Global
Entrepreneurship
Monitor

QATAR REPORT 2016

QDB
بنك قطر للتنمية
Qatar Development Bank

Forward

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Chief Executive Officer

Qatar Development Bank (QDB) is mandated to encourage and support local entrepreneurship by playing an integral role in helping SMEs foster, grow and succeed in both local and international markets. In addition to providing financial aid, QDB also offers advisory support and guidance to SMEs in core economic realms. This support and guidance is provided at every stage of the business lifecycle.

The Global Entrepreneurship Monitor (GEM) is the world's foremost source of information on entrepreneurial activities and metrics from around the globe. More than 100 countries participate in GEM on an annual basis.

In each country, GEM looks at two elements:

• The entrepreneurial behavior and attitudes of individuals

• The national context and how that impacts entrepreneurship.

QDB as a primary government entity responsible for promoting entrepreneurship and SMEs development in Qatar, is proud to be the lead institution in Qatar to join the GEM Consortium and participate in the 2016 GEM Survey.

The 2016 GEM Survey represents the 18th consecutive year that GEM has tracked rates of entrepreneurial activity; assessed the characteristics, motivations and ambitions of entrepreneurs; and explored the attitudes societies have towards entrepreneurship across world economies. QDB's participating in GEM, will help achieve our vision of accelerating the development of Qatari private sector to diversify Qatar's economy, with focus on promoting entrepreneurship and SMEs and improving competitiveness of the private sector.

Our mission is to raise awareness of entrepreneurship in Qatar by enhancing understanding of the SME ecosystem, leading to better informed decisions and more effective policies. This will help us to establish an ever-growing community of believers in the transformative benefits of entrepreneurship.

QDB is proud to present the 2016 GEM Qatar Report. This report draws on extensive market research involving the collection of high quality data gathered from over 3,000 interviews with Qatar residents (between the ages of 18 and 64 years) across all nationalities and genders. The results benchmark Qatar against 63 world economies completing the Adult Population Survey (APS) and 65 economies completing the National Expert Survey (NES). This allows Qatar to make reliable, international comparisons on entrepreneurship.

The 2016 GEM Qatar Report measures the complex relationship between entrepreneurship and economic growth in Qatar on the following dimensions:

- Individuals' entrepreneurial attitudes
- Activity, aspirations and ambitions towards entrepreneurship
- Availability of financial resources
- Effectiveness of government policies
- Quality of entrepreneurial education and training
- Availability of commercial opportunities
- Physical infrastructure and services to support entrepreneurship
- Cultural and social norms towards entrepreneurship
- Different types of entrepreneurship in Qatar.

The study provides insights into the attitudes, activities and aspirations of Qatar's entrepreneurs. The insights from the research have been used to guide policies aimed at enhancing the level of entrepreneurial activity in Qatar.

I would like to personally thank all those who participated in the study for their valuable contribution and I invite readers to go through the report and learn more about entrepreneurial activity in Qatar and how critical it is to achieving economic diversification and the 2030 Qatar National Vision.

Qatar
FINANCIAL CENTRE

About QDB

Qatar Development Bank (QDB) is a fully owned government entity set up by an Emiri Decree in 1997 to invest in and develop local industries with emphasis on supporting SMEs in Qatar. In line with Qatar's National Vision 2030, QDB aims to enable the development and growth of SME's that will result in long-term socio-economic benefits.

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Executive Summary

Qatar's economy is undergoing a critical transformation – shifting from a high dependence on hydrocarbon towards a diversified economy, with the focus firmly on growing private industry beyond the energy sector. Fostering the Entrepreneurial spirit is fundamental to this shift. Qatar Development Bank has achieved great success in private sector development in Qatar and plays a central role in supporting and encouraging SMEs and entrepreneurs to succeed. To better understand Qatar based entrepreneurs and identify ways to facilitate, support and foster an entrepreneurial environment, QDB has sponsored Qatar's participation in the **2016 Global Entrepreneurship Monitor (GEM)**.

The GEM defines the different stages of entrepreneurship as shown in **Figure 1**:

The 2016 edition of the GEM includes data from the State of Qatar and provides a benchmark measure of Qatar's entrepreneurial activity in comparison to 65 global economies.

This report draws on the findings from two surveys, shown below:

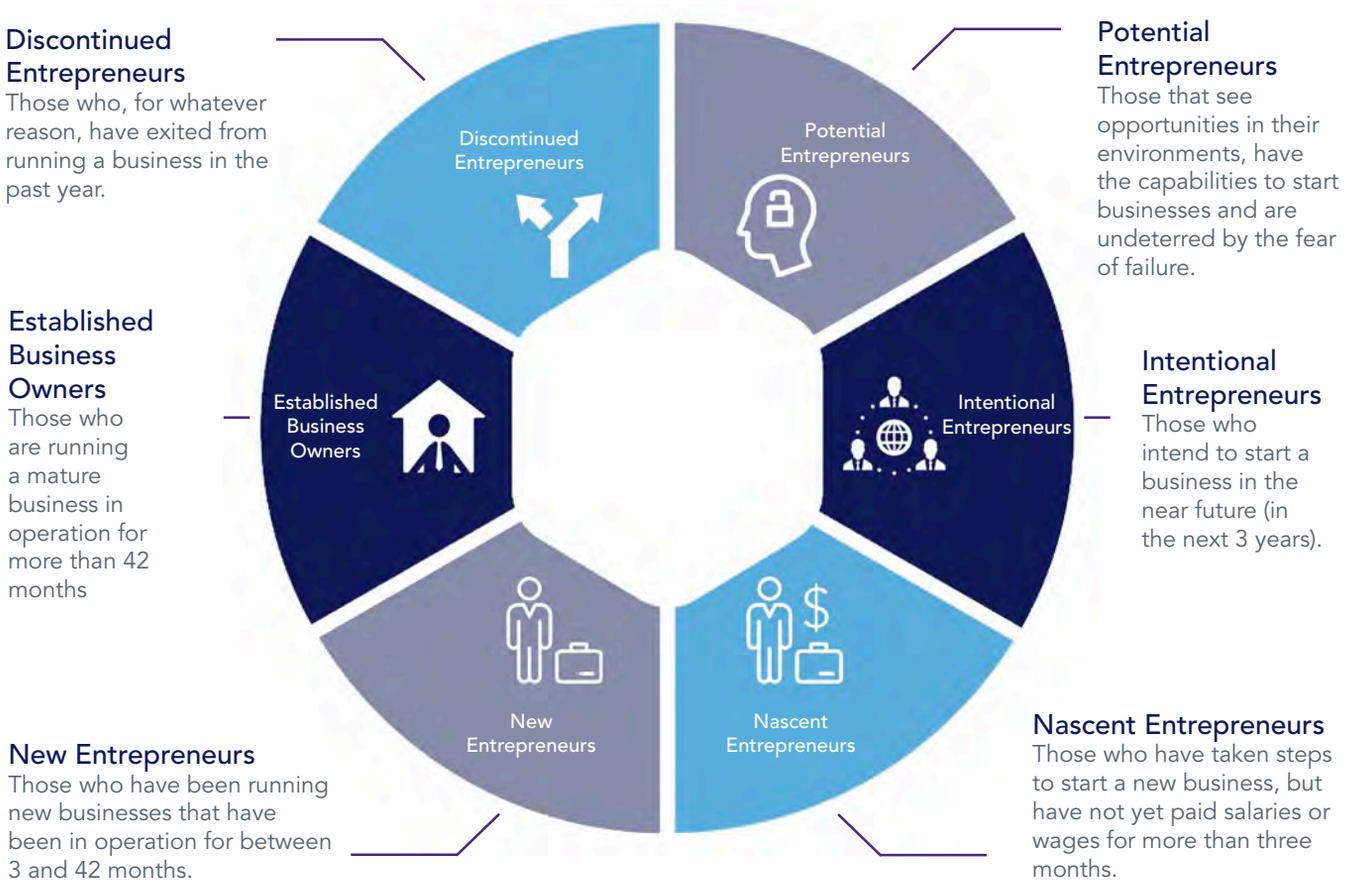
1. Adult Population Survey (APS):

APS results are drawn from a random, representative sample of 3,009 face to face and telephone surveys with Qatar residents aged between 18 to 64 years.

2. National Expert Survey (NES):

NES comprises of surveys conducted with 43 carefully chosen Qatar 'entrepreneur experts' across nine framework categories. Prior to discussing the key findings for the GEM Qatar Survey 2016, it is important to understand the different stages of entrepreneurship as defined by the GEM framework.

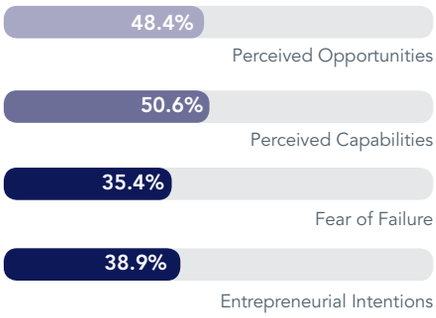
Figure 1: Multi-phases of Entrepreneurship



Source: GEM Global Report

The key findings from the GEM Qatar Survey 2016 (APS and NES) are outlined below:

Figure 2: Perceptions of Individual Attributes, Qatar 2016



Source: GEM Adult Population Survey Data, Qatar, 2016

Potential Entrepreneurs

The decision to start a business is heavily influenced by the extent to which individuals see opportunities in their environment, have the capabilities to start businesses and are undeterred by fear of failure.

Close to half of Qatar residents surveyed in the APS (48.4%) believe there will be good opportunities for starting a business in the area where they live in the next six months. Among those surveyed, Qatari nationals are more likely than expatriates to perceive that there are good opportunities to start a business (mentioned by 71.6% vs. 44.8% respectively). Female respondents are more likely than male respondents to believe that Qatar offers good opportunities for starting a new business (females 94.4% vs. males 80.4%).
Half of those surveyed in the APS (50.6%) see themselves as having the capabilities of starting a new business and believe they have the knowledge, skills and experience necessary to do so. Male respondents are significantly more likely than female respondents to perceive that they have the necessary capabilities to be a potential entrepreneur (males 85.3% vs. females 14.7%).

For third of the respondents (35.4%) fear of failure is a main barrier preventing them from starting a business. The proportion of respondents who state fear of failure as a barrier is lower than the average for the MENA region and innovative-driven economies (41.7% and 43.8% respectively).

Intentional Entrepreneurs

There is encouragingly high entrepreneurial intent among respondents (38.9% of surveyed Qatar residents surveyed intend to start a business within the next three years). Qatari nationals are more likely than expatriates to expect to start a business in the future (mentioned by 56.7% vs. 39% respectively).

Early-Stage Entrepreneurial Activity in Qatar (TEA)

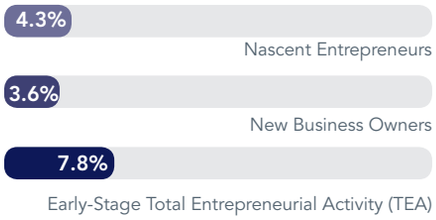
A core metric of the GEM is the Total Early-Stage Entrepreneurial Activity (TEA) rate. The TEA rate provides a measure on the two early phases of business ownership – the proportion of respondents in the APS who are actively engaged in starting a business (nascent entrepreneurs) and new business owners.

A total of 4.3% of respondents surveyed in the APS are defined as nascent entrepreneurs and have committed resources to starting a business, but have not paid salaries or wages for more than three months. In 2016, Qatar's nascent entrepreneurial rate is ranked in 44th place out of the 64 participating economies and is below the average for the MENA region and innovative-driven economies (5.1% and 5.5% respectively).

A slightly lower 3.6% of respondents are new business owners and have moved beyond the nascent entrepreneurial stage and paid salaries or wages for more than three months but less than 42 months. In 2016, Qatar's new business owners rate (3.6%) is ranked in 43rd place out of 64 economies and is slightly below the average for the MENA region (6.0%) and for innovative-driven economies (3.7%).

Whilst 42.3% of respondents intend to start a business in the next three years, only 7.8% are either actively engaged in starting a new business or are currently operating one. This indicates there is a significant drop off between those intending to start a business and those that see it through to fruition and start one.

Figure 3: Total Early-Stage Entrepreneurial Activity (TEA), Qatar 2016



Source: GEM Adult Population Survey Data, Qatar, 2016

Qatar's TEA Rate 2016

In 2016, Qatar's TEA rate stands at 7.8%, which is lower than the average TEA rates both in the MENA region (10.9%) and in other innovation-driven economies (9.1%). In 2016, Qatar's TEA rate is ranked in 49th place out of the 64 participating economies. The results highlight the relatively low levels of entrepreneurial activity in Qatar.

TEA Rate by Age & Gender

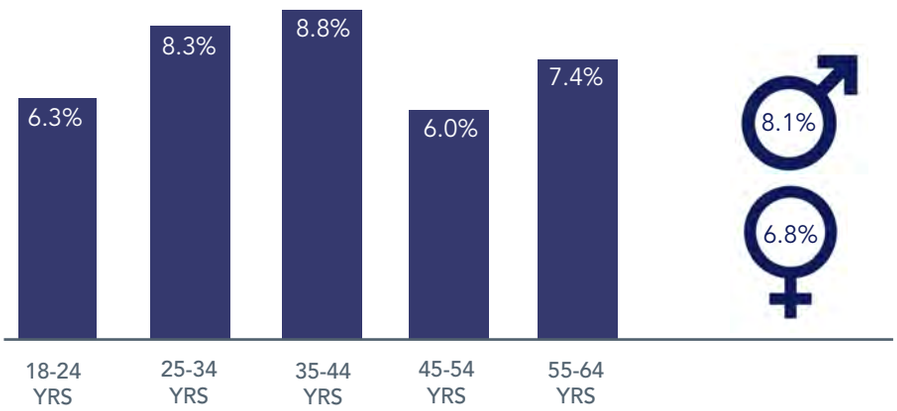
In 2016, the TEA rates in Qatar were highest for respondents aged between 25 to 44 years. This age group represent the most entrepreneurially active segment in the country. This is in line with global averages as this age group tends to contribute the highest levels of entrepreneurial activity around the world.

Early-stage entrepreneurial activity among males and females surveyed is consistent, an encouraging indication of gender equality in Qatar's entrepreneurial ecosystem. The proportion of female entrepreneurs in Qatar is equal to the innovation-driven country average (6.8%), while the proportion of male entrepreneurs is lower (8.1% in Qatar, compared to the 11.3% innovation-driven economy average, and 13.8% MENA regional average).

TEA Rate by Industry Sector

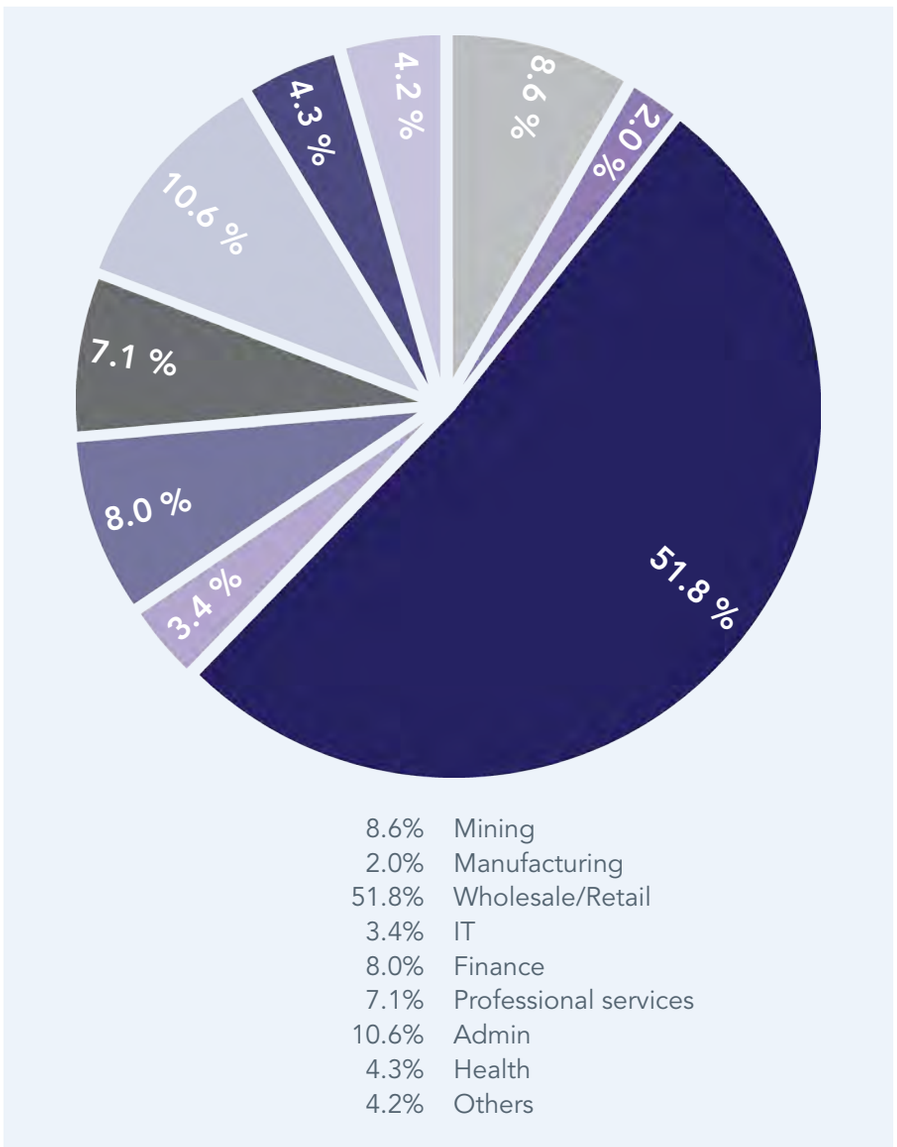
Over half of TEA activity in Qatar takes place within the Wholesale/ Retail sector (51.8).Other key sectors include: Administrative Services (10.6); Mining (8.6); Finance (8.0); and Professional Services (7.1). This diversity is encouraging, and is a testament to the continuous efforts of national policymakers to shift economic growth away from reliance on the hydrocarbon sector towards knowledge-based industries.

Figure 4: Involvement in TEA - Age & Gender



Source: GEM Adult Population Survey Data, Qatar, 2016

Figure 5: TEA Rate – Industry Sector Distribution



Source: GEM Adult Population Survey Data, Qatar, 2016

Established Businesses

Established businesses are those that have grown and matured beyond the nascent and new business phases. In 2016, the Established Business Rate (EB) for Qatar is 3.0%. Qatar's EB rate is lower than that of comparable economies: at 3.0%, it is less than half the EB rate of regional and innovation-driven economies (6.6% and 6.7% respectively). In 2016, Qatar has one of the lowest EB rates of all participating GEM economies (ranked 58th out of 64 economies).

Qatar's low established business rate is most likely a result of the low incidence of nascent entrepreneurs and new businesses owners. The country not having a substantial pool of early-stage entrepreneurs will ultimately result in low levels of new businesses which can move into the next stage of entrepreneurship to become established business.

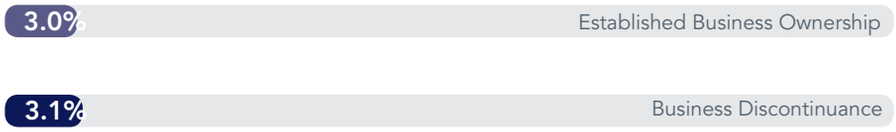
Business Discontinuance in Qatar

Business Discontinuance in Qatar in 2016 is high given the low rates of new and established businesses. The percentage of the population who exited a business in the past 12 months in Qatar is 3.1% which is slightly higher than the rate of Established Businesses in the country (3.0%).

This indicates that, in 2016, the rate of business closure was about the same, if not slightly higher than the rate at which businesses were established amongst the sampled population. In 2016, Qatar is ranked in 27th place out of the 64 participating economies in terms of business discontinuance.

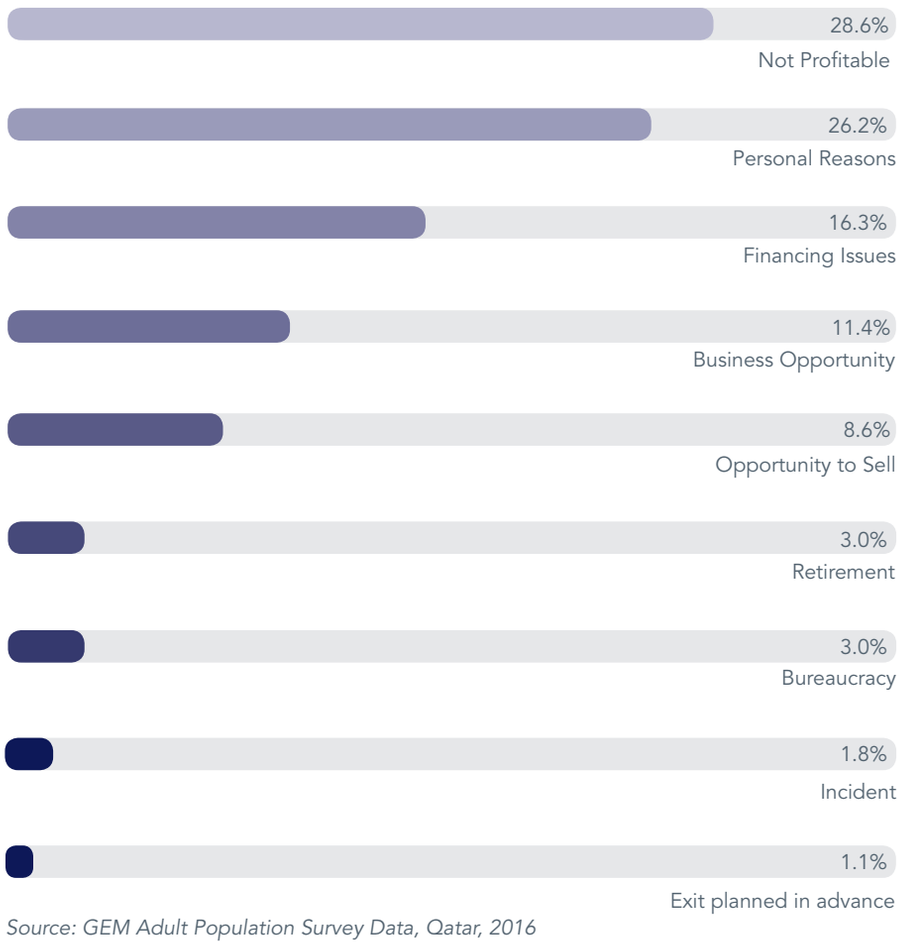
The main reasons why 3.1% of respondents surveyed have recently exited from a business are summarized in the chart opposite.

Figure 6: Established Business Owness Ownership & Discontinuance, Qatar 2016



Source: GEM Adult Population Survey Data, Qatar, 2016

Figure 7: Reasons for Business Discontinuance



Source: GEM Adult Population Survey Data, Qatar, 2016

Motivations for Entrepreneurship in Qatar

The GEM states that there are two types of motivations for early-stage entrepreneurial activity:

- **Necessity-driven early-stage entrepreneurial activity** which encompasses entrepreneurial activity driven by necessity; i.e. there are no alternative income-generating options.
- **Opportunity-driven early-stage entrepreneurial activity** which covers entrepreneurial activity driven in part or entirely by opportunity, rather than by lack of alternative employment options.

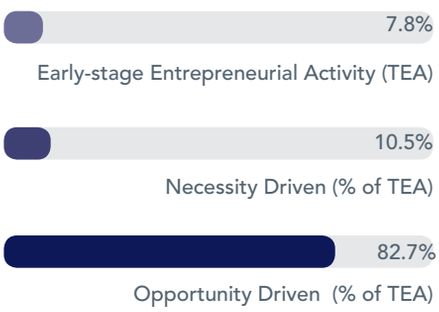
Nearly five times as many Qatar early-stage entrepreneurs cited opportunity rather than necessity as their motivation for starting a new business. The proportion of early-stage entrepreneurs driven by opportunity rather than necessity is higher than MENA regional and innovative-driven economy averages (71.1% and 78.6% respectively). Among the 10.5% of early-stage entrepreneurs driven by necessity, almost all are exclusively expatriate respondents.

2016 Qatar Global Rankings

Figure 9 summarizes Qatar's ranking on key entrepreneurship ratings compared to the 63 economies that participated in the 2016 GEM study.

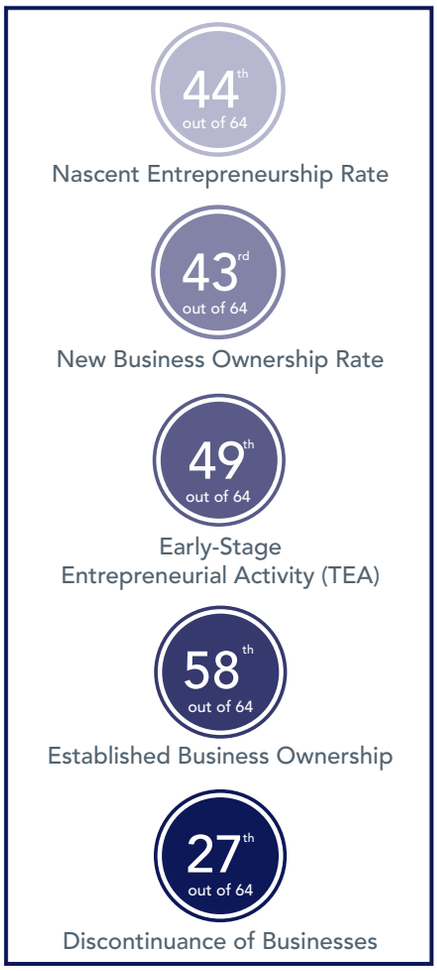
Qatar ranks 44th on nascent entrepreneurship, 43rd on new business ownership, 49th on TEA, 58th on established business ownership and 27th on business discontinuance. Previous GEM research trends indicate that the higher a country's GDP, the lower the level of early-stage entrepreneurial activity. Qatar's relatively low TEA rates are in keeping with this trend, given the country's extremely high GDP.

Figure 8: Motivations for Entrepreneurship, Qatar 2016



Source: GEM Adult Population Survey Data, Qatar, 2016

Figure 9: Qatar's Ranking on Key Entrepreneurship Measures out of the 64 Economies in GEM, 2016



Source: GEM Global Report, 2016

Key Constraints on Entrepreneurship

The 43 national experts interviewed in 2016 as part of the NES identify several opportunities to improve Qatar's entrepreneurial ecosystem.

The greatest opportunities for improvement relate to 'government policy', particularly in relation to current policy which is perceived to constrain entrepreneurial activities.

Barriers to entrepreneurial activities as mentioned by some of the experts include requirements for Qatari nationals to own at least 51% of the share of the business and for businesses to have a physical office space.

Qatar's experts acknowledge several government policies which are seen to actively support entrepreneurial activity in Qatar. In addition to government policies, Qatar's experts also identify: 'access to financing'; 'internal market openness'; and 'R&D transfer' as barriers to entrepreneurial activity in the country.

Addressing Key Challenges

This report includes several recommendations that can be used to inform policy reform to stimulate entrepreneurial activity in Qatar. Recommendations have been made in line with the key findings from the APS and NES which have identified specific priorities for reform.

Challenges identified in the GEM Qatar Survey 2016 study require focus on the following:

Key Challenges

- Government policies and regulations that play a critical role in creating an enabling business environment;
- Creating a critical mass of entrepreneurs through investment in human development capital;
- Developing mentoring and business programs that provide the support structures to help businesses establish themselves and grow;
- Supporting and facilitating access to finance for Qatar's early-stage entrepreneurs.

Qatar Development Bank

Qatar Development Bank (QDB) was founded by Emiri Decree, to expand Qatar's private sector and diversify its economy. His Highness Sheikh Hamad Bin Khalifa Al Thani, the Father Emir, identified these tasks as crucial to Qatar's development into a modern state.

Since its establishment in 1997, QDB has been at the forefront of these efforts, and has worked with thousands of Qatari entrepreneurs and enterprises. QDB has provided investment and guidance to brand-new start-ups as well as well-established corporations. Moreover, it has built a reputation for identifying promising investment opportunities.

QDB's focus is on growing small and medium enterprises in key sectors, by offering several services through a single window to support their expected growth. Through smart, targeted financing products and advisory support services, QDB is nurturing a sound and sustainable knowledge-based economy for Qatar.

The Qatar Development Bank Mission and Vision

Qatar Development Bank's mission is 'to improve the economic development cycle by providing entrepreneurs and SMEs with a wide range of financial and advisory products under one roof'.

The bank's vision is to develop and empower Qatari entrepreneurs and innovators to contribute to the diversification of the Qatari economy through successful small and medium enterprises that can compete in global markets. The bank provides support to small and medium enterprises; its methods include:

- direct and indirect financing of mandated sectors in general, but with a sector agnostic approach;
- provision of consultancy and business advisory services through the early stages and throughout the growth of the business;
- enhancing technical skills and capability development;
- promoting and supportIng exports;
- providing opportunities for small and medium enterprises domestically and globally;
- business support through the provision of initiatives and services associated with real estate development and housing loans to citizens; and
- promoting SME ecosystem development

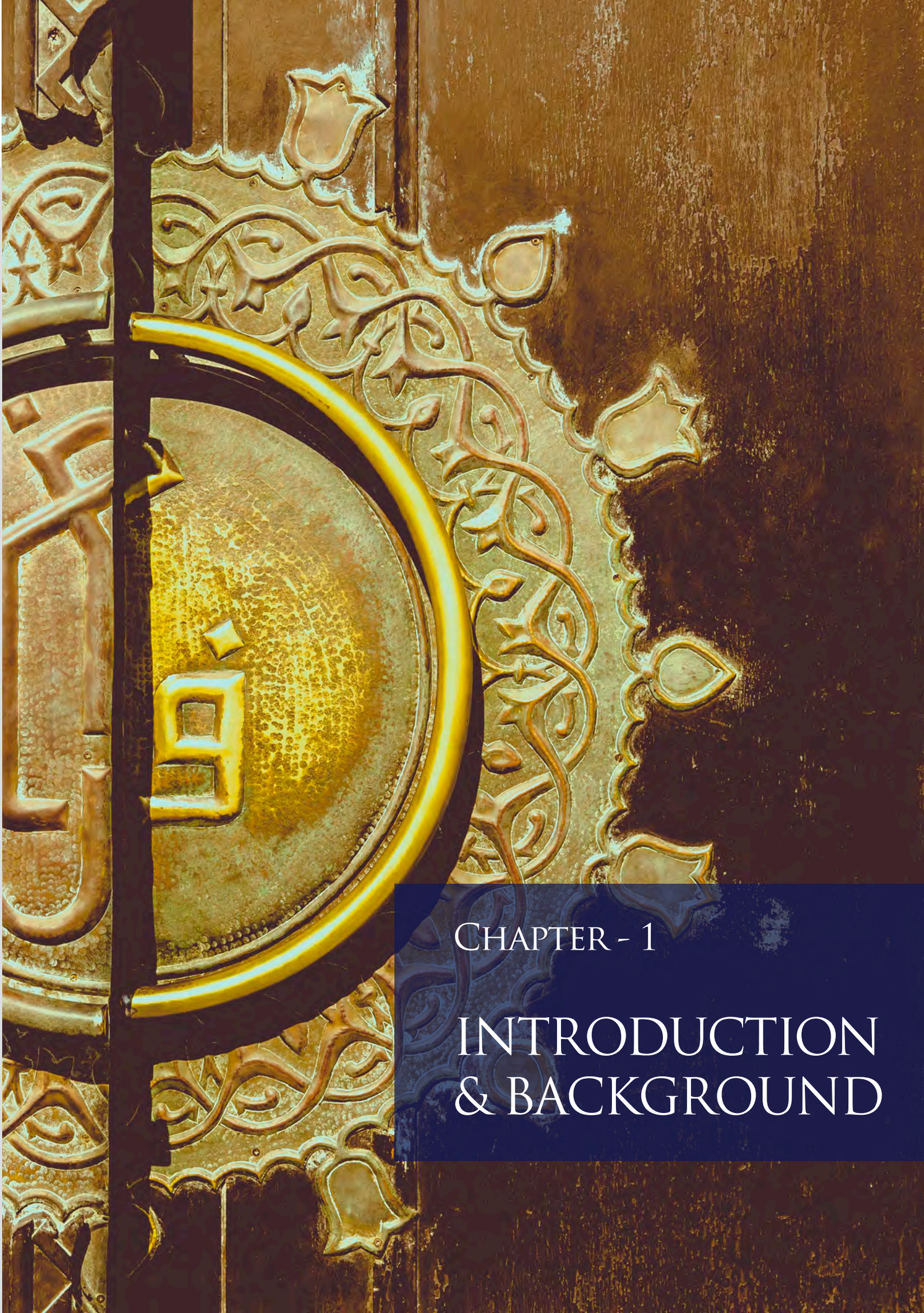
Acknowledgements

Qatar Development Bank wishes to express its gratitude to the following contributors and partners, without whom this study would have not been possible:

- The 43 National Experts who took the time to participate in the GEM Qatar Survey 2016 and who shared with us their knowledge, expertise and highly-valued recommendations;

- The international GEM Consortium team – Mike Harrington, Jonathan Francis Carmona, Alicia Coduras, Forrest Wright and Chris Aylett – whose patience, guidance and 24-hour support was invaluable to the planning, execution and successful delivery of this study for the very first time in Qatar; and

- The participants in the APS Survey who gave us their valuable time and information by participating in the vital – albeit lengthy – component of this study.



Chapter - 1

Introduction & Background

"The State must strengthen the business sectors by arranging investment conditions, eliminating bureaucratic bottlenecks, and preparing an incubating infrastructure for the projects. But the rest depends on the business sector itself. In the interest of strengthening the private sector and economic diversification as well as limiting the State's competition with the private sector, a comprehensive review of all State-owned companies has been carried out."[1]

These are the words of the Emir of Qatar, His Highness Sheikh Tamim bin Hamad Al-Thani at the opening speech of the Advisory Council's 44th session on Nov. 3, 2015.

The Global Entrepreneurship Monitor (GEM) is the world's foremost source of information on entrepreneurial activities and metrics from around the world. In 1999, a joint project was launched by Babson College, Massachusetts, and the London Business School, to address a single question: **Why are some countries more entrepreneurial than others?**

The search to answer this question has over time evolved into a unique and unparalleled global research study which has taken place annually since 1998. Eighteen years after its inception, the GEM is now widely recognized as the foremost authoritative study of entrepreneurship around the globe. Primary research is conducted annually within each participating GEM country. In 2016, 65 economies participated in the GEM study, comprising approximately 69%[2] of the world's population and 86%[3] of the world's total GDP.

The economies which participated in the 2016 GEM edition are listed in **Table 1.1**, grouped by region and stage of economic development. Classification of each stage of economic development is based on Porter's Stages of Economic Development, as categorized in the diagram below. The 2016 edition of the GEM includes data from the State of Qatar and provides a benchmark measure of Qatar's entrepreneurial activity in comparison to global economies.

Qatar's participation in the 2016 GEM provides significant benefits to the nation. First, it generates greater global awareness and discussion of Qatar as an entrepreneurial hub. Secondly, Qatar can benchmark its entrepreneurial activities and use the study's key findings to develop insight-led policy and recommendations for the future development of entrepreneurship in Qatar.

This report presents and benchmarks the findings of the 2016 Qatar participation in the GEM. A separate, global report containing data from all participating economies was published in February 2017; this is available for download via the GEM website:
www.gemconsortium.org.

The stages of economic development (as based on Porter's Stages of Economic Development).

Table 1.1: GEM Participating Economies by Region and Economic Competitiveness, 2016

	FACTOR-DRIVEN	EFFICIENCY-DRIVEN	INNOVATION-DRIVEN
AFRICA	Burkina Faso Cameroon Senegal	Egypt Morocco South Africa	
ASIA & OCEANIA	India Iran Kazakhstan	China Georgia Indonesia Jordan Lebanon Malaysia Saudia Arabia Thailand Turkey	Qatar Australia Hong Kong Republic of South Korea Taiwan United Arab Emirates Israel
LATIN AMERICA & CARIBBEAN		Argentina Belize Brazil Chile Colombia Ecuador El Salvador Guatemala Jamaica Panama Peru Uruguay	Puerto Rico
EUROPE	Russian Federation	Bulgaria Croatia Hungary Latvia Macedonia Poland Slovakia	Austria Cyprus Estonia Finland France Germany Greece Ireland Italy Luxembourg Netherlands Portugal Slovenia Spain Sweden Switzerland United Kingdom
NORTH AMERICA			Canada United States

Source: GEM Global Entrepreneurship Monitor, Global Report 2016/17

The GEM Objectives

The main goal of the GEM is to explore the relationship between a country's entrepreneurial activities and economic development, with a core focus on three objectives:

Objectives

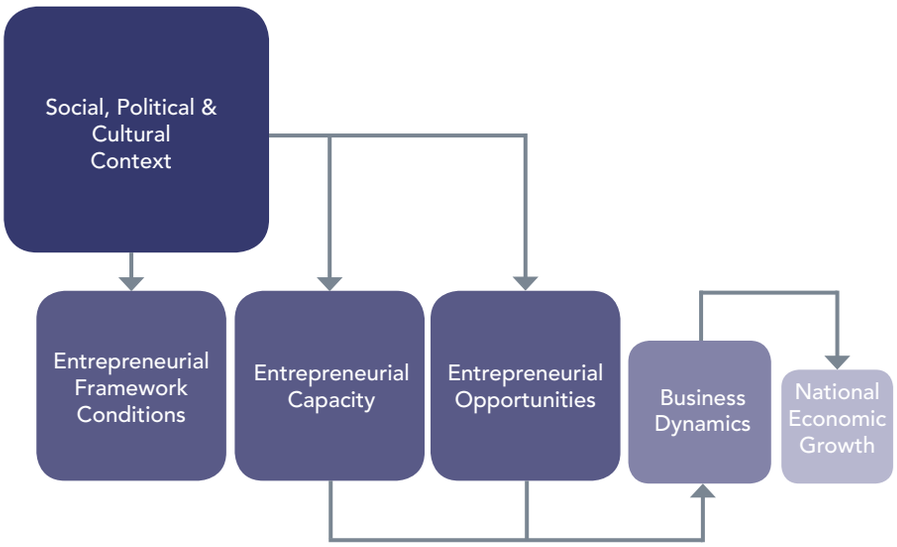
1. to identify and compare entrepreneurial activities between each participating economy;
2. to identify the contributors, drivers and enablers of entrepreneurial activity in each participating economy; and
3. to develop and propose policy recommendations for advancing entrepreneurial activity in each participating economy.

To develop a study which meets these objectives, a conceptualization was developed consisting of two key elements: the GEM Entrepreneurial Process, and the GEM Conceptual Framework.

The GEM Entrepreneurial Process

The GEM Entrepreneurial Process is the foundation of the Conceptual Framework. This process is centered on the assumption that a nation's economic development is directly impacted by the commercial activities undertaken by its citizens in the form of local businesses. Economic growth is believed to be directly correlated with entrepreneurial activity – from locally-grown, large corporations that benefit from economies of scale and a global reach, to micro-businesses and small and medium enterprises (SMEs) still in their early phases. This process is illustrated in **Figure 1.1** opposite.

Figure 1.1: GEM Model of how the Entrepreneurial Process Affects National Economic Growth



Source: Reynolds, P.D., Hay and M. Camp, S.M. Global Entrepreneurship Monitor, 1999 Executive Report, p.10

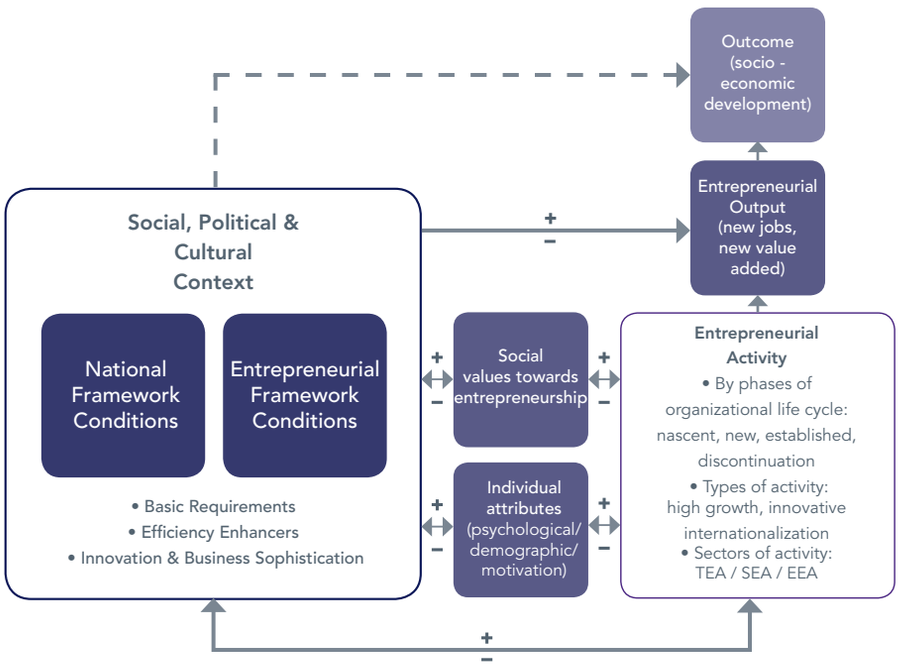
The GEM Conceptual Framework

The GEM conceptual framework uses the Entrepreneurial Process as its foundation. The framework incorporates past, present and future entrepreneurs, in addition to the mindset in the country towards entrepreneurship, including attitudes, perceptions, aspirations and intentions towards starting a new business.This generates an in-depth understanding of the relationship between the intention and ability to start a business, and actual implementation and growth. The GEM conceptual framework measures entrepreneurial activity across the entire adult population of each economy, while also taking into consideration social, political and cultural contexts. The framework makes it possible to use entrepreneurship as a measure of economic development. **Figure 1.2** illustrates the GEM conceptual framework, and the relationship between entrepreneurial activities and economic growth.

The initial GEM conceptual framework (developed in 1999) has undergone several iterations during the study's lifetime, evolving as further data and insights have been collected. However, the basic premise has remained the same – namely that entrepreneurial activity stems from: an individual's perception of an opportunity; capacity to take advantage of the opportunity; and the distinct conditions of the environment in which the individual is located.

The latest iteration of this framework (updated in 2015) is illustrated in **Figure 1.2.** The GEM framework contextualizes entrepreneurial activity in an economy's socio-political, cultural and economic environment. Within these contexts, an individual's decision to start (or not start) a business depends on the factors opposite.

Figure 1.2: The GEM Conceptual Framework (as of 2015)



Source: Reynolds, P.D., Hay and M. Camp, S.M. Global Entrepreneurship Monitor, 1999

Influencing Factors:

1. **Social values towards entrepreneurship:** The extent to which society values and respects entrepreneurs. This is measured by:
   - perceptions of entrepreneurship as a good career choice;
   - the social status assigned to entrepreneurs; and
   - the extent to which media coverage of local entrepreneurs fosters a national entrepreneurial culture.

2. **Individual Attributes:** The physical, demographical and psychological descriptors of an economy's population.

3. **Entrepreneurial Activity:** The volume and means of activity undertaken by entrepreneurs, according to the following variables:
   - phase within the entrepreneurial lifecycle (nascent, new business, established business or discontinued business);
   - activity type (high growth, innovation or internationalization); and
   - sector (Total Early-stage Entrepreneurial Activity (TEA), Social Entrepreneurial Activity (SEA) or Employee
   - Entrepreneurial

As such, the GEM study is unique. By using the GEM conceptual framework, each participating country collects insights from across all individuals within an economy, on their propensity to become successful entrepreneurs, based on the social, cultural, political and economic context of where they live.

Although a global study, extensive primary data is collected locally within each market, both from members of the public (APS component) and local industry experts (NES component).

Participating nations are encouraged to utilize these findings for improving research-based education and formulating insight-driven public policies relating to entrepreneurship. The GEM thus presents a considerable opportunity for understanding Qatar-based entrepreneurs and identifying ways to facilitate, support and foster a greater entrepreneurial environment.

How the GEM Measures Entrepreneurship

The entrepreneurial process consists of multiple stages; the GEM provides insights into each stage, and into the transition of entrepreneurs from one stage to the next. The GEM model of the entrepreneurial process is shown in **Figure 1.3.** Each economy ideally has active entrepreneurs at each stage of the process, moving from potential entrepreneurs, nascent entrepreneurs, owner-managers of new businesses to owner-managers of established businesses.
As entrepreneurs undertake the journey of growing their business and moving further along the entrepreneurial process, there should be a continual stream of new potential entrepreneurs and micro-businesses commencing the journey. This continual stream of entrepreneurs will allow economies to maximize the entrepreneurial impact on economic growth.

This is particularly important in economies with higher rates of business discontinuance, as more entrepreneurs are required during earlier stages of entrepreneurship, to replace discontinued businesses. Examining the level of activity at different stages of an economy's entrepreneurial process helps to identify any gaps or barriers which may prevent local entrepreneurs from progressing through the stages. This is one of the questions which the GEM seeks to answer.
The descriptors of each stage of entrepreneurship which is represented in the GEM are outlined as follows:

Potential Entrepreneurs: Those who see opportunities in their environment, have the capabilities to start a business and are undeterred by the fear of failure.

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

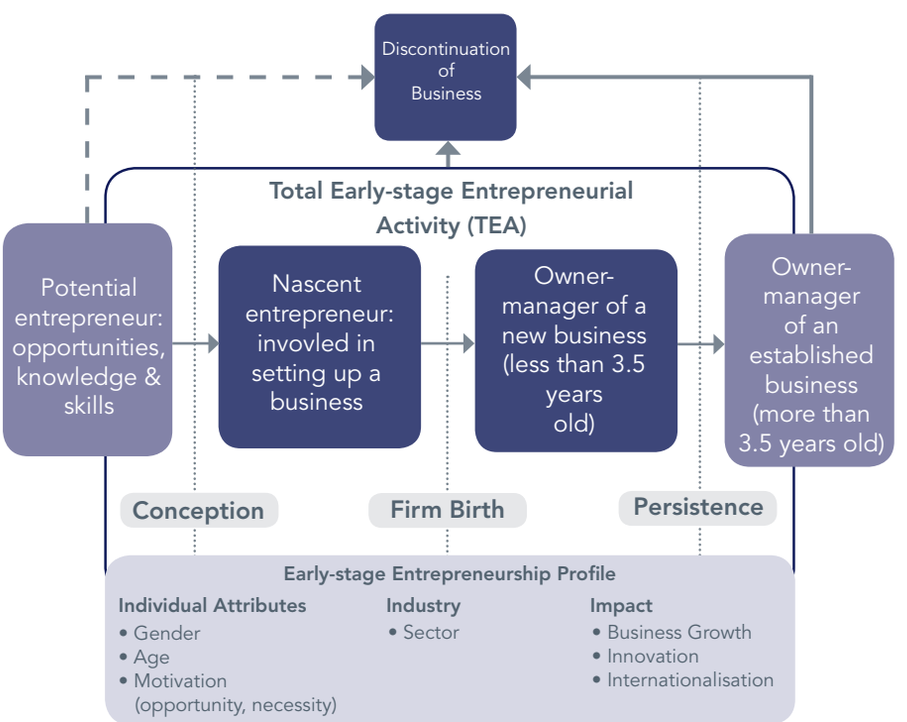
Nascent Entrepreneurs: Those who have taken steps to start a new business, but have not yet paid salaries or wages for more than three months.

New Entrepreneurs: Those who are running a new business that has been in operation for between three and 42 months.

Established Business Owners: Those who are running a mature business which has been in operation for more than 42 months.

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

Figure 1.3: Stages of Entrepreneurship Represented in the GEM



Source: GEM Global Report 2015

By conducting primary research with individuals across the general public, the GEM captures data about both formal and informal activities. This includes actual, intended and previous business ventures, rather than merely current ones, which allows for deeper understanding of the full scale of business activity within each economy.

The emphasis on individuals, rather than businesses, enables the profiling of entrepreneurs through data collection on demographic, psychographic, and motivational variables. This allows for comprehensive understanding of the level of engagement with, openness to, and motivation for, entrepreneurial activity amongst a nation's public.

This data is overlaid with a country's broader cultural and socio-political environment, and national support to entrepreneurs, both potential and existing.

A core metric of the GEM is the Early-Stage Total Entrepreneurial Activity rate. The TEA rate measures the number of working-age individuals (aged 18-64) presently engaged in nascent entrepreneurship and firm ownership. In other words, the TEA rate provides a single statistic on the level of active early-stage entrepreneurs within each participating country.
The GEM also provides an additional set of metrics, which paint a comprehensive picture of an economy's entrepreneurial landscape. While the number of entrepreneurs in each market is important, more can be gleaned from understanding how a country's entrepreneurs directly contribute to national levels of entrepreneurship, and hence to economic growth.

These other metrics include the extent to which local entrepreneurs:

- Create new jobs
- Engage specific demgraphic groups such as women, youth, disabled & ethnic minorities
- Develop new technologies and boost local innovation
- Are succesful in exporting to other markets
- Produce goods locally which were previously imported

The GEM Research Methodology

The GEM is an annual primary research study comprised of two modules, the Adult Population Survey (APS) and the National Experts Survey (NES). This report contains the detailed findings from both the APS and NES studies. To allow for reliable comparisons between each participating country, the GEM research design includes a data harmonization component which takes place once all data has been compiled from all local country teams.

The Adult Population Survey (APS)

The APS comprises a nation-wide quantitative study of at least 2,000 working-age respondents (aged between 18 and 64 years) in each participating country. The survey is administered by a national team in each participating country, which is responsible for conducting interviews using a random representative sample. All data collection takes place between May and June each year. In 2016, data collection in Qatar partly fell during the holy month of Ramadan.

The focus of the APS is to gather data on key entrepreneurship indicators from each country, and then to harmonize the data so as to create an accurate comparison between each country.

To create this accurate comparison, the same standardized APS questionnaire is used in each country, although local teams are permitted to include additional questions which may be of interest or relevant to the local market.

This blend of standardization and flexibility allows the APS to generate data which is of high value both globally and locally, and is a further example of what makes the GEM unique. In Qatar, the APS questionnaire was locally translated from English into Arabic, and interviewing was conducted in both languages.

The 2016 Qatar edition of the APS was led by Qatar Development Bank (QDB). To maximize representation, a multi-channel methodology was used: 70% of data was collected through telephone surveys on respondents' mobile phones using Random Digit Dialing (RDD); the remaining 30% of data was collected using a Computer Assisted Personal Interviewing (CAPI) methodology, whereby respondents were randomly approached in public spaces across Qatar and invited to participate in the study. The sample for the telephone surveys was developed by randomly generating thousands of cellphone numbers, based on two root phone numbers – one from each of the two cellular providers in Qatar.

The entire sample for this study was stratified by age, gender and municipality of residence. The only screening question used in this study was that of a respondent's age, whereby those aged under 18 or over 64 were not eligible to take part. The final sample size for the 2016 Qatar APS data is a total of 3,009 respondents.

The National Experts Survey (NES)

The NES comprises at least 36 interviews with selected and pre-approved government and industry experts from across nine frameworks in each participating economy. The nine frameworks include: financing for entrepreneurs; government policies; government programs; entrepreneurial education and training; R&D transfer; commercial and professional infrastructure; internal market openness; physical and services infrastructure; and social and cultural norms. National experts are selected for participation in the NES in accordance with the international GEM selection criteria, to ensure each country's national expert selection is balanced, relevant and representative – allowing for global data harmonization and consistent comparisons between the participating countries. It is therefore required that each participating country includes at least four experts from each of the nine NES entrepreneurial framework categories.

In general, experts are carefully chosen based on their level of knowledge and experience of each of the entrepreneurial framework conditions. Interviews with Qatar's national experts were conducted either as executive-style, face-to-face interviews or via an online link to the survey, distributed via email.

All countries participating in the NES are required to use a standardized NES questionnaire, which is translated locally into additional languages (such as Arabic for Qatar).

Adult Population Survey (APS):

APS results are drawn from a random, representative sample of 3,009 face to face and telephone surveys with Qatar residents aged between 18 to 64 years.

National Expert Survey (NES):

NES comprises of surveys conducted with 43 carefully chosen Qatar 'entrepreneur experts' across nine framework categories. Prior to discussing the key findings for the GEM Qatar Survey 2016, it is important to understand the different stages of entrepreneurship as defined by the GEM framework.

Chapter - 2

A Qatar Perspective on Entrepreneurship

"Qatar's bountiful hydrocarbon resources can be leveraged to make sustainable development a reality for all its people. Converting these natural assets into financial wealth provides a means to invest in world-class infrastructure; build efficient delivery mechanisms for public services; create a highly skilled and productive labor force; and support the development of entrepreneurship and innovation capabilities."

- QNV 2030

2.1 Introduction

The Qatar National Vision 2030 (QNV 2030) aims to "transform Qatar into an advanced society capable of achieving sustainable development. The planned development goals are divided into four central pillars:
Most national efforts to boost and foster entrepreneurial activity fall within the first and third pillars: economic and human development. The combination of ambitious education policies with a nationwide effort to achieve economic diversity naturally places entrepreneurs at the heart of Qatar's national vision.

Economic diversity is a top priority in Qatar. To achieve economic diversity, the nation aims to reduce its dependence on finite fuel extraction by investing revenues from natural resources in alternative industries. Qatar is currently developing the National Development Strategy (2017-2022) of which economic diversification is a crucial part of the Strategy.

Qatar's economy has made significant gains over the last 20 years. As of 2015, Qatar continues to be one of the wealthiest nations in the world, with a GDP of $185.4bn. In 2015, Qatar had one of the highest per-capita-GDP in the world at close to US $82,000 (and the highest in the world when measured in purchasing power parity terms)[4].

While in 2015, Qatar was able to produce a budget surplus, in 2016, the country announced its first budget deficit in 15 years, of 7.8% of GDP. This deficit is forecasted to continue for at least three years. [5] Despite the slow growth, Qatar continues to have the world's lowest unemployment rate, at only 0.4%.[6]

This success stems from a combination of factors, including:

- extremely low unemployment amongst expatriates, as expatriate residence permits are linked to employment, very few unemployed expatriates remain in the country;
- relatively low retirement ages for Qatari nationals, typically between the ages of 45 and 55;
- Qatar's successful 2022 FIFA World Cup bid, which paved the way for large-scale infrastructure projects, ranging from multiple new stadiums to new roads, ports and rail; and
- Qatarization policies[1]

Boosting entrepreneurial activity can play a direct role in helping Qatar better diversify its economy. Much progress has already been made in laying the groundwork for entrepreneurial success: Qatar has invested heavily in education, entrepreneurial financing schemes, training and development, and business incubators. There is an opportunity to continue building on these successes and to boost entrepreneurial activity through initiatives which aim to remove financial and legislative barriers for new businesses. This chapter will explore these opportunities in detail, highlighting key successes and identifying the areas which can most benefit from continued policy advancement.

2.2 The Entrepreneurial Pipeline

The GEM model measures a country's entrepreneurial potential not only by the number of businesses, but also by societal attitudes too, perceptions of, and aspirations towards business ownership. We can therefore measure the proportion of a population which is both willing and able to become entrepreneurs, in addition to those who have already commenced entrepreneurial activity.

The way that society regards entrepreneurs can significantly impact a country's entrepreneurial activity: forays into business ownership are more prevalent in countries where society regards entrepreneurship favorably as a career choice. The APS includes metrics on perceptions of business ownership, which are asked to the entire sample, rather than solely to entrepreneurs.

This report contains these findings for Qatar, and it serves as the benchmark against future editions of Qatar's APS can be measured. This allows for the longitudinal exploration of trends, shifts and developments in Qatar's entrepreneurial landscape over time. It also allows policy-makers in Qatar to assess the impact of new and targeted policies on national entrepreneurship levels, and to gain insights into the relative success and limitations of such policies.

[1]Qatar refers to the employment of its local citizens as 'Qatarization' and sets Qatarization targets and quotas for public sector organizations, determining the proportion of nationals which each organization is required to employ, in relation to foreign workers employed.

2.2.1 Attitudes and 'Prospective Entrepreneurs'

In every market, the pool of 'potential' and 'intentional' entrepreneurs can be influenced by societal perceptions of entrepreneurs. These influencing factors include: peer support; parental pressure; positive media coverage; career advisory recommendations; and awareness of successful local businesses. These are potential influencing factors which either encourage or dissuade prospective entrepreneurs.

Table 2.1 shows the relatively positive societal attitudes towards entrepreneurship in Qatar, with scores for all three measures ranked above the innovation-driven economies average. Qatar is performing at the same level as regional averages on all measures, which means that societal attitudes toward entrepreneurs in Qatar are similar to those in other MENA countries. A third of those surveyed (33%) believe there is not enough media content relating to entrepreneurial success stories in Qatar. This indicates an opportunity to boost media attention for entrepreneurship in Qatar.

In general, prospective entrepreneurs are more likely to consider establishing a new business if they believe there is a clear opportunity to do so. Perceptions of this opportunity are also tied to an entrepreneur's own self-belief in their capability to succeed. These two elements (perceptions of own capability, and of the economic environment) indicate the extent to which entrepreneurs consider themselves willing and able to launch a business.

The APS uses these two measures to estimate the size of the pool of potential entrepreneurs (i.e. those who are yet to start a business, but may potentially do so) in each country. This is done by asking two questions in the APS questionnaire:

1. "In the next six months, will there be good opportunities for starting a business in the area where you live?"

2. "Do you have the knowledge, skills and experience required to start a new business?"

Another measure used in the APS questionnaire to determine prospective entrepreneurs is 'fear of failure'. This measure is analyzed among the percentage of the population who believe there are good opportunities for new businesses in their area.

The population in Qatar appears to be divided in its attitudes towards opportunities for new business ownership, as indicated in **Table 2.2** opposite**.** Around half of those surveyed (48%) consider there to be good opportunities for new businesses in Qatar, whilst the other half disagree. Around half of the residents surveyed (51%) are confident in their skills and ability to start a new business. These figures are in line with the MENA region and innovation-country perceptions. When compared to neighboring countries Saudi Arabia and the United Arab Emirates (UAE), Qatar residents are slightly less likely than UAE residents and substantially less likely than Saudi Arabia residents to perceive they have the capabilities to start a business.

Table 2.1: Positive Societal Attitudes Towards Entrepreneurship in the Adult Population of Qatar, 2016

		MEDIA ATTENTION PROMOTES ENTERPRISE (%)	ENTREPRENEURS HAVE HIGH STATUS (%)	STARTING A BUSINESS IS A GOOD CAREER CHOICE (%)
GLOBAL	AVERAGE	61.6	68.9	62.8
QATAR	TOTAL	66.7	80.4	71.2
	QATARI	77.3	89.0	88.0
	EXPATRIATES	65.9	78.4	69.2
MENA	AVERAGE	67.0	79.4	72.6
INNOVATION - DRIVEN ECONOMIES	AVERAGE	62.2	69.6	57.6

Source: GEM Adult Population Survey Data, Qatar, 2016

Table 2.2: Perceptions about Entrepreneurship in the Adult Population of Qatar, 2016

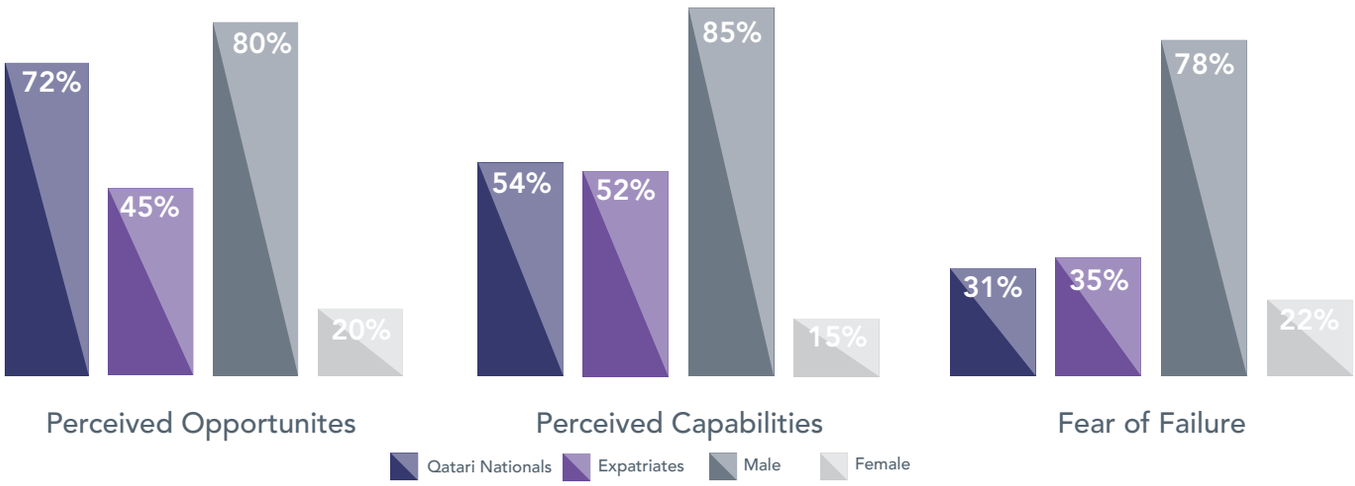
		PERCEIVED OPPORTUNITIES (%)	PERCEIVED CAPABILITIES (%)	FEAR OF FAILURE (%)
GLOBAL	AVERAGE	42.2	50.5	36.1
QATAR	TOTAL	48.4	50.6	35.4
MENA	AVERAGE	48.0	55.1	38.8
SAUDI ARABIA	TOTAL	81.5	70.7	39.4
UNITED ARAB EMIRATES	TOTAL	25.8	55.2	54.4
INNOVATION - DRIVEN ECONOMIES	AVERAGE	41.4	43.8	39.8

Source: GEM Adult Population Survey Data, Qatar, 2016

Only a third of the population surveyed (35%) fear failure when considering starting a business, which is lower than regional and innovation-driven economies averages. The proportion of those who fear failure of starting a new business is also lower than Saudi Arabia and the UAE.

Overall, the data shows that half of Qatar's population believe there are good opportunities to start a business, and that they have the capabilities to do so. This is coupled with a relatively strong confidence that these new businesses will succeed. Qatari national respondents are more likely to believe there are good opportunities for new businesses in Qatar than expatriate respondents (72% vs. 45% respectively).

Figure 2.1: Perceptions about Entrepreneurship in the Adult Population: Nationality & Gender



Source: GEM Adult Population Survey Data, Qatar, 2016

2.2.2 Intentional Entrepreneurs

Prospective entrepreneurs may believe that there are good opportunities for starting a business, and that they have the capabilities required to be a business owner. However, not all individuals with this mindset are intent on starting a business. There are many additional factors that drive 'intent' to launch a business, such as: opportunity cost; risk versus reward; competing employment opportunities; and a supportive and enabling environment.

After 'Prospective Entrepreneurship', the next stage in the entrepreneurial pipeline is 'Intentional Entrepreneurship'. GEM defines 'Intentional Entrepreneurs' as adults in a population who say they intend to establish a business within the next three years.
GEM research has historically shown that factor-driven economies have a higher volume of intentional entrepreneurs than innovation-driven economies.

This indicates that with increased economic development, the pool of intentional entrepreneurs decreases. While this may seem counter-intuitive, it is a strong indicator of the links between economic development, job creation and business sophistication. For example, in Egypt (a factor- driven economy), there are often more opportunities to start a business than to find employment. These businesses often take the form of smaller-scale, less sophisticated models, such as street vendors.

By comparison, an innovation-driven economy, like the economy of Qatar, has significantly higher opportunities for permanent employment, so there is less reliance on starting a new business as a means of generating income. New businesses in Qatar tend to be more sophisticated: they may consist of multiple employees or technologically advanced systems and structures.

Essentially, one would expect to see fewer micro-businesses in an innovative economy like Qatar, where unemployment is low and start-ups are more innovative.

This pattern is evident in **Table 2.3**, which shows that the availability of 'intentional entrepreneurs' is similar in Qatar to the MENA region average. When compared to its neighboring countries, Qatar has significantly more intentional entrepreneurs than Saudi Arabia and substantially less than the UAE. Qatar has a significantly larger pool of intentional entrepreneurs (39%) than the innovation-driven economy average (15%). This appears to be driven primarily by Qatari nationals, over half of whom (53%) state their intent to start a business in the next three years.

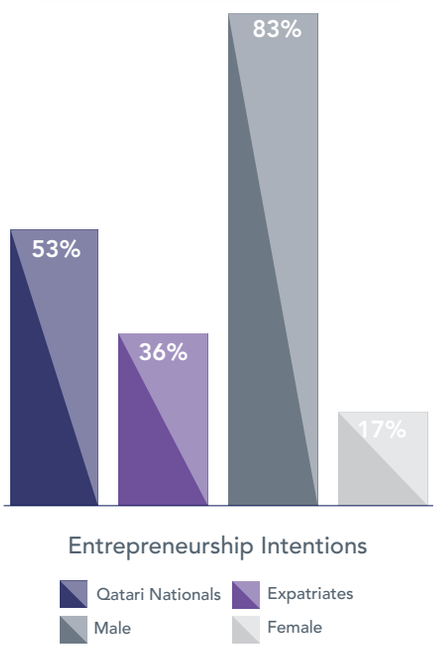
Looking back to **Table 2.1**, close to 90% of Qatari nationals consider business ownership a good career choice.

Table 2.3: Entrepreneurship Intentions, 2016

		ENTREPRENEURSHIP INTENTIONS (%)
GLOBAL	AVERAGE	22.3
QATAR	TOTAL	38.9
MENA	AVERAGE	37.1
SAUDI ARABIA	TOTAL	23.9
UNITED ARAB EMIRATES	TOTAL	48.3
INNOVATION - DRIVEN ECONOMIES	AVERAGE	15.4

Source: GEM Adult Population Survey Data, Qatar, 2016

Figure 2.2: Entrepreneurship Intentions: Nationality & Gender



Source: GEM Adult Population Survey Data, Qatar, 2016

2.2.3 Early-stage Entrepreneurial Activity

The GEM uses a metric named Total Early-stage Entrepreneurial Activity (TEA) to measure the proportion of a population involved in the two early phases of business ownership:

- **nascent entrepreneurs**: those who have committed resources to starting a business, but have not paid salaries or wages for more than three months; and
- **new business owners:** those who have moved beyond the nascent entrepreneurial stage and have paid salaries or wages for more than three months but less than 42 months.

A business which has paid salaries or wages for over 42 months is considered to have matured. Measuring these very early, pre-maturity stages of business ownership provides insight into the potential number of fully-established, mature businesses that an economy can expect to have in the future (considering the national business discontinuance rate).

Table 2.4 compares the level of entrepreneurial activities in Qatar with regional and innovation-driven economy averages. Given the high presence of prospective and intentional entrepreneurs in Qatar, particularly among Qatari nationals, one would anticipate a similarly high presence of nascent and new businesses. **Table 2.4** indicates that Qatar is behind regional and innovation-driven economies averages on early-stage entrepreneurial activity. There thus appears to be a gap in moving prospective entrepreneurs in Qatar from intent to action.

Table 2.5 shows Qatar's rankings on self-perceptions about entrepreneurship among the 64countries participating in GEM. Qatar ranks 22nd on perceived opportunities, 28th on perceived capabilities, 36th on undeterred by fear of failure and 10th place on entrepreneurial intentions.

Table 2.4: Prevalence Rates of Entrepreneurial Activity among the Adult Population, 2016

	NASCENT ENTREPRENEURIAL RATE (%)	NEW BUSINESS OWNERSHIP RATE (%)	TEA (%)	ESTABLISHED BUSINESS OWNERSHIP RATE (%)	BUSINESS DISCONTINUANCE RATE (%)
GLOBAL	7.2	5.5	12.3	8.0	3.0
QATAR	4.3	3.6	7.8	3.0	3.1
MENA (AVERAGE)	5.1	6.0	10.9	6.6	3.83
SAUDI ARABIA	3.7	7.7	11.4	2.3	-
UNITED ARAB EMIRATES	1.3	4.4	5.7	1.9	-
INNOVATION - DRIVEN ECONOMIES (AVERAGE)	5.5	3.7	9.1	6.7	2.0

Source: GEM Adult Population Survey Data, Qatar, 2016

Table 2.5: Self-Perceptions About Entrepreneurship: Qatar's Global Ranking

	VALUE (%)	RANK/64
PERCEIVED OPPORTUNITIES	48.4	22
PERCEIVED CAPABILITIES	50.6	28
UNDETERRED BY FEAR OF FAILURE	35.4	36
ENTREPRENEURIAL INTENTIONS	38.9	10

Source: GEM Global Entrepreneurship Monitor, Global Report 2016/17

Table 2.6 also shows Qatar's rankings on TEA activity among the 64 countries participating in GEM. Qatar ranks 49th on TEA and 58th on established business ownership.

Table 2.7 expands on Tables 2.5 and 2.6 to include the full list of all 64 countries participating in the 2016 GEM, and their rates of entrepreneurial activity. Qatar's position can be ranked globally. Qatar ranks 44th on nascent entrepreneurship, 43rd on new business ownership, and 10th on business discontinuance. Previous GEM research trends indicate that the higher a country's GDP, the lower the level of early-stage entrepreneurial activity. Qatar's relatively low TEA rates are in keeping with this trend, given the country's extremely high GDP.

One of the primary objectives of the GEM is to explore a country's 'level' and 'type' of entrepreneurial activity, and to link these findings to economic growth. Thus far, this report has detailed Qatar's 'level' of entrepreneurial activity, particularly early-stage entrepreneurial activity. The GEM further divides early-stage entrepreneurial activity into the following two 'types':

- **Opportunity-driven early-stage entrepreneurial activity** covers entrepreneurial activity driven in part or entirely by opportunity, rather than by lack of alternative employment options. This includes taking advantage of a business opportunity, or having a job but seeking a better, or preferred, opportunity.

- **Necessity-driven early-stage entrepreneurial activity** encompasses entrepreneurial activity driven by necessity; i.e. there are no alternative income-generating options.

The GEM study has historically shown that businesses started by opportunity-driven entrepreneurs are more likely to survive and create job opportunities for others than businesses started by necessity-driven entrepreneurs. It is generally expected that developed economies, with higher GDP, should have more opportunity-driven entrepreneurs, and that developing economies should mostly contain necessity-driven entrepreneurs.

This assumption is linked to the higher volume of alternative employment opportunities one would expect to find in an advanced economy than in a less developed one. However, previous studies of the GEM have shown that, even in factor-driven economies, most business owners are driven by opportunity rather than by necessity.

In fact, the 2015 GEM edition found that, globally, most entrepreneurs around the world were opportunity-driven.[7] Overall, however, there was a higher proportion of opportunity-driven entrepreneurs in innovation-driven economies than in factor- and efficiency-driven economies.[8]

Table 2.6: Activity: Qatar's Global Ranking

TOTAL EARLY-STAGE ENTREPRENEURIAL ACTIVITY (TEA)	VALUE (%)	RANK/64
2016	7.8	49
2015	N/A	N/A
2014	16.4	N/A
ESTABLISHED BUSINESS OWNERSHIP RATE	3.0	58

Source: GEM Global Entrepreneurship Monitor, Global Report 2016/17

Table 2.7: Phases of Entrepreneurial Activity among the Adult Population in GEM Economies, by Geographical Region, 2016

	NASCENT ENTREPRENEURSHIP RATE	NEW BUSINESS OWNERSHIP RATE	EARLY-STAGE ENTREPRENEURIAL ACTIVITY (TEA)	ESTABLISHED BUSINESS OWNERSHIP RATE	DISCONTINUANCE OF BUSINESSES
ECONOMY	%	%	%	%	%
MIDDLE EAST					
Qatar	4.3	3.6	7.8	3.0	3.1
Iran	6.9	6.2	12.8	11.6	4.7
United Arab Emirates	1.3	4.4	5.7	1.9	1.3
Jordan	4.1	4.6	8.2	2.7	3.9
Kingdom of Saudi Arabia	3.7	7.7	11.4	2.3	3.5
Lebanon	9.5	12.1	21.2	20.1	4.5
Morocco	1.3	4.3	5.6	7.5	3
Egypt	8.2	6.6	14.3	6.1	7.3
Israel	7	4.4	11.3	4	3.2
ASIA & OCEANA					
Australia	8.8	6.2	14.6	11.3	2.4
China	4.4	6.1	10.3	7.5	2.5
Hong-Kong	5	4.7	9.4	6.1	2.4
India	3.9	6.8	10.6	4.6	1.7
Indonesia	3.9	10.4	14.1	15.3	1.9
Kazakhstan	6.9	3.4	10.2	2.4	2.2
Korea (South)	3.7	3	6.7	6.6	0.9
Malaysia	2	2.8	4.7	4.7	1.5
Russia	3.2	3	6.27	5.3	1.5
Taiwan	3.6	4.6	8.2	7.7	1.8
Thailand	5.2	12.6	17.2	27.5	3.3
EUROPE					
Austria	6	3.7	9.6	8.8	2
Bulgaria	2.6	2.2	4.8	6.2	1.4
Croatia	6	2.4	8.4	4.2	3.4
Cyprus	7.6	4.5	12	8.2	2.9
Estonia	11.6	4.8	16.2	7.8	2.7
Finland	4.3	2.7	6.7	7.3	1.2
France	3.1	2.3	5.3	4.3	1.5
Georgia	4.6	4.3	8.6	8.6	3.1
Germany	2.9	1.7	4.6	7	1.1
Greece	3.2	2.6	5.7	14.1	3.8
Hungary	4.8	3.2	7.9	5.5	1.4

Ireland	7	4.4	10.9	4.4	1.8
Italy	2.2	2.2	4.4	5.2	0.8
Latvia	9.7	4.9	14.2	9.5	2.5
Luxembourg	6.4	2.9	9.2	3.2	2.2
Macedonia	3.4	3.1	6.5	7.2	1.6
Netherlands	5.7	5.4	11	10.2	2.1
Poland	4.6	6.1	10.7	7.1	3.1
Portugal	4.7	3.7	8.2	7.1	1.2
Slovakia	6.4	3.2	9.5	6.1	3
Slovenia	5.1	3.1	8	6.7	1.3
Spain	2.3	2.9	5.2	6.2	1.2
Sweden	5.8	1.8	7.6	4.5	2.1
Switzerland	5.1	3.2	8.2	11.1	1.3
Turkey	8.9	7.6	16.1	9.4	3.7
United Kingdom	5.2	3.7	8.8	6.1	1.6
NORTH AMERICA					
Canada	10.0	6.9	16.7	6.8	3.4
Untited States of America	8.9	4.0	12.6	9.2	2.0
LATIN AMERICA & THE CARIBBEAN					
Argentina	8.9	5.6	14.5	7.9	4.3
Belize	18.7	10.7	28.8	5.3	8.5
Brazil	6.2	14.0	19.6	16.9	3.8
Chile	15.6	9.3	24.2	8.0	4.8
Colombia	16.3	11.3	27.3	8.9	5.3
Ecuador	22.4	11.0	31.8	14.3	7.2
El Salvador	8.0	6.7	14.3	11.5	5.2
Guatemala	12.2	8.6	20.1	9.1	2.5
Jamaica	4.1	5.8	9.9	8.2	4.1
Panama	8.6	4.7	13.2	4.4	2.3
Peru	19.9	5.7	25.1	6.1	4.8
Puerto Rico	8.5	2.0	10.3	1.6	2.1
Uruguay	10.1	4.2	14.1	7.4	4.7
REST OF AFRICA					
Burkina Faso	21.2	13.5	33.5	28.0	6.3
Cameroon	17.8	10.9	27.6	15.2	7.7
South Africa	3.9	3.3	6.9	2.5	4.4
GLOBAL AVERAGE	**7.2**	**5.5**	**12.3**	**8.0**	**3.0**

Source: GEM Global Entrepreneurship Monitor, Global Report 2016/17

Figure 2.3 shows that a high 83% of early-stage businesses in Qatar are opportunity-driven. The proportion of opportunity-driven entrepreneurs in Qatar is greater than both regional and innovation-driven country averages. It is not surprising that most of Qatar's businesses are opportunity-driven, given that the country has one of the world's lowest unemployment rates, and that business ownership is regarded favorably by society. This is positive for the future of Qatar's SME sector, as GEM historically has shown that opportunity-driven businesses are more likely to grow, succeed and contribute to new job creation. The minority of necessity-driven entrepreneurs in Qatar (11%) are primarily expatriate respondents.

On opportunity-driven (% of TEA), Qatar ranks in 14th place and 60th place on necessity-driven (% of TEA) when benchmarked against the other 63 economies participating in 2016 GEM study. In comparison, Saudi Arabia is ranked in 1st place on opportunity-driven (92.3%) and 62nd place on necessity-driven (7.5%). UAE is ranked in 54th place on opportunity-driven (61.8%) and 20th place on necessity-driven (29.2%). Among entrepreneurs with opportunity driven motives, a portion of these seek to improve their situation, either through increased independence or through increased income (versus maintaining their income). GEM call these individuals improvement-driven opportunity (IDO) entrepreneurs. To assess the relative prevalence of improvement-driven opportunity entrepreneurs versus those motivated by necessity, GEM has created the Motivational Index. **Table 2.8** shows that in 2016 there were 6.0 times as many IDO entrepreneurs in Qatar as necessity driven ones. It also shows the Motivational Index comparing Qatar to Saudi Arabia and the UAE.

Figure 2.3: Opportunity & Necessity-driven TEA rates in Qatar & Comparable Economies, 2016

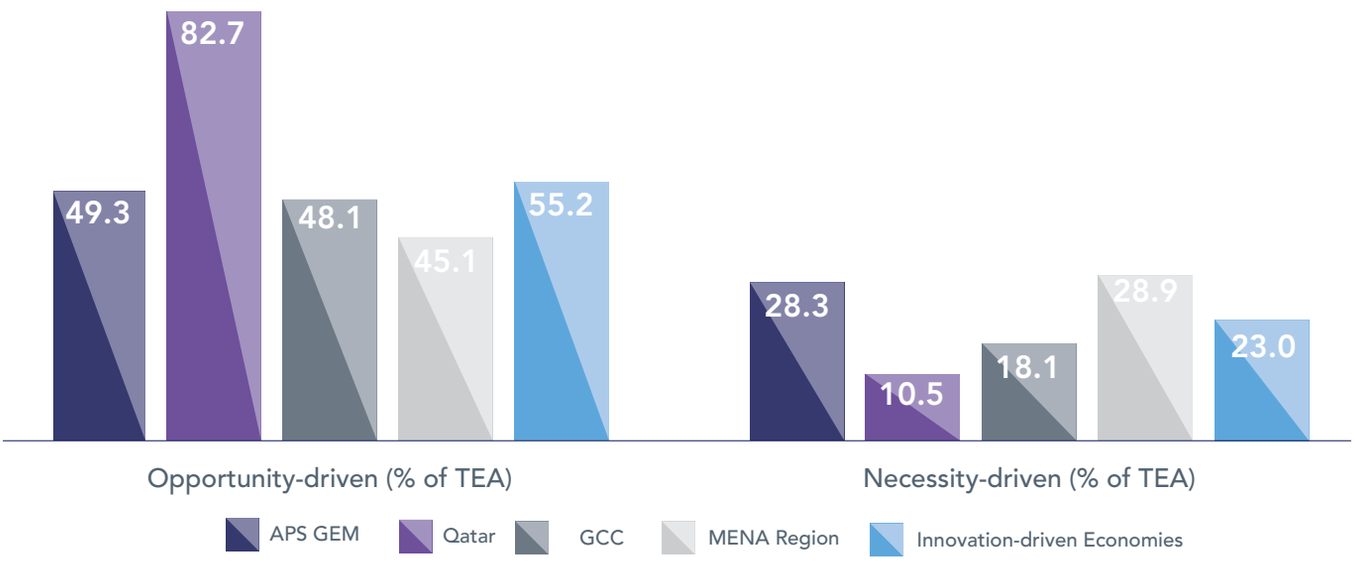


Table 2.8: Motivational Index, 2016: GEM participating GCC Countries

IMPROVEMENT-DRIVEN OPPORTUNITY/NECESSITY MOTIVE	VALUE	RANK/64
QATAR	6.0	6
SAUDI ARABIA	5.4	7
UAE	1.4	44

Source: GEM Global Entrepreneurship Monitor, Global Report 2016/17

2.2.4 Established Businesses

The study of established businesses in an economy is used to gain insight into the sustainability of local entrepreneurs. Established businesses are those which have grown and matured beyond the nascent and new business phases. These businesses now contribute to the local economy through continual introduction of new products or services, whilst also serving as a stable base of employment for others. **Table 2.4** indicates that Qatar's established business rate is below the MENA regional average (3.0% vs. 6.6% respectively) – it is the fourth lowest rate in the region. Qatar's established business rate is also less than half the average for innovation-driven economies (3.0% vs. 6.7% respectively).

One reason for Qatar's low established businesses rate is that there are not enough nascent and new businesses to create a substantial pool of early-stage entrepreneurs from which future established businesses can grow.

This comes back to Qatar's low TEA rate: with minimal early-stage entrepreneurial activity taking place in Qatar, there are not enough businesses to feed into the next stage. This means that Qatar might not have a sufficient overall volume of entrepreneurs to contribute to the country's economic growth.

Qatar's TEA rate (7.8%) is almost three times as high as the established business owner rate (3%), suggesting that only around a third of the few start-ups which exist in Qatar will develop into established businesses. Qatar requires more entrepreneurial activity at all levels beyond entrepreneurial intention.

In the first instance, more start-ups are necessary, to boost nascent and new business activity. Following this, attention must be given to business discontinuance, to ensure a better conversion of TEA into established businesses. Only then will there be a measurable impact on economic growth.

2.2.5 Business Discontinuance

Business discontinuance may occur for several reasons, many of which are explored in the APS. Table 2.4 indicates that Qatar's business discontinuance rate is lower than the regional average, which is encouraging. When compared to Saudi Arabia and the UAE, Qatar's business discontinuance rate is marginally higher at 3.1 compared to 2.63 (average of Saudi Arabia and UAE). Qatar's discontinuance rate is higher than the average for innovation- driven economies, indicating an opportunity for Qatar to improve its performance to match that of other developed markets. Qatar's business discontinuance rate is marginally higher than the rate of established businesses in the country. The difference is only marginal (0.1%), yet it indicates that there are more businesses closing their doors than going on to succeed.

Not all reasons for discontinuance are the same. Some will be negative (such as financing issues), while others may be positive (such as the opportunity to sell). **Table 2.9** summarizes the reasons for business closure among Qatar's entrepreneurs. The most prevalent reasons for business closure in Qatar are the same as those across the region and in other innovation-driven countries.

Table 2.9: Reasons for Business Exit in Qatar and Comparable Economies, 2016

	GLOBAL (AVERAGE) (%)	QATAR (%)	MENA (AVERAGE) (%)	INNOVATION-DRIVEN ECONOMIES (AVERAGE) (%)
OPPORTUNITY TO SELL	8.6	8.6	9.3	6.80
BUSINESS NOT PROFITABLE	35.7	28.6	41.7	33.1
FINANCING ISSUES	12.0	16.3	12.9	9.5
ALTERNATIVE JOB OR BUSINESS OPPORTUNITY	10.6	11.4	8.7	12.6
EXIT PLANNED IN ADVANCE	4.0	1.1	2.4	4.5
RETIREMENT	3.8	3.0	2.4	6.3
PERSONAL REASONS	18.0	26.2	15.9	30.2
INCIDENT	3.1	1.8	2.3	3.2

Source: GEM Adult Population Survey Data, Qatar and Global Report 2016/17

Nearly third of the respondents who discontinued their business (29%) did so because they were not profitable. This was the most commonly cited reason for business discontinuance mentioned by respondents. The GEM has previously identified profitability issues are usually linked to the below:

- Insufficient business skills, especially among new entrepreneurs
- Lack of affordable and/or efficient support structures - such as office space, professional infrastructure (e.g. suppliers) or physical infrastructure (e.g. transport)
- Crowded sectors where profit margins are pushed to the lowest limit
- Monopolized sectors where the biggest players leverage economies of scale and influence to control the market
- Unavoidable yet unnafordable overheads which drive up pricing strategies and subsequently drive away customers

The proportion of entrepreneurs citing 'profitability' as a reason for discontinuance is lower in Qatar than regional or innovation-driven country averages, suggesting that profitability issues are somewhat less of a concern in Qatar than in comparable markets.
Over a quarter of respondents who recently discontinued business in Qatar mention 'personal reasons' as to why they had to cease operations (mentioned by 26%).

This rationale is significantly more prevalent in Qatar than the regional average. Issues relating to financing are also cited as a reason for business discontinuance in Qatar by 16% of ex-entrepreneurs, higher again than both regional and innovation-country averages.

2.3 Profile of Qatar's Entrepreneurs

The GEM APS collects data at an individual level from members of the public, including both entrepreneurs and non-entrepreneurs. The individual-level approach of this study allows for the exploration of demographic, behavioral and attitudinal characteristics of entrepreneurs in each participating country. It is also possible to measure involvement in entrepreneurial activities, and to explore which demographic groups are most, or least, involved. This information can be used to develop targeted policies and programs, to effectively increase entrepreneurial participation and economic productivity.

2.3.1 Profiling Entrepreneurial Activity by Age

GEM has historically found global consistencies in which age groups are most involved in early-stage entrepreneurial activities. Trends indicate relatively low levels of early-stage entrepreneurial activity among young adult respondents aged between 18 and 24. Activity levels increase significantly among those respondents aged between 25 and 44, before then dropping steadily among older age groups. The sharpest decrease is observed among those respondents aged over 54.

Early-stage entrepreneurial activity levels are highest among those respondents aged 25 to 44, which may be due to this age group having had sufficient time to develop their skills through education and work experience, building both their abilities and confidence. This age group may also have better access to resources such as networks, savings and finance. Access to finance is often the central challenge facing new businesses, and young people globally tend to face greater challenges in receiving financing than older age groups. On the other hand, those aged over 44 tend to be more established in their careers, having secured higher incomes, better packages and a sense of professional and financial stability and success. This age group is also more likely to have greater financial obligations, such as mortgages and families. They are therefore less likely to voluntarily risk sacrificing this stability to explore an entrepreneurial opportunity.

of Qatar residents in each age group involved in TEA. As with global findings, the age group in Qatar least involved in TEA is the youngest segment, those aged between 18 and 24 (6%), while the age group with greatest TEA activity in Qatar is those aged between 25 and 44 (17%). Qatar has a relatively high proportion of 55 to 64-year-old respondents involved in TEA. Proportions of TEA activity are lower in Qatar than in comparable countries across all age groups except 55 to 64, where activity in Qatar is higher than comparable countries.

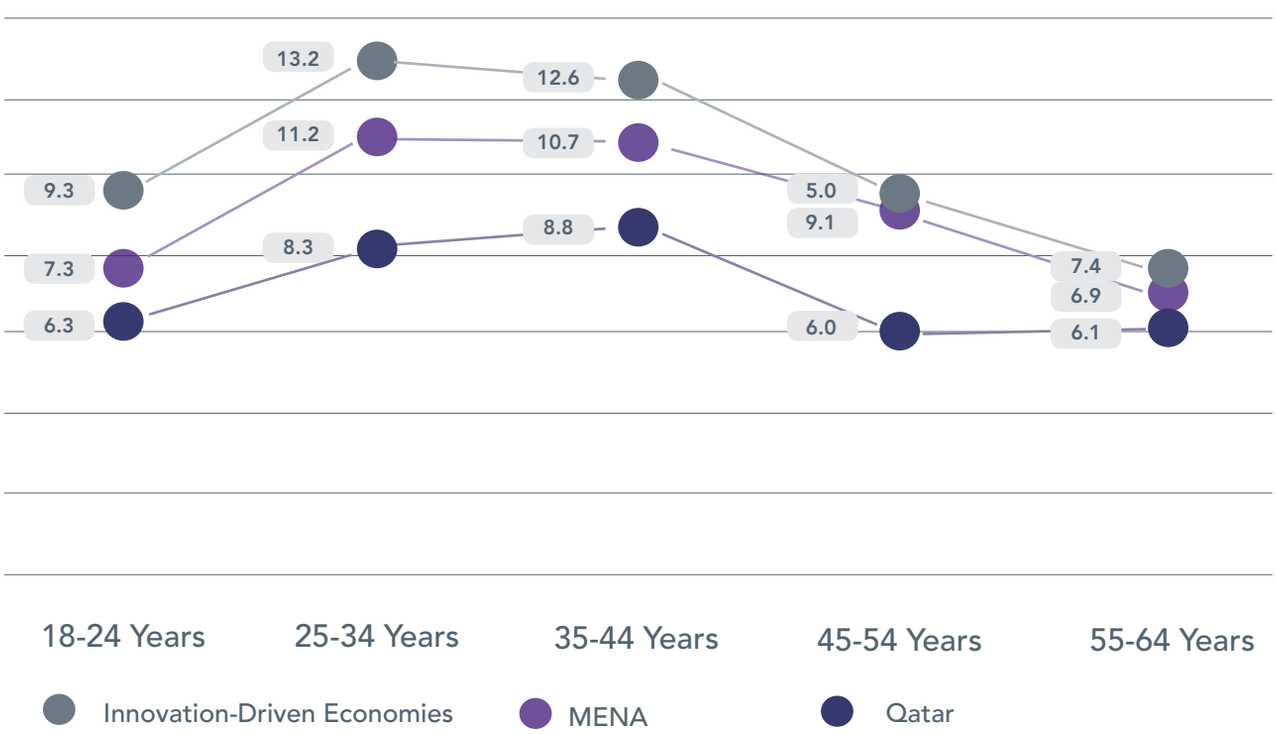
Global organizations and initiatives, including the International Labor Organization (ILO), the World Bank and the Youth Business Initiative (YBI) have highlighted significant evidence and support for the benefits of stimulating youth entrepreneurship.

- alternative routes to employment

These benefits include the following:

- Alternative routes to employment for youth are created
- Young entrepreneurs are more likely to hire other young professionals
- Young entrepreneurs are particularly responsive to new economic opportunities and consumer trends
- Young people tend to be most active in newer and higher-growth sectors, particularly those relying on new technology and modern advancement, from sustainable energy renewal to ICT
- Young people are more innovative and often create new forms of independent work
- Young people who are self-employed are more satisfied with their lives overall, reducing youth-related social unrest[9]
- Entrepreneurship offers unemployed and/or discouraged youth an opportunity for financial and professional stability and success;[10]
- Entrepreneurial experience or training can provide youth with a transferrable skill set which will benefit them in other areas of life, and benefit all members of society, whether they become entrepreneurs or not.[11]

Figure 2.4: Proportion of Age-bands involved in TEA In Qatar Relative to Economies, 2016



Source: GEM Adult Population Survey Data, Qatar, 2016

2.3.2 Profiling Entrepreneurial Activity by Gender and Population Group

Previous editions of the GEM have consistently found that, across all participating countries, men are more likely to engage in entrepreneurial activities than women. Over the years, GEM has identified several barriers to female entrepreneurship, such as:

- higher levels of domestic responsibility;
- lower levels of education (especially in developing countries);
- lack of female entrepreneurial role models;
- fewer business-orientated networks and associations for women in local communities;
- lack of capital and assets;
- lower societal status; and
- culturally-induced lack of assertiveness and confidence in their ability to succeed.

These trends do not apply to all countries, nor to all aspiring female entrepreneurs, but they go some way to explain the global trend of male dominance in entrepreneurship.

Table 2.10 shows that Qatar's TEA gender-split follows the same trend as global averages.

Interestingly, the gap between female TEA rates in Qatar versus comparable countries is significantly smaller than the corresponding gap in male TEA rates. The ratio between male and female TEA rates in Qatar is in line with average ratios for innovation-driven economies, and significantly higher than regional averages.

Among those engaged in early-stage entrepreneurship in Qatar, there are almost eight women for every ten men, significantly higher than the regional average of less than six to ten. While, there is an opportunity to increase both male and female early-stage entrepreneurial activity in Qatar, the opportunity to increase the number of males is greater. Qatar is ranked in 39th place on Female TEA (% of adult female population) when compared to the other 63 economies participating in the APS 2016 GEM Survey.

Table 2.11 clearly shows the difference in opportunity-driven TEA between males and females in Qatar, compared to regional and innovation-driven economies. There are significantly fewer male early-stage entrepreneurs in Qatar driven by either opportunity or necessity than in comparable countries. On the other hand, there are significantly more female early-stage entrepreneurs driven by opportunity than in comparable countries. Qatar ranks in first place on the Male/Female Opportunity Ratio when compared to the 64 participating countries. The number of female early-stage entrepreneurs in Qatar driven by necessity is low, similar to the corresponding number of males.

This suggests that men and women in Qatar are equally likely to choose to become entrepreneurs out of choice, not necessity. This is encouraging, and suggests that Qatari women are less likely to experience the barriers to entrepreneurship posed by gender discrimination, which is limiting many women around the world.

It may also mean that the barriers to entrepreneurship in Qatar are equally challenging for both male and female entrepreneurs. Yet despite Qatar's gender parity, the opportunity-driven male TEA rate in Qatar is low. This result is the one of the possible reasons for Qatar's low TEA rate.

Table 2.10: Involvement in TEA by Gender, in Qatar and Comparable Economies, 2016

	QATAR (%)	MENA (AVERAGE) (%)	INNOVATION-DRIVEN ECONOMIES (AVERAGE) (%)
MALE TEA RATE	8.1	13.8	11.3
FEMALE TEA RATE	6.8	7.8	6.8

Source: GEM Adult Population Survey Data, Qatar and Global Report 2016

Table 2.11: Entrepreneurial Motivation by Gender, in Qatar and Comparable Economies, 2016

	QATAR (%)	MENA (AVERAGE) (%)	INNOVATION-DRIVEN ECONOMIES (AVERAGE) (%)
MALE OPPORTUNITY-DRIVEN	6.5	9.3	9.0
MALE NECESSITY-DRIVEN	0.9	3.9	1.9
FEMALE OPPORTUNITY-DRIVEN	6.4	5.3	5.7
FEMALE NECESSITY-DRIVEN	0.4	1.8	1.3

Source: GEM Adult Population Survey Data, Qatar and Global Report 2016

2.3.3 Educational profile of Qatar's early-stage entrepreneurs

An educated workforce is the basis of economic productivity. Those who are educated, skilled, innovative and confident in their abilities will be the driving force in achieving economic competitiveness and growth. Education is a key component of confidence and assertiveness about one's abilities. Since confidence is one of the major drivers in starting a business, and since education is related to confidence in one's abilities, the more educated the population, the more likely they are to participate in entrepreneurial activity. GEM research has consistently shown a strong correlation between perceived abilities and TEA, reinforcing the importance of education in developing intentional entrepreneurs.

Table 2.12.b shows that 69% of Qatar's early-stage entrepreneurs surveyed have graduated from university, either at undergraduate, masters or Ph.D. level. Qatar's early-stage entrepreneurs are twice as likely to have received education up to high school (20%) than to have attended Community College (11%).

Table 2.12.c shows a different side to the same data. Although most early-stage entrepreneurs are university graduates, only a minority of Qatar's total university graduates are involved in early-stage entrepreneurship. The highest conversion rate from education to TEA is found in pre-university education (23%) and postgraduate education (28%).

The strong correlation between postgraduate[4] education and early-stage entrepreneurship presents an important opportunity for Qatar. There are currently only three[5]educational institutions in Qatar which offer postgraduate courses (out of twelve[6] universities in the country). This means that only a quarter of Qatar's universities offer postgraduate study. Given that individuals educated beyond undergraduate level in Qatar are significantly more likely to become entrepreneurs, there is an opportunity to boost postgraduate enrollment. One strategy for achieving this is increasing the number of postgraduate education providers, thereby increasing the number of spaces, and the range of courses available for postgraduate study.

Table 2.12: Education levels of Early-Stage Entrepreneurs in Qatar, 2016[2,3]

	a) Education Levels in Qatar (%)	b) Education levels among Qatar's early-stage entrepreneurs (%)	c) Invovlement in TEA among each education level (%)
UP TO HIGH SCHOOL	24.2	19.6	23.1
COMMUNITY COLLEGE/ DIPLOMA	13.4	11.4	6.3
UNIVERSITY GRADUATE	52.1	48.6	6.9
MASTERS & PHD	10.0	20.5	28.2

Source: GEM Adult Population Survey Data, Qatar, 2016

[2] The figures provided in the Table 2.11 are analyzed the surveys conducted for the APS 2016 GEM Survey. They are not official census data figures.
[3] Educational phases vary between different participating countries, as such data cannot be compared with regional or innovation-driven economies.
[4] Postgraduate education is defined as educational study beyond an undergraduate degree, including Masters and PhD level study.
[5] Qatar University, Hamad bin Khalifa University and HEC Paris are the only three institutions in Qatar providing tertiary education.
[6] Higher education institutions in Qatar: Qatar University, Hamad bin Khalifa University, HEC Paris, Northwestern, Georgetown School of Foreign Service, Carnegie Mellon, Weill Cornell, Virginia Commonwealth, University College of London, Texas A&M, University of Calgary, Stenden University.

2.4 Entrepreneurship Impact

Not all entrepreneurs will have the same impact on their society and local economy. Factors such as industry, job creation, innovation and international competitiveness are all fundamental to economic development. This section focuses on these factors with respect to Qatar's entrepreneurs.

2.4.1 Industry Sector

Table 2.13 shows the distribution of early-stage entrepreneurial activity (TEA) and established business activity (EB) by industry sector, comparing Qatar with regional and innovation-driven economies. Most early-stage entrepreneurial activity in Qatar takes place within the consumer services sector (44%). This trend is the same in regional and innovation-driven economies, where consumer services business activity is greater than any other sector. By contrast, most of Qatar's established business activity takes place in the transformative sector (42%).

There is little activity in Qatar's extractive sector, both within start-ups and established businesses. This is likely due to limited natural resources available in the desert state, beyond oil and gas. With a growing population and significant annual increases in food consumption, there have been several government initiatives to encourage new business ownership in the farming and agricultural sectors.[12] There appears to be an opportunity to review these initiatives to increase entrepreneurial participation in this sector.

2.4.2 Job Creation

GEM measures job-creation forecasts by asking early-stage entrepreneurs how many staff members (excluding partners and owners) they currently employ, and how many they expect to employ over the next five years. The difference between current and expected employees indicates growth expectations.

Table 2.13: TEA and EB by sector, in Qatar and Comparable Economies, 2016

	QATAR TEA SECTOR (%)	MENA TEA SECTOR (AVERAGE) (%)	INNOVATION-DRIVEN ECONOMIES TEA SECTOR (AVERAGE) (%)	QATAR EB SECTOR (%)	MENA EB SECTOR (AVERAGE) (%)	INNOVATION-DRIVEN ECONOMIES EB SECTOR (AVERAGE) (%)
EXTRACTIVE (agriculture, fishing, forestry and mining)	1.0	3.8	4.3	0.0	4.1	8.0
TRANSFORMATIVE (construction, manufacturing, transportation, communication, utilities and wholesale)	26.5	25.8	21.9	41.9	31.8	27.9
BUSINESS SERVICES (finance, insurance, real estate, all business services)	29.0	13.8	26.8	23.3	13.7	28.0
CONSUMER SERVICES (retail, motor vehicles, lodging, restaurants, personal services, health, education and social services, recreational services)	43.5	56.7	47.0	34.8	50.4	36.1

Sources: GEM Adult Population Survey Data, Qatar and Global Report 2016

Table 2.14 indicates the growth expectations, over the next five years, of Qatar's entrepreneurs. Growth expectations are one indication of a business's expansion plans, as well as the entrepreneur's ambitions for their business.

The ambition of Qatar's early-stage entrepreneurs is greater than in other regional and innovation-driven economies. Half of Qatar's entrepreneurs surveyed (52%) expect to create more than five new jobs over the next five years, double the percentage in comparable countries (22% and 24%).

However, the ambition of Qatar's early-stage entrepreneurs may often surpass their ability, given that the country's business discontinuance rate is higher than the rate of established businesses (Table 2.4). Businesses that do survive in Qatar are positioned to grow and create new job opportunities, yet only a minority are likely to reach this level of maturity.

Table 2.14: Proportion of Early-Stage Entrepreneurs Expecting to Create over 5 Jobs, in Qatar and Comparable Economies, 2016

	GLOBAL (AVERAGE) (%)	QATAR (%)	MENA (AVERAGE) (%)	INNOVATION-DRIVEN ECONOMIES (AVERAGE) (%)
HIGH JOB CREATION EXPECTATION	21.4	51.5	22.1	23.9

Sources: GEM Adult Population Survey Data, Qatar and Global Report 2016

Table 2.15: Innovation Levels among Early-Stage Entrepreneurs, in Qatar and Comparable Economies, 2016

	GLOBAL (AVERAGE) (%)	QATAR (%)	MENA REGION (AVERAGE) (%)	INNOVATION-DRIVEN ECONOMIES (AVERAGE) (%)
Product is new to all or some customers	46.0	49.1	50.4	49.7
Few/no business offer the same product	43.4	31.7	37.7	47.6

Sources: GEM Adult Population Survey Data, Qatar and Global Report 2016

2.4.3 Innovation and Internationalization

Innovation is a key component of entrepreneurship, and highly innovative entrepreneurs tend to grow the most successful businesses. An innovative entrepreneur has the potential to disrupt the market through the introduction of new goods, services and strategies. They achieve this by creating new channels of demand and driving out less innovative businesses whose production systems fail to adapt and keep up.

Innovation goes beyond the introduction of new goods and services. For innovation to be commercial, entrepreneurs must identify new market niches, explore uncharted commercial territory and develop creative offerings, delivery and marketing for products and services. To achieve this, entrepreneurs must be well-versed in competitive offerings, and demonstrate an ability to translate this knowledge into new and differentiated goods and services. The more innovative an entrepreneur, the more successful they can be, particularly in creating new markets or gaining market share from competitors.

The GEM measures innovation using a combination of two key variables (listed in **Table 2.15**) which together seek to explore:

- an entrepreneur's products and service offerings;
- the originality of their offering in the market (from a consumer point of view); and
- the extent to which there are no other competitors with similar offerings.

Findings relating to the innovation-levels of Qatar's entrepreneurs are outlined in **Table 2.15**.

Approximately half of Qatar's early-stage entrepreneurs (49%) believe that consumers will find their goods and services original, indicating product and service innovation similar to regional and innovation-driven economies. Only a third of early-stage entrepreneurs (32%) say they have few or no competitors. This is lower than the regional average (38%), and significantly lower than the innovation-driven economy average (48%). It appears that Qatar's entrepreneurs are introducing new products and services to the market, but they are doing so in a competitive space.

This may be due to a strong reliance on international suppliers, products and services among Qatar's residents. From retail to manufacturing, agriculture to professional services, Qatar's consumers (both corporate and public) often import what they need/want to buy. Local entrepreneurs are competing in an internationally competitive space

from the very start, mainly with competitors based in the UAE who service the Qatar market. As such, Qatar's early-stage entrepreneurs may bring innovative offerings to the market, in the sense that these offerings are not locally available, but they also face strong competition from international businesses offering the same products and services from outside the country. Many international businesses use e-commerce channels to market and sell their products to Qatar residents. Whilst this presents greater challenges for small businesses due to the increased competition from outside the country, it also presents an opportunity by encouraging businesses to be more innovative and produce better quality products and services.

For many entrepreneurs, internationalization offers the opportunity to access larger and more diverse markets. In economies with large and relatively affluent local markets, where the demand is high and supply low, entrepreneurs may have no desire to explore international markets.

To measure internationalization, the GEM considers entrepreneurs with over 25% of sales coming from abroad as having a 'strong' international orientation. Entrepreneurs with international customers representing less than 25% of sales are considered to have a 'weak' international orientation. According to a report by QDB on the State of SMEs in Qatar in 2016, 37% of SMEs indicated that they have business operations in international markets.

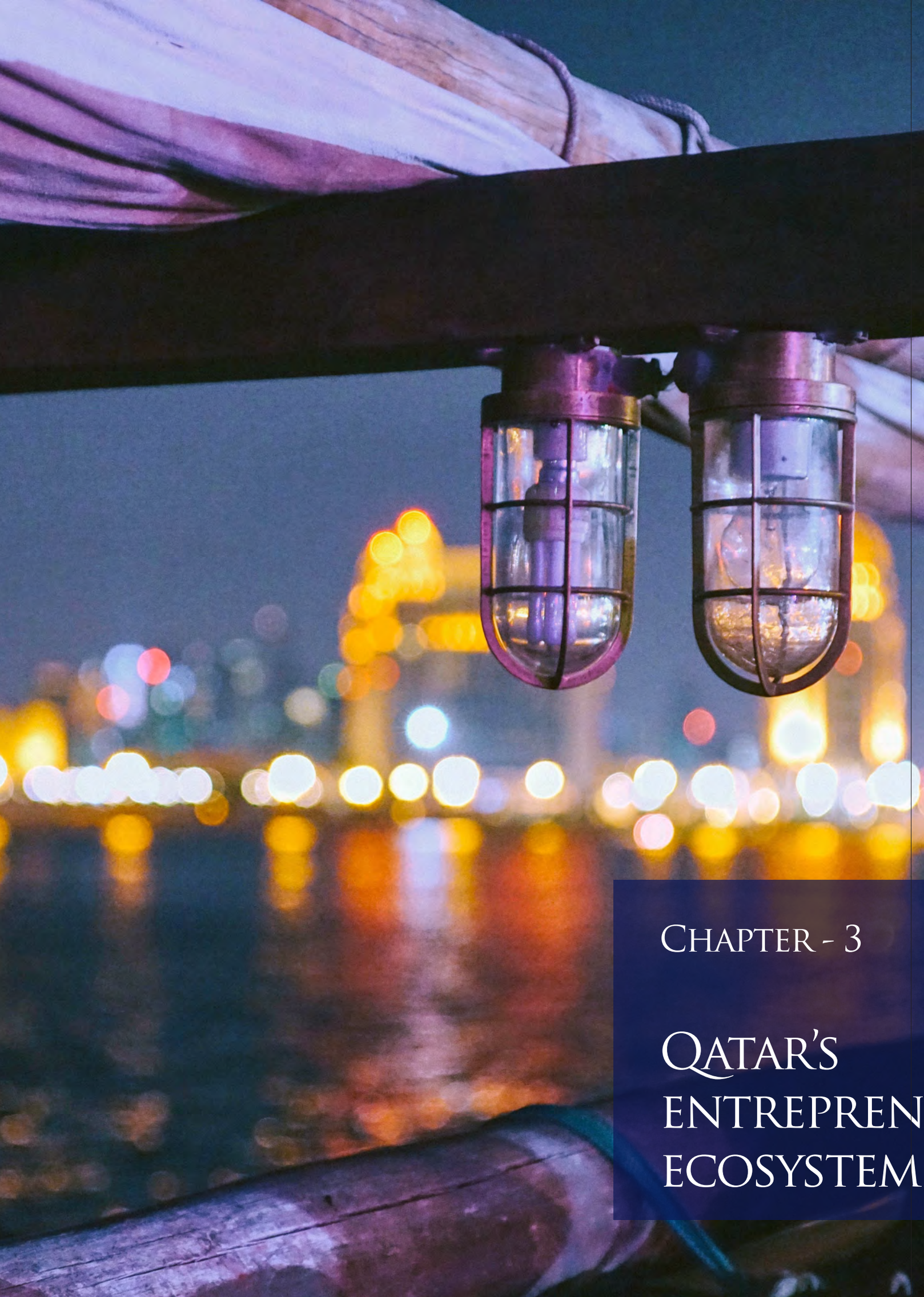
Table 2.16 indicates the level of international orientation of Qatar's early-stage entrepreneurs.

Qatar is a much newer economy than almost all other regional and innovation-driven economies. It is therefore encouraging that over a quarter of Qatar's early-stage entrepreneurs (28%) have a 'strong' international orientation, while half (49%) have a 'weak' international orientation. This means that less than a quarter (the remaining 23%) of early-stage entrepreneurs have no international orientation. The level of Qatar's early-stage entrepreneurs' international orientation is significantly lower than that of other innovation-driven markets, yet there is a clear attempt and interest among Qatar's start-ups to explore international opportunities.

Table 2.16: International Orientation of Early-Stage Entrepreneurs, in Qatar and Comparable Economies

	GLOBAL (AVERAGE) (%)	QATAR (%)	MENA (AVERAGE) (%)	INNOVATION-DRIVEN ECONOMIES (AVERAGE) (%)
Weak international orientation	47.0	48.7	51.7	30.1
Strong international orientation	18.6	28.1	25.2	62.4

Sources: GEM Adult Population Survey Data, Qatar and Global Report 2016



Chapter - 3

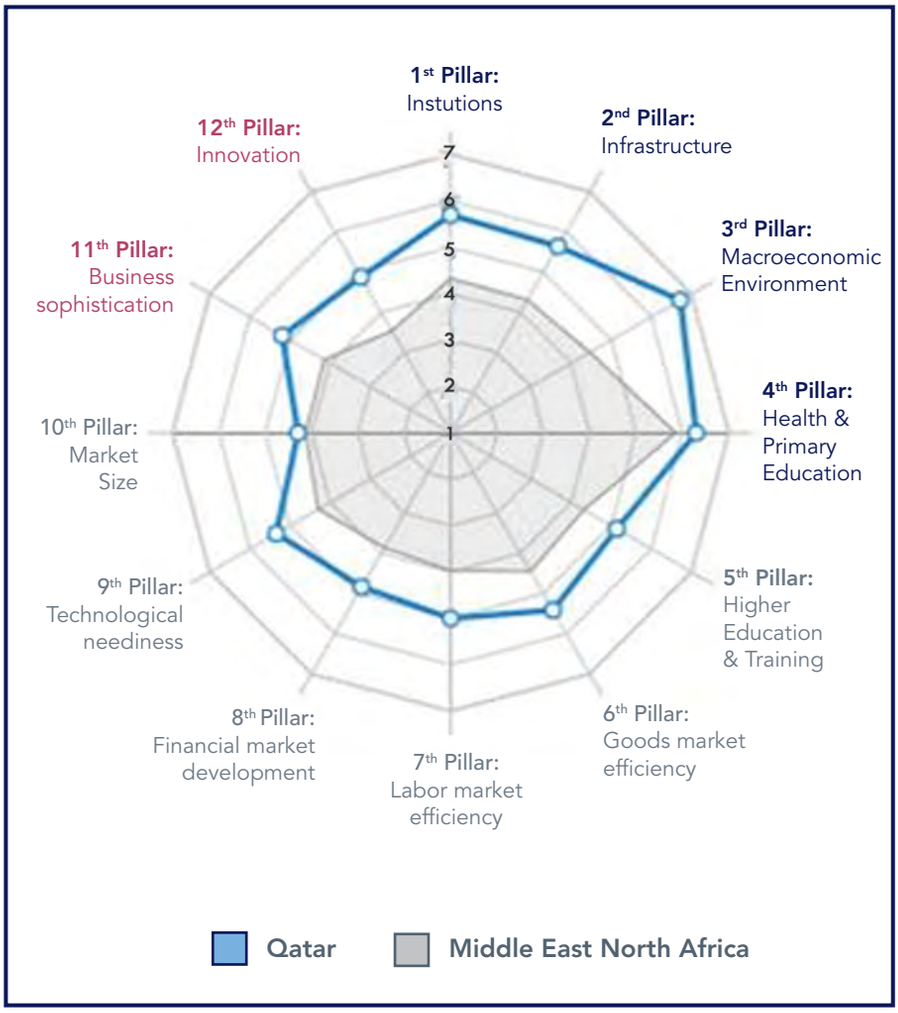
Qatar's entrepren ecosystem

3.1 An Overview of Qatar's Business Environment

Every year, the World Economic Forum (WEF) publishes the Global Competitiveness Report (GCR). The GCR ranks participating economies on 12 pillars, each is an indicator of economic strength, prosperity and productivity. In 2016/2017, Qatar ranks 18th out of 138 countries on the GCR[13] two places behind the United Arab Emirates (UAE), the only other MENA country to rank in the top 20. As shown in **Figure 3.1**, Qatar performs well above the regional average on all twelve pillars of the GCR.

Qatar's main strength is its macroeconomic environment, which is driven by public budget surplus and low government debt, resulting from high revenues from energy exports. However, the reduced global demand for petroleum and the 70% decline in oil prices since mid-2014 may affect the country's performance in the future. Following fifteen consecutive years of surplus, Qatar is currently running a moderate budget deficit of $12.8 billion, equivalent to 0.7% of GDP.[14[

Figure 3.1: Qatar's Performance on the Twelve Global Competitiveness Pillars,
Benchmarked Against the Regional Average



Source: Global Competitiveness Report, 2016/2017

In this section we will explore Qatar's performance on each pillar of the GCR, highlighting areas of strong performance and opportunities for improvement.

PILLAR 1

Institutions

The institutional environment of a country depends on the efficiency and behavior of public and private stakeholders, as well as the legal and administrative framework which governs the country. This has a strong bearing on competitiveness and growth. Qatar performs well on this pillar, being ranked 10th in the world.

The country's strengths include: low wastefulness of government spending (ranked 1st); minimal business costs resulting from crime or violence (3rd); minimal burden of government regulation (5th); and protection of minority shareholders' interests (5th). The main opportunity for improvement lies in Qatar's strength of investor protection (ranked 101st). The low global ranking for investor protection may be associated with the foreign investment restrictions which mandate that foreign investors can only invest in some parts of the national economy with a Qatari partner, who must own at least 51% of the enterprise.

PILLAR 2

Infrastructure

Extensive and efficient infrastructure is critical for ensuring the effective functioning of the economy. Qatar ranks 18th in the world on 'infrastructure'. The relatively high ranking for infrastructure is predominantly driven by a high-quality air transport infrastructure (ranked 7th). Hamad International Airport is ranked in the top 10 airports in the world as per the 2016 World Airport Awards[15], which provide a benchmark of global excellence. Qatar Airways (the national airline carrier) is second in the ranking of the world's best airlines as per the 2016 Syntax World Airline Awards. The national airline also won a range of top awards, namely the World's Best Business Class, the World's Best Business Class Lounge and Best Airline Staff in the Middle East.

Qatar loses ground on fixed-line telephone infrastructure (ranked 60th), which is unsurprising given the low penetration of fixed telephone lines in residential properties. In contrast to its low ranking on fixed-line telephone infrastructure, Qatar ranks 18th on mobile cellular telephone subscriptions, indicating a strong preference for mobile phone communications over fixed telephone lines.

PILLAR 3

Macroeconomic Environment

The stability of the macroeconomic environment is important for businesses and is therefore significant for the overall competitiveness of a country. Qatar ranks 2nd globally on 'macroeconomic environment'.

The main reasons for this are Qatar's first-place ranking in government budget balance, gross national savings and stable inflation. By contrast, Qatar ranks in 25th for its credit rating and 38th for government debt as a percentage of GDP.

PILLAR 4

Health and Primary Education

Qatar is ranked in 27th in the world on the health and primary education pillar.

A healthy workforce is vital to a country's competitiveness and productivity. The obvious benefit of having a healthy workforce is that healthier employees are absent less often. Healthy workers are more motivated to stay in work, they recover from sickness quicker and they are at less risk of long-term illness. In addition, organizations stand to make substantial cost savings by promoting health in the workplace and reducing sickness absence.

By creating a positive, safe and healthy environment for employees, employers can increase morale, improve employees' work-life balance and, in turn, positively impact the business. On the health metrics, Qatar ranks 36th on life expectancy and 46th on infant mortality. The prevalence of HIV is low amongst the adult population, which positions Qatar first in the world on this metric. Conversely, the country is ranked 58th for the incidence of tuberculosis. Expatriates seeking residency in Qatar are screened for HIV and tuberculosis as part of a mandatory medical testing procedure.

In addition to health, this pillar considers the quantity and quality of primary education received by the population. Basic education increases the efficiency of each individual worker. Qatar performs well on quality of primary education, being ranked fourth place.

PILLAR 5

Higher Education and Training

High-quality higher education and training are crucial for economies that need to increase their global competitiveness. Qatar ranks 30th on the quality of its higher education and training system.Qatar performs well on the metrics for quality of its education system, quality of Math and Science education, and quality of management schools – in each metric it is ranked 5th. Qatar also ranks highly on internet access in schools (11th). By contrast, Qatar does not perform as well on tertiary education enrollment rates (ranked 108th).

There has been significant investment in education in Qatar over recent years. Established by the Qatar Foundation for Education, Science and Community Development, Education City was founded on the principles of innovation and knowledge and is home to several branch campuses from the world's leading universities.

Through this initiative, Qatar has become an educational hub, attracting both local and international students to its world-class universities.

PILLAR 6

Goods Market Efficiency

Countries with efficient goods markets are well positioned to produce the right mix of products and services for their supply-and-demand conditions, as well as ensuring that these goods can be effectively traded in the economy. Qatar ranks seventh in the world for goods market efficiency. Qatar ranks second in the world for its total tax rate and is fourth for the effect of taxation on incentives to invest. There is no personal income tax in Qatar and Qatari nationals do not pay corporate taxes. However, Qatar's trade tariffs are ranked 55th and imports (as percentage of GDP) at 90th place.

Qatar's performance on the number of procedures to start a business is worse than many other countries – ranked in 94th position.

PILLAR 7

Labour Market Efficiency

The efficiency and flexibility of the labor market are critical for ensuring worker effectiveness. Qatar ranks 17th on the labor market efficiency pillar.

Consistently, Qatar performs well on taxation metrics and is ranked first for the effect of taxation on incentives to work. The country also performs well on pay and productivity (4th), country capacity to retain talent (5th) and country capacity to attract talent (6th).

Incentives have often concentrated on efforts to encourage Qatari nationals to enter the workforce. Qatar ranks low on female participation in the labor force (118th), which is strongly influenced by cultural norms that encourage women to stay home once they are married.

PILLAR 8

Financial Market Development

An efficient financial sector allocates the resources saved by a nation's population, as well as those entering the economy from abroad, to entrepreneurial or investment projects with the highest expected rates of return. Business investment is critical to productivity. Overall, Qatar is ranked 21st for financial market development.

Qatar ranks 1st in the world on venture capital availability, and 2nd on ease of access to loans. This is possibly due to the local population's readiness to invest in businesses as private funders, and to the readiness of banks to loan money. Qatar also performs well on affordability of financial services and financing through local equity market – both ranked 9th globally.
However, within this pillar, Qatar ranks low on its legal rights index, taking 127th place.

PILLAR 9

Technological Readiness

The technological readiness pillar measures the agility with which an economy adopts existing technologies to enhance industry productivity, with specific emphasis on its capacity to fully leverage information and communication technologies (ICTs) in daily activities and production processes. Qatar ranks 33rd overall for technological readiness. Qatar performs well on firm-level technology absorption (11th) and availability of the latest technology (21st). The country also ranks well on internet penetration (8th) and mobile broadband subscriptions (29th).

PILLAR 10
Market Size

The size of the market affects productivity, since large markets allow firms to exploit economies of scale. Qatar is ranked in 50th place overall for the market size pillar. Qatar performs moderately well across all metrics within this pillar, particularly given the country's relatively small population and recent economic maturity.

PILLAR 11
Business Sophistication

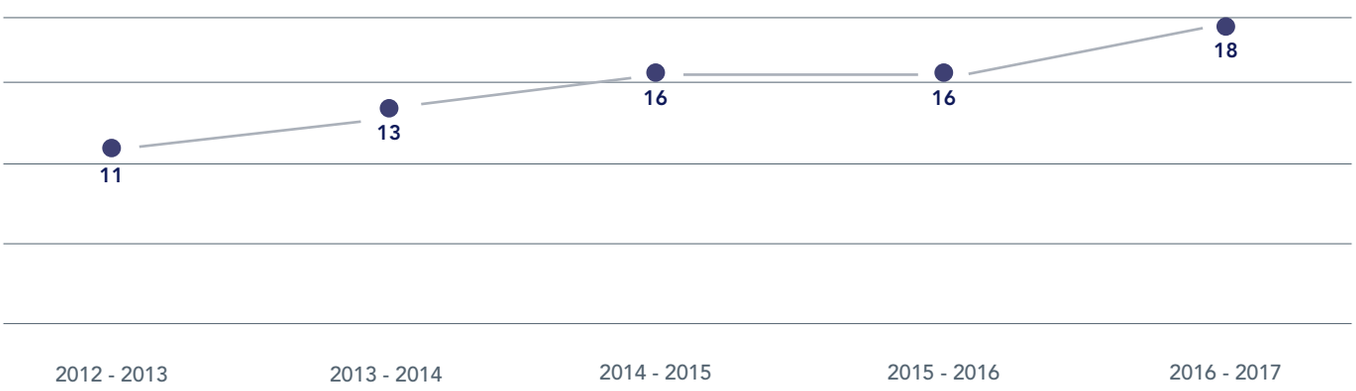
Business sophistication incorporates two elements that are intricately linked: the quality of a country's overall business networks and the quality of individual firms' operations and strategies. Qatar ranks 18th overall for business sophistication.

Qatar performs well on control of international distribution, largely because of oil and gas exports (4th). The country also performs well on willingness to delegate authority (7th) and state of cluster development (10th). Qatar performs well against the global benchmark on all other metrics of Pillar 11.

PILLAR 12
Innovation

The final pillar focuses on innovation. In recent decades, innovation and creativity have become critical skills for achieving success in developed economies. Qatar ranks in 18th place overall for innovation. Qatar performs well on all metrics in Pillar 12. The country is ranked in second position for government procurement of advanced technology products – a testament to the nation's continued effort to achieve economic diversification through technological innovation. Qatar's peak position on GCR rankings occurred in 2011, when the country took eleventh place. Since then, Qatar has been slipping year on year, although it continues to perform ahead of the regional average on all pillars. Figure 3.2 illustrates Qatar's downward trend between 2011 and 2016.

Figure 3.2: Qatar's overall Global Competitiveness Ranking between 2012-13 and 2016-17



Source: GEM Global Report, 2016

3.1 An Overview of Qatar's Business Environment

The National Expert Survey (NES) involves primary research with a minimum of 36 relevant and prominent experts in each participating GEM country. The purpose of the NES is to capture experts' opinions on a variety of metrics relating to each country's economic, social and political environments within the context of entrepreneurship and new business ownership.

The NES consists of metrics and lines of enquiry like the WEF Global Competitiveness Report and the World Bank Ease of Doing Business Report. The main difference between the reports is that the NES focuses predominantly on how these metrics impact on the entrepreneurial environment, rather than the general economic landscape. This is measured according to the nine Entrepreneurial Framework Conditions (EFCs), which form the basis for both the NES questionnaire, and the selection process of experts on each of the nine areas. The nine EFCs are described in Chapter 1 of this report.

The NES questionnaire is standardized globally, allowing for consistency of methodology in each participating country, and across industry experts. Experts are asked to answer a series of questions about how far the country's social, political and economic conditions foster or hinder the country's entrepreneurial activity. The NES questionnaire contains both a structured (closed-ended) scoring system, and qualitative open-ended questions. The quantitative scoring system uses a Likert scale of 1 (highly insufficient) to 9 (highly sufficient). For each question, the mean score is calculated for analysis and inclusion in this report.

Experts are then asked to identify and comment on the three most important factors which constrain entrepreneurial activity in their country, & the three most important factors which foster it. Experts are prompted to conclude the survey by making three key recommendations for improving the country's entrepreneurial environment. The NES thus provides insights on the extent to which Qatar's social, political and economic landscape impacts on entrepreneurial activity, from the point of view of the 41 leading experts who participated in the NES this year.

Table 3.1 contains the average scores given by Qatar's experts for each entrepreneurial framework. The best performing frameworks in Qatar are those which receive an average score of higher than 5.0 out of a possible 9.0. These include:

- access to quality physical infrastructure (6.6);
- fostering entrepreneurship among those aged over 50 years of age (5.6);
- government entrepreneurship programs (5.4); and
- cultural and social norms (5.4).

The frameworks offering greatest opportunity for improvement (with a score of less than 5.0) in Qatar are:

- internal market openness and dynamics (4.3);
- R&D transfer (4.3); and
- financial environment and support (4.5).

When asked to list the greatest constraints on entrepreneurship in Qatar, 'government policy' is mentioned most often by experts (76%). Experts also cite challenges with 'accessing finance' (29%); 'inadequate commercial and professional infrastructure' (20%) and challenges about 'market openness' (17%) as secondary constraints.

Table 3.1: NES Entrepreneurial Framework Condition Scores, 2016
(average scores on a scale of 1-9 where 1 is 'highly insufficient' and 9 is 'highly sufficient')

NES ENTREPRENEURIAL FRAMEWORK CONDITION	QATAR	MENA	SAUDI ARABIA	UAE	INNOVATION-DRIVEN ECONOMIES	GLOBAL
Financial environment & support	4.5	4.1	3.9	4.4	4.5	4.2
Government policies: entrepreneurship policy, support, taxes & bureaucracy	5.1	4.0	4.0	5.7	4.4	4.1
Government entrepreneurship programs	5.4	3.9	3.4	5.6	4.8	4.3
Entrepreneurship education and training	5.2	3.6	2.9	4.6	4.1	3.9
Research & development (R&D) transfer	4.3	3.6	3.0	4.2	4.4	3.8
Access to quality professional & commercial infrastructure	5.2	4.7	3.9	5.6	5.5	4.9
Internal market dynamics	4.3	4.3	4.4	5.3	4.8	4.6
Access to quality physical infrastructure	6.6	6.3	6.8	7.3	6.8	6.5
Cultural and social norms	5.4	5.1	4.6	6.2	4.9	4.7
Fostering entrepreneurship amongst those aged 50+	5.6	5.6	-	-	6.0	5.8

Sources: GEM National Experts Survey Data, Qatar 2016

3.2.1 Government Policies in Qatar

Each year, hundreds of talented, intelligent, motivated individuals start their own business, but, inevitably, many fail to convert their business ideas into thriving enterprises. While governments are not wholly responsible for new business success, they should ensure that a country's legislative environments are conducive, and not unfavorable, to new businesses. In Qatar, entrepreneurship is an essential component of achieving economic diversity. The rules for starting a new business set by the government significantly influence the rate of entrepreneurial growth.

Qatar has already made significant ground in creating policies, programs and initiatives which aim to foster entrepreneurial activity and growth. This is reflected in Qatar's NES experts' scores for 'government policies', which are rated higher than the scores given by experts in the MENA region and innovative-driven economies, as shown in **Table 3.1.**

Qatar performs on par with the UAE on 'government policies' (5.7) and slightly higher than the average NES score for Saudi Arabia (3.9). However, there are ongoing opportunities to continue building on this progress by reducing bureaucratic and financial hurdles to business ownership, and developing new and improved policy and regulation to help small businesses develop, grow and thrive.

Almost all of Qatar's experts cite 'government policy' as a key constraint on new entrepreneurs entering the Qatar market. More specifically, experts most often refer to Qatar's regulation that requires all businesses to have a physical presence, such as a storefront or office, before they receive a trading license. One expert mentions that this requirement can be a burden to microbusinesses, which may be unable to afford office rental costs immediately. Another expert also mentions the extremely high cost of operating in Qatar due to this policy.

Experts consider the requirement particularly challenging for e-commerce or online-based businesses. Qatar has a thriving social media-based e-commerce industry; many of these companies do not have, or even need, an office space - bringing into question the legality of these online businesses.

The second theme under 'government policy' mentioned by experts relates to bureaucratic processes and red tape for new business registration. Experts cite:

- regulations regarding personal guarantees required for all commercial loans; and
- complex legal procedures for establishing a business.

Experts also refer to the 51% citizen-ownership requirement, suggesting that finding an eligible local business partner is often a challenge for expatriates.

Table 3.2 shows Qatar's experts' scores for all individual areas within the 'government policies' framework. There are some notable strengths, where Qatar performs above regional, innovation-driven economies and global averages, including: support and prioritization of new and growing firms at the highest level of government (6.4), and the amount of taxes not being a burden for new and growing firms (6.8). However, on areas relating to bureaucracy, regulations and licensing, including time taken to secure permits and licenses, experts gave lower ratings than innovation-driven economy averages. Qatar thus has an opportunity to improve in these areas.

Simplifying the process for new businesses is critical to fostering entrepreneurship. Economies with highly efficient and cost-effective business registration processes will achieve a greater rate of entrepreneurs entering the market, and lower business discontinuance rates.

The World Bank's 2017 Doing Business Report ranks Qatar 91st out of 190 countries on 'ease of starting a new business', and 183rd on 'protecting minority investors'. In this report, the World Bank estimates that starting a business in Qatar takes on average between eight and ten working days, and involves almost twice as many bureaucratic procedures (8.5) as in other high income countries in the Organization for Economic Co-operation and Development (OECD) (4.8).[16]

Table 3.2: Average Expert Rankings for 'Government Policies' for Entrepreneurship (average scores on a scale of 1-9 where 1 is 'highly insufficient' and 9 is 'highly sufficient'

GOVERNMENT POLICIES	QATAR	MENA	INNOVATION-DRIVEN ECONOMIES	GLOBAL
Government policies (e.g. public procurement) consistently favor new firms	4.4	3.3	3.5	3.4
The support for new & growing firms is a high priority for policy at the national government level	6.4	4.7	5.0	4.7
The support for new & growing firms is a high priority for policy at the local government level	5.9	4.3	4.8	4.4
New firms can get most required permits and licenses in about a week	2.7	2.9	3.9	3.5
The amount of taxes is **not** a burden for new and growing firms	6.8	4.9	4.6	4.1
Taxes and other government regulations are applied to new & growing firms in a predictable and consistent way	5.6	4.3	5.0	4.5
Coping with government bureaucracy, regulations, and licensing requirements is not unduly difficult for new and growing firms	3.8	3.3	4.3	3.8
Government policies: entrepreneurship policy, support, taxes & bureaucracy (framework average)	5.1	4.0	4.4	4.1

Sources: GEM National Experts Survey Data, Qatar 2016

3.2.2 Access to Finance in Qatar

'Access to finance' is identified as a challenge facing entrepreneurs in all markets, and is also highlighted by Qatar's experts as a major barrier for new businesses in Qatar. Research indicates that the smaller the business, the greater the challenge of securing the necessary financing to launch and grow.

Comments made by Qatar's experts regarding access to finance include:

Time-sensitive financing:

Although Qatar has several initiatives and programs to provide financing to new entrepreneurs, financing is often needed by an entrepreneur at a specific point in time. In some cases, there may be plenty of financing options available, but the time taken to go through a financial assessment (including a lengthy feasibility study) may be too long. During the time that businesses spend waiting for financing, there is an increased risk of business discontinuance due to cash flow issues. There is an opportunity to review processes to help businesses access finance in a timelier manner.

Cash flow challenges:

Qatar's experts mention the challenges faced by businesses in managing their cash flow as having a significant impact on the level of new business success in the country. Experts specifically mention the difficulties businesses face in managing cash flow due to delayed client payments. They mention that many businesses can often find themselves unable to pay third-party suppliers for work already conducted while awaiting payment from clients. One expert referenced the time delays in government clients paying construction companies for their services, which ultimately leads to delayed payments to sub-contractors. There is an opportunity for policies and regulation to assist SMEs with managing non-payment and delayed payment issues, which will assist them in better management of their cash flow.

Astronomical cost:

Having access to finance is considered by experts to be an essential ingredient in starting a new business in Qatar. Many businesses find that they can significantly reduce their overheads by operating out of neighboring countries, rather than being based in Qatar. Similarly, consumers in Qatar may perceive suppliers abroad as offering significantly better value for money, due to their competitive pricing structures. Many of Qatar's entrepreneurs are competing not only with local businesses but with the broader international industry. Experts believe that for a new business to enter the market and offer competitive rates from the outset, capital is required to help cover their overheads while they establish their business and achieve revenue growth.

Qatar has made significant progress in helping SMEs access finance over the last decade. **Table 3.3** illustrates Qatar's strength in providing government subsidies to new and growing businesses (5.9). Organizations such as the Qatar Development Bank (QDB) are committed to assisting SMEs financially via a series of targeted programs. Al Dhameen is one a program sponsored by QDB that provides bank guarantees to registered SMEs seeking finance from local banks. The program helps SMEs obtain financing without a proven credit history, which many early - stage entrepreneurs lack. QDB also provides direct financing to SMEs for the construction of premises, factories or any other necessary infrastructure. All Qatari entrepreneurs are eligible for this financial support.

Access to new business finance is currently only available to Qatari nationals. This means that starting a new business in Qatar is significantly more challenging for expatriate.

Table 3.3 also highlights Qatar's shortage of venture capitalists, private lender funding and crowdfunding sources for entrepreneurs (each scoring less than 4.0). With fewer financing options, entrepreneurs in Qatar can only rely on commercial banks, high net worth (HNW) citizens or government initiatives for funding.

Table 3.3: Average Expert Rankings for 'Access to Financing' for Entrepreneurs (average scores on a scale of 1-9 where 1 is 'highly insufficient' and 9 is 'highly sufficient')

ACCESS TO FINANCING	QATAR	MENA	INNOVATION-DRIVEN ECONOMIES	GLOBAL
Equity funding available for new and growing firms	5.1	4.7	4.8	4.4
Debt funding available for new and growing firms	5.4	4.7	4.7	4.5
Government subsidies available for new and growing firms	5.9	4.4	5.2	4.6
Funding available from informal investors (family, friends and colleagues) who are private individuals (other than founders) for new and growing firms	5.6	5.2	5.0	5.0
Professional Business Angels funding available for new and growing firms	4.1	4.1	4.8	4.3
Venture capitalist funding available for new and growing firms	3.6	4.1	4.7	4.2
Funding available through initial public offerings (IPOs) for new and growing firms	4.1	3.1	3.9	3.4
Private lenders' funding (crowdfunding) available for new and growing firms	3.4	3.4	4.4	4.0
Access to financing (framework average)	4.5	4.1	4.5	4.2

Sources: GEM National Experts Survey Data, Qatar 2016

3.2.3 Internal market openness and dynamics in Qatar

The level of ease with which new businesses can enter the market will influence the number of entrepreneurs. The volume of similar competitors in the market is the first determinant of opportunity for new businesses operating in the same space. In some markets, the number of competitors may be few. If competitors are powerful, protected, or large enough to influence market dynamics, there will be significant barriers for new businesses to enter the market.

A smaller, yet nonetheless significant, proportion of Qatar's experts (17%) cite 'lack of market openness' as a critical obstacle to entrepreneurship in Qatar. The 'internal market openness and dynamics' framework also receives the lowest rating (4.3) from Qatar's experts (refer to Table 3.1). On this metric, Qatar also performs below the global average and the average for other innovation-driven economies. Table 3.4 illustrates the granular scores within this framework: although scores are low across all areas, most notable is the area where Qatar performs worst, the measure of whether new and growing firms can enter markets without being unfairly blocked by established firms (4.0).

Overall, businesses in Qatar do not face a particularly high level of competition. Even the most crowded industries in Qatar appear relatively sparse when compared to other developed economies. However, experts highlight the fact that Qatar is home to several 'giants' - established firms that have an entrenched position in the market and thus hold a competitive advantage over other organizations competing in the same sector. There is thus an opportunity for Qatar to support new businesses beyond the registration and initiation phase, by encouraging competition and free-market dynamics.

Table 3.4: Average Expert Rankings for 'Internal Market Openness and Dynamics' for Entrepreneurs (average scores on a scale of 1-9 where 1 is 'highly insufficient' and 9 is 'highly sufficient')

INTERNAL MARKET OPENNESS & DYNAMICS	QATAR	MENA	INNOVATION-DRIVEN ECONOMIES	GLOBAL
The markets for consumer goods and services change dramatically from year to year	4.6	4.9	5.1	5.0
The markets for business-to-business goods and services change dramatically from year to year	4.4	4.7	4.9	4.9
New and growing firms can easily enter new markets	4.1	4.1	4.8	4.5
New and growing firms can afford the cost of market entry	4.0	3.9	4.3	4.0
New and growing firms can enter markets without being unfairly blocked by established firms	4.0	3.7	4.6	4.2
The anti-trust legislation is effective and well enforced	4.4	3.4	4.9	4.3
Internal market openness and dynamics (framework average)	4.3	4.3	4.8	4.6

Sources: GEM National Experts Survey Data, Qatar 2016

Chapter - 4

Recommen for policy practice

Recommendations for Policy and Practice

Diversity has a significant influence on economic output, productivity and growth. A healthy SME sector is vital to the sustainability and growth of an economy, especially in emerging economies as their business composition is mostly dominated by the SME segment. According to the World Bank, formal SMEs contribute up to 45 percent of total employment and up to 33 percent of national income (GDP) in emerging economies. These numbers are significantly higher when informal SMEs are included[17].

Like most economies in the MENA region, Qatar's economy predominantly relies on hydrocarbon activity. Strong growth in the non-hydrocarbon sector is essential for the Qatari economy to remain resilient in the face of low oil prices. A key priority for Qatar is thus to boost the private sector and, more particularly, SMEs to create a more balanced economy. SMEs are vital actors for enhancing innovation, competitiveness, entrepreneurship and the establishment of an effective innovation system.

As the backbone of any sustainable, diverse economy, SMEs form a vital component of the various growth strategies deployed by governments across the region. Qatar's low levels of entrepreneurial activity relative to other countries participating in the Global Entrepreneurship Monitor survey, indicates that more needs to be done to foster entrepreneurship. In 2016, the TEA rate stands at 7.8%, which is lower than the average TEA rates in the MENA region (10.9%) & in other innovative-driven economies (9.0%). A key to fostering an entrepreneurial environment requires a dual focus on improving the human capital through education and skills training, and creating a more enabling environment which encourages entrepreneurial intent.

As the 2016 GEM APS found, nearly five times as many Qatar early-stage entrepreneurs cited 'opportunity' rather than 'necessity' as their motivation for starting a new business (82.7% opportunity-driven vs. 10.5% necessity-driven). As the motivation to start a new business is driven out of opportunity rather than necessity, greater encouragement by the government is needed to convert entrepreneurial intent into implementation. This is also reinforced in the 2016 GEM APS which found that whilst entrepreneurial intent in Qatar is high, the conversion rate to implementation is relatively low.

An important focus of the NES is not only to identify key weaknesses in the entrepreneurial environment, but also to obtain precise and practical recommendations that can be used to inform policy decisions and stimulate entrepreneurial activity. The recommendations in this chapter draw on the findings from the 2016 GEM APS and NES, entrepreneurial activity in Qatar, as well as the key recommendations identified by the national experts.

Government Policies

Government policies and regulations play a crucial role in creating an enabling business environment: one that is conducive to starting and sustaining a new business. Over 70% of the national experts identified government policies, administrative procedures, extensive operating costs, and the majority ownership of businesses by Qatari nationals as key constraints on entrepreneurship activity. Whilst Qatar has taken steps to make starting a business easier by abolishing the paid-in minimum capital requirement for limited liability companies, establishing the one-stop shop which provides all the Ministry of Economy and Commerce services required for establishing a business and making registering property easier by increasing the transparency at its land registry[18], greater efforts need to be taken to remove constraints that are considered to impede the transition from intent to active entrepreneur, as well as the potential growth of the SME sector.

An extensive review of the regulatory burden on new and small businesses is required. According to the Doing Business Report 2017, the procedures required to start a business in Qatar are almost double those in other high-income OECD countries.[19] In 2017 Qatar is ranked 91 out of 190 participating countries on ease of starting a new business. This is a relatively low ranking due to the difficult process of legally starting a business in Qatar.[20]

Reducing bureaucracy is critical to making it easier and quicker to start a new business. The procedures to register a business need to be streamlined to reduce the time taken to obtain the Commercial Residence, Trade License and Computer Card legislative requirements. National experts in the 2016 GEM NES gave low rankings of 2.7 for new firms getting most required permits and licenses in about a week. Qatar's ranking was lower than the MENA region (2.9) and other innovative driven economies (3.9). Qatar also ranks lower on coping with government bureaucracy, regulations and licensing requirements when compared to other innovative driven economies (3.8 and 4.3 respectively). Efforts to centralize the registration process of new businesses by establishing a single online channel for businesses registration will help to foster entrepreneurship.

91st
out of 190

Qatar's ranking out of 190 participating countries on ease of starting a new business

Qatar (average)	**3.8**
Other innovation-driven economies (average)	**4.3**

Ranking on coping with government bureaucracy, regulations and licensing requirements

In recent years, Qatar has taken steps to modify or reduce restrictions to national treatment in its foreign direct investment (FDI) legislation & selected rules applicable to foreign investors & therefore gradually opened sectors to foreign investment. For example, a company may be 100% foreign-owned in certain sectors, such as agriculture, industry, tourism, education, health, & natural resources, subject to prior government approval. In 2004, foreign investment was allowed in banking & insurance. In 2009-2010, Qatar opened several sectors to 100% foreign ownership in consulting & technical work services, technology & cultural services, as well as distribution services, & cultural & leisure services. Foreign ownership of investment is otherwise limited to 49% of invested capital in other activities.[21]

The Qatar Financial Centre (QFC) also allows foreign financial institutions to set up offices with 100% ownership & permits full repatriation of profits. All QFC-registered firms are subject to a 10% corporate tax on locally sourced profits. The Qatar Science and Technology Park (QSTP), a dedicated free zone, was inaugurated in 2009, offering foreign investors exemptions from tax & customs duties. Certain sectors, however, remain closed to both foreign & domestic competition, including public transport, utilities, steel, cement, & fuel distribution and marketing.[22] Manateq, an economic zone company was also established by the Minister of Business and Trade in 2011 to provide world-class infrastructure to facilitate growth of the private sector[24]. There is an opportunity for the Government to expand on special economic zones such as the QFC & QSTP where there are no limits on foreign ownership. This will create further opportunities for foreign investors in Qatar and help to stimulate the entrepreneurship ecosystem.

In Qatar, foreign ownership of investment is limited to 49% of invested capital.

Qatar Financial Centre firms are subject to a 10% corporate tax on locally sourced profits.

The Government recently announced new licensing procedures to help regulate the growing home business & self- employed market in Qatar. The License requirements allow small businesses to legitimately operate from home, eliminating the requirement for a commercial lease agreement to register a business in Qatar[23]. The new regulations are a move towards motivating early-stage entrepreneurs to develop & expand their business which will contribute to the economic development and diversity in Qatar. Whilst these new licensing regulations support early-stage entrepreneurs, there continues to be a need to review Trade License requirements for a commercial lease agreement to register a business in Qatar. Average commercial rental prices in Doha range between 80QAR and 250QAR per square meter per month.[24] This translates to between 8,000-25,000QAR per month to rent a small, 100sq.m office space. Legislation on the requirement to rent a commercial premise may prevent entrepreneurs from starting a new business or expanding operations and may contribute to business discontinuance among Qatar's SMEs. QDB has established the JAHIZ 1 & JAHIZ 2 initiatives which provide new SMEs in innovative & environmental-friendly industries the opportunity to rent ready built industrial facilities ready for manufacture[25]. The factories are provided on a competitive monthly lease of five-year renewal lease basis . Consideration should be given to the following: capping commercial property rental prices for start-ups; subsidizing the cost for new businesses; establishing cost-effective shared workspaces & commercial premises which start-ups can use as their registered business address.

per sqm per month

Average commercial rent prices in Doha

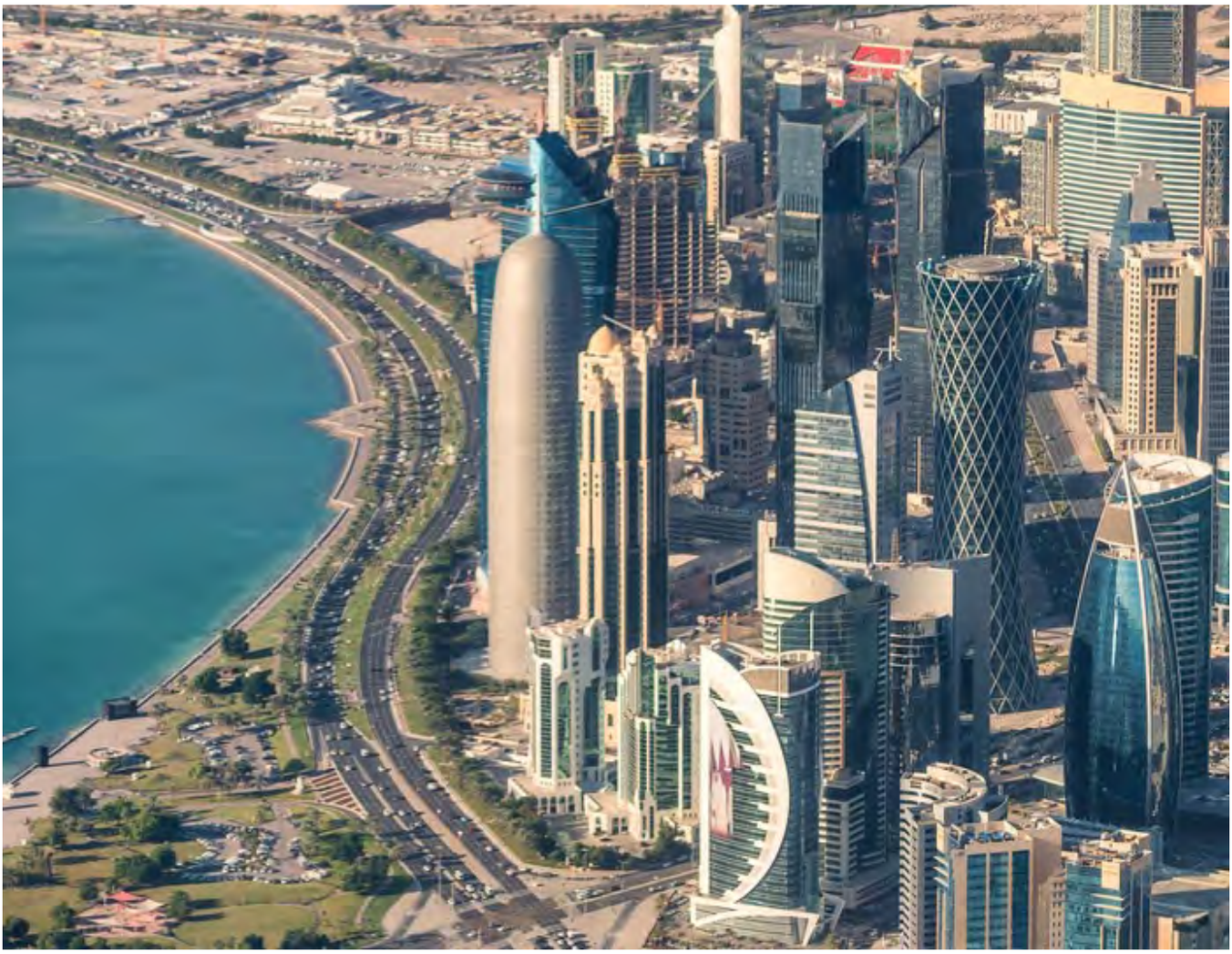
58% of business establishments have their offices within Doha

The information available to entrepreneurs and SMEs is inadequate. There are limited resources that provide clear and easy to follow procedures to start a business. There is an opportunity to make information more accessible by digitizing the entire business registration process in Arabic and English.

Limited resources when it comes to starting a business

Policing of competition laws need to be strengthened so that large organizations do not control the market and squeeze out smaller competition. The road to economic diversification begins with internal market openness as competition is a critical driver of performance and innovation. In the 2016 GEM NES, Qatar ranks below innovation-driven economies on all metrics related to internal market openness and dynamics. The greatest gap in mean scores are for 'new and growing firms can easily enter new markets' and 'new and growing firms can enter markets without being unfairly blocked by established firms'. Monopolization poses a risk not only to economic diversification, but also to consumer and supply-chain welfare.

Rates of monopolization needs to be controlled in order to give growing firms and smaller competition opportunities



Education and Training

Creating a critical mass of entrepreneurs requires a substantial investment in human development capital. To foster a robust entrepreneurial culture, it is essential to support the community to discover and create entrepreneurial opportunities so potential and intentional entrepreneurs can transform their ideas into viable start-ups. This can be achieved by establishing National Standards for entrepreneurship education which will help to prepare youth and adults to succeed in an entrepreneurial economy. Entrepreneurship education should be viewed as a lifelong learning process which evolves at elementary school and progresses through all levels of education, including adult education. The Standards should be designed as a framework for educators to use in building appropriate objectives, learning activities and sustainable programs that provide students with the experiences that nurture the spirit of entrepreneurship.

It is important to generate greater awareness in the community on career opportunities beyond the traditional oil and gas and government sectors and promote entrepreneurship as a career pathway. The focus should be on generating an understanding about the basis of the economy, the career opportunities that result, and the need to master basic skills to be successful in the local market economy.

There is a tendency for parents to direct their child to careers that they are familiar with and understand. Entrepreneurship awareness programs should be targeted towards parents due to their influential role in their child's career pathway. A crucial part of successfully expanding awareness and consideration of entrepreneurship lies in targeting parents as an independent segment. There is an opportunity to work more closely with parents at a national level to encourage them to motivate their children to learn about business ownership and generate a sense of individual opportunity that they can be entrepreneurs or consider non-traditional career pathways.

Parents have an influential role in their child's career, and they often direct their childs to careers they are already familiar with.

Entrepreneurship awareness programs should be targeted towards parents

It is important to address the mismatch between the skills required by the industry/the economy and those provided by schools and universities. There is currently a lack of accessible up-to-date market industry needs and projections data. This information is imperative to forecast labor market needs, so that education institutions can strategically plan for programs that will meet future demand for these skills sets. Greater efforts should be directed to promoting the importance of STEM (Science, Technology, Engineering and Mathematic) related careers to the younger generation so they can exploit opportunities generated by technological advances and the digital economy.

For example, rapid diversification into knowledge-based high technology and high-valued sectors such as playing a role in developing advanced seeding and irrigation technology needed to develop agriculture in the hostile climate surroundings of the Arab Peninsula, will stimulate entrepreneurship in key sectors. Agriculture is a key industry sector given the anticipated increases in food demand across the GCC and the focus on improving food security in Qatar. There are currently low levels of TEA activity in the agriculture sector.

STEM

SCIENCE, TECHNOLOGY, ENGINEERING & MATHEMATICS

STEM related careers should be promoted more to the younger generation

Agriculture is a key industry sector given the anticipated increases in food demand across the GCC

GEM research has confirmed a positive link between training in starting a business and entrepreneurial behavior. As many students do not undertake part-time work whilst studying at university or college, there is limited opportunity to understand how businesses operate. While other countries have a more competitive workplace environment, the incentive to work in part-time employment amongst Qatari nationals is not as strong, nor necessary. Students in other markets outside Qatar will work part-time jobs to earn money and to fill the revenue gap before they are employed full time. Therefore, education programs at school and tertiary level should be designed to help develop soft skills in: leadership; communications; presentations; team work; project management; and customer service. Programs could also be focused on providing key skills and competencies in managing a business such as: book keeping and accounting; sales; marketing; strategic business planning; and market research. For example, cash flow could be incorporated into mathematics subjects, budgeting could be incorporated into Information Technology when learning how to use excel spreadsheets and formulas, sales demonstrations could be part of a communications class.

Education programs at school should be introduced to teach leadership, communication, team work and other soft skills

Cash flow could be incorporated into mathematics subjects, as an example

Programs should be developed to help students explore business ideas and a variety of ways to plan a business. The programs should aim to encourage students to create a unique business idea and carry the decision-making process through a complete business plan. The best programs may enable students to experience the operations of a business. These programs are best placed in advanced high school career and technical programs, colleges and universities. The aim of the programs is for students to learn how it might be possible to become an entrepreneur and to practice the processes of business. "*Al-Fikra Business Competition*" provides winners with awards amounted to more than QR8mn and prizes ranging from access to finance, incubation time and advisory services to help successful entrepreneurs translate their business ideas into reality and commence operations. "*Al-Fikra Business Competition*"[26] is an example of an entrepreneurial program that promotes Qatar's economic diversification by supporting and strengthening the role of SMEs in line with Qatar's National Vision 2030.

These programs should aim to encourage students to come up with unique business ideas

Al Fikra Business Competition invites youth to present business ideas as part of a competition

Mentorship and Business Support

Mentorship programs are needed to provide young entrepreneurs with access to experienced professionals who can inspire, coach and guide them through the process of starting a business. With Qatar having one of the highest social media penetration of any country in the world, there is a significant opportunity to establish an online community of entrepreneurs and experts. The community would bring like-minded people together to transfer knowledge, share practical advice, business tips and lessons learned. The online platform would allow professionals and experts to sign up as mentors as well as provide tools to help young entrepreneurs start and run a business.

The support structures which help businesses establish themselves and grow need to be more effective. Business discontinuance in Qatar in 2016 is high given the rates of new and established businesses. Often, business owners do not seek help until it is almost too late. A series of continuing seminars or support groups can assist the entrepreneur in recognizing potential problems and how to deal with them in a thorough and timely manner. The seminars and workshops should be aimed at providing advice and support on aspects which cause business discontinuance such as profitability and financial management. The best economic development plan is to help the community's existing businesses grow and prosper.

Business discontinuance in Qatar in 2016 is high given the rates of new and established businesses.

Initiatives such as an Entrepreneur Expo should be considered as it is an effective way to see what is happening in the startup scene in Qatar and the region. The event would offer insights and networking opportunities with workshops, seminars and presentations from top industry experts. The Expo could also showcase innovative products/services to help entrepreneurs succeed. The Expo would help small business owners, start-ups and entrepreneurs to grow and expand their business to the next level.

ENTREPRENEUR EXPO

The Entrepreneur Expo is an initiative that should be considered in the region

Access to Finance

Supporting and facilitating access to finance for Qatar's early-stage entrepreneurs is already a top priority in Qatar. Several financing initiatives for SMEs have been established to meet this objective, including organizations such as Qatar Development Bank,[9] Qatar Business Incubation Center,[10] Qatar Tourism Authority (QTA),[11] Qatar University,[12] and many more. In 2015, Qatar hosted the International Conference on Access to Financing for SMEs and Entrepreneurs in the Arab World,[27] the main objective of which was to identify new areas of policy reform and global best practice in the provision of financing for early-stage entrepreneurs.Despite these efforts, access to finance remains an on-going barrier for early-stage entrepreneurial activity in Qatar and is one of the main hurdles for small businesses around the globe. Improving access to finance presents one of the most significant policy reform challenges to all governments which aim to foster entrepreneurial activity.

Around a third of Qatar's national experts (29%) cite 'access to finance' as a key constraint on entrepreneurial activity in Qatar. Almost all start-ups in Qatar utilize financing in the form of: personal funds; financial support from a personal contact or relative; and/or financing through a retail or development bank. New entrepreneurs often find it difficult to secure financing because they do not have the required credit rating. According to the 2016 GEM APS, some 16% of businesses in Qatar are discontinued because of financing issues, while a further 29% discontinued because they are not profitable. There remains an opportunity to further reform SME financing policies to better meet the needs of Qatar's early-stage entrepreneurs.

Improving access to finance to a wider profile of start-ups is critical to fostering entrepreneurship in Qatar. Whilst improving access to finance is critical, it is also important to look at initiatives which reduce the overheads for start-ups. Easing operating costs has greater sustainability & long-term focus than merely providing more finance and ultimately debt. In Qatar, non-payment of debts and bankruptcy result in reactive legal issues, whereas proactive debt relief and bankruptcy-avoidance policies are more conducive to fostering entrepreneurial activity, and preventing business discontinuance.

Improving financial access to a wider profile of start-ups is critical to fostering entrepreneurship in Qatar

Improve entrepreneurship financial literacy to help entrepreneurs better manage cash flow; establish smarter product/service pricing strategies and create realistic forecasts and financial planning. Qatar's early-stage entrepreneurs are, in general, relatively young and inexperienced. Culturally, Qatar's entrepreneurs are also somewhat over-reliant on finance, which can mask the true financial performance of their businesses. If they are provided with education and training in financial management, lean methods and cost-efficiencies, new entrepreneurs may find their reliance on financing is lessened. They may also be less likely to resort to premature business discontinuance, particularly if their business has a positive bank balance. Improving financial literacy may also help entrepreneurs design more feasible business plans, creating businesses which have a greater likelihood of success and growth.

Programs should be introduced to improve financial literacy in order to help them better manage cash flow

[9] *QDB Direct Financing Program for established businesses and QDB Al Dhameen Program for SMEs and microbusinesses.*
[10] *QBIC seed funding for start-ups up to 100,00 QAR and equity financing for start-ups up to 200,000 QAR. QBIC also partners with the QDB Al Dhameen program for SME financing guarantee for retail bank financing.*
[11] *Partnership with QDB for financing specific tourism-sector businesses*
[12] *Grants up to 50,000 QAR for start-ups*

Foster alternative funding models such as venture capitalism, growth capital, private equity investment, and business angels. Start-up financing in Qatar is almost exclusively reliant on retail banks, government initiatives or high net worth connections. There is an opportunity for the government to introduce, support and invest in new and alternative funding models for early-stage entrepreneurial financing. Alternative models are not limited to pure financing. For example, establishing a local network of business angels can provide start-ups with a pool of highly experienced investors with skills and knowledge which can contribute to growing the business, in addition to providing cash injections.

Alternative funding models should be encouraged, and not only strictly financially-speaking

Streamline current procurement processes to make it easier for small businesses to win government contracts. Public sector procurement tendering processes have several requirements which new and small businesses cannot meet. These include (but are not limited to): minimum staff number requirements; minimum number of years in operation; evidence of long - term financial history; evidence of a full business bank account; and high-value performance bonds often exceeding product/service delivery by up to one year. Start-ups in Qatar are evaluated on their size and financial history, rather than on their potential for high-quality delivery. Many thus automatically fail tendering processes because the requirements favor established firms. Given these issues, any revisions of current procurement processes should seek to eliminate these barriers to make it easier for small businesses to compete for government contracts. The government could also look at SMEs as a unique segment and customize a procurement process which is aligned to the operational profile of a newly established business. This may mean that SMEs are able to bid for government tenders under a certain threshold without having to meet the above requirements & pay tender bonds which impact cash flow to the business. QDB in partnership with the Ministry of Finance (MoF) has initiated "*Moushtarayat*", a Government Procurement and Contracting Conference and Exhibition which aims to: provide opportunities for the local private sector; to develop local talent; and create a co-operative environment for Qatari entrepreneurs[27]. The initiative is an example of the government's efforts at increasing participation, developing capability and building capacity of local businesses.

Contracts are usually won by established firms, as the requirements favor them over SMEs

Moushtarayat in numbers

Protect start-ups from non-payment or delayed payments from both public and private sector clients. Cash flow is a considerable challenge for all start-ups, compounded by monthly debt repayments and rental costs for commercial premises. Start-ups which operate at the lower end of the supply chain often find themselves in a difficult situation, where their customer refuses to issue payment until the end-customer payment has cleared. A minor delay at the top of the supply chain is therefore often amplified to a major delay at the bottom of the chain. Start-ups across Qatar sometimes have to declare bankruptcy over delayed payments which compromise cash flow plans. This leads to missed (re)payments to financing providers, landlords and employee salaries, all of which might lead to criminal conviction.. This can be achieved through the enforcement of payment terms and [payment-protection] legislation for consumer and entrepreneurial protection.

Entrepreneurial protection should be provided to startups, to protect them from non-payments or delayed payments

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About QDB

Qatar Development Bank (QDB) is a fully owned government entity set up by an Emiri Decree in 1997 to invest in and develop local industries with emphasis on supporting SMEs in Qatar. In line with Qatar's National Vision 2030, QDB aims to enable the development and growth of SME's that will result in long-term socio-economic benefits.

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