



The UAE's Entrepreneurial Ecosystem and How to Be a Part of It

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Introduction

With one of the world's most conducive and thriving ecosystems for entrepreneurial ventures spanning a wide range of sectors, the UAE ranks highly among world economies. 95% of the country's firms are small and medium-sized (SMEs) or start-ups, employing 42% of its workers and accounting for more than 40% of its GDP.

As a result of the UAE's state-of-the-art infrastructure, relaxed rules and regulations, easy access to funding and regional markets, a diverse talent pool, etc., Dubai and Abu Dhabi are particular favourites of global entrepreneurs. With the UAE recently allowing foreign investors to own 100% of a

company and granting long-term residency permits to tech start-up entrepreneurs, the country's start-up ecosystem has received a major boost.

It has no corporate tax, no import or export duties, 100% repatriation of revenues and profits, and up to 50% reductions in over 1,500 government fees, making it an attractive location for businesses. A comprehensive roadmap for the next 50 years outlines how the federal government will provide the necessary support to new businesses, helping them to become knowledge-based, non-oil economies.

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Where does the UAE stand in the global landscape?

A steady rise in the number of new businesses has been observed since government decisions are ushering in several reforms to make the business ecosystem even better.

Over \$1 billion was invested in Middle East start-ups in 2020, with 35% of them headquartered in the UAE. Nevertheless, all UAE businesses must clear procedural hurdles, meet capital requirements, and go through a host of other processes before they can operate.

The UAE has earned its reputation as one of the world's most promising start-up hubs by establishing a clearly defined roadmap and strategy dedicated to providing the most conducive environment for entrepreneurs and start-up companies.

The second-largest economy in the Arab world has positioned itself as a good launchpad for start-ups looking to expand their global footprint and expand into the Middle East market.

According to the World Bank, the UAE ranks 16th in its ranking of the most conducive economies for doing business. Among the 190 economies, the UAE ranked 17th in terms of the ease of starting a business.

This is the result of the UAE's leadership's concerted efforts to create a highly-rewarding ecosystem to incubate the world's most promising start-ups. Thus, 33 of Forbes'

recent 50 most-funded start-ups have UAE headquarters.

What's in it for entrepreneurs?

For the past few years, the Middle East and North Africa region (MENA) has witnessed phenomenal growth in start-ups. Start-up ecosystems in the region are growing rapidly and are opening up new opportunities for those who are eager to realise their entrepreneurial ambitions. With a pro-active federal government, state-of-the-art infrastructure, relaxed rules and regulations, access to funding and regional markets, a diversified talent pool, etc., the UAE, in particular, has become one of the most lucrative start-up destinations.

With its recent launch of a programme to expand SMEs' roles in the country's non-oil economy, the United Arab Emirates is on the cusp of a global start-up revolution. There are numerous opportunities for start-ups, but there are also several hurdles in a hypercompetitive environment in the post-COVID-19 era. Practical preparation and implementation, together with adherence to local norms and regulations, will pave the way for a profitable company enterprise.

The initiatives to support

His Highness Sheikh Mohammed bin Rashid Al Maktoum, the Vice-President and Prime Minister of the United Arab Emirates and Ruler of Dubai, has unveiled a number of creative initiatives aimed at attracting new players and start-ups to the UAE.

Additionally, the UAE has established the Entrepreneurial Nation project, which aims to provide all available aid to innovators in order to help them establish and develop their businesses in the country. Dr Ahmad Belhoul Al Falasi, Minister of State for Entrepreneurship and SMEs, stated that the UAE hopes to attract 20 start-ups worth more than \$1 billion each over the next ten years.

The UAE has made it clear that it intends to build a non-oil and knowledge-based new economy in the next 50 years. As a result, it is implementing detailed strategies and creative economic programmes to assist businesses in entering the market and further consolidating the country's burgeoning SME ecology.

The UAE has also launched its Operation 300 billion industrial plan, which aims to give the country's SME sector a significant boost. As part of the strategy, the UAE will establish 13,500 industrial companies, primarily in petrochemicals, plastics, metals, food, and healthcare, over the next decade, leading to the creation of thousands of additional jobs and a substantial increase in the non-oil sector's ability to contribute to national growth. Younis Haji Al Khoori,

Undersecretary of the Ministry of Finance, estimates that by the conclusion of this fiscal year, the contribution of SMEs to the nation's non-oil economy will be up to 60%, up from the present 53%, and that this contribution will expand exponentially in the future years.

The country can easily achieve the goal because it has excellent new facilities, a pro-investor environment, and a substantial number of free zones, which are blessings for new businesses with zero company tax, no import or export duties, 100% restitution of sales and profits, lowered paperwork, and an easier visa process for employees.

Other things to look into

The Dubai Chamber of Commerce and Industry has established an advisory board to increase the role of multinational corporations in shaping the business regulatory framework. With all of these safeguards in place, it is no wonder that the UAE is one of the most appealing locations for global start-ups. Even during the zenith of the COVID-19 epidemic, interest in Hub71, an Abu Dhabi technological centre, increased. Since its debut in March 2019, it has approved 100 start-up companies from a pool of over 3,500 applications. Another reason why start-ups are increasingly interested in establishing operations in the UAE is the country's growing number of international employees. Foreigners have significantly more confidence in the UAE because approximately 90% of all expats live here.



Response to COVID that start-ups need to consider

During the peak of the COVID-19 epidemic, the UAE issued a number of bailout programmes for SMEs in order to keep them afloat during the lockdown-induced economic collapse. As a consequence, the COVID Economic Recovery Index rated it as the #1 in the Middle East area. This further demonstrates the country's responsibility to safeguard enterprises and maintain fiscal and monetary stability in times of need.

All of the federal government's ministries and legislative institutions are working together to make the country the most sought-after middle market for new companies. At the heart of the government's strategy are SMEs

and entrepreneurs, to whom the government is providing the required atmosphere, competent advice and financial support, and a flexible regulatory framework in order for them to thrive.

The UAE intends to attract \$150 billion in inbound foreign direct investment over the next 9 years. All eyes are now on the first Investopia global investment conference, which will take place in Abu Dhabi on March 28, 2022, and will bring together the corporate world to examine investment prospects in the UAE. As a result, if there was ever a better moment to establish a new enterprise or a start-up in the UAE, it is now.

How is the UAE different from the rest of the world?

The United States has just about the most evolved entrepreneurial ecosystem, with a high proportion of the world's best entrepreneurs, talent, and investors concentrated in California's Silicon Valley, New York City, Boston, Los Angeles, and Seattle alone.

London, Berlin, Paris, Amsterdam, and Stockholm are emerging as magnets for new enterprises in Europe, despite the fact that their start-up cultures still require more accelerators, incubators, support, and resources.

The UAE is not far off, with Dubai and Abu Dhabi spearheading the Middle East start-up boom and recruiting top global entrepreneurial talent to the area.

The appropriate balance of venture capitalists, incubators, government initiatives, and other criteria such as cost effectiveness, trained labour, and so on, is what makes the United States the top global start-up location among everyone. In recent years, a well-developed, growth-oriented ecosystem has assisted more than 23,444 new businesses in establishing themselves in the country. Several cities, including Massachusetts, New Orleans, and Albuquerque, are quickly emerging as affordable alternatives to the East Coast or Silicon Valley for attracting start-ups by providing the necessary infrastructure, low operational costs, a skilled workforce, and business-friendly rules and regulations.

The second most popular location is Europe, which accounts for over 36% of all global start-ups and is attracting a significant number of unicorns, or billion-dollar enterprises. 14 of Europe's 99 VC-backed unicorns were added in 2019 alone. Despite producing just 40% of the seed-stage start-ups that the US generates, European firms beat their American counterparts in terms of bankruptcy rates.

However, Europe's VC ecosystem is fast expanding due to the admission of US investors, who have a higher risk tolerance and provide more late-stage financing to potential start-ups. Positive stories about firms such as Delivery Hero, Auto 1, and others are bringing about a culture shift in which start-ups are encouraged to focus on long-term exponential development rather than short-term revenue.

Understanding the start-up ecosystems in US, Europe and Middle East



Read the accompanying article for more information.

What is Seed Group doing to support this ecosystem?

We, at Seed Group, a firm of Sheikh Saeed bin Ahmed Al Maktoum's Private Office, have been keen on supporting the entrepreneurial landscape of the country. We have established a one-of-a-kind accelerator programme, the Seed platform, in Dubai to assist potential start-ups in growing in size and stature and achieving their goal of becoming multinational corporations.

Despite the fact that the Emirates provide an unrivalled and suitable climate for exponential growth, many firms fail within the first three years of their existence. According to some studies, more than 90% of start-ups fail due to a lack of industry knowledge, a poor grasp of the market, inefficient goods and services, and a lack of skilled personnel, among other factors.

The Seed acceleration programme offers the required early-stage assistance to assist growth-oriented start-ups in breaking through the initial obstacles to success. The group will incubate start-ups and assist them in accelerating their growth and becoming self-sufficient so that they may carve out a place in the Middle East market on their own and fully utilise it.

The Seed Group has become a prominent diversified firm working in the Gulf region's technology, healthcare, tourism and hospitality, and real estate sectors, bringing with it a wealth of experience and understanding of operating in the Middle

East market, as well as a wide variety of skills.

Over the last 16 years, it has built strategic relationships with top global firms from a variety of locations in order to expedite its sustainable market entrance and growth. More than 70 companies work under the group's umbrella through either investments or strategic partnerships.

Seed Group's Acceleration Program designed to help promising SMEs succeed



Read the accompanying article for more information.

What to consider if you plan to enter this market

In the UAE, there are three categories of business formation: Mainland, Free Zone, and Offshore. Each configuration has its own set of advantages, geographical constraints, and ownership limits. If one hires a business formation specialist, the cost might range from \$10,000 to \$50,000. This sum comprises the government cost as well as charges for meeting all legal criteria, as well as business registration and corporate account processes.

A Free Zone company is the most popular way to do business since it may be founded by a single person. A Free Zone business has no taxes, 100% ownership, lower renewal fees, no need for a sponsor or an agent, and numerous other benefits. A regional tax reduction invoicing facility is provided to an offshore firm. There is no requirement for a minimum amount of capital, and neither do you have to set up an office.

A start-up can be active in more than one field. The legal form, as well as the appropriate rules and regulations, shall be determined by its commercial activity. Among the numerous legal forms available are general partnership, limited partnership, limited liability corporation (LLC), and civil company. Following that, a company must apply for a licence, which comes in six varieties: industrial, commercial, professional, tourism, agricultural, and occupational.

The capital requirement share varies per certification in the UAE. The minimum capital requirement for free zone corporations, for example, is between \$13,614 and \$273,000. Other free zones may have lower capital requirements, and others may not have a specified capital need at all.

Even though it epitomises the typical cosmopolitan lifestyle and has a diverse workforce, the UAE is deeply steeped in Islamic culture. At all costs, profanity must be avoided. Modesty and refinement go hand in hand. It is traditional to address and introduce Emiratis with the highest respect, without being overly personal.

The UAE start-up ecosystem: many challenges, but great rewards



Read the accompanying article for more information.



[PDF] Download the accompanying guide to this topic.

Conclusion

In conclusion, any new business that wishes to avoid teething troubles in the UAE's booming ecosystem must pay close attention to all that this guide suggests and mentions. This will ensure a solid foundation for quick development and give more time to address larger difficulties such as positioning and scaling, as well as improve the implementation of innovative ideas.



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Over the past 16 years, Seed Group has formed strategic alliances with leading global companies representing diverse regions and industries. These companies have propelled their business interests and goals in the Middle East and North Africa region through the support and strong base of regional connections of the Seed Group. The Group's goal is to create mutually beneficial partnerships with multinational organisations and to accelerate their sustainable market entry and presence within the MENA region.

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Seed Group Contact Information

T +971 4 325 2444

E info@seedgroup.com

W www.seedgroup.com

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