2009
GEM Report on
Entrepreneurship
in the United Arab Emirates
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GEM Report on Entrepreneurship in the United Arab Emirates
The world is experiencing one of the most extraordinary periods in history as the power equation continues to shift across countries and regions and rapid changes unfold in the marketplace reshaping both the political landscape and the interactions between governments and business. Governments across the globe are seeking to develop entrepreneurial economies where competitiveness and growth can thrive and innovation and creativity can drive new ways to improve the social and economic well-being of their people. Entrepreneurship is being recognized worldwide as a vital source of change in all facets of society, empowering individuals to seek opportunity where others see insurmountable problems resulting in increased innovation and sustained economic growth. Thus, entrepreneurship is also perceived as playing an important role in finding solutions to some of the major challenges facing our civilization. We also believe that it is during such difficult times when the power of collaboration bears fruit, as we collectively try to understand the challenges we face and encourage us to unleash our imagination and capitalize on the opportunities ahead.

That is why today, as part of a collaborative effort, the Khalifa Fund for Enterprise Development (Khalifa Fund) is proud to co-sponsor with the Mohammed Bin Rashid Establishment for SME Development (MBRE), the United Arab Emirates (UAE) component of the Global Entrepreneurship Monitor (GEM) conducted by the GEM research team - Prof Declan McCrohan, Prof Murat Erogul, Prof Qingxia Tong and Nico Vellinga at Zayed University. We are pleased to present this report as a key step in gathering current evidence on key features of the UAE’s entrepreneurial activity and environment enabling us to serve as a platform for dialogue and reflection amongst our government, business, and civil society as we aim to serve public interest. The GEM is historically the largest multinational independent research project and the only internationally recognized global benchmark on entrepreneurial activity. The GEM research study has created a valuable, growing database and challenging explorations of the nature, extent and effects of entrepreneurship in the social and economic life of individual nations and the global community.

I commend this comprehensive research document to all those who are interested in building a more dynamic and prosperous UAE and supporting sustainable economic development of our great nation. Our hope is that this research study not only provides valuable insight into our nation’s entrepreneurial activity and the phenomenon of high-expectation entrepreneurs, but also contributes to the wider policy imperative of our government and stimulates further discussions to engage the relevant stakeholders.
stakeholder organizations for whom fostering entrepreneurship and economic growth is of specific importance. We clearly recognize that our government officials can and do play a fundamental role in encouraging economic development and this study is intended to extend to our country’s government leaders useful information insights, and examples about how to energize an entrepreneurial economy, and achieve more dynamic and successful economic development for our great nation through entrepreneurship. We also hope that the revelations of the GEM data serve as a positive inspiration for the UAE’s business community, government, academic institutions, and relevant stakeholders to join us to catalyze and promote positive entrepreneurial activity to address the opportunities and challenges facing our great nation.

At Khalifa Fund, we are actively and continuously developing a range of products and services specifically geared towards fostering entrepreneurship and targeted to helping dynamic, early stage businesses because, in common with the GEM research team, we believe that even a small enhancement in the dynamism, innovation propensity and growth orientation of the UAE’s SME sector could provide substantial and multiple benefits to business owners, their customers and the community at large.

We would like to take this opportunity to convey our utmost thanks to all those whose support has made this possible and we hope that this study serves as a foundation for further discussion, action, and successful implementation of recommendations in the UAE. We dedicate this report to you all.

Dr. Ahmed Khalil Al Mutawa
Chief Executive Officer
Khalifa Fund for Enterprise Development
Research in entrepreneurship and entrepreneur development have become a cornerstone for governments all over the world to benchmark economic progress and learn the best practices of entrepreneurship development policies. It is with this in mind that the Mohammed Bin Rashid Establishment for SME Development inaugurated and sponsored the study in 2006 and 2007 for the UAE. For the 2009 study, the Establishment co-sponsored with the Khalifa Fund for Enterprise Development. I congratulate all parties for delivering a rich piece of research effort that offers practical policy recommendations and advocacy to improve the entrepreneurship and enterprise development landscape in the UAE.

More countries are participating in the study, and new areas of investigations are added to improve the level of sophistication of the GEM study.

I am happy to note that this year’s report revealed UAE as the country with the highest increases in new startup activity at 38%. It’s also shed light on the UAE being the only GEM country that has shown increases in participation rates for all three business categories measured by GEM since 2007 (Start-up businesses, young businesses and established businesses) despite the global economic crisis. A vast majority of new business creation in the last 2 years is opportunity rather than necessity-driven, reinforcing the point that the UAE continues to present vast business opportunities for entrepreneurs.

Entrepreneurial activity is progressively taking firm roots in UAE society – the 2009 report reveals that residents of all ages, genders, educational backgrounds, household income levels are actively engaged in some form of entrepreneurial activity.

While the UAE is performing well in some indicators and not so well on others, it is pertinent that we sustain the strengths and improve any major gaps and weaknesses. One major area to strengthen is to continue to celebrate risk taking and encourage the entrepreneurship effort by individuals. Another area is to deepen the quality of entrepreneurship by encouraging innovation, especially technology innovation, adoption and adaption at the local, regional and for the global markets. While the UAE government will do its best to make the nation the land of business opportunities that is conducive to investors, entrepreneurs, professionals and artists; the private sector stakeholders, namely the banking and finance community must increase their support to enable entrepreneurs and SMEs with good business ideas and models to access finance and capital.
In full recognition of the critical role entrepreneurs and SMEs play in job creation, innovation, growth, and national prosperity, the UAE government and its stakeholders are committed to creating and sustaining an enabling environment for entrepreneurship and SME development to flourish in the country.

I congratulate the GEM team, the interviewees and experts for this rich report, that will serve as a reference for further research and policy advocacy.

HE Abdul Baset Al Janahi

Chief Executive Officer

Mohammed Bin Rashid Establishment For SME Development
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Executive Summary

In 1998, The Global Entrepreneurship Monitor (GEM) was created with the objective to collect relevant harmonized data on an annual basis from different countries and to bring together academics from all over the world to work on a common research program. The GEM study has three key objectives:

1. To measure differences in the level of entrepreneurial activity among countries
2. To uncover factors determining the national levels of entrepreneurial activity
3. To identify policies that may enhance the national level of entrepreneurial activity.

The GEM Study has grown in importance and relevance over the last decade as the number of countries participating in the study has risen sharply as has the breadth and depth of the data generated. In 1999, the first year that the GEM study was conducted, ten countries participated in the program. This number has risen over the last decade and in 2009, 54 countries participated in the GEM study.

The 2009 GEM Study is important for the UAE for three key reasons:

- It is the first GEM study that captures the effect of the Global Economic Crisis on entrepreneurship in the UAE;
- The UAE has experienced a sharp fall in economic activity in 2009 with a resulting increase in unemployment. Better understanding and development of SME growth in the UAE will be critical to reigniting economic and job growth in the UAE in 2010; and
- There has been a significant increase in the number of countries participating in the GEM study particularly from the MENA region. This year there are 54 countries participating in GEM, with 12 countries from the MENA region

The GEM study is made up of two distinct components, the Adult Population Survey completed by more than 2000 respondents across the UAE as well as in-depth interviews with more than 36 National Experts. The key findings from both of these important components of the GEM study as well as policy recommendations are outlined below:

Entrepreneurship Activity Rates in the UAE

- The number of people starting businesses declined 10 percent in the wealthiest nations.
- In the wealthiest nations, there was large country variations with declines in new startup activity in nine countries and increases in only four nations.
- The country with the highest increases in new startup activity at 38 percent is the UAE.
- The UAE is the only GEM country that has shown increases in participation rates for all three business categories measured by GEM since 2007 (Start-up businesses, young businesses and established businesses).
Entrepreneurship Activity Rates in the UAE

Recommendations are outlined below:

The GEM study is made up of two distinct components, the Adult Population Survey completed by more than 120,000 people, and the National GEM survey filled out by more than 1,000 experts. The key findings from both of these important components of the GEM study as well as policy recommendations are outlined below.

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- To harmonize data on an annual basis from different countries and to bring together academics from all critical areas of entrepreneurship
- To gather data from different countries to understand the critical factors affecting entrepreneurial activity
- To develop policies for stimulating entrepreneurship

In 1999, the first year that the GEM study was conducted, ten countries participated in the program. This number has risen over the last decade and in 2009, 54 countries participated in the GEM study. 1999, the first year that the GEM study was conducted, ten countries participated in the program. This number has risen sharply as has the broadness and depth of the data generated. In 2009, The Global Entrepreneurship Monitor (GEM) was created with the objective to collect relevant data on entrepreneurship from around the world to work on a common research program. The GEM study has three key objectives:

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- To gather data from different countries to understand the critical factors affecting entrepreneurial activity
- To develop policies for stimulating entrepreneurship

Executive Summary

- In the UAE, the Total Entrepreneurial Activity rate (TEA) which measures the percentage of the population either actively trying to start a business or already owning and managing a business, was 13.25% in 2009. This was a significant increase in business start-up activity in the UAE.
- Globally, there was a rise in necessity-driven entrepreneurship in 2009 in many countries because people were losing jobs. Necessity-driven entrepreneurship as a proportion of all early-stage entrepreneurship in the wealthiest countries increased by about twenty-five percent in comparison to 2008.
- This wasn’t the case in the UAE with necessity entrepreneurship remaining extremely low falling from 1.3% in 2007 to 1.2% in 2009.
- The UAE has the highest participation rates for young businesses and TEA firms and the second highest rate for business start-ups compared to other countries at a similar stage of economic development.

<table>
<thead>
<tr>
<th>GEM category</th>
<th>Participation Rate</th>
<th>2009 Ranking from 54 GEM Countries</th>
<th>2007 Result from 42 countries (rate and ranking)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Startup Businesses</td>
<td>6.5%</td>
<td>17th</td>
<td>4.6% (17th)</td>
</tr>
<tr>
<td>Baby Businesses</td>
<td>7.38%</td>
<td>13th</td>
<td>4.09% (17th)</td>
</tr>
<tr>
<td>TEA</td>
<td>13.25%</td>
<td>18th</td>
<td>8.44% (18th)</td>
</tr>
<tr>
<td>Established Businesses</td>
<td>5.30%</td>
<td>33rd</td>
<td>3.38% (36th)</td>
</tr>
<tr>
<td>Any Business</td>
<td>18.55%</td>
<td>22nd</td>
<td>11.8% (25th)</td>
</tr>
<tr>
<td>Business Shutdown</td>
<td>3.72%</td>
<td>38th</td>
<td>4.7% (34th)</td>
</tr>
</tbody>
</table>

- Since 2007, most of the growth in business start-up activity has come from the male population in the UAE.
- Business start-up activity in the UAE is dominated primarily by high-income individuals but 2009 also saw a significant increase in business start-ups by low income individuals.
- The majority of the growth in business start-up activity is coming from the local Emirati, GCC National and Arab Expatriate populations in the UAE.
- Business start-up and young business activity has grown sharply amongst people aged between 25-44 years old.
• The UAE has the highest business discontinuation rate amongst the 20 wealthy nations in GEM with a relatively high number of UAE businesses discontinuing due to problems accessing finance highlighting one of the key barriers to SME development in the UAE.

• New business activity in the UAE is concentrated in Consumer and oriented services (53%) such as retail, restaurants, health, education and social services, as well as Transforming sector businesses (31%) such as construction, manufacturing and transportation.

• New and young businesses in the UAE have minimal involvement in the high/medium technology sectors. More than 97% of all business start-ups and young businesses in the UAE are operating in sectors classified as using no, or low levels of technology. This is a key weakness in the composition of SME activity in the UAE and is a serious inhibitor to developing a more knowledge-intensive economy in the future.

• UAE firms usage of the latest technology compared to other wealthy nations is relatively high (ranked 4th) however this has declined from previous years as businesses seek to minimize costs due to the difficult economic environment.

• UAE businesses in general are good at technology adoption but not technology innovation. More focus on innovation and development of ICT infrastructure is required to alleviate this weakness in business activity in the UAE.

• As in previous years, the UAE continues to have the highest percentage of TEA firms that are classified as high export businesses across all GEM countries which is not surprising as the UAE has been able to position itself as the major trading hub of the Middle East. However, significant opportunities still exist for further SME growth in this area as highlighted by the recent Global Trade Enabling Report which ranked the UAE 16th out of 125 countries in terms of the extent to which the UAE has developed institutions, policies, and services facilitating the free flow of goods over borders. The UAE still has significant work to do to compete with countries like Singapore and Hong Kong in terms of its openness to global markets.

• The UAE has the 6th highest business start-up expectation rate amongst GEM countries with 43% of the UAE population considering to start their own business within the next three years – this jumps to 52% for people aged 25-34 years.

• The UAE has the 13th highest male/female TEA ratio of 2.49 however the UAE female TEA rate of 6.26% is the third highest amongst countries at similar stages of economic development. The UAE government strongly supports the role of women in the economic development of the UAE and targeted support for female entrepreneurs is warranted given the unique social and cultural issues women in the UAE experience.

• 49% of TEA businesses in the UAE expect their business to create more than twenty jobs over the next five years.

• 3.9% of the UAE population are classified as “Gazelles” – entrepreneurs who have high job growth expectations. This is second only to China who have a “Gazelle” rate of 4.1%.

• UAE Gazelles are more likely to be aged 25-44, male and Emirati, GCC or Arab Expatriate nationality.
Attitudes Towards Entrepreneurship in the UAE

- More than 73% of the UAE population are confident they have the necessary skills and experience to start their own business however men (80%) are far more confident than women (51%).
- The fear of failure in starting a business in the UAE population is relatively low (31.3%) compared to other GEM countries but of concern is the increasing fear of failure amongst women in the UAE which has grown steadily since 2006.
- The UAE’s perception towards entrepreneurship is relatively high compared to other GEM countries with a strong majority of the population viewing entrepreneurship as a good career move, as having high status, as well as receiving favorable media attention.

Impact of the Global Economic Crisis

- The impact of the global economic crisis on UAE businesses is mixed with 60% of respondents believing the global economic crisis has made starting a business more difficult, 46% of respondents believing it had more growing a business more difficult but only 41% of respondents felt it had resulted in fewer business opportunities.
- When compared to other GEM Countries, the impact of the global economic crisis on starting or growing a business in the UAE has been relatively mild.

Findings from the National Expert Survey of the Entrepreneurship Environment in the UAE

The second key component of the GEM study is in-depth interviews with more than 36 National Experts who were carefully selected based on their expertise in one or more of the following frameworks identified by GEM as being crucial to providing a supportive and enabling environment for new business growth:

- Finance
- Government policies
- Governmental programs
- Education & Training
- R & D transfer
- Commercial and services infrastructure
- Internal market openness
- Access to physical infrastructure
- Cultural and social norms
- Opportunities to start up
- Abilities, knowledge to start up
- Entrepreneur’s social image
- Intellectual property rights
- Women’s support to start up
- Attention to high growth
- Interest for innovation
According to the National Experts, the UAE has the sixth most supportive entrepreneurship environment amongst all 54 GEM countries and performed particularly well in the areas of opportunities to start up a business, government policies and commercial and professional infrastructure. Areas of weakness were identified in government programs, R&D transfer and women’s support to start up a business.

Analysis of Global Studies on Business Environments

- The World Economic Forum Global Competitiveness Report ranked the UAE the 23rd most competitive economy in the world. They identified key areas of weaknesses being the strength of investor protection in the UAE, legal rights, quality of scientific research institutions, university industry collaboration in R&D, and capacity for innovation.
- The World Bank Doing Business Report ranked the UAE 33rd out of 183 countries in terms of overall ease of doing business and was one of the most active reformers in 2009 jumping 14 places from the previous year. Key weaknesses were identified in the areas of getting credit, investor protection, contract enforcement and closing a business.
- The 2008-09 Innovation Index Report ranked the UAE 26th out of 130 countries in terms of its overall innovation capabilities, down from 14th in 2007. The UAE performed well in areas related to the overall competitiveness of its economy but performed weaker in terms of its human capacity, ICT infrastructure, and business and market sophistication.
- The 2010 Economic Freedom Index ranked the UAE 46th out of 183 countries. Key areas that need to be improved were monetary freedom, investment freedom, financial freedom and property rights.
- The 2010 Legatum Prosperity index ranked the UAE 47th out of 105 countries in terms of its economic prosperity. The report identified a number of key weaknesses in the UAE economy including the high number of startup procedures (12) required for new business registration, the low level of high-tech exports (only 1%) in the country’s overall export base, the poor level of spending on research and development (equivalent to 0.3% of total GDP) and the low level of value added by the service industry.
MAJOR POLICY RECOMMENDATIONS FROM THE 2009 GEM STUDY

This year’s GEM study shows new business growth across the UAE remains strong, outpacing all other GEM countries since 2006. However, the GEM study has identified a number of key areas of the UAE economy that need to be improved in order to continue to foster and stimulate SME development moving forward which are outlined below:

Public Education Reform

- The public education system in the UAE is not working and is failing its students and inhibiting their ability to be creative and innovative. The primary weakness of the system is the qualifications and teaching styles adopted by teachers. A focus on ROTE learning methods is dominant in the UAE public education system at all levels – both primary and secondary. The present system is so inept that 93% of students entering the three public universities in the UAE require significant amounts of remedial training to bring them up to a level where they are
Development of Innovation Capabilities

- The UAE Government can encourage innovation through Government awards recognizing both small and large businesses for innovative practices and products/services. Finland, who ranks second in the Global Competitiveness Index and 13th in the Global Innovation Index, has a government that is committed to growing its economy through innovation. That same focus on promoting innovation as critical to the future development of the UAE economy has yet to appear in the UAE but with a dedicated government sponsored media campaign, businesses and individuals could be persuaded to embrace innovation in all aspects of their business and personal activities.
- The UAE Government can initiate awards that recognize both individuals and companies in the UAE that have used innovation to successfully improve business and social outcomes. This recognition and increased awareness of the key role that innovation plays in developing an economy can only enhance the desire and willingness for entrepreneurs/firms to adopt innovation into their businesses operations.
• The UAE Government also needs to devote more public funds to research and development expenditure which is an area of major weakness across the Middle East region. Currently the UAE spends only 0.3% of its GDP on research and development. Countries like Sweden have been able to improve their Global Competitiveness Index ranking from 12th in 2007 to 4th in 2009 by massively increasing public and private expenditure on research and development.
• The UAE government needs to better enable UAE businesses with access to the most advanced Information and Communication Technologies (ICT) available globally. The government’s reluctance to open up its telecommunications sector to either domestic or foreign competition is inhibiting UAE businesses due to higher costs and restricted access to the latest telecommunications technologies. The UAE government can look to South Korea which quickly transformed its economy into one of the most innovative in the world through significant investments in its ICT infrastructure alongside consolidation with its knowledge industries. South Korea’s ICT industry now accounts for 30% of the country’s total exports.

Foster a culture of innovation and entrepreneurship amongst Public Sector Employees

• A significant barrier to entrepreneurship amongst the Emirati community is the high salaries and benefits provided by public sector employment which attracts more than 90% of the Emirati workforce. Employment in the public sector offers high salaries, benefits and generous working hours and is a significant barrier inhibiting Emiratis to start their own business. The UAE government needs to encourage and reward innovation and entrepreneurship amongst its public sector employees to stimulate creative thinking and radically change the existing culture that pervades many of the government departments across the UAE.
• Provision of awards and recognition to employees who have been able to improve work processes and efficiency in government departments through innovative and creative solutions will encourage Emiratis to embrace innovation and use it in their work activities.
• Emiratis working in the public sector could also be offered extended periods of paid leave to encourage them to go out and start their own business. Individuals who successfully launch their own business as part of this program could be provided with generous payouts from their public sector employment.

Improving Access to finance for SME’s

• Given the reluctance of commercial banks to support the financial requirements of entrepreneurs and SME’s, the government needs to take action to address this important market failure, especially since SME’s account for close to 90% of employment in the UAE. In 2009, the Ministry of Economy in conjunction with the UAE Central Bank announced it will start a loan program targeting entrepreneurs wishing to start SME’s. Also, in June 2009, the Khalifa Fund to Support and Development Small and Medium Enterprises announced the launch of a
Continued Regulatory Reform to Ease Doing Business in the UAE

- The Global Competitiveness Index Report, the World Bank Doing Business Report and the Innovation Index Report all identified areas of regulatory weaknesses in the UAE in the areas of foreign investment and ownership restrictions, protection of investors’ rights, difficulties in contract enforcements as well as weak and ineffective business insolvency laws.
- The UAE needs to amend its bankruptcy laws and adopt international standards for this important aspect of business operations. Increased flexibility is required and entrepreneurs and small business owners should not end up in a UAE jail because their business face cash flow difficulties.
- An efficient, effective bankruptcy law allows companies facing the possibility of liquidation, time to restructure their business operations, clear the debt obligations, and create a more efficient and hopefully profitable business operation. This is critical to the UAE given the UAE has the highest business discontinuation rate of any of the twenty wealthy nations participating in the GEM study.
- As mentioned earlier, liberalisation of the telecommunications sector is also critical in reducing the business costs of firms operating in the UAE. It is important that the Government provides UAE businesses and entrepreneurs with the most advanced and price competitive telecommunications system available. This will have an enormous impact on the innovation

AED100 million sub fund aimed at targeting projects that contribute to Abu Dhabi’s economic diversification plan. Both of these initiatives are important and the Government needs to make sure that these initiatives are followed through and have a direct and visible impact on SME finance in the UAE

- The impact of the global crisis on UAE bank lending has been so pronounced that the UAE government could even consider a more radical approach to providing funding for entrepreneurs and SME’s in the country. The introduction on an entrepreneurship tax could be levied on petrol consumption (which is incredibly cheap relative to US and European markets) or on financial transactions in the local stock markets similar to a Tobin tax proposed by global leaders. This additional funding could kick start a surge in business start-up activity as well as reducing the possibly high SME failure rate that may eventuate in 2010 because of continuing cash flow problems and access to finance, that UAE SMEs are experiencing.
- An “entrepreneurship/SME support fee” would also attract significant media attention and could help promote awareness amongst the UAE population of the importance of entrepreneurship and SME development to the UAE economy.
- Another avenue through which the UAE government can help to improve SME’s access to finance would be to provide bank guarantees for more entrepreneurs/SME’s in the UAE. This would encourage UAE banks to provide more funding by reducing the perceived high risk they associate with any form of SME lending.

Continued Regulatory Reform to Ease Doing Business in the UAE

- The Global Competitiveness Index Report, the World Bank Doing Business Report and the Innovation Index Report all identified areas of regulatory weaknesses in the UAE in the areas of foreign investment and ownership restrictions, protection of investors’ rights, difficulties in contract enforcements as well as weak and ineffective business insolvency laws.
- The UAE needs to amend its bankruptcy laws and adopt international standards for this important aspect of business operations. Increased flexibility is required and entrepreneurs and small business owners should not end up in a UAE jail because their business face cash flow difficulties.
- An efficient, effective bankruptcy law allows companies facing the possibility of liquidation, time to restructure their business operations, clear the debt obligations, and create a more efficient and hopefully profitable business operation. This is critical to the UAE given the UAE has the highest business discontinuation rate of any of the twenty wealthy nations participating in the GEM study.
- As mentioned earlier, liberalisation of the telecommunications sector is also critical in reducing the business costs of firms operating in the UAE. It is important that the Government provides UAE businesses and entrepreneurs with the most advanced and price competitive telecommunications system available. This will have an enormous impact on the innovation
capabilities of the UAE economy and will support development in new high tech services and industries moving forward.

**Increased Support for Female Entrepreneurship**

- The Male/female TEA ratio of 2.49 in the UAE is the 13th highest amongst all GEM countries. The UAE Government in conjunction with bodies such as the Khalifa Fund to Support and Develop Small and Medium Enterprises and the Mohammed Bin Rashid Establishment for SME Development need to launch a media/marketing campaign to promote female entrepreneurship in the country in a manner that is consistent with the country’s culture, heritage, and values.
- Government bodies also need to consider providing a range of dedicated support and training programs for female entrepreneurs who face unique barriers and difficulties in doing business in the UAE.
- Special mentoring programs between female entrepreneurs and female students at high schools and universities in the country should also be established and supported with government funding.

**Opening up Government Support Programs for All UAE Residents**

- Given the population composition of the UAE (less than 20% of the population are local Emiratis), if the UAE government is committed to SME development then it needs to provide funding for SME development available to all nationality groups.
- The economic benefits that arise from SME development, are not confined to the owner of the firm. They flow across the economy and provide benefits to all. The government should look at extending support programs for entrepreneurship development for all nationalities in all Emirates across the UAE.
- The GEM data also identified strong entrepreneurship activity amongst Arab expatriates in the UAE. The UAE government should seek to capitalize on its position as a desired destination for entrepreneurs in the region by cultivating networks with these countries and removing any barriers to trade and business that exist with these countries.
- The government should also seek to encourage UAE entrepreneurs to tap into these regional markets and provide support through trade delegation visits and trade fairs to open up business opportunities between the UAE and these key Arab markets.
1.0 Introduction to GEM

Over the past two decades, growing importance has been placed on understanding entrepreneurship and its role in economic development. One of the main inhibitors to effectively understanding this dynamic was the lack of cross-national harmonized data in existence. In 1998, The Global Entrepreneurship Monitor (GEM) was created with the objective to collect relevant harmonized data on an annual basis from different countries and to bring together academics from all over the world to work on a common research program. The GEM study has three key objectives:

1. To measure differences in the level of entrepreneurial activity among countries
2. To uncover factors determining the national levels of entrepreneurial activity
3. To identify policies that may enhance the national level of entrepreneurial activity.

The GEM Study has grown in importance and relevance over the last decade as the number of countries participating in the study has risen sharply as has the breadth and depth of the data generated. In 1999, the first year that the GEM study was conducted, ten countries participated in the program. This number has risen over the last decade and in 2009, 54 countries participated in the GEM study. These countries are listed below in Table 1.

<table>
<thead>
<tr>
<th>GEM 2009 Study – List of Participating Countries</th>
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</thead>
<tbody>
<tr>
<td>Algeria</td>
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<tr>
<td>Argentina</td>
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<tr>
<td>Belgium</td>
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<tr>
<td>Bosnia and Herzegovina</td>
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<tr>
<td>Brazil</td>
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<td>Chile</td>
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<td>China</td>
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<td>Colombia</td>
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<td>Croatia</td>
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<td>Denmark</td>
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<td>Dominican Republic</td>
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<td>Finland</td>
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<td>France</td>
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<td>Germany</td>
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<tr>
<td>Greece</td>
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<tr>
<td>Guatemala</td>
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<tr>
<td>Hong Kong</td>
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</tbody>
</table>

Table 1 List of Countries that Participated in the 2009 GEM Study

The 2009 GEM Study is important for the UAE for three key reasons:

- It is the first GEM study that captures the effect of the Global Economic Crisis on entrepreneurship in the UAE;
• The UAE has experienced a sharp fall in economic activity in 2009 with a resulting increase in unemployment. Better understanding and development of SME growth in the UAE will be critical to reigniting economic and job growth in the UAE in 2010; and
• There has been a significant increase in the number of countries participating in the GEM study particularly from the MENA region. This year there are 54 countries participating in GEM, including 12 countries from the MENA region.

In previous GEM studies, other MENA country participation was minimal with only Jordan and Israel participating in GEM. This large increase in MENA participation in the GEM 2009 study, significantly adds to the richness and value of this year’s Report – hence a complete section of the report has been dedicated to an overview of entrepreneurship in the MENA region and a comparative analysis of entrepreneurship rates and attitudes across the region.

1.01 How Does The GEM Study Measure Entrepreneurship Activity?
Traditionally, research into a country’s economic development and growth has focused on the role of large and established firms and the processes in which they can generate economic activity. Data analysis focused on the number of firms in an economy usually sourced from Government departments linked to the registration and licensing of businesses. The GEM model takes a much more comprehensive approach and considers the involvement of individuals in entrepreneurial activity within an economy and identifies different types of entrepreneurship as well as different phases of entrepreneurship.

The GEM study incorporates two distinct but complementary methods to build a model of the entrepreneurial environment in an economy. They are:

• An adult population survey, randomly sampling a minimum of 2,000 typical adults across all seven Emirates;
• Face-to-face ‘open-ended’ interviews with thirty-six National experts on various aspects of the entrepreneurship environment within the UAE. These experts also complete a detailed, structured questionnaire covering a wide variety of factors considered critical for supporting new and existing business growth.

This year, as in the two previous studies the UAE participated in, the UAE-GEM team also incorporated an over-sampling of an additional 1000 Emirati Nationals which allows for a deeper analysis of what is happening within the Emirati population. This over-sampling was necessary given the peculiar demographic imbalance that exists within the UAE, where more than 85% of the population are expatriates.

Please note that throughout this report, we will only undertake a minimal level of comparative analysis of the Emirati and Expatriate populations in regards to entrepreneurship activity and attitudes towards entrepreneurship in general in the UAE. We encourage readers to download the 2009 Emirati Entrepreneurship Report from the GEM Website (www.gemconsortium.org) which covers all aspects of entrepreneurship.
Emirati Entrepreneurship in the UAE as well as a detailed comparative analysis of the Emirati and Expatriate populations.

1.02 The Adult Population Survey
Through the use of a random survey of the national population with a minimum sample size of 2000 respondents in each country, the GEM study provides a rich source of data that helps identify:

- Activity rates for the population involved in entrepreneurship
- Attitudes towards entrepreneurship
- Aspirations of business owners

In particular, GEM calculate entrepreneurship activity rates for the following business categories:

- Startups: businesses that have recently been created and have paid salaries for the last three months (SU)
- Young Businesses: businesses that have paid salaries for more than three months but less than forty-two months (BB)
- Established Businesses: Businesses that have been operating for more than forty-two months (EB)

TEA: GEM also reports what is known as the TEA rate, (The Early stage Activity) which combines the two categories, startups and baby businesses (TEA).

This differentiation of business types reinforces the concept that entrepreneurship is a dynamic process that individuals progress through from the initial idea behind a business – what is known as the conception stage, to actually implementing activity to turn the idea into reality – know as the firm birth stage, and then finally being able to turn the business into an ongoing, successful business operation – known as the persistence stage. This process from inception to establishment is presented in Figure 1.

![Figure 1 The Entrepreneurial Process and GEM Operational Definitions](image-url)
Hence, the TEA rate as calculated by GEM, captures all those individuals who are trying to start up a business as well as those who have recently launched their business. GEM defines the birth of a business occurring when a business has paid salaries to their workers for more than 3 months. Much of this Report will focus on this important component of the business development process and emphasis will be placed on the TEA phase and types of business activity coming from TEA firms.

1.03 The Face to Face Interviews of National Experts on Entrepreneurship

The second key component of the GEM study entails in-depth face to face interviews with 36 National Experts on entrepreneurship in the UAE. These informants were selected based on their expertise in one of the following frameworks which GEM has identified as being critical to providing a supportive entrepreneurship environment.

- Finance
- Government policies
- Governmental programs
- Education & Training
- R & D transfer
- Commercial and services infrastructure
- Internal market openness
- Access to physical infrastructure
- Cultural and social norms
- Opportunities to start up a business
- Abilities, knowledge to start up a business
- Entrepreneur’s social image
- Intellectual property rights
- Women’s support to start up a business
- Attention to high growth
- Interest for innovation
- Social Entrepreneurship (Special focus for GEM 2009)

In addition to completing an extensive questionnaire which covers questions regarding the above sixteen frameworks, most of the respondents spent approximately one hour in a face-to-face interview outlining their experience and opinions on the UAE business environment as well as identifying areas of enhancers and inhibitors of entrepreneurial activity within the UAE.

By incorporating our findings from both of these research components of the GEM study we are able to provide both a detailed analysis of business creation and development as well as a broad overview of the entrepreneurial environment in the UAE in 2009. The complementary nature of this process is highlighted in Figure 2 which presents the revised GEM 2009 model which illustrates how the different components of the GEM study link together to provide a model for better understanding the role of entrepreneurship and new business creation in generating national economic growth.
1.04 Types of Entrepreneurship

The motivation driving people to start their own business is of critical importance. GEM measures two types of entrepreneurship based on two different motivations:

- **Opportunity Entrepreneurship**: A person sees an opportunity in the market that they believe they can satisfy through opening their own business.
- **Necessity Entrepreneurship**: A person will start their own business due to the lack of better job alternatives.

This distinction is important because in previous GEM studies, GEM ranked countries by aggregate entrepreneurship rates (without distinguishing between opportunity and necessity entrepreneurship) which often lead to countries not well known internationally for being entrepreneurial to perform very well on GEM rankings and has led to some criticism of the usefulness of GEM data. In particular, poorer, developing countries tend to have high levels of necessity entrepreneurship as opposed to richer, developed economies who have very low levels of necessity based entrepreneurship. Given this, throughout this report, when ranking countries on various types of entrepreneurship rates, it is important to be cognisant of this issue. To help overcome some of the difficulties with ranking countries...
on their level of TEA rates, GEM in 2008 introduced a revised version of the “GEM Model” which focuses on the role of entrepreneurship in different phases of economic development. By differentiating countries based on their different level of economic development this allows for a more practical and meaningful comparison of entrepreneurship rates between similar countries. GEM uses the following three key classifications to group countries based on their level of economic development which is used by the World Economic Forum when calculating the widely referred to Global Competitiveness Index:

- Factor-driven stage economies
- Efficiency-driven stage economies
- Innovation-driven Stage economies (also referred to as Wealthy Nations)

This relationship between entrepreneurship and economic development was first outlined in the 2002-2003 Global Competitive Index Report (Porter, Sachs, Cornelius, McCarthur, & Schwab, 2002). The basis for the classification is a function of both a country’s GDP per Capita and the share of exports of primary goods in total exports. According to this classification, the UAE falls into the category of an innovation driven economy. The 2009 GEM Global Report outlined the role of entrepreneurship in different phases of economic development as presented in Table 2 below.

Table 2 The Role of Entrepreneurship in Different Phases of Economic Development

<table>
<thead>
<tr>
<th>Entrepreneurship in Factor-driven Economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Countries with low levels of economic development and GDP per Capita generally have economies which are dominated by the agricultural sector. Most people in these economies live in the countryside and live off the land through various farming processes.</td>
</tr>
</tbody>
</table>

As industrial activity in the economy starts to develop, often as a result of extraction of primary resources, the increase in economic activity creates job opportunities and we see a migration of workers from the countryside to rural areas to work in extractive and emergent scale-intensive sectors. Often these industries are located in specific geographic areas/industrial zones which attract foreign investment inflows as a result of special government benefits/incentives. This creation of industrial/economic activity feeds subsistence entrepreneurship as surplus workers create self-employment opportunities enabling them to make a living.

<table>
<thead>
<tr>
<th>Entrepreneurship in Efficiency-driven Economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>As industrialisation of the economy proceeds, institutions are created/developed to provide support for further industrialisation and to benefit from economies of scale in production. This is usually associated with Government policies which provide support to large business/multinationals. With this development opportunities emerge in industrial supply chains for SME’s to provide niche services to these larger businesses. As a result of this, often in a scale-intensive economy, necessity driven industrial activity gradually is replaced by an emerging small-scale manufacturing sector.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Entrepreneurship in Innovation-driven Economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>As economies develop further with associated higher levels of income and wealth, there is a shift away from an emphasis on industrial activity towards an expanding service sector that can provide services demanded by a more affluent, high-income society. This shift is also accompanied by an industrial sector that evolves with improvements in variety and sophistication. As knowledge-generating institutions in the economy gain a stronger footing, there is an increase in research and development</td>
</tr>
</tbody>
</table>

Global Entrepreneurship Monitor 2009
and knowledge intense economic activity. This creates opportunities for innovative, opportunity-seeking entrepreneurial activity that is not afraid to challenge and compete with established firms in the economy. This small and innovative firms are able to operate as "agents of creative destruction" and with an appropriate business environment in place, can emerge as key drivers in economic growth and wealth creation. (Bosma & Levie, 2010)

In this year’s UAE National Report, we will compare both the UAE’s performance against the other fifty three countries that participated in GEM as well as the UAE’s performance against the other nineteen innovation-driven economies that the UAE’s level of economic development and wealth is similar to. Table 3 lists the fifty four competing countries in the GEM 2009 study according to their economic classification.

Table 3 Classification of GEM countries by level of Economic Development

<table>
<thead>
<tr>
<th>Factor-Driven Economies</th>
<th>Efficiency-Driven Economies</th>
<th>Innovation-Driven Economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria*</td>
<td>Argentina</td>
<td>Belgium</td>
</tr>
<tr>
<td>Guatemala*</td>
<td>Bosnia &amp; Herzegovina</td>
<td>Denmark</td>
</tr>
<tr>
<td>Jamaica*</td>
<td>Brazil</td>
<td>Finland</td>
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<tr>
<td>Lebanon*</td>
<td>Chile*</td>
<td>France</td>
</tr>
<tr>
<td>Morocco*</td>
<td>China</td>
<td>Germany</td>
</tr>
<tr>
<td>Saudi Arabia*</td>
<td>Colombia</td>
<td>Greece</td>
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<tr>
<td>Syria*</td>
<td>Croatia*</td>
<td>Hong Kong</td>
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<tr>
<td>Tonga</td>
<td>Dominican Republic</td>
<td>Iceland</td>
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<tr>
<td>Uganda</td>
<td>Ecuador</td>
<td>Israel</td>
</tr>
<tr>
<td>Venezuela</td>
<td>Hungary*</td>
<td>Italy</td>
</tr>
<tr>
<td>West Bank &amp; Gaza Strip</td>
<td>Iran</td>
<td>Japan</td>
</tr>
<tr>
<td>Yemen</td>
<td>Jordan</td>
<td>Republic of Korea</td>
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<tr>
<td></td>
<td>Latvia*</td>
<td>Netherlands</td>
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<tr>
<td></td>
<td>Malaysia</td>
<td>Norway</td>
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<td>Panama</td>
<td>Slovenia</td>
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<td></td>
<td>Peru</td>
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<td></td>
<td>Romania*</td>
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<td></td>
<td>Russia*</td>
<td>United Kingdom</td>
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<td></td>
<td>Serbia</td>
<td>United Arab Emirates</td>
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<td></td>
<td>South Africa</td>
<td>United States</td>
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<td></td>
<td>Tunisia</td>
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<td></td>
<td>Uruguay*</td>
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</tbody>
</table>

*Country in transition to next stage
1.05 Introduction – UAE and the Global Economy

The Financial Crisis of 2008 pushed the world into a global recession in 2009 the likes not seen since the Great Depression of the 1930’s. The UAE saw its rapid economic development slow sharply. GDP growth in the UAE is expected to have been negligible in 2009, down sharply from a strong 7.4% growth rate in 2008. The UAE’s economy was hit hard early in 2009 when global oil prices fell to $32 on international markets, down sharply from a peak of $147 reached in July 2008. Despite the UAE’s successful attempts to diversify its economy away from oil related industries over the last few years, (from 2005-2007 oil related industries still contributed 59% to the GDP of Abu Dhabi, the Emirate that holds 90% of the UAE’s total oil reserves), this massive drop in oil revenue saw economic growth slow across the UAE.

The Emirate of Dubai which has successfully diversified its economy away from oil (Dubai has limited oil reserves which are expected to expire within the next 20 years) was less affected by the drop in global oil prices but took a massive hit from the global economic downturn. Dubai’s three key sectors, Real Estate, Tourism and Trade contracted sharply - property prices fell by more than 50% and are still falling, tourism numbers dropped sharply and international trade flows dried up as economies across the globe fell into recession.

The extent of the economic damage to Dubai was highlighted by the announcement in November 2009 from Dubai World to restructure more than $50bn of debt it has accumulated over the past few years as the Dubai economy boomed. This announcement shook global markets and as at the time of writing, has yet to be resolved despite an injection of $10bn from the Abu Dhabi government to help Dubai meet urgent debt obligations.

The gradual increase in oil prices over 2009 to present levels above $80 should help deliver economic growth back to the UAE in 2010. Recent IMF reports estimate GDP growth of 3% is expected for the UAE in 2010 however the UAE is becoming very much a tale of two cities with Abu Dhabi expected to achieve 4% GDP growth in 2010 while the Dubai economy is expected to continue to contract.

Despite the serious economic damage that has hit the UAE over the last 12 months resulting in substantial job losses and wealth reduction, the global economic crisis has been a blessing in disguise for the UAE in a number of key areas. Inflation which had plagued the UAE over the last four years and which most economic commentators agreed was out of control in late 2007 and early 2008, is now gone. The Government estimates inflation in the UAE to be approximately 3% in 2009 (some estimate it to be closer to zero) down sharply from the 11% (conservative) estimate of inflation in 2008. Much of this disinflation has come from the sharp contraction in prices and rentals for residential and commercial property. For UAE businesses, this has been one of the key benefits arising from the global economic crisis, with rentals for office space falling massively, particularly in Dubai which has seen contractions in the range of 40-80%.

The GEM UAE National Report in 2007 identified the high costs of doing business, in particular office rents, fuelled by insufficient office space supply across the UAE. Many of the free zone areas in the UAE had six to twelve month waiting lists, as demand for office space in the UAE outstripped supply. These
major barriers to doing business have now been removed in Dubai where significant new supply of commercial space has been released onto the market in 2009 and in conjunction with falling demand have led to the sharp falls in commercial rental rates. Recent estimates say that more than 40% of commercial office space in Dubai is now vacant.

In Abu Dhabi, only a limited amount of new supply reached the market in 2009 and hence the reduction in office rental rates has been less pronounced. However, moving forward in 2010 and 2011, significant increases in commercial office supply will reach Abu Dhabi and this should provide some cost relief to current and potential business owners.
2.0 Entrepreneurship Activity in the UAE and Across the Globe

In the following section, we will provide data analysis from the Adult Population Survey which was conducted in the UAE from April to June, 2009. This random sample of the UAE population involved more than 2000 respondents who were contacted by telephone and asked a range of questions regarding their attitudes, aspirations and activity in regards to entrepreneurship. Each participating country in the GEM Study, sends their country data set to GEM for aggregation and harmonisation enabling accurate and meaningful comparisons to be made on different country’s survey results.

Through this process, participation rates were calculated for each of the key GEM business categories – business start-ups, young businesses, established businesses and the Total Entrepreneurial Activity rate (business start-ups plus young businesses). We will now look at each of these key business activity rates across all fifty four GEM participating countries in 2009.

As Figure 3 reveals, business start-up rates in developing economies are significantly higher than in more developed economies. As discussed earlier, this is a function of the type of entrepreneurship being measured. In countries like Yemen, Peru, Colombia and Guatemala much of this entrepreneurship is classified as necessity entrepreneurship as opposed to opportunistic entrepreneurship which dominates developed, innovation driven economies like the United Arab Emirates. Regardless of this, in the fifty four countries that participated in GEM 2009, Yemen had the highest proportion of their population involved in business start-up activity at 22.85%. The UAE was ranked 17th with a business start-up activity rate of 6.50% - this number has increased 38% from pre-global recession results of 2006-2007. This growth in business start-up activity is the strongest amongst all innovation driven economies in GEM and compares very favorably with countries like the United States (-24%), Denmark (-17%), Spain (-12%, Germany and Norway (-9%), Italy (-7%) and the UK (-6%)

![New Business Start-up Activity Rates 2009](image.png)

Figure 3 New Business Start-up Activity Rates for all GEM countries in 2009

Figure 4 presents the activity rates for young businesses (3 - 42 months old) across all fifty four GEM countries in 2009. As was the case with business start-up activity rates, developing economies have high
young business activity rates due to high levels of necessity entrepreneurship. In the UAE, 7.38% of the population is involved in a young business, ranking the UAE 13th out of the fifty four countries. This is an 80% increase on the 2007 UAE young business activity rate of 4.09%. Uganda has by far, the highest young business activity rate with more than 22% of its population involved in a young business.

Figure 4 Young Business Activity Rates for All GEM Countries in 2009

Figure 5 reveals that the proportion of people in the UAE who are involved in Established Business Activity is 5.71%, ranking the UAE 34th out of 54 GEM countries in 2009. This also shows a strong increase from 2007 when the Established business activity rate in the UAE was 3.38%. The UAE’s relatively low ranking in established business activity reflects the relatively young age of the UAE economy.

Figure 5 Established Business Activity Rates for all GEM Countries in 2009
The UAE has seen increases in all four business category participation rates and rankings since 2007, with new Start-ups rising from 4.6% to 6.5%, Baby Businesses increasing from 4.09% to 7.38%, the TEA rate increasing from 8.44% to 13.25% and Established Businesses rising from 3.38% to 5.30%.
Interestingly, when comparing the performance of the UAE in each of the GEM business categories over the three years that the UAE has participated in GEM (2006, 2007 and 2009) to the average of all other GEM competing nations in those three years, the UAE has performed exceptionally well as highlighted in Figure 7. The UAE is the only country (out of the 25 countries that participated in GEM 2006, 2007 and 2009) that has shown positive growth in all four GEM categories. This relative outperformance compared to other GEM countries is shown clearly in Figure 8 which compares UAE growth in each of the main business categories measured by GEM.

2.01 Analysis by Phase of Economic Development.
As discussed earlier in Section one of this report, there has been an important change in the way GEM data is analysed and presented since the last time that the UAE participated in the study in 2007. GEM has now incorporated Michael Porter’s model of classifying countries in GEM by their level of economic development. The UAE is classified as an Innovation-driven economy based on its GDP per Capita and its share of primary goods as a percentage of its total exports. We believe that the usage of the term...
innovation-driven in this context is misleading - particularly in the case of the UAE whose classification into this group of economies is primarily a function of the Country’s high GDP Per capita which has risen sharply due to increasing oil revenues. Having said this, we prefer to use the label ‘Wealthy Nations’ rather than ‘innovation-driven’ economies and will do so for the rest of this report. There are nineteen other countries in GEM 2009 that are classified as wealthy nations. By comparing entrepreneurship activity between countries with the same level of economic development enables a clearer and more meaningful analysis and also resolves the problem of the different types of entrepreneurship (necessity and opportunistic) changing based on a country’s level of economic development (typically less developed economies have higher levels of necessity entrepreneurship while developed economies have higher levels of opportunistic entrepreneurship).

Table 5 presents all of the key GEM business participation rates and shutdown rates for all 54 countries that participated in the GEM 2009 study. Countries are grouped by their economic classification.
<table>
<thead>
<tr>
<th>Country</th>
<th>Start-ups</th>
<th>Baby Firms</th>
<th>Established</th>
<th>TEA</th>
<th>Any Business</th>
<th>Shutdown</th>
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</thead>
<tbody>
<tr>
<td><strong>Factor Driven</strong></td>
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<td></td>
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<tr>
<td>Algeria</td>
<td>11.3</td>
<td>5.6</td>
<td>4.7</td>
<td>16.7</td>
<td>5.2</td>
<td>21.2</td>
</tr>
<tr>
<td>Guatemala</td>
<td>14.8</td>
<td>12.6</td>
<td>4.2</td>
<td>25.1</td>
<td>5.4</td>
<td>27.8</td>
</tr>
<tr>
<td>Jamaica</td>
<td>13.0</td>
<td>10.6</td>
<td>16.3</td>
<td>22.7</td>
<td>8.5</td>
<td>37.9</td>
</tr>
<tr>
<td>Lebanon</td>
<td>6.7</td>
<td>8.8</td>
<td>16.0</td>
<td>15.0</td>
<td>3.1</td>
<td>30.2</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>2.9</td>
<td>1.9</td>
<td>4.1</td>
<td>4.7</td>
<td>1.5</td>
<td>8.4</td>
</tr>
<tr>
<td>Syria</td>
<td>3.4</td>
<td>5.1</td>
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Table 5 Business Participation and Discontinuation Rates for all GEM countries

Figure 8 displays the Early-Stage Entrepreneurial Activity for all 54 GEM countries grouped by their economic classification. This graph highlights the strong distinction that exists between TEA rates and a countries level of economic development.

Figure 8 TEA rates for all GEM Countries grouped by Economy Classification

2.02 UAE’s Performance compared with other Wealthy Nations

Repeating the previous analysis that was conducted in Table 5, the participation rates for the UAE in each of the four key GEM categories are presented in Table 6. When compared against countries with
similar levels of economic development, the UAE performs exceptionally well with the highest young business and TEA rates, and the second-highest business start-up rate.

<table>
<thead>
<tr>
<th>GEM category</th>
<th>Participation Rate</th>
<th>Ranking out of 20 GEM Innovative Driven Economies</th>
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<tr>
<td>Business Start-ups</td>
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<td>Young Businesses</td>
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<td>TEA</td>
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<td>Established Businesses</td>
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<td>13th</td>
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<td>Any Business</td>
<td>18.31%</td>
<td>4th</td>
</tr>
<tr>
<td>Business Shutdown</td>
<td>3.72%</td>
<td>20th</td>
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Table 6 UAE Business Activity Rates and Rankings compared to other Wealthy Nations

Figures 14-17 graphically show the participation rates for each of the four key GEM categories for all twenty countries in GEM 2009 that are classified as innovation-driven (wealthy) economies. The UAE’s performance is impressive and is undoubtedly linked to its strong improvement in the Global Competitiveness Index and World Bank Doing Business Report rankings. Over the last two years the UAE has improved its ranking in both of these indexes far more than any other wealthy nation competing in GEM 2009. The UAE’s performance in both of these Global Index’s will be discussed in more detail in Section 5 of this report.

As outlined earlier, one of the guiding principles of the GEM study is that entrepreneurship is a process. GEM is able to capture attitudes, activities and aspirations in different phases of entrepreneurship as presented earlier in Figure 1. We will now turn our attention to the crucial nascent phase of entrepreneurship where businesses are in gestation and are involved in setting up their business operations.

2.03 Analysis of Business Start-up Activity in the UAE

The Business start-up activity rates measured by the GEM Adult Population Survey provides the strongest current, quantitative indication of entrepreneurship growth within an economy. Please note that business start-ups as classified by GEM refer to business that are in the process of launching their business or who have paid less than three months salaries. Hence, analysis of business start-up activity gives an important insight into new business activity creation in the UAE. We will now dig deeper into this critical area of SME development in the UAE.
As figure 9 reveals, the UAE has the second highest business start-up rate amongst the twenty wealthy nations that participated in the 2009 GEM study. Iceland (7.55%) and the UAE’s (6.50%) business start-up rates are significantly higher than the other countries in this grouping. As highlighted in the GEM Global Report, when comparing estimates on pre-recession results of 2006-2007 with 2008-2009, individuals starting new businesses dropped 24 percent in the United States, 17 percent in Denmark, 12 percent in Spain and Belgium, 9 percent in Germany and Norway, 7 percent in Italy and 6 percent in the UK but rose 38 percent in the UAE. Unfortunately, due to the non-participation of the UAE in the GEM study in 2008, we are unable to calculate how much of that increase occurred from 2007 to 2008 and how much occurred from 2008 through to 2009. Given the strong GDP growth achieved by the UAE in 2008 of 7.4% and the estimated 0% GDP growth in 2009, it is highly likely that most if not all of the 38% increase in business startups occurred during the 2008 period. However, there is no denying that the UAE’s performance in business start-up activity growth from 2007 to 2009 is impressive when compared to other GEM countries.

Figure 10 Business Start-up Rates in the UAE (2006 – 2009)
Business start up rates for the UAE are shown in Figure 10 and show strong steady growth over the last three years despite the global economic crisis which caused business start-up rates to fall in half of the GEM participating countries in 2009.

2.04 Business Start-up Activity by Gender
Since 2007, most of the growth in business start-up activity has come from the male population in the UAE. Figure 11 presents the business start-up activity rates by gender in the UAE since 2006.

![Business Start-up Activity in the UAE by Gender](image)

**Figure 11** Business Start-up Activity in the UAE by Gender
In 2007, business start-up activity jumped sharply for both males and females in the UAE. Since 2007, female business start-up activity has increased marginally from 2.7% to 3.1% in contrast to the strong growth in male business start-up activity which rose from 5.8% to 7.7%.

2.05 Business Start-up Activity by Emirate
Figure 12 presents the business start-up activity rates for each of the seven Emirates in the UAE.

![Business Start-up Activity in the UAE by Emirate](image)

**Figure 12** Business Start-up Activity in the UAE by Emirate
Five of the seven Emirates experienced increases in their business start-up activity rates. Abu Dhabi, Dubai, Ajman, Fujeirah and Sharjah all saw increasing business start-up activity with both Ajman and Fujeirah experiencing particularly strong growth. Ras Al Khaimah and Umm Al Quwain saw falls in their business start-up activity however some caution needs to be placed on these findings as the sample sizes are relatively small when broken down by this one type of business activity across seven Emirates.

2.06 Business Start-up Activity in the UAE by Income Group
Given the global shake-up that occurred in 2008 and 2009, with large increases in unemployment rates in the UAE, it is pertinent to consider where the significant increase in business startups is coming from in regards to the income of individuals. Figure 13 shows the business start-up rates in the UAE for different income groups and reveals an interesting relationship.

![Business Start-up Activity in the UAE by Income Classification](image)

**Figure 13** Business Start-up Activity in the UAE by Income Classification
Business start-up activity is being dominated by high and low income individuals which may simply represent the two different types of entrepreneurship – necessity and opportunistic entrepreneurship. However, in 2009 most of the TEA is opportunity entrepreneurship (11.9%) with only a small component of necessity entrepreneurship (1.2%). This may imply that people on lower incomes are turning towards entrepreneurship not out of necessity but in order to simply improve their economic situation.

2.07 Business Start-up Activity by Nationality
Figure 14 presents the business start-up activity rates by nationality in the UAE. Please note that the GEM study in the UAE uses five key nationality categories to group respondents in the Adult Population Survey – Local Emiratis, GCC Nationals, Arab Expatriates, Asian Expatriates and Western Expatriates.
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When examining the level of business start-up activity by Nationality in the UAE, what is surprising is the majority of the growth in business start-ups since 2006 have come from the local Emirati, GCC National and Arab expatriate populations. There has been minimal growth in Asian expatriate business start-up activity and most surprisingly, there are no new business start-ups coming from the Western expatriate population.

### 2.08 Business Start-up Activity by Age

Figure 15 displays the business start-up activity rates by age group in the UAE. Since 2007, there has been a sharp increase in business start-up activity in the 35-44 age group jumping from 5.3% in 2007 to 8.4% in 2009. The 25-34 and 45-54 age groups also showed steady growth in business start-up activity. Business start-up activity dropped off in both the 18-24 and 55-64 age groups reflecting a concentration in new business activity in the UAE within the 25-54 age group.
2.09 Analysis of Young Business Activity Rates

In the previous section, we analysed new business start-up activity rates across the UAE. As highlighted earlier, GEM refers to Total Entrepreneurial Activity (TEA) rates as an important indicator of new and young business activity in an economy. In this section we will analyse further, the second component of TEA activity, young businesses. These are businesses that have paid wages for more than 3 months and less than 3.5 years. GEM has implemented this cut-off point of 42 months based on a combination of theoretical and operational grounds primarily being that most new businesses do not survive beyond three or four years. Hence, analysis of this phase of the entrepreneurship process is critical and may be able to provide important insights to better enable policy makers to decrease the failure rate of new businesses moving forward.

Figure 16 presents the young business Rates for all twenty wealthy nations participating in the GEM 2009 study. The superior performance of the UAE relative to other wealthy nations is clear. More than 7% of the UAE population is involved in their own young business, far exceeding all other wealthy nations.

![Young Business Rates in Wealthy Nations](image)

Figure 16 Young business activity rates in Wealthy Nations

As with Business start-ups, young business activity rates have shown strong, steady growth in the UAE since 2006. Figure 17 presents the young business activity rates in the UAE since 2006.
Global Entrepreneurship Monitor 2009

Figure 17 Young Business Activity Rates in the UAE (2006-2009)

We can see that young business activity rates in the UAE have shown strong growth since 2006 climbing from 2.2% in 2006 up to 7.4% in 2009 an overall increase of more than 235%. This is also more than double the average young business activity rate for wealthy nations in 2009 of 3.1%. Although these rate increases are impressive, as we know, most businesses struggle to move from this phase of the entrepreneurship process into an established successful business. What will be important over the coming years, is to maximize the survival rate of these businesses and allow them to establish themselves in the UAE market.

2.10 Young Business Activity By Emirate

Figure 18 displays young business activity rates since 2006 across all seven Emirates in the UAE. Since 2007, young business activity rates have increased in all Emirates except for Umm Al Quwain. The strongest growth in young business activity has occurred in Abu Dhabi, Sharjah and Ajman.

Figure 18 Young Business Activity Rates in the UAE by Emirate (2006-2009)

2.11 Young Business Activity by Age Group

Young business activity saw sharp increases in two key age groups – the 25-34 and 35-44 age groups. Figure 19 presents young business activity rates across different age groups in the UAE since 2006. We continue to see a clear convergence in new and young business activity centered around the 25-44 age group however this trend has become much more significant since 2007.

Figure 19 Young Business Activity Rates in the UAE by Age Group (2006-2009)

2.12 Young business Activity by Income Group

Young business activity in the UAE is dominated by high income individuals as presented in Figure 20. More than 10 percent of high income individuals (monthly income greater than 15000AED) are involved in young business activity.

Figure 20 Young Business Activity in the UAE by Income Group (2006-2009)
The young business activity rate is quite similar across all Emirates at around 6-8% apart from Umm Al Quwain which saw a sharp decline in 2009 (again caution needs to be placed on this data, particularly for the smaller Emirates such as Umm Al Quwain as the sample size becomes extremely small).

2.11 Young Business Activity by Age Group

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2.12 Young business Activity by Income Group

Young business activity in the UAE is dominated by high income individuals as presented in Figure 20. More than 10 percent of high income individuals (monthly income greater than 15000AED) are involved in young business activity.
We also see that young business activity in the UAE is inversely related to an individual’s monthly income. Generally, as a person’s income level falls, their likelihood of being a young business owner also falls. This is an interesting finding as it is in contrast to Figure 13 which highlighted a strong U-shaped relationship between income and business start-up activity. From this we can conclude that the recent increase in business start-up activity is coming from a new source of income category in the UAE – the low income group (below 4000AED/month).

As this seems to be a new trend in the UAE, it is important to understand the type of business activity being created by this income group. Figure 21 shows the breakdown of business activity by Income category for TEA firms.

![TEA Business Classifications by Income Group](image)

**Figure 21 Type of Business by Income Group**

There is a clear difference in the type of business activity the low income group specializes in with more extractive and transformative businesses which can be classified as relatively low value-added business activity. This may be a concern for the UAE Government that is attempting to shape its economy towards a more knowledge based economy with high value and knowledge intensive products and services at its core.

### 2.13 Young Business Activity in the UAE by Gender

Figure 22 displays the young business activity rate in the UAE by gender from 2006 to 2009. The data from 2007 to 2009 shows what could be a disturbing pattern - females are having difficulties growing their business past the nascent phase of entrepreneurship. Business start-up rates for women have been increasing every year the UAE has participated in the GEM but as Figure 22 highlights, this is not leading into increased growth in young business activity which fell for women from 2007 to 2009. This is an important finding as there may be some key reasons unique to women in the UAE, that are making it more difficult for them to grow their business beyond an age of 3 months old.
being created by this income group. Figure 21 shows the breakdown of business activity by income group. As this seems to be a new trend in the UAE, it is important to understand the type of business activity that the low income group (below 4000AED/month) specializes in.

Figure 22 displays the young business activity rate in the UAE by gender from 2006 to 2009. The data shows a decrease in young business activity for women from 2007 to 2009, which could be disturbing as it indicates difficulties for women in growing their business beyond the nascent phase of entrepreneurship. Business start-up rates for women have generally increased every year the UAE has participated in the GEM, but this trend is not evident in the data from 2007 to 2009.

We also see that young business activity for men in the UAE has almost doubled from 4.5% in 2007 to 8.9% in 2009. This finding is important and could represent a shift towards a more knowledge-based economy with high-value and knowledge-intensive products and services at its core.

Figure 23 Young Business Activity in the UAE by gender (2006 – 2009)

On the flip side of this, young business activity for men in the UAE has almost doubled from 4.5% in 2007 to 8.9% in 2009.

2.14 Young Business Activity by Nationality

The breakdown of young business activity by nationality displayed in Figure 23, reveals a similar pattern to what is happening with business start-up activity however there are some key differences. Young business activity has shown strong growth in all five nationality groups particularly amongst local Emiratis, GCC Nationals and Arab Expatriates. This strong growth amongst these three groups is also appearing in business start-up activity confirming that this trend is continuing and that the UAE is positioning itself as a critical hub in the re-emergence of Arab entrepreneurship in the Middle East.

Figure 23 Young business activity in the UAE by nationality (2006 – 2009)

Young business activity has shown strong growth amongst the Western expatriate community climbing to 6.6% in 2009. However, this growing role in young business activity is no longer present in new business start-up activity as shown earlier in Figure 14. This finding is important and could represent a decrease in the perceived entrepreneurship environment and level of support for Western expatriates in
Given this, it is timely that the Mohammed Bin Rashid Establishment for SME Development is planning to open up a number of programs and services that they offer to expatriates in 2010 – this could have a significant impact on addressing this relatively new area of weakness in UAE entrepreneurship growth moving forward.

2.15 Business Discontinuation Rates
The UAE also has the highest business discontinuation rate of any wealthy nation at 3.72%. This is more than double the average shutdown rate of other wealthy nations. However, some caution needs to be placed on these findings as a number of the reasons given by firms that discontinued their business operations are actually positive. For example, some firms closed their business because they had an opportunity to sell their business, their exit was planned in advance or they had received another job or business opportunity.

Table 7 outlines the reasons given by business owners for exiting their business for each of the three economy classifications in GEM as well as for the UAE. Unlike other GEM countries, the proportion of UAE business that shutdown because the business wasn’t profitable was relatively low at only 22%. Positively, close to 10% of UAE businesses shutdown because they had the opportunity to sell and more than 20% of UAE businesses shutdown because of another job or business opportunity. One area of concern though, is the high proportion of UAE businesses that shutdown because of difficulties getting finance. This finding is not surprising as UAE banks and financial institutions massively reduced credit availability in 2008 and 2009 as a result of the global financial crisis, the sharp downturn in UAE property prices and the large outflow of “hot money” which left the country after the UAE government reinforced its position to maintain the currency’s peg to the US dollar.
Looking forward in 2010, this will continue to be a significant barrier for business creation as well as business survival for start-up and young businesses in the UAE. The recent announcement of the UAE Central Bank forcing UAE banks to increase provisions for loan defaults will also reduce credit availability further for SME’s in 2010.

2.16 The Relationship Between TEA rates and an Economy’s Standard of Living

In recent years, increasing attention has focused on the relationship between entrepreneurship and a country’s level of economic development. In the GEM 2008 Global Report, a new and revised model explaining the role of entrepreneurship in different phases of economic development was developed. Importantly this model reveals that the role and nature of entrepreneurship changes as an economy progresses through different levels of economic development.

As outlined in Section one of this Report, the revised GEM model seeks to explain the role of entrepreneurship and a country’s level of economic development. Figure 24 plots the TEA rate for the fifty four GEM countries and their respective GDP per Capita. As has been the case in previous years, a U-shaped relationship is present. This relationship is outlined in the GEM 2009 Global Report: countries with low levels of GDP per capita typically have a very large number of small businesses as surplus workers in the economy are forced to create self employment opportunities for themselves in order to make a living (Bosma & Levine, 2010). As outlined earlier, this type of entrepreneurship is known as necessity entrepreneurship. As economies start to develop from factor-driven to efficiency-driven economies, industrialisation of the economy starts to pick up speed and the development of small to medium sized firms specialising in manufacturing start to develop. Individuals who were previously self employed due to a lack of alternative employment opportunities are now absorbed by these SME’s and TEA rates decline in the economy. This decline arises primarily as a result of falling necessity entrepreneurship at an individual level which is being replaced by increasing levels of opportunity entrepreneurship at an SME level. This process of declining TEA rates is actually a good thing for an economy and is reflected in increasing GDP per capita levels. Finally, as economies mature and incomes rise to high levels, economic activity shifts away from industrial activity to more service-oriented activity and the role of innovation becomes increasingly important for individuals and SME’s to develop a competitive advantage and grow their business.
The UAE’s classification as an innovation-driven economy is partially derived from a high GDP per Capita level skewed by booming oil revenues over the past decade. The UAE’s TEA rate is much higher than all the other wealth nations that participated in GEM 2009. Both the UAE and Iceland have significantly higher TEA rates compared to other wealthy nations. This graph highlights the relative success that the UAE has accomplished in developing its standard of living through increased GDP per capita levels while at the same time generating comparatively high levels of new and young business activity growth.

2.17 What Type of New Business Activity is Being Generated in the UAE?

In the first section of this report, we focused on the percentage of the population who is involved in entrepreneurship, be it at the business start-up, young business, or established business stage. The findings illustrate that the UAE has a relatively high proportion of its population involved in entrepreneurship. We now turn our attention to what areas of the economy this business activity is taking place in. This analysis is extremely important for the UAE as the Federal Government has explicitly announced as a key objective to diversify its economic dependence away from oil towards a knowledge-based economy.
Chapter 2: New Business Activity in the UAE

2.17 What Type of New Business Activity is Being Generated in the UAE?

A high proportion of the population in the UAE is involved in entrepreneurship, which is critical in achieving a more dynamic, innovative, knowledge-based economy. This analysis is extremely important for the UAE as the Federal Government has explicitly announced as a key objective to diversify its economic dependence away from oil towards a knowledge-based economy. This analysis is of particular interest and importance as the UAE Federal Government has stressed their determination to transform the UAE economy into an advanced knowledge-based one and therefore the type of business activity and the level of technology being utilised by both start-up and young businesses in the UAE is critical in achieving this objective.

The composition of TEA activity in the UAE is significantly different to the other countries. Table 8 presents the sector breakdown for TEA activity in the UAE as well as the average for wealthy nations. The composition of TEA activity in the UAE is significantly different to the other countries. The UAE's classification as an innovation-driven economy is partially derived from a high GDP per Capita level skewed by booming oil revenues over the past decade. The UAE's TEA rate is much higher than all wealth nations that participated in GEM 2009. Both the UAE and Iceland have significantly higher TEA rates than the other wealth nations. The UAE has accomplished in developing its standard of living through increased GDP per capita levels while at the same time generating comparatively high levels of new and young business activity growth.

2.18 The Use of Technology in New TEA Activity

The composition of TEA activity is important to the UAE, but so is the extent to which technology is used in what businesses are offering the UAE market. The UAE consumer is well renowned for being one of the most tech-savvy consumers in the world.

The GEM Adult Population survey incorporates a number of questions that help identify the extent of technology and uniqueness UAE businesses are incorporating into their product and service offerings in the UAE. This analysis is of particular interest and importance as the UAE Federal Government has stressed their determination to transform the UAE economy into an advanced knowledge-based one and therefore the type of business activity and the level of technology being utilised by both start-up and young businesses in the UAE is critical in achieving this objective.

Analysis of the following questions in the GEM Adult Population Survey enable an assessment of how the UAE is performing in terms of the quality of new and young business activity and the goal of achieving a more dynamic, innovative, knowledge-based economy.

- Have the technologies or procedures required for this product or service been available for less than a year, or between one to five years, or longer than five years?
- Do all, some, or none of your potential customers consider this product or service new and unfamiliar?
- Right now, are there many, few, or no other businesses offering the same products or services to your potential customers?
- Have the technologies or procedures required for this product or service been available for less than a year, or between one to five years, or longer than five years?
Figure 25 shows the percentage of start-up and young businesses involved in businesses classified as high and medium technology across all fifty four GEM countries in 2009. The UAE ranks 18th in terms of the proportion of TEA businesses involved in the high/medium tech sector at 2.92%. This is well behind Belgium and Switzerland who have more than 8% of their TEA businesses involved in the high/medium tech sectors.

Figure 25 TEA Activity in High/Medium Technology Sectors

If we look at the UAE’s performance amongst similar wealthy nations, Figure 26 reveals that the UAE’s performance is still relatively disappointing ranking 11th out of the 20 innovation driven economies that participated in GEM 2009.

Figure 26 TEA Activity in High/Medium Technology Sectors

Looking back, since 2006, Table 9 reveals that there has been very little change in the level of TEA activity in high/medium tech sectors in the UAE. This is also reflected in the low level of high-tech exports (1%) in UAE’s overall export base (Legatum Institute, 2010). This apparent disconnect between growth in TEA activity across the UAE since 2009 and growth in TEA activity involved in the technology sector is concerning and reveals an area of weakness in the overall composition of entrepreneurship activity in the UAE.
Interestingly, when we examine the extent of established business activity in the high/medium technology sector, the UAE’s performance improves significantly when compared to other GEM countries. Figure 27 shows that the UAE’s ranking jumps from 18th for TEA businesses to 10th for established businesses which could be a function of the significant foreign direct investment inflows the UAE and in particular the Emirate of Dubai received from 2000 to 2007. What is concerning is this relatively high level of involvement of established businesses operating in the high/medium tech sectors in the UAE is not enabling business start-ups and young businesses to piggy back off these established businesses and become involved in their own high/medium tech business operations.

### Table 9 TEA Activity by Level of Technology (2006 – 2009)

<table>
<thead>
<tr>
<th>Year</th>
<th>No/Low-Tech</th>
<th>Med-Tech</th>
<th>Hi-Tech</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>98.3%</td>
<td>1.7%</td>
<td>0.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>2007</td>
<td>97.3%</td>
<td>0.9%</td>
<td>1.8%</td>
<td>100.0%</td>
</tr>
<tr>
<td>2009</td>
<td>97.1%</td>
<td>2.5%</td>
<td>0.5%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The GEM Adult Population Survey also asks respondents the following question:

*Have the technologies or procedures required for this product or service been available for less than a year, or between one to five years, or longer than five years*
This enables us to get a clearer view of whether UAE businesses are utilizing new technologies and/or procedures in their business offerings to the UAE market. Figure 28 displays the findings from this question and reveals a clear drop off in the percentage of TEA businesses using the very latest technology in their business operations in 2009. This could be a result of businesses cutting back on non-essential business expenditure to cope with the global economic crisis.

Figure 28 TEA Usage of New Technologies and Procedures in the UAE (2006-2009)

This finding is supported by Figure 29 which shows the number of TEA businesses that are offering products or services their customers perceive to be new or unfamiliar has dropped sharply in 2009 from 49.7% to 25.7%

Figure 29 TEA Firms offering products customers perceive as new (2006 – 2009)

However, when we look at the relative performance of TEA firms presented in Figure 30, the UAE usage of the latest technology ranks them 4th out of twenty wealthy nations behind Israel, France and Belgium. The UAE also has the 2nd lowest usage of technology more than five years old amongst all wealthy nations.
Figure 30 Innovation-driven economies usage of the latest technology

The relatively strong performance of UAE firms in terms of their adoption of the latest technology and procedures into their business operations may at first, seem to be at odds of the findings from the previous section which showed the number of business start-ups and young firms in the UAE whose business operations are classified as high/medium technology is quite low. The clear implication from this analysis is that new and young firms prevalence in high/medium tech businesses is relatively weak and is not effectively feeding off older firms in the UAE operating in these sectors. But across all new and young businesses in the UAE, their willingness and effectiveness in incorporating the latest technology into businesses that are not classified in the high/medium tech sector is relatively strong. An example of this would be recently launched online supermarket delivery services across the UAE whose business is not classified as high/medium tech but who may be using the latest technology and product ordering system in their website platform to their customers.

This technology adoption rather than technology innovation that is occurring in new and young businesses in the UAE may be a function of the relative youth of the UAE economy and in particular the minimal linkages and partnerships that exist between universities in the UAE and private and public sector industries. This is understandable when the oldest university in the UAE is only thirty four years old - this dynamic clearly differentiates the UAE from the other wealthy nations and is a significant barrier to increasing the number of new and young businesses that are involved in the high/medium tech sector.

Section 5 of this report will focus in more detail on the development of the R&D Sector in the UAE, including recent developments regarding the development of the Masdar Institute and Innovation City in Abu Dhabi and TechnoPark and the Dubai Biotechnology Park in Dubai which will hopefully stimulate R&D activity in the UAE in the coming years.

2.19 How Global is New and Young and Business Activity in the UAE?

Undoubtedly the UAE has an open and dynamic economy, with UAE exports and imports playing a significant role in the overall level of economic activity of business firms operating here. The GEM Adult Population Survey enables an insight into the internationalisation of UAE businesses and the extent to
which UAE firms are able to sell their products and services to the world. Figure 31 shows the percentage of TEA businesses that are classified as high export businesses (exporting more than 50% of their total sales) for all fifty four GEM countries.

Figure 31 TEA High Export Businesses

The UAE has the highest percentage of TEA firms that are classified as high export businesses, ahead of Iceland, Tonga and Latvia. Undoubtedly the UAE’s position as a trading hub for the Middle East Region is playing an important role in this high level of internationalisation that exists within TEA activity in the UAE. What is interesting is that this exists more at the start-up and young business level, than at the established business level in the UAE. Figure 32 displays the percentage of established businesses that are classified as high export businesses and reveals that the UAE’s relative performance drops sharply. Only 0.45% of established businesses in the UAE are classified as high export businesses, ranking the UAE 25th out of fifty four countries. This is an interesting finding for the UAE and may indicate that new business owners in the UAE are increasingly positioning their business to take advantage of the strategic location enjoyed by the UAE and seeking to offer their products and services to the global market.

Figure 32 Established High Export Businesses in GEM
2.20 Looking Forward - Business Start-up Expectations

The GEM Adult Population Survey allows a for a clear snapshot of entrepreneurial activity in the UAE across the entire spectrum of the entrepreneurship process – so far we have focused on a backward looking process to determine the actual entrepreneurship activity over the past year in the UAE. However, the GEM Adult Population Survey is also useful in that it captures a forward looking measurement of potential business start-up activity over the next three years. Results for this particular variable across GEM countries showed remarkable variation with figures ranging from only 4% of the population in Denmark that expect to start their own business up to 64% in Columbia. Figure 33 shows for all GEM competing countries in 2009, the percentages of their adult population who expect to start their own business within the next three years.

![Business Start-up Expectation over the Next Three Years](image)

**Figure 33 Business start-up expectations over the next three years**

The UAE has the 6th highest business start-up expectation rate across all fifty four GEM countries and the highest expectation rate amongst the twenty wealthy nations, with an impressive 43% of the population considering to start their own business within the next three years. As highlighted in Figure 34, this continues an upward trend in business start-up expectations since 2006 when only 8.5% of the population were considering starting up their own business in the coming three years.
Figure 34 Business start-up expectations in the UAE (2006-2009)

This increase in business start-up expectations is certainly not constant across UAE’s demographics. As displayed in Table 10, in terms of age groups there has been strong increases in business expectation intentions in the 25-34 and 35-44 age groups but at the same time, business expectation intentions have fallen significantly for the 18-24, 45-54 and 55-64 age groups. This finding continues to show that both actual and intended TEA activity in the UAE continues to be dominated by the 25-44 year old age group.

Table 10 Business Start-up Expectations in the UAE by Age group

<table>
<thead>
<tr>
<th>Year</th>
<th>18-24 years</th>
<th>25-34 years</th>
<th>35-44 years</th>
<th>45-54 years</th>
<th>55-64 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>8.5%</td>
<td>7.7%</td>
<td>7.2%</td>
<td>6.4%</td>
<td>13.9%</td>
</tr>
<tr>
<td>2007</td>
<td>45.7%</td>
<td>45.4%</td>
<td>34.1%</td>
<td>39.7%</td>
<td>30.4%</td>
</tr>
<tr>
<td>2009</td>
<td>34.2%</td>
<td>52.4%</td>
<td>44.1%</td>
<td>27.2%</td>
<td>21.0%</td>
</tr>
</tbody>
</table>

Interestingly, business start-up expectations plotted against income categories in Figure 35 show a U-shaped relationship. People with very low and very high incomes show much higher business start-up expectations compared to people with middle-incomes. This could reflect the two different types of entrepreneurship, necessity and opportunity entrepreneurship. Even though, existing rates of necessity entrepreneurship in the UAE is extremely low (1.2% of TEA activity compared to 11.9% of opportunity TEA activity), high inflation rates in the UAE since 2005 have made it more difficult for people on incomes below 7000AED a month to be able to cover all of their costs of living with their income (particularly as soaring rental costs in 2007 and 2008 made it almost impossible to rent a 2 bedroom apartment in Abu Dhabi and Dubai for less than 7000AED a month).
2.21 Entrepreneurship in the UAE and Age

TEA activity in the UAE is dominated by young people as displayed in Table 11. The proportion of people involved in TEA activity aged between 18-24 and 25-34 is very similar at approximately 16 percent. This far exceeds the average rate for the same age groups for wealthy nations. The proportion of people aged between 45-64 who are involved in TEA activity in the UAE is very similar to the average rate for wealthy nations.

<table>
<thead>
<tr>
<th>Age Group</th>
<th>% of Age Group involved in TEA Activity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>UAE</td>
</tr>
<tr>
<td>18-24</td>
<td>15.49</td>
</tr>
<tr>
<td>25-34</td>
<td>16.51</td>
</tr>
<tr>
<td>35-44</td>
<td>10.78</td>
</tr>
<tr>
<td>45-54</td>
<td>5.95</td>
</tr>
<tr>
<td>55-64</td>
<td>3.60</td>
</tr>
</tbody>
</table>

Table 11 TEA Activity in the UAE and Innovation-driven Economies by Age Group

This finding is an intriguing one for the UAE given how much new business activity is dominated by people under 35 years old in the economy. The UAE has a young and growing population. More than 25% of the population is aged under 15 with only 3.6% of the population aged over 65. Given the current situation in the UAE where new business growth is coming predominantly from people aged under 35 years old, if this trend continues over the next decade it is likely that there will be continued strong growth in overall TEA activity across the UAE.

Figure 36 shows the breakdown of TEA activity by age group for all twenty wealthy nations in the GEM study.
than males being Brazil, Tonga and Guatemala. Interestingly, there are three countries in the 2009 GEM study where the TEA rate is higher for females significantly lower than its neighbour Saudi Arabia with an extremely high ratio of 11.1.

The UAE has the 13th highest Gender TEA ratio at 2.5 indicating that there are 2.5 men involved in TEA activity for every one female. This is slightly higher than the global average Gender TEA ratio of 2.14 but significantly lower than its neighbour Saudi Arabia with an extremely high ratio of 11.1.

Interestingly, there are three countries in the 2009 GEM study where the TEA rate is higher for females than males being Brazil, Tonga and Guatemala.

Figure 36 TEA Activity in Wealthy Nations by Age Group

Only a handful of wealthy nations in the world have relatively high proportions of TEA activity coming from their 18-24 and 25-34 age groups. Greece, Iceland, the Netherlands, Norway, Slovenia and the USA all exhibit a skewness towards youthful TEA activity but none of them go close to the high levels found in the UAE.

2.22 Gender and Entrepreneurship in the UAE

Globally, entrepreneurship has traditionally been dominated by men as the difficulties and time constraints facing women who wish to have children, often make it very difficult for them to consider running their own business. This male domination is highlighted by Figure 37 which presents the ratio of male to female TEA activity in all fifty four GEM participating countries for 2009.

Figure 37 TEA Male/Female Gender Ratios for all GEM countries

The UAE has the 13th highest Gender TEA ratio at 2.5 indicating that there are 2.5 men involved in TEA activity for every one female. This is slightly higher than the global average Gender TEA ratio of 2.14 but significantly lower than its neighbour Saudi Arabia with an extremely high ratio of 11.1.

Interestingly, there are three countries in the 2009 GEM study where the TEA rate is higher for females than males being Brazil, Tonga and Guatemala.
The UAE female TEA rate of 6.26% is well above the average for innovation driven economies of 4.06%. Figure 38 displays the female TEA rates for the wealthy nations in GEM and clearly shows the relatively strong involvement of female entrepreneurs in the UAE economy. Only Iceland and Switzerland have higher TEA rates amongst their female population.

Figure 38 Female TEA rates in innovation-driven economies

Over the last three decades, the UAE has experienced an amazing economic transformation from a poor, factor-driven economy to an wealthy nation with one of the highest standard of livings in the world as measured by GDP per capita. Over the same period, the UAE has also experienced significant social and cultural changes, none more visible than the role that women now play in the UAE economy. The late Sheikh Zayed the late president of the UAE, believed that both men and women need to contribute to the UAE economy. He identified lack of education as being a key barrier preventing Emirati women from playing a significant role in the development of the economy.

"Women have the right to work everywhere. Islam affords to women their rightful status, and encourages them to work in all sectors, as long as they are afforded the appropriate respect. The basic role of women is the upbringing of children, but over and above that, we must offer opportunities to a woman who chooses to perform other functions. What women have achieved in the Emirates in only a short space of time makes me both happy and content. We sowed our seeds yesterday, and today the fruit has already begun to appear. We praise God for the role that women play in our society. It is clear that this role is beneficial for both present and future generations." (UAE Yearbook, 2004)

The impact of the late Sheikh Zayed’s support for Emirati women’s education is clearly seen in the UAE today. In fact, the 2009 Global Gender Gap Index Report ranked the UAE first out of 134 participating countries in terms of gender parity in secondary and tertiary education enrolment (Hausmann, Tyson, & Zahidi, 2009).

Across the UAE today, there are a number of organisations that have been created to provide dedicated support and training to females in the UAE. Organisations such as the National Strategy for the Advancement of Women which was established in 2002 declared its strategy’s purpose, ‘to activate the role of women and their positive participation in eight major and significant fields, including education,
the economy, information, social work, health, legislature and the environment, in addition to political and executive fields’ (Erogul & McCrohan, 2008). One of the most important achievements of the UAE National Strategy for the Advancement of Women was to create linkages between each of the Chambers of Commerce and Industry throughout the UAE. One of the main objectives in doing this was to influence policy makers and legislators while at the same time providing support and encouragement for business women across the UAE.

This is not to say that women in the UAE have achieved gender parity. In fact, the Global Gender Gap Index ranked the UAE 112th out of 134 participating nations in terms of gender parity which was down from 105th in 2008. Clearly, UAE women are becoming more educated and subsequently more involved in the UAE labor force. From less than 3% of the workforce in the 1970s, UAE women now account for 13.5% of the work force in 2006 (Emirates Business 24/7, 2010). Undoubtedly more support services need to be provided to women in the UAE to help them overcome some of the cultural and social barriers that still exist for them, particularly from within their family structure.

2.23 New Business Growth and Job Creation

The UAE is unique in that its economy is dominated by expatriates who account for more than 80% of the population. The downturn in the UAE economy over the past 18 months has been strong and has resulted in significant job losses, particularly in the Emirate of Dubai. However, the impact of the global economic crisis on the UAE has been felt differently by Emirati Nationals who account for approximately 18% of the population and the remaining expatriate population. As more than 90% of Emirati nationals work in the public sector, the UAE Government’s guarantee of no job losses in the public sector has shielded Emiratis from much of the economic distress felt in the UAE. Adding to this, the UAE Government also announced that private sector companies were not allowed to terminate jobs of Emirati Nationals as a direct result of the global economic crisis. This protection of Emirati jobs by the government is understandable but it also creating a culture amongst the Emirati population dependent on public sector employment which is renowned in the UAE for its high salaries and relatively low productivity level. The UAE government should seek to strengthen the productivity of its public sector by encouraging a culture of innovation and entrepreneurship within its government departments – this will be discussed in more detail in Section 5 which outlines the GEM team’s key policy recommendations.

Almost all of the jobs lost in the UAE over the past year have come from the expatriate population and with strict visa laws forcing expatriates to leave the country within 30 days of losing their job, this resulted in a significant decrease in the expatriate population which has amplified the negative impact of the global economic crisis on the UAE economy. A UBS Report in March 2008 predicted that the UAE population would shrink by 8% in 2009 and 2% in 2010. These predictions have been denied by UAE Government officials but there is no doubt there has been significant job losses in the expatriate population of the UAE in 2009.

Hence, moving forward in 2010, job creation is critical to kick-start the UAE economy. A recent report by Nomuara Holdings reported that Dubai and Abu Dhabi need to create about 150,000 white-collar jobs to provide enough buyers for the thousands of houses and apartments currently under
construction in the UAE. Similar to most developed economies, SMEs play a significant role in providing employment opportunities in the UAE. In fact, SME’s in the UAE account for about 85 per cent of employment in the UAE and contribute 46 per cent of its Dh535.6 billion (US$145.81bn) GDP (The National Newspaper, 2009). Any economic recovery in the UAE in 2010 will undoubtedly arise from increased SME activity.

The GEM Adult Population Survey provides a forward looking estimate of possible job creation by asking business owners their hiring expectations for the next five years. The data is positive for UAE job creation with more than 81% of TEA business owners in the UAE expecting to create at least five jobs over the next five years in their business. More importantly, 49% of TEA business owners expect their business to create more than twenty jobs over the next five years. This number is only exceeded by Russia where 55% of TEA business owners expect to create more than twenty jobs over the next five years. The breakdown of job expectations across all GEM participating countries in 2009 is shown in Figure 39 and illustrates a very positive job creation outlook for the UAE amongst TEA business owners. This finding clearly supports the expected return to economic growth in the UAE in 2010 forecast by the IMF.

![Figure 39 Job Growth Expectation by Economic Classification](image)

**Figure 39 Job Growth Expectation by Economic Classification**

GEM refers to entrepreneurs who have high job growth expectations as “Gazelles”. The percentage of “Gazelles” that exist in the UAE is higher than all other GEM competing countries except for China and equal to Columbia at 3.9%. Figure 40 shows the percentage of “Gazelles” in GEM countries in 2009.
2.24 Who are the Gazelles in the UAE?

Given the importance of Gazelles in generating new jobs over the coming five years it is important to understand this group of dynamic entrepreneurs operating in the UAE. The following figures show the composition of Gazelles in the UAE by the following demographic variables:

- Age
- Gender
- Education
- Emirate

As Figure 41 reveals, the ratio of male/female TEA Gazelles (3.70) is higher than the overall male/female TEA ratio of 2.49. From 2007 to 2009, there has been a doubling of the percentage of male TEA Gazelles.
in the UAE. The female TEA Gazelle rate increased marginally in 2009 from its value in 2007 after a significant increase from almost non-existent levels in 2006.

Figure 42 TEA Gazelles in the UAE by Age

Figure 42 shows that a high proportion of TEA Gazelles in the UAE come from the 25-44 year old demographic. There has been more than doubling of the percentage of TEA Gazelles in this age group from 2008. At the other end of the spectrum, the proportion of TEA Gazelles in the 55-64 age group has halved from 3% to 1.5%.

Figure 43 TEA Gazelles in the UAE by Nationality

The breakdown of TEA Gazelles by nationality in the UAE presented in Figure 43 reveals a surprising finding with GCC Nationals, Arab Expatriates and UAE nationals far more likely to be involved in businesses which will create high gob growth opportunities in the UAE over the next five years. This finding could indicate the importance of social, cultural, and linguistic factors in conducting business in the UAE. The proportion of Western and Asian expatriates who are TEA Gazelles is very low in comparison to their Arab counterparts.
Higher levels of education is not associated with increased Gazelle percentages as shown in Figure 44. The highest percentage of Gazelles in the UAE have only secondary education levels and there are no Gazelles who have completed their second stage of tertiary education. This is not surprising as typically somebody who wishes to pursue a doctorate degree is not associated with fitting the model of an individual who is likely to seek a career in entrepreneurship.

Earlier we outlined the breakdown of TEA activity in the UAE across each of the seven Emirates. Figure 45 presents the location of TEA Gazelles in the UAE. Please note that some caution needs to be used when interpreting these percentages as the sample size for some of the smaller Emirates is approaching levels where statistical analysis may be spurious.

The Emirates of Abu Dhabi, Dubai, Ajman, Fujeirah and Sharjah all saw strong increases in the proportion of TEA entrepreneurs who have become Gazelles. Only the Emirates of Ras Al Khaimah and Umm al Quwain saw declines in their TEA Gazelle proportions.
3.0 Attitudes Towards Entrepreneurship in the UAE

As mentioned earlier, the GEM study looks at three key aspects of entrepreneurship – activity, attitudes and aspirations. We now turn our focus to the attitudes towards entrepreneurship in the UAE. The GEM Adult Population Survey asks respondents seven key questions regarding attitudes towards entrepreneurship in the UAE. These questions include:

1. In the next six months there will be good opportunities for starting a business in the area where you live
2. You have the knowledge, skill and experience required to start a new business
3. Fear of failure would prevent you from starting a business
4. In your country, most people would prefer that everyone had a similar standard of living
5. In your country, most people consider starting a new business a desirable career choice
6. In your country, those successful at starting a new business have a high level of status and respect
7. In your country, you will often see stories in the public media about successful new businesses

In questions one to three, respondents were asked to answer yes or no to the question. In questions four to seven respondents, were asked to answer yes or no to whether they agreed with the statement.
Entrepreneurial Attitudes and Perceptions in the 54 GEM Countries in 2009, by Phase of Economic Development, GEM 2009

<table>
<thead>
<tr>
<th>Perceived Opportunities</th>
<th>Perceived capabilities</th>
<th>Fear failure*</th>
<th>Entrepreneurial intentions</th>
<th>Entrepreneurship as a good career choice</th>
<th>High Status to successful entrepreneurs</th>
<th>Media attention for entrepreneurship</th>
</tr>
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<tr>
<td><strong>Factor-driven economies</strong></td>
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<td>West Bank &amp; Gaza Strip</td>
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<td>Yemen</td>
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<td>average (unweighted)</td>
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<td><strong>Efficiency-driven economies</strong></td>
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<td>average (unweighted)</td>
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<td>48</td>
<td>34</td>
<td>14</td>
<td>56</td>
<td>56</td>
</tr>
</tbody>
</table>
3.01 Perceived Business Opportunities

Question one asks all respondents to the APS their perception on whether there are good business opportunities in the area that they live in over the next six months. This question is not asking the individual whether they will start their own business but rather is attempting to measure the awareness of business opportunities surrounding them. Figure 46 presents responses to this variable for all 54 GEM countries.

Figure 46 Perception of good business opportunities available over the next 6 months

Perception of good business opportunities ranged from a high of 73% of respondents in Uganda down to only 2.85% of respondents in Hungary. Figure 47 shows that in 2009, 45.5% of UAE respondents perceived there to be good business opportunities in their area over the coming six months. This represents a slight fall since 2007, not surprising given the sharp slowdown in economic growth in the UAE.

Figure 47 Perceived Business Opportunities in the UAE (2006 – 2009)

However, across all GEM countries the UAE has the 18th highest perception of business opportunities but more relevantly, amongst wealthy nations, business perceptions in the UAE are the second highest in this group as displayed in Figure 48.
Perception of business opportunities show some variation across the UAE in terms of nationality, age and Emirate. Figures 49-51 presents the findings for perceived business opportunities across these three factors.

Interestingly, we see a split in the UAE in terms of perceived business opportunities with three Emirates (Abu Dhabi, Fujairah and Ras Al Khaimah) seeing increases in perceived business opportunities, while four other Emirates experienced fairly sharp falls (Dubai, Umm Al Quwain, Ajman and Sharjah). This reduction in perceived business opportunities could be a result of the “Dubai effect” where a significant contraction in GDP activity in the Emirate of Dubai has had significant ripple on effects in the Emirates surrounding it. This ripple effect can be directly related to the Real Estate Sector. From 2006 to 2008 as rents in Dubai spiralled out of control, many residents were forced to move to adjacent Emirates (Ajman, Sharjah and Umm al Quwain) in order to have access to affordable accommodation. This overflow of people to adjacent Emirates drove up business activity and business opportunities in these smaller Emirates. However, as the Dubai property market began to turn in mid-2008 and has subsequently seen falls in both sales and rentals in excess of 50%, this flow of people has been reversed, with more and more people leaving the smaller Emirates and returning to live in Dubai.
Not surprisingly, business opportunities have continued to move upwards in Abu Dhabi as this Emirate has been the most sheltered from the global economic crisis due to relatively strong oil prices which averaged in excess of $70 in 2009.

Figure 50 shows that perceived good business opportunities fell sharply across all age groups except for the 25-34 years age group which continues to display surprising resilience to the more challenging economic conditions facing the UAE in 2009.

Figure 50 Perceived Business Opportunities in the UAE by Age
The economic difficulties in the UAE do seem to have impacted the Western expatriate more than other nationalities in 2009. Significant job losses in Dubai saw a large exodus of western expatriates in late 2008/early 2009 and there was substantial international media attention given to expatriates fleeing Dubai who had lost their jobs and as a result, their residence visas. All nationalities apart from Western expatriates saw improving levels of business opportunities from 2006 to 2009, with Local Emiratis and GCC Nationals seeing the sharpest increases in perceived business opportunities in their area looking forward six months.

Figure 51 Perceived business opportunities in the UAE by Nationality
Table 12 reveals a sharper drop in perceived business opportunities amongst females in the UAE which rose sharply from 2006 to 2007 but has dropped back significantly in 2009.

<table>
<thead>
<tr>
<th>Year</th>
<th>Perceived Good Business Opportunities in the Next Six Months</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Female</td>
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<tr>
<td>2006</td>
<td>32.4%</td>
</tr>
<tr>
<td>2007</td>
<td>45.8%</td>
</tr>
<tr>
<td>2009</td>
<td>36.6%</td>
</tr>
</tbody>
</table>

Table 12 Perception of Future Business opportunities by Gender
Female’s perception of business opportunities have been more affected by the economic climate in the country compared to men whose perception of good business opportunities since 2006 has remained fairly constant despite the sharp fluctuations in economic activity over the same period in the UAE.

3.02 Barriers to Business Start up Growth - Perceived Capabilities and Fear of Failure
As previous GEM Reports have found, there is a significant discrepancy between intended business start-up rates and actual business start up rates. Many factors may prevent someone who would like to open their own business, to actually moving forward and doing it. The GEM Adult Population Survey measures two important dimensions which can inhibit business start-up activity - perceived capabilities of having the right skills and training to start their own business and people’s fear of failure towards starting their own business. The two questions that addressed these issues in the Adult Population Survey are presented below:

- You have the knowledge, skill and experience required to start a new business
- Fear of failure would prevent you from starting a business

Respondents were asked to respond yes or no to the above statements. The results for all fifty four GEM countries in 2009 are presented in Figures 52 and 53.
Table 12 reveals a sharper drop in perceived business opportunities amongst females in the UAE which rose sharply from 2006 to 2007 but has dropped back significantly in 2009.

<table>
<thead>
<tr>
<th>Year</th>
<th>Perceived Good Business Opportunities in the Next Six Months</th>
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</thead>
<tbody>
<tr>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>2006</td>
<td>32.4%</td>
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<tr>
<td>2007</td>
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- You have the knowledge, skill and experience required to start a new business
- Fear of failure would prevent you from starting a business

Respondents were asked to respond yes or no to the above statements. The results for all fifty four GEM countries in 2009 are presented in Figures 52 and 53.

Figure 52 Knowledge, Skill and Experience to Start Own Business

A surprising finding is the wide spread of responses across the fifty four GEM countries with more than 80% of Ugandan’s believing they have the knowledge, skills and experience to start their own business as opposed to less than 20% of the Hong Kong population and only 13% of the Japanese population. In the UAE, more than 73% of the population believe they have the necessary skills and experience to start their own business. This has increased sharply since 2006 when less than 50% of the population felt this way. As an economy develops it can be seen in general that the confidence of individuals to start their own business falls away as highlighted in Figure 53.

Figure 53 Belief One Can Start Their Own Business by Level of Economic Development

Another interesting aspect is the relative confidence shown by individuals in the MENA Region – countries including Lebanon, Morocco, Saudi Arabia, UAE, Syria, Iran, Jordan, West Bank and Gaza Strip, and Algeria all had more than 50% of their population believing that they have what it takes to open their own business. The MENA average response to this question was 61%.

As Figure 54 reveals, men in the UAE are much more confident about their ability to start their own business compared to the female population. The proportion of the male population who believe they have what it takes to start their own business has risen steadily since 2006 from 53.4% to 80.1% in 2009.
This is much higher than the female population where only 50% of women believe they have the necessary skills to start their own business.

![Perceived Level of Confidence to Start Own Business](image)

**Figure 54 Perceived Level of Confidence to Start One’s Own Business by Gender**

Literature on entrepreneurship has often highlighted the “fear of Failure” as being a key barrier holding back people to start their own business. The fear of failure in the UAE population is relatively low (31.3%) compared to other GEM countries as displayed in Figure 55. This has risen marginally since 2007.

![Fear of Failure Preventing New Business Start-ups](image)

**Figure 55 Fear of Failure across all GEM countries**

A concerning finding is the steady increase in the fear of failure amongst the female population in the UAE since 2006. As Figure 56 reveals, this has increased from 30% of the female population in 2006 to 39% in 2009.
Global Entrepreneurship Monitor 2009

This is much higher than the female population where only 50% of women believe they have the necessary skills to start their own business.

Figure 54 Perceived Level of Confidence to Start One's Own Business by Gender

Literature on entrepreneurship has often highlighted the “fear of Failure” as being a key barrier holding back people to start their own business. The fear of failure in the UAE population is relatively low (31.3%) compared to other GEM countries as displayed in Figure 55. This has risen marginally since 2007.

Figure 55 Fear of Failure across all GEM countries

A concerning finding is the steady increase in the fear of failure amongst the female population in the UAE since 2006. As Figure 56 reveals, this has increased from 30% of the female population in 2006 to 39% in 2009.

Figure 56 Fear of Failure in the UAE by Gender

Government bodies such as the Khalifa Fund to Support and Develop SME’s and the Mohammed Bin Rashid Establishment for SME Development could consider providing dedicated training and support programs for women to try and address this imbalance.

We also identify an interesting fall in the fear of failure amongst the older generation in the UAE. As Figure 57 reveals, the fear of failure amongst the 55-65 age group fell sharply from 42% in 2007 to less than 15% in 2009.

Figure 57 Fear of Failure in the UAE by Age Group

3.03 How do People in the UAE Perceive Entrepreneurship?

The GEM Adult Population Survey includes three indicators measuring national attitudes towards entrepreneurship. The first one assesses the proportion of the population in the UAE who feel that in their country, starting a new business is considered a desirable career choice. The second indicator describes how the UAE population feel about successful entrepreneurs. Are they viewed in a positive light and perceived as role models in society? The third indicator asks for respondents’ opinions on the
media coverage for new businesses in the country. All three of these indicators are important in creating a conducive environment for potential entrepreneurs to feel comfortable about moving into a career in entrepreneurship.

Figure 58 presents the result for these three indicators across all 54 GEM competing countries.

![Perceptions Towards Entrepreneurship](image)

**Figure 58 Perception Towards Entrepreneurship Across All GEM Countries**

In most countries the perception of entrepreneurship as being a good career and having a high status is relatively favorable. Interestingly, Yemen, the Dominican Republic and Tunisia have extremely favorable perceptions towards entrepreneurship. Figure 59 highlights the UAE’s perceptions towards these three indicators since 2006 and disconcertingly shows a downward trend in all three perceptions although when compared to other GEM Countries, the overall perception towards entrepreneurship remains favorable.

![Perception Towards Entrepreneurship in the UAE](image)

**Figure 59 Perception towards entrepreneurship in the UAE**
3.04 Impact of the Global Economic Crisis on Business Owners in the UAE.

As GEM 2009 was the first GEM study to be conducted after the global financial crisis in 2008 and subsequent global economic recession, the 2009 GEM Adult Population Survey asked a number of questions which directly addressed the impact of these events on the operations and outlook for business owners in the UAE. The following questions were asked to respondents of the Adult Population Survey who were business owners:

- Is starting a business now more or less difficult compared to one year ago?
- Is growing a business now more or less difficult than one year ago?
- What impact has the global economic crisis had on the business opportunities for your business?

The findings from these questions are presented below and reveal that the impact of the global economic crisis on existing and potential business owners is mixed. As Figure 60 reveals, almost 60% of respondents believe that the global economic crisis has made starting a business more difficult.

![Figure 60 The impact of the global economic crisis on starting a business](image)

Just over 46% percentage of respondents agreed that the global economic crisis has made growing a business more difficult as shown in Figure 61.

![Figure 61 The Impact of the Global Economic Crisis on Growing a Business](image)
However, only 41% of respondents believed that the Global Economic Crisis had resulted in fewer business opportunities as displayed below in Figure 62.

Figure 62 The Impact of the Global Economic Crisis on Business Opportunities in the UAE

These findings reveal that the global economic crisis has clearly had an impact on the population’s perception of doing business in the UAE, however this impact when compared to other GEM countries is relatively mild. Table 13 summarises these findings.

<table>
<thead>
<tr>
<th>Impact of Global Crisis</th>
<th>% of UAE firms</th>
<th>GEM ranking (out of 54 countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Starting a business more difficult</td>
<td>55.83%</td>
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</tr>
<tr>
<td>Growing a Business more difficult</td>
<td>46.69%</td>
<td>15</td>
</tr>
<tr>
<td>Resulting in fewer business opportunities</td>
<td>41.32%</td>
<td>44</td>
</tr>
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</table>

Table 13 Impact of the global economic crisis in the UAE
4.0 Interviews with Key Experts in the UAE

As outlined in Section 1 of this report, the GEM study is composed of two distinct but complementary components which in conjunction help to give a broader, clearer understanding of entrepreneurial activity across the UAE as well as the entrepreneurial environment in which it operates.

In Sections 2 and 3 of this report we outlined the key findings from the Adult Population Survey which was derived from telephone interviews of 2000 respondents randomly selected from the UAE population. We now turn our attention to the second component of the GEM study – the face to face interviews with 36 Key Informants across the UAE. These informants were selected based on their expertise in one of the following frameworks which GEM has identified as being critical to enabling entrepreneurship to develop in an economy.

- Finance
- Government policies
- Governmental programs
- Education & Training
- R & D transfer
- Commercial and services infrastructure
- Internal market openness
- Access to physical infrastructure
- Cultural and social norms
- Opportunities to start up
- Abilities, knowledge to start up
- Entrepreneur’s social image
- Intellectual property rights
- Women’s support to start up
- Attention to high growth
- Interest for innovation
- Social Entrepreneurship (Special focus for GEM 2009)

In addition to completing an extensive questionnaire which covered questions regarding the above frameworks, most of the respondents spent approximately one hour in a face-to-face interview outlining their experience and opinions on the UAE business environment and identifying areas of enhancers and inhibitors of entrepreneurial activity within the UAE. Respondents were asked to specifically identify three supports to entrepreneurship, three constrains to entrepreneurship and three recommendations to foster entrepreneurship and improve the business environment for entrepreneurs in the UAE.

In Appendix A of this Report, photos and brief bios of the Key Experts that were interviewed and/or completed a National Expert Survey for GEM 2009 are presented.
In 2006, the GEM UAE team was the first GEM team to develop the Entrepreneurial Environment Scorecard (EES) which enables countries to be ranked in terms of their overall business environment in terms of its support of entrepreneurial activity. Data for this scorecard is derived from the National Expert Survey’s which was completed by at least thirty six individuals in each of the forty four GEM countries in 2009.

Table 14 lists the Entrepreneurial Environment Score for all forty four of the fifty four countries completed this component of the GEM study. The countries that did not complete include: Algeria, China, France, Iran, Japan, Jordan, Lebanon, Morocco, Romania, Syria, West Bank and Gaza Strip, and Yemen.

<table>
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<th>Country</th>
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<th>Ranking</th>
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<td>SWITZERLAND</td>
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<tr>
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<td>21</td>
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<tr>
<td>UK</td>
<td>247</td>
<td>22</td>
</tr>
<tr>
<td>SPAIN</td>
<td>244.56</td>
<td>23</td>
</tr>
<tr>
<td>COLOMBIA</td>
<td>244.51</td>
<td>24</td>
</tr>
<tr>
<td>JAMAICA</td>
<td>241.58</td>
<td>25</td>
</tr>
<tr>
<td>URUGUAY</td>
<td>241.52</td>
<td>26</td>
</tr>
<tr>
<td>DOMINICAN R.</td>
<td>239.77</td>
<td>27</td>
</tr>
<tr>
<td>ARGENTINA</td>
<td>239.31</td>
<td>28</td>
</tr>
<tr>
<td>SOUTH AFRICA</td>
<td>238.53</td>
<td>29</td>
</tr>
<tr>
<td>CROATIA</td>
<td>236.27</td>
<td>30</td>
</tr>
<tr>
<td>SAUDI ARABIA</td>
<td>234.13</td>
<td>31</td>
</tr>
<tr>
<td>TONGA I.</td>
<td>232.04</td>
<td>32</td>
</tr>
<tr>
<td>BRAZIL</td>
<td>231.7</td>
<td>33</td>
</tr>
<tr>
<td>SERBIA</td>
<td>230.79</td>
<td>34</td>
</tr>
<tr>
<td>GUATEMALA</td>
<td>229.93</td>
<td>35</td>
</tr>
<tr>
<td>ITALY</td>
<td>229.83</td>
<td>36</td>
</tr>
<tr>
<td>HUNGARY</td>
<td>227.34</td>
<td>37</td>
</tr>
<tr>
<td>SYRIA</td>
<td>227.13</td>
<td>38</td>
</tr>
<tr>
<td>ECUADOR</td>
<td>226.75</td>
<td>39</td>
</tr>
<tr>
<td>RUSSIA</td>
<td>225.42</td>
<td>40</td>
</tr>
<tr>
<td>GREECE</td>
<td>222.59</td>
<td>41</td>
</tr>
<tr>
<td>VENEZUELA</td>
<td>222.29</td>
<td>42</td>
</tr>
<tr>
<td>BOSNIA &amp; H</td>
<td>205.77</td>
<td>43</td>
</tr>
</tbody>
</table>

Table 14 Entrepreneurial Environment Scorecard for 2009

Based on the opinions of National Experts in each of the 44 participating countries, Iceland has the most supportive business environment for fostering entrepreneurship activity. The UAE is ranked 6th out of forty four GEM participating countries with an Entrepreneurship Environment Score of 285.6 points.
Interestingly, thirteen of the fourteen countries with the highest EES are wealthy nations with only Tunisia who ranked 8th being an Efficiency-driven Economy.

![Entrepreneurial Environment Scorecard and TEA Rate for Wealthy Nations](image)

**Figure 63 Relationship Between EES Rankings and TEA Rates for Wealthy Nations**

As Figure 63 reveals, there is a weak but positive relationship between a country’s TEA rate and their Environment Entrepreneurship Score.

Table 15 displays the mean scores for the UAE, wealthy nations, and all GEM countries for each of the seventeen frameworks measured in the NES Survey as well as the UAE ranks in each of these dimensions.

<table>
<thead>
<tr>
<th>Entrepreneurial Framework</th>
<th>GEM Average</th>
<th>UAE Average</th>
<th>GEM 2009</th>
<th>Change from 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunities to start up</td>
<td>3.29</td>
<td>3.91</td>
<td>1</td>
<td>No change</td>
</tr>
<tr>
<td>Government policies</td>
<td>2.48</td>
<td>3.34</td>
<td>2</td>
<td>+1</td>
</tr>
<tr>
<td>Commercial &amp; services infrastructure</td>
<td>3.05</td>
<td>3.57</td>
<td>3</td>
<td>+3</td>
</tr>
<tr>
<td>Finance</td>
<td>2.49</td>
<td>3.02</td>
<td>4</td>
<td>+1</td>
</tr>
<tr>
<td>Education &amp; Training</td>
<td>2.47</td>
<td>2.84</td>
<td>6</td>
<td>+8</td>
</tr>
<tr>
<td>Internal market openness</td>
<td>2.71</td>
<td>3.09</td>
<td>6</td>
<td>-5</td>
</tr>
<tr>
<td>Access to physical infrastructure</td>
<td>3.70</td>
<td>4.13</td>
<td>6</td>
<td>+4</td>
</tr>
<tr>
<td>Attention to high growth</td>
<td>2.96</td>
<td>3.44</td>
<td>6</td>
<td>-5</td>
</tr>
<tr>
<td>Entrepreneur’s social image</td>
<td>3.50</td>
<td>3.90</td>
<td>9</td>
<td>-4</td>
</tr>
</tbody>
</table>
Across each of the seventeen frameworks measured in the 2009 NES study, the UAE ranked no lower than 19th out of forty four participating countries. The UAE showed particular strength in Business Opportunities to start up, Government policies, Commercial and Services infrastructure, and Finance. The UAE had relatively weaker performances in Intellectual property rights, Governmental programs, R & D transfer, and Women’s support to start up a business.

We can also compare the UAE’s performance across sixteen of the seventeen frameworks from 2007 to 2009. However, some caution needs to be placed on these findings as there was no random process in place when selecting the National Experts in both years of the study. Table 16 shows that UAE saw strong improvements in Women’s support to start a new business as well as Education and Training. This is promising as both of these areas have been highlighted in previous GEM studies as key areas that the UAE needs to support and develop.

### Table 15 NES Scores and Rankings for Individual Framework Conditions

<table>
<thead>
<tr>
<th>Framework Conditions</th>
<th>Score 2009</th>
<th>Score 2008</th>
<th>Rank</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest for innovation</td>
<td>3.36</td>
<td>3.57</td>
<td>9</td>
<td>-8</td>
</tr>
<tr>
<td>Abilities, knowledge to start up</td>
<td>2.51</td>
<td>2.80</td>
<td>10</td>
<td>-7</td>
</tr>
<tr>
<td>Cultural and social norms</td>
<td>2.90</td>
<td>3.09</td>
<td>11</td>
<td>-3</td>
</tr>
<tr>
<td>Social Entrepreneurship</td>
<td>2.96</td>
<td>3.32</td>
<td>11</td>
<td>-</td>
</tr>
<tr>
<td>Intellectual property rights</td>
<td>2.77</td>
<td>3.00</td>
<td>14</td>
<td>-3</td>
</tr>
<tr>
<td>Governmental programs</td>
<td>2.62</td>
<td>2.80</td>
<td>17</td>
<td>-10</td>
</tr>
<tr>
<td>R &amp; D transfer</td>
<td>2.85</td>
<td>3.10</td>
<td>19</td>
<td>-16</td>
</tr>
<tr>
<td>Women’s support to start up</td>
<td>3.29</td>
<td>3.34</td>
<td>19</td>
<td>+9</td>
</tr>
</tbody>
</table>
5.0 Understanding the Business Environment in the UAE - Building Policy Recommendations

One of the key objectives of undertaking the GEM UAE Study is to enable more informed policy making decisions in regards to enhancing the business environment for entrepreneurs and SME development in the UAE. Through our analysis of the key findings from the Adult Population Survey and the Key Informant Interviews/Surveys, we are able to gain a broad overview of the level of entrepreneurial activity in the UAE, the attitudes the UAE population have towards entrepreneurship, and the aspirations UAE business owners have for growing their business in the future.

In this section of the Report, we now seek to compare our findings from the GEM study with other internationally recognised global studies that analyse the economic environment of a country at both macro and micro levels. We will consider the following four international studies to help us gain a better understanding of the key barriers preventing both the UAE economy and UAE businesses from reaching their full potential including:

- The World Bank Doing Business Report
- The Global Competitiveness Index
- The Global Innovation Index
- The Economic Freedom Index
- The Prosperity Index

By analysing these international studies and combining the key findings from the data in this year’s GEM study, a focused list of policy recommendations can be developed.

5.01 The Global Competitiveness Report

The World Economic Forum (WEF) publishes every year the Global Competitiveness Report. The following description is largely based on the text of the 2009-2010 WEF report. The Global Competitiveness Report is aimed at understanding the factors that are key to economic growth. The report also tries to explain why certain countries’ income levels are rising and the reasons why this happens. Additionally, the report tries to explain why certain countries are more successful with respect to the opportunities of their respective populations. The 2009-2010 report contains the results for 133 countries. As stated in the report: “... the Global Competitiveness Index (CGI), a highly comprehensive index, which captures the microeconomic and macroeconomic foundations of national competitiveness.” The term competitiveness is defined in the report as the set of institutions, policies, and factors that determine the level of productivity of a country. The CGI is a weighted average of many different components, each of which reflects one aspect of the complex concept that we all call competitiveness. The components are grouped in twelve pillars and are presented below in Table along with the seventeen frameworks used in the GEM Key Informant Survey:
The UAE is classified by the WEF as an innovation-driven country as are for example the United States of America, Canada, Australia, Japan and most European countries. In the overall CGI ranking, the UAE is at position 23 with an overall score of 4.92. The score can range between 1 and 7 where 1 indicates the minimum score and a 7 indicates the maximum score (this is also the case for scores with respect to the country is in.

Countries are allocated to stages of development based on two criteria. The first is the level of GDP per capita as this is a proxy for wages. The second criteria is based on the extent to which a country is factor driven. This is proxied by the share of exports of mineral goods in total exports. The stage of development of a country is taken into account by placing increasingly more weight on those areas that are becoming more important for the country’s competiveness as it develops. In that sense, the CGE penalizes countries that are not preparing for the next stage.

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position 23 with an overall score of 4.92. The score can range between 1 and 7 where 1 indicates the minimum score and a 7 indicates the maximum score (this is also the case for scores with respect to the pillars). In the previous report for 2008-2009 the UAE was at position 31 (of 134 countries) and its overall score was 4.68. On both fronts an improvement for the UAE.

The top 10 for the CGI of the WEF are respectively: Switzerland, the United States of America, Singapore, Sweden, Denmark, Finland, Germany, Japan, Canada and the Netherlands. The scores of these countries range from 5.8 to 5.32. The United States was at the first position in the previous year and this time Switzerland has taken over that position from the U.S. The main reason for this result is that the U.S. saw a weakening in several areas (some related to the global financial crisis) and Switzerland remained relatively stable.

At the top of the list of most problematic factors for doing business in the UAE is the item “access to finance”, followed by an “an inadequately educated workforce”. In 2008-2009 the most problematic factors were “inflation” and “restrictive labor regulations”. Because of the global financial crisis, the first factor is no longer relevant.

Figure 64 shows that the UAE is doing better with respect to almost all the components of the CGI, except with Macroeconomic stability and Financial market sophistication. The WEF argues that the lower score in macroeconomic stability is due to a rising public debt and lower budget surplus. According to the WEF there are serious doubts about the sustainability of public finances in Dubai. And this might have a potential effect of a further deterioration on the country as a whole.

Figure 64 Pillars of the Global Competitiveness Index for two years.

The GEM results for NES in Figure 65 indicate that the UAE is doing worse in ten of the sixteen categories and in six categories there is an improvement. There are opposite results with respect to finance (see Table 17). The WEF finds an improvement, while GEM notices a deterioration. The same is true for R&D/Innovation.
Figure 65 Results of the GEM Frameworks in respect to the NES

There are a number of key areas where the Global Competitiveness Index and GEM Report overlap as presented below in Table 17:

<table>
<thead>
<tr>
<th>Component WEF</th>
<th>Component GEM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Infrastructure</td>
<td>H Physical Infrastructure</td>
</tr>
<tr>
<td>5 Higher Education and Training</td>
<td>D Education and Training</td>
</tr>
<tr>
<td>8 Financial Market Sophistication</td>
<td>A Finance</td>
</tr>
<tr>
<td>12 Innovation</td>
<td>E R&amp;D Transfer</td>
</tr>
<tr>
<td>12 Innovation</td>
<td>R Interest in Innovation</td>
</tr>
</tbody>
</table>

Table 17 Similar components of the WEF and GEM NES Frameworks.

We will now compare the findings from the GEM Study and the Global Competitiveness Index in these overlapping areas.

<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>GCI Measurement – Overall Rank 6th</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of overall infrastructure</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Quality of Roads</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Quality of railroad infrastructure</td>
<td>na</td>
<td></td>
</tr>
<tr>
<td>Quality of port Infrastructure</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Available Seat Kilometers</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>Quality of Electricity Supply</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>Telephone lines</td>
<td>35</td>
<td></td>
</tr>
</tbody>
</table>
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<table>
<thead>
<tr>
<th>Component WEF</th>
<th>Component GEM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Infrastructure</td>
<td>H Physical Infrastructure</td>
</tr>
<tr>
<td>5 Higher Education and Training</td>
<td>D Education and Training</td>
</tr>
<tr>
<td>8 Financial Market Sophistication</td>
<td>A Finance</td>
</tr>
<tr>
<td>12 Innovation</td>
<td>E R&amp;D Transfer</td>
</tr>
<tr>
<td>12 Innovation</td>
<td>R Interest in Innovation</td>
</tr>
</tbody>
</table>

Table 17 Similar components of the WEF and GEM NES Frameworks.

We will now compare the findings from the GEM Study and the Global Competitiveness Index in these overlapping areas.

**Infrastructure**

<table>
<thead>
<tr>
<th>GCI Measurement</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Rank</td>
<td>6th</td>
</tr>
<tr>
<td>Quality of overall infrastructure</td>
<td></td>
</tr>
<tr>
<td>Quality of Roads</td>
<td>11</td>
</tr>
<tr>
<td>Quality of railroad infrastructure</td>
<td>7</td>
</tr>
<tr>
<td>Quality of port Infrastructure</td>
<td>na</td>
</tr>
<tr>
<td>Available Seat Kilometers</td>
<td>3</td>
</tr>
<tr>
<td>Quality of Electricity Supply</td>
<td>11</td>
</tr>
<tr>
<td>Telephone lines</td>
<td>35</td>
</tr>
</tbody>
</table>

Table 18 GCI and GEM Measurements on Infrastructure in the UAE

Table 18 reveals that the UAE’s performance in both the Global Competitiveness Index and the GEM Survey shows that the physical infrastructure in place in the UAE is a competitive advantage for the economy. Relatively, the availability of good infrastructure in the UAE is not a barrier for entrepreneurs to start new businesses and for business owners to operate their existing businesses.

**Higher Education and Training**

<table>
<thead>
<tr>
<th>GCI Measurement – Overall Rank 29th</th>
<th>Ranking (183 countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary Enrolment</td>
<td>11</td>
</tr>
<tr>
<td>Tertiary Enrolment</td>
<td>7</td>
</tr>
<tr>
<td>Quality of the Educational System</td>
<td>na</td>
</tr>
<tr>
<td>Quality of Math and Science Education</td>
<td>3</td>
</tr>
<tr>
<td>Quality of Management Schools</td>
<td>11</td>
</tr>
<tr>
<td>Internet Access in Schools</td>
<td>16</td>
</tr>
<tr>
<td>Local availability of research and training services</td>
<td>35</td>
</tr>
<tr>
<td>Extent of staff training</td>
<td>30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GEM Measurement</th>
<th>Ranking (54 countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teaching in primary and secondary education encourages creativity, self-sufficiency, and personal initiative.</td>
<td>4</td>
</tr>
<tr>
<td>Teaching in primary and secondary education provides adequate instruction in market economic principles.</td>
<td>12</td>
</tr>
<tr>
<td>Teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation.</td>
<td>8</td>
</tr>
<tr>
<td>Colleges and universities provide good and adequate preparation for starting up and growing new firms.</td>
<td>2</td>
</tr>
<tr>
<td>The level of business and management education provide good and adequate preparation for starting up and growing new firms.</td>
<td>7</td>
</tr>
<tr>
<td>The vocational, professional, and continuing education systems provide good and adequate preparation for starting up and growing new firms.</td>
<td>15</td>
</tr>
</tbody>
</table>
Table 19 GCI and GEM measurements on Education and Training in the UAE

The UAE’s performance in higher education and training is shown in Table 19 and presents a mixed bag with both the Global Competitiveness Index and the GEM National Expert Survey findings showing the UAE has made progress in higher education and training but still has a lot of work to do before it can catch up to the education systems in place in the leading nations. The Global Competitive Index ranks the UAE’s higher education system 29th out of 183 countries.

<table>
<thead>
<tr>
<th>Financial Markets</th>
<th>GCI Measurement – Overall Rank 33rd</th>
<th>Ranking (183 countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Market Sophistication</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td>Financing through local equity market</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Ease of Access to loans</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Venture Capital Availability</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>Restriction on Capital Flows</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Strength of Investor Protection</td>
<td>90</td>
<td></td>
</tr>
<tr>
<td>Soundness of Banks</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Regulations of Securities Exchanges</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>Legal Rights Index</td>
<td>83</td>
<td></td>
</tr>
</tbody>
</table>

Table 20 GCI and GEM Measurements on Financial Markets in the UAE

Although both the Global Competitiveness Index and the GEM National Expert Survey both seek to determine how supportive the Financial sector in the UAE is to the overall economy and SME development, as presented in Table 20, there are some variables that do not overlap in this pillar/framework. In general the UAE’s performance in terms of availability of finance from both private individuals and banks is ranked highly. However, the UAE’s performance in terms of the regulation of the financial sector and the legal rights and protections afforded to investors is quite weak and highlights a key area of the UAE economy that needs significant reform.

These findings do contrast from general discussions in the media in 2009 which often talked of the difficulties small businesses were having accessing finance as credit dried up across the UAE. For the first half of 2009, UAE banks stopped almost all lending activities as they tried to rebalance their balance sheets, as a result of significant capital outflows caused by the Government’s announcement to not de-peg the currency against the US dollar in 2008. This couple with the global financial crisis and the
freezing of credit markets globally, made it almost impossible for entrepreneurs and SME’s to receive credit from UAE banks in 2009.

The Global Competitive Index Report also asked respondents to choose the most problematic factors for doing business in the UAE. The results of this question are presented in Figure 66.

![Figure 66 The Most Problematic Factors for Doing Business in the UAE](image)

By far the biggest problem identified by respondents in the study was the difficulty firms in the UAE have in accessing finance. Relatively, one can argue that the UAE banking sector survived the global financial crisis better than many other developed nations, particularly the USA and European countries, however their reluctance to lend money to SME’s is still a significant barrier for entrepreneurs in the UAE both in terms of starting a business, as well as keeping a business operating when facing cash flow difficulties.

A recent study by the Dubai Chamber of Commerce and Industry found bank credit is a key source of finance for SME’s operating in the UAE but that most SME’s in the UAE struggle to obtain finance from the banking sector as they were considered high-risk. Some analysts have placed blame on the UAE Central Bank which instructs banks to finance no more than 5-10% of their total loan portfolio with SME’s.

### Innovation

<table>
<thead>
<tr>
<th>GCI Measurement – Overall Rank 27th</th>
<th>Ranking (183 countries)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity for innovation</td>
<td>39</td>
</tr>
<tr>
<td>Quality of Scientific Research Institutions</td>
<td>53</td>
</tr>
<tr>
<td>Company Spending on R&amp;D</td>
<td>30</td>
</tr>
<tr>
<td>University Industry Collaboration in R&amp;D</td>
<td>39</td>
</tr>
<tr>
<td>Government procurement of advanced tech products</td>
<td>2</td>
</tr>
<tr>
<td>Availability of scientists and engineers</td>
<td>28</td>
</tr>
<tr>
<td>Utility patents</td>
<td>38</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>GEM Measurement – Interest in Innovation and R&amp;D Transfer</th>
<th>Ranking (54 countries)</th>
</tr>
</thead>
</table>
In 2009 implementing a wide range of regulatory reforms aimed at making it easier to do business in the UAE. Despite the global crisis, or perhaps to some extent because of it, the UAE government was very active in reforming the regulatory environment. The World Bank’s Doing Business Report 2010 ranked the UAE 33rd in the set of regulations affecting ten key areas businesses are exposed to including starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. According to the 2010 Doing Business Report, the UAE ranked 33rd in terms of overall ease of doing business and was among the most active reformers worldwide, jumping 14 places from 2009.

Despite the global crisis, or perhaps to some extent because of it, the UAE government was very active in 2009 implementing a wide range of regulatory reforms aimed at making it easier to do business in the UAE including:

New technology, science, and other knowledge are efficiently transferred from universities and public research centers to new and growing firms.
New and growing firms have just as much access to new research and technology as large, established firms.
New and growing firms can afford the latest technology.
There are adequate government subsidies for new and growing firms to acquire new technology.
The science and technology base efficiently supports the creation of world-class new technology-based ventures in at least one area.
There is good support available for engineers and scientists to have their ideas commercialized through new and growing firms.
Companies like to experiment with new technologies and with new ways of doing things.
Consumers like to try out new products and services.
Innovation is highly valued by companies.
Innovation is highly valued by consumers.
Established companies are open to using new, entrepreneurial companies as suppliers.
Consumers are open to buying products and services from new, entrepreneurial companies.

Table 21 GCI and GEM Measurements on Innovation in the UAE

<table>
<thead>
<tr>
<th>Description</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>New technology, science, and other knowledge are efficiently transferred</td>
<td>18</td>
</tr>
<tr>
<td>from universities and public research centers to new and growing firms.</td>
<td></td>
</tr>
<tr>
<td>New and growing firms have just as much access to new research and</td>
<td>26</td>
</tr>
<tr>
<td>technology as large, established firms.</td>
<td></td>
</tr>
<tr>
<td>New and growing firms can afford the latest technology.</td>
<td>7</td>
</tr>
<tr>
<td>There are adequate government subsidies for new and growing firms to</td>
<td>15</td>
</tr>
<tr>
<td>acquire new technology.</td>
<td></td>
</tr>
<tr>
<td>The science and technology base efficiently supports the creation of world-</td>
<td>30</td>
</tr>
<tr>
<td>class new technology-based ventures in at least one area.</td>
<td></td>
</tr>
<tr>
<td>There is good support available for engineers and scientists to have</td>
<td>22</td>
</tr>
<tr>
<td>their ideas commercialized through new and growing firms.</td>
<td></td>
</tr>
<tr>
<td>Companies like to experiment with new technologies and with new ways of</td>
<td>22</td>
</tr>
<tr>
<td>doing things.</td>
<td></td>
</tr>
<tr>
<td>Consumers like to try out new products and services.</td>
<td>8</td>
</tr>
<tr>
<td>Innovation is highly valued by companies.</td>
<td>18</td>
</tr>
<tr>
<td>Innovation is highly valued by consumers.</td>
<td>13</td>
</tr>
<tr>
<td>Established companies are open to using new, entrepreneurial companies as</td>
<td>7</td>
</tr>
<tr>
<td>suppliers.</td>
<td></td>
</tr>
<tr>
<td>Consumers are open to buying products and services from new,</td>
<td>8</td>
</tr>
<tr>
<td>entrepreneurial companies.</td>
<td></td>
</tr>
</tbody>
</table>

5.02 World Bank Doing Business Report 2010

Another important global report which provides an indication of how supportive the business environment is to entrepreneurs and SME development in general, is the World Banks’ Doing Business Report. This report investigates regulations that enhance business activity and those that constrain it in 183 countries. The report measures the set of regulations affecting ten key areas businesses are exposed to including starting a business, dealing with construction permits, employing workers, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. According to the 2010 Doing Business Report, the UAE ranked 33rd in terms of overall ease of doing business and was among the most active reformers worldwide, jumping 14 places from 2009.

Despite the global crisis, or perhaps to some extent because of it, the UAE government was very active in 2009 implementing a wide range of regulatory reforms aimed at making it easier to do business in the UAE including:
Despite the global crisis, or perhaps to some extent because of it, the UAE government was very active in terms of overall ease of doing business and was among the most active reformers worldwide, jumping 14 places from 2009.

According to the 2010 Doing Business Report, the UAE ranked 33rd in registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. This report investigates regulations that enhance business activity and those that constrain it in 183 countries. The report measures the set of regulations affecting ten key areas businesses are currently being addressed in revisions to the UAE Federal Investment Law which hopefully will be released in 2010.

The crash of the property market in the UAE has exposed serious weaknesses in the protection provided to investors in the real estate market. Despite the creation of Government bodies such as the Real Estate Regulatory Authority (RERA) in Dubai and the Ajman Real Estate Regulatory Authority (ARRA) aimed at providing more protection to investors in this sector, a series of high profile cases and media attention, has highlighted the lack of protection currently provided to property investors in the UAE.

The issues of contract enforcement and closing a business are still key barriers to doing business in the UAE and have been identified as key concerns by a number of the National Experts interviewed as part of the GEM study. To illustrate the current problems in both of these areas, there are on average 49 procedures involved in enforcing a contract which takes on average 537 days and costs more than 26% of the claim. The recovery rate in closing a business is on average 10 cents in the dollar, and it takes more than 5 years to close a business, costing more than 30 percent of the estate.

Table 22 presents the UAE’s performance in each of the ten measurements used by the Doing Business Report for 2009 and 2010.

<table>
<thead>
<tr>
<th>Activity</th>
<th>2010 Rank</th>
<th>2009 Rank</th>
<th>Change in Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doing Business</td>
<td>33</td>
<td>47</td>
<td>+14</td>
</tr>
<tr>
<td>Starting a business</td>
<td>44</td>
<td>118</td>
<td>+74</td>
</tr>
<tr>
<td>Dealing with construction permits</td>
<td>27</td>
<td>54</td>
<td>+27</td>
</tr>
<tr>
<td>Employing Workers</td>
<td>50</td>
<td>45</td>
<td>-5</td>
</tr>
<tr>
<td>Registering property</td>
<td>7</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>71</td>
<td>68</td>
<td>3</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>119</td>
<td>114</td>
<td>-5</td>
</tr>
<tr>
<td>Paying taxes</td>
<td>4</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>5</td>
<td>13</td>
<td>+8</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>135</td>
<td>135</td>
<td>+1</td>
</tr>
<tr>
<td>Closing a Business</td>
<td>143</td>
<td>143</td>
<td>0</td>
</tr>
</tbody>
</table>

Table 22 UAE’s Performance in the Doing Business Report in 2009 and 2010

As table 22 reveals, government changes to regulations regarding starting a business and dealing with construction permits were the key drivers behind the UAE’s ranking improving from 44th to 33rd in 2010. However, what is even more revealing is the key areas where the UAE performs relatively poorly including protecting investors rights, enforcing contracts and closing a business. Investor protection is currently being addressed in revisions to the UAE Federal Investment Law which hopefully will be released in 2010.

1. Abolishing the minimum capital requirements needed for starting a new limited liability firm
2. Shortening the time for delivering building permits by improving its online system
3. Easing business start-up requirements by simplifying the documents needed for registration
4. Removing the requirement that proof of deposit of capital to be shown for registration
5. Increasing trade finance products which have improved trade processes (Dubai Chamber, 2009)
Undoubtedly, these numbers are far too high and reveal a serious weakness in the business environment in the UAE. Interestingly, the Dubai World debt problems may trigger reform in the area of closing a business with a range of bankruptcy measures being specifically designed to assist with the current debt repayment negotiations between Dubai World and its creditors.

5.03 2008-2009 Innovation Index Report

Over the last decade, as advancements in telecommunications and the internet has radically transformed the everyday lives of individuals as well as the broader composition of nation’s economies, innovation as a key driver of economic development has become a key focus for Government policymakers. As outlined in the 2008-2009 Innovation Index Report “The importance of innovation readiness, especially at the national level, has achieved prominence on the public policy agenda, with the realization that the right policies, inputs and enabling environment can help countries fulfill their national potential and enable a better quality of life for their citizens” (INSEAD, 2009).

This is no exception in the UAE, where the pace of economic change over the past decade has been unrivalled globally. There is no doubt that with the influx of oil revenue coupled with more recent rapid economic growth over the last decade has transformed the UAE economy at a rate that has outpaced its development in the areas of education and scientific research institutes – acknowledged as key pillars to innovation development. In the USA and Europe, links between private industry, higher education and scientific research institutes has developed over the last century and today is critical to their economies, particularly in fostering innovation and new industries.

The Global Innovation Index brings together a range of indicators to measure and rank 130 countries innovation performance and capabilities. The framework of this measurement is based upon the following:

The index makes a key distinction between inputs and outputs in measuring the extent of innovation in an economy. Inputs are aspects that enable an economy to stimulate innovation and outputs are what is created from these innovative activities within the economy. Figure 67 presents the framework used by the Global Innovation Index report:
Undoubtedly, these numbers are far too high and reveal a serious weakness in the business environment in the UAE. Interestingly, the Dubai World debt problems may trigger reform in the area of closing a business with a range of bankruptcy measures being specifically designed to assist with the current debt repayment negotiations between Dubai World and its creditors.

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Figure 67 The Key Pillars of the Global Innovation Index

The main objective of the Global Innovation Index is to assist policymakers and business leaders better understand their country in regards to innovation capabilities and identify areas of strengths and/or weaknesses that policy changes could assist in providing a more enabling environment for innovation growth.

Table 23 presents the Top 30 countries in terms of their overall innovation capabilities from 2008/09. As can be seen, the UAE is ranked 26th out of 130 nations, and ranked 3rd in the Middle East, closely behind Israel (23rd) and Qatar (24th). The UAE’s ranking fell quite sharply from 14th in 2007, to 26th in this latest study however part of this comes from the increased number of countries participating in the 2008-09 study. The UAE’s overall score increased from 3.81 in 2007 to 3.99 in 2008-09.

<table>
<thead>
<tr>
<th>Country</th>
<th>Score</th>
<th>Rank</th>
<th>Country</th>
<th>Score</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>5.28</td>
<td>1</td>
<td>Taiwan</td>
<td>4.41</td>
<td>16</td>
</tr>
<tr>
<td>Germany</td>
<td>4.99</td>
<td>2</td>
<td>Luxembourg</td>
<td>4.37</td>
<td>17</td>
</tr>
<tr>
<td>Sweden</td>
<td>4.84</td>
<td>3</td>
<td>Belgium</td>
<td>4.35</td>
<td>18</td>
</tr>
<tr>
<td>UK</td>
<td>4.82</td>
<td>4</td>
<td>France</td>
<td>4.35</td>
<td>19</td>
</tr>
<tr>
<td>Singapore</td>
<td>4.81</td>
<td>5</td>
<td>Iceland</td>
<td>4.34</td>
<td>20</td>
</tr>
<tr>
<td>South Korea</td>
<td>4.73</td>
<td>6</td>
<td>Ireland</td>
<td>4.30</td>
<td>21</td>
</tr>
<tr>
<td>Switzerland</td>
<td>4.73</td>
<td>7</td>
<td>Australia</td>
<td>4.27</td>
<td>22</td>
</tr>
<tr>
<td>Denmark</td>
<td>4.69</td>
<td>8</td>
<td>Israel</td>
<td>4.17</td>
<td>23</td>
</tr>
<tr>
<td>Japan</td>
<td>4.65</td>
<td>9</td>
<td>Qatar</td>
<td>4.12</td>
<td>24</td>
</tr>
<tr>
<td>Netherlands</td>
<td>4.64</td>
<td>10</td>
<td>Malaysia</td>
<td>4.06</td>
<td>25</td>
</tr>
<tr>
<td>Canada</td>
<td>4.63</td>
<td>11</td>
<td>UAE</td>
<td>3.99</td>
<td>26</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>4.59</td>
<td>12</td>
<td>New Zealand</td>
<td>3.97</td>
<td>27</td>
</tr>
<tr>
<td>Finland</td>
<td>4.57</td>
<td>13</td>
<td>Spain</td>
<td>3.81</td>
<td>28</td>
</tr>
</tbody>
</table>
Table 23 Global Innovation Index 2008/09 Overall Rankings

Interestingly, when looking at the overall rankings for the input and output pillars the report finds that there are some countries that have a balanced result i.e., their input and output ranking are similar such as the USA who ranks 2nd on overall input and 1st on overall output pillars. There are some countries that have low input rankings but still are able to generate high output rankings such as Germany who despite having a low relative input ranking of 10th, ranked 2nd in terms of their output. In the case of the UAE, their input ranking is quite low at 31, but their output ranking of 20th is much higher; however, this is distorted to some extent by oil revenues which have increased their output ranking. Tables 24 and 25 presents the overall input pillars and output pillars rankings.

Table 24 Global Innovation Index Overall Input Pillar’s Ranking

Table 25 Global Innovation Index Overall Output Pillar’s Ranking

Table 25 Global Innovation Index Overall Output Pillar’s Ranking
The UAE’s overall ranking in both their input and output pillars indicates there is room for policymakers to improve the environment in the UAE for business to further develop their innovation capabilities. Table 26 below shows the UAE scores and rankings for each of the individual input and output pillars which make up the Global Innovation Index Framework.

<table>
<thead>
<tr>
<th>Input Pillar</th>
<th>Score</th>
<th>Rank</th>
<th>Top Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutions and Policies</td>
<td>5.10</td>
<td>24</td>
<td>Finland</td>
<td>6.19</td>
</tr>
<tr>
<td>Human Capacity</td>
<td>4.53</td>
<td>29</td>
<td>USA</td>
<td>5.92</td>
</tr>
<tr>
<td>ICT Infrastructure</td>
<td>4.01</td>
<td>31</td>
<td>Denmark</td>
<td>5.72</td>
</tr>
<tr>
<td>Market Sophistication</td>
<td>3.75</td>
<td>50</td>
<td>Hong Kong</td>
<td>6.33</td>
</tr>
<tr>
<td>Business Sophisticity</td>
<td>4.11</td>
<td>33</td>
<td>USA</td>
<td>6.07</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Output Pillar</th>
<th>Score</th>
<th>Rank</th>
<th>Top Country</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge</td>
<td>3.36</td>
<td>38</td>
<td>South Korea</td>
<td>5.05</td>
</tr>
<tr>
<td>Competitiveness</td>
<td>3.99</td>
<td>15</td>
<td>USA</td>
<td>6.41</td>
</tr>
<tr>
<td>Wealth</td>
<td>3.71</td>
<td>6</td>
<td>Qatar</td>
<td>5.00</td>
</tr>
</tbody>
</table>

Table 25 Global Innovation Index Overall Output Pillars Ranking

5.04 Institution and Policies

The institutional pillar examines a country’s overall political stability, effectiveness of its government to implement laws, manage regulations, and respond to citizen’s concerns. The UAE’s ranking of 24th in this category indicates that the government could do more to enact fair and open procedures, protect real and intellectual property rights, regulate markets efficiently and lower the burden of regulation on businesses. Undoubtedly, the rapid development across the UAE over the last decade has seen many industries grow so quickly that regulation has failed to keep pace. An obvious example of this is the Real Estate Sector in the UAE, particularly in the Emirate of Dubai where Regulatory bodies such as the Real Estate Regulatory Authority (RERA) are trying to develop regulation to provide greater protection for investors and developers alike. Recent developments in the regulation of telecommunications and power utilities should help improve the UAE’s ranking in this pillar moving forward. The Dubai Government’s quite public clampdown on corruption within both the public and private sectors over the past eighteen months will also help to improve the UAE’s ranking in this pillar.

The burden of regulation on UAE businesses is improving but still remains higher than it should be. The World Bank Doing Business Report (which will be discussed in more detail later in this section) ranks the UAE 33rd out of 183 economies in overall Ease of Doing Business. As mentioned earlier in the Report, one of the major barriers to business creation was removed in August 2009 when the Federal Government abolished the minimum capital requirements for establishing a Limited Liability Company.
Easing the regulatory burden on UAE businesses through initiatives like this will help enable the UAE economy to attract and nurture more innovative companies.

5.05 Human Capacity

Human resources are critical for the development of new ideas. Even more so in the UAE, where the small population size of the local population (less than one million people) has forced the UAE to open its borders to vast amounts of expatriate workers. Over the last twenty years, the UAE population has more than doubled from 2.34 million in 1990, to more than 4.78m at the end of 2008 (Gulf News, 2009). The UAE government has signaled that the development of its human capacity is a key aspect of its economic and social vision moving forward. Although the UAE’s GDP per capita is higher than the USA and most other advanced economies, it is striking to realise that the country’s first university was only first established in 1979. For local Emirati nationals studying at universities today, it is quite rare for either of their parents to have even considered further study after high school and in many cases, completion of secondary studies was quite rare. While the UAE Government is aware that its push to transform their economy into a knowledge-based, innovative economy is economically desirable, there is no doubt that one of the key barriers to this vision is the youth of its education sector and scientific research institutions and the minimal linkages that exist between them and private industry in the UAE.

5.06 ICT Infrastructure

The last two decades has seen a radical transformation in how business and societies in general function as developments in Information Communication and Technologies (ICT) have transformed people’s lives and access to information has become more important than ever. The role that ICT and the infrastructure that supports them is becoming a critical driver in the development of new, innovative, products and services and is providing a whole new range of business opportunities for budding entrepreneurs. The UAE ranks 31st in ICT Infrastructure which is disappointing given the Government’s focus on transforming their economy into a knowledge-based one. The UAE has one of the most advanced markets in the Middle East but its telecommunications sector is the least liberalized with a lack of real competition in the Telecommunications sector (Etisalat and Du are both majority Government-owned) and no foreign investment is allowed. This is in sharp contrast to other Middle Eastern countries who have allowed foreign (mainly regional) competition into their telecommunications sector (Paul Budde Communications, 2009). In fact, in many parts of the UAE, there is still no real competition as each provider have designated areas in the UAE where they can offer telecommunication services as a monopoly without any competition. It has been recently announced that a third telecommunications provider will enter the market in 2011. Al Yah Satellite Communications Company will provide a range of voice, data, video and internet connectivity services for applications like HDTV and other broadband satellite services for both commercial and government in the UAE and the region. A third entrant to the UAE telecommunications market is welcome but again it is government owned which will limit the amount of real competition and subsequent price reductions and service improvements to individuals and businesses in the UAE.

Current internet bandwidth rates in the UAE are by international standards, slow and expensive. Denmark, who leads the ICT Infrastructure pillar in the Global Innovation Index has the highest internet
banwidth (346 Mb/s per 10,000 population) and broadband internet penetration rates (36.3%). This has helped Denmark to better support their national high tech industry and facilitate strong linkages between academia and industry as well as stimulating Danish individuals and businesses to create and develop new technologies and applications (INSEAD, 2009).

Undoubtedly, the current roll out of FTTH Network across Abu Dhabi in 2010 and the rest of the UAE in 2011 is an important step forward in opening up access to services and business applications dependent on high-speed internet connections. This should help stimulate growth in high tech, knowledge intensive businesses, as well as lower costs to the broader general business community, all of which will increase the overall competitiveness of the UAE economy.

### 5.07 Markets Sophistication

As outlined in the Global Innovation Index Report, access to financial institutions and the existence of investors eager to support entrepreneurial ventures and business growth is critical for corporate and individual entrepreneurs to have the opportunity to capitalize on their new ideas and plan for business expansion. An efficient and sophisticated market is also an important driver to attracting foreign direct investment flows into the country. The UAE fares very poorly in this area, with a ranking of 50th, the worst ranking it has in any of the eight pillars covered in the Global Innovation Index. Key areas of weakness in this area for the UAE include:

- The lack of effective bankruptcy laws
- The availability of credit information across the financial sector.
- Protection of investors rights
- The level of sophistication of local financial markets
- The level of venture capital available for entrepreneurs who have innovative but risky business ideas
- The restrictions of foreign ownership of companies in the UAE

It is not surprising, that in many of the above areas the UAE is reviewing existing laws and regulations and trying to improve the overall regulatory efficiency and fairness of markets across the UAE. In regards to foreign ownership restrictions, the UAE has also been drafting its revised Company Law which will allow for single ownership of limited liability companies (LLC) therefore removing the requirement of foreign owned businesses to find a local partner to sponsor their business operations. This requirement has been highlighted in previous GEM studies as being one of the key barriers to business formation in the UAE. The revised law will also impose more transparency and make corporate governance procedures compulsory for both public and private companies. It is expected that these changes will be confirmed in early 2010 and should lead to increased business start-up rates from the expatriate population in the UAE.

The Ministry of Economy is also in the final stages of drafting a new foreign investment law aimed at incentivising both local and foreign investment and to improve the overall investment environment in the UAE. The UAE already provides a number of incentives to attract foreign companies to invest in the UAE including full income tax exemption, freedom to repatriate business profits, custom fees of no more
than five per cent, and commodities that are used in production are fully exempt from custom duties (Mohamed, 2010).

The key barrier of restrictions on foreign ownership still remains though outside the Free Zones that are scattered across the UAE. If the UAE seeks to attract the world’s most innovative and dynamic companies/individuals it needs to allow them to maintain ownership of their business operations. The success of the free zones in Dubai, including Dubai Media and Internet Cities illustrate how liberalisation of foreign ownership restrictions can lead to the creation of new, innovative and knowledge intensive sectors in an economy.

5.08 Business Sophistication
The business sophistication pillar measures how effective companies are in developing and using new technologies in their business operations as well as the quality of domestic manufacturing and services and how responsive companies are to the local market. Innovative use of ICT infrastructure and technologies can help businesses better meet a more demanding customer base. The UAE ranks 33rd on this pillar of innovation. Areas of weakness for the UAE in this category include minimal university/industry research collaboration as identified in the Global Competitiveness Index Report and which has also been identified by a number of National Experts in this year’s GEM study, and the reluctance of local companies to supply the latest, high tech products to the market. As the GEM data has revealed, the percentage of UAE businesses involved in the high/medium tech industries has remained low since 2006 despite strong demand from UAE consumers for such products. This mismatch between consumer wants and demands for high tech, innovative products and what is being offered by suppliers was identified as a key finding in the GEM 2007 study and still remains an issue according to the 2009 GEM data.

One area that the UAE government is trying to improve the level of business sophistication in the UAE market is in its push to broaden the level of E-Government services available to the general public. The 2010 United Nations E-Government ranked the UAE 49th out of 184 countries in its E-Government Development Index however its online service availability ranked a disappointing 99th (United Nations, 2010).

As identified earlier in the Global Competitiveness Index summary, the UAE government excels at government procurement of advanced, high tech products. This is a positive step but the Government needs to try to find ways to incentivise and nurture the private sector to start developing their own high tech products and services offerings in the UAE market. Initiatives such as Dubai Silicon Oasis, a technology park launched in 2002 as well as the Dubai Biotechnology and Research Park which saw an increase of 46 to 65 high tech companies joining its facility in 2009 shows significant promise. The Biotechnology Park also recently just opened the Nucleotide Laboratory Complex which is the largest in the Middle East. The complex is designed to house biotech, life sciences and pharmaceutical activities including diagnostic, analytical and equipment training activities (UAE Interact, 2010)

The other major positive initiative taking place in the UAE is the progress of the Masdar Project in Abu Dhabi which was launched by the Abu Dhabi Government in 2006 to establish an entirely new economic
sector dedicated to alternative and sustainable energy. In late 2009, the Masdar Institute of Technology opened its doors to their first intake of students. The Masdar Institute is a private, not-for-profit, independent, research-driven institute developed in partnership with Massachusetts Institute of Technology (MIT). The Institute offers a range of graduate programs across a number of science and engineering disciplines, focusing on advanced energy and sustainable technologies. This is a very important development for the UAE as the new institute will help to forge new linkages with both the public and private sectors in the UAE as well as internationally. If leveraged correctly and given support by the UAE government, this could have a major stimulatory impact on the development of new, innovative technologies and research and development in the UAE.

5.09 Knowledge
The knowledge output pillar measures the degree to which a country is able to develop and apply knowledge to add value to its economic output and move towards a more innovation-driven economy. Not surprisingly, the UAE ranks poorly (38th) on this pillar given its weak scientific institutions base and undeveloped linkages between academia and industry constraining the country’s ability to become active in patent registrations utilizing new technologies. The low level of involvement of TEA businesses in the high/medium tech sector reflects the present inability of the UAE economy to adequately address this area of weakness. As highlighted previously, hopefully the development of technology parks such as Dubai Silicon Oasis and Dubai BioTechnology and Research Park as well as initiatives like the Masdar Project will enable smaller business start-ups to feed off these centers for high-tech research and production.

The Global Innovation Index identifies the important role that clustering enterprises in a particular or related sectors such as the case in Silicon Valley, can have in stimulating economic progress. Countries that performed well in the knowledge pillar such as South Korea, Taiwan, Italy and the USA all had the presence of strong and deep clusters of innovative companies. The fact that the UAE Government has unashamedly tried to imitate and adopt this practice in many areas across the UAE seems far-sighted and over the next decade should enable the country to develop some key competitive advantages across a number of sectors, certainly within the region, and potentially internationally.

5.10 Competitiveness And Wealth
The UAE performs relatively better on both the Competitiveness and Wealth output pillars ranking 15th and 6th respectively. The UAE’s ranking on competitiveness is primarily a function of the country’s growing export base, driven to a large extent by Dubai’s position as a trading hub within the region, with many international companies exporting their product to the Middle East/Asian region via one of the free zones in Dubai. The strategic location of the UAE as a gateway between East and West continues to be one of the key competitive advantages the country possesses. If the UAE is able to further develop its innovative capabilities, it has the opportunity to position itself not only as the premier trading hub in the region but also as a high tech/innovative hub.

The UAE’s high ranking on wealth is a function of significant oil revenues couple with a relatively small population.
5.11 The Economic Freedom Index

The Economic Freedom Index covers 183 countries and ranks them based on 10 measurements of economic openness, regulatory efficiency, the rule of law, and competitiveness. The Index emphasizes the level of individual empowerment, equitable treatment and the promotion of competition. Hong Kong was ranked the country with the highest level of economic freedom for the 16th consecutive year. Only seven countries are classified as “free” being – Hong Kong, Singapore, Australia, New Zealand, Ireland, Switzerland and Canada. The key findings from the 2010 Index include:

- As in previous years, the positive relationship between economic freedom and prosperity is strong. Countries that score well in the Index have higher GDP per capita.
- Economic freedom improves the overall quality of life, promotes political and social progress and supports environmental protection
- The global financial crisis had varying affects on countries promotion of economic freedom. Half of the countries in the index reduced economic freedom through a range of interventionist measures
- Increase government spending did not improve countries growth and employment objectives (The Heritage Foundation, 2010)

The UAE’s economic freedom score rose to 67.3 in 2010 ranking it 46th out of 183 countries. The UAE is ranked 6th out of seventeen countries in the MENA region and its overall score is higher than the world and regional averages. The report identified improvements in business freedom, investment freedom and property rights as key reasons behind the improved economic freedom score. Table 27 presents the UAE’s score out of 100 in each of the 10 measurements of economic freedom, alongside global average scores.

<table>
<thead>
<tr>
<th>Economic Freedom Measurement</th>
<th>Score</th>
<th>Global Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Freedom</td>
<td>67.4</td>
<td>64.6</td>
</tr>
<tr>
<td>Trade Freedom</td>
<td>82.8</td>
<td>74.2</td>
</tr>
<tr>
<td>Fiscal Freedom</td>
<td>99.9</td>
<td>75.4</td>
</tr>
<tr>
<td>Government Spending</td>
<td>80.9</td>
<td>65.0</td>
</tr>
<tr>
<td>Monetary Freedom</td>
<td>68.8</td>
<td>70.6</td>
</tr>
<tr>
<td>Investment Freedom</td>
<td>35.0</td>
<td>49.0</td>
</tr>
<tr>
<td>Financial Freedom</td>
<td>50.0</td>
<td>48.5</td>
</tr>
<tr>
<td>Property Rights</td>
<td>50.0</td>
<td>43.8</td>
</tr>
<tr>
<td>Freedom from Corruption</td>
<td>59.0</td>
<td>40.5</td>
</tr>
<tr>
<td>Labor Freedom</td>
<td>79.3</td>
<td>62.1</td>
</tr>
</tbody>
</table>

Table 27 Index of Economic Freedom Key Measurements

In terms of economic reforms, the UAE government was quite active in 2009, with the UAE ranked the 14th most improved economy in the 2010 Index. A key driver behind this was the abolishment of minimum capital requirements for establishing a LLC as well as increasing the efficiency of the regulatory framework. This change removes one of the major barriers to starting a business in the UAE and should provide a strong stimulus to business start-up growth moving forward in 2010. In fact, the Doing Business Report considers abolishing minimum capital requirements as one of the top five reform
features in the costs of starting a business. The UAE's decision to abolish minimum capital requirements enabled it to be ranked as one of the top 10 reformers in the 2008-09 World Bank Doing Business Report. Other countries that abolished minimum capital requirements in the past have seen subsequent sharp increase in business registrations.

Importantly, the report identified weaknesses in the overall economic freedom of the UAE economy in its legal system and a restricted investment environment which places a number of restrictions on foreign investment and provides weak protection for foreign investors. As mentioned earlier, the UAE government is very close to releasing revised versions of the company, investment and industry laws which should make it easier for foreign investors to do business in the UAE and provide them with increased levels of protection – currently a key area of weakness in the UAE economy. This should stimulate foreign investment flows into key strategic economic sectors of the economy moving forward and improve the overall business competitiveness of the economy.

The report summarized the UAE's performance in each of the 10 key measurements of economic freedom as follows:

**Business Freedom:** Recent regulatory reforms has improved the overall freedom to start, operate and close a business in the UAE. Starting a business takes less than the world average of 35 days and obtaining a business license takes much less than the world average of 218 days. However, insolvency laws remain ineffective and bankruptcy proceedings average more than five years with an average recovery rate of only 10 cents per dollar.

**Trade Freedom:** The UAE has a weighted average tariff rate of 3.6% in 2008 and still maintains a number of non-tariff barriers which increase the cost of trade. Only firms with a trade license can import and only majority owned UAE firms can get a trade license (except for goods imported into free zones).

**Fiscal Freedom:** The UAE has no income tax and no federal-level corporate tax however corporate rates may vary from business activity and Emirate. For example, foreign banks are taxed at 20 percent, oil companies are taxed at 50 percent in Dubai and 55 percent in Abu Dhabi. There is no sales tax yet and property transfers have minimal tax rates but no capital gains tax are in place.

**Government Spending:** Total government expenditure in the UAE remains relatively low at 25.2% of GDP. However the government has a significant role in the economy through regulation and government-owned firms. Recent public sector salary rises and development spending has increased overall government spending.

**Monetary Freedom:** Inflation has subsided in the UAE falling from low to mid double digit rates in 2008 to close to zero growth in prices in 2009. The government still influences a range of prices in the economy through regulation, subsidies, and government owned firms in the oil, gas, electricity and telecommunications markets.
**Investment Freedom:** The UAE’s investment freedom score is its lowest of any of the ten measurements of economic freedom revealing a key weakness in the overall business environment in the UAE. Except for in the twenty one free zones in the UAE, 51 percent of a business must be owned by a UAE national, projects must be managed by a UAE national or have a Board of Directors with a majority of UAE nationals. Company bylaws often will prohibit foreign ownership and distribution of goods is required to be conducted through an Emirati partner. There are few controls or requirements on current transfers, access to foreign exchange, or repatriation of profits. Foreign investors face a range of restrictions or bans on ownership of land in the UAE. Recently the Abu Dhabi Government announced that is open to considering 100% foreign ownership in a number of strategic industries in its Emirate. The Federal Government is currently working on the final draft of its Foreign Investment Law and it is expected to be completed in late 2010. This law will protection for foreign investors in the UAE along with providing a number of systematic incentives that will improve the overall business environment in the UAE. Hopefully, many of the issues raised here regarding the level of investment freedom in the UAE will be addressed by this revised law.

**Financial Freedom:** Fortunately for the UAE, its banking sector has emerged relatively unscathed from the global financial crisis. Financial supervision has been strengthened and domestic banks offer a full range of banking services. Six banks account for 70 percent of total assets and Islamic banking is growing with increasing numbers of Islamic banks operating in the UAE. The banking sector has more than fifty banks operating across the UAE split equally between local and foreign banks. Capital markets are relatively well developed and both the Dubai Financial Market and the Abu Dhabi Stock Exchange have become more open to foreign investment but many local shares still place restrictions on foreign ownership.

**Property Rights:** The Ruling families have considerable influence on the judiciary. All land in Abu Dhabi is government-owned. Foreigners are allowed to buy and hold 99-year freehold interests in a number of Emirates and mortgages are available to them. The UAE has the best IP protection in the region.

Freedom from Corruption: Corruption still exists in the UAE and the government has undertaken a visible crackdown on this over the last two years. The UAE ranks 35th out of 179 countries in Transparency International’s Corruption Perceptions Index in 2008.

**Labor Freedom:** The UAE has relatively flexible employment regulations. The non-salary cost of hiring a worker is quite low, but firing an employee can be expensive. Regulations on the number of work hours is not fixed and there is no minimum wage in the UAE.

In summary, the Economic Freedom Index identifies four key areas of weakness in the UAE economy – the level of investment freedom, financial freedom, property rights and corruption.

**5.12 The 2009 Legatum Prosperity Index**

The 2009 Prosperity Index ranks more than 100 countries based on the following nine key building blocks of prosperity:
• Economic Fundamentals
• Entrepreneurship and Innovation
• Democratic Institutions
• Education
• Health
• Safety and Security
• Governance
• Personal Freedom
• Social Capital

The Report found that entrepreneurs at the micro level need good economic policies at the macro level. When countries create business environments that are enabling for business start-ups and supportive of innovation, they are also enabling stability and growth in the overall economy. Importantly it was found that innovation and entrepreneurship were more strongly related to economic fundamentals than any other factor in a society. Of the top twenty most entrepreneurial and innovative countries in the Index, seventeen of them were also amongst the top twenty countries with the strongest economic fundamentals. The Report also argues that potential entrepreneurs will often be inhibited in their development if a nation’s economy is not fundamentally strong (Legatum Institute, 2010).

The top ten countries in the 2009 Prosperity Index included Finland, Switzerland, Sweden, Denmark, Norway, Australia, Canada, Netherlands, the United States and New Zealand. The UAE ranked 47th out of 104 countries on the Prosperity Index and its rankings in each of the sub-indexes are presented in Table 28.

<table>
<thead>
<tr>
<th>Prosperity Sub-Index</th>
<th>UAE Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Fundamentals</td>
<td>38th</td>
</tr>
<tr>
<td>Entrepreneurship and Innovation</td>
<td>44th</td>
</tr>
<tr>
<td>Democratic Institutions</td>
<td>98th</td>
</tr>
<tr>
<td>Education</td>
<td>47th</td>
</tr>
<tr>
<td>Health</td>
<td>29th</td>
</tr>
<tr>
<td>Safety and Security</td>
<td>18th</td>
</tr>
<tr>
<td>Governance</td>
<td>39th</td>
</tr>
<tr>
<td>Personal Freedom</td>
<td>72nd</td>
</tr>
<tr>
<td>Social Capital</td>
<td>77th</td>
</tr>
</tbody>
</table>

Table 28 UAE Rankings in the 2009 Prosperity Index

In terms of entrepreneurship and innovation, the report found that overall the UAE has a relatively good level of technological infrastructure but that a key inhibitor to entrepreneurship growth was barriers to entry on business registrations. The report also identified a number of other key weaknesses including the high number of startup procedures (12) required for new business registration, the low level of high-tech exports (only 1%) in the country’s overall export base, the poor level of spending on research and development equivalent to 0.3% of total GDP and the low level of value added by the service industry which ranked the UAE in the bottom twenty countries for this variable.
5.13 GEM 2009 Policy Recommendations

The data from this year’s GEM study, combined with the findings from the most recent World Economic Forum Global Competitiveness Index Report, the Insead Innovation Index Report, the Heritage Economic Freedom Index Report, World Bank Doing Business Report and Legatum Prosperity Index provide us with a strong overview of the level and composition of business activity in the UAE as well as the current environment UAE businesses are required to operate in. In the following section, we will provide a number of policy recommendations that we believe will help to develop new business growth in the UAE as well as provide much needed support for existing UAE firms.

This year’s GEM study has shown that new business growth across the UAE continues to remain strong, outstripping all other GEM countries since 2006. However, a number of key weaknesses (or opportunities for improvement) appear from the data analysis and from the review of the global business performance indexes. In summary, these can be categorized broadly as follows:

- Encourage innovation and entrepreneurship amongst public sector employees
- Facilitate networking opportunities for entrepreneurs in the UAE
- Increased support for female businesses consistent with the local culture
- Continued regulatory reform, bankruptcy laws and investor protection
- Strengthen linkages between industry and universities
- Improve Access to Finance for SMEs
- Cultivate a Culture of Innovation in the UAE through Investment in ICT Infrastructure and Research and Development
- Complete Overhaul of the Public Education System in the UAE
- Opening up Government SME support programs to all UAE residents
5.14 Revamp of Public Education in the UAE

There is no silver bullet to making a country “entrepreneurial” however as most studies into entrepreneurship reveal, the quality of a country’s education system is critical in nurturing and developing people who are eager and capable of being successful entrepreneurs. GEM study interviewees identified the current education system as a major barrier to entrepreneurship growth in the UAE. The UAE’s ranking of 29th for Human Capacity in the Innovation Index also indicates that the Government still has a lot to do to transform its education sector into one that is supportive of creating and sustaining innovative capabilities.

The Arab Human Capital Challenge Report (2008) also identified serious weaknesses in public sector education across the Gulf Region. Only half of the CEOs surveyed in the Report believed that there were sufficient numbers of qualified students coming out of the education system and Gulf leaders were amongst the least satisfied with the supply of skilled students, with only 37% citing their satisfaction.

Clearly, the public education system in the UAE is not working and is failing its students and inhibiting their ability to be creative and innovative. The primary weakness of the system is the qualifications and teaching styles adopted by teachers. A focus on ROTE learning methods is dominant in the UAE public education system at all levels – both primary and secondary. The present system is so inept that 93% of students entering the three public universities in the UAE require significant amounts of remedial training to bring them up to a level where they are capable of starting their tertiary studies (Lewis, 2010). The UAE government’s vision is to build a knowledge-intensive and innovative economy – this is not even conceivable until this fundamental weakness in the training and development of the youth of the UAE is addressed.

Fortunately, the awareness of this issue amongst policymakers in the UAE is strong and there is no doubt that the UAE government has made significant changes to their education system over the past few years. However, changes to the entrenched “culture” of an education system are hard to change and can take decades to do so. There are a number of quick, relatively simple education curriculum changes which would go some way to support entrepreneurship development in the country including:

- “Testing and Training the Teachers” - all teachers in the public education system need to be tested against international benchmarks, retrained, and replaced if necessary with teachers who will encourage students to be creative, inquisitive, and will support the development of student’s critical thinking skills. This was a key finding of the Arab Human Capital Challenge study which identified improving teacher training as the most important issue to be addressed in order to improved the quality of graduates from the public education system. The Report also highlighted the importance to introduce better screening and selection criteria for teachers so as to ensure a uniform standard that is nationally accredited (Arab Human Capital Challenge Report, 2008).
- Incorporating basic entrepreneurship training into both primary and secondary curriculums. No student should finish their secondary education without a good understanding of basic entrepreneurship and financial principles including preparation of a business plan to start a business and basic balance sheet/cash flow functions.
- Encourage the teaching of science, maths, engineering and technology (SMET) at all levels of education in the UAE. The key to being an innovative economy lies in the human capacity of its workforce. The government should provide extra funding to universities to develop their SMET programs.
- Increasing links between entrepreneurs and students. Entrepreneurs should be actively encouraged to visit with schools, promoting awareness of entrepreneurship and providing students with a role model that will encourage them to consider starting their own business.
- Public and private sector awards rewarding entrepreneurial ideas and activities taking place in schools in the UAE.
- Provision of academic credit to be given to students who undertake part-time work whilst studying at high school/university. A major problem many local Emirati students have when they enter university is they have no part-time work experience at all. Secondary schools should support as well as develop opportunities for their students to undertake various forms of part time work (paid or voluntary) to provide students with a practical understanding of how businesses work.
- Provision of competitive government scholarships providing local/expatriate students with free tertiary degrees in SMET fields as well as in programs related to innovation and entrepreneurship.

5.15 Developing the Innovative Capabilities of the UAE Economy

As highlighted in both the Global Innovation Index and the Legatum Prosperity Index, the role that innovation is playing in economic development in the 21st century is critical. The GEM data highlights that new business start-up activity in high/medium tech industries is relatively low and has not significantly changed since 2006. This is supported by the Prosperity Index report which highlights the very low level of high-tech exports (around 1%) in the UAE’s total export base. The UAE economy needs to transform itself from being relatively adept at adopting and utilizing technology in its economic production and particularly consumption, to being an economy that is innovative and is creating new, unique products, services and technologies of its own. Developments such as the Masdar Project and Innovation City in Abu Dhabi, and TechnoPark and the Biotechnology Science and Research Park in Dubai are encouraging and will hopefully have a significant impact on the innovative capabilities of the UAE economy over the next decade.

The UAE Government can also encourage innovation through Government awards recognizing both small and large businesses for innovative practices and products/services. Finland, who ranks second in the Global Competitiveness Index and 13th in the Global Innovation Index, has a government in place that is committed to growing its economy through innovation. The Finnish Prime Minister was once asked to sum up his country’s three most important priorities and replied “Innovation, innovation and innovation”. The Finnish Government continually promotes and encourages innovation and has initiated a range of awards that bring public recognition to Finnish companies that are innovative. That same focus on promoting innovation as key to the future development of the UAE economy has yet to
appear in the UAE, but with a dedicated government sponsored media campaign, businesses and individuals could be persuaded to embrace innovation in all aspects of their business and personal lives.

The UAE government can initiate awards that recognize both individuals and companies in the UAE that have used innovation to successfully improve business and social outcomes. This recognition and increases awareness of the key role that innovation plays in developing an economy can only enhance the desire and willingness for entrepreneurs/firms to adopt innovation into their businesses operations.

The UAE Government also needs to devote more public funds to R&D expenditure which is an area of major weak spot across the Middle East region. It is estimated that combined public and private expenditure on Research and Development in the Middle East is around 0.1% of GDP compared to 1.5% globally (Insead Knowledge, 2010). Countries like Sweden have been able to improve their Global Competitiveness Index ranking from 12th in 2007 to 4th in 2009 by massively increasing public and private expenditure on research and development. In 2007 a total of SEK 115 billion was allocated by the Swedish private sector for Research and Development, almost 4% of their total GDP.

The UAE government needs to better enable UAE businesses with access to the most advanced ICT technologies available globally. The government’s reluctance to open up its telecommunications sector to either domestic or foreign competition is inhibiting UAE businesses due to higher costs and restricted access to the latest telecommunications technologies. A recent study found that Dubai businesses were paying up to forty times more for international office links than companies in London and had the highest costs out of 102 cities sampled, due to the lack of competition in the UAE telecoms market (Atwood, 2010). The UAE government can look to a country like South Korea which quickly transformed its economy into one of the most innovative in the world through significant investments in its ICT infrastructure alongside consolidation with its knowledge industries. South Korea’s ICT industry now accounts for 30% of the country’s total exports (INSEAD, 2009).

5.16 Encouraging a Culture of Innovation and Entrepreneurship in the Public Sector

A significant barrier to entrepreneurship amongst the Emirati community is the high salaries and benefits provided by public sector employment. 92.4% of Emiratis work in the public sector, which like most public sectors globally is not renowned for its high work productivity (UAE Family Budget Survey, 2008). The average starting salary for Emirati university graduates in Abu Dhabi exceeds 30000AED a month which is higher than the income most senior managers earn in the UAE. It is understandable why Emirati parents would be encouraging their children to seek work in the public sector which guarantees high salaries, wonderful benefits and generous working hours. Why would a young Emirati give all of this up to risk starting their own business?

The UAE government needs to encourage and reward innovation and entrepreneurship amongst its public sector employees. By incorporating the demonstration of innovation and entrepreneurial processes as a key component of government department’s evaluation of their staff would stimulate creative thinking and radically change the existing culture that pervades many of the government departments across the UAE. Provision of awards and recognition to employees who have been able to
improve work processes and efficiency in government departments through innovative and creative solutions will encourage Emiratis to embrace innovation and use it in their work activities.

Emiratis working in the public sector could also be offered extended periods of paid leave to encourage them to go out and start their own business. Individuals who successfully launch their own business as part of this program could be provided with generous payouts from their public sector employment.

5.17 Increasing the Availability and Lowering the Cost of Finance for SME’s in the UAE

It’s been a difficult few years for UAE entrepreneurs and small businesses to source finance from the UAE banking sector to open/expand their business. From 2005-2008, UAE banks were reluctant to lend money to entrepreneurs and SME’s because their entire lending focus was on Real Estate as property prices soared in the UAE. With the onset of the global financial crisis in 2008 and subsequent credit crunch and economic crisis, it is now practically impossible for an entrepreneur or small business in the UAE to secure finance from banks in the UAE. A study by Dunn and Bradstreet found that prior to the global crisis, banks generally reject 50-70% of credit applications from SME’s due to their perceived higher risk and the difficulties applicants face in meeting the loan criteria of the banks (Kapur, 2009).

Given the reluctance of commercial banks to support the financial requirements of entrepreneurs and SME’s, the government needs to take action to address this important market failure, especially since SME’s account for close to 90% of employment in the UAE. In 2009, the Ministry of Economy in conjunction with the UAE Central Bank announced it will start a loan program targeting entrepreneurs wishing to start SME’s. Also, in June 2009, the Khalifa Fund to Support and Develop SME’s announced the launch of a AED100 million sub fund aimed at targeting projects that contribute to Abu Dhabi’s economic diversification plan. Recipients will be able to receive loans from the fund which do not accrue interest and will also be able to tap into a wide range of support services including marketing and clearance for required government paperwork. Both of these initiatives are important and hopefully more details will be revealed shortly and both programs will commence lending in 2010.

The impact of the global crisis on UAE bank lending has been so pronounced that the UAE government could even consider a more radical approach to providing funding for entrepreneurs and SME’s in the country. The introduction on an entrepreneurship tax could be levied on petrol consumption (which is incredibly cheap relative to US and European markets) or on financial transactions on the local stock markets similar to a Tobin tax proposed by global leaders. This additional funding could kick start a surge in business start-up activity as well as reducing the high SME failure rate that may eventuate in 2010 because of continuing cash flow problems and access to finance that UAE SMEs are experiencing. An “entrepreneurship/SME support fee” would also attract significant media attention and could help promote awareness amongst the UAE population of the importance of entrepreneurship and SME development to the UAE economy.

Such funding should be offered at below market rates of interest to help support firms to lower their financing costs. This issue has been a contentious one in the UAE over the past two years. As global interest rates have fallen sharply, interest rates in the UAE have remained stubbornly high, placing more
pressure on the costs of SME’s as their revenues have dried up. A UAE Central Bank coordinated
program that provides low cost funds for entrepreneurs and SME’s could play a vital role in supporting
entrepreneurship growth throughout 2010.

Another avenue through which the UAE government can help to improve SME’s access to finance would
be to provide bank guarantees for more entrepreneurs/SME’s in the UAE. This would encourage UAE
banks to provide more funding by reducing the perceived high risk they associate with any form of SME
lending.

5.18 Ease of Doing Business Regulatory Reform
The Global Competitiveness Index Report, the World Bank Doing Business Report and the Innovation
Index Report all identified areas of regulatory weaknesses in the UAE in the areas of foreign investment
and ownership restrictions, protection of investors rights, difficulties in contract enforcement as well as
weak and ineffective business insolvency laws. Some of these issues are currently being addressed with
revisions to the Federal Investment, Industry and Company laws all close to completion. However, the
issue of closing a business still remains a key barrier to doing business in the UAE. A number of GEM
National Experts identified this as a major barrier to doing business, particularly as it is a criminal
offence to bounce a cheque in the UAE with many business owners ending up in jail in 2009 due to
difficult business conditions.

The UAE needs to amend its bankruptcy laws and adopt international standards for this important
aspect of business operations. Increased flexibility is required and entrepreneurs and small business
owners should not end up in a UAE jails because their business face cash flow difficulties.

As mentioned earlier, liberalization of the telecommunications sector is also critical in reducing the
business costs of firms operating in the UAE. Having said that, decisions such as the recent one by the
Telecommunications Regulatory Authority TRA to continue to ban telecommunication services such as
VOIP across the UAE seems counterproductive to the government’s aim of creating a knowledge based
economy. It is important that the Government provides UAE businesses and entrepreneurs with the
most advanced and price competitive telecommunications system available. This will have an enormous
impact on the innovation capabilities of the UAE economy and will support development in new high-
tech services and industries moving forward.

5.19 Increased Support for Female Participation in Entrepreneurship
The UAE government’s support for women playing an important and prominent role in the development
of the UAE economy is impressive. The International Labour Organisation estimates that 39.7% of the
female population is economically active, ahead of all other countries in the MENA region apart from
Kuwait. This coupled with the impressive female enrolment rates in tertiary education (far exceeding
male enrolment rates) opens the door for female entrepreneurs to play an important role in the
development of the UAE economy. Despite this, female business start-up activity increased only
marginally from 2.7% in 2007 to 3.1% in 2009 in contrast to the strong growth in male business start-up
activity which rose from 5.8% to 7.7% over the same period. Also, the male female TEA ratio of 2.49 is
the 13th highest amongst all GEM countries.
The UAE Government in conjunction with bodies such as the Khalifa Fund to Support and Develop SMEs and the Mohamed Bin Rashid Establishment for SME Development need to launch a media/marketing campaign to promote female entrepreneurship in the country. They should also consider providing a range of dedicated support and training programs for female entrepreneurs who face unique barriers and difficulties in doing business in the UAE.

Special mentoring programs between female entrepreneurs and female students at high schools and universities in the country should also be established and supported with government funding.

5.20 Government Support Programs and Funding for Expatriate Entrepreneurs

A key finding of this year’s study is the outperformance of local Emirati nationals in business start-up growth compared to other nationality groups in the UAE. This is being driven by the extensive support being provided to them over the past few years from organizations such as the Khalifa Fund to Support and Develop SMEs and the Mohamed Bin Rashid Establishment for SME Development who provide a wide range of support services for Emirati entrepreneurs. Given the population composition of the UAE (less than 20% of the population are local Emiratis), if the UAE government is committed to SME development then it needs to provide funding for SME development across all nationality groups.

The Mohammed Bin Establishment for SME Development in Dubai assists start-ups in developing innovative business plans through mentoring, government aid, networking and financing assistance. Previously their services have only been available to local Emirati nationals however they have recently announced they will start providing some support services to expatriate entrepreneurs, starting from the first quarter of 2010. This is a welcome development as entrepreneurship should be encouraged and supported in the UAE, regardless of the nationality of the entrepreneur. The economic benefits that arise from SME development, are not confined to the owner of the firm. They flow across the economy and provide benefits to all. The government should look at extending support programs for entrepreneurship development for all nationalities in all Emirates of the UAE.

The GEM data also identified strong entrepreneurship development amongst Arab expatriates in the UAE. The UAE government should seek to capitalize on its position as a desired destination for entrepreneurs in the region by cultivating networks with these countries and removing any barriers to trade and business that exist with these countries. The government should also seek to encourage UAE entrepreneurs to tap into these markets and provide support through trade delegation visits and trade fairs to open up business opportunities between the UAE and these key Arab markets.
6.0 MENA REPORT
The year 2009 marks the first time a number of countries from the Middle East North Africa (MENA) region have participated in the GEM study, e.g. Algeria, Lebanon, Saudi Arabia, Syria, Tunisia, West Bank and Gaza Strip, Yemen. The GEM UAE team deems it an important development in the regional business research as well as providing fresh information and insights into the development of entrepreneurship in the UAE as compared to its neighbors. Hence, the team decides to include a separate MENA report in its national GEM report, to highlight findings derived from this significant development.

Geographically speaking, the term MENA covers an extensive region, extending from Morocco in northwestern Africa to the Gulf countries to the east, although there is no official list of countries. The social, political and economic developments across the MENA region vary significantly from one country to another, but the region as a whole has long been recognized as sharing a lot of commonalities in history, culture, religion, language, natural resources, economic development paths, and so on. An important objective of this report, therefore, is to search for the common themes as well as differences in the development of entrepreneurship across the region, hoping this would shed light on our understanding of both the subject and the region.

There are a total of 12 MENA countries participating in the 2009 GEM study: Algeria, Iran, Israel, Jordan, Lebanon, Morocco, Saudi Arabia, Syria, Tunisia, West Bank and Gaza Strip, United Arab Emirates, Yemen. Notable absences from the sample include Bahrain, Egypt, Iraq, Kuwait, Libya, Oman, and Qatar. Egypt had participated in the 2008 GEM study, but unfortunately did not in 2009. Of the six GCC (Gulf Cooperation Council) countries, only the Kingdom of Saudi Arabia and the United Arab Emirates have participated in this year’s study, but they are considered in many aspects the leading countries of the GCC.

Figure 68 The MENA Region
Given MENA’s vast area and diversity in terms of resource endowments and development stages, the team has contemplated on a suitable framework to organize and analyze the country-level data, and we have identified two alternatives. One is to follow the analytical lens used by the global GEM report, that is, to group countries into three phases of development: factor-driven, efficiency-driven, and innovation-driven. This classification scheme is developed by Global Competitiveness Report 2009-2010...
(Schwab, 2009) based on twelve comprehensive constructs to measure a country’s overall competitiveness in the global economy. The other alternative is a simpler scheme used by the World Bank in its 2009 MENA Development Report: From Privilege to Competition: Unlocking the Private-Led Growth in the Middle East and North Africa, which classifies MENA countries into three groups: resource-poor, resource-rich and labor-importing, resource-rich and labor-abundant.

The team decides to go with the second option for the following reasons: 1) The World Bank report and its classification are tailored to the development issues of the MENA region while the GCI (Global Competitiveness Index) is constructed to study 133 economies around the world; 2) The World Bank study focuses on private sector development in the region which bears a lot more relevance to the subject of entrepreneurship, while the GCI is a more comprehensive measure of the overall national competitiveness; 3) When we map the MENA GEM data onto these two classification schemes, the World Bank one provides a better fit, based on their cross-group and within-group differences. Therefore, in the following discussions, we will present our graphs using the WB classification, and provide GCI benchmarks wherever proper – (Table 29).

Table 29 Classification of MENA countries using the World Bank and Global Competitiveness Index

<table>
<thead>
<tr>
<th>Country</th>
<th>World Bank</th>
<th>Global Competitiveness Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>Resource-rich &amp; labor-abundant</td>
<td>Factor-driven</td>
</tr>
<tr>
<td>Iran</td>
<td>Resource-rich &amp; labor-abundant</td>
<td>Efficiency-driven</td>
</tr>
<tr>
<td>Israel</td>
<td>Resource-poor</td>
<td>Innovation-driven</td>
</tr>
<tr>
<td>Jordan</td>
<td>Resource-poor</td>
<td>Efficiency-driven</td>
</tr>
<tr>
<td>Lebanon</td>
<td>Resource-poor</td>
<td>Factor-driven</td>
</tr>
<tr>
<td>Morocco</td>
<td>Resource-poor</td>
<td>Factor-driven</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>Resource-rich &amp; labor-importing</td>
<td>Factor-driven</td>
</tr>
<tr>
<td>Syria</td>
<td>Resource-rich &amp; labor-abundant</td>
<td>Factor-driven</td>
</tr>
<tr>
<td>Tunisia</td>
<td>Resource-poor</td>
<td>Efficiency-driven</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>Resource-rich &amp; labor-importing</td>
<td>Innovation-driven</td>
</tr>
<tr>
<td>West Bank &amp; Gaza Strip</td>
<td>Resource-poor</td>
<td>Factor-driven</td>
</tr>
<tr>
<td>Yemen</td>
<td>Resource-rich &amp; labor-abundant</td>
<td>Factor-driven</td>
</tr>
</tbody>
</table>

6.01 General Outlook

At a glance, the most striking finding about the MENA countries is the region’s unequivocal enthusiasm toward entrepreneurship, an enthusiasm that spreads across all three dimensions of the GEM study: entrepreneurial attitudes, activities and aspirations.

On average, people in the MENA countries have voted more favorably than the world on their domestic entrepreneurial environment, as exhibited in their positive perception about entrepreneurial opportunities, perception of entrepreneurship as a good career choice, perceived high social status attributed to successful entrepreneurs, and wide media attention for entrepreneurship. On a personal front, more people in the MENA region have expressed their intention of starting a business in the next three years than the world average, and they are also more confident about the knowledge and skills they possess in order to start a business. In terms of fear of failure, a powerful psychological hindrance for many potential entrepreneurs, the MENA region is on par with the world on average, although there is a huge variation within the region.

![Average performance in the MENA region and the world](image)

**Figure 69 Average Performance in the MENA region and the World**

On a real front, the MENA region has reported more early stage entrepreneurial activities than the world on average, as shown by its higher startup and young business rates. However, a caution on this finding is that, if we look at the data country-by-country, only six out of the twelve countries have outperformed the world average. In fact, two countries in the region, Saudi Arabia and Yemen, are among those with the lowest, and highest, TEA rates in the world, respectively. Hence, it is helpful to look into the regional variation in the actual activity levels (Figure 70, 71, 72). Note also that Lebanon and Morocco have reported exceedingly high rates of established business ownership, in addition to their good performance in TEA rates (Figure 73). Taken together, these numbers suggest a higher level of private business ownership in the two countries, a subject to be discussed later in the report.
In terms of the quality of new businesses, the MENA region has again surpassed the world average, measured by the degree of newness in their product offerings and the technologies they are using, although this finding has to be qualified by the fact that the responses are based on entrepreneurs’ subjective assessment of their products and technologies, hence, subject to the constraints of their local markets and local accesses to advanced technologies (Figure 698).

A more important finding in entrepreneurial aspirations is the average higher job growth expectation reported by entrepreneurs in the MENA countries (Figure 74). For a region facing a young population and a high unemployment rate, the importance of this finding and its policy implications are self-evident.

Any attempt to understand these generally positive outcomes and their regional variations would inevitably entail some kind of theoretical exercises. For complicated phenomena such as people’s entrepreneurial attitudes, activities and aspirations, the theoretical challenges are daunting to say the least.
Figure 73 Established business rates in the MENA region

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Figure 74 TEA activity in the MENA region with job growth expectations

Any attempt to understand these generally positive outcomes and their regional variations would inevitably entail some kind of theoretical exercises. For complicated phenomena such as people’s entrepreneurial attitudes, activities and aspirations, the theoretical challenges are daunting to say the...
least. The global GEM report has resorted to comprehensive macro-, socioeconomic measures of national competence to account for the huge differences across the globe. This MENA report does not have the luxury of the global report’s large sample and time-series data, hence, we chose to focus instead on regional factors such as the development of private sector, the impact of natural resources and commodity prices, and unemployment rate.

Although the word “entrepreneurship” is not limited to private sector innovations, and despite the fact that a number of governments in the region have demonstrated their entrepreneurial spirits in the last decade in terms of their policy-making, a large and sustainable private sector remains crucial for developing a vibrant entrepreneurial economy. In return, the drive for independence, self-sufficiency, success and accomplishment by private citizens will, as economists have long argued, turn into a creative force that moves the society and economy to a higher level of equilibrium. Of course, private ownership of economy itself is not equivalent to an entrepreneurial economy. In fact, quite often in the history we see national economy controlled by a few large family businesses which overall have prohibited innovation rather than promoted it. A lot of entrenched businesses may have developed private ties to the government and government officials, and gradually lived on the rents they have managed to obtain from the government rather than the competitiveness of their businesses. Tight government regulations of labor and capital markets may also have a negative impact on people’s willingness to start their own businesses as they affect their perceptions of opportunities and their risk assessment. The development of entrepreneurship therefore depends on the presence of not only a sizable private sector but also pro-competition policies that ease the entry to markets for private businessmen and businesswomen, non-predatory industry policies that are willing to open lucrative business opportunities to the private sector, prudent yet firm regulations of all kinds of market irregularities that are capable of encouraging hardworking and innovative businesses at the costs of speculators or rent-seekers, and so on and so forth.

In the MENA region, there was a sweeping wave of nationalization, state planning, and state investment in the economy by national governments in 1950s shortly after independence. Starting in 1980s, however, a new wave of privatization, liberalization of trade and investment, and opening up to foreign investors has spread across the region, gained momentum in 1990s, and begun to bear fruits in the new century (Long, 2002). As a result, the fundamental ownership of the regional economy has been dramatically transformed; private sectors have replaced the public sectors as the main contributors to GDP for resource-poor countries. Even for resource-rich countries, private sectors have caught up quickly as their governments try to diversity the economies from hydrocarbon to non-hydrocarbon sectors (Figure 75).
The global report’s large sample and time horizon allow for the luxury of t
national competence to account for the huge differences across the globe. This MENA report does not attempt to do so. The global GEM report has resorted to comprehensive macro-, socioeconomic measures of entrepreneurship for resource-poor countries (Figure 75). The development of entrepreneurship depends on the presence of not only a favorable international and regional market conditions.

6.02 Regional Variations
It is in the light of this continuous expansion of private sector economy in the region that the rise of entrepreneurship be properly understood. Privatization and opening up to FDI led to the births of many new businesses; resource-poor countries were forced to reform their economy earlier and faster than their resource-rich counterparts; the boom of commodity prices in recent years has generated abundant investment capital in the region that not only benefits the commodity exporters but also spills over to resource-poor neighbors through regional trade, labor, and investment flows (The World Bank, 2009). In a word, entrepreneurship in the MENA region has benefited from a sweeping change in the macroeconomic environment from public-sector led to private-sector led growth, facilitated by favorable international and regional market conditions.

Figure 75 Private Sector as a percentage of non-hydrocarbon GDP

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However, political and financial supports for private sector growth only account for one aspect of entrepreneurial environment in the MENA region. Transferring resources and opportunities from public hands to private hands also means the transfer of risks and responsibilities. To what extent will the private sector agents weigh their opportunities versus risks, resources versus responsibilities, in favor of starting their own businesses? This brings us to another aspect of entrepreneurship: starting one’s business can be a forced act as much as a voluntary one. People with no other job alternatives are forced to be on their own.

In a lot of MENA countries, high unemployment rates seem to be correlated with higher entrepreneurial intentions. As we can see on Figure 77, for the first two groups of countries (resource-poor, and resource-rich & labor-abundant countries), people’s entrepreneurial intentions generally go up when the unemployment rate is high, and go down as unemployment drops. To a lesser extent, actual entrepreneurial activities measured as the TEA rates share this pattern too. This is not the case for the two oil-rich, labor-scarce GCC countries, Saudi Arabia and UAE, though. Apparently, potential and actual entrepreneurs in these two countries are more driven by opportunistic motives than by economic necessity. This is made very clear by Figure 78. The necessity-driven TEA rates in the two countries are among the lowest in the world.
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In terms of sector distribution, there is no significant difference across the three groups of countries. Note that TEAs in the two oil-rich, opportunity-driven GCC countries have almost nothing to do with the extractive sector, reflecting a high state monopoly in the sector. By contrast, a few resource-poor countries have indeed reported TEAs in the extractive business: Tunisia, Jordan, West Bank and Gaza Strip, so have Yemen and Syria. Across the board, consumer service industry is the leading sector in entrepreneurship, consistent with conventional wisdom and the global trend (Figure 79).
6.03 Demographics and the Effect of the Global Financial Crisis

The typical demographic profile of the MENA entrepreneurs features a male adult with age between 25 and 44. Some countries have notably younger entrepreneur population (below 34), such as Saudi Arabia, Syria and Iran. Yemeni entrepreneurs have the most polarized age profile, that is, a fairly high proportion of entrepreneurs who are either below 24 or over 55 (Figure 80).

There is a lot of interests in entrepreneurs’ gender profile globally and locally. Not surprising to many people from outside the region, male population in the MENA countries are more active than their female compatriots in starting a business. The male-female participation ratio is higher than the global average. The culturally conservative country, Saudi Arabia, has one of the lowest female participation ratios in the world, but other more secular and liberal countries like Syria, Jordan, Tunisia and the UAE, also have below-the-world-average female participation ratio in TEAs (Figure 81). Interpreting the number might be more complicated than it looks, as we have been reminded by people with intimate knowledge of the region that the actual level of female participation or leadership in entrepreneurship could be much higher than reported in the GEM surveys for various cultural and methodological reasons.

The impact of the 2008-2009 global financial crisis on entrepreneurship in the region turns out to be milder than in the rest of the world, but it varies significantly from country to country (Figure 82). The resource-rich but labor-abundant countries seem to be the hardest hit. Note that these countries are the ones that have the worse credit support to private sectors and credit crunch is the key characteristic of this financial crisis. On the other hand, oil-rich GCC countries remain the more optimistic group of the three. Around the world, people are perceiving more difficulty starting a new business than growing an existing new business.
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![TEA Gender Distribution](image1)

**Figure 81 TEA Activity by gender in MENA countries**

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Conclusion

If the World Bank 2009 report has depicted a lackluster performance of development, especially in the private sector, for the MENA region as compared to other fast-growing economies, the 2009 GEM study has provided us with good reasons for optimism. As the Bank said, MENA region stands at a crossroad: the economic ownership has changed, the economies are diversifying away from low-value-added resource exportation, foreign competition is intensifying, regional integration is accelerating, and global economy is stuck in a severe financial crisis. Against all these positive or negative trends in regional political economy, however, emerge strong signs of entrepreneurial spirits and activities that have surpassed all other regions except for Latin America countries (Figure 83). Whether this is coincidental that both regions have been criticized by the World Bank for lagging behind in developing a sustainable growth model, we do not know. But the GEM study certainly has helped answer one crucial question posted by the Bank, that is, has the private sector stood up to answer the call for changes? The answer is no doubt positive. Entrepreneurs are agents of changes. With more and more young people from the region start their own businesses, whether for necessity or for opportunity, we can be sure of one thing: the dynamism of the economy will increase, and from there, we may hope for more.
Figure 82 Impact of the global financial crisis on MENA countries

6.04 Conclusion

If the World Bank 2009 report has depicted a lackluster performance of development, especially in the private sector, for the MENA region as compared to other fast-growing economies, the 2009 GEM study has provided us with good reasons for optimism. As the Bank said, MENA region stands at a crossroad: the economic ownership has changed, the economies are diversifying away from low-value-added resource exportation, foreign competition is intensifying, regional integration is accelerating, and global economy is stuck in a severe financial crisis. Against all these positive or negative trends in regional political economy, however, emerge strong signs of entrepreneurial spirits and activities that have surpassed all other regions except for Latin America countries (Figure 83). Whether this is coincidental that both regions have been criticized by the World Bank for lagging behind in developing a sustainable growth model, we do not know. But the GEM study certainly has helped answer one crucial question posted by the Bank, that is, has the private sector stood up to answer the call for changes? The answer is no doubt positive. Entrepreneurs are agents of changes. With more and more young people from the region start their own businesses, whether for necessity or for opportunity, we can be sure of one thing: the dynamism of the economy will increase, and from there, we may hope for more.

Figure 83 MENA perceptions and attitudes towards entrepreneurship versus other regions
Bibliography


Appendix A - National Expert Profiles

His Excellency Sami Al Qamzi

His Excellency Mr Sami Al Qamzi was appointed Director General of the Department of Economic Development in September 2008 by HH Sheikh Mohammed bin Rashid Al Maktoum, Vice-President and Prime Minister of the UAE and Ruler of Dubai. Prior to this appointment, Mr Al Qamzi held the position of Director General of the Department of Finance where he worked directly with the Ruler’s Court and Executive Council of Dubai to develop strategies for the Department of Finance that supported the economic and financial objectives of the Emirate. Mr Al Qamzi is extensively involved in business and industry through his board affiliations. His leadership, vision and commitment to the economic development of Dubai perfectly complements his ability to lead Department of Economic Development into the future.

Eisa Abdelgalil

Eisa Abdelgalil is Senior Manager of the Economic Research Division at Dubai Chamber of Commerce and Industry, Dubai, UAE. He holds B.Sc. in economics from University of Khartoum in Sudan, M.A. in Economics of Development from the Institute of Social Studies in The Hague, and Ph.D. in economics from Erasmus University Rotterdam, The Netherlands. His research interests cover the fields of business & managerial economics and growth & development economics. His geographical region of interest is the Middle East in particular and developing countries in general. His work has appeared in the Journal of Policy Modeling, the Journal of Environment, Development and Sustainability, the Journal of Socio-Economic Planning Sciences, and Journal of Studies in Business & Economics.

Mohammed Saeed Harib

Mohammed Saeed Harib, a UAE national born in Dubai worked on several high level initiatives such as the Dubai International Film Festival, the Ibda’a Media Students Award and in 2005 Mohammed assumed the role of Art Director for the Technology and Media Free Zone Authority. Mohammed left TECOM in 2005 to pursue his dream; to create the Middle East’s pioneering 3D animated series. In September of 2005, he established Lammtara Pictures and announced his first animation project FREEJ. FREEJ went on air in September of 2006 to rave reviews from viewers and critics alike. The show was later voted the number one show that year and Mohammed was honored by the ruler of Dubai as the youth personality of the year. The first season of FREEJ gained international exposure when picking up the Special Country Award at the Hamburg Animation Awards. In 2007 the CEO Middle East Magazine chose Mohammed as young CEO of the year and was honored by the Dubai International Film Festival’s Muhur Awards, picking up “Best UAE Talent” award.
Kevin Schoepp

Kevin Schoepp is currently the Assistant Director of Zayed University’s Abu Dhabi Campus. He has been an educator his entire life and has been based in the U.A.E. for the past 6 years. He is presently engaged in his doctoral research into expatriates living in the U.A.E. as part of the Higher Education Leadership program from the University of Calgary, Canada. His previous professional role was as an educational technology coordinator at the university’s Center for Teaching and Learning. Areas of interest include effective leadership, the role of technology in learning, and the internationalization of higher education.

Muhammad Waqas

Muhammad has more than 10 years Telecommunication experience as Telecom Manager/Expert mainly in Cellular industry in the field of GSM, UMTS Networks with different vendors (Nokia, Ericsson, Huawei, ZTE & Nortel), operators (Etisalat, Paktel, SCO, TeleCard) and telecom regulatory authorities (PTA, TRA) in the MENA Region.

Maya

Maya finished her bachelor’s in dental surgery in 1994 and her masters in pediatric dentistry by 1998. Maya has been working in private practice since then. Maya came to Dubai in 2001 and started Dr.Joy Dental Clinic in 2004 along with her husband. She did her training in Dental Implantology and at present holds a Dubai license to practise as a general dentist, pediatric dentist and also as an Implantologist.

Mohamed Jamil Berro CEO Al Hilal Bank

Mohamed Jamil Berro was appointed to the position of CEO of Al Hilal Bank on February 2008 bringing approximately 20 years of banking industry expertise to the Abu Dhabi-based Islamic bank. He was previously Global Head for Arab Bank’s Personal Banking Group. He started his career with Arthur Andersen, Kuwait and held various senior positions in National Bank of Kuwait in both Kuwait and Lebanon and moved to join Credit Agricole in Egypt.
Mohamed Rashed Al Hameli

Mohamed Rashed Al Hameli is the Director General of the Abu Dhabi Chamber of Commerce & Industry (ADCCI) and the Senior Economic Advisor for the Abu Dhabi Council for Economic Development, which contributes to the planning of the Emirate's economic policies and facilitates structured dialogue between the government and the private sectors. Mohamed is a Board Member of the Statistics Centre Abu Dhabi and the National Health Insurance Company (Daman). He is also a Member and Secretary of the Abu Dhabi Government-Projects Claims Committee of the Executive Council, and he also Board member of Emirates Competitiveness Counsel and Quality Conformity Council.

Mr. Abdulbaset Mohammed Al Janahi, CEO Mohammed Bin Rashid Establishment for SME Development

Abdulbaset Mohammed Al Janahi started his career from 1997 to 1999 in Department of Economic Development as Project and Event Manager and then joined Dubai Internet City from 1999 to 2001 as Strategy Superior. In 2002 he became the Director of Mohammed Bin Rashid Establishment for Young Business Leaders and in 2003 was appointed as the CEO of the Establishment. Mr Al Janahi is responsible for developing entrepreneurship and provide an enabling environment for the growth of Small and Medium Enterprises in Dubai through advocacy and policy initiatives that contribute to the GDP of Dubai within the targets set by the Dubai Economic Development department.

Ahmed Khalil Al Mutawa CEO, Khalifa Fund to Develop and Support Small & Medium Enterprises

Dr. Ahmed Al Mutawa is the Chief Executive Officer of Khalifa Fund to Support and Develop Small and Medium Enterprises, the Government agency established in 2007 to foster entrepreneurship and develop thriving and competitive SMEs in the UAE. In addition to his role with Khalifa Fund, Al Mutawa holds the post of General Secretary of the Gulf Organization for Industrial Consulting. He is a member of the Board of Directors of Majid Al Futtaim Properties, a member of the Board of Trustees for Dubai University College, and also Strategic Development Advisor for Maritime and Mercantile International. A distinguished academic, Al Mutawa has previously held the position of Chairman of the Economics Department at UAE University, assuming the post of Vice-Rector for Planning in 1997. During his career, Dr. Al Mutawa has published a range of research studies and working papers. Dr. Al Mutawa has received various awards in recognition of his accomplishments, including the Sheikh Rashid Award for Academic Achievement in 1992, Al Owais Award for Best Economic Research in 1994, and the Industrial Personality of the Year by Datamax in 2005.
Samir Roger Makarem

Currently, the Managing Director for ‘J&R Business Consultancy’, which he and his wife Lama co-founded back in 2008, Samir works mostly on various projects both within the public and private sectors in Abu Dhabi and Dubai through Zayed University’s Institute for Community Engagement, as a Senior Business Consultant. Previously, Samir has taught and worked (both as adjunct faculty and administrator).

Dr Nermine G. El Shimy

Dr Nermine El Shimy is the Senior Advisor to the Chairman – Strategy & Economic Affairs at the Abu Dhabi Basic Industrial Corporation (ADBIC). From January 2007 to May 2009, Dr El Shimy was the Chief Economic, Regulatory and Customer Service Officer at the Higher Corporation for Specialized Economic Zones – ZonesCorp - the Government’s backed agency responsible for industrial development in Abu Dhabi through the establishment, management and operation of zones of special economic nature. Dr El Shimy is also a member of the Abu Dhabi Economic Plan Steering Committee responsible for the formulation of the 5-year Economic Plan in line with the 2030 vision.

Fahad Saeed Al Raqbani

Fahad joined Abu Dhabi Council for Economic Development (ADCED) in June 2008 as the Deputy Director General. Based on the goals set in the Abu Dhabi Economic Vision 2030, Fahad is leading his team to achieve the Emirate’s economic progress in consultation with the private sector. In his previous experience both with Mubadala Development Company and the UAE Offsets Group, Fahad has gained a strong expertise from international project finance to project management. Fahad has also developed a stakeholders approach in dealing with both financial and government institutions. Fahad is closely connected to the world of business. He is a Board Member of a number of companies including General Holding Corporation, Waha Capital, Siraj Finance, Tanqia, Algerian Utilities International Limited, Al Hikma Development Company, and SKH in Algeria.

Dr Kenneth Wilson, Director National Research Foundation

Dr Kenneth Wilson is Director of the newly created National Research Foundation (NRF) of UAE. The mission of NRF “is to build an internationally competitive research capacity for the economic and social development of UAE”. Prior to joining NRF, Dr Wilson was Professor of Economics and Director of the Economic & Policy Research Unit (EPRU), Zayed University, UAE. Originally from Australia, Dr Wilson has undertaken research in a wide range of applied economic areas and has published more than 50 refereed publications including books, book chapters and international peer reviewed journal articles on topics such as international competitiveness, contingent protection, dumping and anti-dumping, intraindustry trade, tourism economics, productivity and labor market issues. Dr Wilson is a regular commentator on UAE economic affairs and a much sought after public speaker.
Abdulrahman Al Saleh, Department of Finance, Director General

Mr Al Saleh is the Director General of the Department Of Finance in the Emirate of Dubai. Mr. Al Saleh is the Chairman of the Board of Directors of Dubai Financial Support Fund. He is also board member in Shuaa Capital PSC, Gulf Finance Corporation, Gulf Navigation Holding PJSC and Dubai Real State Corporation. He is qualified chartered Management Accountant in the UK, and holds EMBA from the American University of Sharjah.

Ellen Kruijning, Veterinarian

Ellen Kruijning, arrived in September 2001 in Dubai, UAE after which I started to work for a local veterinarian to later move on to a temporary position helping to develop a small animal/falcon centre for one of the local Sheiks. In the fall of 2003 I thought it time to start up my own clinic which I succeeded in doing in October 2004 in Al Barsha, Dubai. We started up as 1 veterinarian and 1 assistant and are now a 22 people strong team (4 Veterinarians) supporting a lot of pets in the region with outstanding pet health care, 7 days a week, 24 hours a day, in a clinic looking desperately for expansion.

Dr. Jay Squalli, Associate Professor, American University of Sharjah

Jay Squalli has been an associate professor of economics at the American University of Sharjah since August 2008. Prior to that, he held a joint appointment at Zayed University as an assistant professor in the College of Business Sciences and a researcher in the Economic & Policy Research Unit. His scholarly interests cover a broad range of areas which include industrial organization, international trade, and various topics relating to the Middle East and North Africa. His research has been published in international refereed journals. Jay Squalli has also been involved in the completion of a number of research reports for the UAE Ministry of Presidential Affairs, the UAE Ministry of Economy, the UAE Ministry of Foreign Trade, and Brookings.

Khalid Al Kaabi

Khalid Al Kaabi is the Managing Director of Fujairah Plastic Factories. He has received his Bachelor of Mechanical Engineering degree from Cleveland State University in 1999. After completing his education he has decided to moved into the family business seeking to enhance the core sector of my expertise and lend a touch of class to management resources.
Reg Athwal, Entrepreneur

Reg Athwal (www.rawltd.com) is the Founder of RAW Group, and Co-Founder & Chairman of OneTVO (www.onetvo.com). He is also the Past President of the Professional Speakers Association of the UK, and Founding Chairman of the Professional Speakers Association of the Middle East (www.psame.org). He is the creator of the 'Unleash Your DNA' brand and its CSR seminars and business forums in the UAE. Athwal has built numerous multi-million dollar businesses, prior to becoming a strategic advisor to CEOs and a world renowned professional speaker.

Sawsen Ayari

Sawsen Ayari is a Program Manager at PlaNet Finance UAE, based in Dubai. She is currently working as a Microfinance expert in Oman and at the development of PlaNet Finance Middle East. She developed a strong experience in Market Research and Business Planning. She conducted several missions in the Sultanate of Oman, Syria, Yemen and Sudan. She was successively Head of Mission for the implementation of a Museum for Workers Memory in Paris (2003). In 2005, she co-wrote a report for the United Nations and the French Red Cross on the Impact of the Oil For Food Program in Iraq. In 2005-2006, she was a student-researcher for the Defence Representation of the French Embassy in Syria.

Mohammed Ali Albidwawi Deputy Director Strategy & Excellence, Dubai Land Department

Mohameed gained experience in the commercial market through work in his father’s company as well as work across borders to travel to supplier countries to the UAE market in East Asia such as China, Thailand and Hong Kong. Mohamed was also a trainee working within a range of government Departments and organizations during the period of his university studies.

Dr Soheir M. El Sabaa

Dr Soheir completed a professorship in Economics in the UK and a PhD in Industrial Econom in the USA. She has been working as an Economic Consultant for Dubai Development and Investment Authority and Dubai Holdings for the past fifteen years. Prior to that Dr Soheir worked as an Industrial Consultant for the Dubai Chamber of Commerce and as a Senior Economic Analyst for the Arab Times magazine in Sharjah. Dr Soheir has also been a regular judge for the Mohammed Bin Rashid Award for Small and Medium Projects.
Tim Rogmans

Tim Rogmans is instructor at Zayed University’s College of Business Sciences in Dubai. His research interests include entrepreneurship and Foreign Direct Investment in the MENA region. He serves as Board member of the MENA Chapter of the Academy of International Business. Tim previously held management positions in Executive Education, Credit Insurance and Management Consulting. He has worked in the Netherlands, the United Kingdom, France, Lebanon and moved to the UAE in 2007.

Francois Bester

Francois Bester is a management and HRM consultant who has lead individual and organizational change and development projects across Southern Africa, West Africa and the Middle East for 25 years. In the UAE since 2001, Francois worked as an HR business partner in local oil company before he joined Zayed University’s College for Business Sciences.

Gokhan Tosun

Gokhan Tosun is a Business Development Manager at I Care, a consumer products company in the UAE. Prior to this, Gokhan was the General Manager at Techno Group, a mobile phone company with operations across the Middle East.

Maha Nasnsas

Ms. Maha Nasnas is the Royal Events Manager at Flying Elephant. Flying Elephant was awarded with the Best Small Business of the Year at the inaugural Middle East Business Achievement Awards 2007. The Best Small Business of the Year Award is given to the nominee that demonstrates sustainable growth and commercial success to levels that are outstanding for the size of the applicant's operations. In receiving this award, Flying Elephant is honored with being the most entrepreneurial small business in the Middle East operating in any industry sector.

Mr. Malek Mouawad

Malek Mouawad has nineteen years experience in the automotive / commercial vehicle industry. He is the Manager of Tony Edwards Motor’s Body Shop. Mr. Mouawad’s experience in the automotive industry and his high level of customer care in addition to his knowledge of vehicle legislation, consumer legislation and trade practices within the region has been one of the key driver for Tony Edward Motors to achieve cost objectives along with quality and delivery objectives.
Nayla Al Khaja  Producer/ CEO  D-SEVEN MOTION PICTURES

Nayla is the founder and sole owner of UAE’s D-SEVEN Motion Pictures. D-SEVEN offers services to the local film industry and foreign producers and was established in 2002 when Nayla was only 23 years old. It is also one of the few national companies dedicated to the development of film making in the UAE. Nayla’s company also created the Scene film club which is under the patronage of the Dubai International Film Festival; the club hosts panel discussions and flies in Directors from all over the globe to showcase their independent films for the local community. Nayla is UAE’s first independent film producer, she won after many votes the Emirates Woman of the year 2005 for her entrepreneur spirit. Recently Nayla was awarded as the best Emirati filmmaker at the Dubai International Film Festival 2007. In 2008, Nayla and her team pitched for the first big budget feature documentary on Arabic Polo horses and won the deal.

Layla Mohammed

Layla Mohammed NasserI graduated from Muharraq Secondary School in Bahrain in 1978. Her first job was in an Arab Ship Building Company as a Senior Clerk. In 1981, Layla moved to Dubai with her husband, and commenced work in the banking sector. Layla worked as a Senior Clerk in the UAE Central Bank before joining the Commercial bank of Dubai where she worked as an officer to different departments. Layla then moved to the National Bank of Dubai where she worked for more than 17 years as a Senior Manger. The NBD, now presently called as Emirates NBD after merging with Emirates Bank provided Layla with a range of opportunities to work in various departments. Layla is now working as a Senior Manager in the Department of Post Dated Cheques and Local Bill Discounts.

Lara Koro

Mrs. Lara Koro is the Business Development Manager in Dubai at Visa Inc. She has been involved in business consulting for the Financial Services sector for seven years and worked with major FS blue chip clients in London such as Credit Suisse First Boston, The Woolwich, Zurich Financial Services, ABN Amro, and Union Bank of Switzerland. Her expertise lies mainly in Business Process Design, operations improvement, programme management and IT infrastructure implementation. Mrs. Koro worked in several geographical locations in Europe (London, Paris, Rome) in addition to the Middle East.
Dr Naji Al Mahdi

Dr Naji Al Mahdi is the Executive Director of the National Institute for Vocational Education. Dr. Al Mahdi is a dedicated Human Resources Development and Management professional with over 27 years experience in the field. Dr. Al Mahdi held senior management roles within the education, training and employment sectors. His performance record includes providing strategic, academic and operational leadership to promote high level performance and innovation in the development and delivery of quality vocational education in accordance to the needs of the business community and society at large. He has a wealth of experience in developing policies and strategies related to the management, budget, performance, quality, standards, evaluation, licensing, accreditation, funding, delivery, assessment, verification and organization of educational institutions.

Dean Michael Owen

Before coming to Zayed University as the Dean of the College of Business Sciences, Michael Owen was the Dean of the College of Business at Montana State University from 1993 to 1999 and served on the finance faculty from 1989 to 1993. Prior to his years at Montana State, Dean Owen had an extensive business career as an entrepreneur in Denver, Colorado. He was Chairman of the Board and Chief Executive Officer of Royal Gold Inc. from 1976 to 1988. Royal Gold was an oil and gas company that Mr. Owen took public and later converted to a gold mining company with the decline of oil prices in the early 1980s. His earlier entrepreneurial activities included numerous real estate partnerships and developments, a securities broker/dealership, an insurance dealership, an independent trust company, two mutual funds and a mutual fund management company, a management consulting business, a computer programming school, a wholesale/retail fresh seafood company, a cattle company, an art gallery and a restaurant.

Dr Marco Baccanti

Dr. Marco Baccanti, Italian, is the Executive Director of DuBiotech, Tecom Investments. DuBiotech is the Free zone dedicated to Life Science, has 70 companies operating under its license, in sectors like big pharma, scientific equipments, food additives, cosmetic, etc. This is Marco’s 4th consecutive appointment as managing director or CEO of a science park or a cluster organization : in the past he has been managing Science Park Raf (San Raffaele biomedical science Park) in Milan, Fondazione Parco Biomedico in Rome, Parco Scientifico Centuria in Cesena, Italy. For 6 years he also served as President or board member at Iasp, International Association of Science Parks. He has been teaching innovation management and technology transfer as contract professor in several European Universities.