Both Emiratis and non-Emirati expats have preference less competitive societies, Emiratis prefer this at a significantly high level (93.6%) than expats (79.9%).

**Figure 1.4:** Perception of societal values related to entrepreneurship in UAE by Residency status: percentage of positive response within the 18-64 population

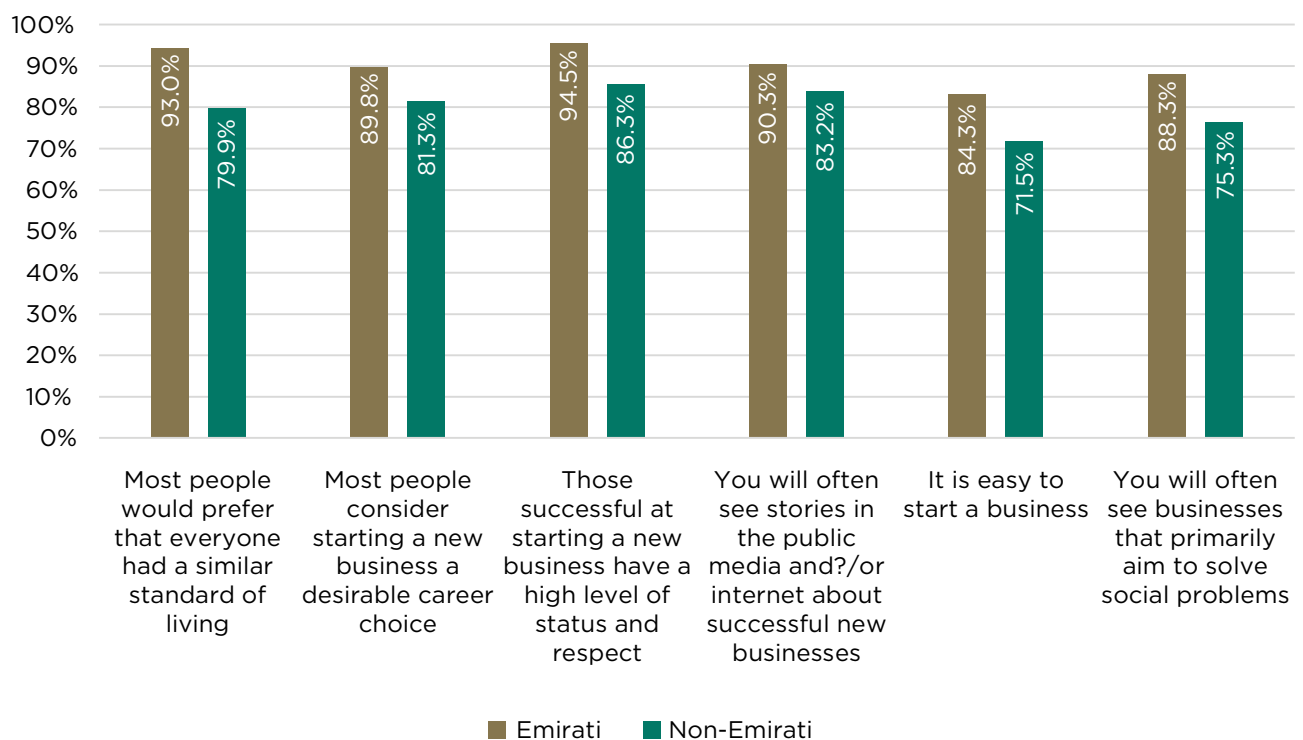
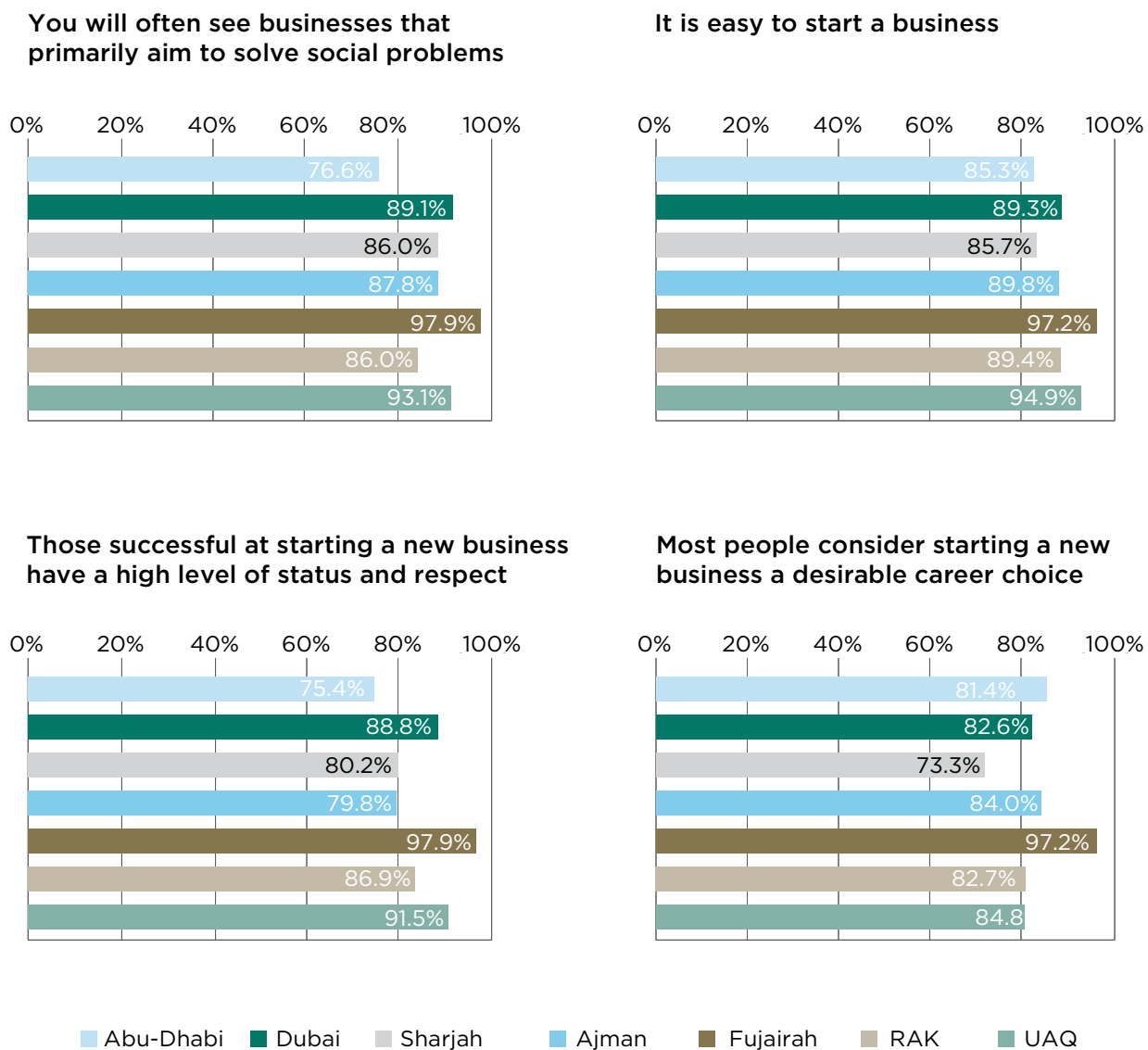


Figure 1.5 below presents selected results by region of the UAE. Starting a business is considered rather easy in most Emirates, with 97.2% finding this so in Fujairah ranging to 85.3% of respondents in Abu Dhabi.

People in the Northern Emirates consider becoming an entrepreneur more a desirable business choice (ranging 81.4% to 97.2%) and feel that those who start a business have a high level of status and respect (ranging 86.9% to 97.9%) as compared to the other Emirates. Similarly, the people from the Northern Emirates feel that businesses are aimed to solve social problems (ranging 86% to 97.9%), more so than other emirates.

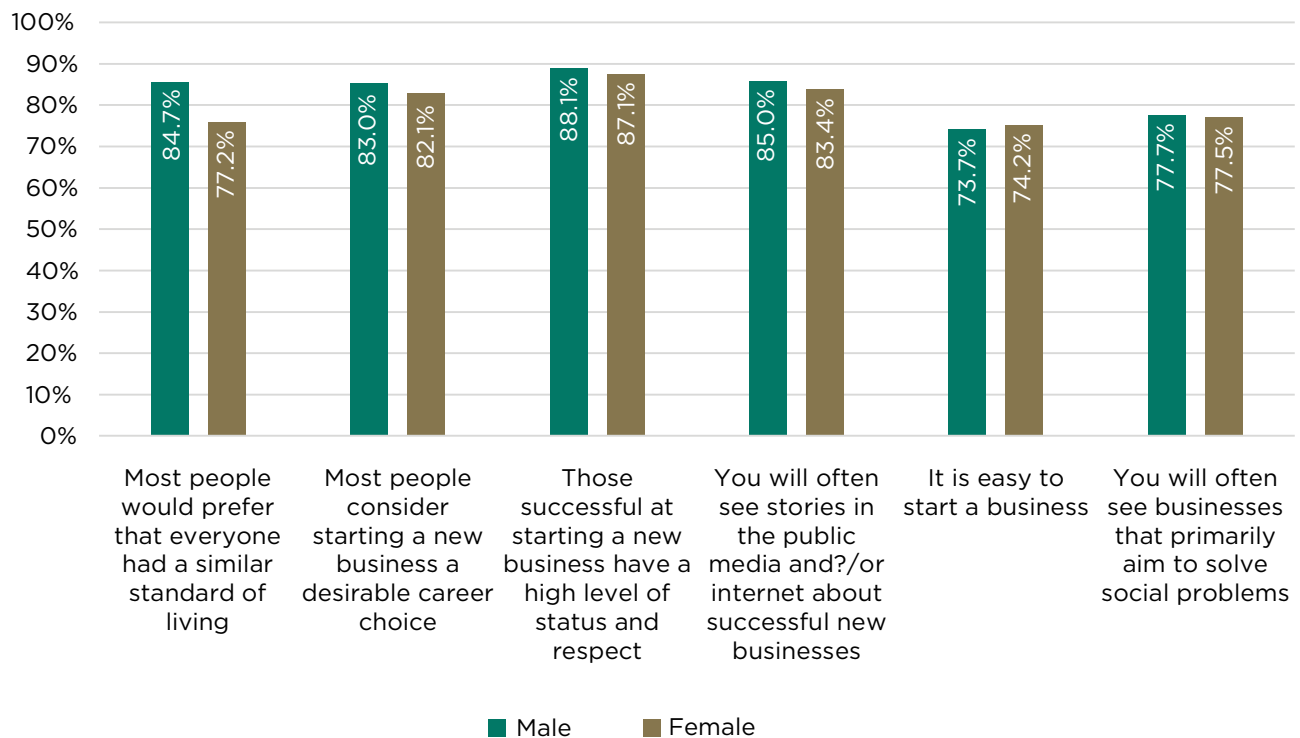
**Figure 1.5:** Perception of societal values related to entrepreneurship in UAE by Region: percentage of positive response within the 18-64 population



There are also some other subtle differences in gender, age, educational level, level of involvement in the business sector, and likelihood of potential entrepreneurship. The data for these are detailed in the figures 1.6 to 1.8 below. Some highlights are listed below.

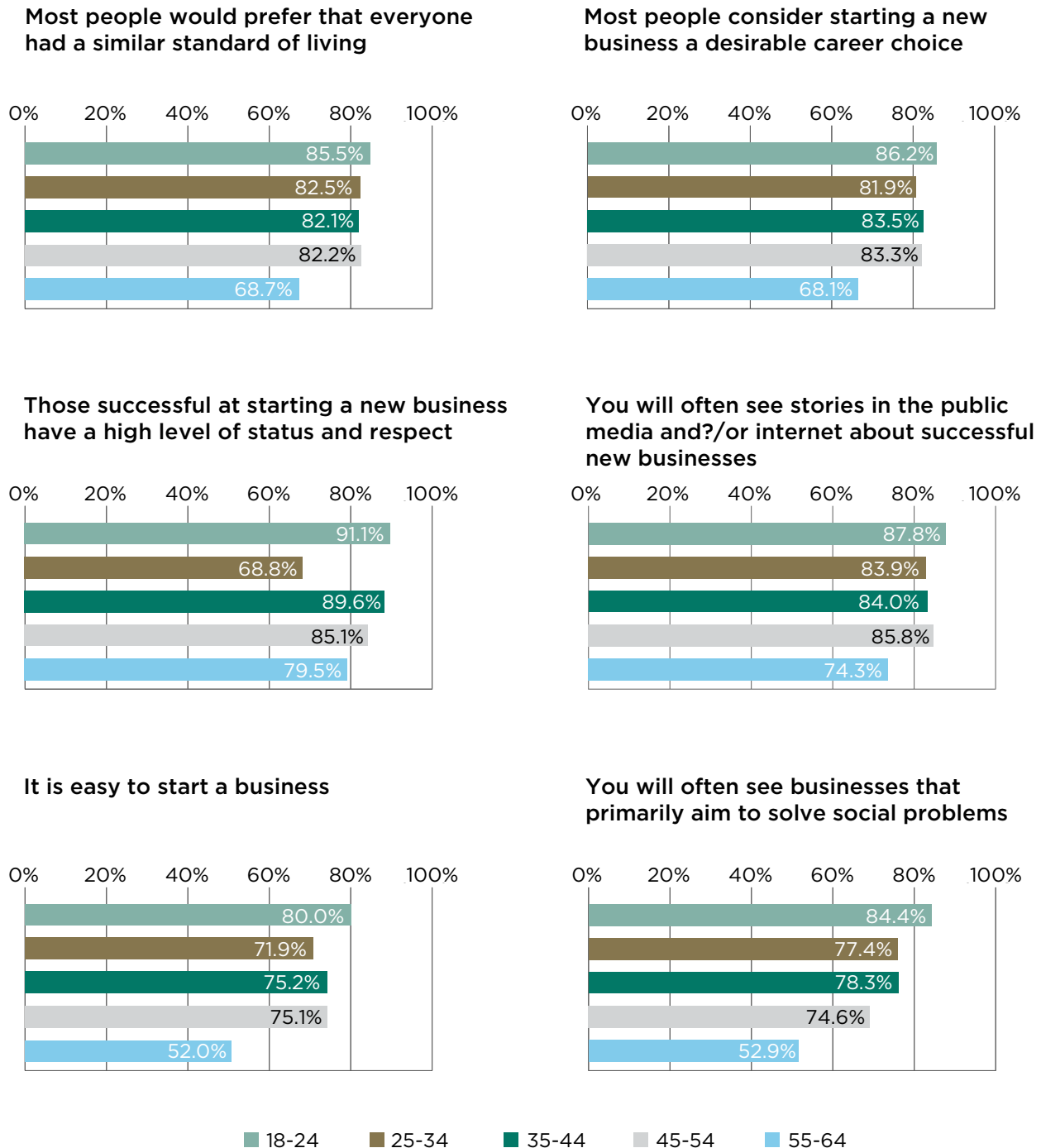
- Men tend to perceive the UAE's society as less competitive than women.
- Women perceive the UAE's society as slightly less favourable to consider entrepreneurship as a good professional choice than men.
- Men are somewhat more likely than women to think that stories are often seen in the public media and/or Internet about successful new businesses in the UAE.
- Both men and women perceive the UAE's businesses somewhat more aimed to solve social problems, and while women think it is easier to start a business.
- People less than 44 years old are more likely to consider starting a business a desirable career choice, and that being an entrepreneur confers an elevated level of status and respect. The youth perception seems having improved compared to 2016.

**Figure 1.6:** Perception of societal values related to entrepreneurship in UAE by Gender: percentage of positive response within the 18-64 population

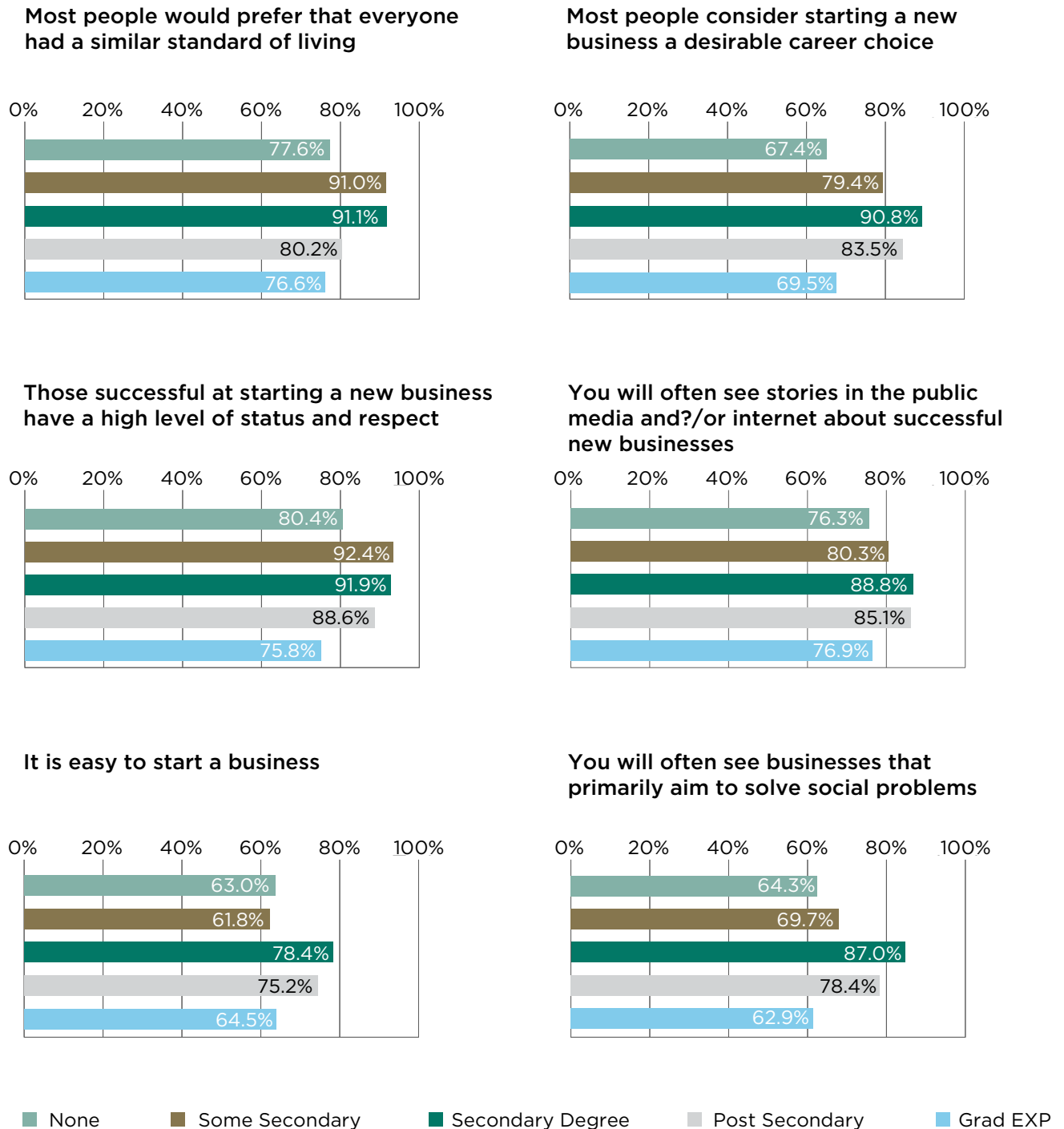




**Figure 1.7:** Perception of societal values related to entrepreneurship in UAE by Age: percentage of positive response within the 18-64 population



**Figure 1.8:** Perception of societal values related to entrepreneurship in UAE by Education: percentage of positive response within the 18-64 population

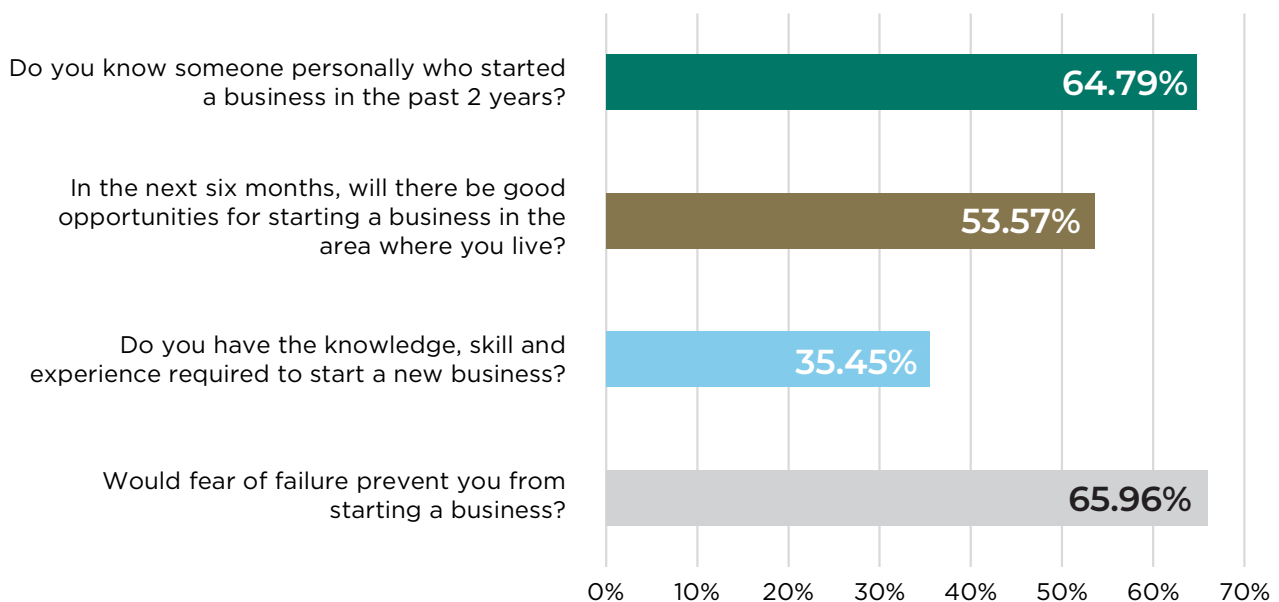


## 1.2 INDIVIDUAL SELF-PERCEPTIONS

### GENERAL OVERVIEW

Figure 1.9 below presents some individual self-perceptions of entrepreneurship. 66% of working-age adults in the UAE personally “know someone who started a business in the past two years”. Moreover, 64.8% of the working-age individuals feel they have the ability and skills required to start a business. Nevertheless, 53.57% of them would be constrained from starting a business due to a “fear of failure” and only 35.6% of the same population sees “good opportunities around them to start a business”.

**Figure 1.9:** Percentages of positive responses for 18-64 adult population on questions about self-perceptions about entrepreneurship



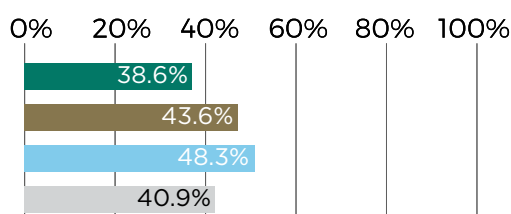
### INTERNATIONAL POSITION

Figure 1.10 suggests that the UAE, along with Saudi Arabia and Lebanon, has significantly more people who ‘know someone who started a business’ than other comparator countries including innovation-driven economies and GEM averages. The UAE ranks third in the ‘possession of knowledge and skills’ to start a business after Saudi Arabia, Lebanon, and higher than innovation-driven economies and GEM averages. However, the UAE is the highest nation in terms of ‘fear of failure’ and the lowest nation in terms of ‘perceived opportunities’ to start a business. Saudi Arabia is the highest nation in ‘perceived opportunities’ for starting a business, followed by the Netherlands, which also is the lowest nation in ‘fear of failure’<sup>50</sup> to start a business, followed by Lebanon, and Saudi Arabia. The UAE, unlike Saudi Arabia and Lebanon who are in the same region, has the lowest entrepreneurial aspiration whilst having a good level of exposure to entrepreneurial activity and same level of possession of skills and knowledge to start a business.

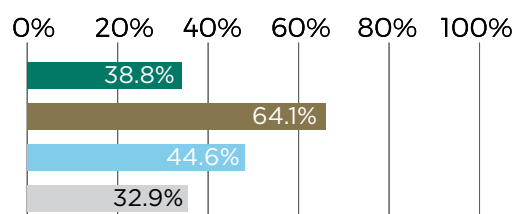
<sup>50</sup> In the GEM global report, fear of failure in the UAE is reported to be 61.1% and is the highest worldwide. This rate reflects fear of failure only for the respondents who perceive good opportunity to start a business. This should not be confused with the rate of 53.57% in the national report, which reflects fear of failure for the 4,000 adult population surveyed.

**Figure 1.10:** UAE: international position about indicators on individual self-perception about entrepreneurship

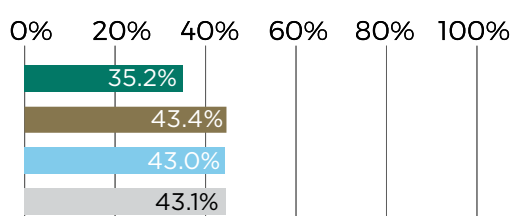
### GEM



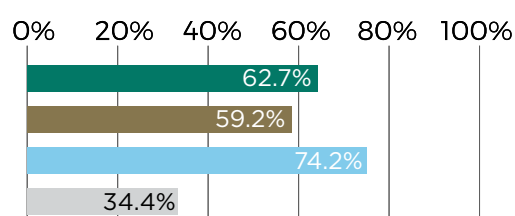
### NETHERLANDS



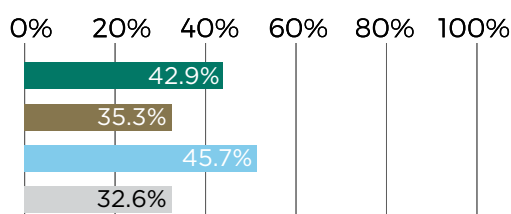
### INNOVATION DRIVEN



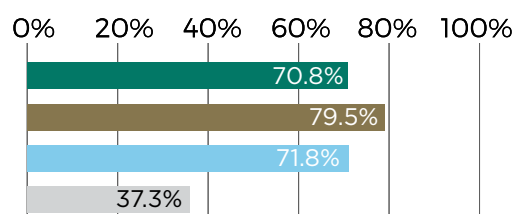
### LEBANON



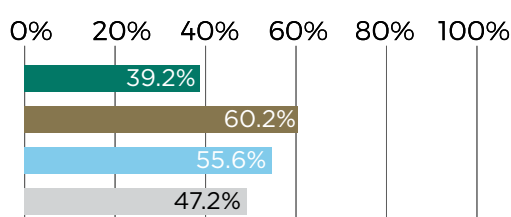
### SOUTH KOREA



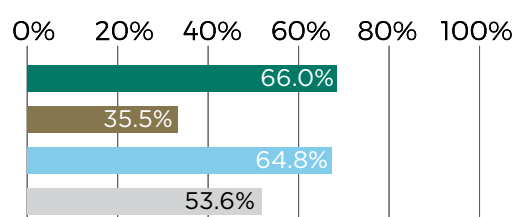
### SAUDI ARABIA



### CANADA



### UAE



- Do you know someone personally who started a business in the past 2 years?
- Next 6 months, will there be good opportunities for starting a business in the area where you live?
- Would fear of failure would prevent you from starting a business?
- Do you have the knowledge, skill and experience required to start a new business?

**37<sup>th</sup>**

The UAE ranks 37<sup>th</sup> globally for perceived opportunities to start a business

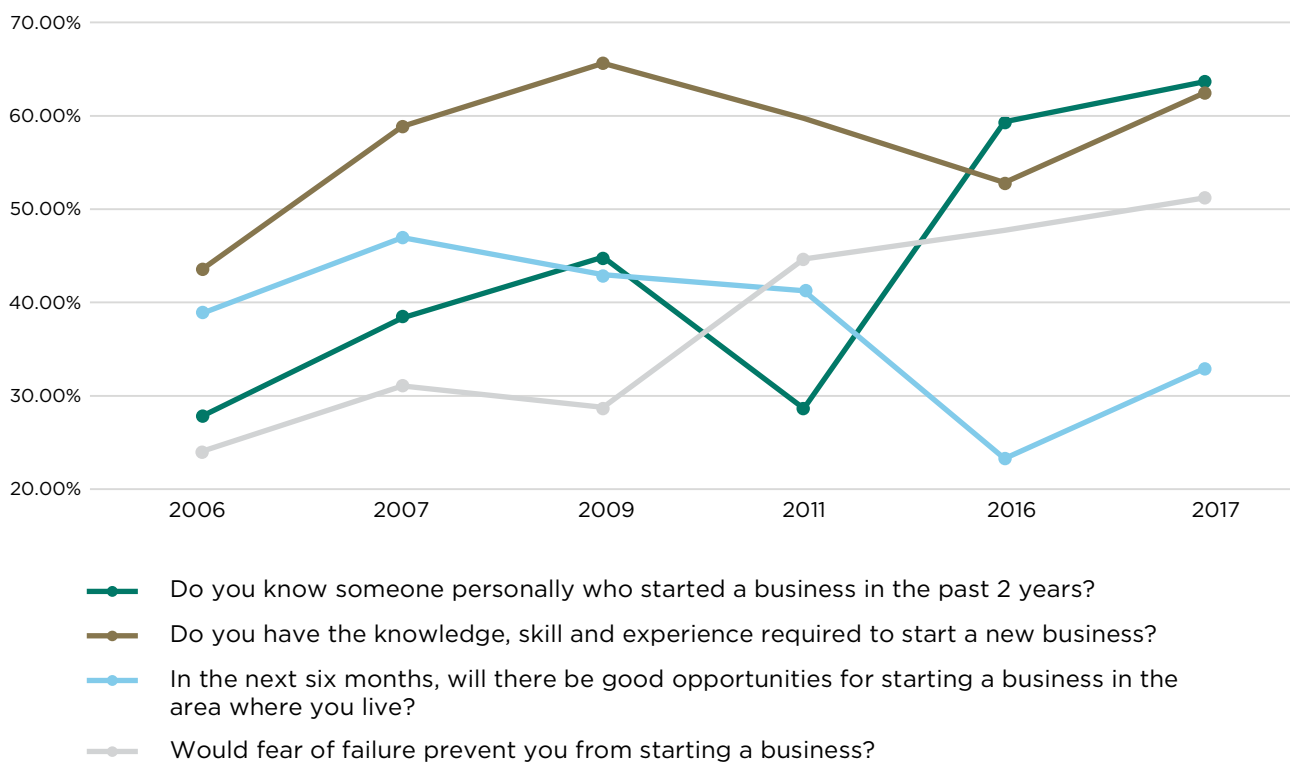
## TEMPORAL EVOLUTION

Figure 1.11 shows significant changes over the period that the GEM reports cover. Of note, the rate of the population knowing recent entrepreneurs exhibits a sudden drop (31.2%) in 2011 from 2009, and then swings back up (65.7%) in 2017.

Although the rate of the self-perception on opportunities to start a new business has decreased from 41.30% over 10 years since 2007, dropping to 25.3% in 2016, it has picked up significantly in 2017, to reach 35.4%.

This trend may have led to a continuous decrease in entrepreneurial activity in the UAE during this period, but the 2017 pick-up may indicate new entrepreneurial activity. Similarly, the rate of 'fear of failure' has continuously increased to 53.57%, which may have led to lower rates of the self-perception on opportunities to start a new business. The rate of the 'possession of knowledge and skills' to start a new business has increased till 2009, and then decreased to 55.2% in 2016, before rising again in 2017 to 64.8%. This result suggests entrepreneurs are getting more confident.

**Figure 1.11:** Temporal evolution of indicators on individual self-perception on entrepreneurship



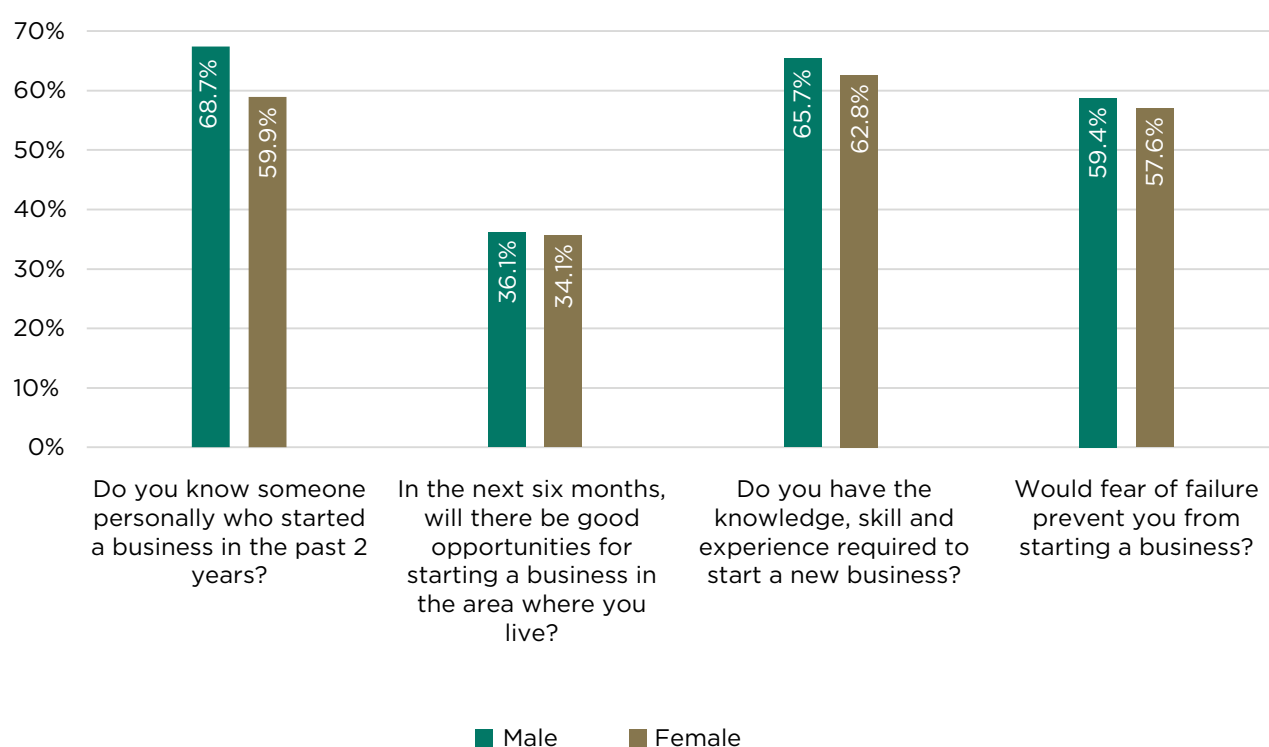
## FURTHER ANALYSIS OF INDIVIDUAL SELF-PERCEPTIONS ABOUT ENTREPRENEURSHIP

The assessment on individual self-perceptions about entrepreneurship from gender perspective gives a more favourable picture for UAE's males than for females.

Figure 1.12 below shows that males exhibit significantly higher percentages of positive responses about 'knowing recent entrepreneurs', and slightly higher percentages of positive responses for 'possession of knowledge and skills' and seeing 'good opportunities' to start a new business than females.

They also show a slightly higher rate on 'fear of failure' as an obstacle to starting a new business, but which is roughly equivalent to that of females.

**Figure 1.12:** Individual self-perceptions about entrepreneurship by gender





From the age perspective represented in Figure 1.13 below, younger people (18-24 years) show lower percentages of positive response on 'knowing recent entrepreneurs', 'good opportunities for starting a business', and 'possession of abilities and knowledge' on how to start a new business as well as the highest rate of 'fear of failure' as an obstacle to start a new business compared to other age groups. Other age groups (25-34, 35-44, 45-54) are similar in all areas of self-perception towards entrepreneurship. More effort needs to be spent on policy interventions to encourage the youth in the UAE to start businesses.

**Younger people  
are the least  
likely to know  
entrepreneurs**

**Figure 1.13:** Individual self-perceptions about entrepreneurship by age

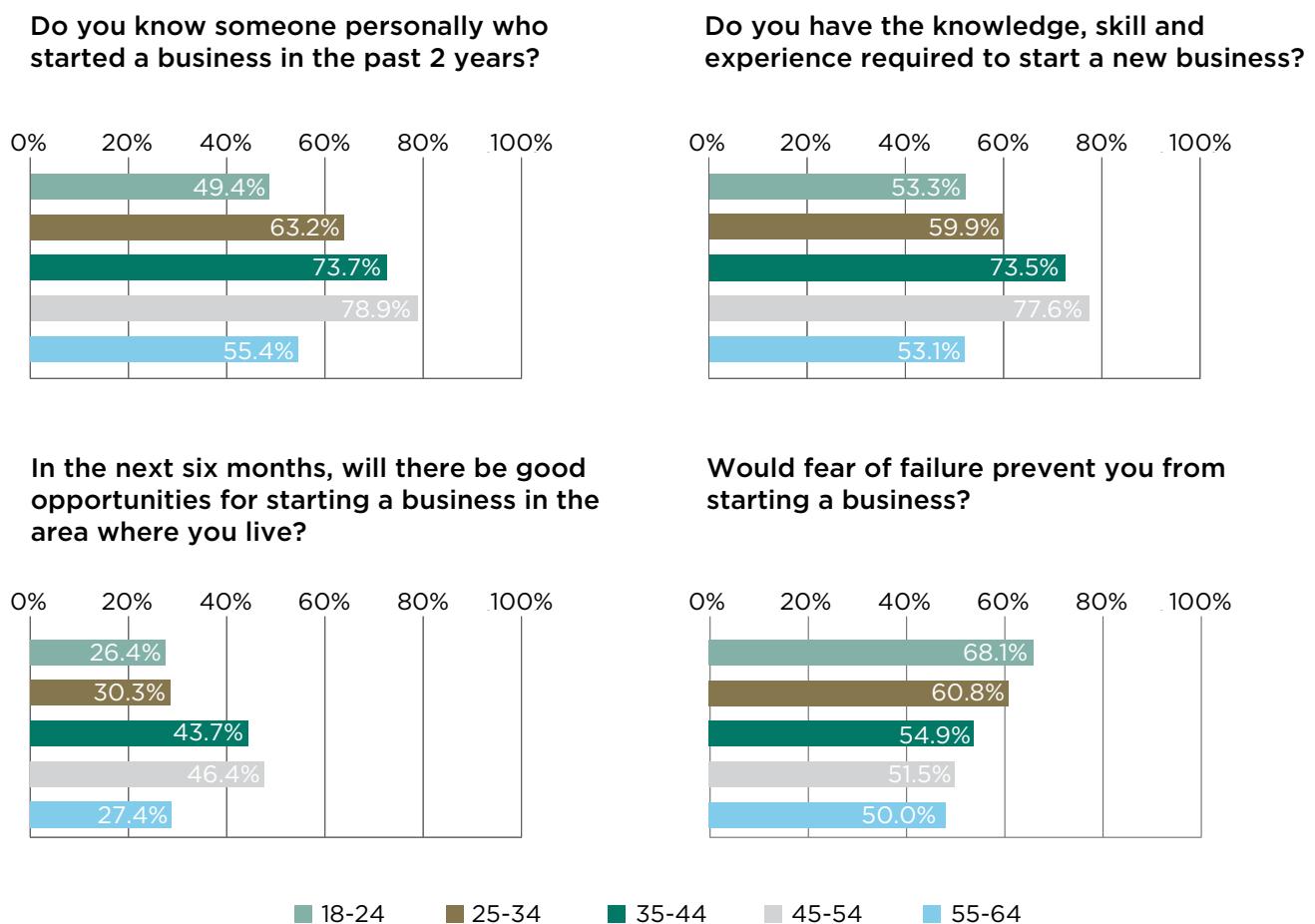


Figure 1.14 suggests that the adult population with no education, along with those with post-secondary education, have the highest level of knowledge, skill and experience required to start a new business. In contrast, those with graduate experience have the lowest level of 'fear of failure' to start a business. Those with post-secondary education have the highest perception of opportunities in the area where they live. People with no education, some secondary education and graduate experience know more others who personally started a business in the past 2 years. This result suggests that there is no correlation between the level of knowledge, skill and experience and the level of perceived risk of starting a business.

**The adult population with no education, along with those with post-secondary education, have the highest level of knowledge, skill and experience required to start a new business**

**Figure 1.14:** Individual self-perceptions about entrepreneurship by education

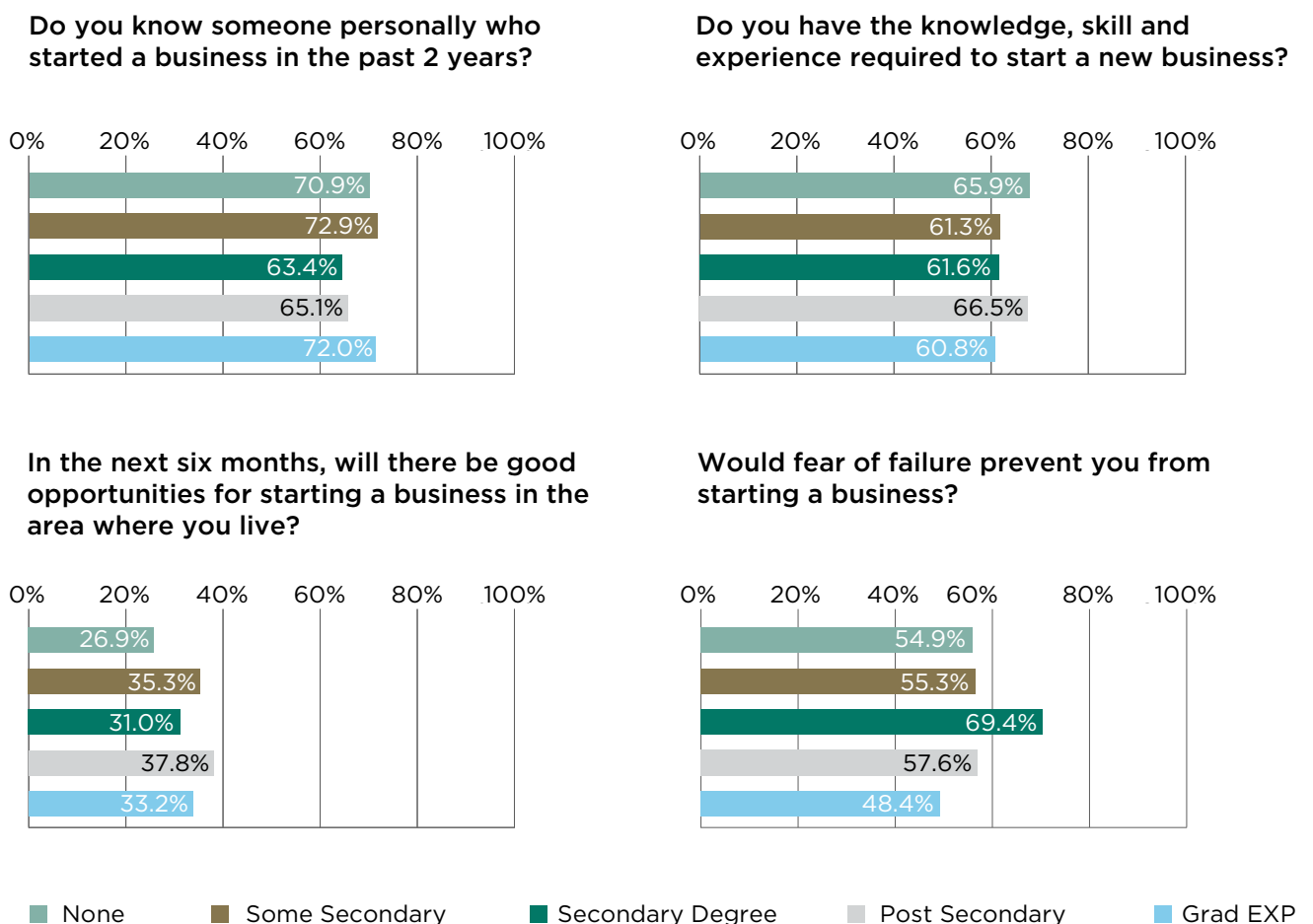
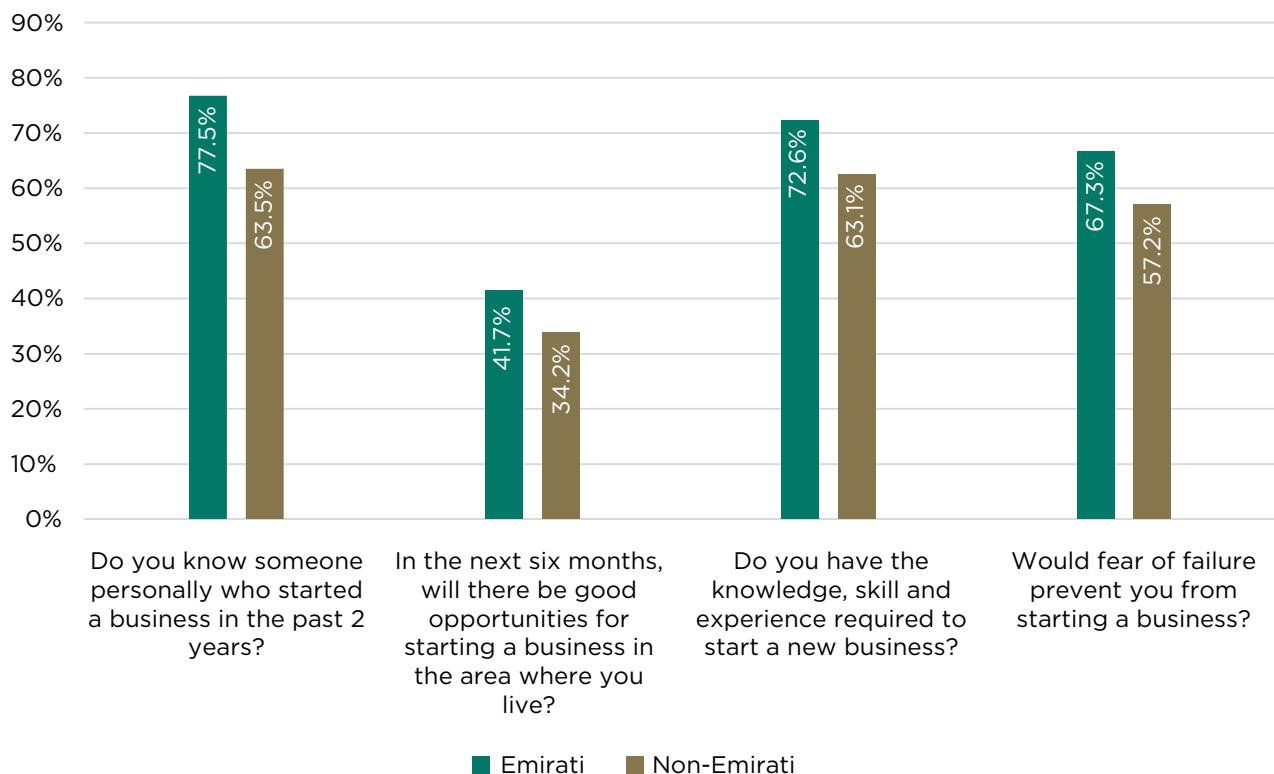


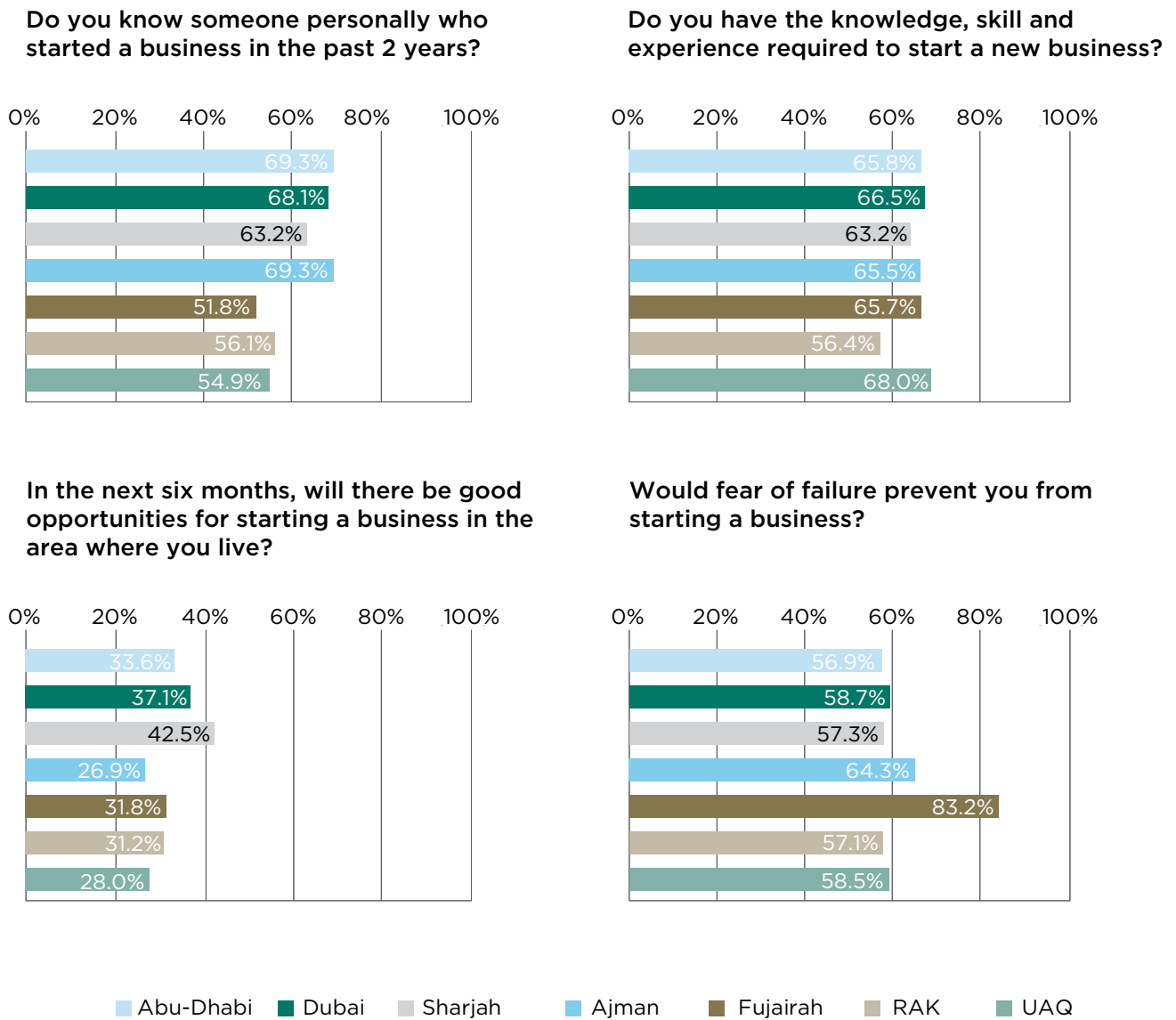
Figure 1.15 presents individual self-perceptions about entrepreneurship by residency status. Emiratis have a higher rate of knowing someone who started a business, see more good opportunities and believe they have the knowledge, skills and experience to start a new business more than non-Emiratis expats. However, they also have higher fear of failure than expats. We suggest that policy makers create conditions for non-Emirati expats to reduce their fear of failure, while in 2016 the situation was exactly opposite with lower fear of failure rate for Emiratis.

**Figure 1.15:** Individual self-perceptions about entrepreneurship by age



Finally, the regional perspective shown in figure 1.16 indicates that most regions are similar in all areas of perception. Abu Dhabi and Ajman have the highest rate of knowing recent entrepreneurs, Sharjah has the highest rate of perceived opportunities, Umm Al Quwain followed by Dubai have the highest rate of possession of skills and knowledge to start a new business. Abu Dhabi has the lowest rate on fear of failure in starting a new business, while the highest is in Fujairah. It is required to find the proper incentives in each region to help reduce fear of failure and to spot or develop perceived opportunities to start a new business.

**Abu Dhabi and Ajman have the highest rate of knowing recent entrepreneurs, Sharjah has the highest rate of perceived opportunities, Umm Al Quwain followed by Dubai have the highest rate of possession of skills and knowledge to start a new business.**

**Figure 1.16:** Individual self-perceptions about entrepreneurship by education

## GEM ENTREPRENEURIAL SPIRIT INDEX (GESI) IN THE UAE

GESI is a combination of three yes/no questions related to entrepreneurial awareness, opportunity perception and entrepreneurial self-efficacy. To extract one measure (latent factor) that captures as much of the variance in responses to these questions as possible, the principal component analysis was applied on collected 2017 GEM APS un-weighted data for 54 countries. 50% of the variance in individual responses for all GEM countries across these three questions can be captured in one Bartlett method measure using principal components analysis and this measure is used as the index. The mean of the index is zero. The factor loadings for each of the three underlying variables are: entrepreneurial awareness 0.726, entrepreneurial opportunity 0.677 and entrepreneurial self-efficacy 0.706. The factor score is presented by a numerical value indicating a country's relative spacing or standing on the "entrepreneurial spirit".

Although the index is used to compare entrepreneurial spirit between countries in an annual GEM sample and not from year to year as the sample of countries may change from year to year, a comparison of 50 countries present in

GEM in 2016 and 2017 found a rank correlation of .87, suggesting the rank order of countries is relatively stable from year to year. Figure 1.17 below presents the GESI scores from highest to lowest after clustering countries according to their development stage. The UAE has the highest GESI among all innovation driven economies in 2017. The highest GESI score is in Saudi Arabia with (0.87) and the lowest score is in Japan with (-0.95). The five top-ranked countries in the index are all efficiency-driven countries, and four of the five lowest-ranked countries are innovation-driven countries.

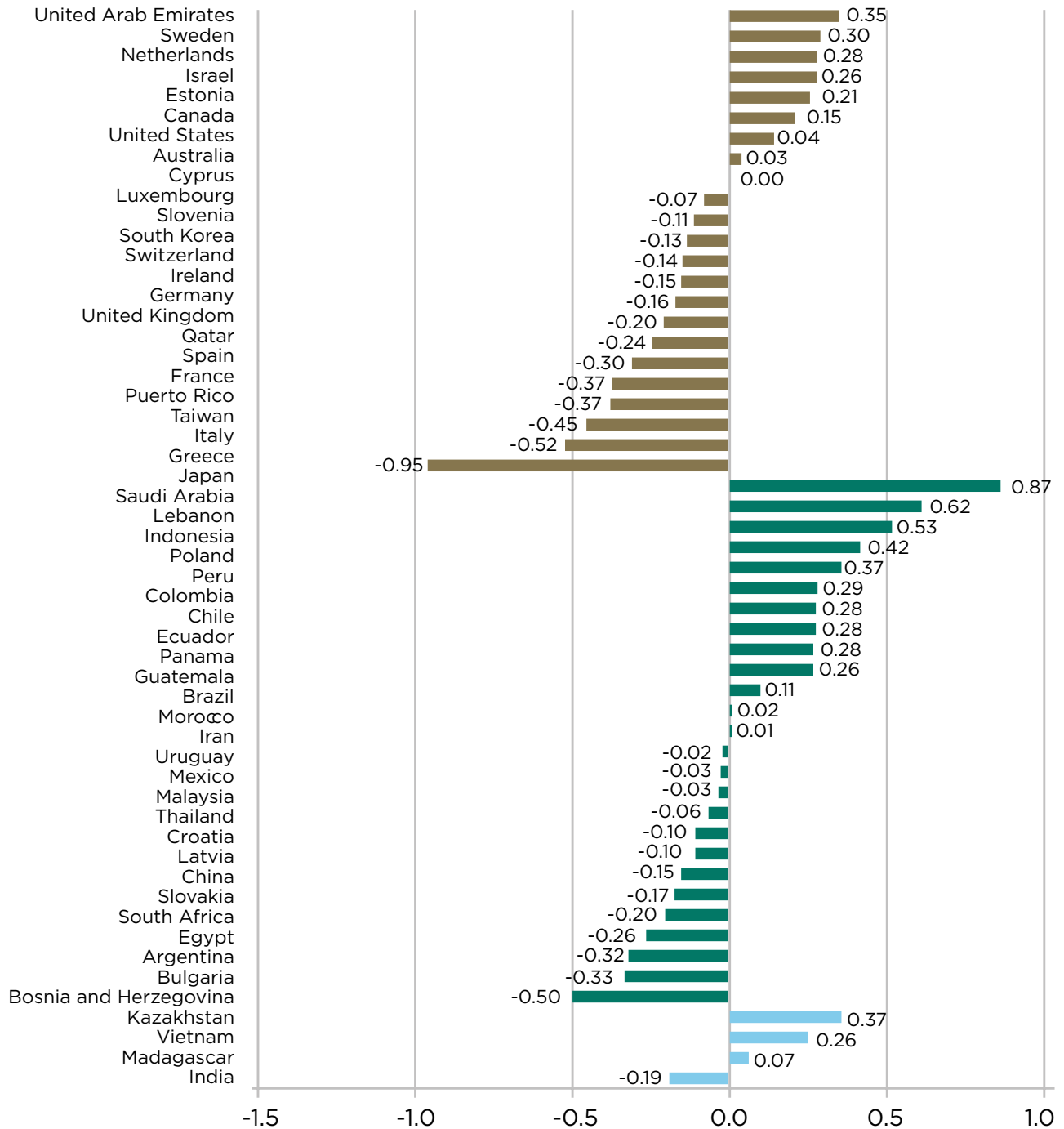
If this entrepreneurial spirit will be transformed into entrepreneurial activity depends on its interaction with GEM informational "baskets" of societal values and national entrepreneurial conditions. Do they play supporting or hindering roles in transforming entrepreneurial spirit into entrepreneurial activity (starting a venture, developing impactful ventures, strengthening entrepreneurial employee activity) and later influencing GDP per capita / growth? GEM is currently developing other composite indices to capture complex interactions in those GEM informational "baskets".



<sup>51</sup> Red bars are factor-driven countries, blue bars are efficiency-driven countries and green bars are innovation-driven countries.



**Figure 1.17:** Entrepreneurial Spirit 2017 Index – across development stages (Source GEM 2017/18 Global Report)



# CASE STUDY: UNITED ARAB EMIRATES NEW BANKRUPTCY LAW<sup>52</sup>

## INTRODUCTION

The United Arab Emirates has always aspired to draft laws to support entrepreneurs. However, by 2009 it was becoming apparent that the Federal Law No. 18 of 1993, the old bankruptcy law, was becoming inadequate, outdated and lacked comprehensiveness. This law, through the courts, gave creditors the power to determine the faith of the indebted companies, and only thirty business days separated the distressed company from declaring bankruptcy.

It was arduous for a financially distressed company to sway the courts to grant them an extended period to sort out their financial problems and resurrect their businesses. The old bankruptcy law was constraining the business climate in the United Arab Emirates.

Given these emerging challenges, the Ministry of Finance had been long considering a more

contemporary bankruptcy law, wishing to preserve the UAE as a haven for aspiring entrepreneurs. At the beginning in 2009, the government of the United Arab Emirates started drafting a new and improved bankruptcy law and published a draft in 2011.

However it was only in 2016 that the UAE authority finally enacted a new Bankruptcy Law No. 9, which was published in the Official Gazette on the 29th of September of the year 2016 and implemented in December 2016.

In this case study, we examine the outdated Bankruptcy law of 1993 and its impacts on entrepreneurs; we illustrate the transition to the new Bankruptcy law the key changes brought by the new Bankruptcy law, how the new law affects the entrepreneurs and SMEs, and the possible hinderances in the Federal Law No. 9.



<sup>52</sup> The case study is authored by Mr. Ahmad Saleh from Al Tamimi and Co. and reviewed by Dr. Llewellyn D W Thomas

## IMPACT OF THE OLD BANKRUPTCY LAW ON ENTREPRENEURS AND SMES

The provisions of the fifth volume of the Commercial Code (Federal Law No. 18 of 1993) delineated the outdated bankruptcy law. Article (645) of the fifth volume serves as a commencement to the rules regarding the old insolvency regime.

This law, according to Article (1) of the Commercial Code, applied quite broadly to traders or any person or entity that engaged in commercial activities, regardless whether such a person was a trader or not.

A trader is defined in Article (11) of the Commercial Code as: “Every person who works in his own name and for his own account in commercial activities and has the proper qualification when taking on such activities as his occupation. 2.

Every company which undertakes a commercial activity or has adopted one of the legal forms stipulated by the Commercial Companies Law, even if such an activity whereof civil nature.” According to paragraph 3 of Article (645) of the Federal Law No. 18 of the year 1993, a trader was deemed able to declare bankruptcy when they were unable to pay his commercial debts through a specialized Civil Court.

However, the debtor was not the sole party who is entitled to file for bankruptcy; the debtor, the creditor, or the court, upon the request of a public prosecutor, could make the declaration of the trader’s bankruptcy (Article (647) of the Commercial Code). Failure to declare bankruptcy within (30) days of the date of suspension of payment was considered an offence under the UAE law.



Consequently, the petition for bankruptcy placed the debtor and his assets at a great disadvantage. Article (683) of the Commercial Code states that:

1. Anyone who has been adjudged bankrupt may not elect or be elected or appointed in the national council, municipality council, chamber of commerce and industry or professional associations nor shall be a manager or director of any company nor shall he practice the business of a commercial agency, import, export, brokerage for selling or purchasing the securities or the sale or auction sale.
2. Likewise, anyone who has been adjudged bankrupt may not act on behalf of another party, in managing his property; yet a specialized court may permit him, to manage the property of his minor children if this shall not involve any harm to them."

The Article prohibited, at declaration of bankruptcy, the debtor from administering and disposing assets; it deprived the debtor from some of their privileges, specifically the ability to vote and to be elected to parliamentary councils and chambers of commerce and industry.

Another consequence of declaring bankruptcy was the possibility of incarceration. The

bankruptcy judge could, at the request of the public prosecution department, the bankruptcy trustee, or by the judge's own motion, order the detention of the debtor, particularly if the debtor had deliberately concealed their assets or books or had failed to comply with the bankruptcy judge's orders. The judge could also put the debtor under surveillance. The debtor had the right to appeal the bankruptcy judge's order of detention or surveillance. However, such an appeal did not stay enforcement of the imprisonment or surveillance order, according to Sections 1 and 2 of Article (682) of the Commercial Transactions Law.

Furthermore, the outdated bankruptcy law did not distinguish between different sizes and types of companies and traders. As a result, all companies and traders risked punitive consequences in the case of bankruptcy.

This meant that SMEs and entrepreneurs alike in the UAE, through their activities, risked exposing themselves to criminal sanctions and severe sentences. The UAE legal framework at the time simply failed to provide the necessary mechanisms to support SMEs and entrepreneurs to overcome their financial mishaps because it did not take proper account of their existence. Instead the framework allowed little time or opportunity for such persons to avoid the penalties imposed.



## MAIN CHANGES MADE BY THE NEW BANKRUPTCY LAW

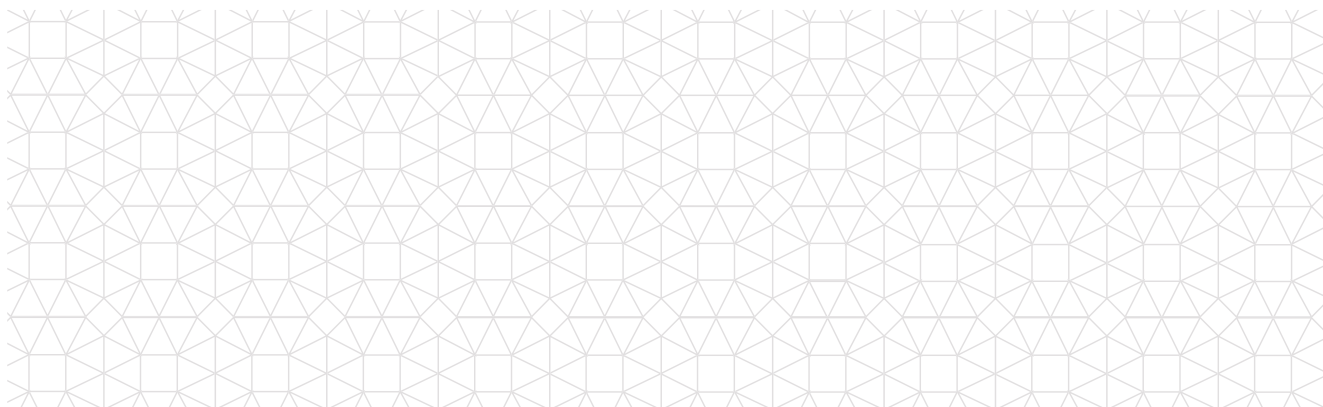
The new law draws on the perceived superior bankruptcy protection practices from several jurisdictions, including France, Germany, the United Kingdom, and the United States of America. In contrast to the old bankruptcy law, the new law's applicability covers a narrower scope of commercial entities. Entities subject to the Commercial Companies Law No. 2 of 2015 (the "Commercial Companies Law") fall under the umbrella of the new bankruptcy law. Article (2) of the new bankruptcy law states that it applies to decree companies whose constitutional documents stipulate that the bankruptcy law is to be applicable and free zone entities to the extent that they are not subject to free-zone-specific bankruptcy regulations (such as those in the Abu Dhabi Global Market and the Dubai International Financial Centre). The bankruptcy law is also applicable to individuals who qualify as traders – a person qualifying as a trader:

1. Every person who works in his own name and for his own account in commercial activities and has the proper qualification when taking on such activities as his occupation.
2. Every company which undertakes a commercial activity or has adopted one of the legal forms stipulated by the Commercial Companies Law, even if such an activity whereof civil nature." (Article (11) of the Federal Law No. 18 of 1993).

The new law attempts to solve several issues that the Commercial Code of 1993 had failed to address. The bankruptcy proceedings were regulated under the Commercial Code and were limited to court-driven proceedings sought to liquidate companies rather than

assist in restructuring their debts. However, as of late 2016, Article (3) of the Federal Law No. 9 established a new regulatory figure, the Committee of Financial Restructuring, whose mandate is to manage financial restructuring procedures outside of the courts, appoint experts in financial restructuring, establish an electronic record of individuals with bankruptcy rulings against them, and facilitate consensual agreements between creditors and debtors. By relying on this Committee, entrepreneurs and SMEs can save both time and money; the cost of bankruptcy is positively correlated to the time spent on the bankruptcy procedure. A fast bankruptcy procedure allows the entrepreneurs to promptly restructure their businesses.

This new law also allows for the protection of creditors as well as debtors. The new debtor-friendly law introduced new measures to help the debtors in reconstructing their companies. According to the Article (5) of the bankruptcy law, «the purpose of the preventive composition procedure is to assist the debtor to reach settlements with his creditors under a preventive composition scheme, under supervision of the Court» and with the assistance of a trustee. As an alternate to declaring bankruptcy, the new UAE bankruptcy law provides a different route sponsored by the court itself, where a binding agreement is signed between the debtor and creditor -- a preventive composition, and a balance sheet test where the government could establish if the debtor will be able to pay their loans. Thus, the offence of bankruptcy may be eliminated by default once the creditor and the debtor arrive to a consensual agreement on restructuring his debts instead of going through the procedure bankruptcy.





The new Federal Law set out three procedures that a financially distressed company could follow;

### 1. PROTECTIVE COMPOSITION:

The protective composition regime, stated in section 3 of the new bankruptcy law, aims to assist debtors in financial difficulty who have not reached the state of insolvency. Only a debtor can apply to the court for an order of protective arrangement if he is facing financial difficulties with his creditors but has not (1) failed to pay due debts for more than 30 consecutive working days or (2) become insolvent.

Articles 40 and 101 highlight the requirements to file for protective composition/reconstruction proceedings. Embedded in article 101, The 30-day period is applicable to entities who are aware of their bankruptcy 30 days before filing the proceedings. This period is not a deadline, however, it is an administration period to be able to file for bankruptcy. The company should have prior knowledge of its obligations to pay its debts and carry out the correct proceedings. Under article 68, the entity is entitled for automatic relief and legal stay given that they have applied for protective composition/ reconstruction proceedings.

Creditors cannot apply for protective composition on behalf of a debtor. The debtor must submit supporting documents with their application, including an implementation agenda, alongside a monetary sum or bank guarantee (set by the court) to cover the costs and expenses of the protective composition including any fees of an appointed expert. After reviewing the debtor's application, the court might take further actions to either maintain or manage the debtor's assets. According to Article (17) of the new bankruptcy law, the court will appoint an expert to administer and guide the debtor to take the steps necessary for them to obtain additional funds and protect the debtor's existing business. If the court upholds the application, all litigation, judicial and enforcement procedures relating to the debtor's assets will cease, unless the court determines otherwise. The new law also offers financial restructuring, whereby the company's debts are restructured to the satisfaction of those creditors holding at least two-thirds of the outstanding debt, in a process overseen by the courts. Furthermore, it offers the raising of new funds, according to criteria determined by the courts.

### 2. RESTRUCTURING PROCEEDINGS:

Further alterations were made with the "New Law" where now it aims to assist the debtor in 'restructuring' his business by either declaring bankruptcy and liquidating any remaining assets to fulfil his debt, or by setting up a plan to restructure their business (Article (67), Federal Law No. 9). The trustee can assess the value of the assets for eligibility for protective compositions, assess the execution of the plan and the financial position of the company; however, it is not required by law according to article 52. Tangible and intangible assets may hold monetary value, and hence can be used for protective composition. Although intellectual property is an intangible asset, the value of the intellectual property can be taken into consideration as it holds monetary value and can be used to liquidate the business or secure debts incurred by the business.

The debtor can apply for an involuntarily bankruptcy proceeding. However, in contrast with the old law, the creditor, according to Article (69) of the Federal Law No. 9 of 2016, can merely apply for a bankruptcy procedure on behalf of the debtor if the amount of the debt is no less than AED 100,000. The creditor must, nevertheless, inform the debtor of this application within (30) working days as of their submission to court. Article (76) asserts that AED 20,000 be deposited to the court by the applicant, whether the debtor or the creditor, to cover the expenses of the application.

Upon the approval of the application for bankruptcy, the court grants the debtor five (5) years to start rehabilitation procedure, which can be extended by an additional three (3) years with consent of the majority creditors owning two-thirds of the debt then due. (Article (102) of the Federal Law No. 9). This extended and extendable period of rehabilitation is quite a welcome initiative as it allows SMEs and entrepreneurs sufficient time to reassess and re-establish their financial positions. However, the restructuring procedure application is quite a hassle, where the trustee, on behalf of the debtor, must report to the court every (21) days for an extendable period of three (3) months with the following: "Article 101:



1. The trustee shall deposit a copy of the draft scheme of restructuring with the Court, accompanied with a summary of the scheme of restructuring, which indicates the probability of accepting the draft scheme by the creditors, and whether it is feasible to call them for a meeting to study the draft scheme.
2. The draft scheme of restructuring shall indicate the following:
  - a. To what extent the debtor's business might re-achieve profits;
  - b. The debtor's activities to be suspended or terminated;
  - c. Terms and conditions of the settlement of any obligations;
  - d. Any performance bonds to be provided by the debtor, if any;
  - e. Any offer for buying all or part of the debtor's assets, if any;
  - f. Grace periods and payment discounts;
  - g. The possibility of converting the debt into shares in the capital of any project;
  - h. The possibility of consolidating, creating, redeeming, selling, or substituting any securities if it is necessary to implement the draft scheme;
  - i. Proposing a period or periods for repaying the whole debt."

### 3. BANKRUPTCY WITH LIQUIDATION:

In the event of dismissal of the restructuring or the preventive application, the court holds the authority to issue an order to liquidate the debtor's assets for distribution to his creditors. Article (124) of the Federal Law No. 9 limits the scenarios for when the court could reject the application: the debtor acting in bad faith, convictions of fraud, robbery, and embezzlement. The rejection could also be the result of incomplete supporting documentation in relation to an application or failure to provide a security deposit and/or bank guarantee. This may be one hindrance for SMEs and entrepreneurs who may not have direct and/or adequate access to securing such bank facilities due to their limited size and resources. In case of rejection, the court will declare the debtor bankrupt and appoint an official to help in the bankruptcy and liquidation proceedings.

## IMPACT OF THE CHANGES ON ENTREPRENEURS AND SMES

The new SME-friendly law attempts to provide an alignment between economic growth and the rising number of aspiring entrepreneurs. Entrepreneurs are one of the pivotal pillars of a vibrant economy. The new Bankruptcy law is more SME-friendly than the earlier law and is drafted to reassure the investors while building business certainties., but still poses certain difficulties on entrepreneurs and SMEs.

Protective and reconstructive proceedings can impact SMEs and entrepreneurs if they have not followed the plan approved by the Courts, and thus under Article 121 any proceedings, sales, transactions will be subject to nullity if it does not abide by the plan set out. If the correct measures and procedures have been carried out for filing protective composition/reconstruction, then the business is not considered bankrupt or liquidated and may proceed with no harmful impact on their transactions. In contrast, article 126 prohibits any business transactions for a business that has been declared as bankrupt.

All authority in this case is linked to the trustee that has been appointed by the courts to supervise the implementation of the protective proceedings plan as dictated by article 114 requiring the supervision of the plan by an appointed trustee. Apart from those requirements, the business can proceed with its day-to-day transactions given that it has filed for a protective or reconstructive proceeding, and the Court has approved this.

Regarding criminal proceedings, paragraph (1) of Article (212) of the Federal Law No. 9 of 2016 states, “[...], any criminal proceedings initiated or to be initiated against the debtor shall be suspended, whether they are arising from actions of bounced checks drawn by the debtor before initiating the proceedings of composition or restructuring.” Thus the new bankruptcy law begins to address the dishonoured cheques issue. A bounced cheque is still considered an offence that is punishable under the U.A.E Federal laws, and a creditor may still initiate criminal proceedings against the debtor before the acceptance of the protective or reconstructive proceedings by the Court. The protection granted by the proceedings are only implemented from the time of the acceptance of the application by the Court.



Still, SMEs and Entrepreneurs with cheques valued higher than AED200,000 may still face legal detention or a travel ban that lasts until the debtor repays his debts, upon the request of the creditor of the civil court (Dubai Law No. 1 of 2017). While this new law does not completely decriminalize bounced cheques, and nor does it eliminate the possibility of imprisonment, it is merely taking a small step towards the right direction. Still the remaining risks of criminal sanctions against dishonoured cheques, nowadays, could cripple the improvement the new law is trying to achieve by adding another obstacle to the debtor's financial difficulties.



**Protective and reconstructive proceedings can impact SMEs and entrepreneurs**

## **The remaining risks of criminal sanctions against dishonoured cheque, could cripple the improvement the new law is trying to achieve**

Furthermore, the new bankruptcy rules have legalized the possibility of getting loans under certain conditions established by the Law. One of those conditions is: "The debtor shall file with the Court's treasury, a sum of money or a bank guarantee in the manner and at the date specified by the Court to cover the expenses and costs of the composition proceedings, including the fees and expenses of the trustee and any expert to be appointed." (Article (12) of the Federal Law No. 9/2016). The law also provides an alternative to fleeing the country when in debt by setting up regulations that help an SME and/or entrepreneur's business to flourish once more. The Law has given protection and facilitated liquidation to companies with financial complications and economic difficulties. This new law protection also appeals better to foreign investors. The process of initiating a restructuring application or filing for bankruptcy is more court driven nowadays, which gives the entrepreneurs the incentive to try and rehabilitate their companies or even seek preventive actions from the court.

In addition, at the request of the trustee, according to Article (160) the court can suspend any part of the debtor's business. This article grants the trustee the power to direct and close down the SMEs business at any given moment. "The new bankruptcy law also prohibits the debtor from: A. Paying any claims arising prior to the issuance of the decision initiating the proceedings except for any set-off payments made in accordance with the provisions of Chapter V of Part V of this Decree-Law; B. Disposing of any of his assets or borrowing any amounts unless this is in accordance with the provisions of this Decree-Law and in the ordinary course of the debtor's business, provided that the debtor obtains the prior approval of the trustee or the Court; and C. Disposing of the company's shares or stocks or making a change in its ownership or legal form, if the debtor is a legal person." (Article 31).



## REMAINING HINDERANCES TO ENCOURAGING ENTREPRENEURSHIP

While much of the new Bankruptcy Law is debtor-friendly, it still presents some scenarios which might discourage the SMEs and entrepreneurs from diving into the risky world of business. One of the main hinderances to filing for a restructuring application or bankruptcy is the required conditions to satisfy for obtaining the approval of the court. The conditions to meet for preventive composition or reconstructing appear rather stringent for SMEs and entrepreneurs. Even if an entrepreneur successfully files an application for restructuring, preventive composition, they could still fall into a slippery slope, and end up with their assets liquidated.

Moreover, to be eligible to apply for a preventive composition or a reconstructing procedure, the debtors must have been unable to pay their debts for (30) business days, not be bankrupt, not have been involved in protective composition over the prior year and not have previously been a debtor in a bankruptcy proceeding. It also strips the entrepreneur from his rights as a director, when applying for a preventive composition procedure, and grants that power to a court appointed trustee, which might deter debtor from taking such action. This is in addition to the criminalization of the bounced cheques which may still pose restrictions and risks in conducting business by entrepreneurs and SMEs.



## CONCLUSION

The new bankruptcy law, Federal Law No. 9 of the year 2016, has been influenced by law from several admirable jurisdictions. The much-needed change has been implemented for a little over a year, and both lawyers and economists have started to forecast positive outcomes for the future of the UAE economy. On paper, the new bankruptcy law begins to provide support for foreign entrepreneurs to invest in the UAE.

While the new law does indeed help entrepreneurs and SMEs with little cash flow, entrepreneurs still need to be aware of some of the challenges that remain. When starting to struggle, experts should be appointed to monitor the performance of SMEs and ensure that all payments are made or received on time, and that they are profitable or at least breaking even. In addition, to avoid any court proceedings against the firm, the appropriate protective composition or reconstruction proceedings should be filed, and the plan should be implemented. Once this is approved and the business is not declared bankrupt, then they may proceed with their normal transactions and business activities. Entrepreneurs still have fears that their fate will lie the creditor's hands – the old mentality is still hovers over the current bankruptcy law.



# CASE STUDY: H.E SHEIKHA DR. HIND BINT ABDUL AZIZ AL-QASSIMI<sup>53</sup>



H.E. Sheikha Dr. Hind Bint Abdul Aziz Al Qassimi, President of the Emirates International Business Club and member of the Ruling Family of Sharjah, has had a rich life experience. One such field she has shown much interest in is entrepreneurship. She is not only a distinguished Sheikha from an honourable family, but she worked with great fortitude to receive her doctorate in sociology from Ain Shams University. Talking about her doctorate, H.E. Sheikha Dr Hind said: “I studied the constants and variables in the UAE society through three generations. While highlighting the ability of the Emiratis to adapt to changes, however harsh they are, I emphasised the importance of transforming challenges constantly into opportunities”. As a consequence, she has a strong interest in entrepreneurship.

H.E. Sheikha Dr. Hind considers knowledge and science as a great way for individuals and nations to achieve progress. Her own doctorate has allowed her to support not only the many pioneering women entrepreneurs in their journey but also women’s empowerment issues, which have achieved great successes in the UAE. For instance, she contributed to the

establishment of the Businesswomen’s Council of Sharjah before becoming President of the UAE Businesswomen Council. Five years ago, she decided to launch the Emirates Club for Businesswomen and Freelancers, which quickly developed its functions and activities at the local and international levels. Today, it includes 45 branches around the world.

Talking about her own philosophy of success, she says, “One has to have a lot of ambitions in general, and women and business people in particular have to have great ambitions, but in order to achieve success, they have to take great care of small steps and details, if not they are simply paving their way to failure!”

And of course, this requires self-development and possessing a variety of skills to increase ability to achieve. She also stresses her belief in the need for forward thinking through carefully planned and implemented strategies.

Discussing the situation of women in the UAE, H.E. Sheikha Dr. Hind stresses that the clear vision of UAE government has and will always be supportive of women and their issues. UAE government support enables Emirati women to prove themselves in the top positions and to preside over influential sectors. She adds: “today, we have many women Ministers, Secretaries of State, and Heads of governmental departments and institutions among others”.

Finally, H.E. Sheikha Dr. Hind notes that the struggle and success of women is not an end in itself but rather a serious step towards achieving the best interest of the community and prosperity of the UAE.

<sup>53</sup> The case study is authored by Prof. Nihel Chabrak. Special thanks go to Banu Akbez, Co-Chairwoman & CEO, BPW Middle East Company, management consultancy, for organizing the interview and reviewing the case study and to Dr. Llewellyn D W Thomas for his help in writing.



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# **02**

Entrepreneurial and  
Business Activity in the  
UAE



## 2.1 GENERAL OVERVIEW

The UAE's adult population has a high level of involvement in entrepreneurial activities, with more than half of the adult population (56.27%) having an intention to start a new business in the next three years, which places the UAE first globally among the 54 economies participating in 2017 (see Table 2.1 below). However, despite having an intention to start a new business, only 3.96% of the population has actually started a new business in 3 months before July 2017 (hereafter called a "Nascent" business). A larger proportion, 5.06% of the UAE population, is involved in a business that is older than 3 months but less than three and half years old in July 2017 (hereafter called a New [or baby] business). Adding these two proportions together, one can see that 9.02% of the UAE adult population is involved in an early-stage entrepreneurial activity the year 2017 (hereafter called the total entrepreneurial activity or TEA rate). The rate of established businesses in 2017 is 5.63%. These figures suggest that nascent rate is less than the new (baby) rate, which is in turn less than the established rate. The entrepreneurial business creation process has improved compared to 2016 as the attrition rate in the entrepreneurial initiatives is decreasing, meaning that higher proportion of businesses started previously survives the 3.5 years of the consolidation process.

**More than half of the adult population has an intention to start a new business in the next three years, which places the UAE first globally among the 54 economies participating in 2017**

**Only 3.96% of the population has actually started a new business**

**Table 2.1:** UAE's 2017 results on entrepreneurial activity and rest of phases of the business development's model

Activity at each phase of the business creation and development measured by the percentage of 18-64 UAE's population involved in each phase					
Potential	Nascent	New (baby)	TEA (total)	Established	Discontinuation
56.27%	3.96%	5.06%	9.02% (3.96% + 5.06%)	5.63%	9.1%

**1<sup>st</sup>** The UAE ranks 1 globally for Entrepreneurial intentions to start a Business

The rate between the TEA and the potential entrepreneurship provides a rough indicator as to how entrepreneurial intentions become entrepreneurial activities.<sup>54</sup> The value of this indicator for the UAE the year 2017 is 0.16 (see Table 2.2). This indicates that the proportion of population with entrepreneurial intention is significantly higher than intentions transformed into activities. If this rate were closer to 1, potential entrepreneurship would be balanced with effective entrepreneurship.

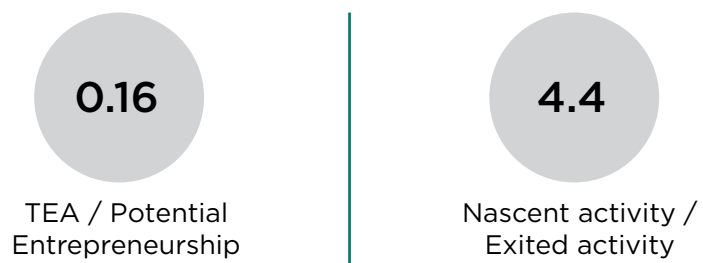
Table 2.1 presents the rate of effective discontinuation as 9.1%. The UAE ranks second globally with Thailand, after Egypt for its discontinuation rate. This might suggest that the pace of business consolidation versus destruction is not as balanced as it would be desirable, with more businesses being discontinued than being created. However, the results of investigation into the reasons for discontinuation presented in Table 2.3 suggest that the discontinuation rate of 9.1% is comprised of 4.8% (52.7% of the total)

of businesses continuing in other hands, and 3.1% (34.1% of the total) of businesses continued operation but changed main activity, and only 0.9% (9.9% of the total) of the businesses existing the market entirely.

Compared to 2016, it seems there are more businesses changing their main activity in 2017 (34.1%) than in 2016 (2.5%). Moreover, fewer businesses are exiting the market completely in 2017 (0.9%) than in 2016 (32.6%). With business destruction only at 0.9%, businesses in the UAE continue even though the founding team is no longer involved, or the core business has been changed, which might suggest that the ecosystem is more mature to prevent business destruction. Finally, Table 2.2 below suggests that the rate of nascent activity to business effective discontinuation through market exit in 2017 is 4.4. This result indicates that there are more start-ups in the current year than exited businesses. Nascent activities are therefore well covering business exits of the year.

**Table 2.2:** Relevant rates derived from the results of the business creation and development model

### Relevant rates derived from the results of the business creation and development model



**Table 2.3:** Detailed figures on businesses' discontinuation in UAE, 2017

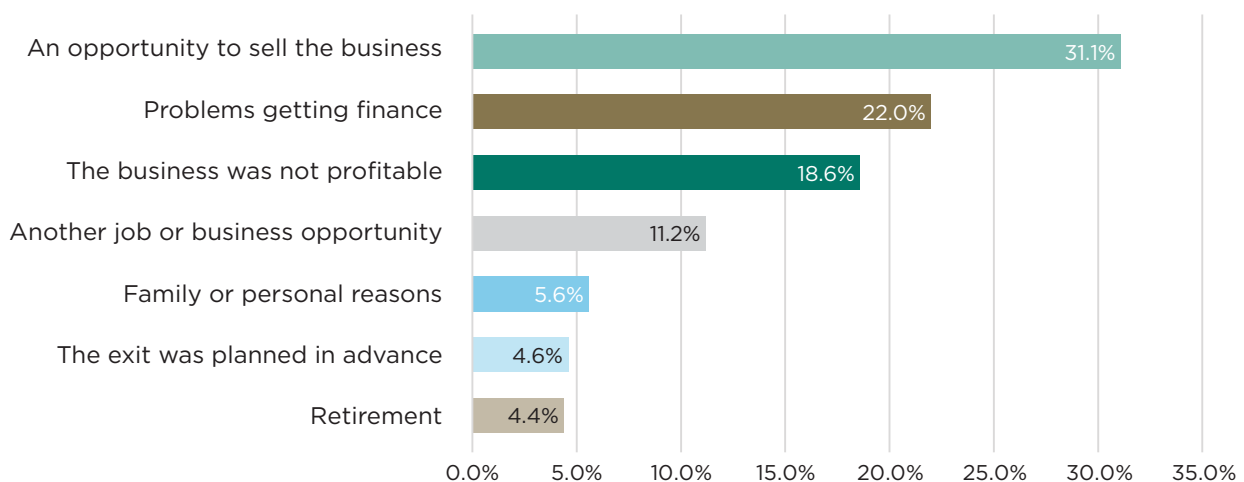
Discontinuation of businesses' composition measured by percentages of 18-64 UAE population involved in each phase				
Discontinuation	Continued in other hands	Continued but changing its main activity	Exited the market completely	I don't know
9.1% (100%)	4.8% (52.7%)	3.1% (34.1%)	0.9% (9.9%)	0.3% (3.3%)

<sup>54</sup> Potential entrepreneurship rate and TEA can be compared as both concepts are referred to within a three years' period.



When we consider the main motives for business discontinuation presented in Figure 2.1 below, we have further confirmation of our interpretation. The main reason for most UAE businesses to discontinue in 2017 is “an opportunity to sell the business” (31.1%), while in 2016, entrepreneurs were discontinuing their businesses mainly because “the business was not profitable” (39.9%). The other major reasons preventing continuation in 2017 are “problems getting finance” (22.0%), the “business was not profitable” (18.6%), and “another job or business opportunity” (11.2%). Compared to 2016, problems getting finance seem to become more serious in 2017 (22% vs. 8.4%).

**Figure 2.1:** Main motive for business discontinuation in the UAE the year 2017



## INTERNATIONAL POSITION

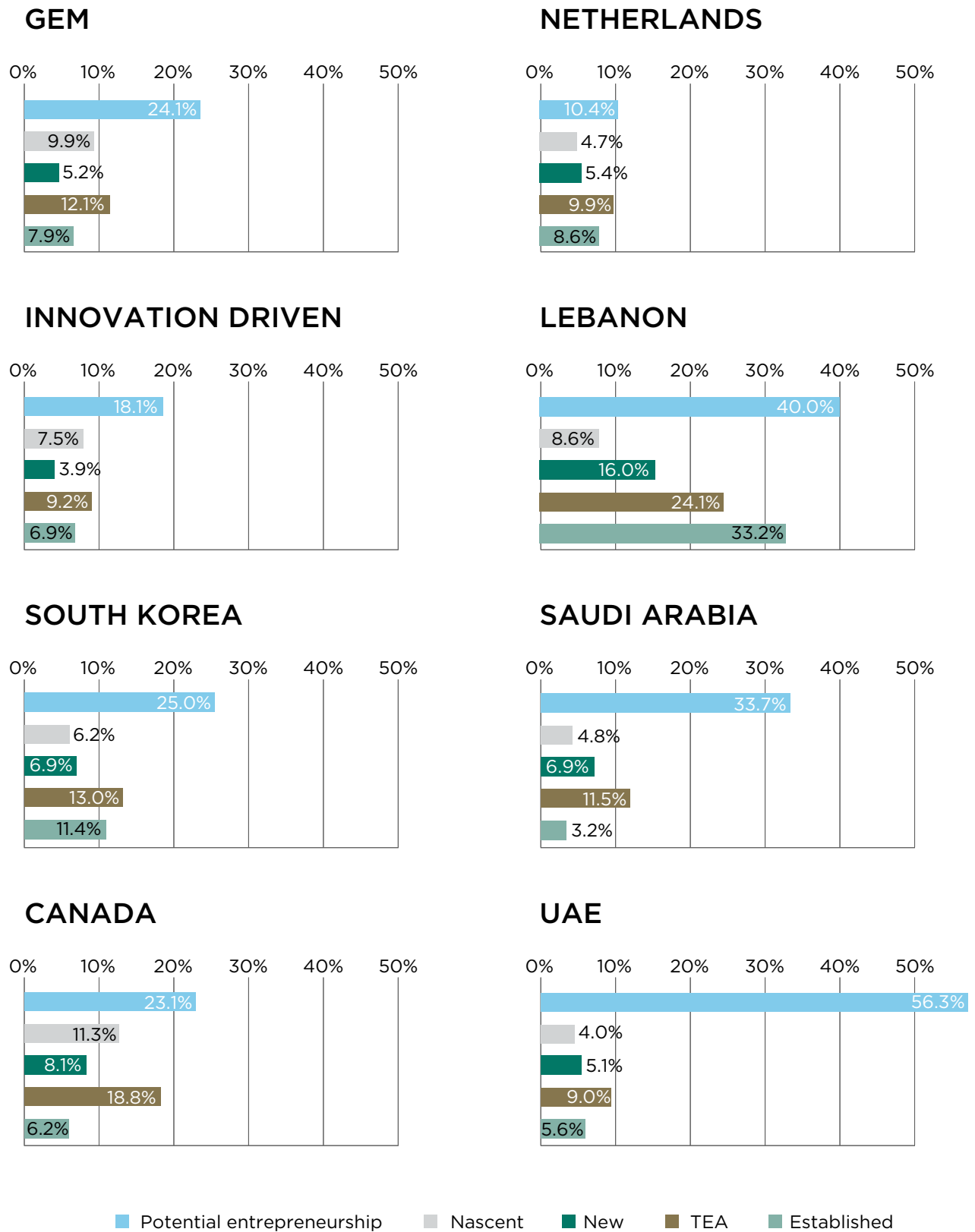
The UAE shows the highest rate of potential entrepreneurship among the comparison countries, and the closest is Lebanon at a distance (see Figure 2.2). However, in contrast, the nascent activity rate of the UAE (4.0%) is the lowest of the comparison countries and is closest to the Netherlands (4.7%) and Saudi Arabia (4.8%). The new activity rate (5.1%) is also the lowest of the comparison countries but is greater than the Innovation-Driven Countries average rate (3.9%) and only slightly smaller than the GEM average (5.2%). Consequently, although the TEA

rate of the UAE (9.0%) is the lowest among the group of countries, it is only slightly less than the Innovation-Driven country average (9.2%), with the closest countries are the Netherlands (9.9%), and Saudi Arabia (11.5%). Although the established activity (5.6%) is less than the Innovation-Driven country average (6.9%), it is more than Saudi Arabia (3.2%). These low rates can be understood to reflect a high volatility of businesses. Although with Lebanon the Netherlands and Korea, the UAE has one of the balanced indicators (nascent rate < new rate < established rate).

**1<sup>st</sup>**

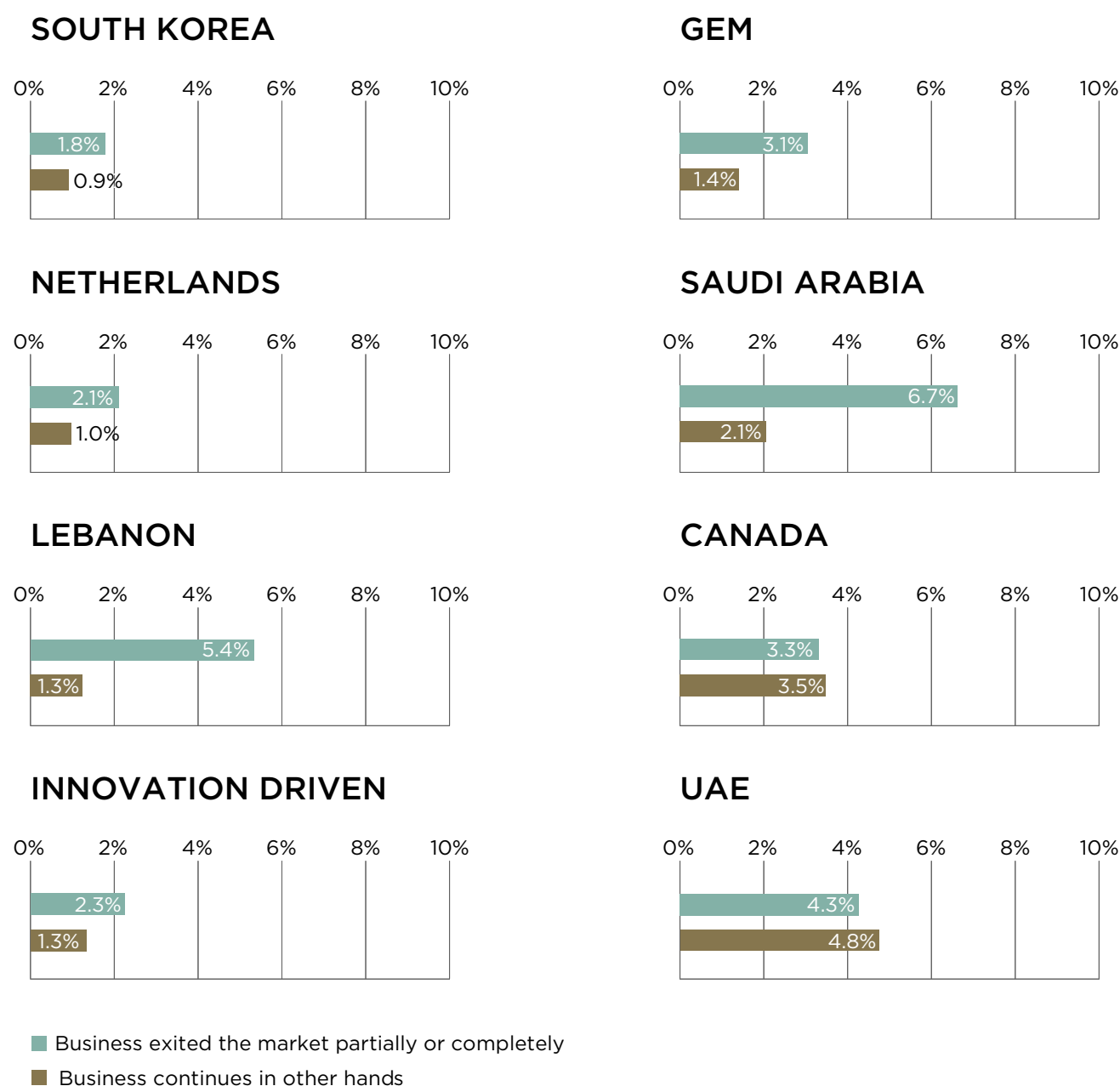
The UAE ranks 1 globally for “sold the business” as reason for business exit

**Figure 2.2:** UAE: international position about indicators on business development model



In comparing the discontinuation results (see Figure 2.3 below), the UAE discontinuation rate (9.1%) is the highest of the comparison countries, closely followed by Saudi Arabia (8.8%) and then at a distance Canada (6.8%) and Lebanon (6.7%). As a proportion of the business discontinuation, the UAE has more businesses changing hands (4.8%) than exiting the market partially or completely (4.3%). This proportion is only shared with Canada, suggesting an interesting dynamic in the UAE to be further investigated.

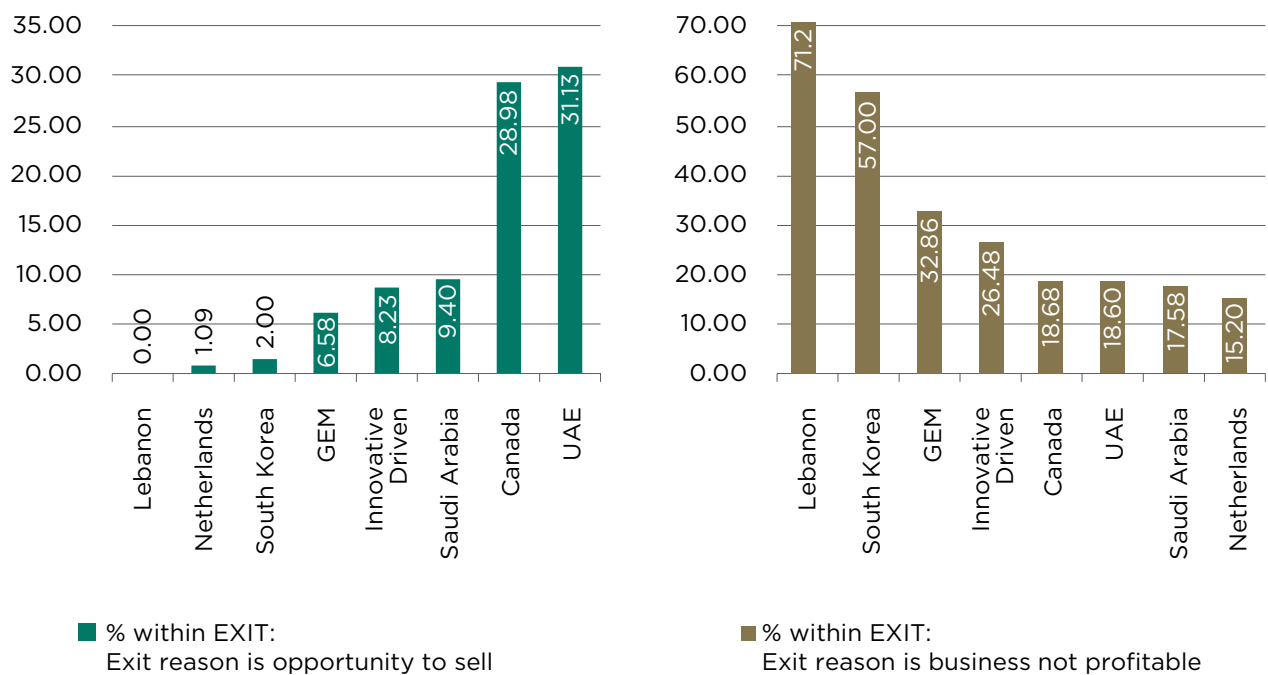
**Figure 2.3:** UAE: international position about detailed indicators on business discontinuation



The figures below compare the main reasons for business discontinuation between different countries. The UAE leads as the nation most likely to exit due to an opportunity to sell (31.13%), closely followed by Canada (28.98%). The averages for the GEM (6.58%) and Innovation-Driven Countries (8.23%) are much lower, as is Saudi Arabia (9.4%). This result is positive as this suggests that these businesses are still considered to be profitable

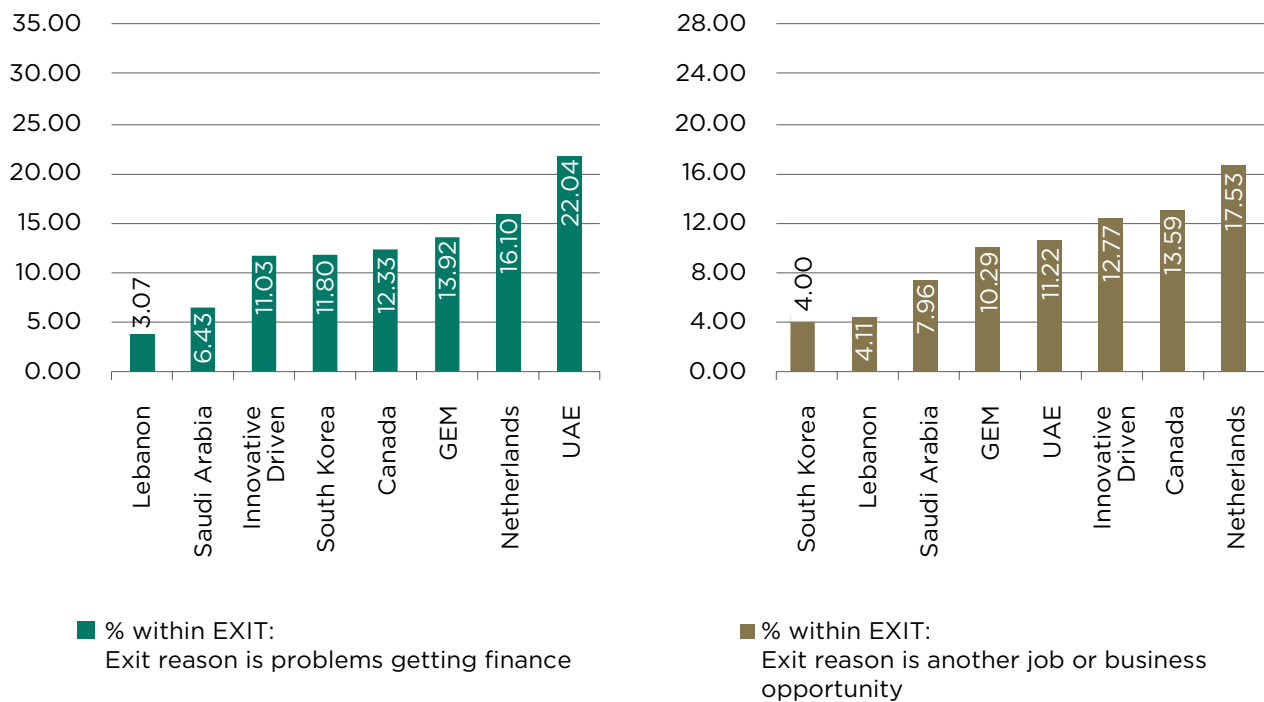
or have potential to survive and grow. Indeed, it suggests confidence in the future UAE economy, with the UAE business discontinuation rate for reasons of lack of profitability (18.6%), less than both the averages for the GEM (32.86%) and Innovation-Driven Countries (26.48%). Lebanon showing the greatest proportion (71.2%) followed by Korea (57%), while Canada has comparable proportion to the UAE (18.68%).

**Figure 2.4:** Comparison of discontinuation due to opportunity to sell or not profitable

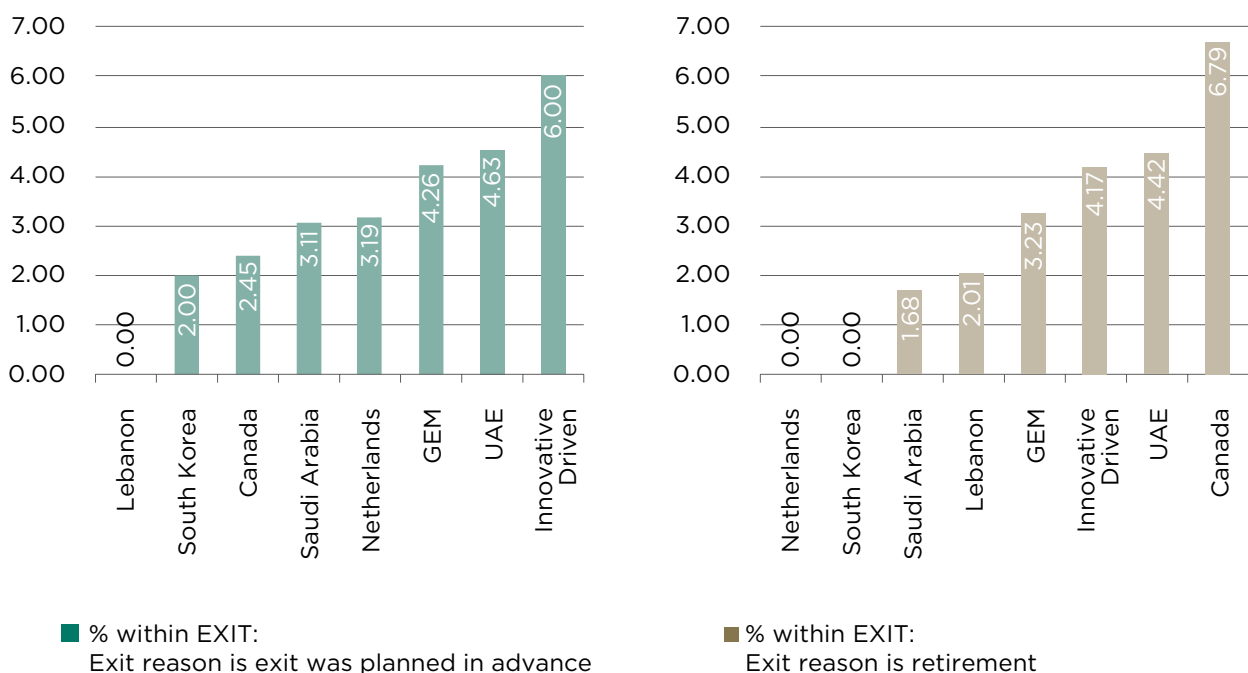


Entrepreneurs in the UAE do not appear to be able to access financing, as the UAE has the highest proportions of this reason to discontinue the business, having a proportion (22.04%) that is significantly higher than the Netherlands (16.10%) its closest comparator, and the GEM (13.92%) average. In terms of discontinuing a business to undertake another job or business opportunity, the UAE has an average rate of 11.22% across the comparator countries, with the highest rate for the Netherlands (17.53%) and the lowest rate for Korea (4%).

**Entrepreneurs in the UAE do not appear to be able to access financing**

**Figure 2.5:** Comparison of discontinuation due to getting finance or seeking another job.

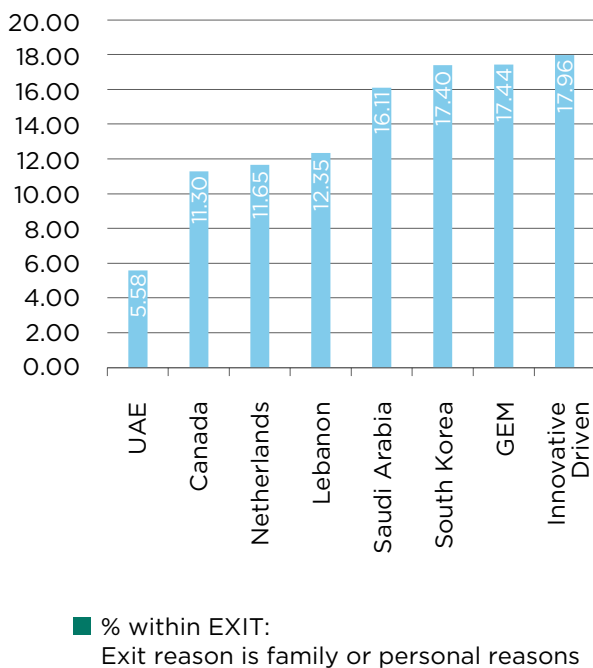
**The UAE has the highest proportion of ventures that planned the business exit in advance**, at 4.63% of responses, which is higher than the GEM (4.26%) average but less than the Innovative-Driven Countries average (6.00%). This is a healthy indicator as it reflects the ability for entrepreneurs to plan an exit rather than being forced to close. In terms of discontinuing businesses through retirement, the UAE has a similar rate (4.42%) to the Innovation-Driven countries average (4.17%), with only Canada having a higher rate (6.79%).

**Figure 2.6:** Comparison of discontinuation due to advance planning or retirement.



The UAE has the lowest rate of business discontinuation for family or personal reasons (5.58%), which is significantly less than comparator countries, with Canada (11.3%), the Netherlands (11.65%) and Lebanon (12.35%) being much higher. Similarly, the GEM (17.44%) and Innovation-Driven Countries (averages 17.96%) are much higher, this suggests that the work - life balance for entrepreneurs in the UAE is positive.

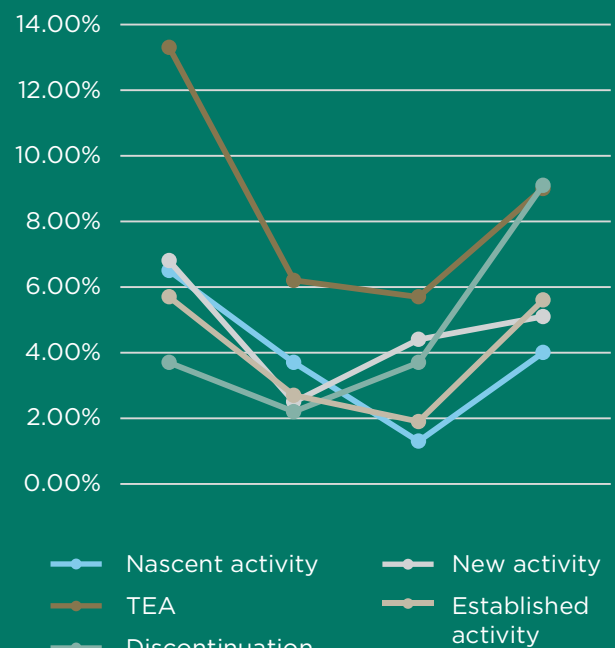
**Figure 2.7:** Comparison of discontinuation due to family or personal reasons.



## 2.2 TEMPORAL EVOLUTION

Figure 2.8 presents the temporal evolution of the main indicators that make up the effective business creation process over the period of measurement. Although the TEA rate has been decreasing during the period from 2009 to 2016, in 2017 there is a dramatic improvement to 9.0%. While the composition of nascent and new activity has varied between 2009 and 2016, in 2017 both have also increased, although new activity has increased (5.1%) less than nascent activity (4.0%). Put differently, from 2016 to 2017, there has been a dramatic increase in the number of new ventures, while there has also been a steep increase in the number of discontinuations. Yet, businesses exiting the market are slightly fewer. We attribute this to greater confidence that might be due to the announced bankruptcy law and other regulatory reforms, although it is too early to understand the real impact of these changes. Further investigation is needed to confirm our interpretation.

**Figure 2.8:** Temporal evolution of main indicators on business process for UAE.



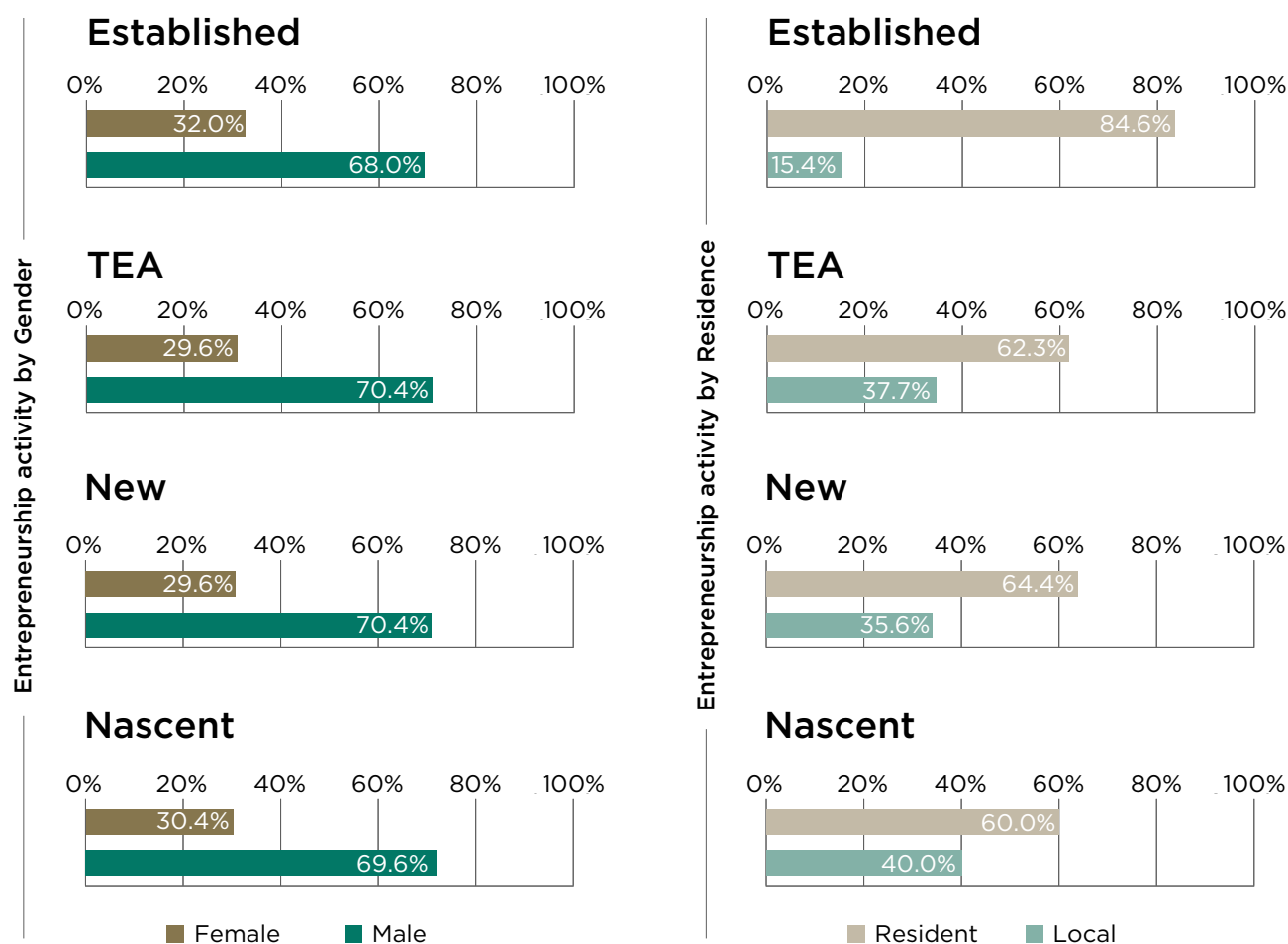
## 2.3 ENTREPRENEURIAL ACTIVITY IN THE UAE: FURTHER ANALYSIS

Figure 2.9 below presents the results of UAE entrepreneurial activity by gender, residency and region. Entrepreneurial activity is generally undertaken by men, with 69.9% of nascent businesses, 70.4% of new businesses, and 68.0% established businesses. These numbers also suggest that women become entrepreneurs at a constant rate in the UAE.

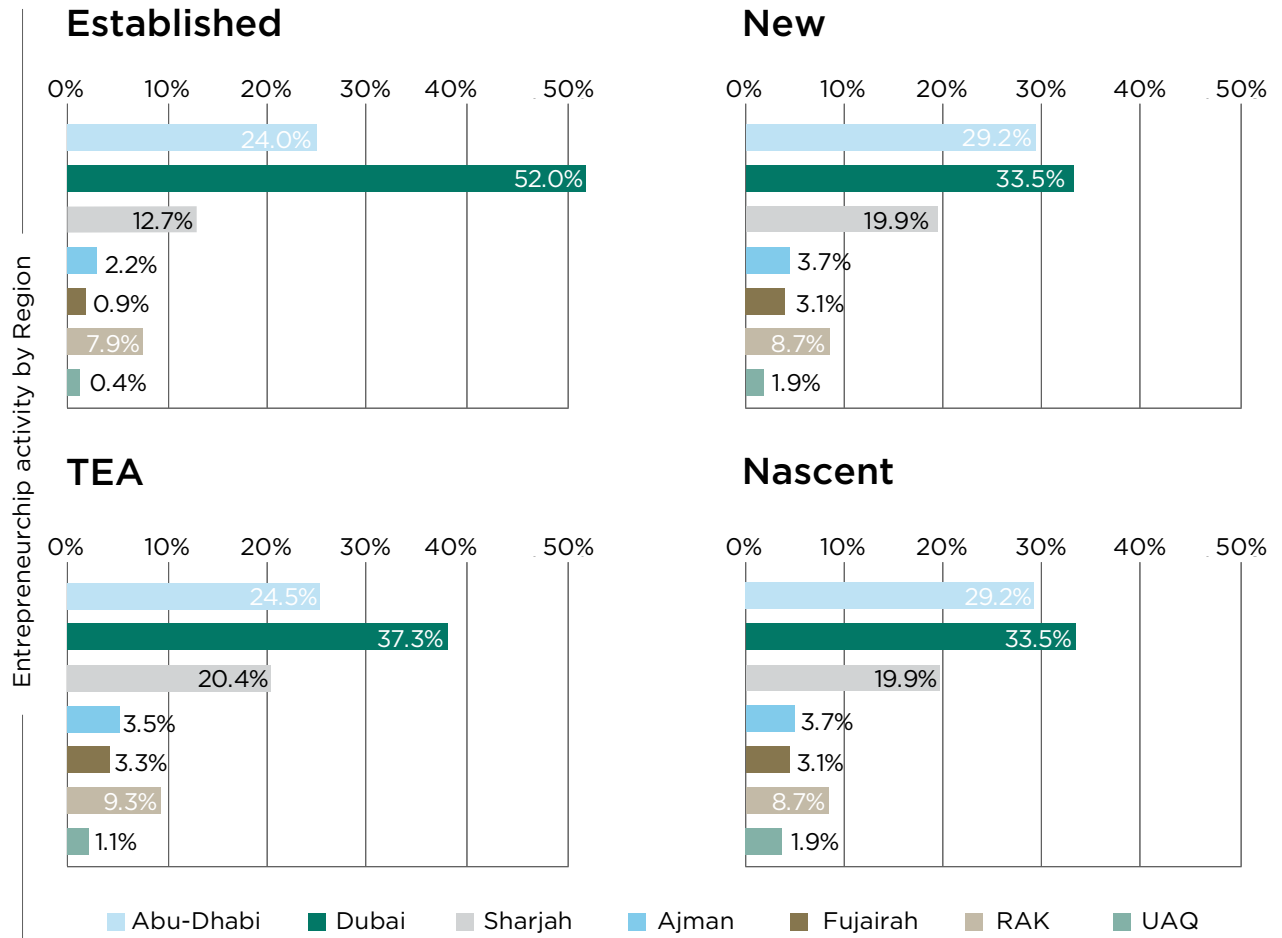
In terms of residency – Emiratis comprise 40.0% of nascent businesses, and approximately a third of new businesses (35.6%), while are only 15.4% of established businesses. Given that Emiratis comprise approximately 10% of the overall population,<sup>55</sup> this suggests that Emiratis are more likely to be entrepreneurs than non-Emirati expats.

Nascent businesses are most common in Dubai (33.5%), followed by Abu Dhabi (29.2%), while the Northern Emirates have a low proportion of very early stage businesses. Dubai similarly has the greatest proportion of new businesses (40.3%), at a distance followed by Abu Dhabi (21.4%) and Sharjah (20.9%). By far the greatest proportion of established businesses is in Dubai (52.0%), in line with its reputation as the commercial capital of the UAE, with Abu Dhabi (24.0%) following. The low proportions for the Northern Emirates are representative of their smaller population.

**Figure 2.9:** UAE Participation in Entrepreneurship by Gender, Residence and Regions



<sup>55</sup> <http://www.bq-magazine.com/economy/socioeconomics/2015/04/uae-population-by-nationality>

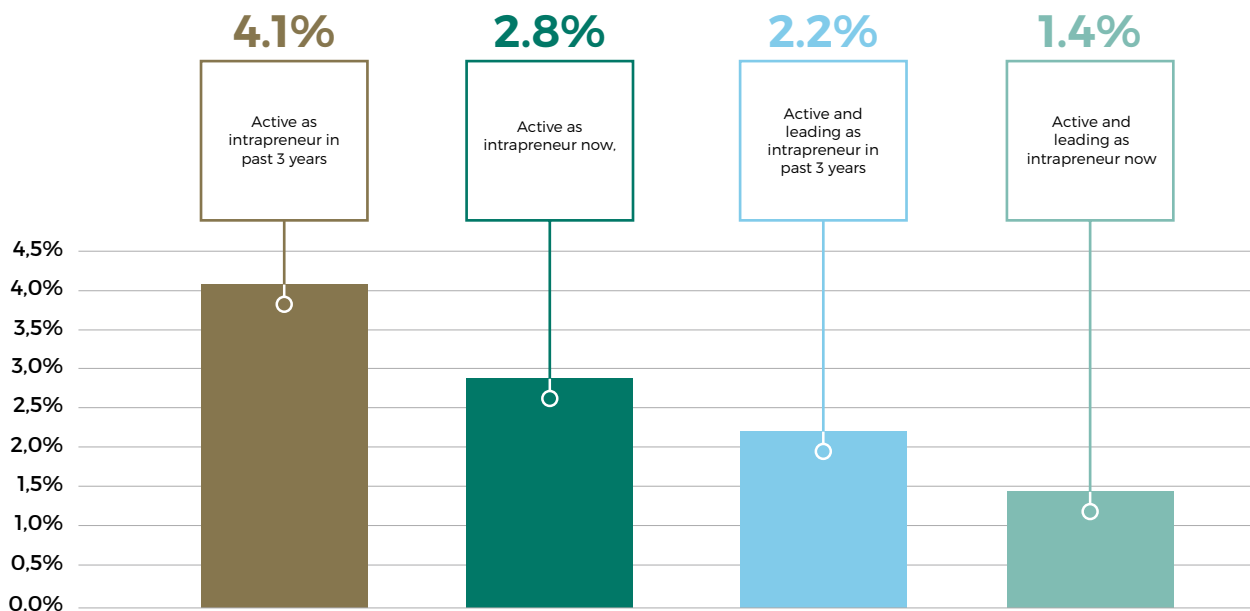


## 2.4 ENTREPRENEURIAL EMPLOYEE ACTIVITY IN THE UAE (EAA)

Entrepreneurship occurs with the creation of independent organizations but also through employees' entrepreneurship within private companies and public agencies. This contribution is called 'intrapreneurship'. Intrapreneurship constitutes a critical complement of innovation, diversification and growth of any organization. Intrapreneurship flourishes specially when the organizations are managed under a horizontal system instead of a vertical one, because this allows the establishment of communication and interchange flows between the different hierarchical levels of the company or agency. This way, employees of different positions and ranges can channelize their ideas, proposals, projects and concerns in favour of their organization.

GEM has provided annual indicators related to intrapreneurship since 2013; as such these are the second indicators for the UAE. The UAE indicators for the year 2017 are presented in Figure 2.10 below. Within the UAE, 4.1% of employees have undertaken intrapreneurial activities in the past 3 years, with 2.2% of the population leading such activities. Considering intrapreneurship activities in process at the time of the survey, 2.8% of employees are involved in such activities with 1.4% leading them. The entrepreneurial employee activity in the UAE in 2017 is unchanged compared to 2016 with only less respondents declaring they have been leading or are leading such activities.

**Figure 2.10:** Intrapreneurship indicators for the UAE in 2017











CH.

# 03

Entrepreneurial Activity  
Characteristics &  
Aspirations

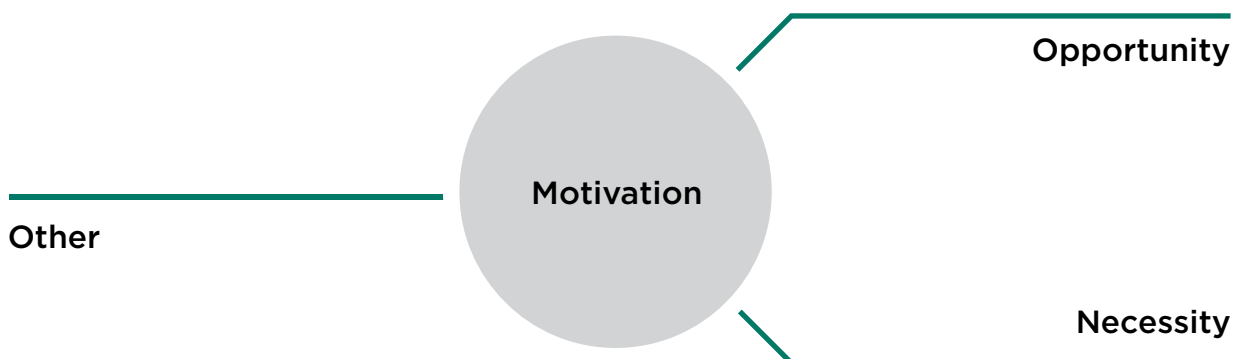


In this Chapter we investigate the reasons why entrepreneurs engage in entrepreneurial activity (Section 3.1), the sectors where they are undertaking their activity (Section 3.2), the characteristics of the owners (Section 3.3) and their aspirations in terms of job creation (Section 3.4). The impact on innovation, competitiveness and internationalization will be described in Chapter 4.

As discussed in previous sections, it is the quality of entrepreneurial activity rather than quantity, which determines its effective contribution to economic and social development of countries. GEM provides a comprehensive set of indicators that characterize entrepreneurial activity and its impact. This information is valuable for the design of public policies, training activities and strategic plans to foster the development of high impact entrepreneurial activity.

### 3.1 MOTIVATION FOR EARLY STAGE ENTREPRENEURIAL ACTIVITY

In this section, we offer detailed findings on entrepreneurship motives. Entrepreneurial motivation is one of the determinants of the quality of businesses resulting from the early stage entrepreneurial activity generation. GEM classifies early stage entrepreneurial initiative motivated by necessity, opportunity and other motives.



Potential entrepreneurs start their businesses by necessity when they have no alternatives to develop their professional career and when they create their own job activity to survive. Alternatively, potential entrepreneurs can launch businesses by creating opportunities when they spot a niche in the market or when they develop an original idea leading to an innovative opportunity. Entrepreneurs classify their start-ups as motivated by other factors when their case is a mixture of necessity and opportunity or when they continue a family business or engage in developing projects, etc.

The literature on this topic suggests that opportunity entrepreneurship tends to contribute more positively to economic development as it usually makes significant contributions in terms of innovation, productivity and competitiveness. However, for the purposes of this report, we do not recommend judging solely based upon entrepreneurial motivation. Any analysis must also evaluate the market development level, the industrial sectors where the start-ups are occurring, the businesses' dimension, and many other variables that complete the picture of early stage entrepreneurial activities. Thus, what can represent a large opportunity in the market of a developing economy may not be possible in a developed economy or globally.

## GENERAL OVERVIEW

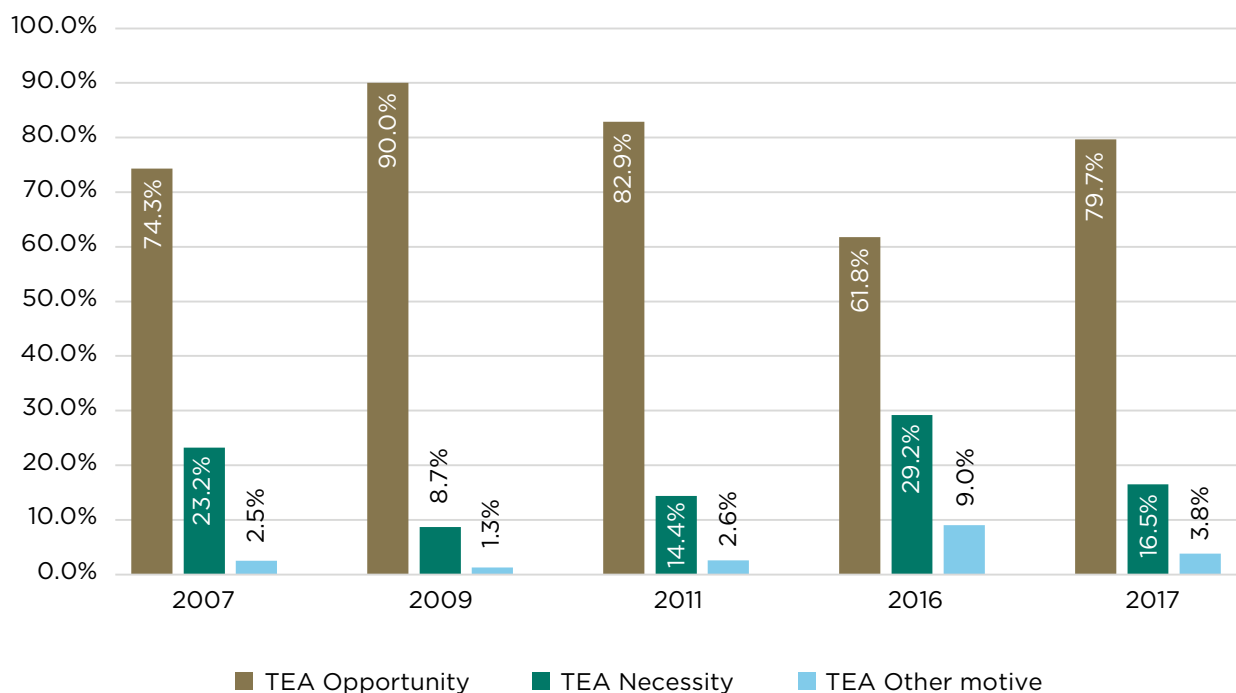
Figure 3.1 below shows that in 2017 opportunity-driven motives in early stage entrepreneurial activities are on the rise compared to 2016, reaching 79.7%. Although it is still too early to declare that there is a reversal of the downward trend since 2009, this 18% rise is remarkable. However, opportunity-driven entrepreneurial activities are still far from reaching their level before the consequences of the crisis have been consolidated, where 90% of the early-stage entrepreneurial activities in the UAE in 2009 were driven by perceived market opportunities.

This rise in opportunity-driven motives in 2017 translates a decline in the shares of both necessity-driven early-stage activities and other motives. Compared to 2016, the share of people who have been somewhat forced into starting a business due to unfavourable circumstances was

almost halved in two in 2017, passing from 29.2% to 16.5%. Other motives concern only 3.8% of the early stage entrepreneurial activities.

**Opportunity-driven motives in early stage entrepreneurial activities are on the rise**

**Figure 3.1:** Distribution of motivation for early stage entrepreneurial activity in UAE and recent evolution

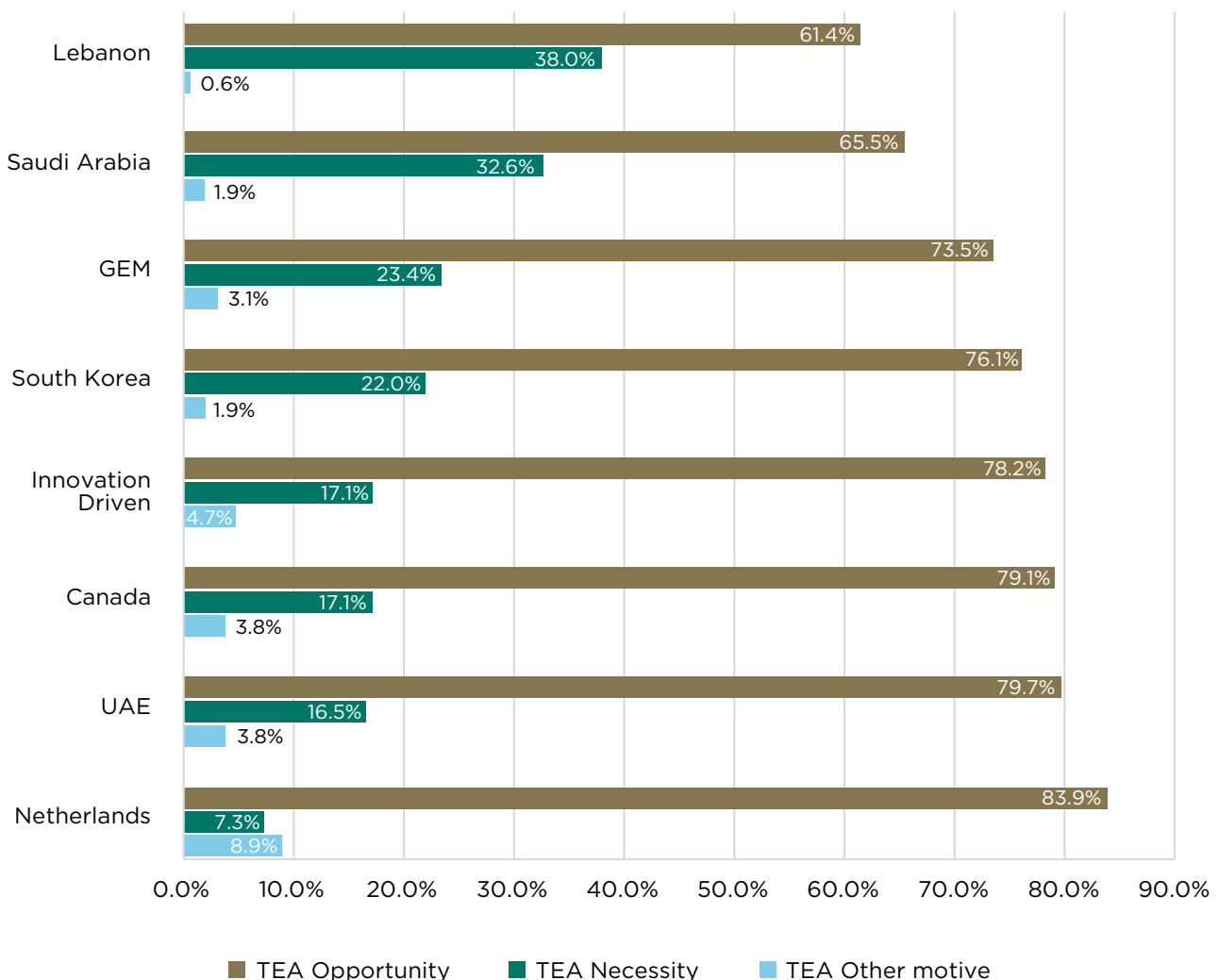


## INTERNATIONAL POSITION

Figure 3.2 below presents the international comparison of the entrepreneurship motives in 2017. The Netherlands has the highest rate of entrepreneurship by opportunity (83.9%), followed by the UAE (79.7%). This reflects a considerable improvement compared to 2016 where it had the second lowest rate of entrepreneurship by opportunity (61.8%). Opportunity-driven entrepreneurial activity in the UAE is higher compared to innovation-driven countries average (78.2%). The share of the necessity-driven entrepreneurial activities in the UAE (16.5%) is lower than the average for overall GEM countries (23.4%) as well as innovation-driven countries (17.1%). Lebanon has the highest rate of necessity TEA (38%) followed by Saudi Arabia (32.6%).

**The UAE has the second highest rate of opportunity entrepreneurship**

**Figure 3.2:** Comparison of distributions of motivation for early stage entrepreneurial activity





### MOTIVATION FOR EARLY STAGE ENTREPRENEURIAL ACTIVITY: FURTHER ANALYSIS

Figure 3.3 shows no significant differences between male and female entrepreneurs for opportunity-driven early stage entrepreneurial activity (79.9% for the males versus 79.2% for

the females). However, in 2017 necessity-driven motivation is shown to be higher for male (17.8%) than female entrepreneurs (13.8%).

**Figure 3.3:** Distribution of motivation for early stage entrepreneurial activity in UAE and recent evolution by gender

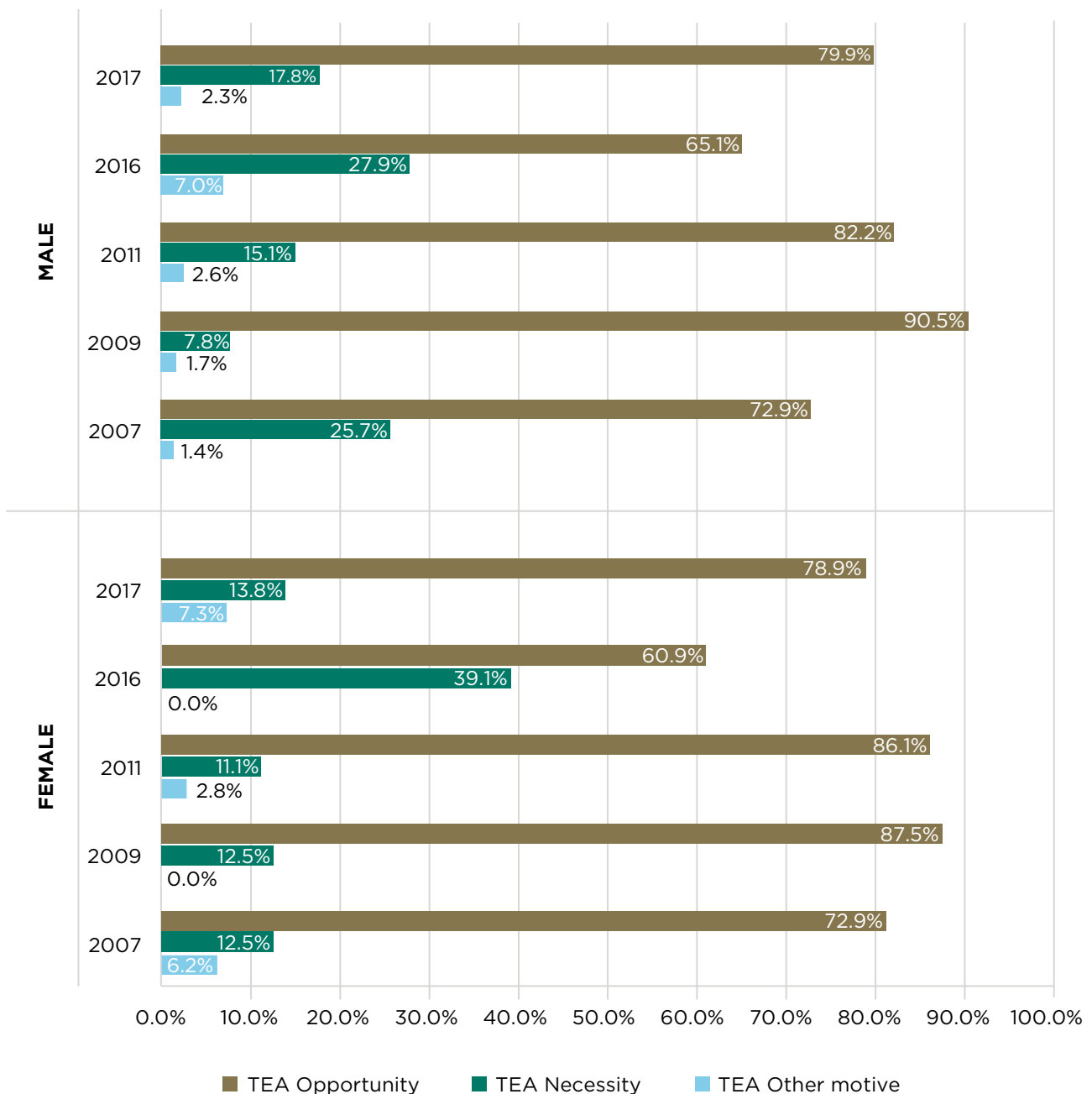
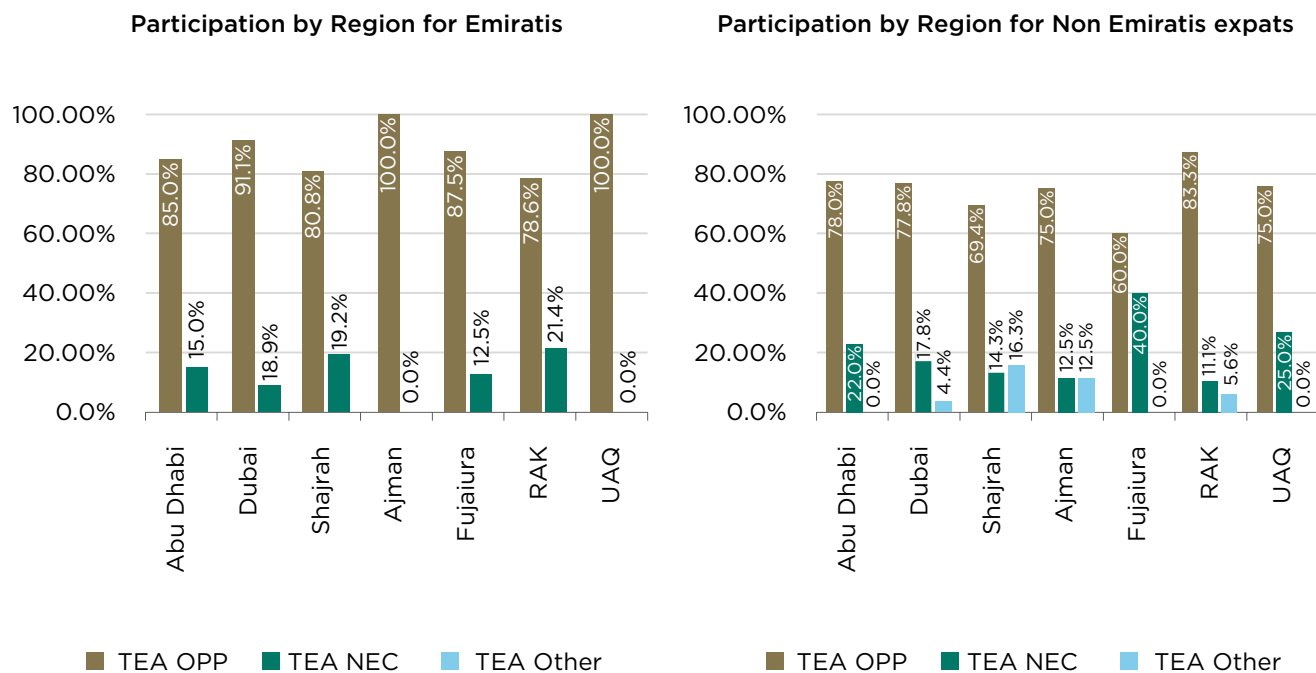


Figure 3.4 below presents the motives by region (Dubai, Abu Dhabi, Sharjah and Northern Emirates) and by residency (Emiratis | Non-Emirati expats). For non-Emirati expats, Ras-Al-Khaimah has the highest rate in entrepreneurship by opportunity (83.3%) followed by Abu Dhabi (78%), and

Dubai (77.8%). Fujairah exhibits the lowest rate of non-Emirati expats starting by responding to an opportunity (60%). For Emiratis, the rates for entrepreneurship by opportunity are the highest for Ajman and UAQ (100%) followed by Dubai (91.1%) and lowest for Ras-Al-Khaimah (78.6%).

**Figure 3.4:** Participation in Early Stage Entrepreneurship by Region and Residence



The main drivers of opportunity entrepreneurs are: 'having greater independence', 'increasing personal income', or 'just maintaining income' 'pursuing family business'. Table 3.1 below indicates that in the UAE, opportunity entrepreneurs are driven mainly by 'having greater independence' or 'increasing personal income'. For instance, 82.1% of those involved in nascent activity are doing it to increase their personal income, while 14.9%

are looking for gaining greater independence. This pattern is almost the same for baby businesses but with less difference between the motives with 56% looking for an increase in their personal income, while 44% are driven by greater independence. Yet, gaining more independence is the primary driver for 54.6% of entrepreneurs having established businesses, while those looking for greater income represent 44.8%.



**Table 3.1:** Main motive for opportunity entrepreneurs and recent evolution

Opportunity entrepreneurship	% 2009				% 2011				% 2016				% 2017			
Type of entrepreneur*	SU	BB	TEA	EB	SU	BB	TEA	EB	SU	BB	TEA	EB	SU	BB	TEA	EB
Greater independence	61.1	46.1	54.4	55.9	45.5	47.3	42.1	41.1	38.7	82.0	69.7	92.0	14.9	44.0	32.5	54.6
Higher personal income	33.7	46.6	39.5	39.0	49.0	45.3	52.7	52.1	61.3	18.0	30.3	8.0	82.1	56.0	66.3	44.8
Just maintain income	2.7	5.6	3.7	4.5	4.0	4.7	2.9	3.3	0.0	0.0	0.0	0.0	3.1	0.0	1.2	0.6
Family business	0.0	0.0	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	2.5	1.7	2.4	0.6	0.0	2.7	2.3	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

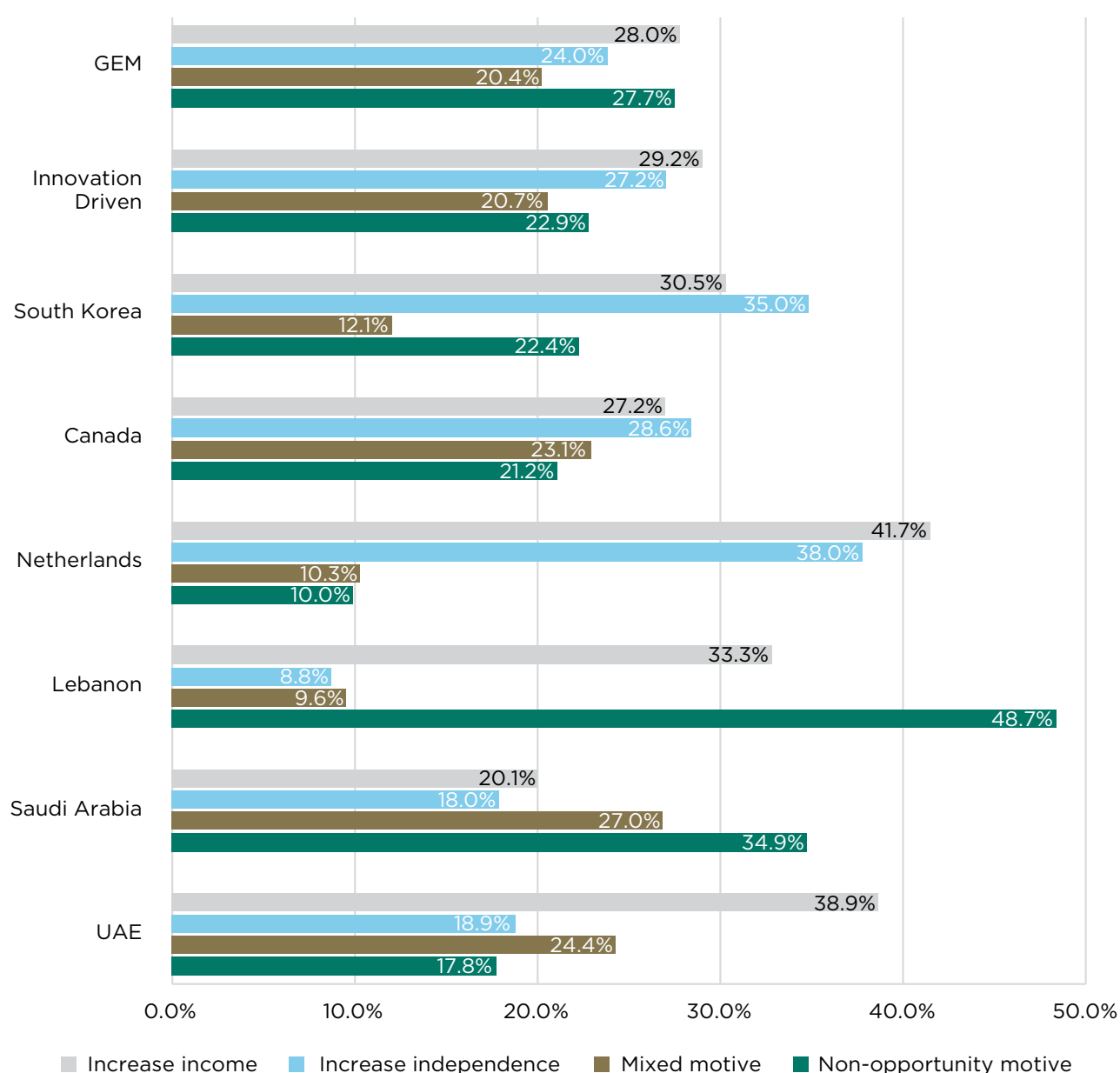
\*SU = nascent entrepreneur (up to 3 months) | BB = new or baby (42-3 months) | TEA = early stage (42-0 months) | EB = established (more than 42 months)

**IDO INDEX = 3.4 (improvement driven entrepreneurs (%55.6) / necessity driven (%16.5) - UAE global rank: 16T**

Those entrepreneurs who are seeking to improve their situation, either through increased independence or through increased income (versus maintaining their income) are called by GEM improvement-driven opportunity (IDO) entrepreneurs. To assess the relative prevalence of improvement-driven opportunity entrepreneurs versus those motivated by necessity, GEM has created the Motivational Index (Improvement-Driven Opportunity / Necessity). The UAE IDO index in 2017 is 3.4 compared to 1.4 in 2016.

Figure 3.5 presents the UAE international position. UAE has the second highest rate in 'income increase' motive (38.9%) among the comparator countries, following the Netherlands (41.7%). On the other hand, it has the third lowest rate in 'having greater independence' motive (18.9%) after Saudi Arabia (18%) and Lebanon (8.8%). Both Saudi Arabia and the UAE show high rates for 'mixed motive'.

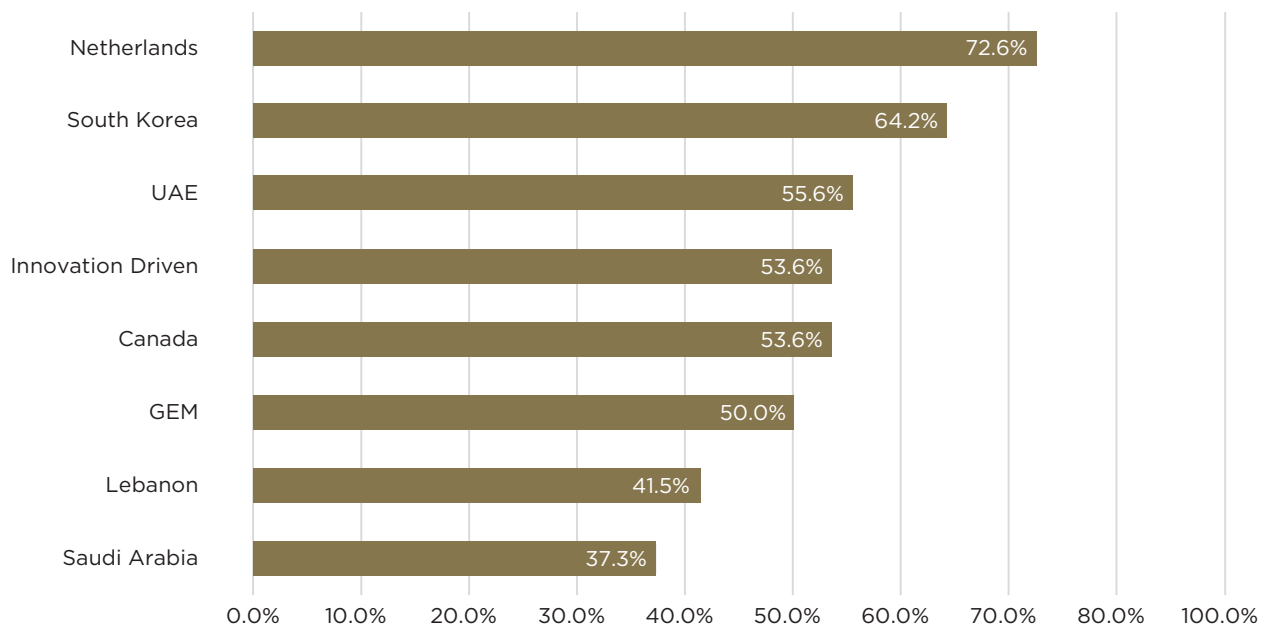
**Figure 3.5:** International comparison of TEA motives



Note: Non-Opportunity motive is the sum of necessity and maintain income motives, while mixed motive is the rate of those who answered the questionnaire giving a combination of both opportunity and necessity motives or who have a job but seek better opportunities.

Figure 3.6 below presents the comparison of improvement-driven opportunity (IDO) in early stage entrepreneurial activity among the comparator countries. With 55.6% of the TEA by improvement driven opportunity entrepreneurs, the UAE has the third highest rate, following the Netherlands (72.6%) and Korea (64.2%). This is quite an improvement for the UAE as in 2016 it had the lowest rate among the comparator countries.

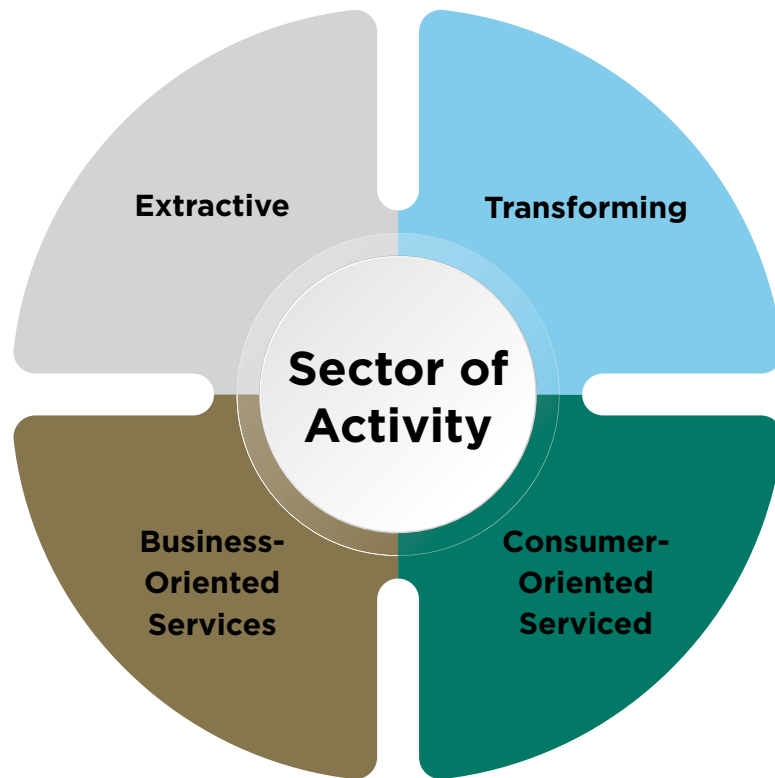
**Figure 3.6:** % of TEA by Improvement driven opportunity entrepreneurs





## 3.2 SECTOR OF ACTIVITY

GEM considers four sectors with which to classify the types of business activities captured by the monitor: extractive, transforming, business-oriented services, and consumer-oriented services sectors.



Extractive activities comprise agriculture, forestry, fishing, timber harvesting and mining (including oil production). Transformative activities are those that change the form or location of physical items, such as construction, manufacturing, transportation and wholesale. Business services are activities in which the primary consumer is a business entity, including finance, insurance, real estate and consulting of all types. Consumer-oriented activities primarily serve people and include all retail, lodging, restaurants and bars, personal services, repair shops, entertainment, leisure, recreation, health, social and educational services.

Figure 3.7 below presents the distribution of total early stage entrepreneurial activity (TEA) and established businesses activity (EB) by sector for the years 2009, 2011, 2016 and 2017. Most of the entrepreneurial activity in the UAE occurs in 'Transforming' and 'Consumer-Oriented' sectors. In 2009, the UAE's activities were highly

concentrated in the 'Consumer-Oriented Services' sector, both for early-stage entrepreneurs (53%) and established businesses (52.8%). In 2011, both early-stage entrepreneurs and established businesses shifted towards the Transformative sector (51.5% and 40.9% respectively). In 2016, the highest rate of early stage activity is in 'Consumer-Oriented Services' sector (45.3%), while the established businesses highest rate is in the Transformative sector with 50.6%. In 2017, the Consumer-Oriented Services sector is on the rise for both early-stage entrepreneurs (50.9%) as well as established business (50.1%), to almost reach the levels of 2009. There is also a rise in the share of business services, reaching their highest level for the studied period, with 23.7% for the early-stage entrepreneurs and 26.9% for the established businesses. Given their high added value, it is very promising to see more entrepreneurial activity in the business services sector in the UAE, which is a new trend compared to the previous periods.

**Figure 3.7:** Early Stage Entrepreneurial and Established Activities by Sectors, and Recent Evolution in UAE

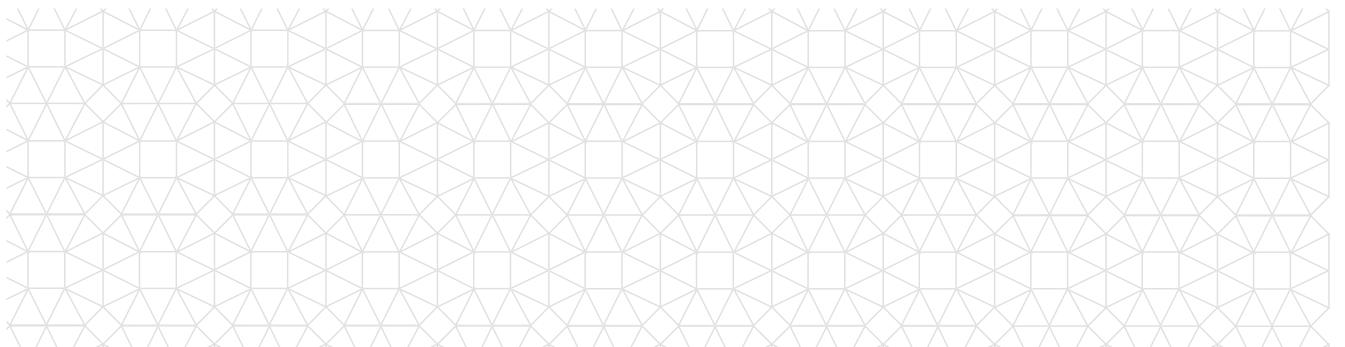
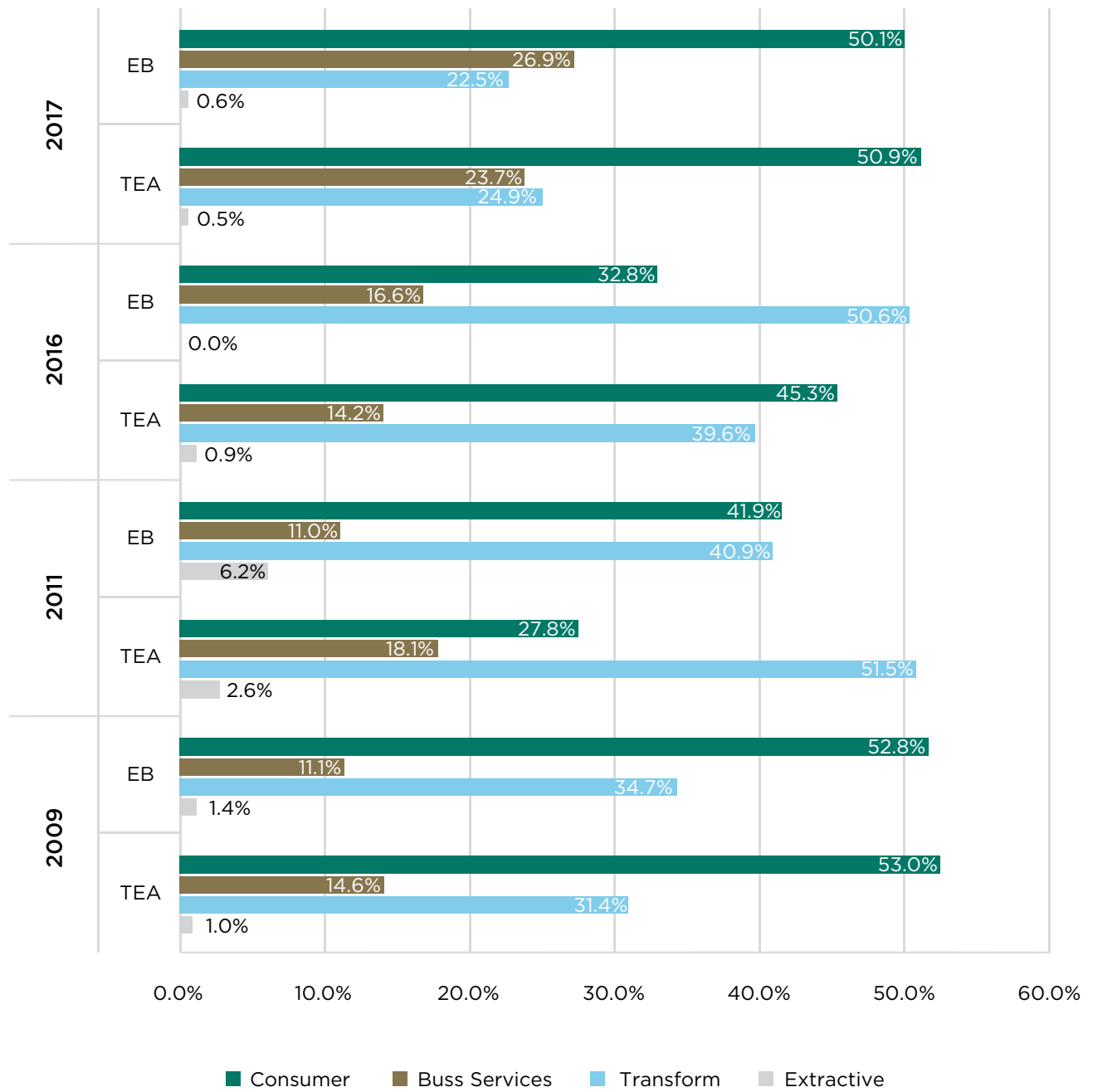
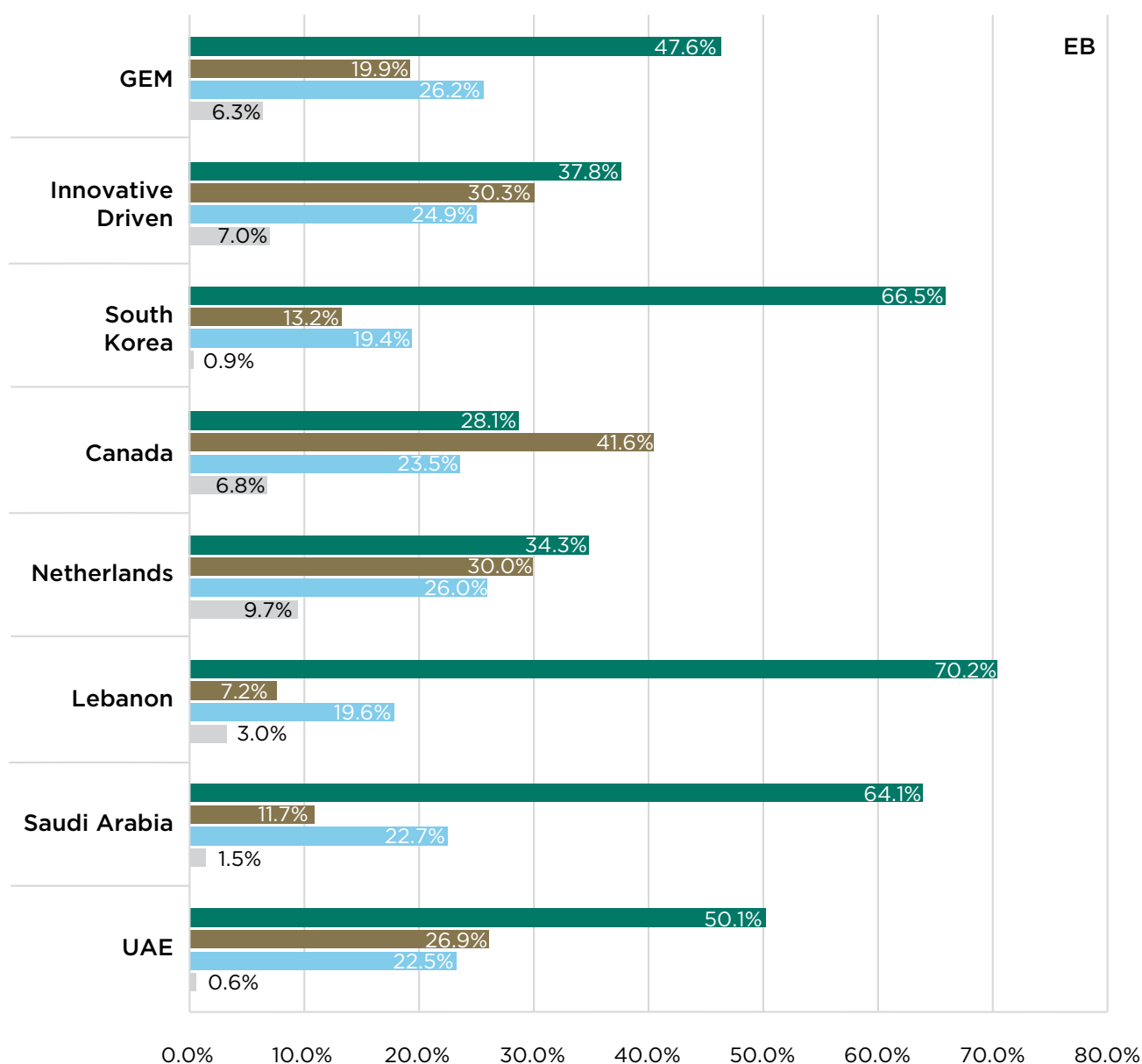
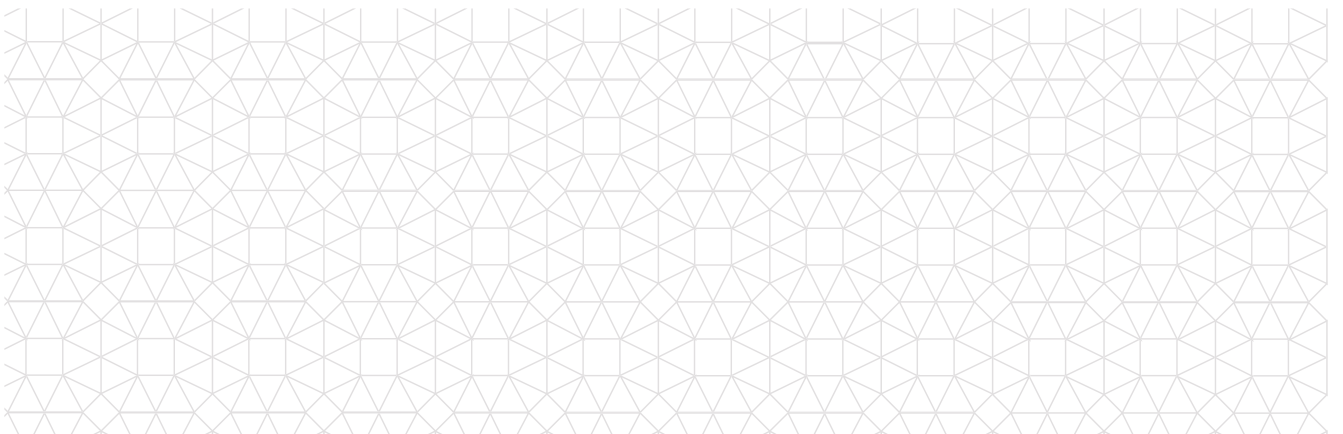
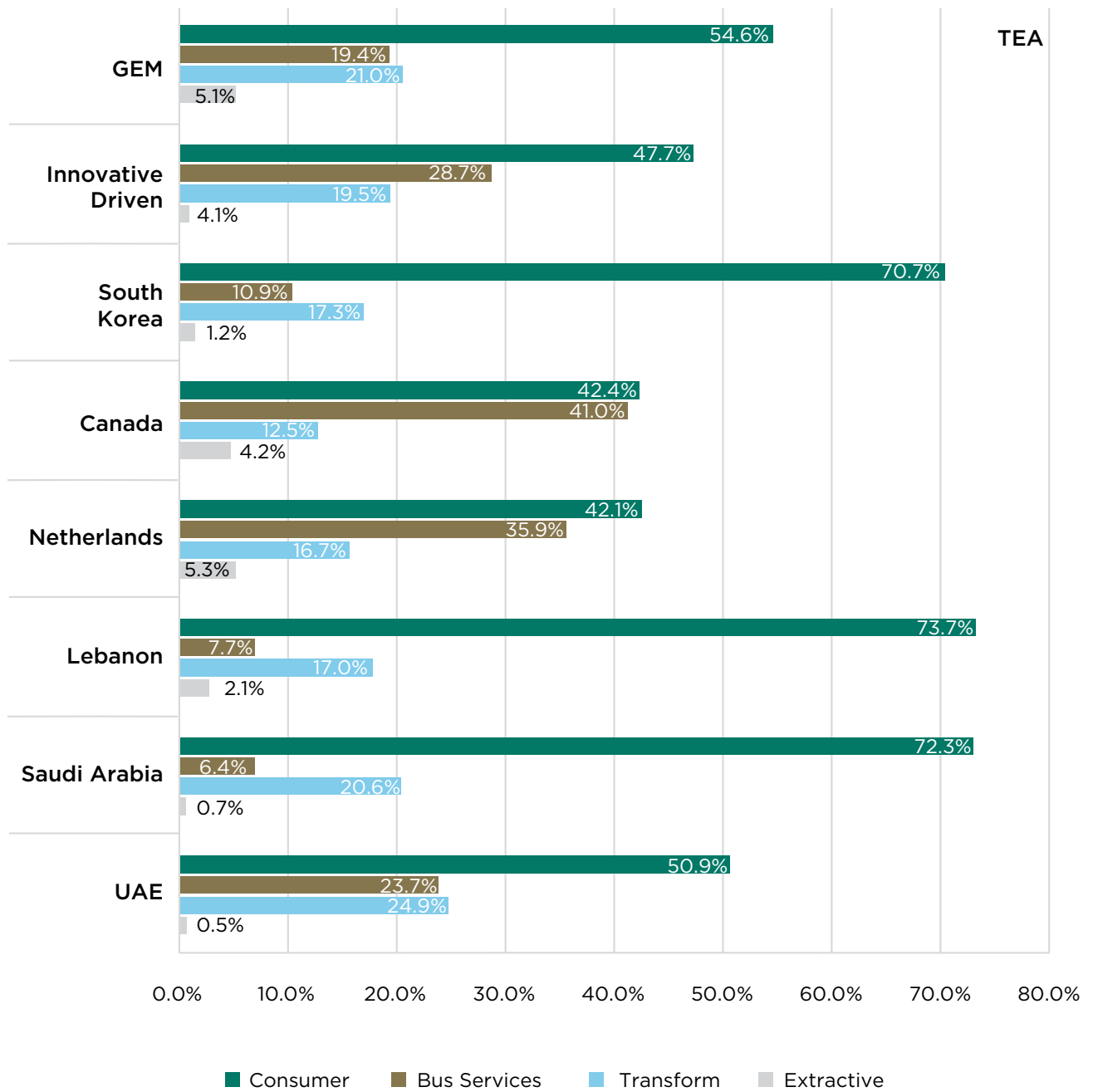


Figure 3.8 below presents an international comparison of early stage and established activities by sector. Most of entrepreneurial activities are started in the 'Consumer-Oriented' sector in all nations with the highest rate of 73.3% for TEA in Lebanon, and the lowest rate of 28.1% for EB in Canada. The UAE entrepreneurial activity in this sector is around the average of the comparator countries, with 50.9% for TEA and 50.1% for EB, and higher than both GEM and innovation-driven countries averages. The level of early stage entrepreneurial activity in the "Extractive" sector is generally low in all nations, and the lowest in the UAE. Although the

UAE has increased its share of entrepreneurial activities in business services sector compared to previous years, it is still ranks lower than the Netherlands and Canada. However, for both TEA and EA, UAE is performing better than the GEM average, Korea, Saudi Arabia and Lebanon. The transforming sector still has an important share in the UAE, with an early stage entrepreneurial activity's share of 24.9%, the highest among the comparator countries. This is, however, not the case for established businesses where the share of transformative sector (22.5%) is the third lowest after Korea (19.4%) and Lebanon (19.6%).

**Figure 3.8:** International Comparison of the Early stage and established activities by sectors





### 3.3 OWNERS AND THEIR CHARACTERISTICS

With few exceptions, entrepreneurial activities are generally commenced by an independent and single entrepreneur or by small entrepreneurial teams. This is probably one of the main reasons that prevent entrepreneurial activity from having significant impact on countries' economies. The situation in the UAE is not different. Figure 3.9 below shows that more than half of the entrepreneurial activities (all categories included) are by one entrepreneur, with almost 60% of the cases for established businesses.

**Figure 3.9:** Distribution of the number of owners for UAE businesses at different stage of activity the year 2017

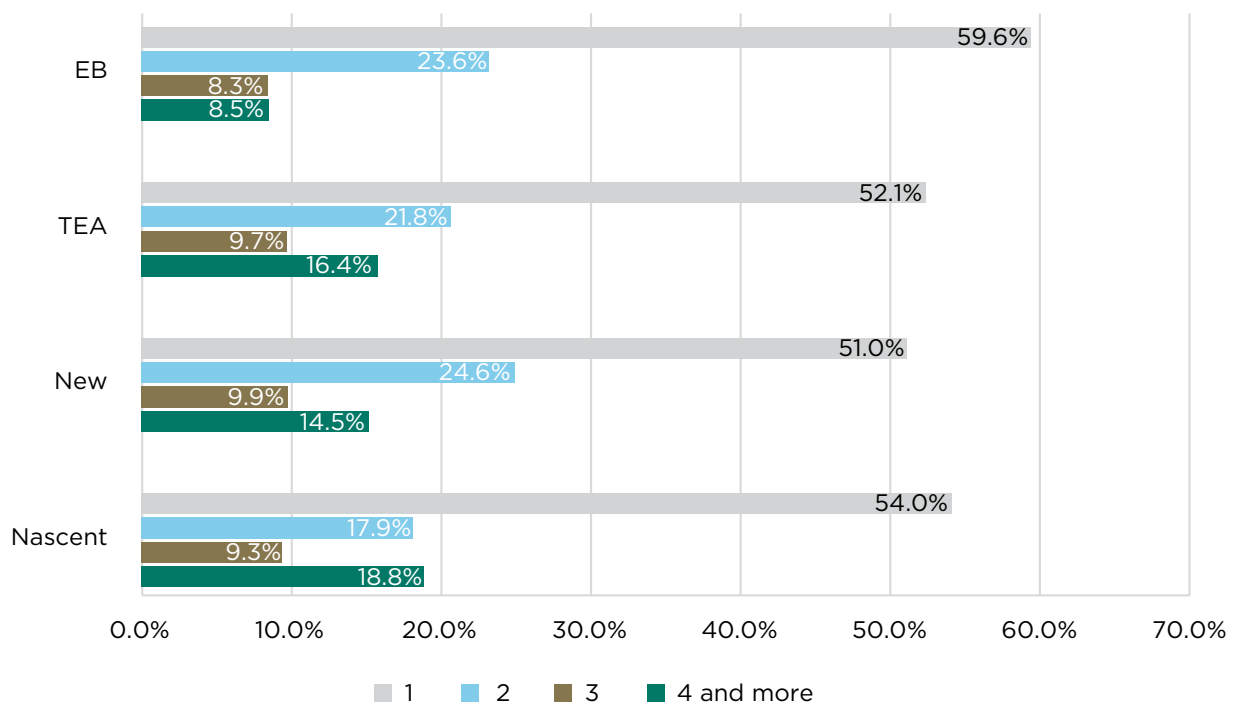


Figure 3.10 below shows the international position with this regard. In most countries, bigger teams are involved in TEA activities except for the Korea, Lebanon and the Netherlands where TEA is undertaken by average teams of less than 2. The UAE has the second highest number of

owners involved in TEA (2.25) after Saudi Arabia (2.41). In all countries, the number of owners involved in established businesses is smaller except in Canada where almost the same number of owners are involved in established businesses and in TEA.



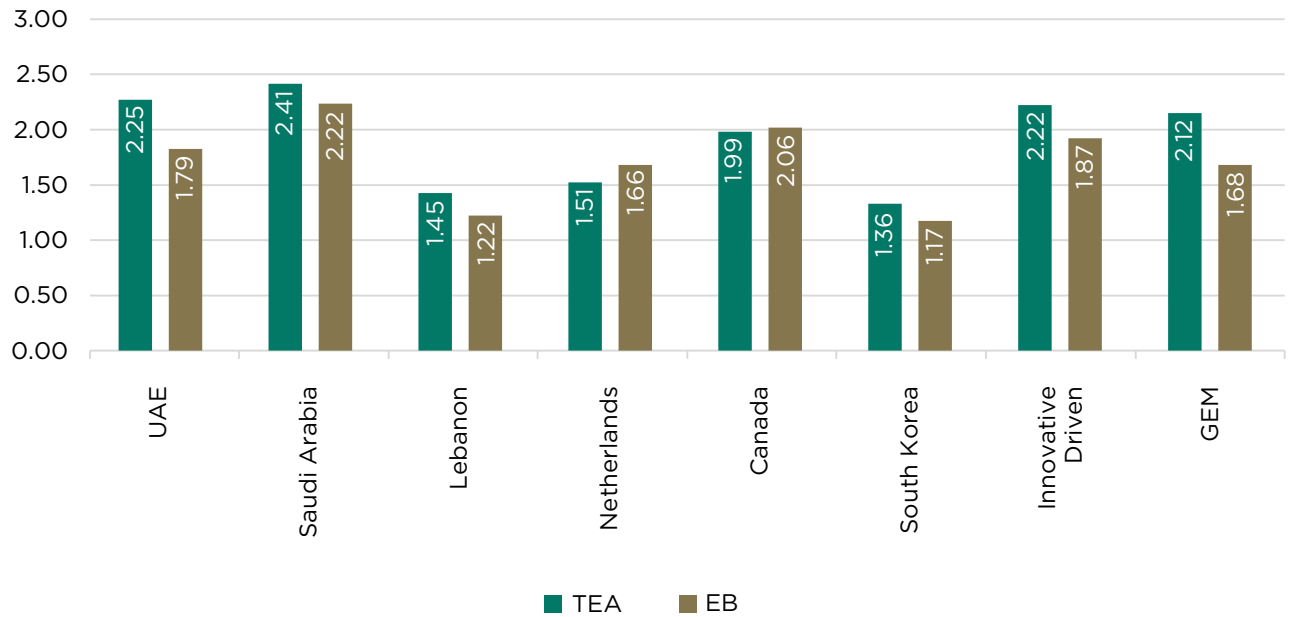
**Figure 3.10:** Average number of owners for early stage (TEA) and established businesses (EB)

Figure 3.11 below shows that the average number of owners has steadily remained same over the years until 2017, with a slight decrease in the average number of owners in established businesses in 2016 to less than 1.5 to increase again in 2017 to reach 1.79.

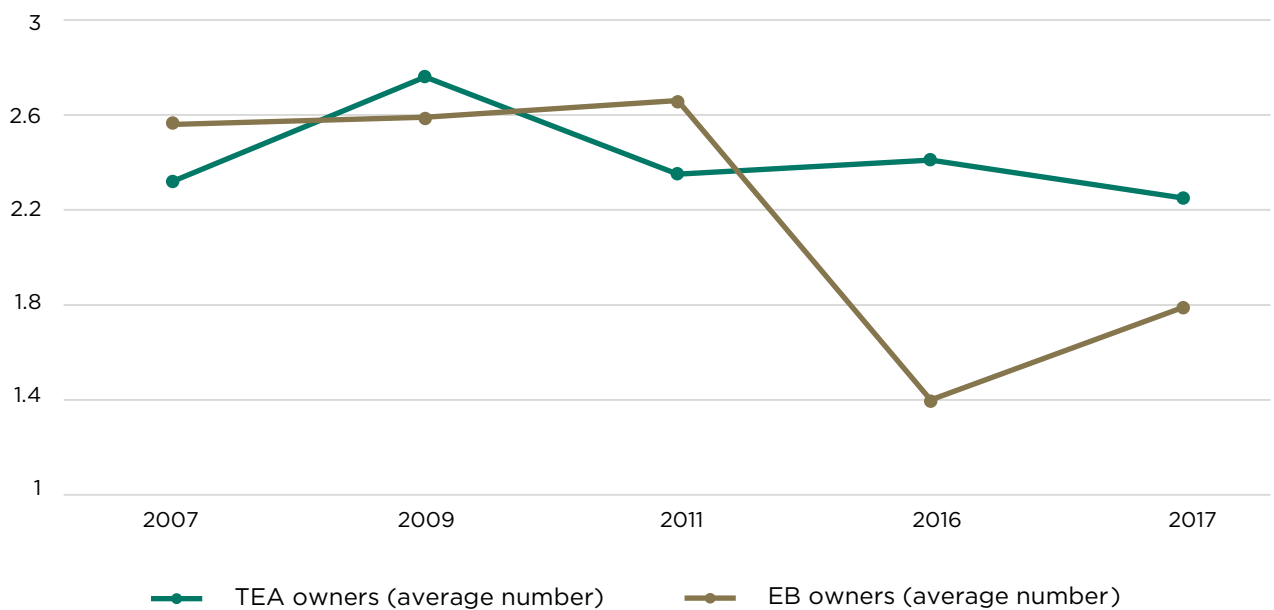
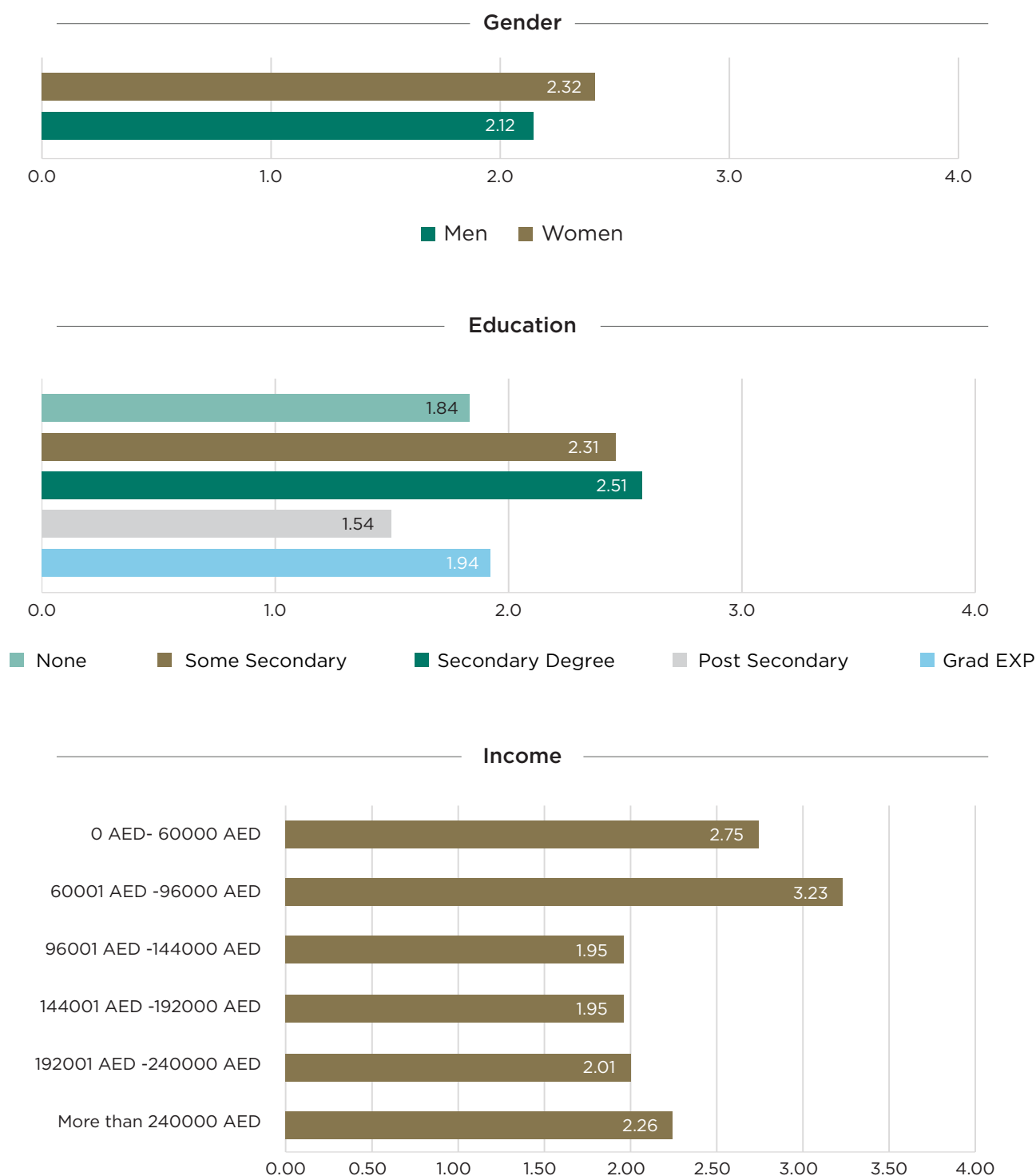
**Figure 3.11:** Average number of owners for early stage and established business activities' and recent evolution in UAE

Table 3.2 below describes the characteristics of owners from gender, education and income level perspectives. No significant variations are observed, except the fact that the number of owners tend to be higher for TEA by women, post graduate degree holders and for those having an income level more than AED192,000 and less than AED240,000.

**Table 3.2:** Average number of owners for early stage entrepreneurial activity in 2017 by gender, educational and income levels



### 3.4 JOB CREATION

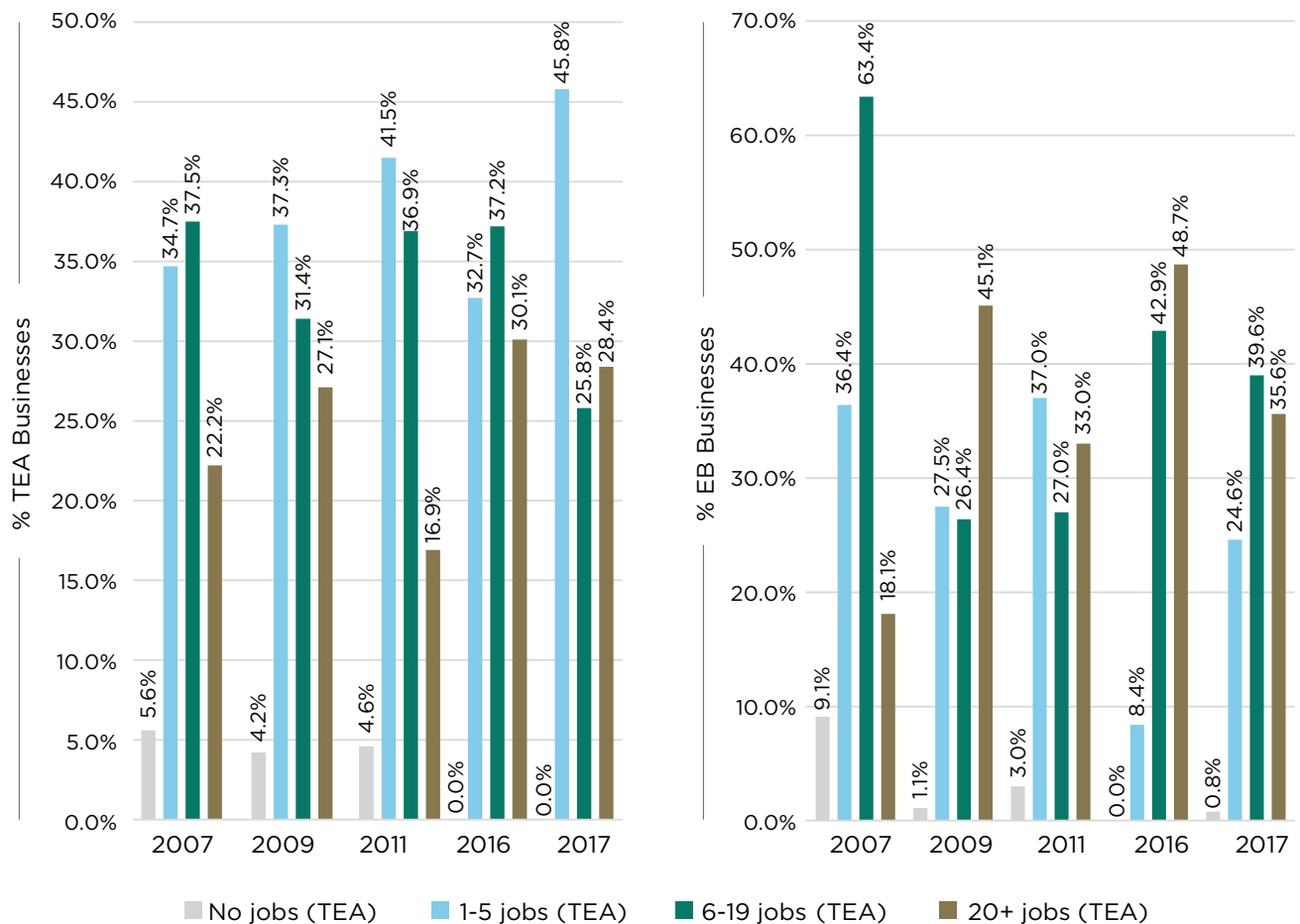
GEM collects data on the jobs created by early stage entrepreneurs and established firms, as well as the expectations of job creation five years from the year of the report. The difference between these measures suggests growth expectations.

Entrepreneurial activities are by definition small businesses, which usually do not have large workforces, especially at their founding. Interestingly, Figure 3.12 below shows that in the UAE, the percentage of early stage entrepreneurial activity with 0 employees has significantly dropped from 5.6% in 2007 to 0% since 2016. In 2017, 45.8% of the early stage entrepreneurs have created 1 to 5 jobs, 25.8% have created 6 to 19 jobs. The share of early stage entrepreneurs that have created more than 20 jobs have also increased since 2007 from 22.2%

to a peak of 30.1% in 2016 to drop to 28.4% in 2017. Hence, we can conclude that the job creation by early stage entrepreneurial activities is a positive feature of entrepreneurship in the UAE.

Entrepreneurial activities tend to create more jobs as they get consolidated or, in other words, their scope and scale of job creation tends to increase as they gain market experience. The UAE is no exception as shown in Figure 3.12 below. The established entrepreneurial activity in the UAE confirms this positive trend. The percentage of activities with no employment has passed from 9.1% in 2007 to 0.8% in 2017. Similarly, activities employing 1 to 5 employees have decreased from 36.4% in 2007 to 8.4% in 2016 to increase again in 2017 to 24.6%. 35.6% of the established businesses employ more than 20 employees in 2017.

**Figure 3.12:** Actual number of jobs created by Early-stage entrepreneurial activities and Established Businesses



Considering job creation expectations, which reflect growth expectations by early stage or established entrepreneurs, Figure 3.13 below suggests that for medium to high growth entrepreneurs (those projecting to employ more than 6 people in the next five years) growth aspirations are evident. For instance, 74.6% of established businesses employ more than 6 employees in 2017 and 84% of them expect to employ such a high number in the next five years. There has been an optimistic trend for medium to high growth established business since 2009. The same level of optimism can also be noted for medium to high growth early stage entrepreneurs. In fact, in 2011, 67.4% of the early stage entrepreneurs were aspiring to employ more than 6 people, and in 2017, 54.2 % are effectively employing more than 6 people, while 65.6% are aspiring to employ the same number of employees in the next 5 years. We also note a high level of optimism regarding the high growth entrepreneurs (those who employ more than 20),

as 35.5% of the early stage entrepreneurs and a striking 54.8% of the established businesses are aspiring to employ more than 20 people in the next 5 years. It should be noted that slightly lower share of early stage and established entrepreneurs were aspiring to high growth in 2011 (respectively 33.1% and 47.7%), while the share of entrepreneurs employing more than 20 employees in 2017 is 28.4% for early stage entrepreneurs and 35.6% for established entrepreneurs.

**Two thirds of early stage entrepreneurs aspire to employ more than 6 people**

**Figure 3.13:** Expected numbers of employees by TEA and EB and their recent evolution

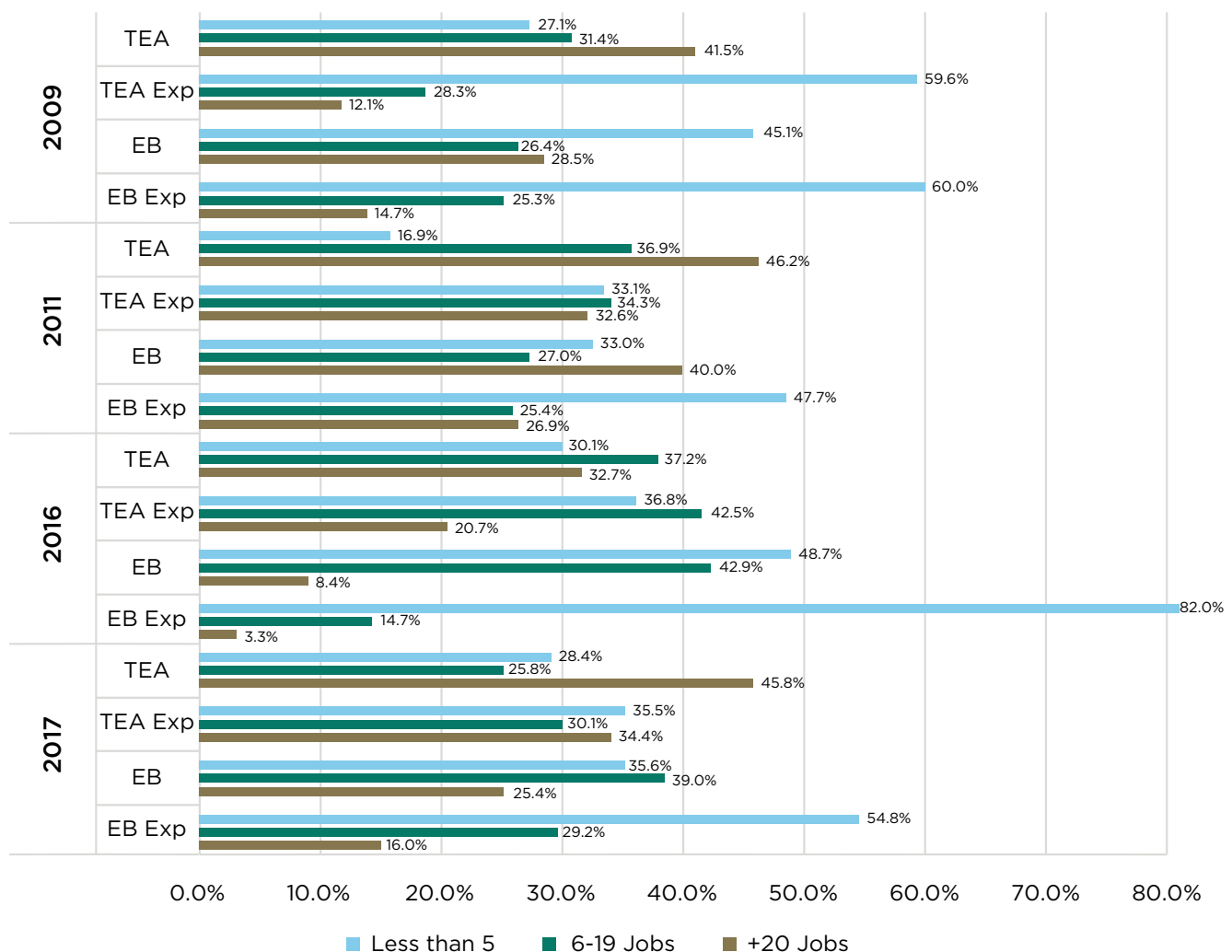
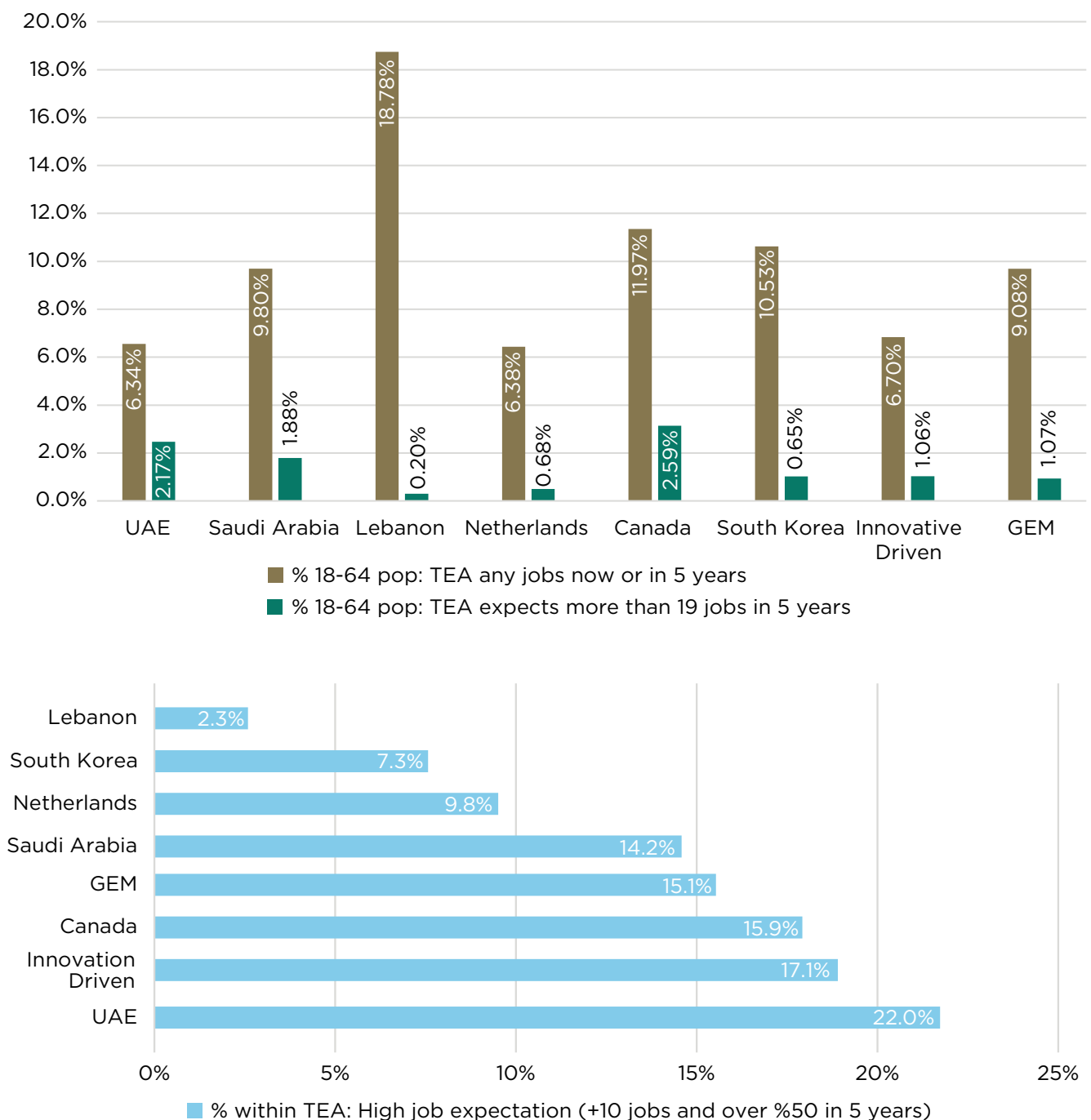


Figure 3.14 below presents the international position of UAE jobs creation and expectation by early-stage entrepreneurs. In the UAE, the percentage of adult population involved in early stage entrepreneurial activities having “any jobs now or in 5 years” is 6.34%. Although, it is lowest rate among the comparator countries, it is quite similar to the Netherlands (6.38%) and slightly less than the average for innovation-driven countries (6.70%). The rate of adult population in the UAE “expecting more than 19 jobs in 5 years”

is the second highest right after Canada (2.59%), and higher than innovation-driven economies and GEM averages. The percentage within TEA of those with high job expectation” (10+ jobs and over 50% in 5 years) is low across the comparator countries including innovation-driven economies and GEM averages. However, the UAE has the highest rate with 22%. The international comparison confirms the previous conclusion we drew on the positive trend of job creation by UAE entrepreneurial activities.

**Figure 3.14:** International comparison for job creation and aspiration by TEA entrepreneurs









CH.

# 04

Innovation &  
Competitiveness

Innovation and competitiveness are closely related to entrepreneurship. Entrepreneurs can disrupt market equilibrium through the introduction of new product-market combinations, creating new market niches and creative ways to offer, deliver and promote their products, better fulfil the consumers' needs and drive out less productive firms, which together make the economy even more competitive.

## 4.1 INNOVATIVE COMPONENTS

GEM estimates the presence of innovative components at early stage and established firms by asking owner-managers how many (potential) customers consider the product/service offered by their companies as new or unfamiliar. The distribution of responses about this question and its recent evolution are showed in Figure 4.1. The higher the percentage of responses for the category 'All', the greater the presence of innovative products/services.

In the UAE, the highest percentage of responses occur in the 'None' category; in 2016, roughly around 40% of the early stage firms were not offering an innovative product and/or service to their customers. This rate has alarmingly increased to 63.4% in 2017. Although this indicator may not provide a clear representation of the innovative activities, as it does not include

incremental innovation, this finding is still disturbing for the UAE considering the vision of the country to move towards a knowledge-based economy. Furthermore, the share of the early stage entrepreneurs offering new products have decreased considerably, from 38.8% in 2016 to a mere 11.8% in 2017.

The situation seems to have improved for the established businesses, as the share of firms with no innovative product/services has decreased from 94.4% to 45.8%. Moreover, the share of innovative established businesses has increased from 5.6% in 2016 to 9.9% in 2017. Nevertheless, these findings urge more attention from policy makers as the existence of innovative components impacts the competitiveness level of the UAE economy, especially for the early stage entrepreneurial activities.

**Figure 4.1:** Presence of innovative component in early stage and established businesses and its recent evolution

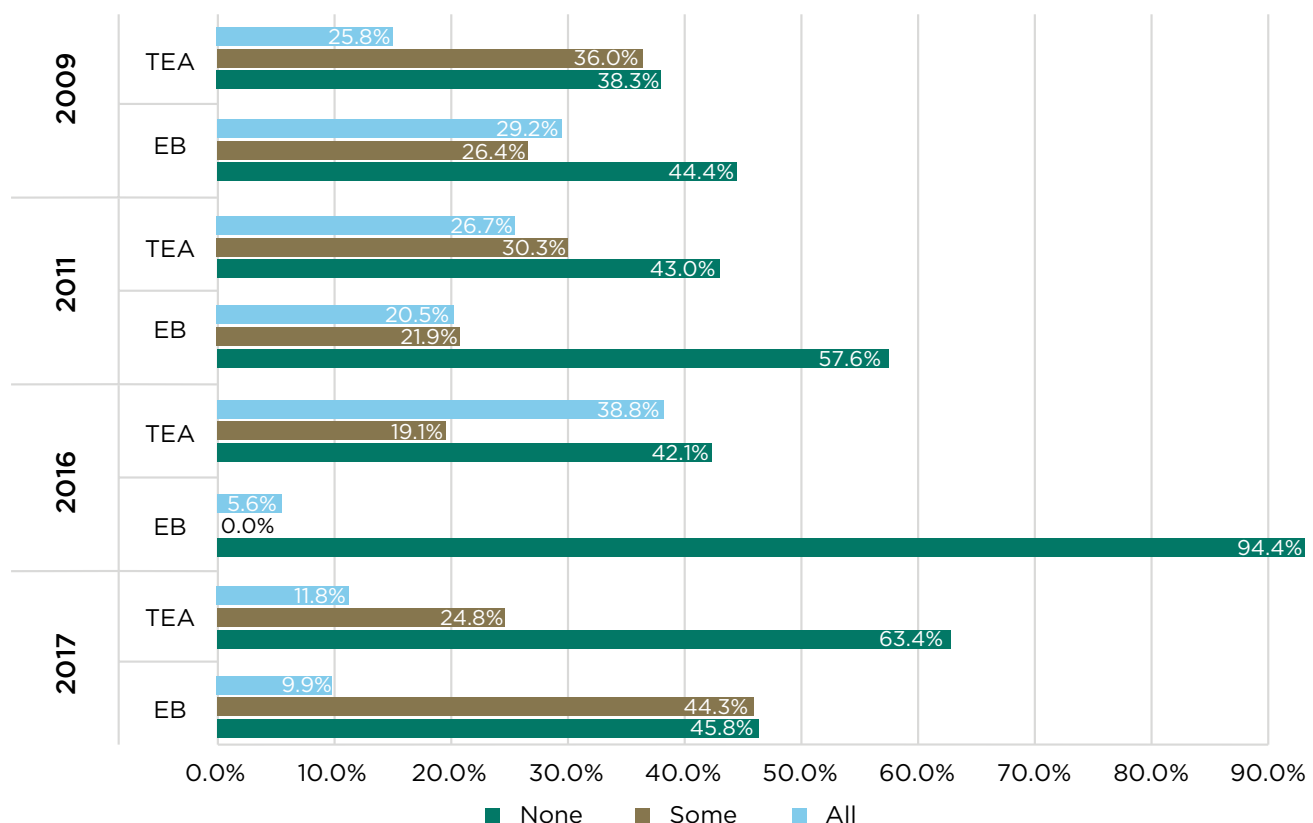


Figure 4.2 presents the international position. The UAE early stage entrepreneurial activities have the lowest rate of “products new to all customers” amongst the comparator countries, whereas in 2016 it had the highest rate. This trend should be tracked closely, and particular attention paid to understand the reasons of such a return of the situation. The international comparison yields a slightly better picture for established businesses, with the lowest rate in 2016, they are now ranking better than Saudi Arabia, Netherlands and Canada, although still ranking below the averages of GEM and innovation-driven countries.

**Figure 4.2:** Presence of innovative component in entrepreneurial activities - international comparison

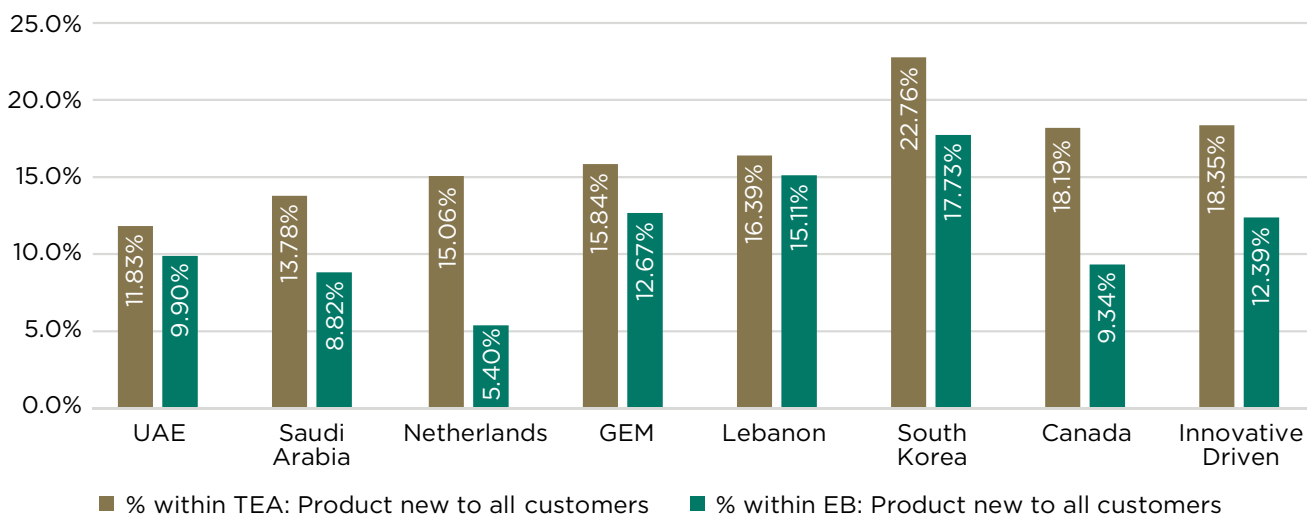


Figure 4.3 presents the level of innovation among early stage entrepreneurs in the UAE offering products that are new to all or some customers AND offered by few or no other businesses. This indicator is the highest by a substantial margin in 2009 with 37.9% of early stage entrepreneurs offering new products to all or some customers, which are not offered by other businesses or only by few. In 2011, it dropped to 26.4% and continued decreasing to 18.7% in 2017.

**Figure 4.3:** Innovation (new product / market combination) among TEA in the UAE



## 4.2 USAGE OF RECENT TECHNOLOGIES

The innovation is frequently associated with businesses developing new technologies, but in the case of the UAE, innovation is almost fully related to sectors with no or low technological intensity, as it can be seen in Table 4.1 below. For instance, for both early stage and established entrepreneurial activities, the innovation is not reflected in any relevant development related to new technologies. This situation has remained almost unchanged during the period 2009-2017 with a slight improvement for the Hi-Tech sector with 1.8% of TEA and 2.2% of EB.

**Table 4.1:** Technological level of the early stage and established businesses and its recent evolution

Opportunity e-ship	Early stage e-ship (% TEA)					Established businesses (% EB)				
Technological level	2007	2009	2011	2016	2017	2007	2009	2011	2016	2017
No/Low Technologies	100.0	97.0	97.6	100.0	96.7	100.0	99.0	97.7	97.0	95.8
Medium Technologies	0.0	2.5	1.1	0	1.5	0	0.0	2.3	3.0	2.0
Hi-Tech	0	0.5	1.3	0	1.8	0	1.0	0	0	2.2

Another important feature to assess the quality of the entrepreneurial activity in a country is the modernity of the technologies used by entrepreneurs to produce their goods and services. GEM estimates the proportion of businesses that use the very latest (< 1 year), new (1-5 years) and old technologies (> 5 years).

Figure 4.4 below presents the comparative results over the period from 2009 to 2017. Again, we note a deterioration of the situation for the early stage entrepreneurs. The share of early stage businesses

using old technology has increased from 48.2% in 2016 to 66.4% in 2017. In the meanwhile, the use of very latest technology has passed from 23.4% to 14.3%, a decline of almost 10%. On the other hand, we note a significant improvement in the case of established businesses. In 2017, more than half of the established businesses have started to use new technologies (1 to 5 years old), and the share of those using the latest technology has passed to 26.8% compared to 0% in 2016. This is indeed progress and this trend should hopefully be maintained in the future.





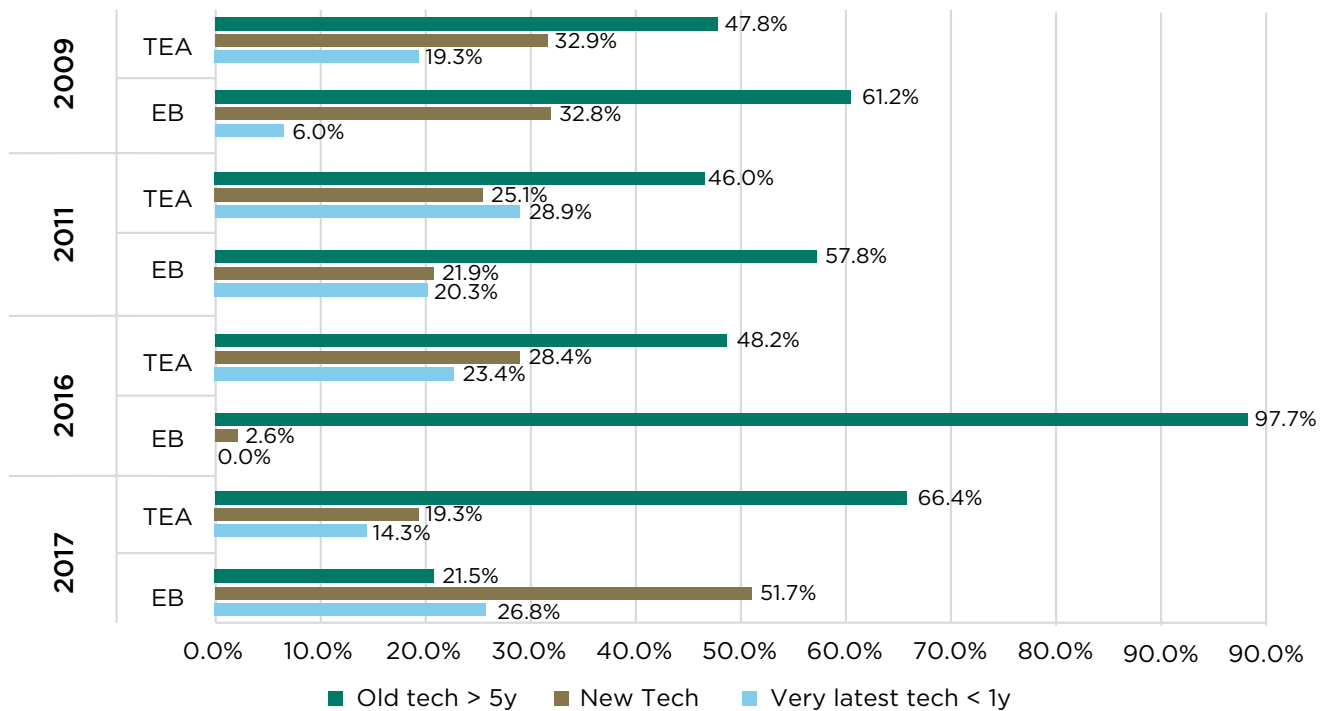
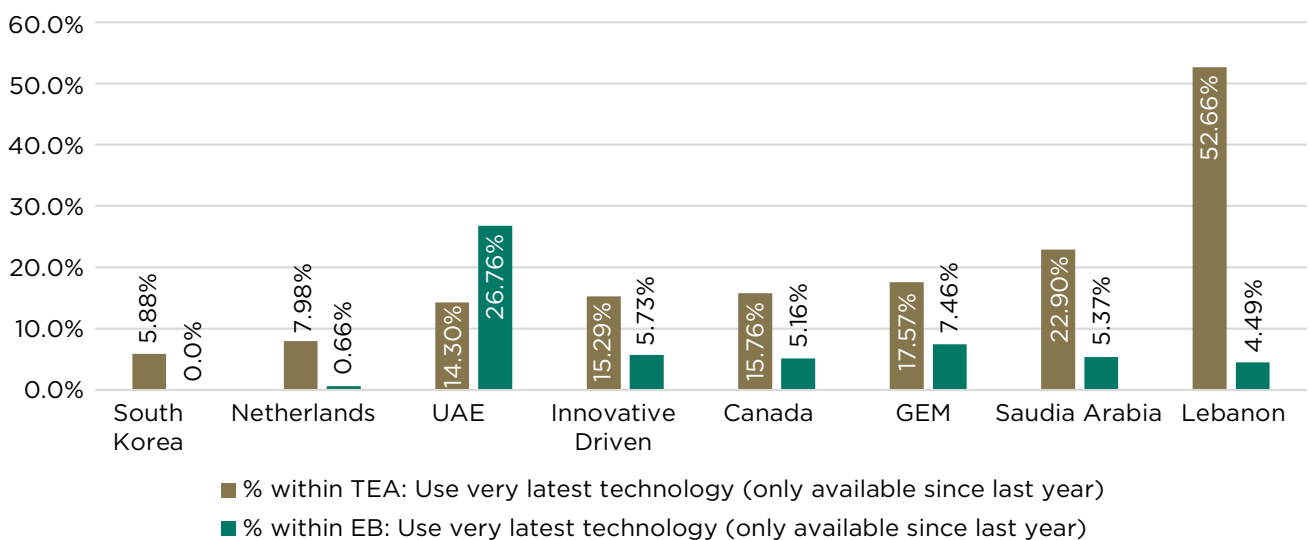
**Figure 4.4:** Evolution of technologies Antiquity used by early stage and established businesses

Figure 4.5 below presents the international comparison on the usage of recent technologies. For early stage entrepreneurial activities, Lebanon is leading by far in terms of introduction of very recent technologies, followed by Saudi Arabia and Canada. The UAE seems to be slightly lower than the averages for GEM and innovation-driven countries; and it is ranked better than the

Netherlands and Korea. Although international comparison moderates the latest findings, measures should be introduced to incentivize early stage entrepreneurs to use the latest technologies to gain competitiveness in the future. For established businesses, the UAE finds itself in the leading position by far, and quite above the GEM and innovation-driven countries' averages.

**Figure 4.5:** Use of very recent technologies by entrepreneurial activities – international comparison

## 4.3 COMPETITIVENESS

Competitiveness is a complementary feature of innovation, as innovative firms tend to be more competitive. GEM estimates the competitiveness of entrepreneurial and established firms by measuring the proportion of businesses that consider there are few, none or many firms offering the same products or services in their target markets.

Figure 4.6 below presents the estimated degree of competition over the period 2009, 2011, 2016 and 2017. Most early stage entrepreneurial activities have “Many”, with less having “Few” competitors, although the competition seems to have weakened in the last period. The share of the early stage entrepreneurs with many competitors has passed from 66.1% in 2016 to 51.9% in 2017; and with 13.8% of the early stage entrepreneurs considering that they have no competitors in 2017. The change in the competitive landscape is even more striking for established businesses, as 95.3% were reporting to have many competitors in 2016, whereas in 2017, this share is only 35.3%. Furthermore, 11.8% of the established businesses has declared to have no competition, and slightly more than half of them is reporting to have only few competitors. With the use of newer technologies and more innovative products and services, established businesses seem to have gained considerable competitiveness in the last year.

**Figure 4.6:** Evolution of the competition faced by early stage and established businesses

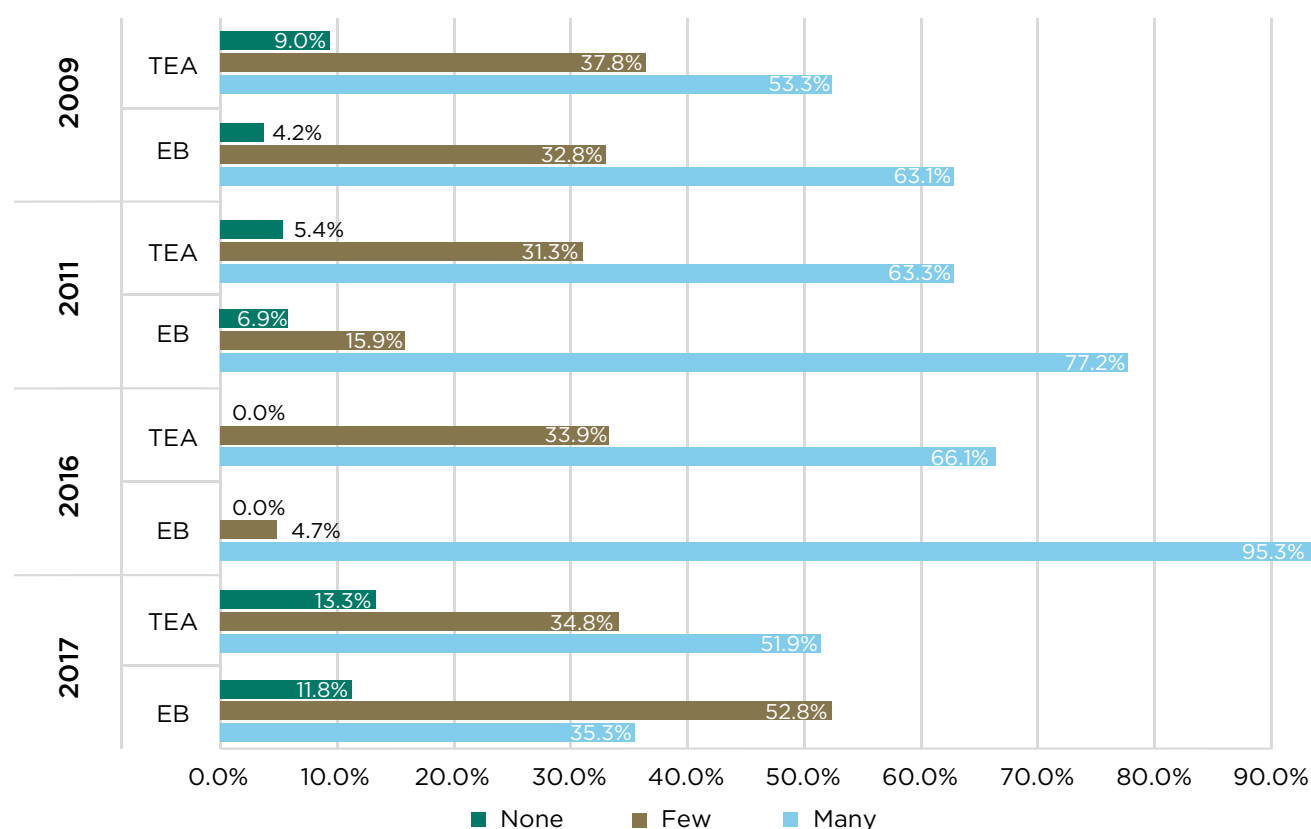
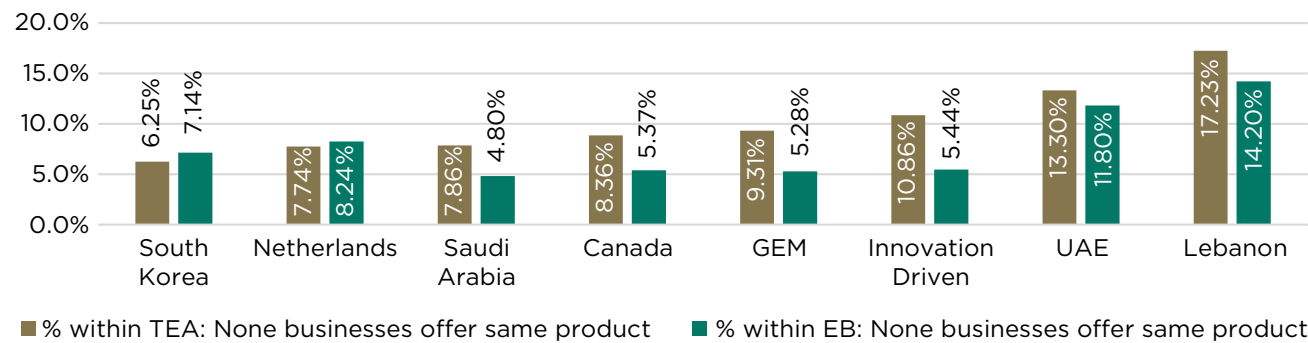


Figure 4.7 below details the international comparison of the competition faced by early stage entrepreneurs and established businesses. UAE early stage entrepreneurial activity and established businesses seem to perform quite well across the comparator countries. Both are the second most competitive businesses following Lebanon, and followed by Canada, and far above the GEM and innovation-driven countries averages.

**Figure 4.7:** Competitiveness of entrepreneurial activities – international comparison



## 4.4 INTERNATIONALIZATION

Internationalization is also an important factor to assess the quality of business activities and more relevant in today's global context than ever. GEM estimates entrepreneurs' involvement in export activities by asking them about the approximate percentage of sales out of the country or export intensity.

Figure 4.8 below indicates that there was a considerable increase in export intensity between the years 2009 and 2017 for both early-stage entrepreneurs and established businesses. In 2009, 32.3% of early stage entrepreneurial activities and 25.5% of established businesses were not internationalized, while in 2017 this figure has dropped to respectively 3.8% and 9.6%. However, compared to 2016, export activity intensity seems slowing down for both early stage and established businesses. Comparing early stage entrepreneurs to established businesses in 2017, 38.3% of early stage entrepreneurs have more than 75% of their sales out of the country, while only 21.9% of established businesses having same export activity intensity. Most of established businesses (41%) report having 25% of their sales or under out of the country. It seems that established businesses are increasingly addressing local demand besides their export activity.

**Figure 4.8:** Recent evolution for export' intensity for early stage entrepreneurial activities and established businesses

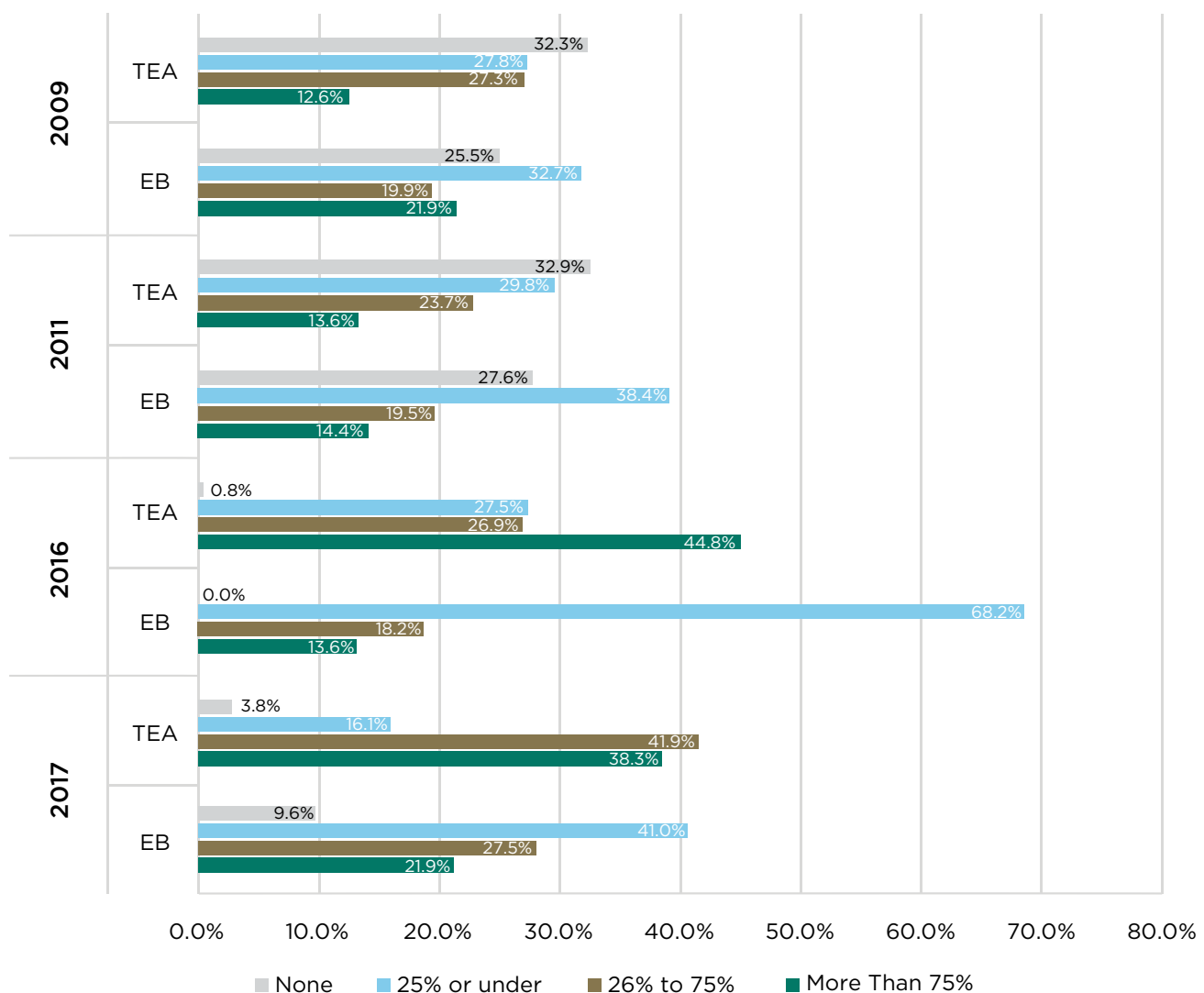
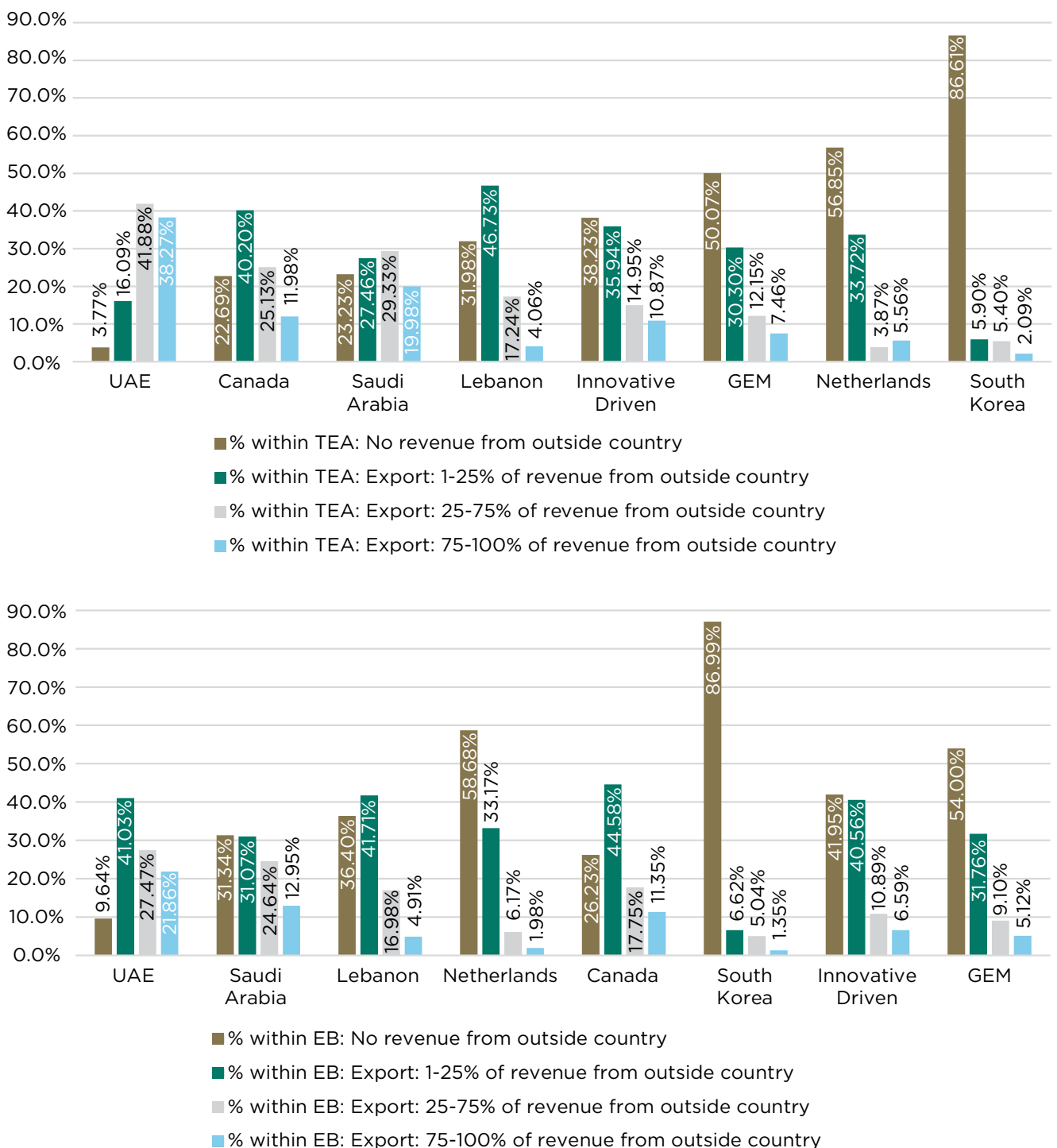


Figure 4.9 below presents the international position for export activity intensity. Although export is considered not an easy option, UAE early stage entrepreneurs seem to have most of their revenue coming from export activities compared to all other countries. For established businesses, those having 1% to 25% of revenue from exports represent 68.25% and top all other countries. This result is explained by the size of the UAE local market. However, it might imply bigger risks for entrepreneurs and fewer opportunities to develop local markets. Better balance between export and local sales is reflected in the case of Canada.

**Figure 4.9:** Export intensity for early stage entrepreneurial activities and established businesses - International comparison







The background of the page is a sepia-toned photograph of a desert landscape with rolling sand dunes. In the top right corner, there is a decorative geometric pattern consisting of interlocking lines and star-like shapes. A solid dark brown rectangular block is positioned on the left side, partially overlapping the dunes.

CH.

# 05

UAE  
Entrepreneur  
Profile

## 5.1 INTRODUCTION

One of the strengths of the GEM project is that it interviews people instead of collecting data from secondary sources or business registers. This provides the opportunity to collect information on the characteristics of the entrepreneurs to build a yearly profile of the protagonists of the entrepreneurial phenomenon so that the researchers, policy makers, media and the rest can track its evolution. This chapter presents the UAE entrepreneurs' profile and their personal characteristics in 2017.

From a gender perspective, men are more involved in early stage entrepreneurial activities. Table 5.1 and Figure 5.1 below show male and

female TEA rates considering as a base the total adult population as well as the respective populations of men and women in the country. Out of the total adult population, male TEA (6.3%) is 133% higher than female TEA (2.7%), while in 2016 male TEA was 275% higher. When looking at the respective men and women populations in the country, the male rate is 9.3%, which is only 12% higher than the female rate at 8.3% (compared to 78% in 2016). Both TEA and nascent males and females' entrepreneurs have increased in 2017 compared to 2016. Moreover, women's entrepreneurial activities have reached its peak in 2017, getting its highest levels since 2007.

**Table 5.1:** Participation in early stage entrepreneurial activity by gender in the UAE in 2017

Male	Base: total population 18-64	Base: male population 18-64
Involved in TEA	6.3%	9.3% (TEA male)
Nascent entrepreneurs	2.7%	4.0%
Involved by opportunity	5.1%	7.4%
Involved by necessity	1.1%	1.7%
Female	Base: total population 18-64	Base: female population 18-64
Involved in TEA	2.7%	8.3% (TEA female)
Nascent entrepreneurs	1.2%	3.7%
Involved by opportunity	2.1%	6.6%
Involved by necessity	0.4%	1.1%





**Figure 5.1:** Recent evolution of main indicators related to early stage entrepreneurial activity by gender

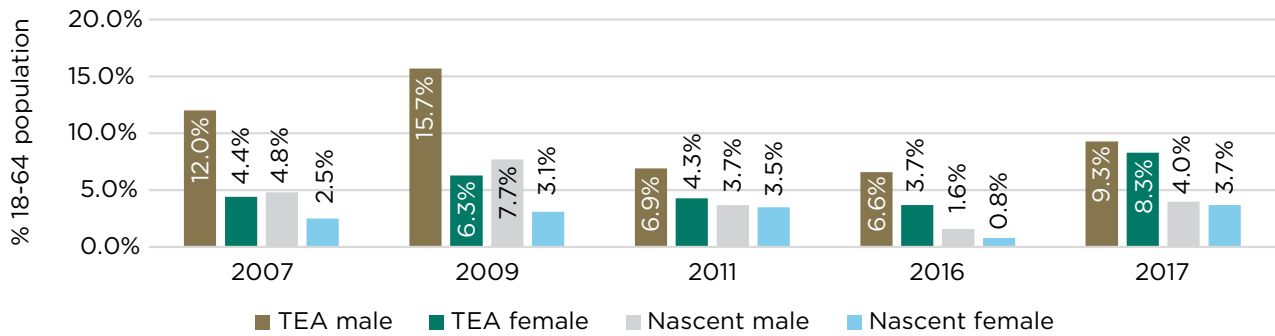
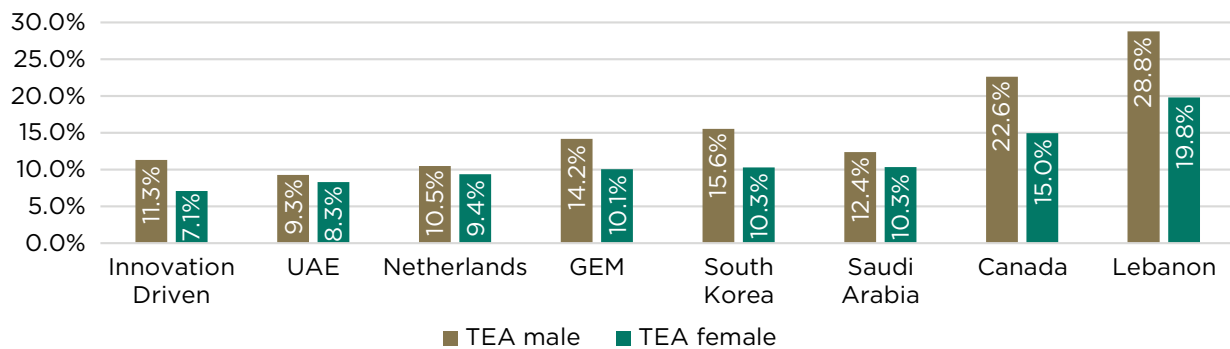


Figure 5.2 below demonstrates that female entrepreneurial activity is proportionally lower than male activity in all the comparator countries. Although, the highest rate of female TEA (19.8%) is in Lebanon and the lowest rate (8.3%) is in the UAE, the UAE has the lowest gender difference, which is the result of the country vision and programmes for an egalitarian society.

**Figure 5.2:** Total early stage entrepreneurial activity by gender (2017), ordered by TEA female - international comparison



Considering age, Table 5.2 below indicates that the UAE potential entrepreneur is approximately 36 years' old (35 years old in 2016). With a standard deviation of about 9 years, this suggests that people aged 27 to 45 years old have constituted a significant proportion of the potential entrepreneurial population during the last three years. There is no observable difference between the early stage entrepreneurs and

established owner-managers, as both are around 36 years' old. However, the standard deviation for the established owners/managers is of 12.96 years. Finally, business owner-managers that abandoned a business activity in 2017 are in average 35 years old with a standard deviation of 8 years. This means that when there was an exit from business it was not generally for retirement.

**Table 5.2:** Mean age of people involved in entrepreneurial activity in the UAE

Collective	Age Mean	Age Std. Dev.
All population aged 18-64	34.68 years	9.27 years
Potential entrepreneurs	36.61 years	8.50 years
Nascent entrepreneurs	36.58 years	8.44 years
New entrepreneurs	36.82 years	8.40 years
TEA entrepreneurs	36.70 years	8.41 years
Established business owner-managers	36.44 years	12.96 years
Exited business owner-managers	35.10 years	8.10 years

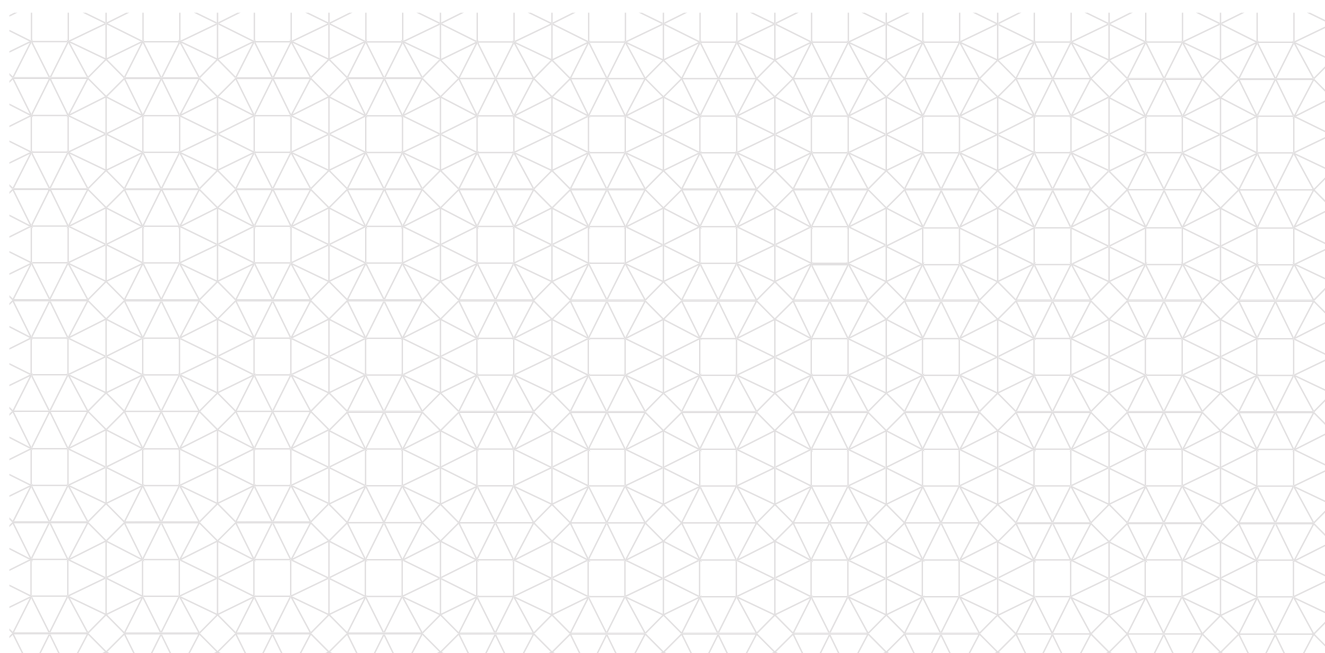




Figure 5.3 below suggests that in 2017 the average age of adults involved in all stages of entrepreneurial activity is 36 including for established entrepreneurs who are younger compared to 2009 (39 years old) and the subsequent years.

**Figure 5.3:** Recent evolution of mean age in years for main collectives involved in entrepreneurial activity

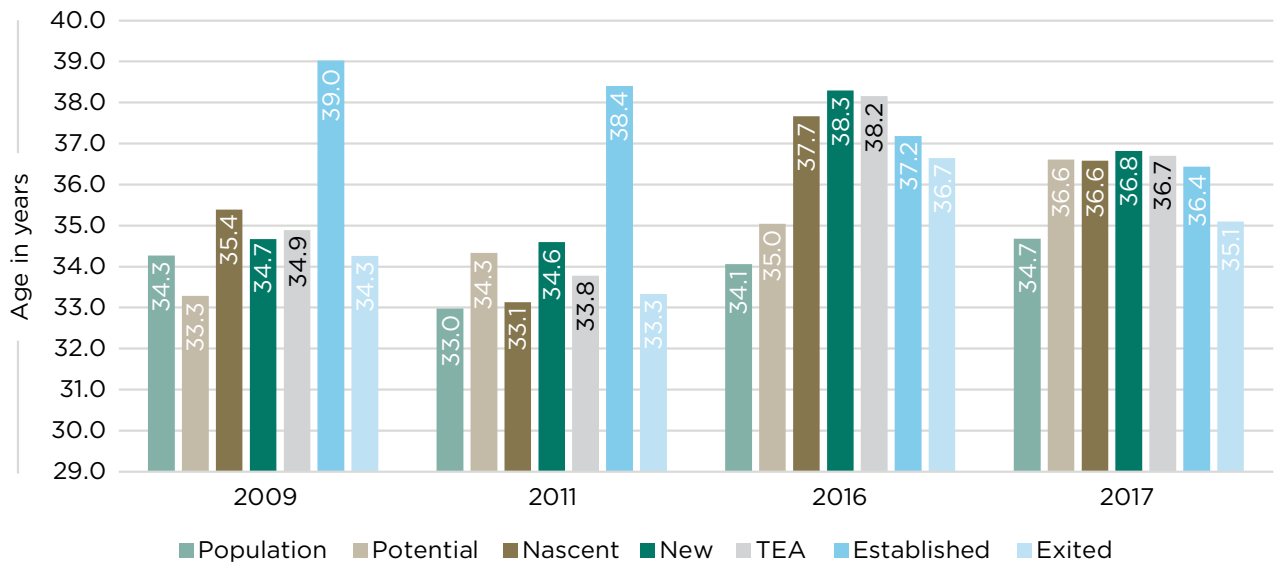


Figure 5.4 below shows the international comparison for the TEA by age. The UAE shows the lowest rate (13.4%) of adults aged between 18 and 34 years old, while more than 46% of TEA activity in Canada is the same. Policies and programmes are needed to boost the youth entrepreneurship activity level in the UAE.

**Figure 5.4:** International comparison for TEA by age in 2017

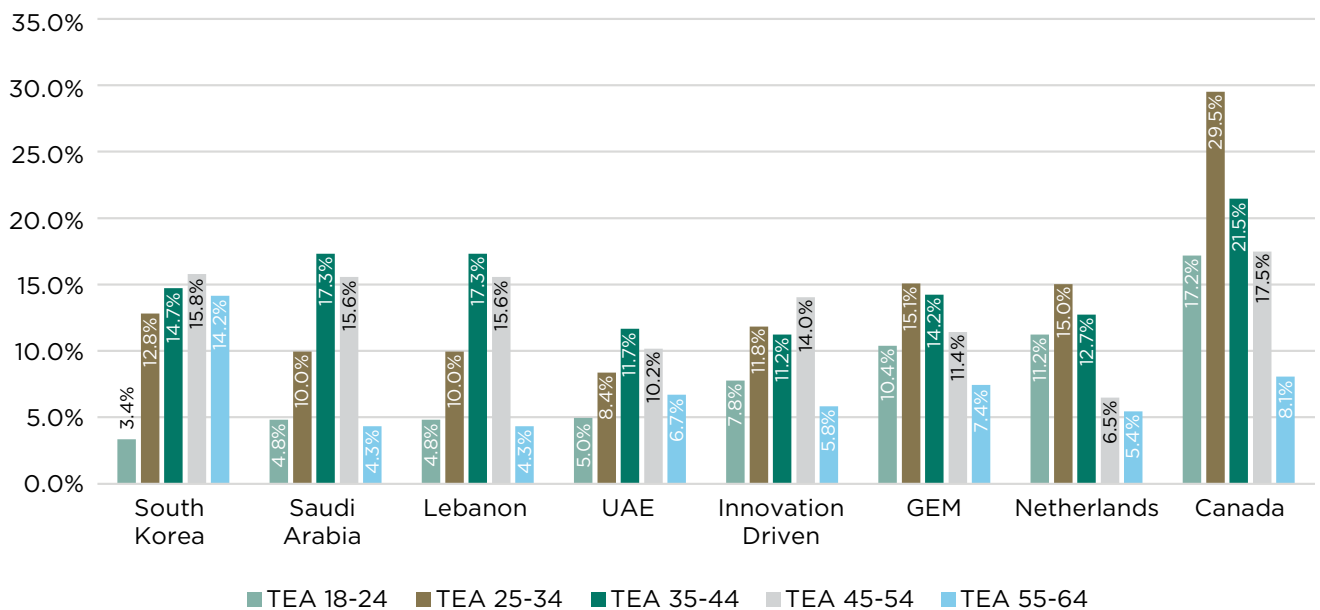


Figure 5.5 below shows the regional distribution of early stage entrepreneurial activity within the UAE in 2017. The Emirate of Dubai has the highest TEA rate with 37.3% of adult population involved in early stage entrepreneurial activities, while in 2016, the Emirate of Abu Dhabi has the highest rate of TEA (36.8%). In 2017, Abu Dhabi follows Dubai at some distance, with 24.51%, and slightly behind it comes the Emirate of Sharjah with 20.4%. The other Emirates have less than 4% of their population involved in the early stage entrepreneurial activity, except for Ras-al-Khaimah with 9.3%.

**Figure 5.5:** Regional distribution of early stage entrepreneurial activity within the UAE in 2017

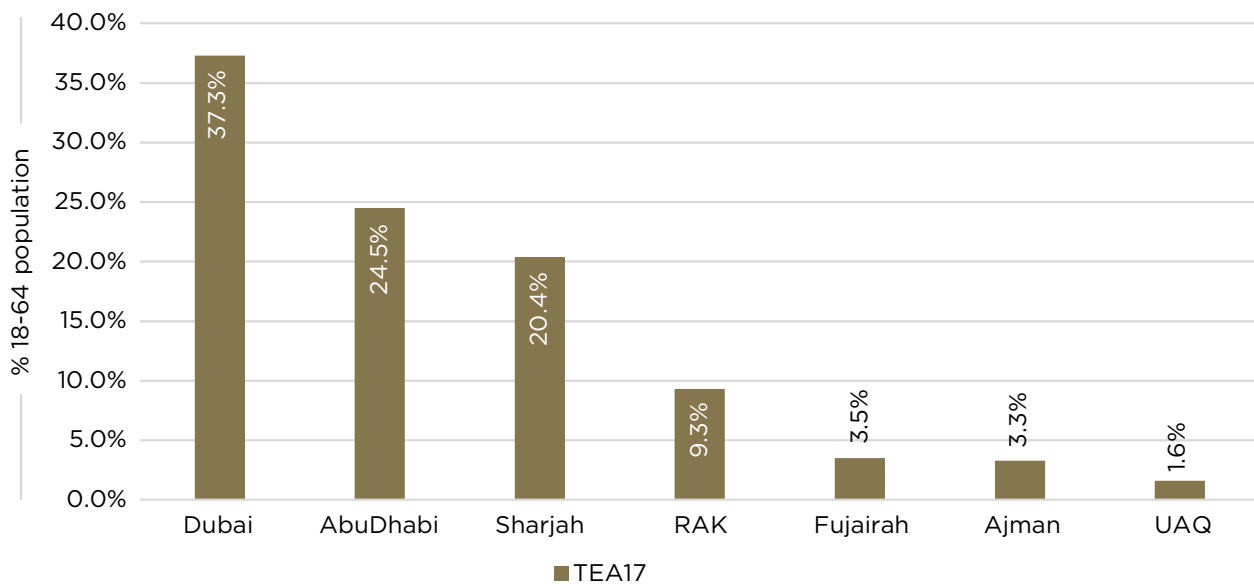
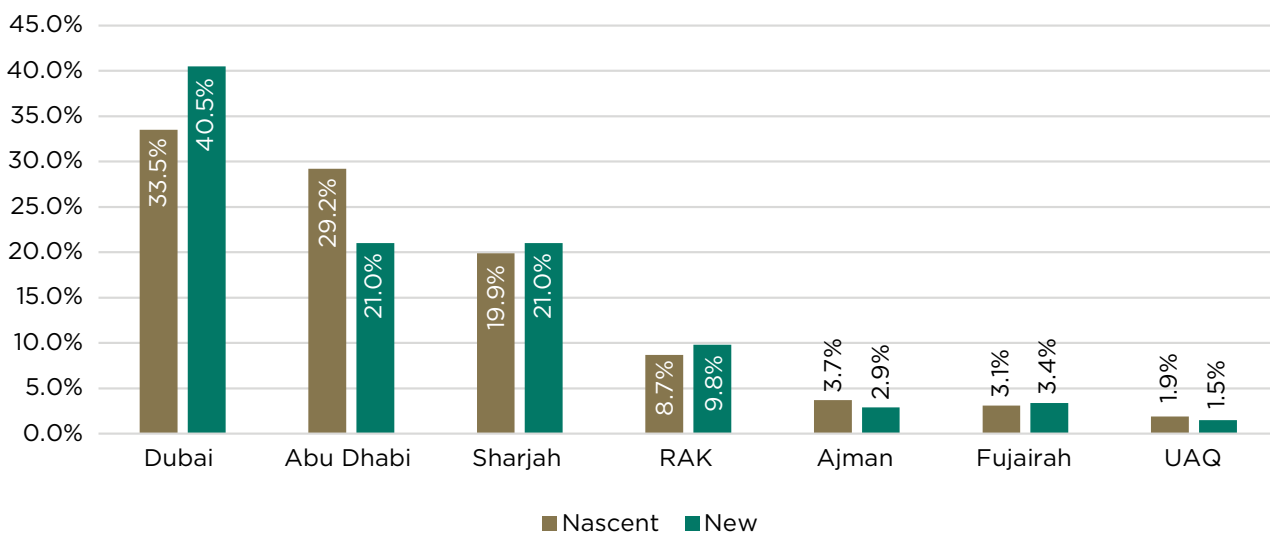


Figure 5.6 below presents the distribution of the total entrepreneurial activity in nascent and new businesses. It suggests that Dubai has the most dynamic entrepreneurial activity. To a much lesser extent Abu Dhabi and Sharjah are also becoming relevant focus for potential entrepreneurs to start-up. Among all the emirates, only Sharjah and RAK (even slightly lower levels) have a similar proportion of nascent and new entrepreneurial activities.

**Figure 5.6:** Regional distribution of early stage entrepreneurial activity in nascent and new businesses within the UAE in 2017





Considering the education level, GEM classifies the population involved in entrepreneurial activities into five categories: 'None' (the respondent did not finish any official educational program), 'Some Secondary' (the respondent finished at least primary studies), 'Secondary Degree' (the respondent finished the school stage), 'Post-Secondary' (the respondent studied a professional or a university degree) and 'Grad Experience' (the respondent got a post-graduate diploma or doctorate).

Figure 5.7 below presents the distribution of adults involved in potential, nascent, new, total early-stage and established entrepreneurial activities according to their education level. Overall, the highest proportion of entrepreneurs in the UAE has post-secondary level. We also note some slight increase in the share of graduate entrepreneurs in 2017 compared to 2016.

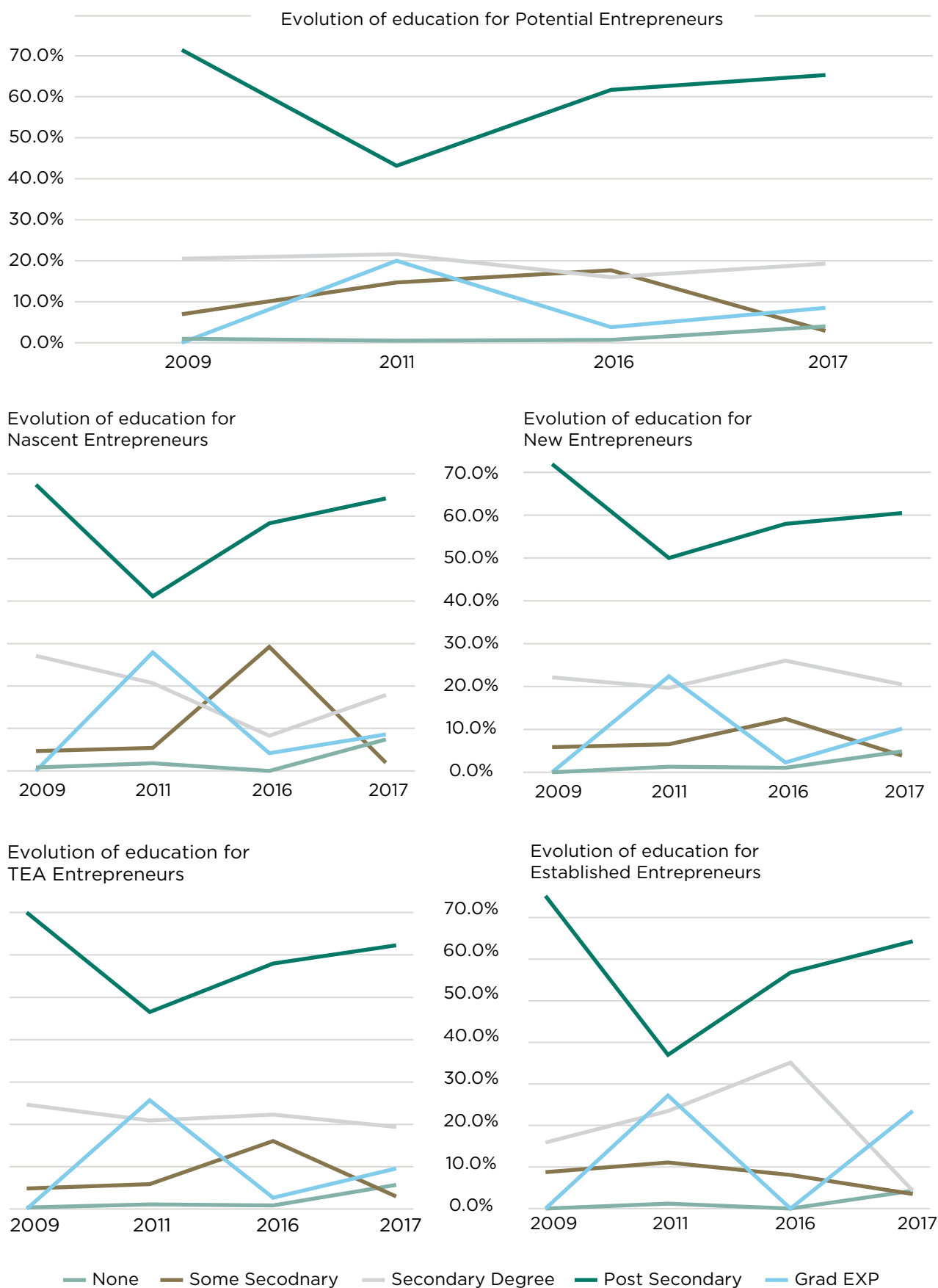
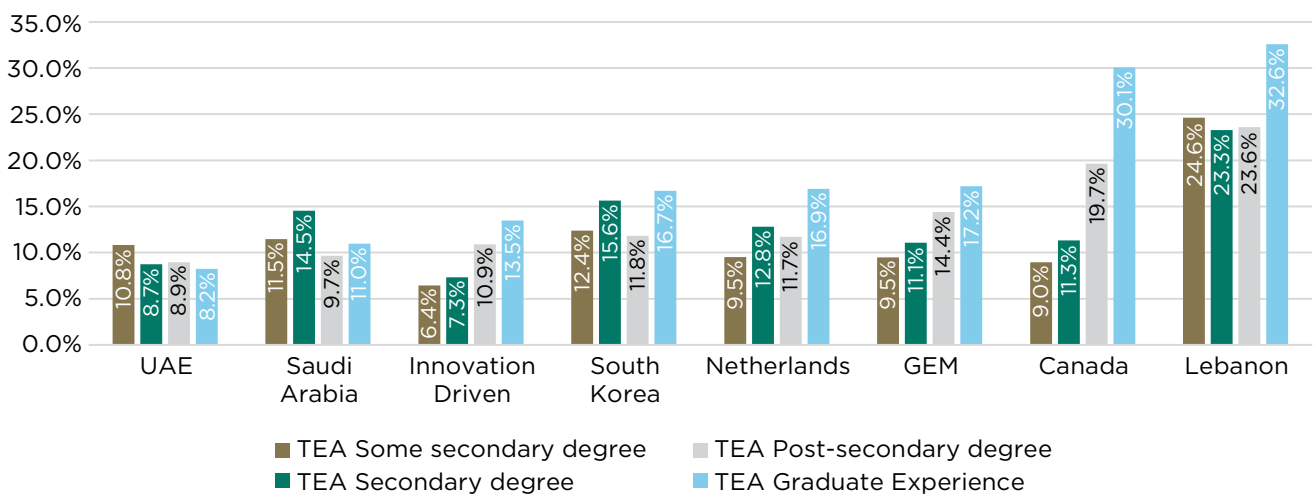
**Figure 5.7:** Recent evolution of the education level of people involved in entrepreneurial activities

Figure 5.8 below shows the international distribution of education levels for early stage entrepreneurial activity. Lebanon (32.6%) followed by Canada (30.1%) has the highest proportion of early-stage entrepreneurs who are in possession of graduate experience. The UAE has the lowest proportion (8.2%). The education level of entrepreneurs is one of the factors that determine the development of innovative and qualified entrepreneurial activities. Therefore, it is recommended for policy makers to take measures to increase the number of entrepreneurs who hold at least university degree and who have graduate experience.

**Figure 5.8:** TEA by education level in 2017, ordered by TEA Graduate experience - international comparison



GEM also considers the work status of the population involved in entrepreneurial activities. Figure 5.9 below suggests that most of potential and established entrepreneurs are rather self-employed, whereas for early stage entrepreneurs almost 48% of them work full or part time.

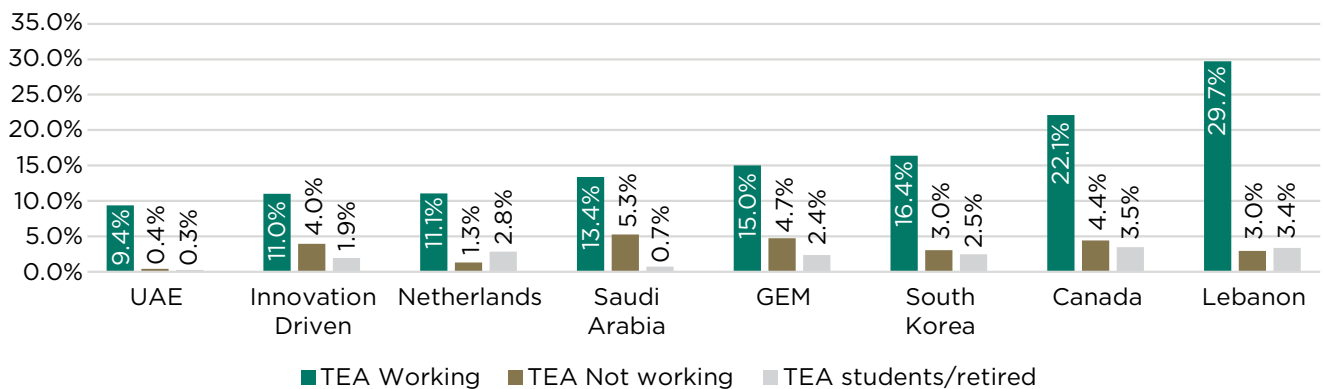




**Figure 5.9:** Recent evolution of the work status distribution for all entrepreneurial activities stages

Figure 5.10 below presents an international comparison of the percentage of working adult population involved in early-stage entrepreneurial activities with 9.4% in the UAE, while the percentage of the non-working adult population involved in early-stage entrepreneurial activities is 0.4% and the percentage of students and retired persons who are involved in TEA is 0.3%. The rate of the working adult population involved in early-stage entrepreneurial activities in the UAE is the lowest among the comparator countries, with the highest being in Lebanon with 29.7%.

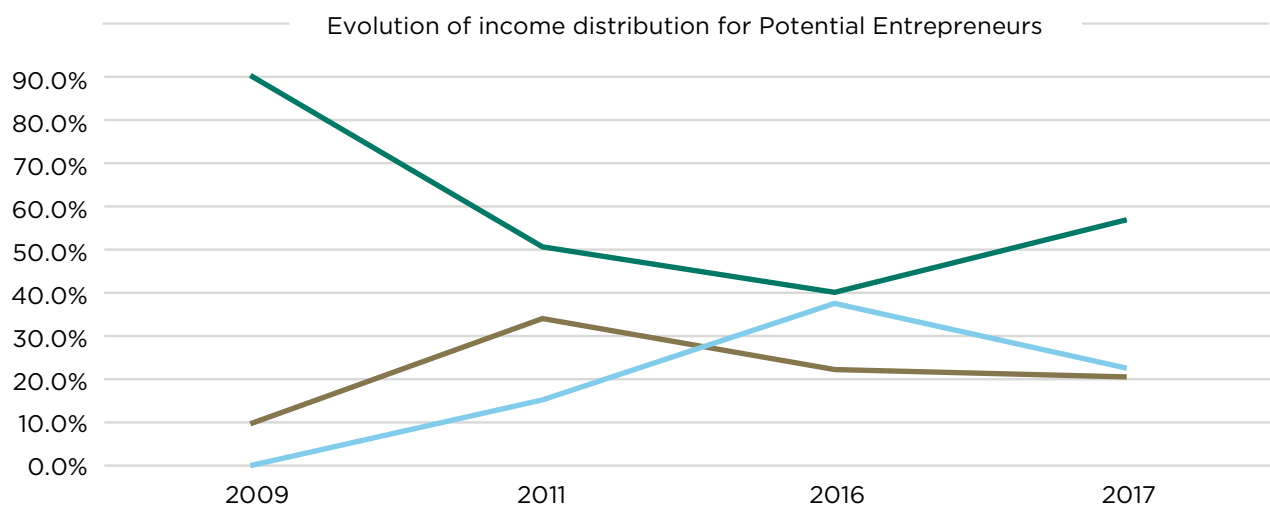
**Figure 5.10:** International TEA by work status in 2017, ordered by TEA working



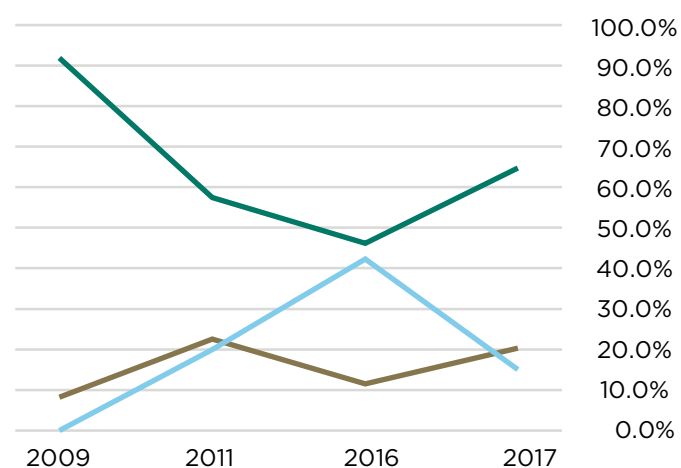
**75% of UAE early stage entrepreneurs come from privileged social classes**

Additionally, GEM classifies those involved in entrepreneurial activities by their income level. This variable is summarized in three categories: lower third percentile, middle third percentile, and upper third percentile. Figure 5.11 below

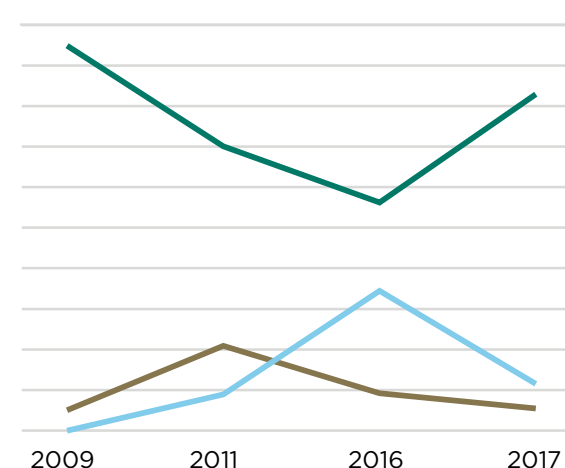
presents the distribution of income for potential, nascent, new, total early-stage, and established entrepreneurs. All the figures are very similar and show a significant change between 2009 and 2016, and then from 2016 to 2017. In fact, in 2009 the concentration is in the upper third percentile and highly polarized between a large powerful economic class and a small non-powerful economic class, whereas in 2016, the distributions were tending to be more balanced. However, this trend has been reversed for 2017. Overall, the greatest level of entrepreneurial activity in the UAE is still accounted for by the highest income earners. Although there has been an increasing involvement of the middle class in 2016 (36.3% of the TEA), it has dropped back to 13.1% in 2017. 75% of the UAE early stage entrepreneurs still come from privileged social classes.

**Figure 5.11:** Recent evolution of the income distribution for all entrepreneurial stages in the UAE

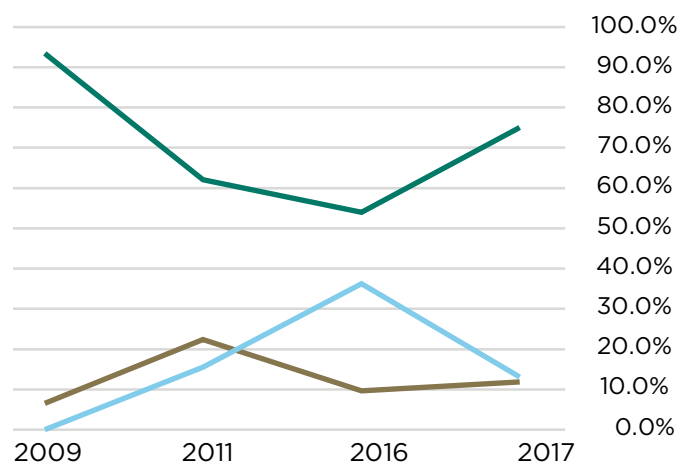
Evolution of income distribution for Nascent Entrepreneurs



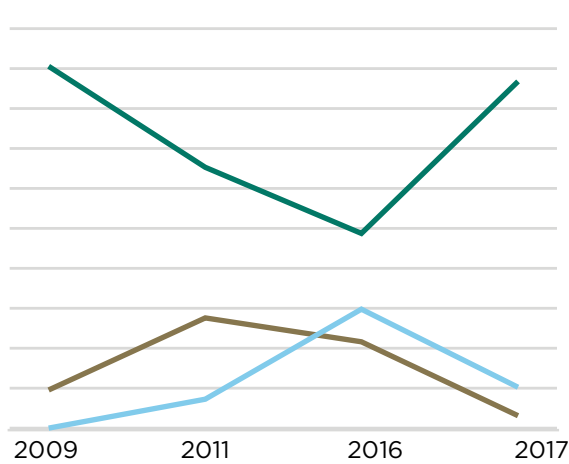
Evolution of income distribution for New Entrepreneurs



Evolution of income distribution for TEA Entrepreneurs



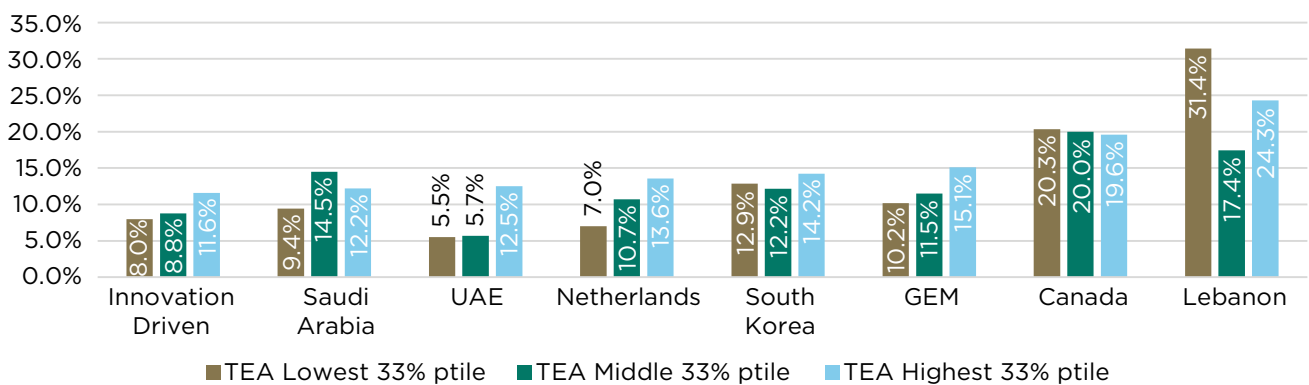
Evolution of income distribution for Established Entrepreneurs



— Lowest 33% percentile    — Middle 33% percentile    — Upper 33% percentile

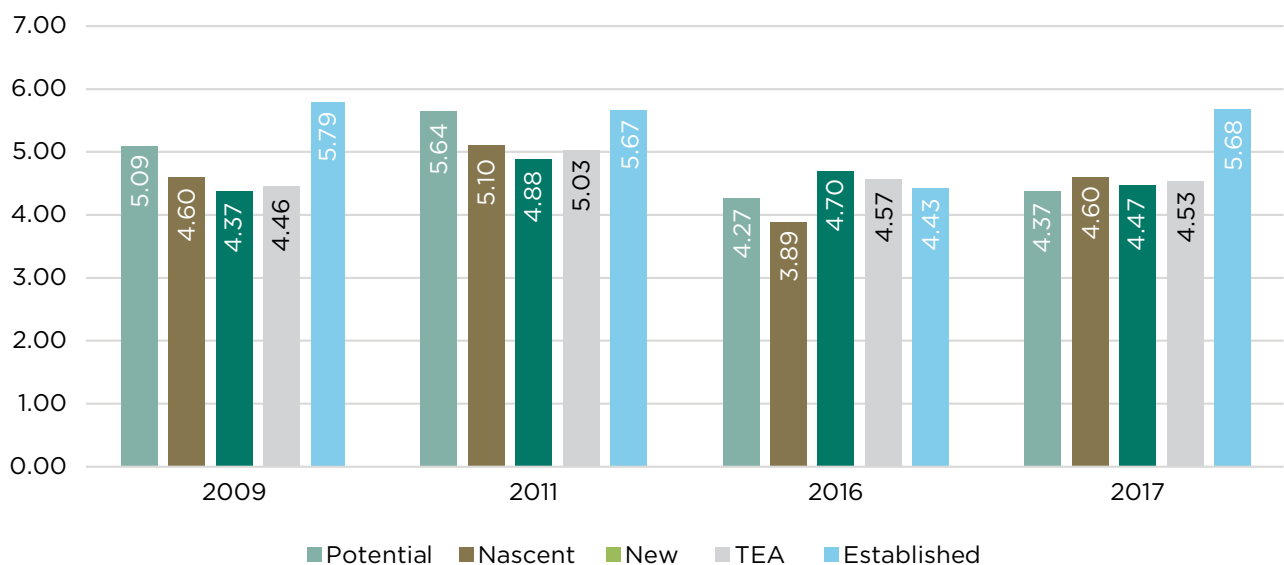
Figure 5.12 below presents the percentage of adult population of three annual income level categories that are involved in early stage entrepreneurial activities among the comparator countries. Except for Lebanon and to a much lesser extent Canada, where the lowest percentile is the most involved, all countries exhibit the same trend of larger proportion of early stage entrepreneurs having the highest percentile of income. Saudi Arabia is another exception where most of early stage entrepreneurs have the middle percentile income. In the UAE, the proportion of entrepreneurs at the lowest income percentile is the lowest compared to the rest of the countries. Considering the level of income per capital in the country and the paradox of plenty, this result is not surprising.

**Figure 5.12:** International TEA by annual income level in 2017, ordered by TEA highest third percentile



Finally, GEM surveys collect the size of the household of persons involved in the entrepreneurial process to complete the profile of potential, nascent, new and early stage entrepreneurs as well as the profile of established owner-managers. Figure 5.13 below shows no significant differences between the entrepreneurship categories over time. We can see that early stage entrepreneurs live in a household of an average 4 persons, while the established entrepreneurs tend to live in bigger families (5 persons). It seems that the average household size has not changed much since 2009.

**Figure 5.13:** Average size of households of adults involved in entrepreneurial activities in the UAE



## 5.2 TYPICAL PROFILE OF THE UAE ENTREPRENEUR

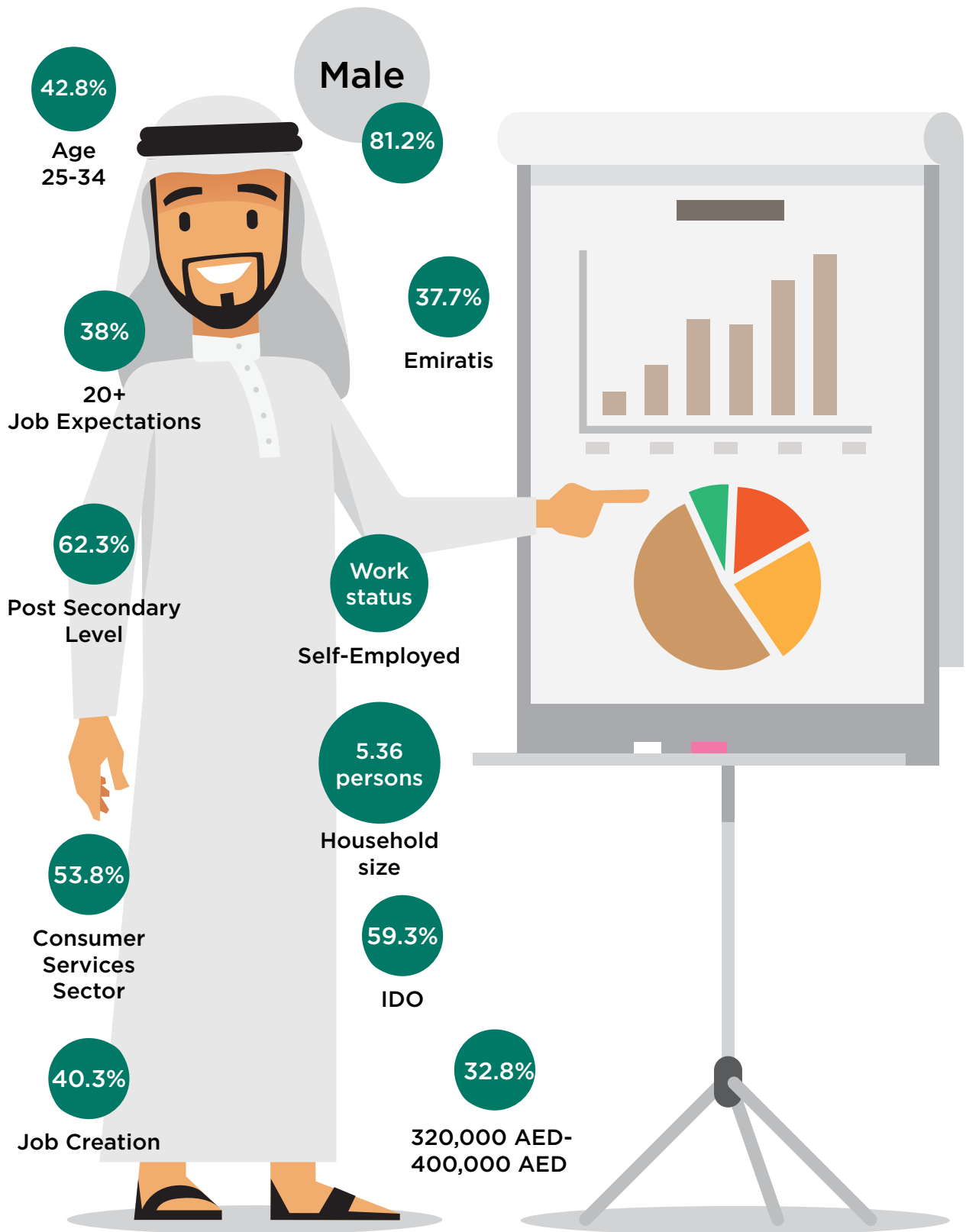
Table 5.3 below shows that the UAE early stage (TEA) entrepreneur is a 36 year old man with a post-secondary education level, earning more than AED240,000 (more than 50% of the cases), who is self-employed and lives in a household of almost 5 members.

**Table 5.3:** Temporal evolution of the UAE early stage entrepreneur profile

Characteristics	2009	2011	2016	2017
<b>Gender</b>	Male	Male	Male	Male
<b>Mean Age</b>	38,31 years	33,78 years	38,16 years	36 years
<b>Median education level</b>	Post-Secondary	Post-Secondary	Post-Secondary	Post-Secondary
<b>Median annual income</b>	AED 150,000 +	AED 100,000 +	AED 144,000 +	AED 240.000 +
<b>Work status</b>	Full time work	Full time work	Full time work	Self-Employed
<b>Mean household size</b>	4,46 persons	5,03 persons	4,57 persons	4.53 persons



## UAE Entrepreneur



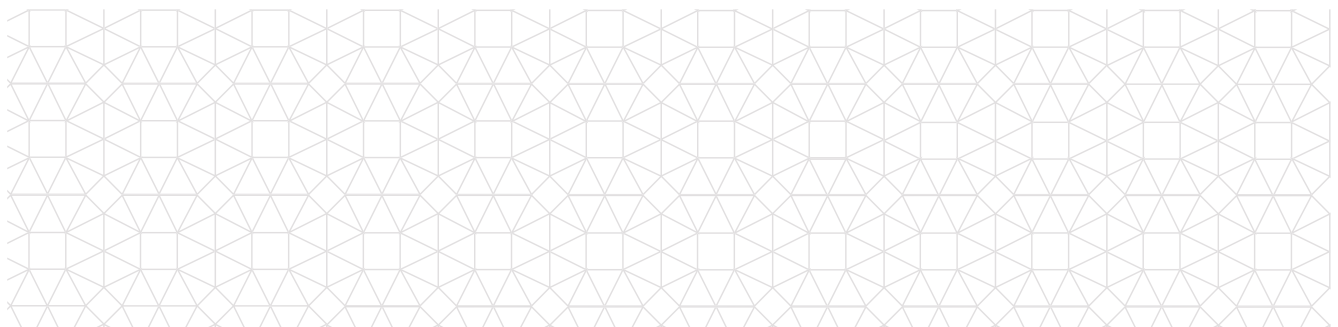


The following table presents the characteristics of the Emirati early stage entrepreneur in the UAE and in the different emirates. We highlight the gender, age, education level, the % of those who are improvement-driven opportunity entrepreneurs, the major industry sector in which the activity takes place and the number of jobs created and expected in the next five years. For instance, the early stage Emirati

entrepreneur in the UAE is a man (81.2%), aged between 25 and 34 years old (42.8%), with post-secondary education level (54%), who is improvement-driven opportunity in 59.3% of the cases, and who is operating mainly in the retail sector (36%). He is employing 1 to 5 employees in 40.3% of the cases and in expecting to create more than 20 jobs in the next five years (38%).

**Table 5.4:** The UAE early stage Emirati entrepreneur profile in 2017 by region

Characteristics	UAE	ABU DHABI	DUBAI	SHARJAH	AJMAN	FUJAIRAH	RAK	UAQ
<b>Emiratis</b>	37.7%	43.8%	33.6%	34.7%	33.3%	58.3%	43.8%	28.6%
<b>Gender (Male)</b>	81.2%	79.5%	91.3%	69.2%	75.0%	85.7%	73.3%	100.0%
<b>Age</b>	[25,34] (42.8%)	[25,34] (38.5%)	[25,34] (52.2%)	[25,34] (46.2%)	[35,44] (50.0%)	[25,34] (42.9%)	[45,54] (46.7%)	[35,44] (100.0%)
<b>Household</b>	5.36	5.23	5.54	5.24	5.48	5.54	5.30	5.91
<b>Work status</b>	Self-Employed (62.8%)	Self-Employed (64.1%)	Self-Employed (67.4%)	Self-Employed (73.1%)	Full Time and Self-Employed (50%)	Self-Employed (71.4%)	Full Time (78.6%)	Full Time (100%)
<b>Annual income (AED)</b>	(320000-400000) -32.80%	(240000-320000) -35.90%	(320000-4000000) (46.8%)	(320000-4000000) (43.5%)	(160000-240000) -25%	(240000-320000) -57.10%	(160000-240000) 26.30%	(160000-240000) 50%
<b>Education</b>	Post-Secondary (54.0%)	Post-Secondary (57.5%)	Secondary level (46.7%)	Post-Secondary (65.4%)	Post-Secondary (66.7%)	Post-Secondary (56.0%)	Post-Secondary (57.1%)	Post-Secondary (50.0%)
<b>IDO</b>	59.3%	42.5%	78.3%	61.5%	50%	50%	50%	50%
<b>Industry</b>	Retail (36.0%)	Retail (35.0%)	Retail (29.8%)	Retail (50%)	Retail (33.3%)	Retail (66.7%)	Gov, Health (26.7%)	Retail (50%)
<b>Jobs created</b>	1 to 5 (40.3%)	20+ (47.1%)	1 to 5 (46.2)	6 to 19 (50.0%)	6 to 19 (50%)	Same percentages (33.33%)	1 to 5 (50%)	Not Available
<b>Jobs expected next 5 years</b>	20 + (38%)	20+ (57.1%)	6 to 19 (41.7%)	6 to 19 and 20+ (35.7%)	6 to 19 and 20+ (50%)	1 to 5 and 6 to 19 (40%)	1 to 5 (50%)	Not Available



## QUALITY OF LIFE IN THE UAE: DO ENTREPRENEURS HAVE HIGHER SUBJECTIVE WELLBEING?<sup>56</sup>

Using data collected through GEM APS in the UAE in 2017, this case aims at studying the Quality of Life (QoL) of the UAE entrepreneurs compared to the non-entrepreneurs from a subjective wellbeing perspective.

### QOL: DEFINITION

QoL is a broad concept, consisting of both economic aspects, such as income, as well as more subjective aspects, such as those things that make life worth living, or the non-economic aspects of peoples' life which are of value (Stiglitz et al., 2009). The multifaceted definition of QoL and the difficulty to reach consensus about its meaning as a theoretical construct is reflected in QoL as a multi-disciplinary term (Farquhar, 1995). According to Berhe et al. (2014), the definition of QoL depends on the discipline and objective of the study. For instance, QoL has been defined by Abrams (1973) to be the degree of satisfaction or dissatisfaction felt by people with various aspects of their lives. Foo (2000) defines QoL as the overall satisfaction with the life that individuals have. For Bowling and Windsor (2001), QoL is defined in terms of what one has lost, or lacks, rather than what one has. For Costanza et al. (2007), QoL is the extent to which objective human needs are fulfilled in relation to personal or group perceptions of subjective wellbeing.

For Campbell et al. (1976), happiness and satisfaction are conceptually different as satisfaction implies a judgemental or cognitive experience (an evaluation of life experience), while happiness suggests an experience of feeling or affect (Andrews and Withey, 1976). Also, QoL includes both conditions of life and the experience of life (Campbell et al., 1976). Senlier et al. (2009) define QoL as the relation between the individual perceptions and the feelings of people, and their experiences within the space they live in. Therefore, QoL is a measure of objective and subjective features of life, which can be recognized in those keywords present in QoL definitions such as: objective living conditions, enjoyment, happiness and life satisfaction (McCrea et al. 2006).



<sup>56</sup> The case study is co-authored by Prof. Nihel Chabrak and Dr. Chafik Bouhadioui. A special acknowledgment goes to Dr. Llewellyn D W Thomas for his help in writing the case study



SUBJECTIVE WELLBEING (SWB) AS ANALYTICAL FRAMEWORK

In the past few decades, a large interdisciplinary literature has emerged around the topic of subjective wellbeing (SWB) and its determinants. Two major research publications have emphasized that SWB can be reliably measured: Andrews and Withey (1976) and Campbell et al. (1976). The importance of the subjective wellbeing perspective is related to the importance of enabling people to be “happy” and “satisfied” with their life as a universal goal of human existence.

Having better objective conditions of life do not always translate into greater subjective wellbeing (Stiglitz et al., 2009). A person may be wealthy, yet feel very dissatisfied with life, perhaps because of a comparison with others who may have more material possessions (Hagerty et al., 2001).

It is for this reason that our focus is on how people perceive the quality of their lives. We focus on those who have been involved in an entrepreneurial experience and compare their perceptions of QoL to the perceptions of other adult population in the UAE.

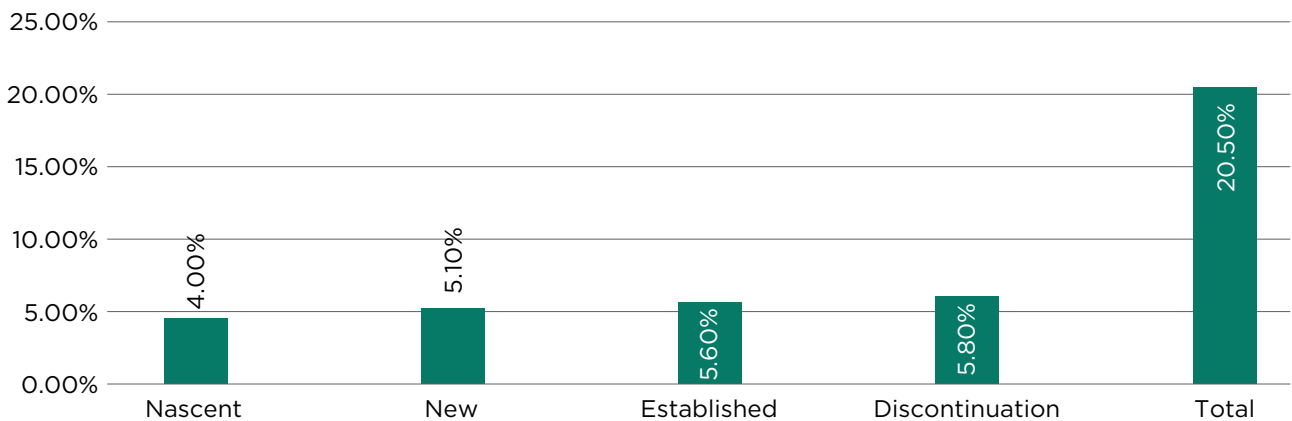
DATA COLLECTION INSTRUMENT AND HYPOTHESES

We collected data through a set of questions added to the Adult Population Survey (APS) conducted in the UAE in 2017, which was completed by an accredited market research company. To ensure that the sample was representative, we used area stratified probability sampling, with the sample stratified by gender, age and population group, then by region and community size. A total of 4,000 adults aged between 18 and 64 years old were surveyed. 50% of the interviews were conducted face-to-face and 50% over mobile phones.

We used the OECD subjective wellbeing survey as the core module of questions, which was improved and supplemented by other questions as explained below. All the questions were scaled from 1 to 5. Respondents were also given the possibility not to answer or to answer with “I don’t know”.

To segregate entrepreneurs, we consider those who identified as being either nascent, new, established or discontinued entrepreneurs in the 2017 APS; those who did not self-identify were considered to be non-entrepreneurs. Figure 1 below presents the 2017 distribution of the UAE entrepreneurs.

Figure 1: Percentage of UAE Adult Population with entrepreneurial experience in 2017\*



\*: These figures are based on individual data (not GEM harmonized)



H1:

## OVERALL EVALUATION AND DOMAIN EVALUATIONS

Previous literature has regarded QoL as a single, unitary entity, which explains the use of the core question on “how do you feel about your life as a whole?” (Withey, 1976). Alternatively, QoL can be considered as being composed of discrete domains. Following the Bottom-up Theory (see Diener 1984; Diener et al. 1999, for literature reviews), which posits that the overall evaluation of life satisfaction is a function of evaluations made in various life domains, we expect that the overall satisfaction in the UAE is affected by people’s evaluations of the life domains.

**H1: Overall evaluation of life satisfaction in the UAE is a function of evaluations made in various life domains.**

Cummins et al. (2003) suggest seven different life domains: (1) material wellbeing (including house, car, income, living situation, material possession, standard of living, etc.); (2) health; (3) productivity (including employment, housework, work, school, etc.); (4) intimacy (social and family connections); (5) safety (including security, personal control, privacy, independence, autonomy, competence, knowledge of rights and residential stability); (6) community (including social class, education, job status, community

integration, community involvement, self-esteem, self-concept and empowerment, city, area you live in, etc.); and (7) emotional wellbeing (including beautiful things, fun, leisure, non-work, recreation, spiritual life, time do to things, etc.) (Cummins, 1996).

To reflect the overall evaluation and the seven life domains, we extended our data collection instrument to include:

1. Following the life domain questions, four addition questions to measure life evaluation as a whole: three questions at the beginning of the questionnaire related to different point in times and a fourth question at the end of the survey:
  - a. (S1) overall evaluation 5 years ago
  - b. (SW1) overall evaluation today
  - c. (S2) overall evaluation in five years
  - d. (SW2) is relatively similar to the Cantril Ladder<sup>57</sup> for which we changed the scale.
2. Seven questions from the OECD Domain evaluation module as described in Table 1:

<sup>57</sup> Used in numerous studies among various populations and in different settings, the Cantril ladder (1965) is considered to be a valid and reliable measure of subjective well-being.

**Table 1:** Life domain questions

Domain	Question in the survey
Material wellbeing	(D1) Your standard of living
Health	(D2) Your health
Productivity	(D3) Your job
Intimacy	(D4) Your personal relationships
Safety	(D5) Do you feel safe
Community	(D6) About being part of the community
Emotional wellbeing	(D7) Quality of your local environment



## H2: AFFECTS OR THOUGHTS?

According to Vennhoven (2006), when evaluating their lives, besides having an overall “happiness” and “components” of happiness that function as “sub-totals” in the overall evaluation of life, people can use two more or less distinct sources of information: their affects (hedonic level of affect) and their thoughts (contentment or the perceived realisation of wants). Other researchers such as Diener and colleagues (Diener 1984, 1994, 1996; Diener and Lucas 2004; Diener and Diener 1996) have argued that SWB comprises two components: a cognitive evaluation of life satisfaction; and an affective component that involves pleasant and unpleasant emotional reactions to activities and events in life.

Cognitive theories of SWB hold that happiness or SWB is a product of human thinking and reflects discrepancies between perceptions of life-as-it-is and notions of how-life-should-be (standards). Social judgment theory posits that people do make judgments about their life overall or certain aspects of their lives (e.g., community well-being) using some reference (or standard of comparison). According to Campbell et al. (1976), individuals judge their objective situation in the various life domains according to standards of comparison based on aspirations, expectations, feelings of what would be just, reference group comparisons, personal needs, and personal values. Stiglitz et al. (2009) give the example of the Easterlin Paradox (Easterlin, 1974), according to which, gains in income and material prosperity (higher levels of a country’s per capital GDP) were not followed by similar gains in life-evaluations. Considering discrepancy theory, a well-recognized cognitive theory, an explanation would be that income gains relative to other people within a community matter more for these life-evaluations than country-wide improvements in absolute income.

Affective theories of SWB hold that happiness reflects how well we feel generally. It is not calculated; rather, it is inferred. Diener et al. (1991) think intense affects are the most salient affective experiences that gear the overall evaluation of life. The Affective-Cognitive Theory (AFT), developed by Davern (2004) and Davern et al. (2007) explains differences in SWB. It asserts that it is primarily influenced by a latent construct called ‘Core Affect’, which represents the most elementary consciously accessible affective feelings that can be experienced without the presence of a known stimulus as it is a blend of hedonic (pleasant-unpleasant) and arousal (activation-deactivation) values, and is regarded to be primitive, universal and ubiquitous (Blore et al., 2011). According to this theory, people infer satisfaction from how they feel generally. If they feel fine, they gather that they must be satisfied. If they feel lousy most of the time, they conclude they must be dissatisfied (Veenhoven, 1996).

To evaluate whether SWB is driven by cognitive exercise or affects, we added a short series of affect questions from the OECD core module. This includes a range of positive and negative experiential questions, to measure positive (1 question) and negative affects (2 questions):

1. (A1) Yesterday I felt happy
2. (A2) Yesterday I felt worried
3. (A3) Yesterday I felt depressed

**H2: Overall evaluation of life satisfaction is influenced by thoughts (affects).**



### H3: FLOURISHING FACTORS?

According to Sirgy (2011), in recent years the theory of human flourishing has been developed (Ryff 1989; Ryff and Singer, 1998; Ryan and Deci, 2000). It suggests that there are several universal human psychological needs, such as the need for competence, relatedness, and autonomy that contribute to human flourishing. Other theories posit that the concept of purpose and meaning in life plays a very important role in subjective wellbeing (Steger et al. 2008).

Our data collection instrument includes a third element, which is composed of three experimental eudaimonic questions (accomplishment in life, worthiness and freedom to assess the level of control):

1. (F1) The things I do in my life are worthwhile
2. (F2) I am free to decide for myself how to live my life
3. (F3) Most days I get a sense of accomplishment from what I do

**H3: Overall evaluation of life satisfaction is influenced by flourishing factors.**



All the hypotheses were tested separately for entrepreneurs and non-entrepreneurs for comparison and to uncover any pattern which is specific for entrepreneurs to better understand their life satisfaction.

The SWB questions and their sequencing are summarised in Table 2:

**Table 2:** Data collection instrument for SWB

In a scale of 6 points where 1 = not satisfied at all and 6 = completely satisfied, how satisfied are or have been you with

(S1) Your life 5 years ago

(SW1) Your current life as a whole

(S2) Your expected life 5 years from now

(D1) Your job

(D2) Your current standard of living

(D3) Your health

(D4) Your personal relationships

(D5) About being part of your community

(D6) About the quality of your local environment

In a scale of 6 points where 1 = completely disagree and 6 = completely agree, what degree of agreement do you have regarding these statements

(A1) Yesterday I felt happy

(A2) Yesterday I felt worried

(A3) Yesterday I felt depressed

(F1) The things I do in my life are worthwhile

(F2) I am free to decide for myself how to live my life

(F3) Most days I get a sense of accomplishment from what I do

(D7) I feel safe all the time

(SW2) Finally, please imagine a ladder with steps numbered from 1 at the bottom to 6 at the top. On which step of the ladder would you say you personally feel you stand now?



# FINDINGS

## ON OVERALL EVALUATION OF LIFE SATISFACTION

Table 3 summarizes the average scores and standard deviations of the questions related to overall evaluation of life satisfaction S1, S2, SW1 and SW2.

**Table 3:** Average Scores and Standard Deviations of Overall life satisfaction for entrepreneurs (E) and non-entrepreneurs (NE)

	E	NE
Your life 5 years ago (S_1)	4.70 (1.179)	4.89 (1.077)*
Your current life as a whole (SW1)	4.84 (1.070)	4.93 (0.944)*
Your expected life 5 years from now (S_2)	4.83 (1.072)	4.94 (0.968)*
Finally, please imagine a ladder with steps numbered from 1 at the bottom to 5 at the top. On which step of the ladder would you say you personally feel you stand now? (SW2)	3.69 (1.290)	4.03 (1.124)*

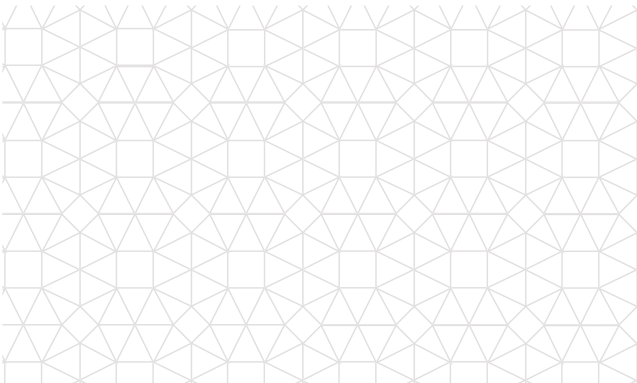
(\*) significantly different at level 1%. Also, all variances for the variables related to entrepreneurs are significantly higher than those of non-entrepreneurs.

As these variables are all significantly positively skewed, we then use a non-parametric method to test the differences in happiness between the two groups. The Mann-Whitney test shows that all tests are significant. We conclude that entrepreneurs are less satisfied with their lives than non-entrepreneurs in the UAE.

average scores are significantly lower for both entrepreneurs and non-entrepreneurs compared to the scores of the questions asked at the beginning of the survey, which might suggest that our respondents have reviewed their overall evaluation of life satisfaction after they made an evaluation of their life domains. This also suggests that the overall evaluation of life satisfaction results from a cognitive exercise and is a product of human thinking.

**Entrepreneurs' overall life satisfaction is significantly lower compared to non-entrepreneurs**

Moreover, the findings corroborate H1 according to which, overall life satisfaction is affected by life domain evaluations. In fact, the SW2



We also explore the differences in the overall life satisfaction among entrepreneurs at the different stages of entrepreneurial activity. Table 4 summarizes the scores in averages and shows that established entrepreneurs have the highest overall life satisfaction. For instance, their perception of their satisfaction in the future is the highest score registered.

**Table 4:** Average Scores and Standard Deviations of Overall life satisfaction for entrepreneurs at different stages of the entrepreneurial activity

Stage / Variable	S_1	SW1	S_2	SW2
<b>Nascent</b>	5.06(1.063)	5.16(.756)	4.95(.895)	3.58(1.045)
<b>New</b>	4.74(0.983)	4.83(0.992)	4.85(0.938)	3.74(1.060)
<b>Established</b>	4.87(1.159)*	5.09(1.115)*	5.21(1.076)*	4.26(1.349)*
<b>Discontinued</b>	4.75(0.859)	4.88(0.737)	4.88(0.823)	3.75(0.973)

(\*) Significantly different at level 1%.

The table also shows that the entrepreneurs who have the highest drop in their overall life evaluation after the life domain evaluations are the nascent entrepreneurs followed by the discontinued entrepreneurs.

**Established  
entrepreneurs have  
the highest overall life  
satisfaction**

To better understand which variables have impact on life satisfaction, we next describe the results of the different regression models we run to explain both SW1 and SW2 for entrepreneurs (SW1E and SW2E) and non-entrepreneurs (SW1NE and SW2NE).

## FACTORS EXPLAINING OVERALL LIFE SATISFACTION OF ENTREPRENEURS AND NON-ENTREPRENEURS IN THE UAE

In order to study the relationship between the two overall life satisfaction variables SW1 and SW2 on one hand and the explanatory factors (D), (F) and (A) for entrepreneurs and non-entrepreneurs on the other hand, regression models using stepwise method were run, and the equation models are given by:

### FOR ENTREPRENEURS

$$SW1E = .309 + .286S_1 + .168S_2 + .086D_1 + .134D_6 + .085D_7 + .058F_1 + .141F_2 - .031A_2$$

(with an  $R^2=64.7\%$ )

$$SW2E = .986 + .117D_1 + .147SWE1 + .185F_1 + .142A_2 - .055A_3$$

(with an  $R^2=18.5\%$ )

The results suggest that entrepreneurs today overall satisfaction of life is mainly affected by their perception of their overall life satisfaction in the past (S1), their belonging to the community (D6) and the level of control of their lives (F2). However, SW2E is highly affected by the overall satisfaction (SW1E), the perception of the worthiness of things entrepreneurs do in life (F1) and their feeling being worried (A2) variables.

### FOR NON-ENTREPRENEURS

$$SW1NE = .441 + .198S_1 + .166F_2 + .051F_3 + .149D_3 + .113D_7 + .100D_5 + .067D_1 + .033D_6 + .026A_1$$

(with an  $R^2=71.4\%$ )

$$SW2NE = 1.62 + .146S_1 + .076F_2 + .051A_1 + .069D_3 + .082D_7 + .068D_2$$

(with an  $R^2=33.1\%$ ).

For non-entrepreneurs, the results suggest that their overall life satisfaction today is mainly affected by their perception of their life satisfaction in the past (S1), the productivity variable (D3), the level of control of their lives (F2) and their feeling being happy (A1). However, SW2NE is highly affected by the non-entrepreneurs' perception of their life satisfaction in the past (S1), their emotional wellbeing (D7) and the level of control of their lives (F2).

Since the coefficient of determination for the ladder variable is remarkably low for both entrepreneurs and non-entrepreneurs, it suggests either using different set of variables or applying different methodology to analyse the variability of this dependent variable. Given that most of the variables, including the dependent ones, are positively skewed and their values are concentrated between 4 and 6, the OLS regression can behave poorly.



## CONCLUSION

This study aims at studying the Quality of Life (QoL) of the UAE entrepreneurs compared to the non-entrepreneurs from a subjective wellbeing perspective. Using data collected in the UAE in 2017 through GEM with a sample of 4,000 adult population aged between 18 and 64 years old, the main findings reached are:

1. UAE Entrepreneurs overall life satisfaction is significantly lower compared to non-entrepreneurs.
2. Overall life satisfaction in the UAE is affected by life domains' evaluations for both entrepreneurs and non-entrepreneurs.
3. Established entrepreneurs have the highest overall life satisfaction among all entrepreneurs.
4. Nascent entrepreneurs overall life satisfaction is the most affected by their life domains' evaluations.
5. The factors affecting overall life satisfaction are:
  - a. Entrepreneurs: their overall life satisfaction in the past (S1), their belonging to the community (D6) and the level of control of their lives (F2).
  - b. Non-entrepreneurs: their overall life satisfaction in the past (S1), the productivity variable (D3), the level of control of their lives (F2) and their feeling being happy (A1).

Our study contributes to understanding the determinants of life satisfaction of the UAE entrepreneurs, which could help policy makers set the right policies to increase the level of life satisfaction in the UAE in general and for entrepreneurs in particular. As part of the shift of the UAE government strategy towards supporting QoL, it will help address the challenge laid down by H.H, Sheikh Mohammed bin Rashid, Vice President, Prime Minister of the UAE, and ruler of Dubai: "Happiness and positivity in the UAE are a lifestyle, a government commitment and a spirit uniting the UAE community. The government system is evolving to realize the goals that every human seeks: happiness for him and his family."<sup>58</sup>



<sup>58</sup> <https://www.uaecabinet.ae/en/details/news/mohammed-bin-rashid-happiness-positivity-are-lifestyle-government-commitment-and-a-spirit-uniting-uae-community>











CH.

# 06

Informal  
Investment  
Activity

## 6.1 INTRODUCTION

GEM is a valuable source of data on informal investment, defined as funds provision to entrepreneurs by family, relatives, friends, work colleagues, neighbours, strangers or any other non-formal financing channels. The literature on financing for entrepreneurs identifies this source as the most critical for entrepreneurs at the start-

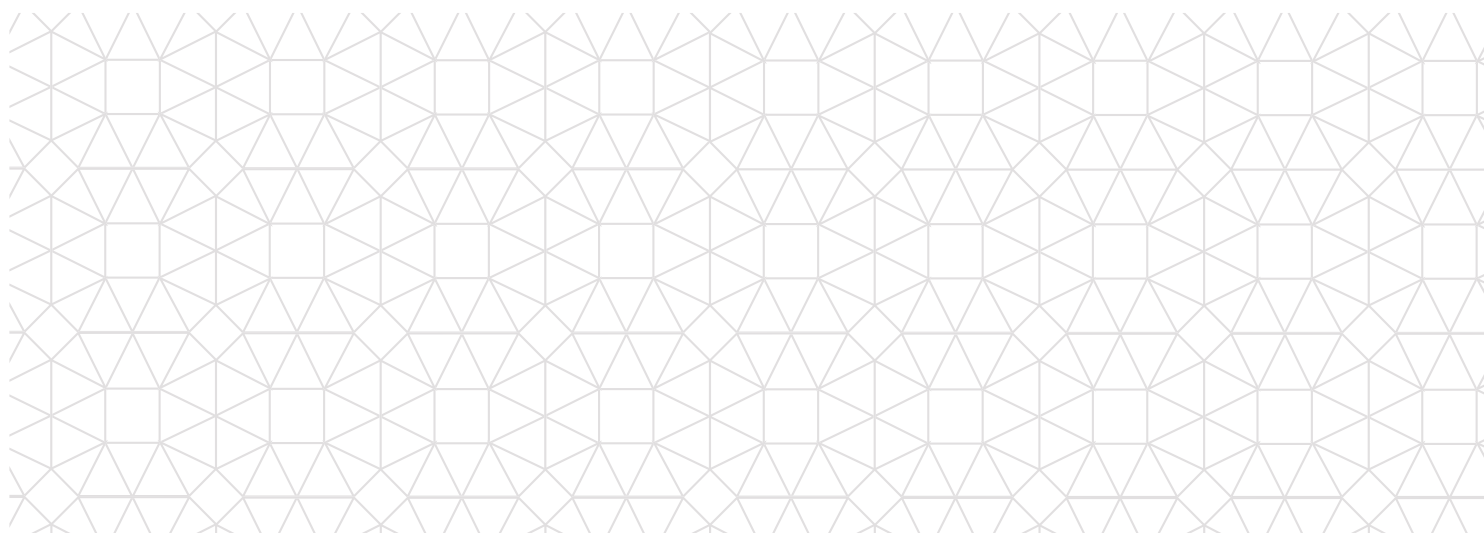
up stage. It is, therefore, relevant to monitor the informal investment activity by estimating the approximate average amount invested, the proportion and characteristics of the adult population acting as informal investors, and the relationship between the informal investors and the beneficiaries.

## 6.2 VOLUME OF INFORMAL INVESTMENT AND ADULT POPULATION ACTING AS INFORMAL INVESTORS

GEM estimates the participation of the UAE adult population acting as informal investor year by year, through the question: "Have you, in the past three years, personally provided funds for a new business started by someone else, excluding any purchases of stocks or mutual funds?".

**The individual contribution of informal investors has dramatically decreased from AED100,000 in 2009 to AED24,602 in 2017**

Table 6.1 below shows that most individuals who affirmed they acted as informal investors provided the approximate amount of their investment. In 2009, 94.6 % of the informal investors provided this information, while in 2011 and 2016 the percentage has reached 98% and then dropped again to 94.5% in 2017. This still allows the estimation of the main indicators related to the informal investment's contribution to financing entrepreneurial activity. The most robust indicator is the median, as the average may be affected by extreme values (low or high). In terms of medians, the individual contribution of informal investors has dramatically decreased from AED100,000 in 2009 to AED24,602 in 2017. The mode, i.e. the most frequent amount invested, remained the same in 2009 and 2011, but suffered a high drop from AED100,000 in 2011 to AED20,000 in 2016 and 2017.



**Table 6.1:** Main indicators on informal funds invested in the UAE and their recent evolution

Indicators	2009	2011	2016	2017
% of informal investors who provide the amount	94.6%	97.74%	97.7%	94.5%
Invested amount average in AED	266,179.49*	64,791.63*	54,679.71	51705.64
Invested amount standard deviation in AED	619,859.8	266,376.4	60230,35	72347.15
Invested amount average in US\$	72,476.38	15,688.9	14,886.62	14077.38
Invested amount standard deviation in US\$	168,777.9	103,700.7	16,397.79	19697.24
Invested amount median in AED	100,000.0	50,000.0	30,000.0	24602.44
Invested amount median in US\$	27,228.0	13,612.50	8,167.54	6698.26
Invested amount mode in AED	100,000.0	100,000.0	20,000.0	20000.0
Invested amount mode in US\$	27,228.0	27,225.0	5,445.0	5445.0

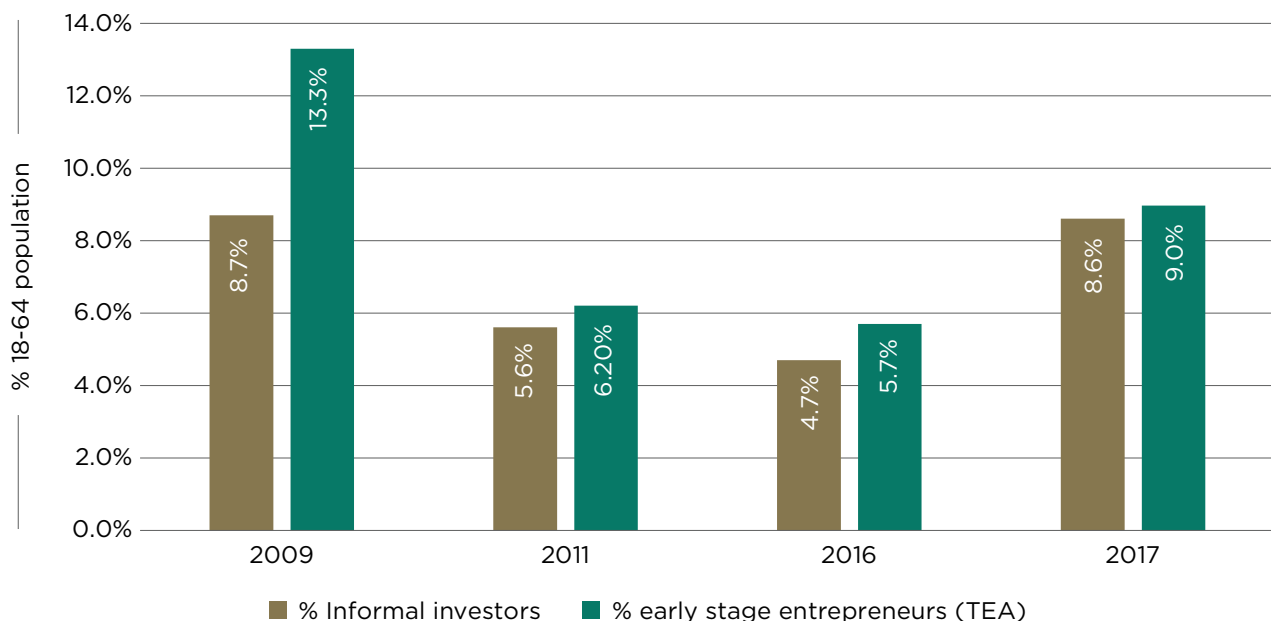
\*: 5% Trimmed mean.

Figure 6.1 below shows the temporal evolution of the informal investors rate in the UAE along with the evolution of the rate of total early stage entrepreneurial activity. It is interesting to present the informal investors and entrepreneurial activity rates together because, usually the size of informal investment is aligned to the size of the activity which gives support to. The percentage of people who declared having acted as informal investors was around 8.7% in 2009, and decreased to 4.7% in 2016, to increase again to 8.6% in 2017. During the same period, the early-stage entrepreneurial activity has followed the same trend, from 13.3% in 2009, to 5.7% in 2016 to end up at 9% in 2017. The gap between the informal investment and the entrepreneurial activity has narrowed during 2009-2017. Given that most of developed countries usually show percentages around 2.4%, the UAE figures are

both high in international comparison, and more importantly are consistent with the internal demand for finance.

**The percentage of people who have acted as informal investors in 2017 is the same as in 2009**

**Figure 6.1:** Estimated percentage of adult population acting as informal investors, total early stage entrepreneurial activity (TEA) and their recent evolution in the UAE

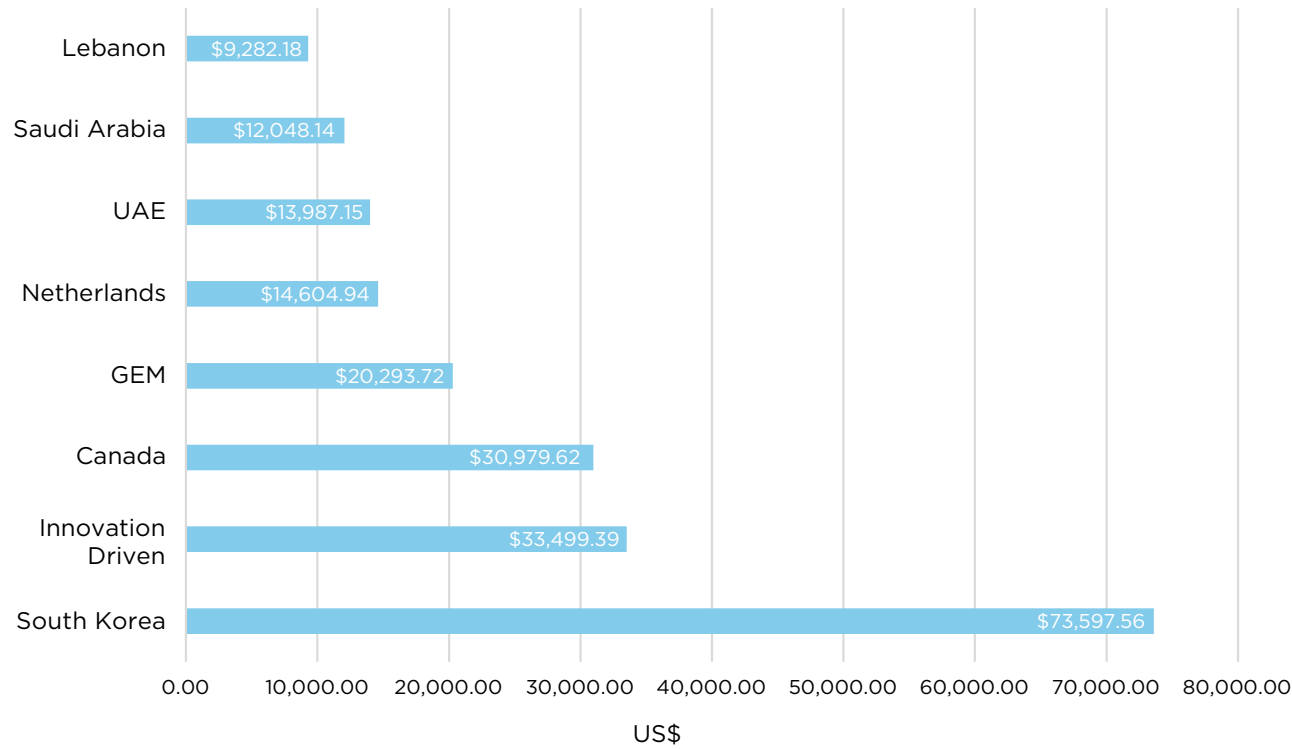
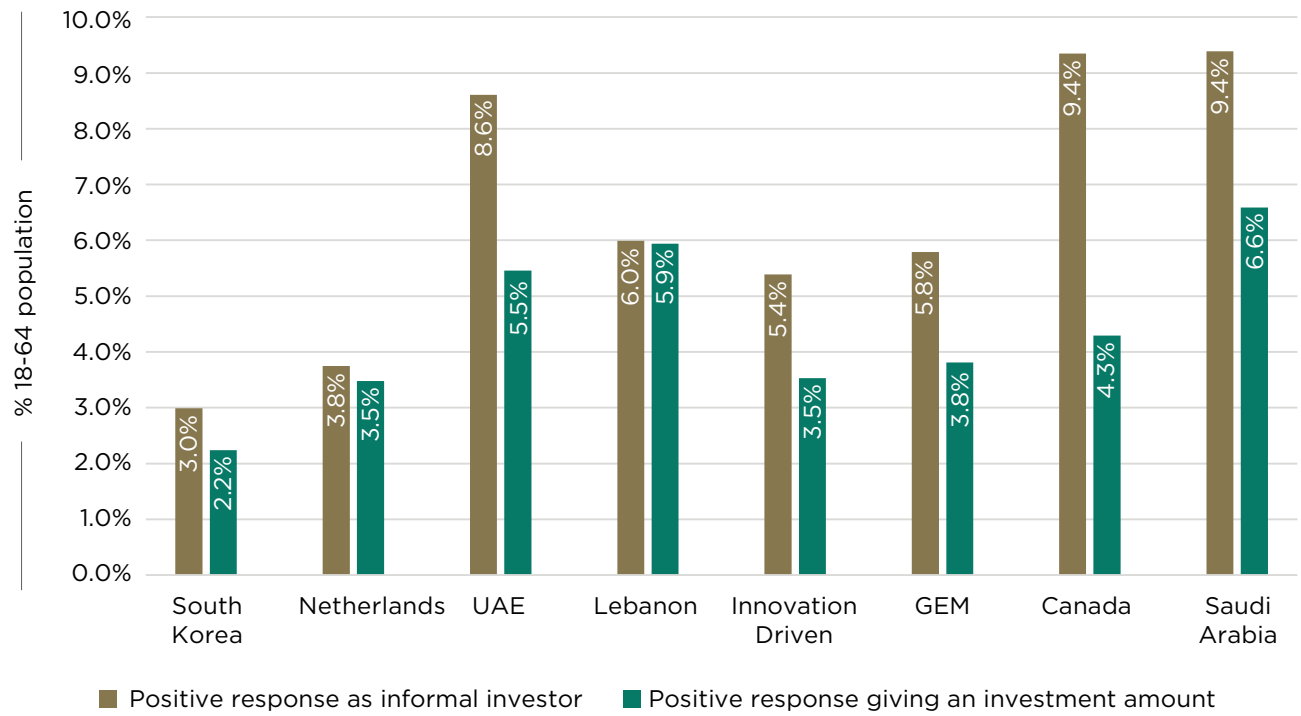


When we look at the absolute percentages, Figure 6.2 shows that the UAE ranks the second highest in terms of informal investors with 8.6% following Canada and Saudi Arabia (both 9.4%); and the third highest in terms of disclosing the

investment amount with 5.5%, following Saudi Arabia (6.6%) and Lebanon (5.9%). The average amount of informal investment in the UAE is one of the lowest, but higher than Lebanon and Saudi Arabia.



**Figure 6.2:** Estimated percentage of population acting as informal investor and estimated average funds invested (average in USD) in 2017 - International Position



## 6.3 INFORMAL INVESTORS CHARACTERISTICS AND RELATIONSHIP WITH BENEFICIARIES

Table 6.3 below suggests that most informal investors are males (62.8%) but that female participation has been increasing moderately across the period to reach 37.2% in 2016. Informal investors seem to have the same age as the entrepreneurs, around 35 years old. In 2009, most of them belonged to the highest percentile of annual income while the middle income did not participate in informal investments. In the following periods, the distribution has been somewhat more balanced, although still 62.4 % of informal investors in 2017 belong to the highest earners percentile. The share of middle-

income investors increased from 16.1% in 2011 to 27% in 2017, and the share of the lowest-income investors decreased from 19.9% % to 10.7%.

**The share of middle-income investors has increased from 16.1% in 2011 to 27% in 2017**

**Table 6.2:** Main indicators on informal investors' characteristics and their recent evolution

Characteristic	2009*	2011*	2016*	2017*
<b>Gender</b>				
Male (%)	83.0%	74.8%	68.6%	62.8%
Female (%)	17.0%	25.2%	31.4%	37.2%
<b>Immigration</b>				
Local				32.1%
Resident				67.9%
<b>Age</b>				
Mean age (St. Dev.)	34.8 (8.8) years	35.8 (10.4) years	37.4 (7.6) years	35.3 (9.3) years
<b>Annual income</b>				
Lowest 33% percentile	13.0%	19.9%	18.0%	10.7%
Middle 33% percentile	0.0%	16.1%	22.5%	27.0%
Highest 33% percentile	87.0%	64.0%	59.5%	62.4%
<b>Educational level**</b>				
None	1.5%	1.2%	1.3%	9.2%
Some secondary	4.9%	0.4%	18.5%	8.6%
Secondary	16.8%	25.9%	16.6%	24.3%
Post-secondary	75.2%	49.7%	56.0%	48.4%
Graduate experience	0.0%	22.8%	7.6%	9.5%
<b>Work status (reduced)</b>				
Work FT or PT	92.0%	84.9%	91.6%	94.7%
Not working	4.2%	9.7%	3.3%	3.9%
Retired/Students	3.8%	5.4%	5.1%	1.3%
Knows recent entrepreneurs	78.5%	47.9%	88.3%	90%
Sees good opportunities	51.0%	51.8%	74.8%	47.8%
Involved in TEA	31.1%	25.4%	37.1%	25.4%
Involved in Established Business	13.2%	9.5%	4.3%	8.2%

\*Note: the basis to calculate these indicators has been the total sample of informal investors of each year

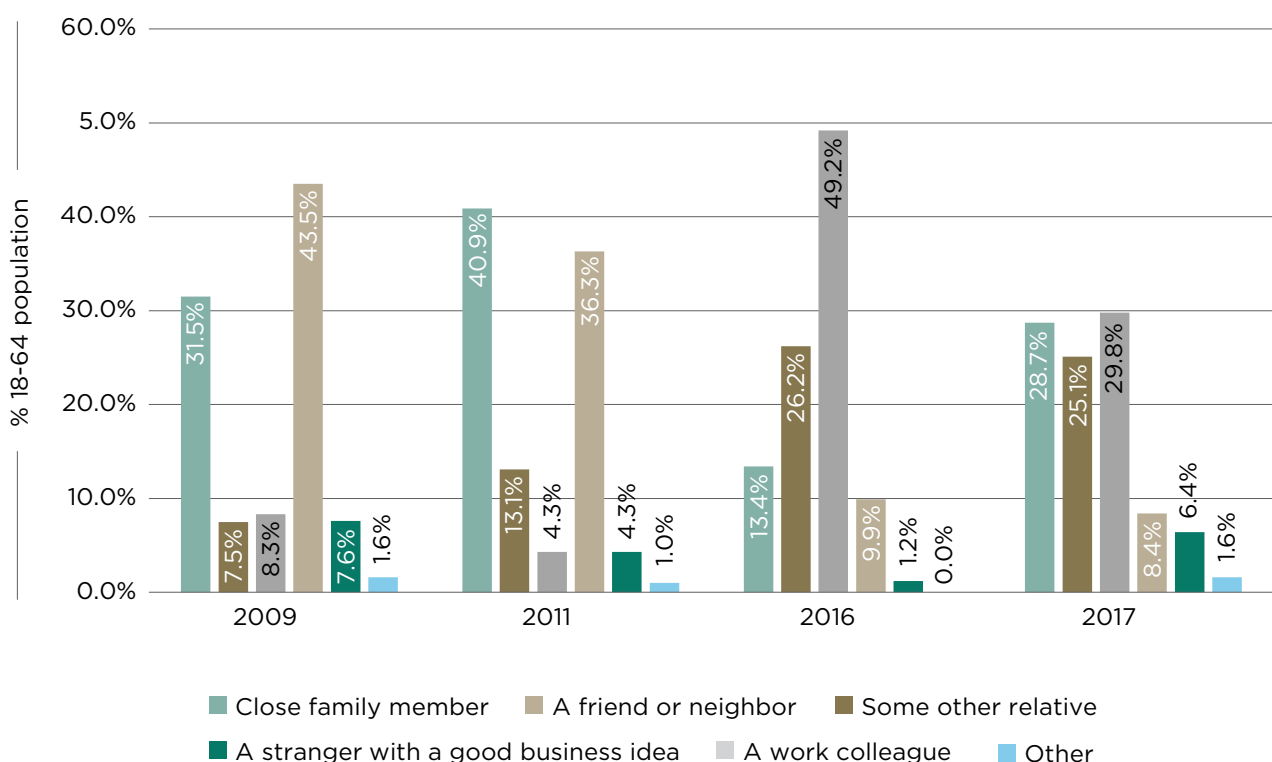
The share of informal investors increases with the education level, with the exception for those with graduate experience. In 2009, none of the informal investors had a graduate degree; 75% of the informal investors had a post-secondary degree, distantly followed by secondary studies at 16.8%. In 2011, most informal investors have post-secondary degree (49.7%), and 22.8% of informal investors have a graduate degree. By 2017, the education level of informal investors seems more widespread with the highest proportions corresponding to post-secondary degrees with 48.4%, followed by secondary and some secondary degrees with respectively 24.3% and 8.6%. Only 9.5% of informal investors in 2017 have a graduate degree, a slight increase from 7.6% in 2016. Most informal investors work full or part time. It is also worth noting that only 1.35% of informal investors in 2017 are either students and/or retired compared to a rate of 5.1% in 2016. In 2017, among informal investors,

90% know entrepreneurs that recently started-up businesses while this share was 78.5% in 2009. About a quarter of these investors have been involved in an entrepreneurial activity themselves (25.4% in TEA and 8.2% in established businesses). The proportion of established owner managers has on the other hand steadily decreased from 2009 to 2016, to increase slightly in 2017. Around half of informal investors saw good opportunities to start-up in the zone where they live in 2017.

GEM also explores the nature of the relationship between informal investors and their beneficiaries as shown in Figure 6.3 below. For the years 2009 and 2011, about 75% of beneficiaries were a close family member and/or a friend or a neighbour of informal investors. However, the relationship between informal investors and their beneficiaries in the UAE has completely changed in 2016, where 49.2% of beneficiaries are now work colleagues of informal investors (where in 2009 and 2011 the rate was respectively 8.3% and 4.3%). Finally, in 2017, we see a relatively more balanced distribution between family members (28.7%), relatives (25.1%), and work colleagues (29.8%).

## Most informal investors work full or part time

**Figure 6.3:** Temporal evolution of the distribution of relationships categories between informal investors and early stage entrepreneurs









**CH.**

**07**

Perceived Quality  
of the Entrepreneurial  
Ecosystem



## 7.1 OVERVIEW OF THE ENTREPRENEURIAL ECOSYSTEM CONDITIONS

An entrepreneurial ecosystem represents the combination of conditions that shape the context in which entrepreneurial activities take place. GEM assesses the following entrepreneurship conditions: financing, government policies relevance and support, government policies taxes and bureaucracy, government programs, school-level entrepreneurship education and training, post-school entrepreneurship education and training, R&D transfer, access to commercial and professional infrastructure, internal market dynamics, internal market burdens, access to physical and services infrastructure, and social and cultural norms. The National Experts Survey (NES) provides data on these conditions. A representative sample of experts from the UAE (see Table 2 in introduction to GEM) assessed a wide set of blocks of items for each entrepreneurship condition using Likert scales of 1 (completely false) to 9 (completely true) to evaluate each proposed statement. Average scores and standard deviations of these evaluations are presented in Tables 7.1 to 7.9 below. Standard deviations provide a measure of experts' degree of agreement when making the assessment. The lower the standard deviation, the higher is the agreement among experts about the statement's status.

**Table 7.1:** UAE experts' assessment on financing for entrepreneurs

Statements: In UAE...	2016 average scores	2017 average scores	Standard deviations	Interpretation
There is sufficient equity funding available for new and growing firms	4.79	5.61	2.02	Somewhat true
There is sufficient debt funding available for new and growing firms	4.67	4.69	2.28	Neither true nor false
There are sufficient government subsidies available for new and growing firms	5.75	5.34	1.97	Somewhat true
There is sufficient funding available from informal investors (family, friends and colleagues) who are private individuals (other than founders) for new and growing firms	5.53	6.33	1.85	Moderately true
There is sufficient funding available from professional Business Angels for new and growing firms	4.42	4.69	2.00	Neither true nor false
There is sufficient funding available from venture capitalists for new and growing firms	4.61	4.97	1.85	Neither true nor false
There is sufficient funding available through initial public offerings (IPOs) for new and growing firms	4.21	4.35	2.74	Neither true nor false
There is sufficient funding available through private lenders' funding (crowdfunding) available for new and growing firms	3.88	4.03	2.18	Neither true nor false

**Conclusion:** Financing channels for entrepreneurs are not strong in the UAE with the weak exception of government subsidies and informal investment. Informal investment seems to be the most accessible sources of funding for entrepreneurs in the UAE, although respondents do not feel strongly that government subsidies are sufficiently available mainly when considering non-Emirati expats entrepreneurs.



**Table 7.2:** UAE experts' assessment on government policies and on taxes and bureaucracy for entrepreneurs

Statements: In UAE...	2016 average scores	2017 average scores	Standard deviations	Interpretation
Government policies (e.g., public procurement) consistently favor new firms	4.56	4.74	2.37	Neither true nor false
The support for new and growing firms is a high priority for policy at the national government level	6.51	6.97	1.90	Moderately true
The support for new and growing firms is a high priority for policy at the local government level	6.37	7.00	1.97	Moderately true
New firms can get most of the required permits and licenses in about a week	4.94	5.29	3.28	Somewhat true
The amount of taxes is NOT a burden for new and growing firms	6.75	6.78	2.52	Moderately true
Taxes and other government regulations are applied to new and growing firms in a predictable and consistent way	5.43	5.55	2.66	Somewhat true
Coping with government bureaucracy, regulations, and licensing requirements it is not unduly difficult for new and growing firms	5.50	5.86	2.77	Somewhat true

**Conclusion:** Government policies, bureaucracy and taxes for entrepreneurs are generally supportive of entrepreneurship in the UAE. Policy support in general and taxation appears are the best factor of this condition, with less positive opinions on whether the availability of permits. Experts equivocate on whether there is a consistent favourable treatment of new firms.

**Table 7.3:** UAE experts' assessment on governmental programs for entrepreneurs

Statements: In UAE...	2016 average scores	2017 average scores	Standard deviations	Interpretation
A wide range of government assistance for new and growing firms can be obtained through contact with a single agency	5.50	4.69	2.65	Neither true nor false
Science parks and business incubators provide effective support for new and growing firms	5.61	6.00	2.07	Moderately true
There are an adequate number of government programs for new and growing businesses	6.00	5.53	2.10	Somewhat true
The people working for government agencies are competent and effective in supporting new and growing firms	5.71	5.06	2.24	Somewhat true
Almost anyone who needs help from a government program for a new or growing business can find what they need	4.83	4.89	1.97	Neither true nor false
Government programs aimed at supporting new and growing firms are effective	5.73	5.43	2.12	Somewhat true

**Conclusion:** Government programs for entrepreneurs are emerging and appear to offer some support in the UAE. Science parks and business incubators staffed by competent people appears as the best factor of this condition, and there appear to be assistance programs for new and growing businesses. However, it is not clear whether everyone has access to these assistance programs, which shed a doubt on the effectiveness of these programs, and they do not appear to be available from a single agency.



**Table 7.4:** UAE experts' assessment on entrepreneurial education and training

Statements: In UAE...	2016 average scores	2017 average scores	Standard deviations	Interpretation
Teaching in primary and secondary education encourages creativity, self-sufficiency, and personal initiative	5.06	5.52	2.22	Somewhat true
Teaching in primary and secondary education provides adequate instruction in market economic principles	4.18	4.90	2.21	Neither true nor false
Teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation	4.12	4.77	2.24	Neither true nor false
Colleges and universities provide good and adequate preparation for starting up and growing new firms	4.47	5.39	1.82	Somewhat true
The level of business and management education provide good and adequate preparation for starting up and growing new firms	5.03	5.69	1.83	Somewhat true
The vocational, professional, and continuing education systems provide good and adequate preparation for starting up and growing new firms	4.67	5.36	1.76	Somewhat true

**Conclusion:** Entrepreneurial education and training are generally positive in the UAE. Although entrepreneurial values, market economic principles and attention to entrepreneurship and new firm creation are partially provided by schools, more could be done to build a subculture to prepare new generations to adopt an entrepreneurial spirit or consider entrepreneurship as a career in the future. This way, few people will result in vocational entrepreneurs and necessity entrepreneurs will not have specific training to face properly this necessity contributing with non-or few relevant activities to economy and social development. However, post school entrepreneurial education and training is adequate but some better than school education. Knowledge about starting up and growing new firms is now being imparted at vocational education centres, colleges and universities and the same can be said about management education.



**Table 7.5:** UAE experts' assessment on research and development transfer around entrepreneurs

Statements: In UAE...	2016 average scores	2017 average scores	Standard deviations	Interpretation
New technology, science, and other knowledge are efficiently transferred from universities and public research centres to new and growing firms	4.06	4.09	2.26	Neither true nor false
New and growing firms have just as much access to new research and technology as large, established firms	4.11	4.30	2.14	Neither true nor false
New and growing firms can afford the latest technology	4.22	4.83	2.26	Neither true nor false
There are adequate government subsidies for new and growing firms to acquire new technology	3.86	4.37	2.25	Neither true nor false
The science and technology base efficiently support the creation of world-class new technology-based ventures in at least one area	4.44	5.66	2.16	Somewhat true
There is good support available for engineers and scientists to have their ideas commercialized through new and growing firms	4.22	4.61	2.25	Neither true nor false

**Conclusion:** R&D transfer is poor in the UAE. Although experts consider that there is some transfer of science and new technology from universities and research centres to new and growing firms, they are more equivocal as to adequate public subsidies for new and growing firms to acquire new technology; that these firms are worst positioned compared to established firms to access new research and technology. Also, experts are equivocal as to whether the UAE there is not at least one world-class technology-based venture: scientists and engineers have few supports to launch their ideas





**Table 7.6:** UAE experts' assessment on commercial and professional infrastructure for entrepreneurs

Statements: In UAE...	2016 average scores	2017 average scores	Standard deviations	Interpretation
There are enough subcontractors, suppliers, and consultants to support new and growing firms	6.32	6.58	2.26	Moderately true
New and growing firms can afford the cost of using subcontractors, suppliers, and consultants	4.57	4.61	1.86	Neither true nor false
It is easy for new and growing firms to get good subcontractors, suppliers, and consultants	5.37	5.64	2.22	Somewhat true
It is easy for new and growing firms to get good, professional legal and accounting services	6.00	6.42	2.25	Moderately true
It is easy for new and growing firms to get good banking services (checking accounts, foreign exchange transactions, letters of credit, and the like)	5.49	5.33	2.69	Somewhat true

**Conclusion:** Overall the commercial and professional infrastructure for entrepreneurs shows a moderately sufficient status in the UAE. The worst aspect is the cost of subcontractors, suppliers and consultants, however there appear to be enough available, as are professionals for legal issues, accounting and commercial services in general.



**Table 7.7:** UAE experts' assessment on internal market status

Statements: In UAE...	2016 average scores	2017 average scores	Standard deviations	Interpretation
The markets for consumer goods and services change dramatically from year to year	5.57	5.69	2.23	Somewhat true
The markets for business-to-business goods and services change dramatically from year to year	5.64	5.43	2.03	Somewhat true
New and growing firms can easily enter new markets	5.09	5.56	2.20	Somewhat true
The new and growing firms can afford the cost of market entry	4.54	4.86	2.28	Neither true nor false
New and growing firms can enter markets without being unfairly blocked by established firms	4.82	5.08	2.21	Somewhat true
The anti-trust legislation is effective and well enforced	4.63	5.39	2.38	Somewhat true

**Conclusion:** The internal market is somewhat positive for goods and services offered both to consumers and businesses and it is possible to enter the market which has effective and well enforced anti-trust legislation. The weakest attribute is the cost of market entry.



**Table 7.8:** UAE experts' assessment on physical infrastructure and services status

Statements: In UAE...	2016 average scores	2017 average scores	Standard deviations	Interpretation
The physical infrastructure (roads, utilities, communications, waste disposal) provides good support for new and growing firms	8.03	8.11	1.70	True
It is not too expensive for a new or growing firm to get good access to communications (phone, Internet, etc.)	6.50	7.06	2.23	Moderately true
A new or growing firm can get good access to communications (telephone, internet, etc.) in about a week	7.86	8.00	1.70	True
New and growing firms can afford the cost of basic utilities (gas, water, electricity, sewer)	6.72	6.78	2.06	Moderately true
New or growing firms can get good access to utilities (gas, water, electricity, sewer) in about a month	7.46	7.64	1.83	True

**Conclusion:** The physical infrastructure and services is well developed in the UAE and it is quite easy to get access to basic utilities and communications for entrepreneurs. The weakest attribute is the cost of these utilities and communications, although they are not seen as too onerous.



**Table 7.9:** UAE experts' assessment on social and cultural norms status

Statements: In UAE...	2016 average scores	2017 average scores	Standard deviations	Interpretation
The national culture is highly supportive of individual success achieved through own personal efforts	6.83	7.50	1.59	True
The national culture emphasizes self-sufficiency, autonomy, and personal initiative	6.08	7.14	2.10	Moderately true
The national culture encourages entrepreneurial risk-taking	5.80	6.11	2.53	Somewhat true
The national culture encourages creativity and innovativeness	6.31	7.58	1.78	True
The national culture emphasizes the responsibility that the individual (rather than the collective) has in managing his or her own life	5.71	6.14	2.38	Somewhat true

**Conclusion:** The national culture does encourage some of the entrepreneurial values such as supporting individual success, self-sufficiency, autonomy, personal initiative and creativeness. However, it is less risk-taking and individualistic than is optimal for successful entrepreneurship.

## 7.2 INTERNATIONAL POSITION

GEM groups the participating countries in two groups (the first is regional and the second reflects the level of competitiveness) so each one can be roughly compared through synthetic indicators on entrepreneurial ecosystem. The UAE indicators are compared to the averages of the Asia & Oceania countries, GEM and the Innovation-Driven nations.

Figure 7.1 below shows the position of the UAE's ecosystem with respect to the average of countries integrating both the Asia & Oceania group and the GEM 2017 group. The UAE outperforms the GEM and Asia & Oceania averages on all aspects except internal market dynamics for Asia & Oceania where it is slightly less. It outperforms most strongly on cultural and social norms and government policies in general and school-level entrepreneurship education. It less well outperforms on physical infrastructure,

internal market burdens, commercial and legal infrastructure, post-school entrepreneurship education, and R&D transfer. However, its outperformance is weakest on entrepreneurial finance.

**The UAE outperforms GEM and Asia & Oceania on most aspects except internal market dynamics**

**Figure 7.1:** Average status of UAE's ecosystem compared to Asia & Oceania and GEM ecosystems

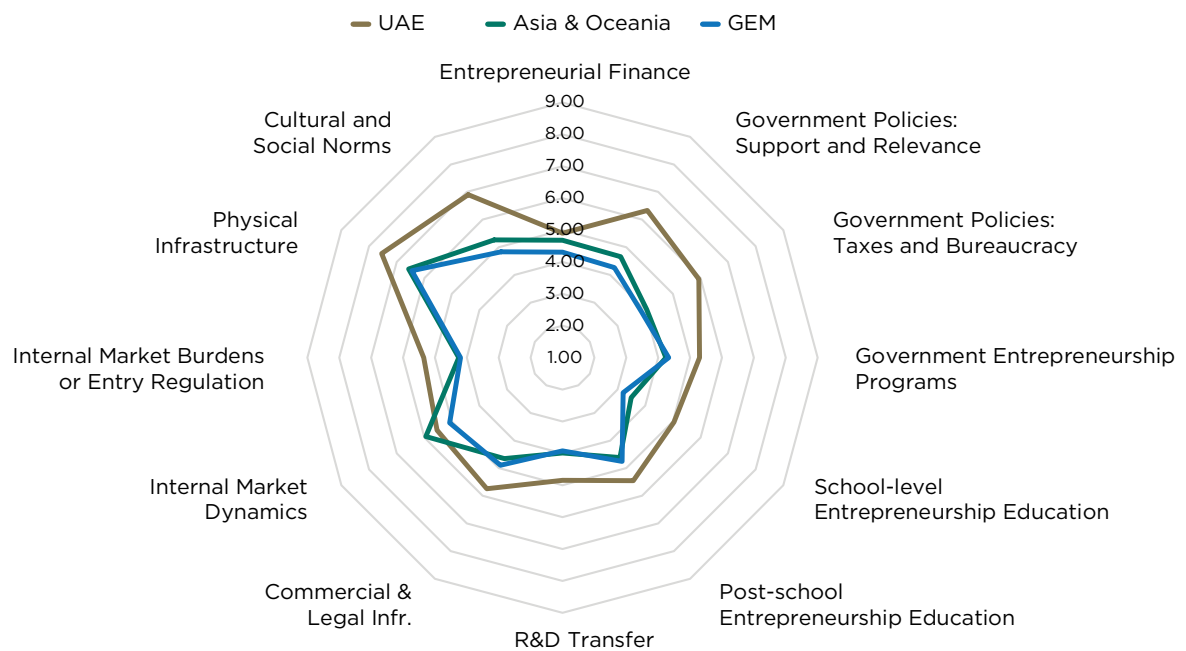
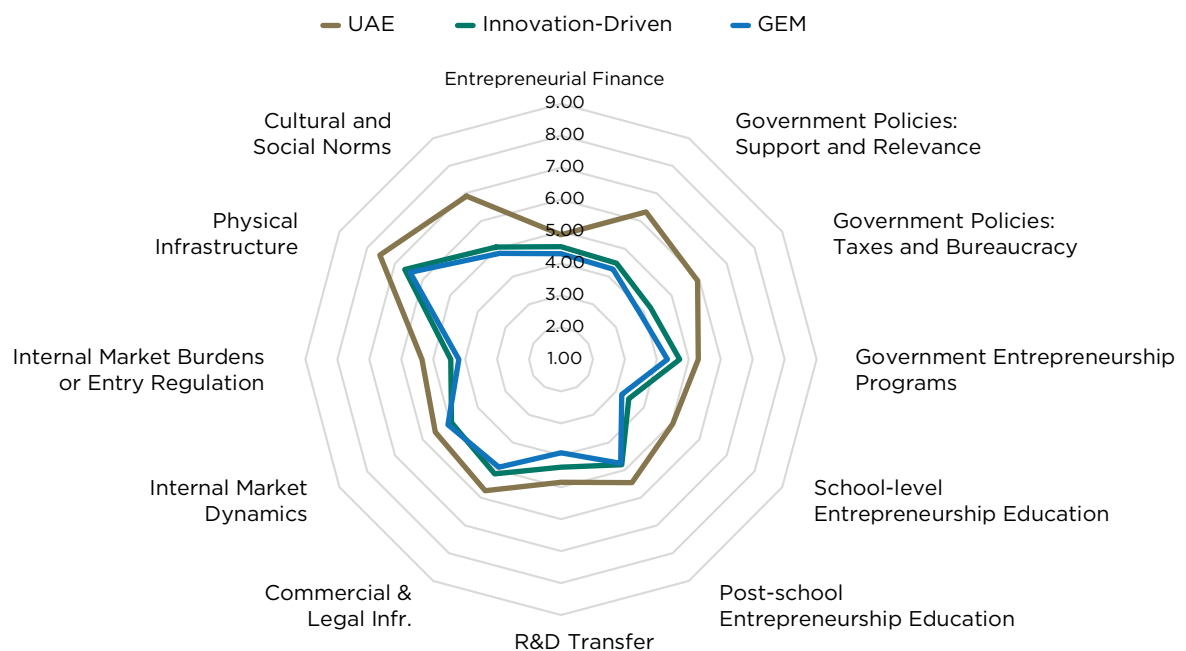


Figure 7.2 below presents the position of the UAE's ecosystem with respect to the average of countries included both in the Innovation-Driven group and in the GEM 2017 group. The picture is similar, demonstrating that the UAE overall outperforms the average of the Innovation-Driven group of countries. Again, the UAE significantly outperforms with all types of Government policies and programs, school-level entrepreneurship education, and cultural and social norms. The UAE also slightly outperforms for physical infrastructure, internal market burdens, internal market dynamics, post-school entrepreneurship education, and commercial infrastructure. However, the UAE has the poorest result for entrepreneurial finance, achieving only a slightly better same score as the Innovation-Driven average.

**Figure 7.2:** Average status of UAE's ecosystem compared to Asia & Oceania and GEM ecosystems





## 7.3 SYNTHETIC VIEW

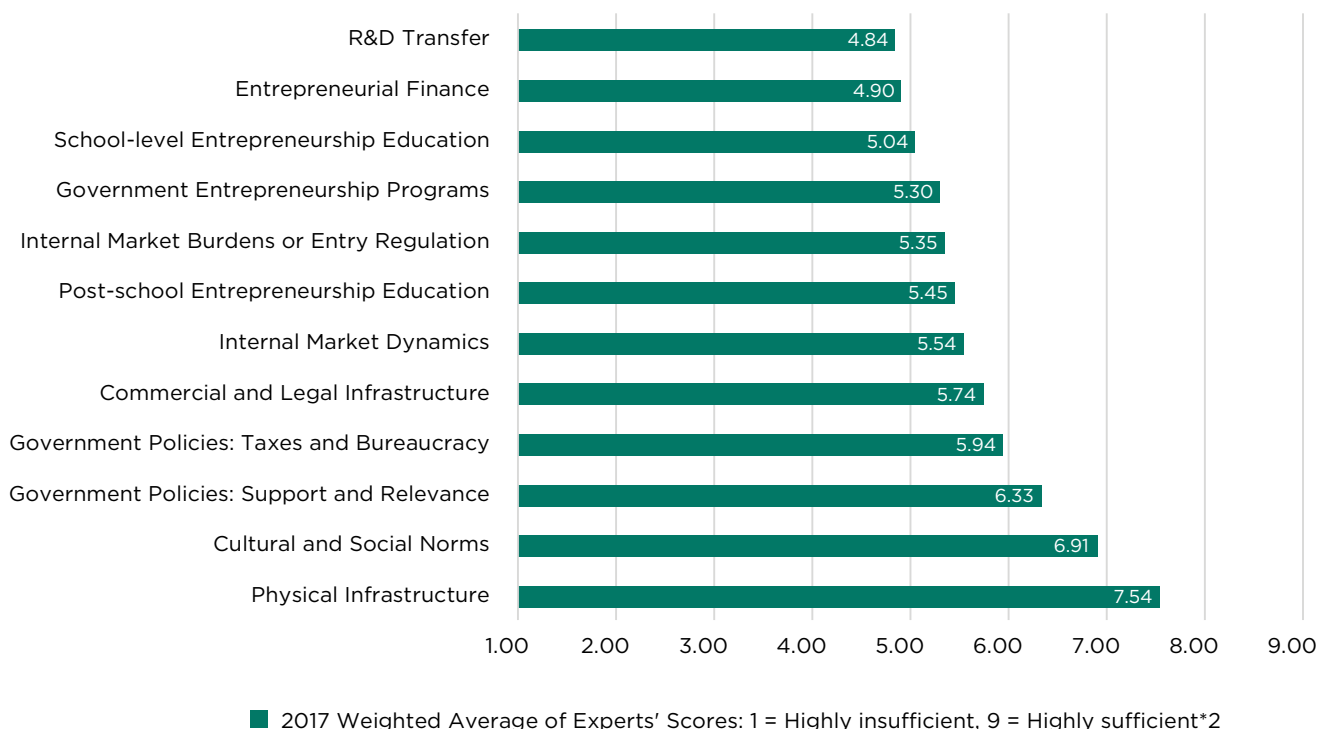
Utilizing a principal components factorial technique, the previous NES results can be summarized in synthetic indicators that provide the average status of the entrepreneurial framework conditions. The average results for these indicators are summarized at Figure 7.3 below. The indicators have been ordered from lowest to highest score. Taking in consideration that the scale to evaluate these concepts is of 9 points, where 1 = highly insufficient and 9 = highly sufficient, the entrepreneurial ecosystem for the UAE still present huge opportunities for improvement.

All components of the UAE entrepreneurial ecosystem are above the mid of 4.5, with the best result for physical infrastructure, considered strong at 7.54. Some of the components have a score of more than 6, suggesting they are sufficient but could be improved, such as factors having support and relevance of government politics and cultural and social norms. The components which are neither good nor poor, such as those around 5, are internal market dynamics, the commercial and legal infrastructure, and the range of government policies, such as support and relevance, entrepreneurship programs,

taxes and bureaucracy, internal market entry, post-school and school-level entrepreneurship education. Weakest, at the top end of 4, is entrepreneurial finance with the weakest R&D Transfer.

If the UAE wants to foster qualified entrepreneurial activity, the entrepreneurial ecosystem must improve most of the key elements that compose it. New strategies and actions from the public and private sector must be gradually implemented to improve the current picture but designers of these strategies must take in consideration the interactions existing between all these elements. Thus, individual actions will not solve the problem. Integral plans including and considering all parts of the ecosystem are needed. Also, it will be important not to delay actions that will give results in the long term such as the implementation of entrepreneurial education at schools, the re-education of the population about entrepreneurial values and the transfer of knowledge and experience from old to young people and from universities and research centres to early-stage, new and established businesses.

**Figure 7.3:** Averages for indicators on Entrepreneurship Framework Conditions in UAE, GEM 2017



## CASE STUDY: SHERAA; WHY, HOW, AND, WHAT<sup>59</sup>

The Sharjah Entrepreneurship Center, known as Sheraa for short, was conceived in the lead up to the 2015 World Economic Forum meeting at the Dead Sea in Jordan. While preparing for a panel on the youth employment challenge in the Arab World, Sheikha Bodour Al Qasimi realized she wanted to translate words into action. Her idea was to provide a platform for youth in Sharjah and the wider region to build a better and more prosperous future through entrepreneurship. Sheraa's goal, which is big and bold, is to develop the emirate's entrepreneurial ecosystem, support the next generation of entrepreneurs as they build and grow innovative startups that contribute positively to the region's economy.

Sheraa, which means sail in Arabic and honors Sharjah's seafaring heritage, is a continuation of Sharjah's entrepreneurial tradition, which has deep roots in the enterprising traders, divers, and fishermen upon which it was built. Over the years Sheraa has become a key pillar of the local entrepreneurial ecosystem, nurturing and supporting entrepreneurs to secure Sharjah's economic future. By putting Sharjah on the

map as a destination for regional entrepreneurs, Sheraa is cultivating a culture of experimentation, innovation, and critical thought, creating a pipeline of future entrepreneurs armed with the skills and the know-how to solve local and global problems.

Sharjah's entrepreneurial ecosystem, which consists of approximately 30 national and Emirate-level stakeholders, currently lacks the critical institutions and cooperative platforms which could make it more effective. To address this shortcoming, Sheraa serves as a catalyst and convener to complement these initiatives. Its programs are tailored to every stage of the entrepreneurial journey, providing both the support necessary to turn ideas into reality and a solid foundation upon which sustainable businesses and thriving careers can be built. The entrepreneurial firms that Sheraa supports create jobs, promote economic diversification, boost innovation, increase productivity, and commercialize the high quality research that Sharjah's University City is known for.

## SHARJAH ENTREPRENEURSHIP FESTIVAL



<sup>59</sup> The case study is authored by Sheraa and reviewed by Prof. Nihel Chabrak and Dr. Llewellyn D W Thomas.

## THE CHALLENGE

As one of the fastest growing economies in the region, Sharjah is an emerging commercial and entrepreneurship hub. However, it is often overshadowed by its neighbors as a destination for entrepreneurs to establish their businesses and regional startups looking to expand their operations. To highlight the advantages it offers startups, Sharjah had to do something big. The Emirate needed to transition entrepreneurs from thinking “Why Sharjah?” to considering “Why Not Sharjah?”.

Over the last several years, Sharjah’s entrepreneurial ecosystem has developed significantly. There are now over 30 national and local ecosystem stakeholders, but these stakeholders lacked a unified vision and, in some cases, were operating as standalone interventions rather than focusing on ecosystem wide impact.

Since its launch in January 2016, Sheraa has served as a catalyst and convener for entrepreneurial ecosystem development. To expand its impact, Sheraa decided that a large-scale event aimed at energizing entrepreneurs at the grassroots level and promoting a shared vision to mobilize cooperation could fast track Sharjah’s entrepreneurial ecosystem development.



## THE INITIATIVE

In November 2017, Sheraa hosted the Sharjah Entrepreneurship Festival, the largest entrepreneurship festival ever held in the UAE. The two-day Festival, which included a lineup of more than 80 speakers, was attended by over 2,000 people including prominent entrepreneurs, investors, and government and business stakeholders. The Festival was an opportunity to showcase the progress Sharjah is making in strengthening its entrepreneurial ecosystem and improving the business enabling environment for and Startups and SMEs.

The Festival’s activities included speeches by prominent UAE and global business figures, workshops, and several other innovative events. Over 75 of the region’s top startups showcased their companies to potential investors and customers at Startup Town, a dedicated exhibition space where startups could display their offerings to the public. The Festival inaugurated an annual AED150,000 pitch competition and the Seffy Awards, a public choice award that celebrates entrepreneurial achievements.

The Festival also provided new ecosystem stakeholders an opportunity to explain their role in Sharjah’s drive to diversify its economy and establish itself as a leading hub for entrepreneurship. For example, Sharjah Research, Technology, and Innovation Park, Sharjah Media City Free Zone, and Sharjah Publishing City highlighted their growing roles in reinforcing Sharjah’s historical economic strength in the cultural industries.

## THE OUTCOMES

### HOW THE INITIATIVE HELPED SHERAA ACHIEVE ITS OBJECTIVES

The Sharjah Entrepreneurship Festival has become an annual event that showcases and celebrates the progress being made by Sharjah's entrepreneurial ecosystem. The Festival is credited with increasing the awareness of government agencies and the private sector of the need for enhanced cooperation to support startups and SMEs.

The Sharjah Entrepreneurship Festival, in addition to Sheraa's world class programs to support entrepreneurs, is also having a positive effect on the broader economy. International credit rating agencies have noticed Sharjah's focus on entrepreneurship and have recognized its strategy of private sector-led growth to reaffirm Sharjah's positive government credit ratings.

### HOW THE INITIATIVE IMPACTED STARTUPS

Several announcements were made at the Festival which translated into tangible commitments to take action. The Sharjah Government committed to award 10% of all contracts for its program, which aims to migrate all government services online, to startups and SMEs. Crescent Enterprises also announced plans to launch a corporate venture capital unit that will invest up to \$150 million in regional startups.

*"It's exciting to have won this pitch competition, it means a lot and it validates our business. and it's going to be a huge stepping stone for us to get to where we need to get to."*

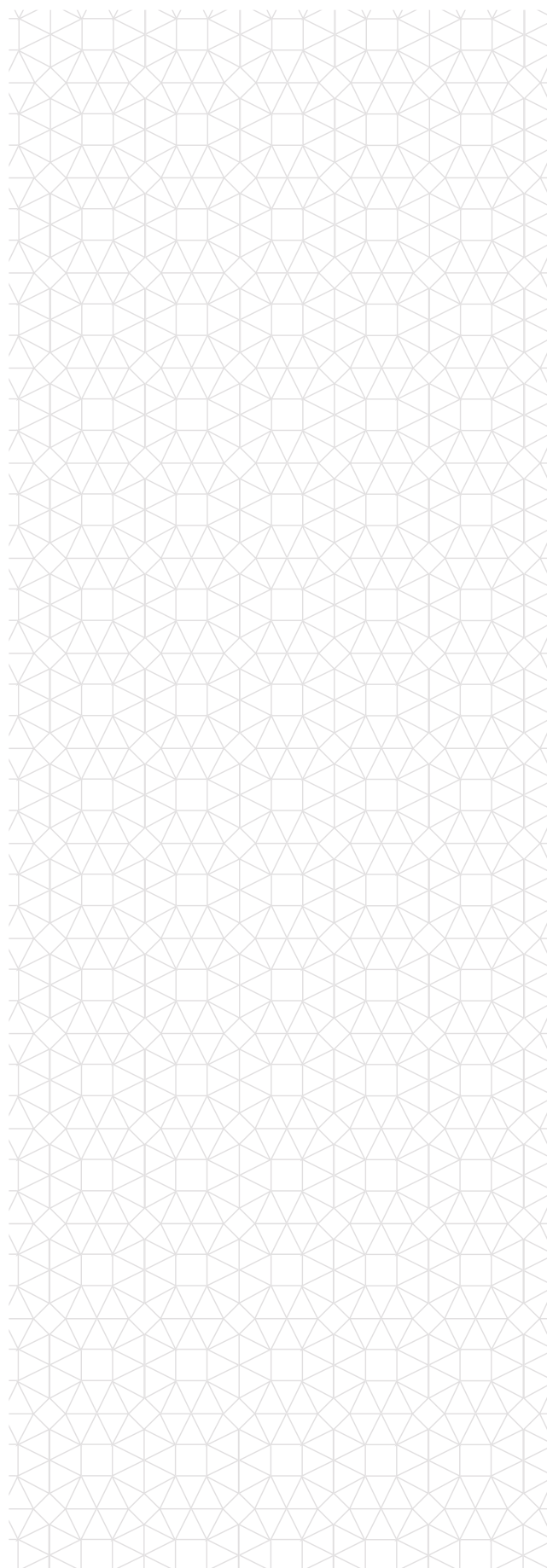
**Siddiq Farid, Founder/CEO, Smart Crowd, 1st Place Winner of the SharjahEF Pitch Competition**

*"Winning this award at SEF proves that we're on the right track and we're going for something much bigger for next year, so we couldn't be happier."*

**Karim Helal, Co-founder/CEO, Protenders, 2nd Place Winner of the SharjahEF Pitch Competition**

*"I like how it's all connected to each other. there are a lot of startups, a lot of ideas that you never even thought about."*

**Raneem Ahmed Othman, CFO, Carvice**





## ARAB SUPPLY CHAIN IMPACT INITIATIVE



### THE CHALLENGE

Despite making up 95% of all businesses in the UAE, Startups and SMEs face difficulties in navigating the procurement processes of large private sector companies. To address this challenge, over the past few years, several local and national government entities in the region announced commitments to allocate a certain percentage of their procurement spend to Startups and SMEs.

The SME Law, which was introduced in the UAE in 2014, committed federal government entities to setting aside 10% of their procurement spend for Startups and SMEs. The SME Law also committed government-owned companies to set aside 5% of contracts to Startups and SMEs. In 2016, Dubai's Government Procurement Program followed suit by requiring that all Dubai Government and government-owned entities earmark 10% of purchases for Emirati-owned Startups and SMEs.

While government procurement set aside programs have been very successful, similar programs in the private sector remain an underexploited opportunity. Private sector companies are facing challenges in implementing programs to enhance the access of Startups and SMEs to procurement opportunities.

**Sharjah Entrepreneurship Center's Arab Supply Chain Impact Initiative is helping startups and SMEs navigate the complex procurement processes of big companies**

### THE INITIATIVE

In November 2017, Sheraa's Chairperson, Sheikha Bodour Al Qasimi, convened the Building Digital Economies in the Arab World Summit to address regional entrepreneurial ecosystem challenges. The meeting, which included local, national, and regional entrepreneurial ecosystem stakeholders, focused on identifying the difficulties regional entrepreneurs, Startups and SMEs face in accessing procurement opportunities offered by large private sector companies.

Acting on the recommendations of entrepreneurs and Startups and SMEs from the Summit, the Arab Supply Chain Impact Initiative (ASCI) was launched by a small group of founding partners. Implemented by Sheraa, ASCI is a commitment-based program that gets large businesses from across the Arab region to support entrepreneurs by allocating 10% of procurement spend annually to startups and Startups and SMEs.



## THE OUTCOMES

### HOW THE INITIATIVE HELPED SHERAA ACHIEVE ITS OBJECTIVES

By hosting the matchmaking events, Sheraa is building a committed group of first movers in the UAE and region which are committed to enhancing the access of startups and SMEs to private sector procurement opportunities. Sheraa is also working with ASCII partner companies to develop this into an annual event and gather and disseminate best practices to advocate for voluntary regional standards to recognize companies for startups and SME supply chain inclusion.

### HOW THE INITIATIVE IMPACTED STARTUPS

In April 2018, Sheraa hosted the inaugural ASCII matchmaking event which brought together startups and leading companies and government agencies. At the event, 16 memoranda of understanding were signed with leading companies such as Air Arabia, Bee>ah, Consolidated Contractors Company, Crescent Enterprises, and government agencies. Sheraa's chairperson Shaikha Bodour announced that the event will be developed into an annual offering by Sheraa.

*"We had a lot of exposure, we got to meet a lot of different corporates, whether it was governmental or private. We got to pitch our idea to different entities that are big in contacts and in reputation. We had the opportunity to represent our startup and have a chance with them. Events like this are a great opportunity to help startups like Juxtapiece be in the market, compete and gain trust in this ecosystem"*

**Hanin Hazeem and Arghavan Hatamabadi,**  
Cofounders, Juxtapiece

## FOUNDING PARTNERS MODEL



**Sharjah Entrepreneurship Center conducted a global analysis of successful incubators and accelerators to inform its unique community-embedded governance structure and delivery model**

### THE CHALLENGE

Very early on in its conceptualization, Sheraa realized its embeddedness in the community was a key success factor. Based on in-depth research prior to launch, Sheraa found that governance composition and sustainable, internally generated financial resources were significant determinants of institutional and client performance.

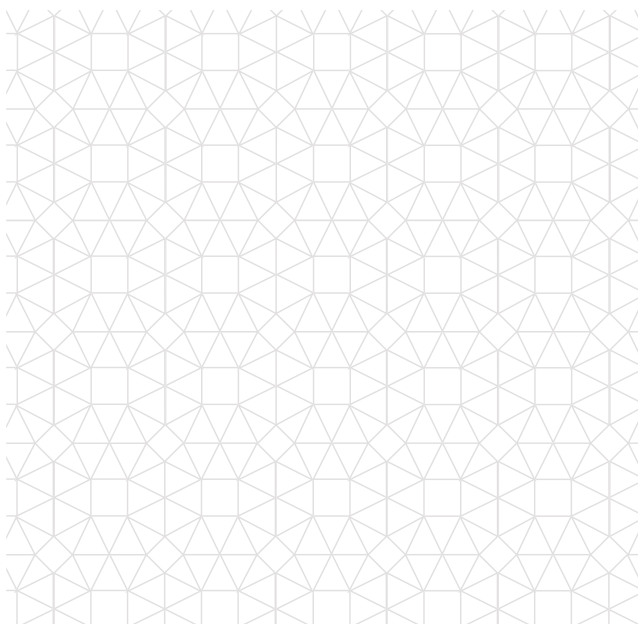
Global research shows the success of entrepreneurship centers which receive a larger portion of funding from non-government sources perform better than government-funded initiatives. This research also shows a strong relationship between entrepreneurship center outcomes and governance structures with strong community buy in and participation by local executives, government officials, university professors, experienced entrepreneurs, and financial professionals.

Sheraa conducted an extensive UAE-wide entrepreneurial ecosystem mapping to determine key stakeholders which, if included in its governance structure or as an institutional or program funder, could increase local buy in for Sheraa as well as contribute expertise to Sheraa programming. This stakeholder mapping informed a very precise targeting strategy for Sheraa's board of advisors, founding partners, and broader fundraising efforts.

## THE INITIATIVE

To maximize impact, Sheraa believes the public sector, business community, and social sector all have a role to play. For this reason, Sheraa secured the participation of a diverse spectrum of local executives, government officials, university professors, experienced entrepreneurs, and financial professionals on its Board of Advisors. The inclusion of federal government ministers enables Sheraa to tap into the expertise of federal government officials as well as coordinate activities and programs with similar objective initiatives in other emirates. The inclusion of founding partners on Sheraa's Board of Advisors, such as Air Arabia, Bee'ah, Crescent Enterprises, and Sharjah Media City, is particularly unique in the UAE and ensures sustainable financial support, local buy-in for the development of Sharjah's entrepreneurial ecosystem, and influence on Sheraa's strategic direction to increase community embeddedness.

Sheraa's Board of Advisors also includes the participation of leading local, national, and international business figures, community leaders, and senior government officials who provide additional expert advice and insight to inform programs and delivery strategies. However, the financial and almost daily in-kind support provided by founding partners, in terms of mentorship, coaching, industry expertise, access to market, and the like, to Sheraa is a deeper commitment to Sharjah's collective future and providing youth with the entrepreneurial skills they need to innovate and succeed.



## THE OUTCOMES

### HOW THE INITIATIVE HELPED SHERAA ACHIEVE ITS OBJECTIVES

Through their deep community connections, Founding Partners enable Sheraa to support entrepreneurs in developing globally competitive, fast-growing companies in priority economic areas of importance to developing Sharjah's entrepreneurial ecosystem. These ventures drive Sharjah's economic diversification, promote socio-economic development, and create jobs in high potential industry sectors, such as travel and tourism, environmental technologies, social entrepreneurship, and creative economy and innovation for the 60,000 students and alumni of University City institutions and Sheraa's wider community. In addition to financial support and governance participation, Founding Partners also assist Sheraa in connecting entrepreneurs to investors, customers, guidance, training, and resources that help commercialize their ideas, accelerate growth, and compete on an international level.

### HOW THE INITIATIVE IMPACTED STARTUPS

Founding Partners play a key role in inspiring entrepreneurship by enabling talented entrepreneurs to solve real and significant problems faced by companies. Entrepreneurs often dissect business challenges in unique ways which can result in innovative solutions that can form the basis for future businesses. By partnering with Sheraa, Founding Partners benefit from access to novel, entrepreneur-developed ideas that solve real and significant business challenges. Founding Partners offer young entrepreneurs the opportunity to validate the market potential of new products as innovation partners, sounding boards, and first customers which enhances their probability of success and enables them to gain early traction.

*"The Accelerator program has been really helpful in introducing us to some of the key players in the market in order to do deals with them. It has been really fruitful for our startup."*

**Ihab Fikry,**  
Cofounder, Almentor.net

## 7.4 TEMPORAL EVOLUTION

Compared to the year 2009, the basic entrepreneurial conditions evaluated in this report have mostly improved compared to their average scores (see Table 7.10). For instance, cultural and social norms, and post-school entrepreneurship education and training and R&D transfer are considered to have improved dramatically, as has governmental programs to a lesser degree. Less improved are basic-school entrepreneurial education, governmental support and policies, taxes and bureaucracy, internal market openness and physical services and infrastructure. However there have been decreases in the availability of financing for entrepreneurs, the commercial and professional infrastructure, internal market dynamics. The conclusion is that the UAE entrepreneurial

ecosystem is improving in most elements over the last seven years, although it has slipped in a couple, so attention must be paid to correct this trend and get a better context to foster qualified entrepreneurship.

**The UAE  
entrepreneurial  
ecosystem has  
improved over the past  
seven years**

**Table 7.10:** Time evolution of average scores for indicators on basic entrepreneurial framework conditions in Likert scales of 5 points\* (1 = highly insufficient, 5 = highly sufficient) for UAE

Basic entrepreneurial framework conditions	2009	2011	2016	2017	Change 09-17 (%)
Financing for entrepreneurs	3.02	3.10	2.66	2.96	-1.99%
Governmental support and policies	3.39	3.34	3.51	3.74	10.61%
Taxes and bureaucracy	3.34	3.20	3.30	3.56	6.59%
Governmental programs	2.71	3.14	3.34	3.23	19.19%
Basic-school Entrepreneurial Education and training	2.39	2.60	2.68	3.03	12.13%
Post-school entrepreneurial education and training	3.30	3.30	2.84	3.32	26.78%
R&D Transfer	2.38	2.56	2.55	2.92	22.69%
Commercial and professional infrastructure	3.60	3.45	3.29	3.45	-4.17%
Internal market dynamics	3.62	3.60	3.44	3.31	-8.56%
Internal market openness	2.85	2.85	3.00	3.20	12.63%
Physical and services infrastructure	4.14	4.14	4.25	4.40	6.28%
Cultural and social norms	3.04	3.41	3.69	4.06	33.55%

\* Note: comparisons are made in 5-point scales because GEM changed to 9 points the year 2015, so for comparisons beyond this year, it is necessary the use of old scales.

## 7.5 NATIONAL EXPERTS VIEWS ON MAIN CONSTRAINTS AND SUPPORTS FOR ENTREPRENEURIAL ACTIVITY

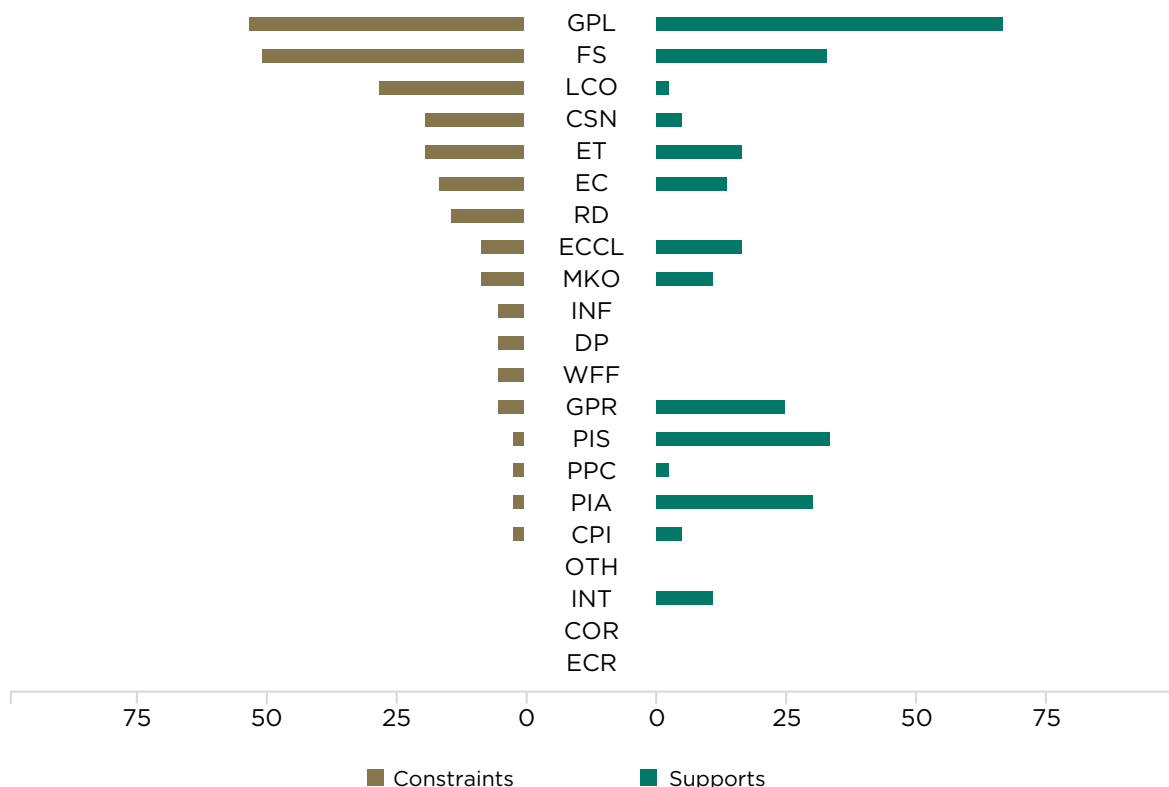
Every year, GEM experts of each country identify and comment upon three main constraints and three main supports in the ecosystem for entrepreneurial activities. Their comments are analysed and assigned to one of twenty possible topics. Figure 7.4 shows the distribution of these topics treated as multi-response variables. Once ordered, it is possible to recognize which topics have been more cited by experts. The result is a qualitative approximation to topics that should be most considered to design policies and measures to improve the context where entrepreneurial activity takes place.

For the year 2017 in the UAE, the main aspects of the entrepreneurial ecosystem overwhelmingly considered constraints for entrepreneurship are government policies and financial support. Following these are workforce features and cultural and social norms (see Figure 7.4 and Table

7.11). The main aspects of the entrepreneurial ecosystem overwhelmingly considered supports for entrepreneurship are government policies, followed much less by financial support, the political, institutional and social context and physical infrastructure access.

Although it can seem contradictory, it is normal that some topics appear at the same time as supportive and constraining. This is the case of government policies and of financial support. Experts perceive some good policies on entrepreneurship, but at the same time they perceive bad or insufficient policies. Similarly, they recognise that there is some financial support or sufficient financial players, but that there is nowhere near enough deals. Moreover, they might see a category of financing available while another dramatically missing in the ecosystem.

**Figure 7.4:** Topics cited by GEM experts from the UAE as main constraints and supports for entrepreneurship in the year 2017.





**Table 7.11:** Topics abbreviation

Topics	Abbreviation	Topics	Abbreviation
Financial support	FS	Capacity for Entrepreneurship	CFE
Government policies	GPL	Labor costs, access and regulation	LCAR
Work Force Features	WFF	Political, Institutional and Social Context	PISC
Government programs	GPR	Economic Crisis	ECONCR
Cultural & Social Norms	CSN	Commercial Infrastructure	COMINF
Education & Training	ET	Different performing of small, medium and large companies	DPSMLC
Information: all responses related to this issue	INF	Economic climate	ECNC
Internationalization	INT	Perceived Population Composition	PPC
Internal Market Openness	IMO	Corruption	CORR
R&D transfer	R&D	Other, don't know	Other
Physical Infrastructure Access	PIA		

## 7.6 NATIONAL EXPERT VIEWS ON MAIN RECOMMENDATIONS TO IMPROVE THE ECOSYSTEM

Additionally, GEM experts provide three recommendations to improve the entrepreneurship ecosystem. The topics identified after analysing their opened responses are those showed at the distribution on Table 7.12. For 2017 the experts recommend, overall, to put the focus on government policies and financial support and designing and implementing measures related with R&D transfer, education & training, capacity for entrepreneurship and labour costs. In Table 7.13 below, we provide examples of the comments from the experts.

**For 2017 experts recommend to focus on government policies and financial support and designing and implementing measures related with R&D transfer, education & training, capacity for entrepreneurship and labour costs**

**Table 7.12:** Topics cited by GEM experts from The UAE to make recommendations to improve the entrepreneurship ecosystem the year 2017

Constraints: topics cited	% over valid responses
GPL - Government policies	62.86
FS - Financial support	51.43
RD - R&D transfer	45.71
ET - Education & Training	22.86
EC - Capacity for Entrepreneurship	20.00
LCO - Labor costs, access and regulation	17.14
GPR - Government programs	8.57
CSN - Cultural & Social Norms	8.57
CPI - Commercial Infrastructure	5.71
PIS - Political, Institutional and Social Context	5.71
INT - Internationalization	2.86
INF - Information: all responses related to this issue	2.86
MKO - Internal Market Openness	0
OIA - Physical Infrastructure Access	0
ECCL - Economic climate	0
WFF - Work Force Features	0
PPC - Perceived Population Composition	0
ECR - Economic Crisis	0
COR - Corruption	0
DP - Different performing of small, medium and large companies	0
OTH - Other	0

**Table 7.13:** Summary of GEM UAE experts' opened responses (2017) on constraints, support, and recommendations about selected entrepreneurship ecosystem conditions

Categories	Constraints	Supports	Recommendations
Finance	<ul style="list-style-type: none"> <li>• Lack of access to funding</li> <li>• Lack of exit liquidity</li> <li>• Poor access to finance for Non-Emirati entrepreneurs</li> <li>• Availability of VC funding</li> <li>• Banking system doesn't support expatriate owned businesses enough.</li> <li>• Peer to peer lending is still in its infancy</li> <li>• Banks too quick to offer and then withdraw support</li> <li>• Poor access to debt and angel capital</li> <li>• Low availability of sufficient funding for SMEs in the ideation stage and start ups</li> <li>• Lack of investors in the region</li> </ul>	<ul style="list-style-type: none"> <li>• Funding for Emirati start-ups widely available</li> <li>• Government funding available for entrepreneurship</li> <li>• Transformation in banking, finance, Fintech enabling opportunities</li> <li>• Availability of some angel investors and VC</li> <li>• Small angel investor groups that enable start-ups to access small amount of finance for growth</li> </ul>	<ul style="list-style-type: none"> <li>• Create funding programs for entrepreneurs and SMEs</li> <li>• Incentivize banks to support SMEs and start-ups</li> <li>• Facilitate allocation of more funding to VCs from government &amp; institutions (funds of funds)</li> <li>• Improve access to capital for start-ups</li> <li>• Develop angel investors networks in the UAE</li> <li>• Develop policy to improve access to capital and other resources for long term expat residents</li> <li>• Develop financing solutions for start-ups / grants for innovative SMEs</li> <li>• Public Private Funds creation</li> <li>• Improve accessibility to financial services for risky start-ups</li> </ul>



Categories	Constraints	Supports	Recommendations
<b>Government Policies</b>	<ul style="list-style-type: none"> <li>• High business setup, licensing and visa costs</li> <li>• Policies and legislation make it difficult to establish SMEs</li> <li>• General opacity, bureaucracy, complexity and slowness of government</li> <li>• Bankruptcy related issues</li> <li>• Differences in doing business from Emirate to another Emirate contribute to dispersing opportunities</li> <li>• Occasional duplication of laws between national and emirates</li> <li>• Unfairness in regulatory implementation (unpredicted costs)</li> <li>• Required advance regulation for gig economy</li> <li>• Over flexibility in Free Zones leads to paper businesses rather than real entrepreneurship</li> <li>• No legislation or prioritization that supports or protects start-ups</li> <li>• Lack of regulatory flexibility</li> <li>• Lack of early stage investors policy incentives</li> </ul>	<ul style="list-style-type: none"> <li>• Government vision and will to prosper</li> <li>• Dubai Future Accelerator, Smart Dubai, Intelak Aviation and Travel Incubator</li> <li>• New SMEs laws and government policies</li> <li>• Existence governmental funds for locals and access to several exemptions</li> <li>• Establishment of specialized free zones to help strategic growth in various key segments</li> <li>• Faster governmental procedures</li> <li>• Government support for emergent and disruptive technologies: self-driving cars, 3D printing building, etc.</li> <li>• Increasing digitization of government processes</li> <li>• Overall ease of doing business</li> <li>• Effectiveness of regulatory bodies</li> <li>• Rule of law and stability</li> <li>• Facilitating the terms of procurement, private and government sector for start-ups</li> </ul>	<ul style="list-style-type: none"> <li>• Facilitate the establishment process through one stop shops</li> <li>• Make cheaper, safer and socially acceptable to fail in the UAE</li> <li>• Lower costs, rates and visa for start ups</li> <li>• Make government processes easier and more transparent</li> <li>• Align entrepreneurship support initiatives across the country</li> <li>• Enforce procurement regulations and government contracts for small and growing businesses</li> <li>• Automate government measures to reduce administrative slack.</li> <li>• Involve experienced entrepreneurs in regulatory process development</li> <li>• Invest more in funding and implementing the new laws that support the entrepreneurial ecosystem</li> <li>• Speed up the process of finalizing the policies and regulations for entrepreneurs</li> <li>• Double government support for emerging and disruptive technologies</li> <li>• Improve IP protection mechanisms</li> <li>• Introduce policies for corporations to use local companies as percentage of revenues</li> <li>• Encourage industry enterprise to collaborate with small and more incentives of early stage</li> </ul>

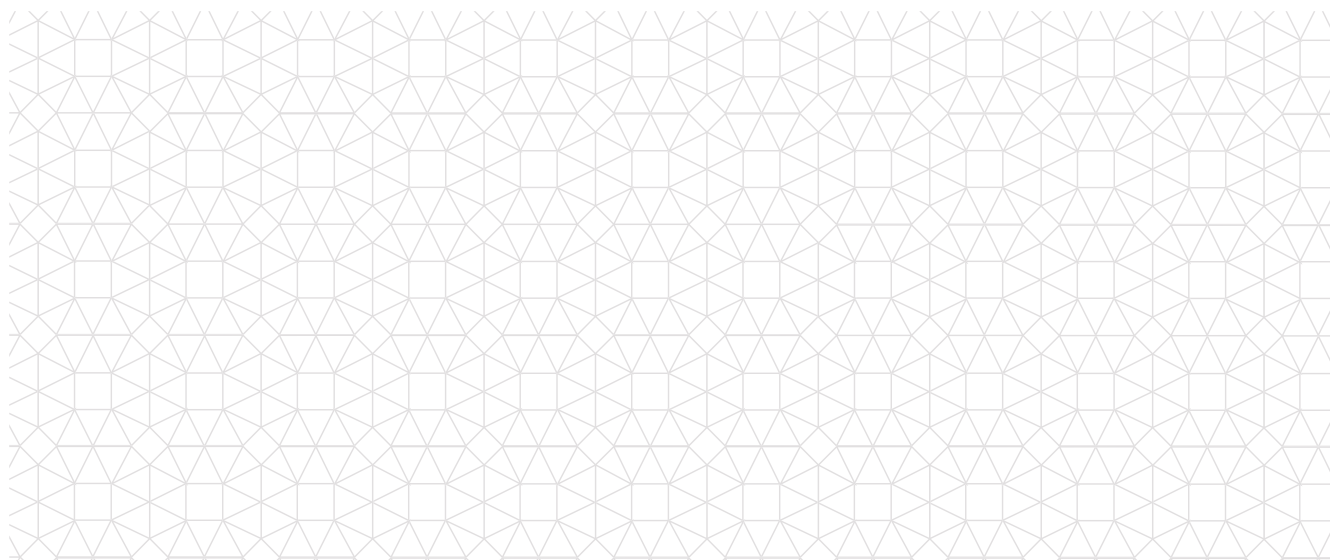


Categories	Constraints	Supports	Recommendations
<b>R&amp;D Transfer</b>	<ul style="list-style-type: none"> <li>• Low level of local R&amp;D</li> <li>• Poor links between industry, universities, and investors</li> <li>• Weak intellectual property protection</li> <li>• No collaborations between universities and industry</li> </ul>	<ul style="list-style-type: none"> <li>• None Mentioned</li> </ul>	<ul style="list-style-type: none"> <li>• Increased government spending in R&amp;D linked to national priorities, particularly high tech</li> <li>• Invest in R&amp;D, innovation &amp; design to commercialize ideas and inventions</li> <li>• Launch national R&amp;D centres and support programs</li> <li>• Introduce more innovation and incubation programs by the private sector</li> <li>• Build a network of mentors</li> <li>• Increase number of science parks and incubators</li> <li>• Enable pooling (sharing) of resources, particularly physical infrastructure, such as a central community for all services and entrepreneurs and investors</li> <li>• Focus on unsaturated market needs and develop programs that will attract entrepreneurs to meet these markets</li> <li>• More support to business incubators to nurture entrepreneurs</li> </ul>
<b>Education &amp; Training</b>	<ul style="list-style-type: none"> <li>• Education system does not address the cultural aversion to failure</li> <li>• University output do not meet requirements for technical skills</li> <li>• Lack of mentorship for entrepreneurs</li> <li>• Lack of education to support knowledge-based businesses</li> <li>• Less than optimal focus on entrepreneurial activities at primary and secondary schools</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of entrepreneurial education starting from early and specialized programs in colleges</li> <li>• Increased training and awareness about entrepreneurship, innovation and international business</li> <li>• University projects that touch the reality of the market and its needs</li> </ul>	<ul style="list-style-type: none"> <li>• Enhance the general education system to include more business subjects from primary to university levels</li> <li>• Raise awareness and culture of entrepreneurship in all stages of the schools and universities</li> <li>• Education needs to create generation of good entrepreneurs, rather than good employees</li> <li>• Focus on education on link between entrepreneurial mindset and STEM from early stage</li> <li>• Provision of summer internship for entrepreneurially minded students</li> <li>• Focus on the real skills between the outputs of the educational institutions and the needs of the markets</li> </ul>





Categories	Constraints	Supports	Recommendations
<b>Labour Costs, Access &amp; Regulations</b>	<ul style="list-style-type: none"> <li>• Visa laws handicap the attraction of top quality talent</li> <li>• Employee dependence on their employer for their stay in the UAE, which leads to fear of job loss and fear of risk taking</li> <li>• Lack of specialist talent, data scientist for example</li> <li>• High cost of living for employees</li> <li>• High wages and personnel cost</li> <li>• Lack of part-time labour or casual labour to plan for peak periods</li> </ul>	<ul style="list-style-type: none"> <li>• Good access to human capital generally</li> </ul>	<ul style="list-style-type: none"> <li>• Allow a more open labour market where part time work is encouraged</li> <li>• Introduce a 1-year visa for graduates to encourage entrepreneurship</li> <li>• Introduce entrepreneur and innovator visas, to attract smart enterprise to come and grow</li> <li>• Create a resident status independent from employment</li> <li>• Provide government welfare funds to invest as VCs</li> <li>• Provide more flexibility on visas and citizenship</li> <li>• Remove work sponsorship to fully control the process as it is non-conductive to innovation</li> </ul>
<b>Capacity for Entrepreneurship</b>	<ul style="list-style-type: none"> <li>• Lack of innovative ideas, trend to imitate</li> <li>• Overall limited market experience, very few success stories</li> <li>• Language barriers</li> <li>• Not enough level of business &amp; risk management</li> <li>• Low number of innovative local enterprise to build capacity and attract capital</li> </ul>	<ul style="list-style-type: none"> <li>• Conferences and events that bring stakeholders and ecosystems players together</li> <li>• Success stories such as Souq &amp; Careem</li> <li>• Openness to new ideas in the private sector</li> <li>• Media raising awareness and transparency about what is going on in the ecosystem</li> <li>• Some great role models</li> </ul>	<ul style="list-style-type: none"> <li>• More entrepreneurial events</li> <li>• Increased public support for successful entrepreneurs</li> <li>• Reward best (such as scalable and sustainable) ideas</li> <li>• Increase awareness among the youth to encourage them to become entrepreneurs</li> <li>• Engage and link younger entrepreneurs with each other</li> <li>• Focus on social entrepreneurship and social impact</li> </ul>






## 7.7. IMPORTANCE OF THE 12 ENTREPRENEURIAL CONDITIONS IN THE STATUS OF THE 2017 NATIONAL FRAMEWORK<sup>60</sup>

Since the launch of GEM, the context where the entrepreneurial activity occurs has been considered as one of the main determinants of the entrepreneurial activity and its characteristics. To evaluate the status of this context, GEM investigators designed a tool called the GEM National Experts Survey.

The survey is composed of blocks of constructs that represent each main condition and that can be summarized using the principal components methodology. Since 2017, GEM has been working on developing a new composite index and for that purpose, developed a sub-index using NES data to rank countries ecosystems based on their experts' overall evaluation of the framework conditions. The composite index fills a gap in the entrepreneurship literature as no other source addresses the complete entrepreneurial context occurring in each country. Other sources

provide information on partial aspects but without providing any measure of their relative importance in the ecosystem.

The composite index is a weighted average of the twelve summary variables that evaluate the national entrepreneurial ecosystem. The experts evaluate the 12 framework conditions on a scale of 1-10, with 1 = not important and 10 = extremely important.<sup>61</sup> This system gives experts the possibility to weight every year the framework conditions. The index represents the average condition for entrepreneurship in each country, in a scale of ten points (0 = completely insufficient, 10 = completely sufficient) allowing GEM to rank countries. GEM UAE along with Saudi Arabia and Bulgaria agreed to carry out a pilot test for 2017 and try the feasibility of building this composite index. The NES composite index produced results that aligned with expectations:

 <b>UAE</b>	6.36 points, first position of the pilot rank [sufficient]
 <b>Bulgaria</b>	4.73 points, second position of the rank [close to sufficiency]
 <b>Saudi Arabia</b>	4.28 points, third position of the rank [insufficient]

Among the three pilot countries, Saudi Arabia is in third position with an insufficient state for the year 2017, but not far from sufficiency. Bulgaria is closer to sufficiency and the UAE show the best status of the framework with a score above the average (5 points).

Table 7.14 below shows the average weight given by experts to each condition in the three countries, which reflects their perceived

importance. In Saudi Arabia, the most important framework conditions are the government concrete policies towards supporting and caring about entrepreneurship, while in Bulgaria, it is the entrepreneurial level of education at primary and secondary school. In the UAE, it is the financial environment and government policies related with entrepreneurship that seems to be the most critical framework conditions to be addressed by policy and ecosystem players.

<sup>60</sup> This new section is based on an ongoing work to develop new GEM composite index. The pilot was conducted in the UAE, Saudi Arabia and Bulgaria. The UAE team would like to thank Alicia Coduras for her leadership in conducting the pilot and in reflecting on the results.

<sup>61</sup> The scale starts at 1 because the use of 0 points would not allow the calculation of the composite index because a weight of 0 points would eliminate the affected condition from the index formula. This formula is:

$$NESCI = \frac{W1 \cdot SV1 + W2 \cdot SV2 + W3 \cdot SV3 + W4 \cdot SV4 + W5 \cdot SV5 + W6 \cdot SV6 + W7 \cdot SV7 + W8 \cdot SV8 + W9 \cdot SV9 + W10 \cdot SV10 + W11 \cdot SV11 + W12 \cdot SV12}{W1 + W2 + W3 + W4 + W5 + W6 + W7 + W8 + W9 + W10 + W11 + W12}$$

Where SV1 to SV12 represent the scores of experts to the 12 conditions and where W1 to W12 represent the weights assigned by experts to each condition.

**Table 7.14:** GEM experts' view on the importance of the entrepreneurial ecosystem framework conditions: a pilot comparison for Saudi Arabia, Bulgaria and the UAE

Saudi Arabia			Bulgaria			UAE		
Condition	Mean	S.D.	Condition	Mean	S.D.	Condition	Mean	S.D.
Subjective weight for: Government concrete policies, priority and support	8.85	1.73	Subjective weight for: Entrepreneurial level of education at Primary and Secondary	8.69	1.55	Subjective weight for: Financial environment related with entrepreneurship	8.39	1.82
Subjective weight for: Entrepreneurial level of education at Vocational, Professional, College and University	8.58	1.52	Subjective weight for: Government programs	8.56	1.75	Subjective weight for: Government concrete policies, priority and support	8.92	1.20
Subjective weight for: Professional and commercial infrastructure access	8.53	1.83	Subjective weight for: Internal market dynamics	8.50	1.66	Subjective weight for: Government policies bureaucracy, taxes	6.81	2.93
Subjective weight for: Financial environment related with entrepreneurship	8.35	2.13	Subjective weight for: Government concrete policies, priority and support	7.78	2.10	Subjective weight for: Government programs	7.47	2.02
Subjective weight for: Entrepreneurial level of education at Primary and Secondary	8.25	2.08	Subjective weight for: Internal market burdens	7.44	2.01	Subjective weight for: Entrepreneurial level of education at Primary and Secondary	7.25	2.43
Subjective weight for: R&D level of transference	7.93	2.14	Subjective weight for: Entrepreneurial level of education at Vocational, Professional, College and University	7.31	2.23	Subjective weight for: Entrepreneurial level of education at Vocational, Professional, College and University	7.89	2.05
Subjective weight for: Internal market dynamics	7.90	1.82	Subjective weight for: Financial environment related with entrepreneurship	6.78	2.34	Subjective weight for: R&D level of transference	7.83	2.37
Subjective weight for: Government policies bureaucracy, taxes	7.70	2.39	Subjective weight for: R&D level of transference	6.64	1.79	Subjective weight for: Professional and commercial infrastructure access	7.78	2.10
Subjective weight for: Cultural, social norms and society support	7.48	1.91	Subjective weight for: Cultural, social norms and society support	6.47	2.10	Subjective weight for: Internal market dynamics	7.25	2.03
Subjective weight for: Government programs	7.45	2.12	Subjective weight for: Physical infrastructures and services access	6.42	1.56	Subjective weight for: Internal market burdens	7.17	2.41
Subjective weight for: Internal market burdens	7.45	2.12	Subjective weight for: Professional and commercial infrastructure access	6.14	2.31	Subjective weight for: Physical infrastructures and services access	7.28	2.65
Subjective weight for: Physical infrastructures and services access	7.18	1.89	Subjective weight for: Government policies bureaucracy, taxes	5.78	2.31	Subjective weight for: Cultural, social norms and society support	7.56	1.75

# CASE STUDY: PITCH@PALACE UAE<sup>62</sup>

## KHALIFA FUND

Since its establishment more than a decade ago, the Khalifa Fund has developed a unique model to support entrepreneurs in the UAE. Offering an integrated package of programs tailored to the needs of different segments of society, the Khalifa fund both spreads an entrepreneurial culture and creates the appropriate environment for the development of Small and Medium Enterprises in the UAE. However, cultivating an entrepreneurial culture and encouraging the spirit of innovation among UAE Nationals is a challenge, as not only are both relatively new concepts in the country, but the support needs to be tailored to a wide range of potential beneficiaries.

To overcome these challenges, Khalifa Fund designed several programs based around financial and non-financial incentives. The non-

financial incentives play a vital role in supporting innovators where in their early stages mentoring, constructive feedback, idea validation, product testing, incubation, and market acceptance are more important than financial incentives. One of the most beneficial approaches to supporting early stage innovators is participation in pitching contests. Benefiting from the professional feedback and real-life experiences from a panel of experts from different fields, early stage innovators learn how relevant their ideas are in real life, how important understanding this is before getting financial commitment. Another benefit of such contests, besides the embedded idea validation, testing, and mentoring, is the healthy competition environment it creates among the individual participants and the network it creates among them.



<sup>62</sup> This case study was authored by Mr. Nizar Cheniour and Mr. Abdulla Al Jarwan from Khalifa Fund. It was reviewed by Dr. Llewellyn D W Thomas.

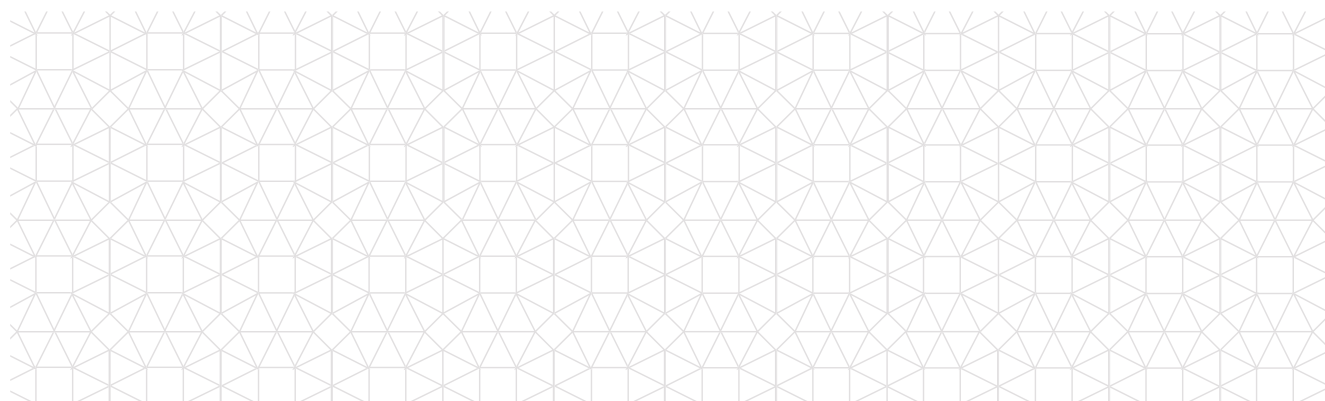
## PITCH@ PALACE UAE

Due to its notable status and pioneering role in supporting and cultivating entrepreneurship and innovation within the UAE, the Khalifa Fund for enterprise development was selected to be the strategic partner of Pitch@Palace in the Gulf region. Integral to this decision was the alignment of the Pitch@Palace initiative with the UAE's vision in building a knowledge-based economy, as well as empowering youth. The UAE chapter was launched in November 2016, with His Highness Shaikh Mohammad Bin Zayed Al Nahyan, Abu Dhabi Crown Prince and Deputy Supreme Commander of the UAE Armed Forces and Prince Andrew, Duke of York, attending. At the launch, it was announced that the Khalifa Fund will organize Pitch@Palace UAE in the first year and the broader Pitch@Palace GCC in the following year.

## CONTEST STRUCTURE

The entrepreneurial journey from their submissions till the final Pitch@Palace UAE event followed four main stages:

1. Applications to participate. Applications for the first version of the Pitch@Palace UAE were opened from June 1st, 2017 till August 20th, 2017, and only accepted UAE nationals or a team consisting of at least one UAE national. A total of 84 applications were received.
2. On-Tour. The On-Tour event was an opportunity for short-listed applicants to pitch their ideas in front of a panel of different experts including academia, VC's, and technical experts. Two On-Tours took place, one in Abu Dhabi on September 10th, 2017 and a second in Sharjah on September 14th, 2017. 67 entrepreneurs were shortlisted to participate on both On-Tours.
3. Boot-Camp. The boot camp, which took place in Khalifa University and in the presence of HRH the Duke of York, consisted of a training session on the arts of pitching provided by a highly specialized trainer, and a rehearsal for each participant. Another session was provided on the business planning, and financing methods for startups. 12 entrepreneurs were selected by the panels to participate in the final event in Emirates Palace (October 4th, 2017) preceded by the boot camp intensive training (October 2nd, 2017).
4. Final Event. The final event, under the patronage of HH Sheikh Mohammed bin Zayed Al Nahyan, crown prince of Abu Dhabi, Deputy supreme commander of the Armed forces, and in the presence of HH Sheikh Hamed Bin Zayed Al Nahyan and HRH the Duke of York, took place in the Emirates Palace on the 4th October, 2017. Here the participants pitched their ideas in front of an audience of 700 attendees including several Ministers and a broad selection of businessmen, CEOs, and bankers. At the end of the pitching, the audience voted. The Dwak app and Brailleye were voted as the winners. As such, they qualified to represent the UAE in the Pitch@Palace Global in St. James's Palace in London later in the year.





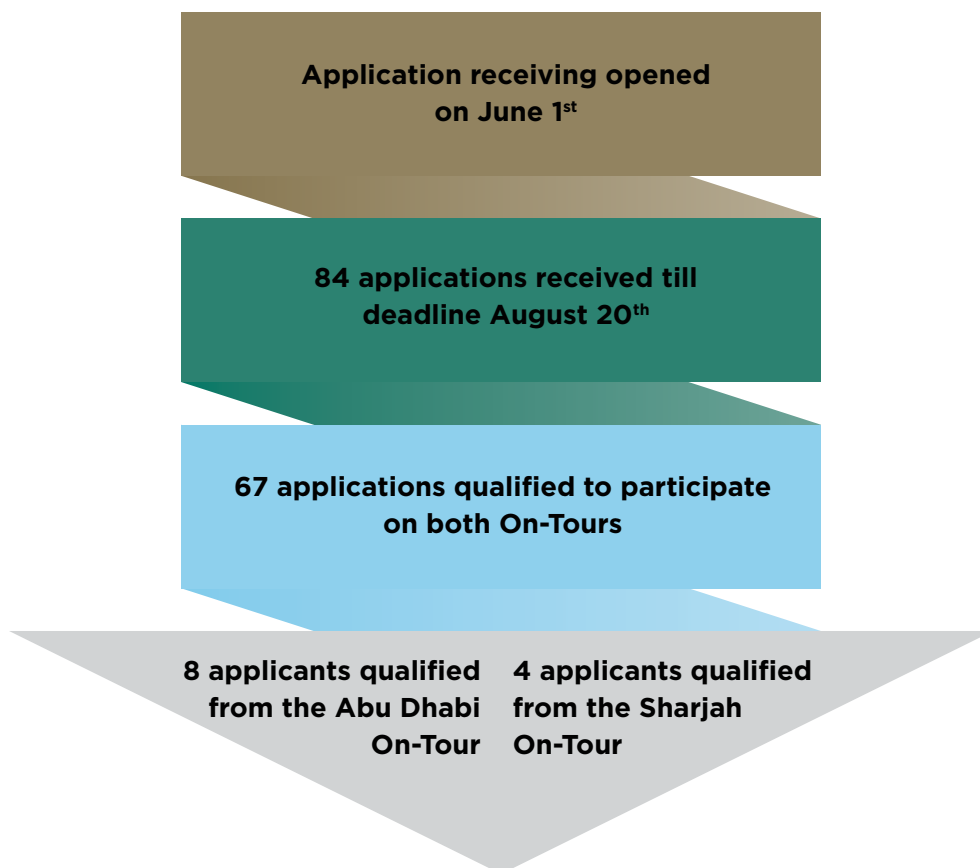
## PITCH@PALACE UAE: THE JOURNEY

The difference between the Pitch@Palace initiative, and specifically the Pitch@Palace UAE, to other similar initiatives, is the tangible opportunities it creates for participants. The structure of the initiative assures that each participant has an intensive review and development of their idea. Furthermore, the careful identification and invitation of an appropriate audience creates added value to the participants. Where representatives from industries relevant to the business ideas being

pitched are available, the entrepreneurs were able to take the ideas to the next level with those officials and executives attending. The reason for the strong showing of relevant executives and officials was the prominence of this initiative due to the patronage of HH Sheikh Mohammed Bin Zayed, and in the presence of HH Sheikh Hamed bin Zayed. Together, their involvement sends a strong message as to the importance of this initiative and its goals.

### PITCH@PALACE UAE: THE JOURNEY

#### TECHNOLOGIES SERVING HUMANITIES



\*Applications from all sectors were accepted to encourage UAE nationals to pitch



## POST- EVENT RESULTS:

As hoped, the initiative had a positive impact not only to the participants but also to the wider entrepreneurial ecosystem. Immediately after the event several organizations showed their interest in partnering with the initiative, while others expressed their interest in leveraging on the success of initiative to enhance their own efforts in terms of innovation. Following this success and wider UAE recognition, there has been high demand for the next iteration, with many queries are being received.

This initiative has also had a positive impact on the participants. In particular, their participation in the first iteration of Pitch@Palace UAE highlighted their ideas due to the presence of marketing organizations and the media showcase,

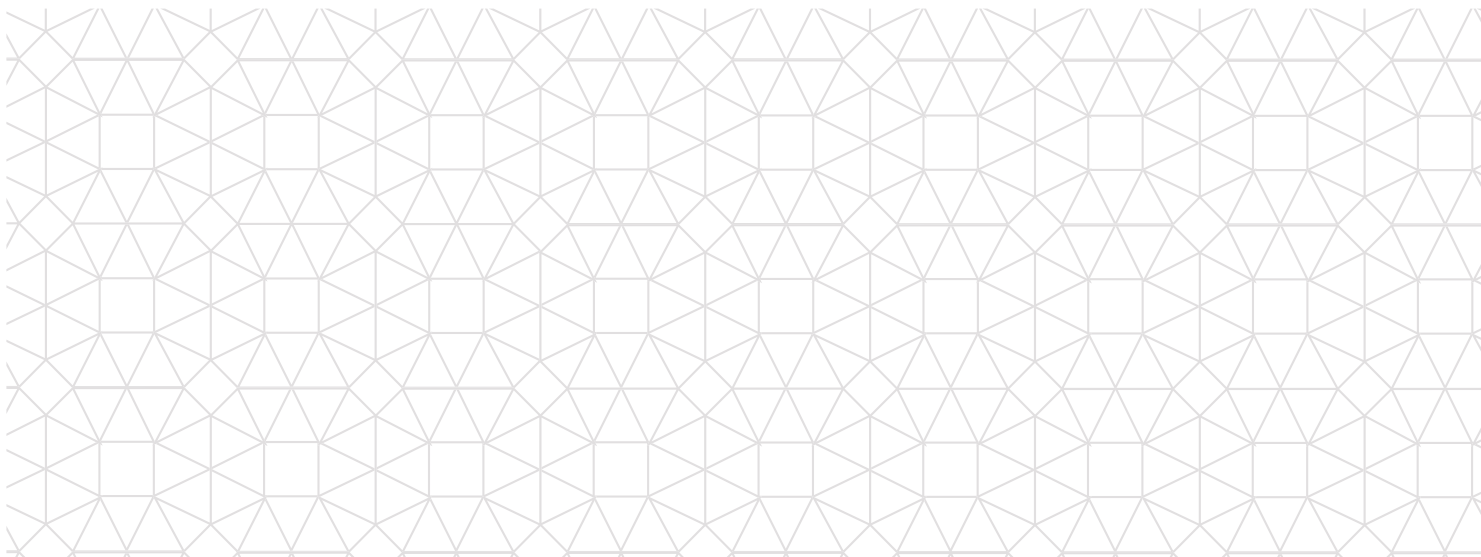
and opened a number of great opportunities. Opportunities involved funding, access to both local and international markets, connections with key personnel, and participation in several government-led exhibitions and economical delegates.

Finally, there is also the global recognition of UAE innovation through the two UAE winners - Dwak app & Brailleye. Both represented the UAE at the Pitch@Palace Global in St. James's Palace in London and were well received: the Dwak app was awarded with a people's choice award, and Brailley came third overall (and only two audience votes away from being awarded with the second place).



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