

# Chapter 75

## Accelerating Entrepreneurship in MENA Region: Opportunities and Challenges

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### ABSTRACT

*The Middle East and North Africa (MENA) region is at a turning point in its development. How MENA region addresses the employment needs of its rapidly increasing population of young people will determine whether the MENA region will become a region characterized by stable, knowledge-based economies that have a dynamic working middle class. Entrepreneurship is considered vital to drive this transition of MENA region. Increased entrepreneurial activities will not only spur job growth but also generate ideas, attract investment and inspire future entrepreneurs to follow footsteps of successful entrepreneurs. This chapter explores the entrepreneurial ecosystem of MENA region. The chapter discusses various challenges and provides specific recommendations to boost entrepreneurial activities in MENA region.*

### 1. INTRODUCTION

The increasing size and energy of youth population around the globe pose serious challenges for governments especially in the developing countries. If immediate actions are not taken to utilize the energy of this youth population to create economic activities at home, economies abroad can use this population for their advantage. In order to capitalize on this potential, MENA region needs a sharp increase in rate of job creation. MENA is one of the regions in the world that needs to create millions of jobs in the coming decade. The most important thing to drive this job creation is a business environment, which support entrepreneurs to start new ventures easily and boost economic activity. In order to provide such an environment, governments, NGOs, and business leaders need to first identify the motivations behind entrepreneurs in order to create a healthy and supportive entrepreneurial ecosystem.

The objective of this chapter is to explore these challenges and opportunities and provide recommendations to boost entrepreneurial activities in the MENA region. After introduction, section 2 will explore

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the current state of entrepreneurship in the MENA region. Section 3 would analyze the entrepreneurial ecosystem in the MENA region to identify various challenges and opportunities for fostering entrepreneurship. Section 4 would offer specific recommendations to improve the entrepreneurial ecosystem and accelerate entrepreneurship. Concluding remarks would be provided in section 5.

## **2. CURRENT STATE OF ENTREPRENEURSHIP**

The MENA region's 60% of the population is under the age of 25. This population is one of the world's youngest workforces. It is expected that more than 100 million young people will be joining this workforce by 2020 (World Economic Forum, 2015). Such a large and motivated young workforce can drive growth and prosperity for entire MENA region. According to a 2015 survey, more than 60% of people wanted to start their own business (Al-Masri, 2016). This situation presents both opportunities and challenges. Unemployment is still an obstacle to the region's development. The Middle East and North Africa regions continue to show by far the highest youth unemployment rates – 28.2 and 30.5 per cent, respectively, in 2014 – and rates have continued to worsen since 2012, particularly for young women (International Labor Organization, 2015). According to an estimate, governments in MENA region had to create 100 million jobs until 2020 in order to meet the alarming unemployment numbers (Albawaba, 2015). The consequences of not doing so could be severe. It would not only result in slowed regional growth but also loss of promising youth to migration. Social unrest is yet another danger.

To accelerate job creation in the MENA region, an entrepreneurial environment is necessary. Besides employing their owners, new businesses can provide significant spillover benefits for the economy. Once nurtured into small and medium-sized enterprises (SMEs), these new businesses can significantly contribute to increase the employment and gross domestic product (GDP).

The regional leaders need to address many issues to foster entrepreneurship in MENA region. Some of the pressing issues include identification of promising industries for entrepreneurship, support initiatives for identified industries, role of established entrepreneurs, the education system, the media, the venture capital firms, and the country's culture in encouraging prospective entrepreneurs to start their own ventures. Although the level of early-stage entrepreneurial activity in MENA region is low, the region is rich with innovative ideas and emerging markets and is in a position to produce the next generation of successful leading entrepreneurs (Mervyn, 2015). Most entrepreneurs are involved in necessity business such as shops and farms. These type of businesses employ their owners and lack other opportunities. These businesses usually lack aspiration to grow beyond the needs of their owners. The regional leaders need to focus on innovative entrepreneurs who could use their knowledge and finances to develop new markets. These kinds of entrepreneurial projects can provide the positive spillover effects of increased employment and economic growth. Some governments in MENA region have already started targeted initiatives to boost entrepreneurship. Qatar developed Science and Technology Park to offer support to young innovative minds in developing their ideas. Once young people earned their respective degrees, they can then work in Qatar or advance their skills in other institutions like Qatar Science and Technology Park. The SANAD program in Oman is an initiative to promote entrepreneurship among young people by providing loans and expertise to new graduates. Know about Business (KAB) is another initiative by the Omani government under the auspices of the International Labor Organization (ILO) which focuses on the management training of entrepreneurs to develop their entrepreneurial attitude (Matriano & Suguku, 2015).

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