

Entrepreneurship: A game-changer post Arab Spring?

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London, November 14th - In the MENA region, 12% of the adult population has started a private business, compared to an average of 18% in emerging Latin American economies and 5% in G7 countries. The opportunities for investing in start-up enterprises are compelling, and fostering an environment conducive to entrepreneurship will ease the pressure on labor markets, where the average youth unemployment rate of 27% in the region's cohort group of 18-35 (more than one third of the population) is the highest worldwide.

- Over the next 10 years, the net entry into the job market across MENA is expected to reach 57.1M. This would imply the need for a 40% expansion in jobs available, just to keep unemployment at current levels. MENA entrepreneurs are typically young (30% under 35) and educated (49.5% with at least a secondary school degree), thus associating more closely with youth unemployment and underscoring the importance of this conduit in tackling youth unemployment.
- Across MENA 46% engage in private enterprise to be independent and increase their wealth, rather than solely out of necessity, compared to 55% in G7 countries and on par with LatAm. This is an encouraging indicator, as entrepreneurs driven by opportunity will seek to grow their business, rather than focus on subsistence solely, triggering a virtuous cycle of innovation and job creation. In fact, 33% of MENA entrepreneurs expect to employ at least five workers over the next five years.
- Access to capital for start-ups in need of micro-financing (almost 40% of entrepreneurs estimate they need less than USD 10K to start their business) is difficult, despite the liquidity surplus in the region, and this is where angel investors and seed funding come in. Currently, on average, only 22% of MENA entrepreneurs are financed by such institutions. Yet the capital requirement dynamics provide a compelling argument as 37.2% of investors surveyed expect to recoup between twice and five times their original investment over a decade. The risks are also commensurate, as over 45% expect to be paid back their initial investment or less over the same period.
- Another area of improvement lies in formal education and mentorship of entrepreneurs. While on average one third of entrepreneurs in emerging markets (Ex-BRIC) have received some sort of business training, the level in MENA drops to 17%. The lack of an adequate regulatory infrastructure makes MENA one of the most difficult places to start a business worldwide, following LatAm & Sub-Saharan Africa.
- With over 65% of entrepreneurial support initiatives coming from the private sector, governments have a long way to go to prove their start-up friendliness. Slowly but surely, the MENA region is catching up with more established entrepreneurial havens and in our view, the Arab youth's newfound interconnectedness through social media is a game-changer that will help overcome obstacles standing in the way of innovative enterprise.

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