

# The Future of SMEs in the UAE

Drafting a Future Roadmap  
Lessons for the Post  
Pandemic Phase



In Partnership with:





# Copyrights

The report was prepared by independent researchers at the MBRSG Policy Research Department. Views expressed, or results presented, in the report do not necessarily reflect the views of the MBRSG, its Board of Trustees, management or employees, nor those of Google.

Authors:

**Salma Refass**

Principal Researcher, MBRSG

**John Lillywhite**

Google Research Associate, MBRSG

**Fadi Salem**

Director of Policy Research, MBRSG

**Zina Akrouf**

Research Associate, MBRSG

**Sarah Shaer**

Non-Resident Researcher, MBRSG

**Engy Shibl**

Research Associate, MBRSG

## Copyright Information

Creative Commons Attribution-NonCommercial-ShareAlike. International License Readers are free to copy, re-distribute, transmit and adapt the work, on the following conditions: You must attribute ownership of the work to the Mohammed Bin Rashid School of Government; you must not use the work for commercial purposes; and, if you share, alter, transform or build upon the work, you must distribute the resulting work only under the same or similar conditions. These conditions may be waived if you obtain written permission from the Mohammed Bin Rashid School of Government. Where the work or any of its elements is in the public domain under applicable law, that status is in no way affected by the license. For further copyright information, please visit the website: [www.mbrsg.ac.ae](http://www.mbrsg.ac.ae) or contact the author For reprints or permissions regarding using any of the material included in the publication, please get in touch with MBRSG through: [permissions@mbrsg.ac.ae](mailto:permissions@mbrsg.ac.ae)



# Acknowledgments

The Authors would like to acknowledge the valuable contributions of the following entities and individuals to the development of this report:

**Rasha El Hallak, Google**  
**Selim Edde, Google**  
**Dr. Hassan AlSayegh, Ministry of Economy, UAE**  
**Meriem Menani, Google**  
**Martin Roeske, Google**  
**Raghad Aljughaiman, Ministry of Economy, UAE**  
**Adeeba Ibrahim, Ministry of Economy, UAE**  
**Jana Elkova, Ministry of Economy, UAE**  
**Dima Halwa, Ministry of Economy, UAE**

The development of the report has benefited from a generous grant from Google.

Special thanks to the following companies for their valuable input into the fieldwork of this research:

MAGNiTT, Wamda, SARSat Arabia, Hoick, Tenderd, Asafeer Education Technologies (3asafeer), Libra Project, Ziina, Cashew Payments, Sprout, Steppi, Soul Artists, DUBZ, Almentor, Fujtown, House of Monte Cristo, Those Guys Events, The Best Things, Foloosi, Primoris Laundry Dry Cleaning, Not a Space, DeliverAI, Virtuality Tech, Taka, EEDEMA, Nfinity8, Smart Crowd, Gorise, Craft, FH Modes LLC, HCMS.





# Table of Contents

Foreword	8
Executive Summary	10
Two Years Later - Assessing the Impact of COVID-19 on the SME Ecosystem	18
The Impact of COVID-19 on SMEs in the UAE	24
SME Challenges and Pain Points	30
COVID-19 Government Relief	32
Access to Banking & Financing	36
Government Tendering	42
Talent Acquisition and Retention During COVID-19	44
Licensing and Office Space	48
Accessing Foreign Markets	50
Intellectual Property & R&D	52
Scaling up	56
Tracking SME Adaptation During COVID-19	58
Digital Transformation & Adaptation	60
Recovery and Adaptation of UAE SMEs	64
COVID-19 and Remote Working Practices	66
Policy Considerations	68
Summary of UAE Legislative Reforms during COVID-19	76
Ease of Doing Business and Centralised Licensing	80
Role of SMEs in the 'Research and Development Governance Policy'	84
Finance Toolbox Mechanism for SMEs	86
Building an Export Economy	88
Role of the SMEs in the 'Research and Development Governmemnt Policy'	90
Accelerated Digital Economy Transformation	92
Copyright	96
Acknowledgements	97
Appendix - Survey Demographics	98
A. SME Jurisdiction and Incorporation	99
B. Years of Activity, Company Size and Number of Employees	102

Globally, the past two years were marked by **major socioeconomic transformations and turbulent upheavals.**



Despite global governments' efforts, Small and Medium Enterprises (SMEs), which usually represent the majority of economic activities at national levels, were among the hardest hit by the COVID-19 pandemic. For many start-ups and SMEs, that period represented an extraordinary phase of insecurity, anxiety, and frustration. SMEs' contribution in the United Arab Emirates amounts to 60 percent of the country's GDP. Prior to the pandemic, they represented no less than 94 percent of all companies operating in the country and employed more than 85 percent of the private sector's labour force. For its strategic importance, during the past two years, the government extended numerous incentives and safety nets to this vital sector of the economy. Two years on, signs of economic recovery are becoming louder. Nevertheless, there is still limited understanding of the impact of that period on the vital SMEs sector, and no in-depth assessment of the challenges, the implications of the policy interventions, or the outcomes and lessons learned from that period for the future of the SMEs and start-up sector.

This report presents the results of pioneering national-level fieldwork by The Mohammed bin Rashid School of Government (MBRSG), in partnership with the Ministry of Economy and with support from Google. It details how the SMEs have been impacted by the ramifications of COVID-19 in the UAE. Driven by data, the report aims to extract trends, develop lessons, and highlight policy directions that can contribute toward the ease of doing business across the SME ecosystem in the country. Through primary fieldwork, it extracts insights from the practical experiences of a sample of more than 280 SMEs and start-ups collected throughout an unprecedented and economically turbulent period. In doing so, the report's findings give voice to the diverse types of start-ups and SMEs who went through significant upheavals during that period. Building on the case of the UAE, the valuable findings presented here aim to contribute to developing evidence-based policy directions for the sector across the region.

The report aims to extract trends, develop lessons, and highlight policy directions that can contribute toward the ease of doing business across the SME ecosystem.

# Executive Summary

---

Over the past two years, the United Arab Emirates (UAE) has proven itself to be one of the most adaptable economies in the world. Years of development in digital services, first-mile e-commerce delivery services and supply-chain logistics allowed the country to soften the burden of COVID-19. Responsive legislation and agile interventions helped retain existing talent and attract new talent during the crisis. Particularly in the digital sector, a number of the country's SMEs not only survived but thrived. Nevertheless, as always, more can be done. From inclusive growth to sustainable innovation, SMEs are a critical element of the future of the economy. Two years after the pandemic, this report provides an overview of the challenges facing the SME ecosystem, extracts lessons and advances practical directions for an interconnected, globalised and resilient recovery.

Most MENA scale-up economies are still in their infancy, while just a few nations are propelling the region's growth.





Most MENA scale-up economies are still in their infancy, while just a few nations are propelling the region's growth. As of December 2021, the MENA area is home to 587 scale-ups, which is 31% more than the previous year, and they have funded \$9.1B (a 47% increase from December 2020).

### **In 2021, the area raised \$2.9 billion in the financing, and 141 new scale-ups emerged.**

The United Arab Emirates is now at the forefront of local innovation, as it is home to 251 scale-ups (42.8% of the total documented in MENA) that have raised \$5.4B (59.3% of the total capital raised in the area). Dubai alone is home to 229 scale-ups (39% of the total reported in MENA), which have jointly drawn up to \$5.2 billion in finance (about 57% of the total funding made available in the area)<sup>1</sup>.

Data also confirms Dubai's position as the leading tech city hub in the region, aggregating approximately 40% of MENA scale-ups, attracting the majority of funding (57%) and being home to a majority of the region's regional internet businesses, such as Noon, Careem, Kitopi, Souq.com, and Namshi – some of which have been the protagonists of record-breaking M&A deals.

Overall, the picture that the report highlights is a mixed one. The data in this report is based on primary fieldwork through focus groups with start-ups and a survey of a representative sample of registered SMEs in the country, from Q3 2021 to Q1 2022. The effort is the most extensive study of COVID-19's impact on the SME ecosystem in the UAE during this time. Public sector and private sector institutions contributed to distributing the survey to diverse groups of start-ups, and small and medium enterprises, to cover a sample of those registered across the UAE's geography, throughout industry verticals, and within the full spectrum of micro, small and medium-sized incorporated companies. In addition, the findings also inform analysis that can be filtered by SMEs yearly revenue and years of incorporation, among other factors.

---

<sup>1</sup> Dubai Chamber, March 2022, UAE Venture Outlook 2022



# The disruptive force of COVID-19 during that period cannot be underestimated.

One-quarter of the responding companies believed their company was at risk of closing within six months to one year from the data collection period. This impact was not uniform: it varied by company size, industry category, monthly revenue, and other distinguishing factors. In this manner, the pandemic displayed all the capriciousness of nature. Like a passing hurricane or flood, it reshaped the topography of the SMEs ecosystem in selective ways, harming some sectors at high velocity (e.g. F&B and retail), and leaving others relatively unscathed or even thriving due to new opportunities (e.g. many digital services). According to the sample covered in this survey, around 15% of SMEs stated that they would have fully recovered by the end of 2021, while about 39% expected to fully recover by the end of 2022, and another 14% thought recovery would take longer beyond 2022. While 7% stated that their companies had already recovered at the time of the survey, a small portion of responding companies (5%) expressed a view that their industry would never recover from the ramifications of the global pandemic.



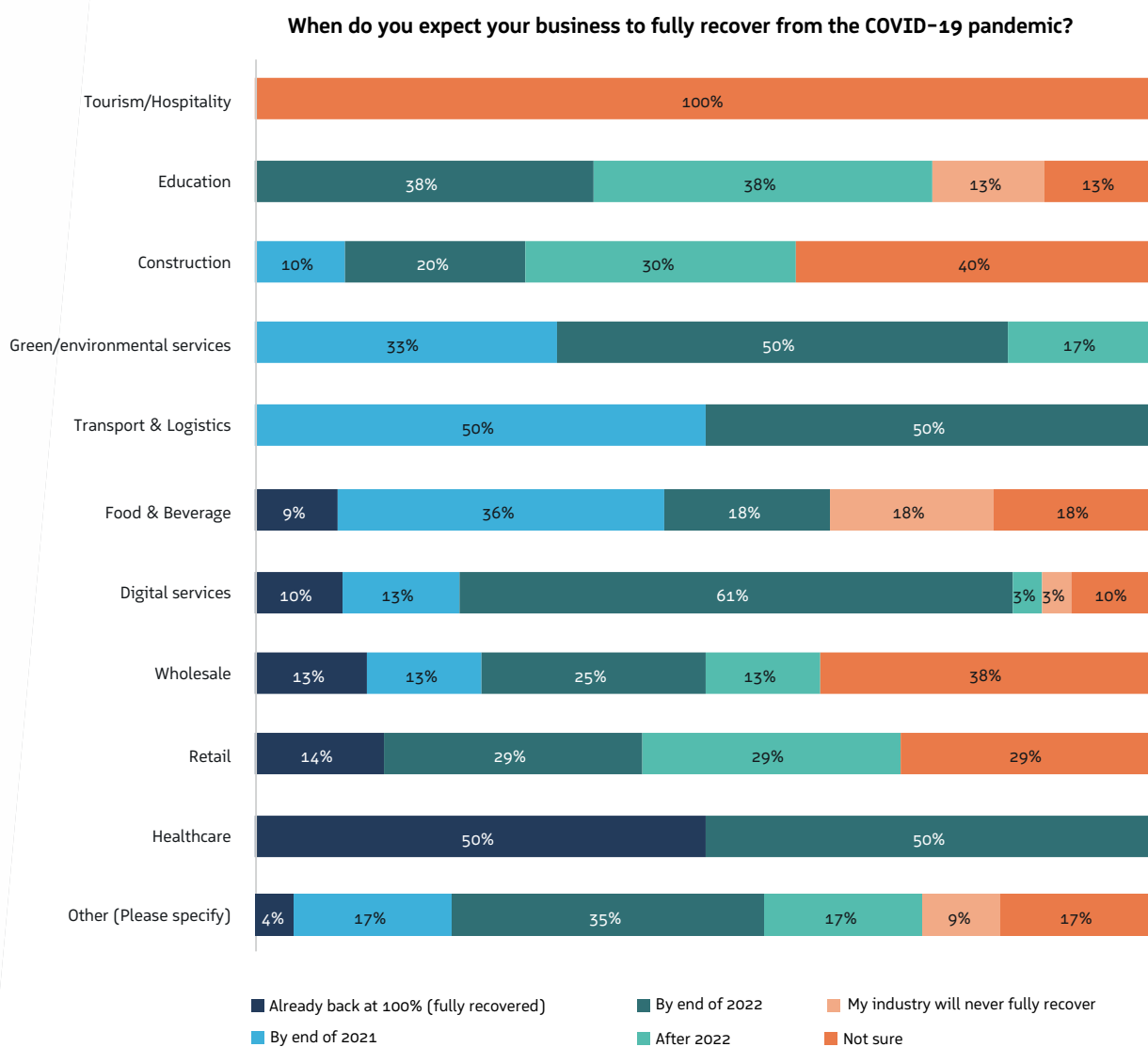


Figure 1 - Expected Timeline of Recovery by SMEs in the UAE

By recording the non-linear impacts of COVID-19 in different industries and across different kinds of SMEs, this report aims to aid policymakers in better preparing for and preventing future shocks. The study begins by providing a conceptualisation of the 'SME' and outlining the nomenclature used in the survey. It examines the main challenges and 'pain points' experienced by SMEs during the pandemic in the UAE. Subsequent to this, the study draws conclusions from the data on how business owners and the public sector managed to adapt and respond.

After a concise review of the evolving legislative environment in the UAE since this study was first initiated, a number of policy recommendations are developed. Economic resilience, information sharing, and public-private sector collaboration are the central themes that underscore many of the policy directions put forward.

## The policy considerations discussed are organised according to six categories:

1

### Ease of Doing Business and Centralised Licensing

#### **A. Sectorial SME development incentives:**

SMEs/Start-up classification systems must be streamlined for targeted policy interventions. Digital, AI, food security, AgriTech, sustainable energy, Green Tech, GovTech, or advanced science SMEs could receive waivers, preferential bidding conditions, and grants. This will create non-financial support opportunities like data access, endowments, partnerships, knowledge and capacity building, IP fast-tracking, commercialisation and export support, etc.

#### **B. Fair playing field:**

Several policy interventions can be used to avoid competition between SME/start-up innovators and state-owned profit-making businesses. Public data access, interoperability, and anonymisation help SMEs compete with government-owned or supported companies in advanced digital areas. Antitrust and competition with SOEs in SMEs' priority market sectors can be regulated.

#### **C. Public service promotion and development:**

Instead of replicating mechanisms, expand promotional efforts and incentivise existing government platforms (e.g., Basher) that provide business services.

2

### Role of SMEs in 'Research and Development Governance Policy

Issues linked to the UAE's research strategical objectives, focusing on the support for research

#### **A. R&D Metadata:**

Open data on R&D funding opportunities and offerings across all UAE sectors could boost start-up and SME growth. This includes grants, applied-for patents, published papers, and commercially viable technologies. A portal connecting universities to foundations and R&D-driven corporations could reduce public funding.

#### **B. Impact Assessment and Mapping of Incentives**

**Systems:** Documenting and analysing use case results can help refine future policy interventions. Mapping R&D incentives and developing cases on how they affect growth (or not) is critical to identifying how they can be incorporated into UAE SME ecosystem plans and the plausible long-term economic benefits of these programmes.



3

## Finance Toolbox Mechanism for SMEs

Financing-related challenges and available information

**A. Engagement, Monitoring and Evaluation of SME-targeted programs:** A participatory platform to support the policy implementation roadmap would allow an open and constructive dialogue with diverse SMEs and startups stakeholders, ensuring a more responsive approach. Using this channel effectively could help with crisis interventions (like the Covid-19 pandemic) and policy rollouts and pivots.

**B. A UAE Financing Mechanisms Toolbox:** A toolbox of financing mechanisms for SMEs at different stages can be a policy instrument to address challenges. Solutions can be equity, debt, or technology-based. It can include private and co-investment opportunities like angel investor access, growth financing, micro-loans, loan insurance, incubation, and market access.

4

## Building an Export Economy

Export support and attracting FDI in the country

**A. SMEs' export-support strategy:** A national strategy to identify SMEs producing competitive export products and help them access foreign markets is a low-investment, high-impact opportunity. This could involve targeting the top 10 UAE export markets with assistance. SMEs would benefit from legal advice on international business relations, sector-specific information on key foreign industries, and UAE public and private sector contacts. Local and federal efforts can be aligned under such a strategy, with policy instruments including partnerships with diplomatic missions, export credit guarantees, and international market research support.

**B. Partnerships with Private Global Leaders:** Global private sector leaders can play a critical role in facilitating exports channels creation at the international level to promote the economic attractiveness of the UAE, catapult creative start-ups and SMEs to global platforms and expose them to international business opportunities. Furthermore, bilateral chambers of commerce could play a role in helping UAE SMEs grow internationally.

## 5

## Government Payments and Tendering

Ease of conducting B2G activities and procurement

**A. An SME-friendly government procurement/tendering framework:** Despite official statements, SMEs and start-ups report a lack of government consideration for their conditions. Difficulties in releasing payments and meeting strict official requirements are key barriers. Federal and local governments need a regulatory framework to improve payment terms to suppliers and service providers, facilitating on-time payments to SMEs. This may include systems that penalise late payments for SMEs, which can be a devastating existential threat for small companies and start-ups.

**B. Digital platform for payments and activities monitoring:** Digital payment platforms for procurement and transparent payment tracking could improve tender quantity and quality. Such a system may exist for UAE government tenders but doesn't necessarily support SMEs and start-ups. If available, this would allow small service providers to manage their projects efficiently, have reliable forecasts, real-time monitoring of procedures and payments, and follow-ups on payment delays through proper channels.

## 6

## Accelerated Digital Economy Transformation

Optimal use and integration of digital technologies and processes in activities

### A. Broadband, Cloud and Telecommunications

**Policies:** SMEs in the UAE identified ICT access as a growth challenge. Accessible and effective regulatory systems should boost SME productivity and viability. Entrepreneurs, start-ups, and SMEs use VoIP and VPN to save money. UAE's data-intensive SMEs have high telecom costs. Exceptions to existing restrictions would unlock costs for start-ups and SMEs, particularly in data-heavy and digital domains, where resources can be shifted to product development, capacity building, and talent attraction. AI/ML, blockchain, Fintech, VR/AR/XR, gaming, multimedia, and "metaverse" start-ups need broadband. Telecom SMEs may get subsidies or start-up packages. As economies of scale shift to cloud computing, cloud-first policies can boost digital start-ups and SMEs.

**B. Capacity Building for SMEs:** Developing local capacity is key to creating a thriving innovation ecosystem for digital start-ups and SMEs. This includes improving SMEs' digital capabilities (data literacy, advanced digital skills, data science and analytics, open data use, data commercialisation, AI/ML capacity, etc.). Upskilling SMEs in strategic fields requires national strategies and policy instruments to guide and support SMEs stakeholders. The policy instruments would require training, certification, and upskilling (e.g., data use, compliance) as well as connectivity, data infrastructure, data repositories, and data commons (e.g., to develop AI/ML skills).

### C. Expand Sandboxing for SMEs and Start-ups in Emerging Innovative Fields:


The UAE Government has launched numerous initiatives to test new business models and innovations that may require policy or regulatory interventions (e.g., the UAE Regulation Lab). Building on experiments involving consortia of SMEs in advanced digital fields would spur more responsive policies, develop R&D tracks, define local use cases, allow for talent attraction and development, and better engage stakeholders around shared business models and commercial vision.

Collectively, the analysis and policy discussion are aimed to contribute to **a future policy roadmap to support the start-ups and SMEs sector in the country.** This roadmap shall also enable them to become a stronger player in the national innovation ecosystem and expand their contribution to economic growth and development.

## Chapter 1

# Two Years Later – Assessing the Impact of COVID-19 on the SME Ecosystem

Post CO



Two years after the pandemic, the lessons learned highlight critical pain points that the SME sector went through and adapted to. However, to assess the impact of the pandemic on the different SME groups in the UAE, it is important to highlight the ways the conceptualisation of what constitutes an SME interacts with the policy ecosystem.

# What is an SME?

The research was able to collect data from across the UAE SME ecosystem, using a federal-level definition of “small and medium enterprise”. The system of classification in the UAE identifies companies by size as micro, small or medium according to key factors that include :

**The sector they operate in  
(Trading, Manufacturing or Services)**

**The number  
of employees**

**Turnover**

The latter two factors differ from one sector to another in terms of how the number of employees and turnover decide the size of the company (Figure 1).<sup>2</sup>

	MICRO	SMALL	MEDIUM	
EMPLOYEES	<=5 &	6-50 &	51-200 &	TRADING
TURNOVER	<=AED3mn	<=AED 50mn	<=AED 250mn	
EMPLOYEES	<=9 &	<=10-100 &	<=101-250 &	MANUFACTURING
TURNOVER	<AED 3mn	<=AED 50mn	<=AED 250mn	
EMPLOYEES	<=5 &	<=6-50 &	<=51-200 &	SERVICES
TURNOVER	<=AED 2mn	<=AED 20mn	<=AED 200mn	

Table 1 - Classification of SMEs in the UAE

<sup>2</sup> \*Employee: An employee is an individual who is engaged in economic activity pertinent and relevant to the business, within the realms of running / operating, maintaining and administering the business and receiving salary / wages as reward for the service rendered to the business.

\*Turnover: is defined as the 'top line' component of the business Profit & Loss account and takes into consideration the value of income earned by the business by engaging in activities within the course of its normal business operations.



In operationalising this classification system, it is useful to keep in mind the respective priorities of policymakers and business owners. For policymakers, the UAE federal definition of a 'Small Medium Enterprise' (SME) references 'number of employees' and 'annual revenue' (Appendix, Fig. 1). This definition was not always mirrored in how SMEs in the UAE categorised themselves, with medium entities categorised as 'small' and vice versa.

For example, the federal definition states that a micro company cannot have more than 5 employees in the services and trade sectors or more than 9 in the industrial sector. Having more than 5 employees constitutes a 'small enterprise'. Yet

**46%** of survey respondents with between 10-49 employees self-categorised as a 'micro company' or 'start-up.'

Depending on revenue, these companies qualify as small or medium companies under the UAE federal classification (Figure 2).

**In your opinion, which of the below describes your business today?**

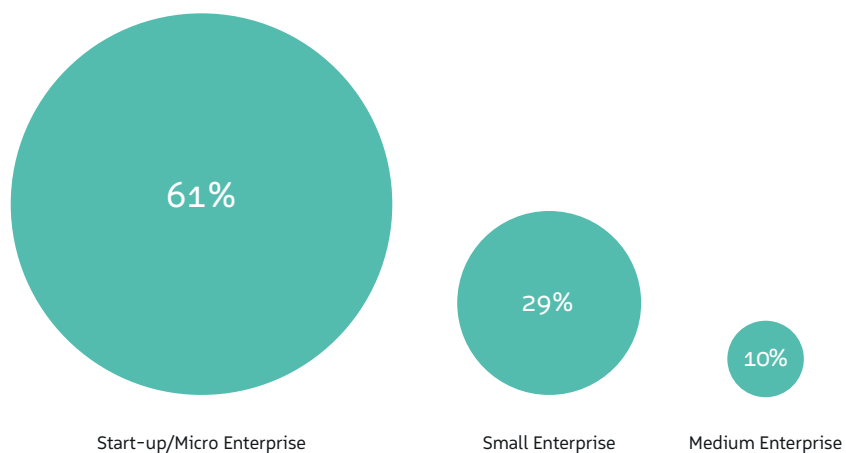


Figure 2 – Respondents Assessment of their Company's Classification

This mismatch between the official classification of an SME and business owner categorisation is a valuable data point in and of itself, given that it has implications for whether a company is eligible for support programs, funding schemes or other incentive programs.

The research attempted to evaluate the impact of COVID-19 on SMEs across different emirates, sectors of the economy, and mainland and free-zone jurisdictions (Figure 3).<sup>3</sup>

It also considered the years of activity and the number of licensed activities for each (Figures 4 and 5). This approach enabled unique insights into the experiences of SMEs across the width and breadth of the UAE economy.

**53%** of responding companies are active in 2 or more “activities” through their business licenses.

This translates into 3 out of 5 in the Services Sector having 2 or more, and 52% of respondents in the Trade Sector in our sample having 3 or more licenses (Figure 5).

Where is your company registered?

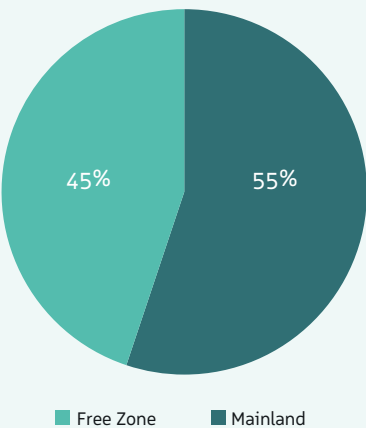


Figure 3 – Company Registration by Jurisdiction in the UAE (Survey sample)

In total, for how many years has your company been in operation?

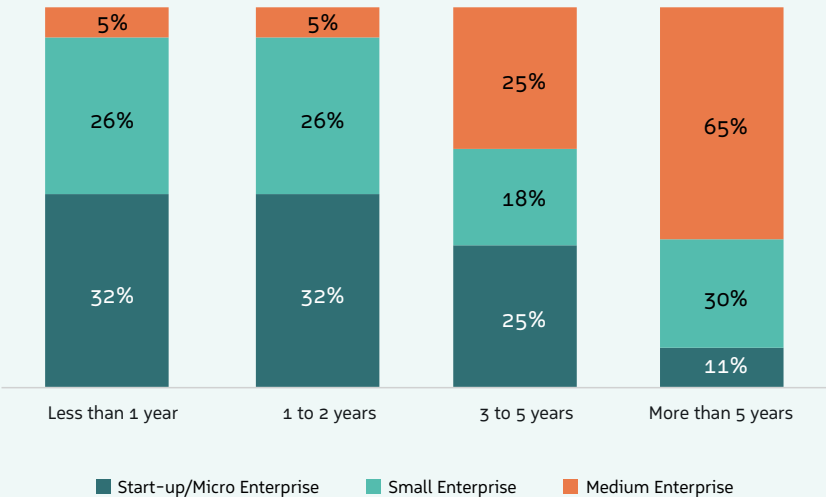


Figure 4 – Years of Activity by Company Size

<sup>3</sup> The responding companies registered in UAE free zones belonged to 17 different free zone areas in 6 Emirates.

The findings highlighted that the participating micro-enterprises and small companies have registered for one trade license, even if they may technically require more.

Deeper insights from the focus groups highlight that the reason behind this behaviour is a tendency among companies to avoid increasing the initial setup cost of a business. This 'activities' approach to business licensing can curtail innovation and the cross-pollination that is increasingly taking place across sectors as a result of fourth industrial revolution technologies. The focus on activity rather than industry in UAE business licensing remains suboptimal for innovative businesses working across traditional boundaries, in particular <sup>4</sup>.

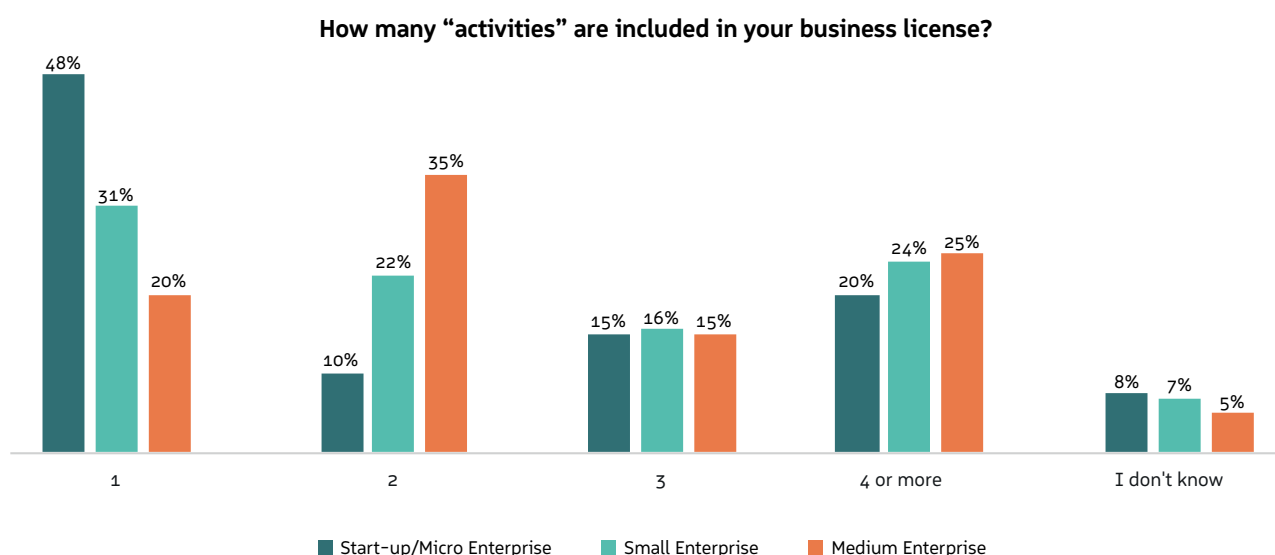


Figure 5 - 'Activities' per business license

<sup>4</sup> Based on the findings of 'Advancing the STI Ecosystem: Driving economic gains through national policies', Mohammed Bin Rashid School of Government (MBRSG) Report 2020.

## Chapter 2

---

# The Impact of COVID-19 on SMEs in the UAE





After the dust has settled, the findings paint a sobering picture of the external challenges that SMEs faced during the height of the pandemic. The survey results provide a crucial insight into how and why key industries were affected and point to key challenges and potential policy responses.

Most responding companies reported having had their financials negatively impacted by the pandemic. Two years on, overall,

**2/3**  
of all SMEs covered in the survey reported having **experienced a negative financial impact** due to the pandemic with around

**65%**  
of surveyed small enterprises and start-ups indicated that they had **experienced a 'negative financial impact'** because of the pandemic.

**20%**  
reporting that the pandemic had a **positive financial impact** (about 14% reported that it had no impact on their financials).

**6 out of 10**  
medium enterprises expressed the same view.

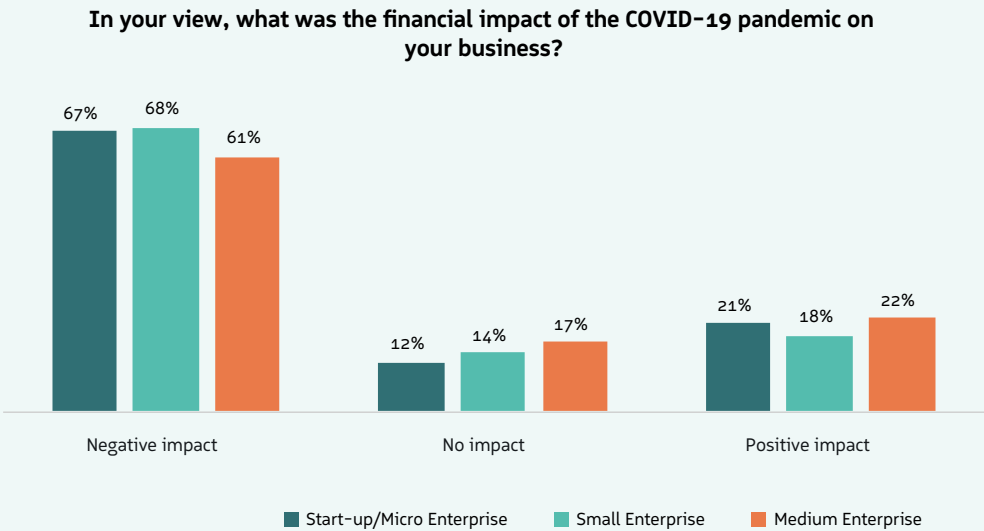


Figure 6 - Impact of COVID-19 by Company Size



Within the industrial sector, the impact seemed to be the harshest. Companies from the industrial sector were the largest sub-group of responding companies to state that they were financially negatively impacted.

**9 out of 10** respondents reported a negative impact against **65%** in the Services Sector and **64%** in the Trade Sector

**In your view, what was the financial impact of the COVID-19 pandemic on your business?**

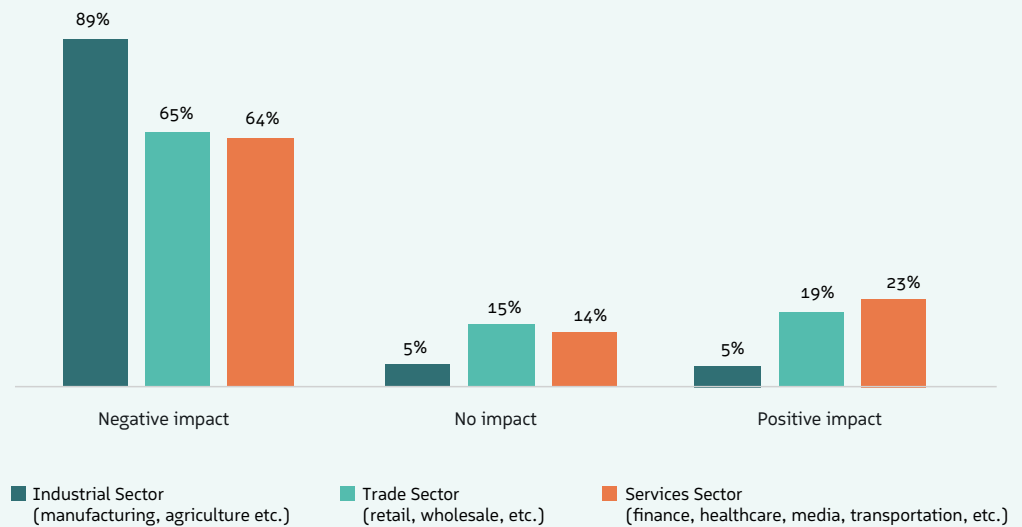


Figure 7 - Financial Impact on UAE SMEs by Sector

These figures appear unchanged by market dominance or commercial size, meaning that established companies and smaller entities reported a negative impact. Some evidence contextualised in the conducted focus groups suggests that younger and leaner companies may have adapted better to COVID-19. According to the survey respondents, around

**40% of companies that reported a 'positive financial impact' during this period had been operating for less than 3 years.**

Overall,

**1/4** of the companies surveyed believed that their company was at risk of closing by the end of 2021

**28%** of respondents who categorised their company as a start-up,

**35%** of respondents who categorised it as a medium enterprise and

**16%** of small companies. (Figure 8).

The figures also provide an implicit sense of the emotional toll COVID-19 was exacting on business owners in specific sectors. In particular,

**40% of respondents in the Education sector reported that their industry would “never recover” to pre-pandemic levels.**

### Do you feel that your business is at risk of closing before the end of this year (2021)? (per sector)

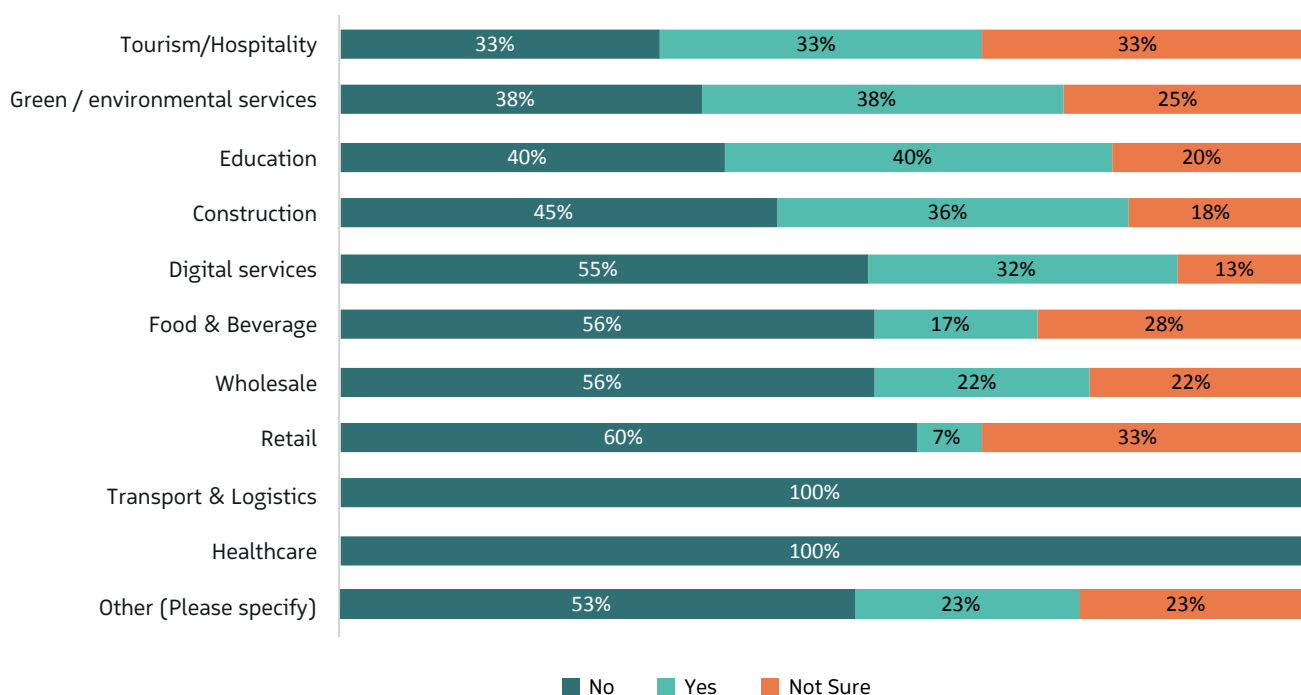


Figure 8 – Risk of business closure

## How did the pandemic affect SMEs' profit margins?

Compared to pre-pandemic times,

**60%** of companies reported 'net profit decreased,'

**30%** reported no change, while only

**10%** indicated that profit had increased.

Only companies in the Digital Services, Education and F&B industries reported an **increase in net profit**. (Figure 9).

### In comparison to pre COVID-19 crisis, how was your business net profit affected?

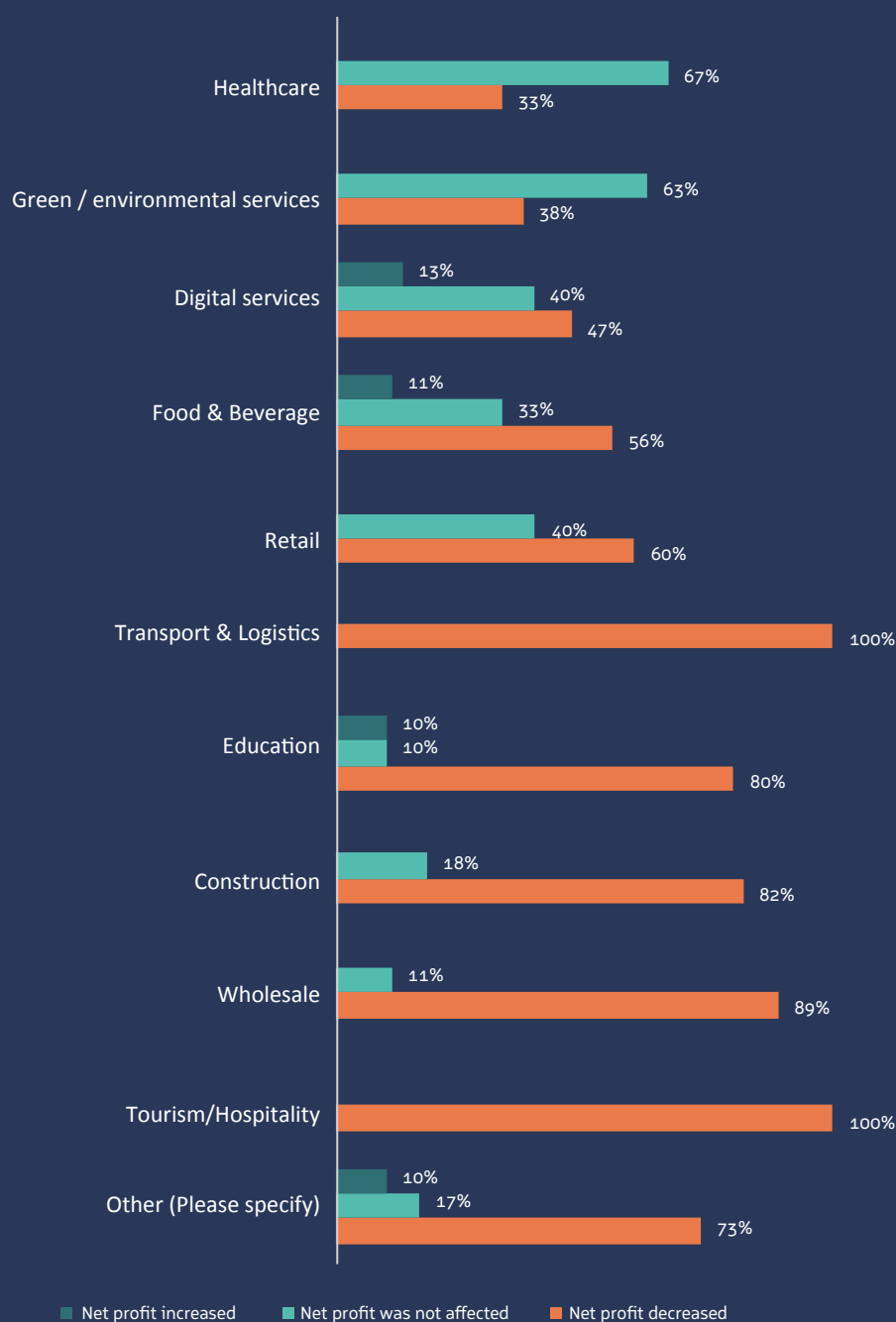


Figure 9 - Net profit changes by Domain of Activity

Unsurprisingly, the COVID-19 pandemic had a negative effect on business revenue, confidence, and optimism. In the UAE, this impact was not uniform but varied according to industry category, company size, company age and other factors. Understanding these diverse impacts is key to building a more resilient UAE economy going forward, especially when dealing with future global shocks. The following sections provide a deep dive into the data, demonstrating that industry, government, and the financial sector all have a role to play in rebuilding a more resilient economy.

## Chapter 3

---

# SME Challenges and Pain Points







# COVID-19 Government Relief

Globally, government interventions were critical in economic relief efforts during the pandemic. In response to the crisis, the UAE federal and local governments announced a series of relief measures targeted at SMEs and start-ups (Figure 10).

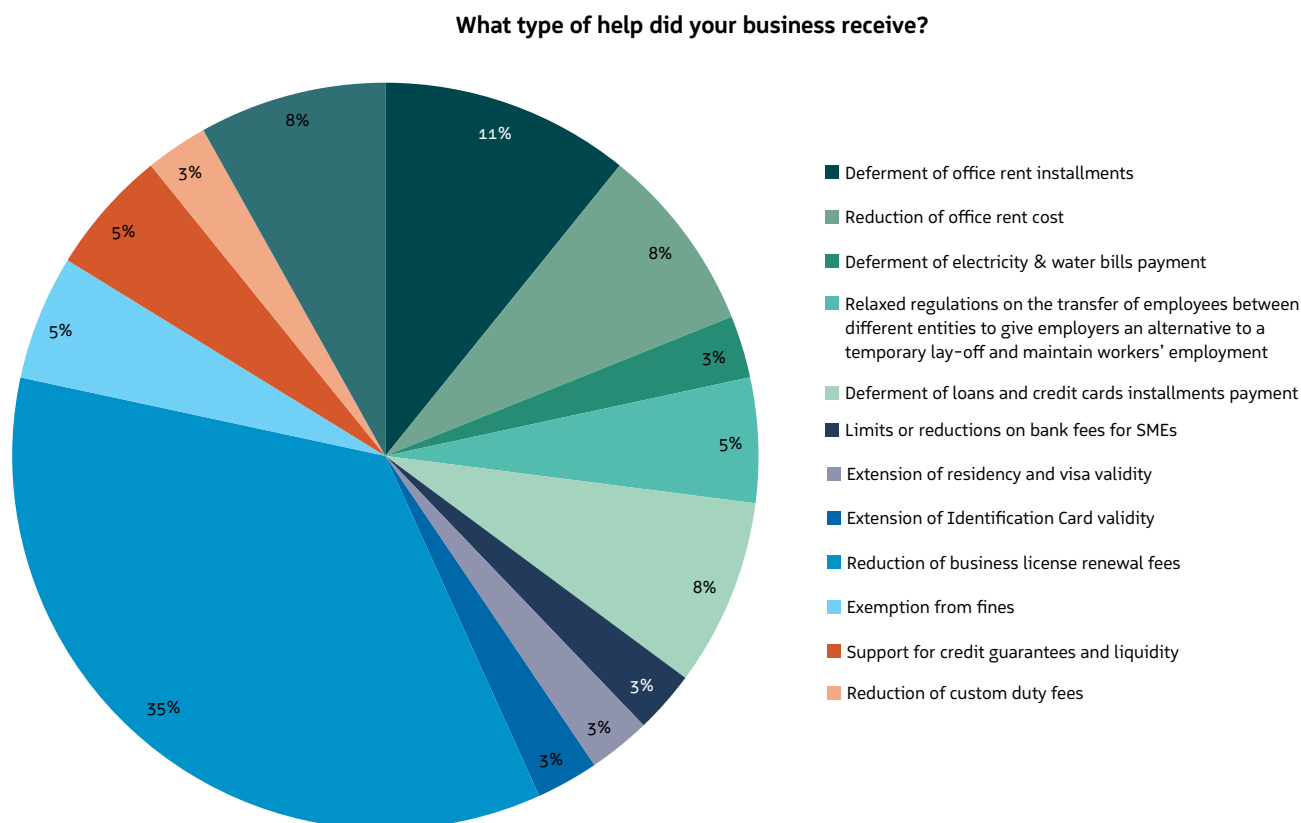


Figure 10 - Types of relief measures received by SMEs in the UAE during the pandemic

Types of relief measures that were primarily reported by the SMEs in our sample:

- 35% reduction of business licensing and renewal fees
- 11% deferment of office space rent instalments
- 8% deferment of loans and credit card instalment payments
- 8% reduction of office rental costs

Reduction of business licensing and renewal fees was the relief measure that was primarily reported by the SMEs in our sample



It is important to note that of the population of responding companies:

**18%** reported receiving some support from the government.

Of those that did receive support:

**75%** had their company located on the mainland

**25%** were in a free zone

**Did your company receive any government relief measures to ease financial constraints due to COVID-19?**

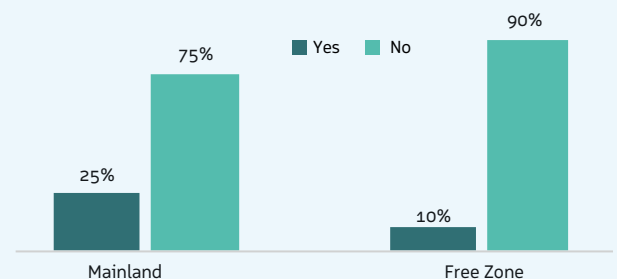


Figure 11 – Government Relief by Jurisdiction

The focus on mainland incorporated companies could be reflective of restrictive eligibility criteria for SME support. Recipients from the survey population were

**60%** predominantly active in the Services Sector

**33%** in Tourism/Hospitality

**33%** in Food & Beverage (Figure 12).

**Did your company receive any government relief measures to ease financial constraints due to COVID-19?**

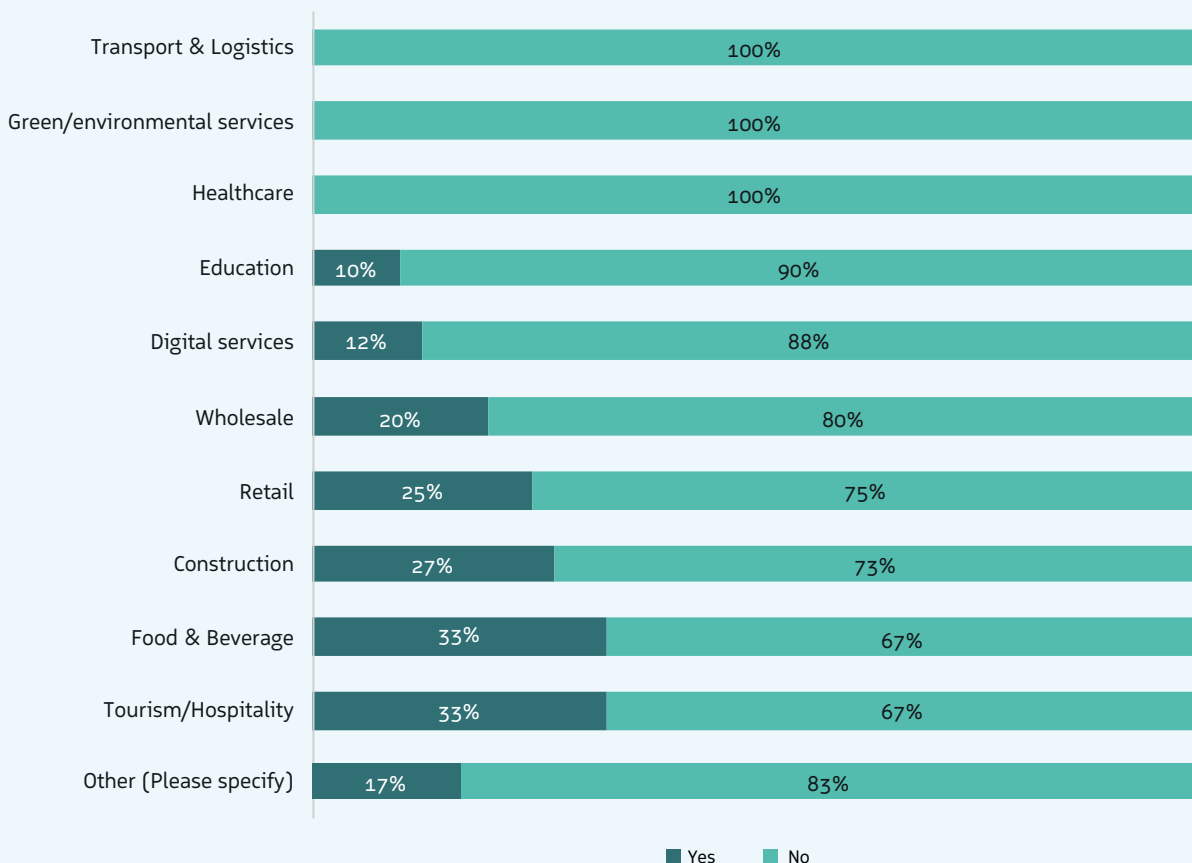


Figure 12 – Government Relief by Domain

However, regardless of company size, the relief measures appeared to be useful in helping reduce the financial burden of the pandemic. Overall,

1/3 of companies in the survey reported that the relief measures actually reduced financial burdens triggered by the pandemic, with

9% stating that they actually saved the company from bankruptcy and

16% reporting that the measures helped the company maintain talent and avoid laying off employees about 9% stated that measures did not end up helping the company at all.

Among start-ups,

almost 8 out of 10 companies reported that the measures helped to “reduce the financial burden” experienced during the pandemic.

Additionally, medium companies reported that the measures helped them “maintain their workforce” and even “avoid bankruptcy”. (Figure 13).

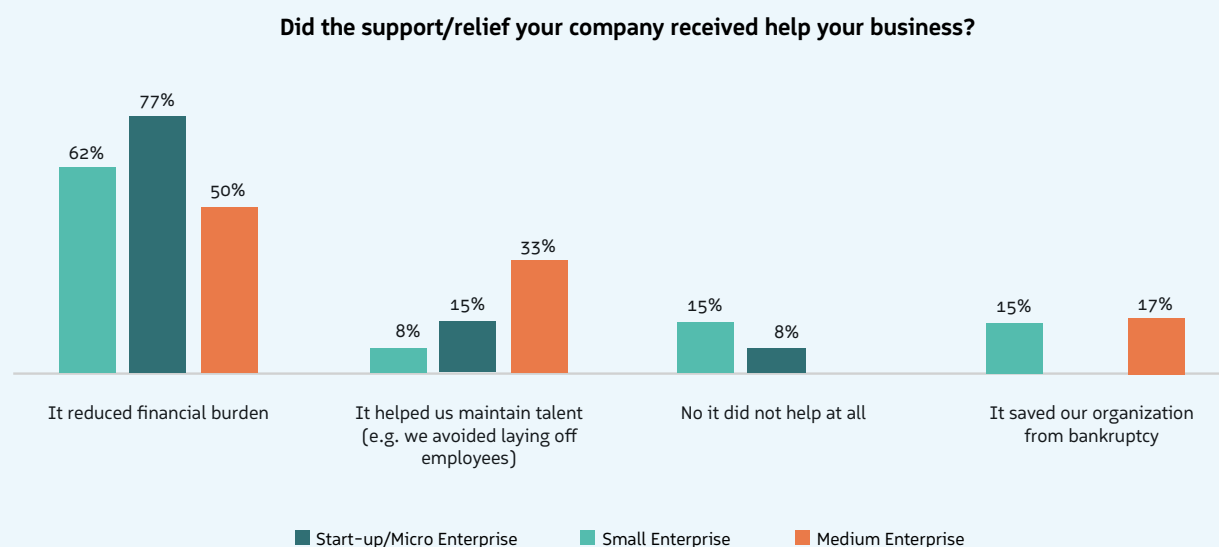


Figure 13 – Perceived Impact of Relief Measures on Beneficiary Companies by Company Size



The research here did not capture how the support and relief packages were communicated to SMEs across jurisdictions, which according to the focus groups and qualitative findings, may be a factor in the perception held by companies on their eligibility for some relief measures. This calls for further research to better understand how targeted government communication could have been improved with the affected companies.

The findings indicate that some SMEs may not have received sufficient information on the COVID-19 support packages available across emirates or jurisdictions. There are indicators of lacking understanding among companies on the eligibility criteria required, including the company classification issue highlighted earlier.

# Access to Banking & Financing

The bulk of fundraising rounds completed by UAE tech scale-ups (228 rounds, or 51% of the total) are between \$1 and \$5 million.



A considerable number of rounds (124, or 28% of total) surpass the \$5M threshold, entering the realm of growth investment.



These numbers may suggest that the UAE scale-up landscape is maturing.

Notably, however, a relatively small number of substantial acquisitions (10 or 2% of total) account for most of the capital obtained by UAE scale-ups (\$2.9 billion, or 54% of total) <sup>5</sup>.

<sup>5</sup> Dubai Chamber, March 2022, UAE Venture Outlook 2022

When asked to identify actions that could have assisted their company during the pandemic, 41% of the SMEs identified that a “new credit line” could help keep their company viable (Figure 14).

The importance of a new credit line was ranked more than twice as important as faster customer payments, debt repayment plans or fee and rent waiver initiatives.

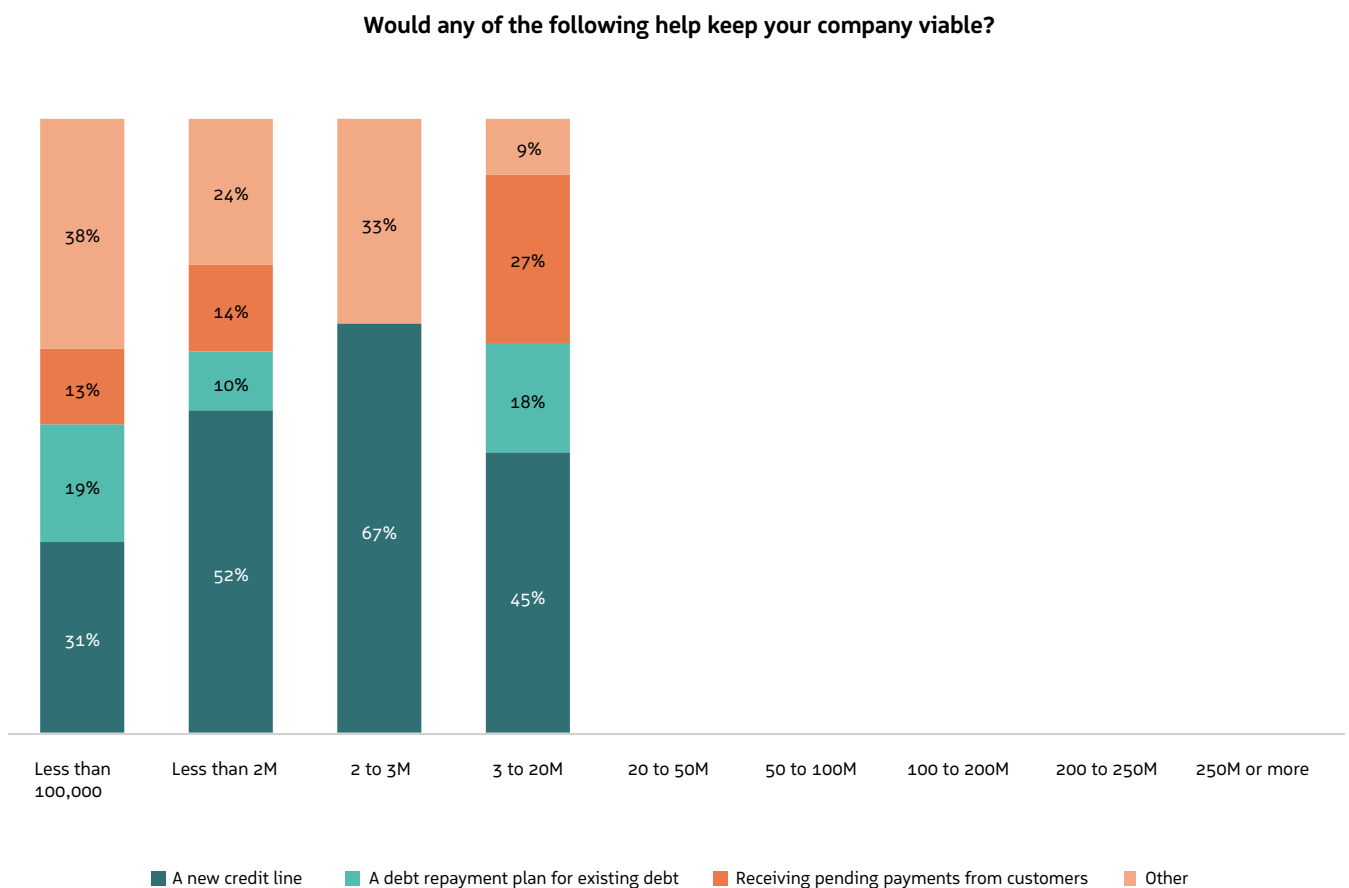


Figure 14 - Measures Which Could Help SMEs Remain Viable During the Pandemic

A notable

66%

of responding companies reported that they have attempted or “tried” to access some kind of financing during the survey period (Figure 15).

The need to obtain access to financing during the pandemic was reported by

70% of start-ups and almost

80% of medium-sized companies.

Companies with

between 50 to 100M AED

annual revenue were the hardest hit.

Paradoxically, enterprises with annual revenue of

between 20 to 50M AED

appeared more adaptable, with only 33% expressing a need for financing.

Responding companies with annual revenue of

more than 250M AED

did not require any type of financing.

**According to qualitative findings here, human resources and talent hiring may have played a role, making it difficult for larger companies to control cash flow and retain talent.**

Since starting your company, have you needed access to financing?

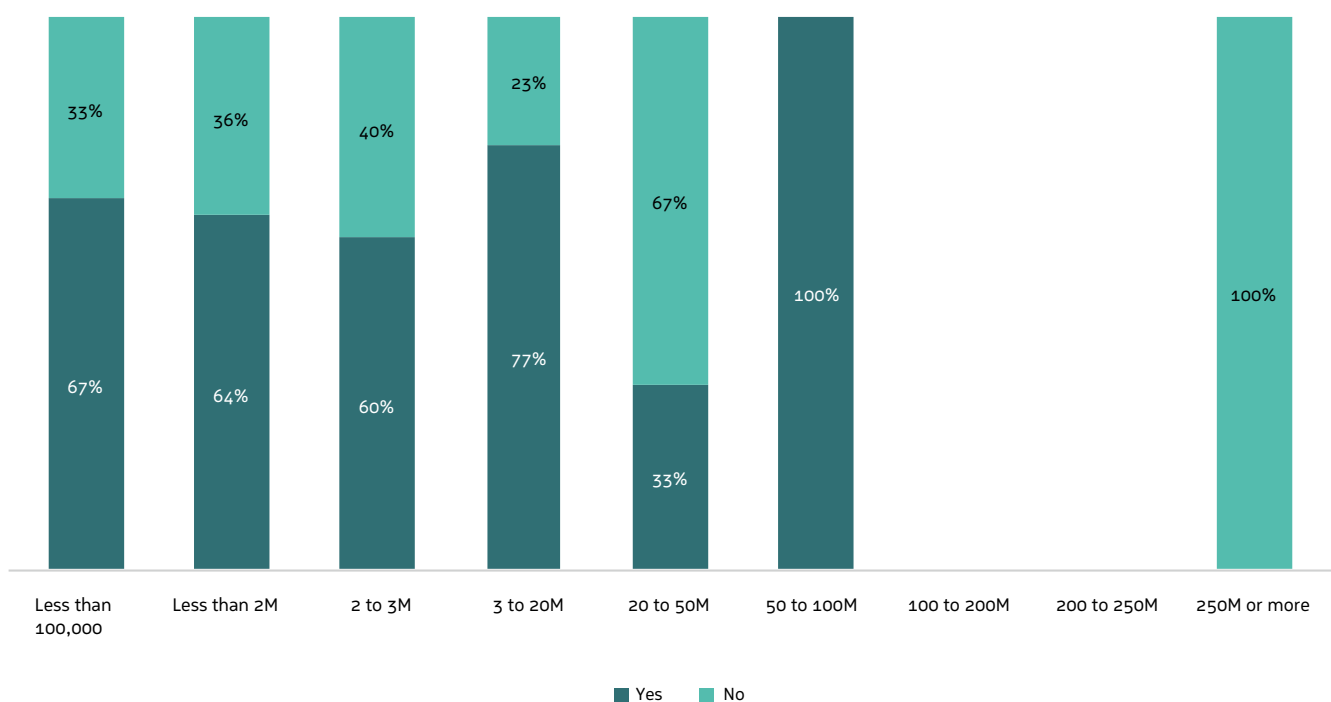


Figure 15 - Need for Access to Financing based on company revenue



Overall though, the banking system was not viewed as favourable to SMEs during that period as per the SMEs covered in the survey. Aligned with earlier (pre-pandemic) research on this, overall more than 7 out of 10 responding companies (73%) believe that banking procedures in the UAE “are not favourable to SMEs”. Banking procedures were a significant roadblock for UAE-based SMEs prior to the pandemic but were exacerbated by the latter (Figure 16).

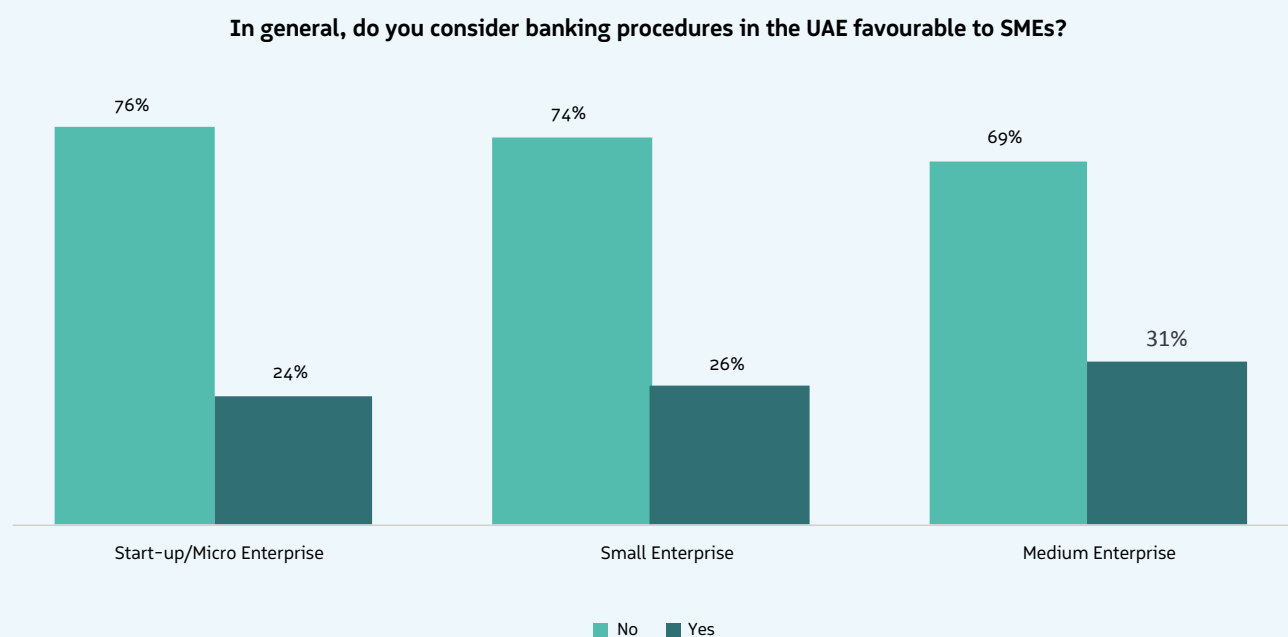


Figure 16 – ‘Are banking procedures in the UAE favourable to SMEs’?

Despite government efforts during COVID-19, SMEs continued to reference access to loans and other financial services as a key “pain point”.

For example, according to the qualitative findings gathered in this research project, one specific subject for further research could be the extent to which policy requirements around ‘Know-Your-Customer’ (KYC) are frustrating the availability of adequate funding and credit instruments in the broader SME ecosystem.

<sup>6</sup> Based on findings from a study conducted by the MBRSG Policy Research team, Sept 2019-Feb 2020 on the UAE innovation ecosystems Pain Points.

Another insight from the responses of SMEs is that in the absence of finance options, SMEs also turned to both venture capital (VC) funding and informal loans and family support (Figure 17).

The findings illustrated the emerging importance of the VC industry, with

19% of responding SMEs reporting applying for VC funding.

14% relied on “informal loans” from friends, family, or other sources,

with only

9% of those trying to access funding electing for a traditional bank loan.

During the past 12 months, what types of financing have you tried to access for your business?

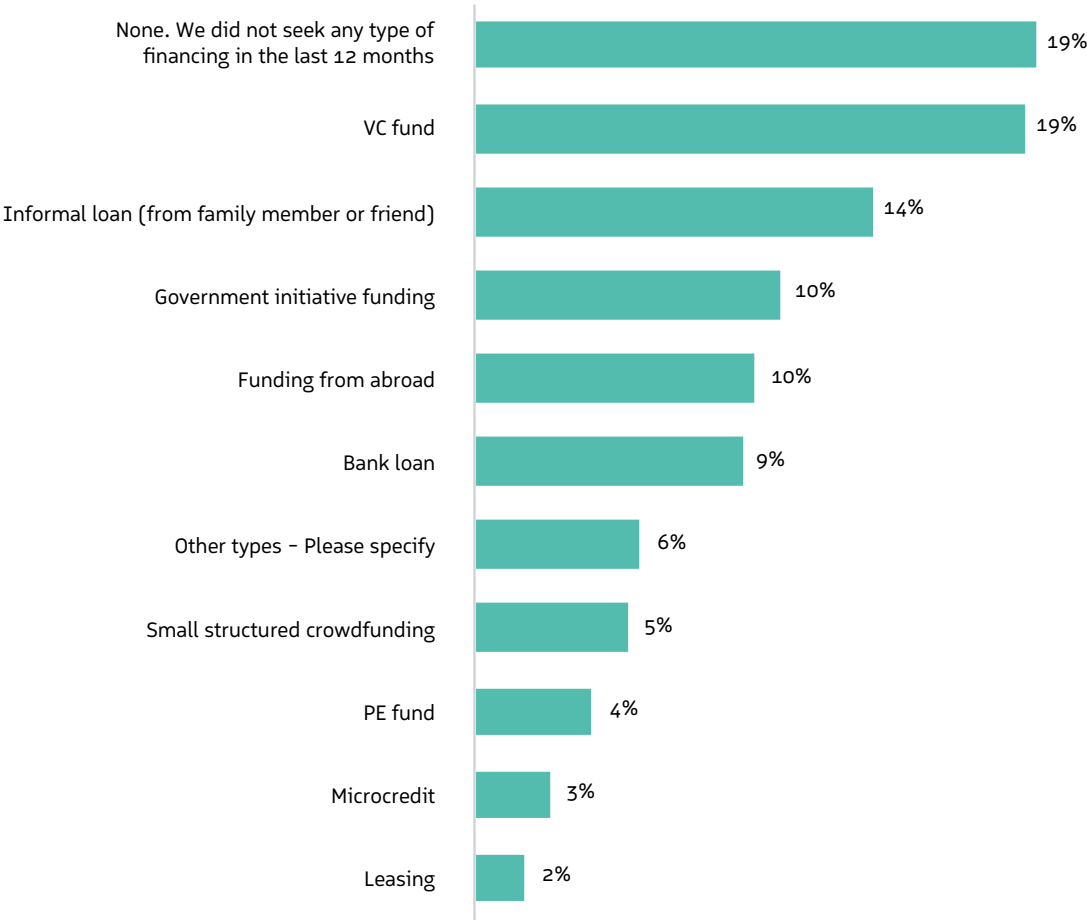


Figure 17 – Types of Financing Sought by Companies 12 months prior to taking the survey, across size and industries

A closer data insight demonstrated that **40%** of the start-ups covered in the survey attempted to secure funding from VCs, but only

**15%** of small enterprises and

**8%** of medium enterprises elected to do the same.

This may reflect the VC industry's high-risk-reward economics and the difficulty of early-stage start-ups securing funding or access to finance, which does not include onerous repayment restrictions. **The data highlighted again that medium-sized companies in our sample were affected by the pandemic at a deeper level, with 30% attempting to secure a traditional bank loan.**

# Government Tendering

Experience in other countries, such as France, Germany, and Sweden, has demonstrated the role of government tenders in supporting an entrepreneurial ecosystem through indirect financing by driving the demand side.

Taking the responding companies as a sample, most SMEs do not view the government as a source of revenue or business:

**77%** of the SMEs canvassed do not rely on government tenders in their business model. Of the companies that have bid for government tenders,

**45%** have never been awarded a contract.

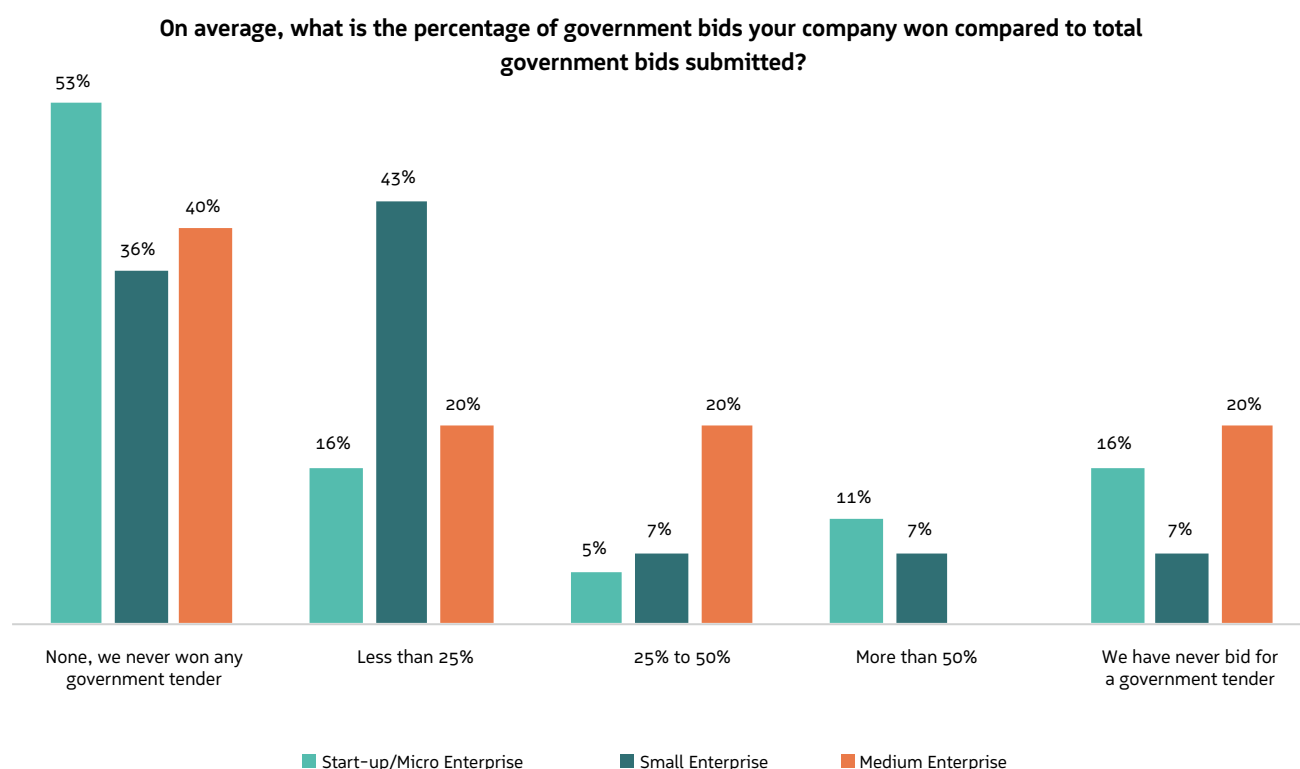


Figure 18 – Government Tenders won by Company Size

**24%** of respondents believe that the “guarantees required by government entities (in order to bid for a government tender) are not adapted to SMEs”, which may imply a significant bureaucratic burden.

The tendering process is most difficult for smaller teams, with **66%** of start-ups stating that the registration process for government tenders is “too complex”.

**20%** of respondents reported finding information on government tenders difficult and the registration process to be ‘complex’. Even when an appropriate tender could be identified,

**10%** of respondents found jurisdictional requirements limiting.

Once a tender application had been submitted, **15%** of respondents noted a lack of response or a lack of harmonised specifications.

**Based on your experience as an SME/start-up, what are the main obstacles in bidding for government tenders?**

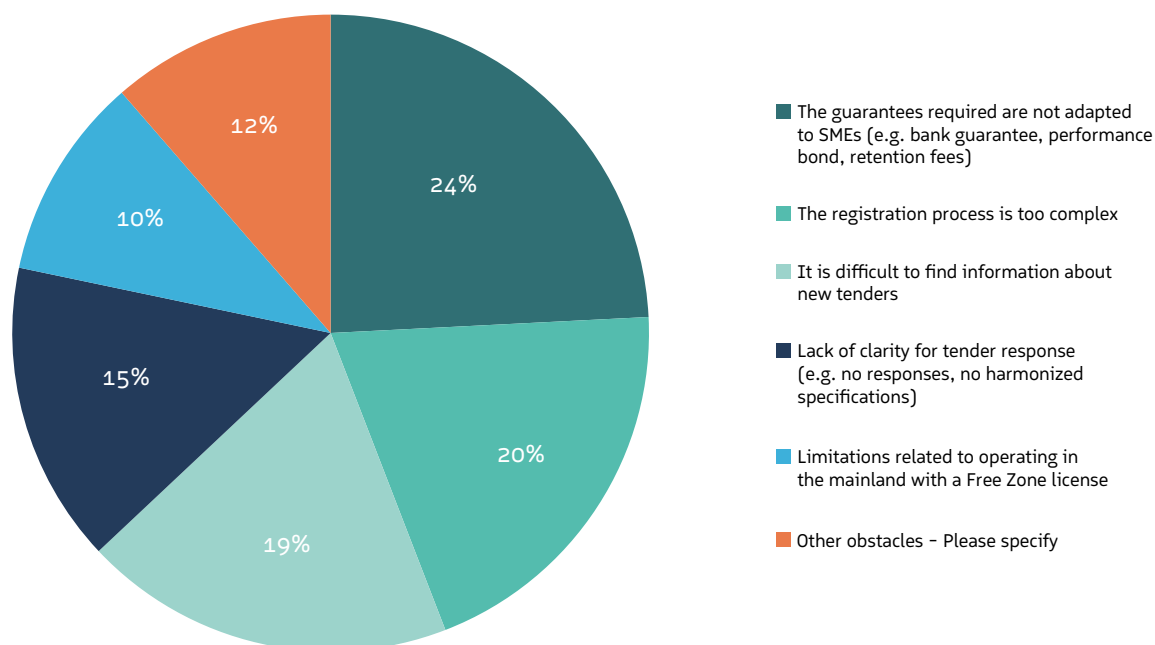


Figure 19 - Main Obstacles in Bidding Government Tenders

# Talent Acquisition and Retention During COVID-19

Across SMEs of varying sizes, the most popular HR measure was a “reduction in staff salaries”. Other measures mentioned by respondents included freezing hires, working with freelancers instead of permanent staff and implementing ‘work from home’ policies to reduce office rental costs.

Because of the pandemic,

**15%** of medium-sized companies reported introducing ‘reduced benefits for staff’, in addition to other cost-saving measures such as

**12%** reduced training budgets

Due to the COVID-19 pandemic, did your company take any of the following measures with regards to its employees?

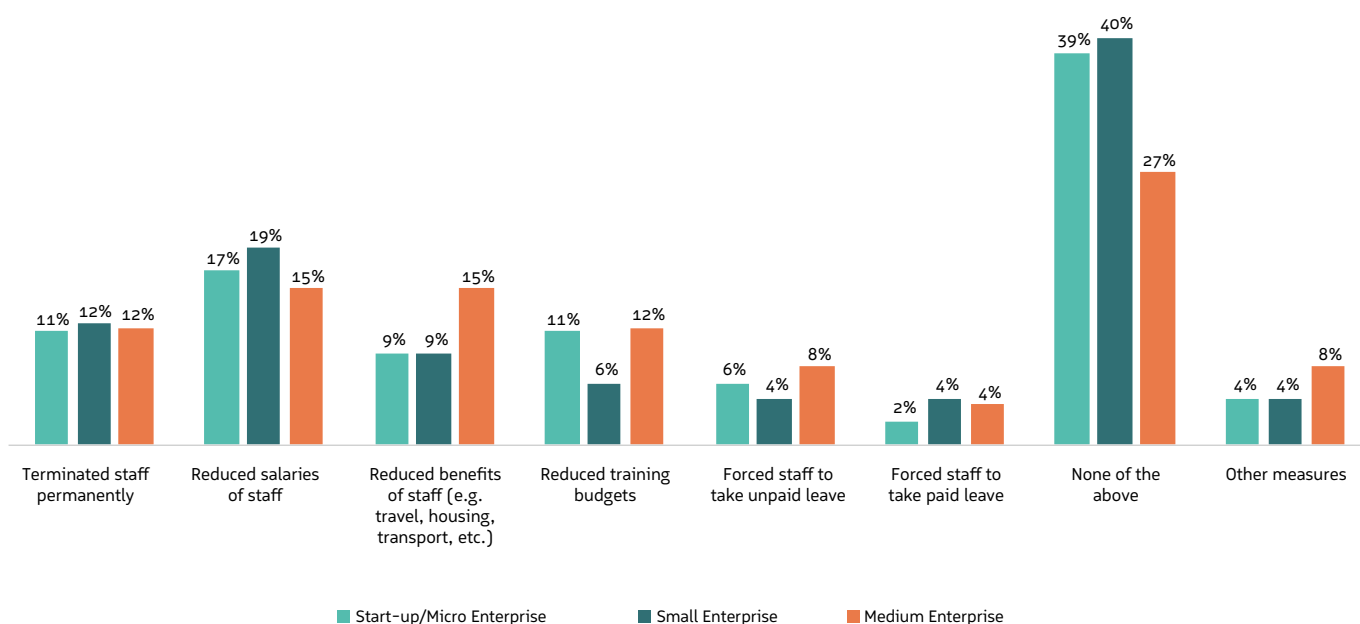


Figure 20 – HR Measures in Response to Pandemic



Offering higher wages to attract and retain talent was noted as the foremost challenge during COVID-19 by 72% of founders.

**39%** Inadequate visa schemes

**32%** a lack of models for freelance hiring were also noted by respondents.

It should be highlighted that both of these pain points were addressed by the UAE government during COVID-19 and will be discussed in the following chapters.

**Since the COVID-19 pandemic, which of the following challenges has your company been dealing with?**

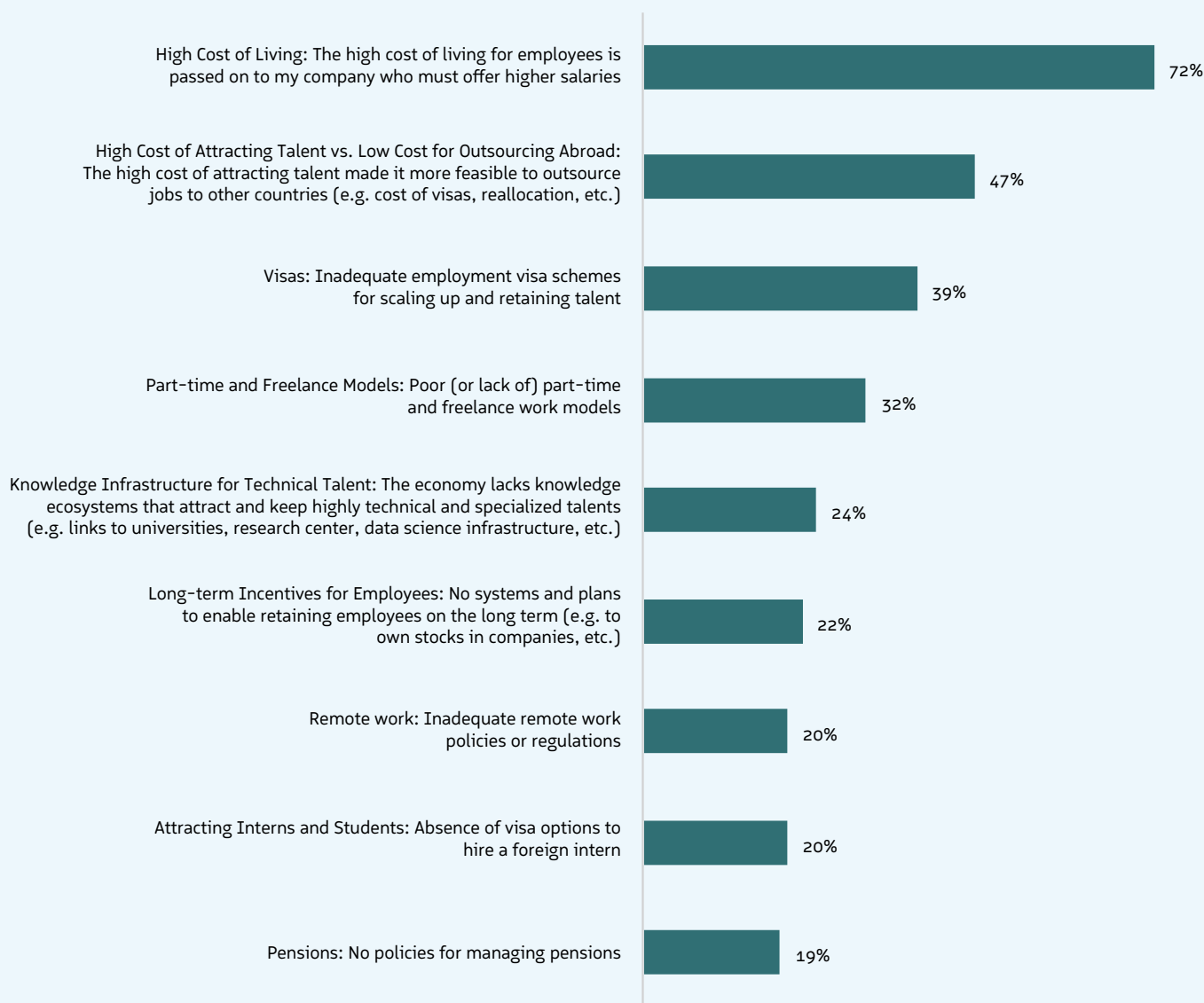


Figure 21 – Challenges during COVID-19: Talent Attraction and Retention

The challenges of talent acquisition and retention remain highly variable by industry and pre-dated COVID-19, with

**37%** of respondents finding it 'difficult' or 'very difficult' to find UAE-based hires with the requisite skill set.

A reported **54%** of respondents in the industrial sector find it 'difficult' or 'extremely difficult' to find qualified employees in the UAE, compared to

**39%** in the 'Services' sector and

**25%** in the 'Trade' sector.

**How do you rate the ease of finding qualified UAE-based employees with the right skillset?**

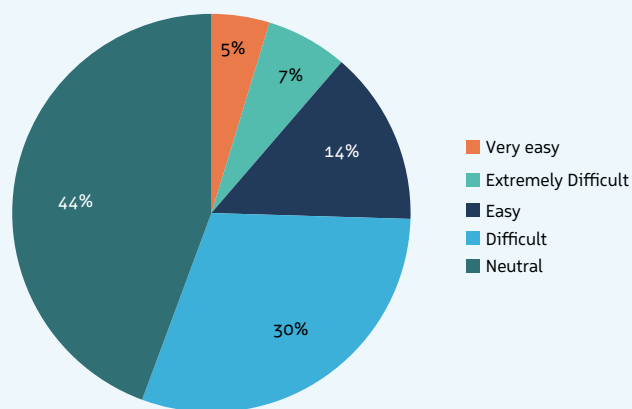


Figure 22 - Ease of Locating Qualified UAE-Based Employees

It is clear that the impact of COVID-19 was not uniform, with talent retention and acquisition implications being highly variable by industry and company size.

The UAE employment regulations received positive feedback when the survey was canvassed.

**82%** of the majority of respondents rated the visa-issuing process as 'neutral, easy or very easy', a significant improvement from pre-pandemic times.

**How do you rate the ease of issuing employment visas for employees?**

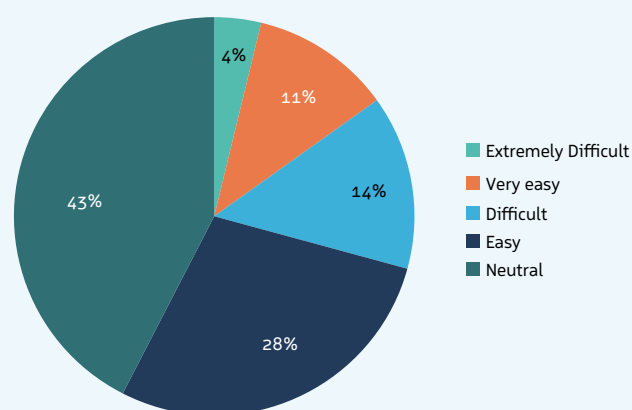


Figure 23 - Ease of Issuing Employment Visas

A slight improvement can also be noted with regard to SME founders' view of the cost of healthcare for their employees. Almost **4 out of 10** respondents (39%) find that employee healthcare costs are 'reasonable'. A large majority considered it to be a significant financial burden prior to the pandemic, while less than half of respondents (**49%**) consider it a 'high' or 'severe' cost.

Here policy changes made before COVID-19 appear to have increased the number of healthcare providers available to employers, thereby increasing competition and pushing down prices. This policy improvement may have played an essential role in reducing the financial burden on employers during COVID-19.

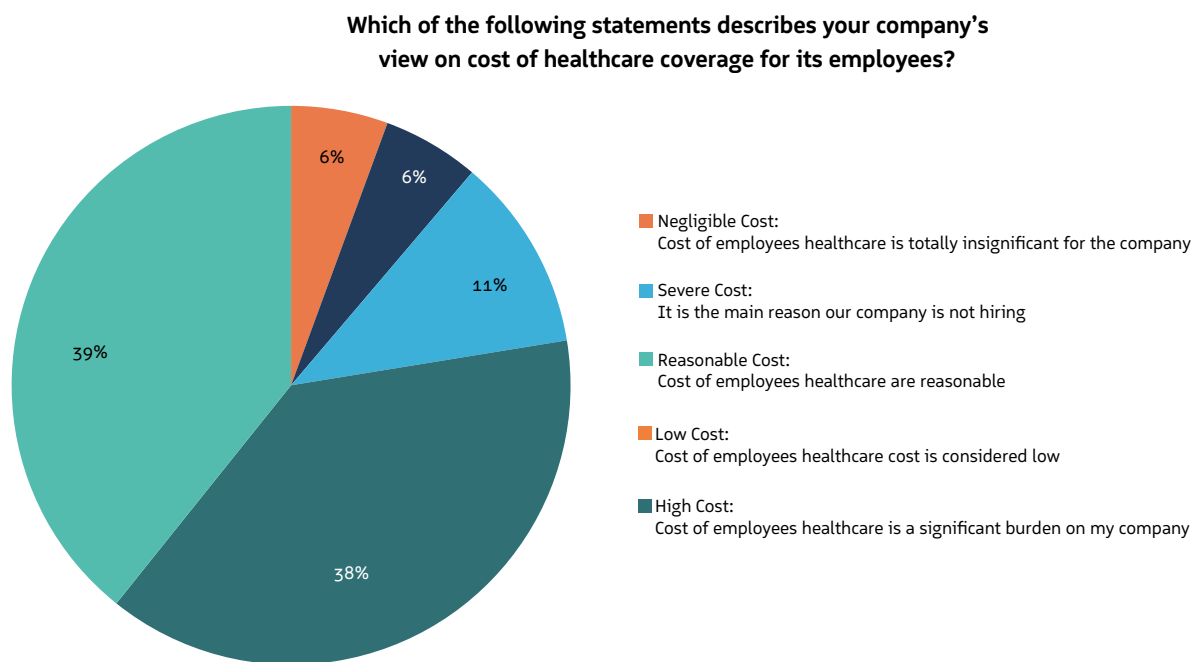


Figure 24 - Views on the cost of healthcare coverage for employees

Only **1 in 4** respondents (25%) say to have hired university students for a paid internship, against **59%** who indicated that they have never done so.

It should be noted that **16%** of respondents say to "have tried to hire an intern but have been unable to". This could be a reflection of the regulatory void in relation to internships and traineeships that existed pre-pandemic, which has been largely addressed since then.

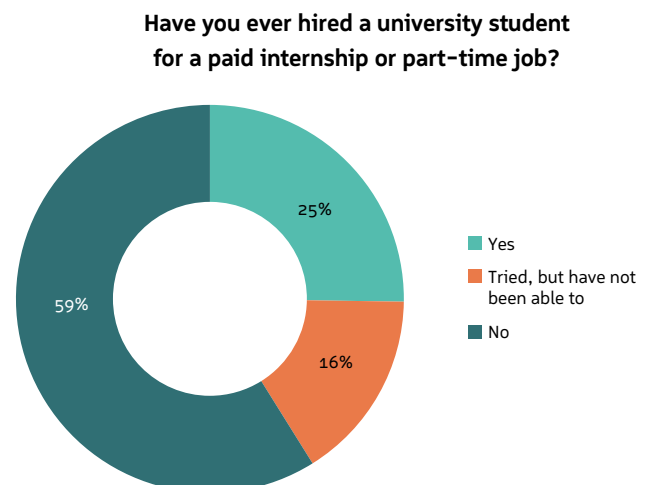


Figure 25 - Have You Ever Hired a University Student for a Paid Internship?

# Licensing and Office Space

COVID-19 necessitated a profound shift toward remote working, with software and cloud infrastructure powering collaboration across a suite of apps and services. The unforeseeable impact of the pandemic also produced friction with some aspects of UAE law.

According to the responding companies

## 88%

stated that their business license requires them to rent office space.

While a total of

## 22%

of respondents reported that they were renting office space “only for license purposes and not for business needs”.

Of business founders with no employees,

## 84%

reported having a license which requires an office regardless.

**Which of the following statements best applies to your business, with regards to office space?**

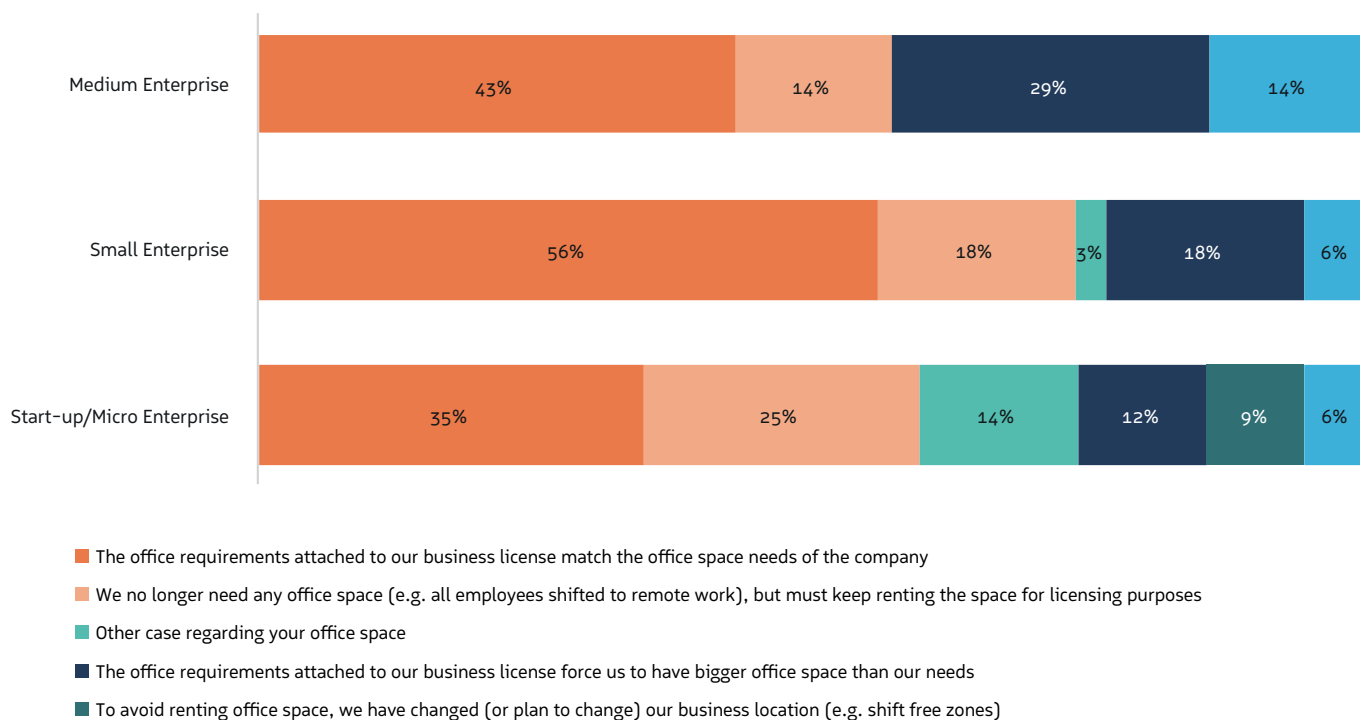


Figure 26 - Office Space Requirements Vs Needs of the Business

It must be noted that during the pandemic, several free zones and the UAE government relaxed and amended business occupancy laws. In addition, new categories of remote working were introduced with no need for renting office premises.

# Accessing Foreign Markets

The UAE benefits from world-class logistics and access to foreign markets. During COVID-19, SMEs struggled to expand into new territories beyond the addressable domestic market. The fact that airports and nation-states were closed for a period of 10-12 months has certainly affected the data in this regard, and yet there is also evidence of an underlying weakness in access to export markets for UAE-based SMEs.

For example,

**27%** of all respondents in the survey are only active in the UAE domestic market.

Despite having some international activity,

**39%** of start-ups make no sales in foreign markets. Only **41%** of small enterprises make more than half their sales in foreign markets.

These figures are lower for medium enterprises, with only **17%** making more than 50% of their sales from the international market.

In total, **83%** of survey respondents did not obtain any support from the government to expand into international markets.

What is the percentage of your company's total sales from international markets/customers?

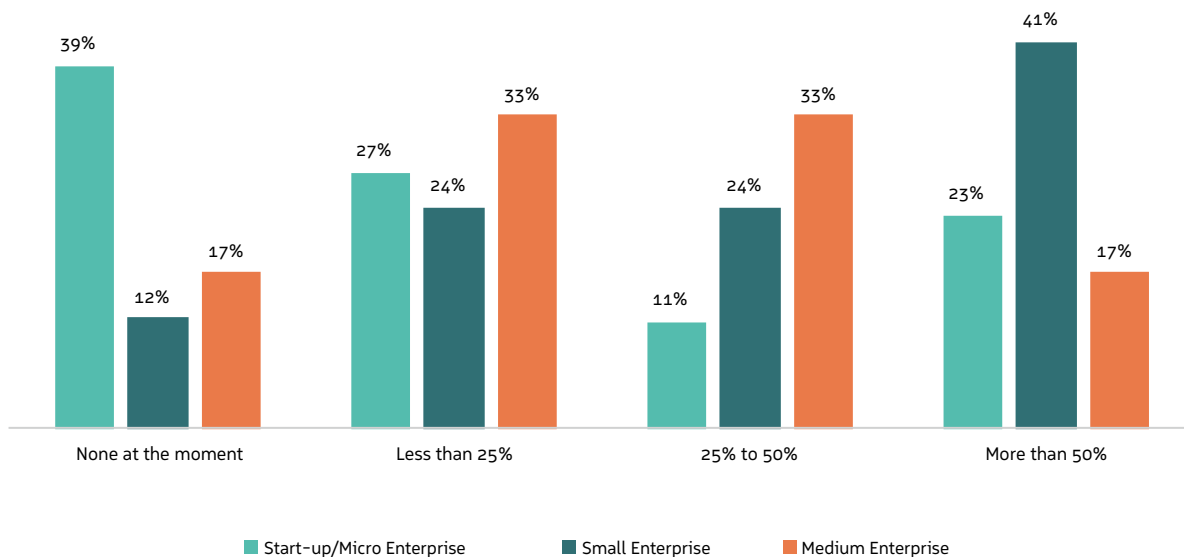


Figure 27 – Percentage of Company Total Sales from Foreign Markets



Survey respondents highlighted

15% 'international strategic alliances'

14% 'exports of goods and services'

11% 'technical collaboration' as leading activities in international markets.

### Does your business have any of the following activities in international markets outside of the UAE?

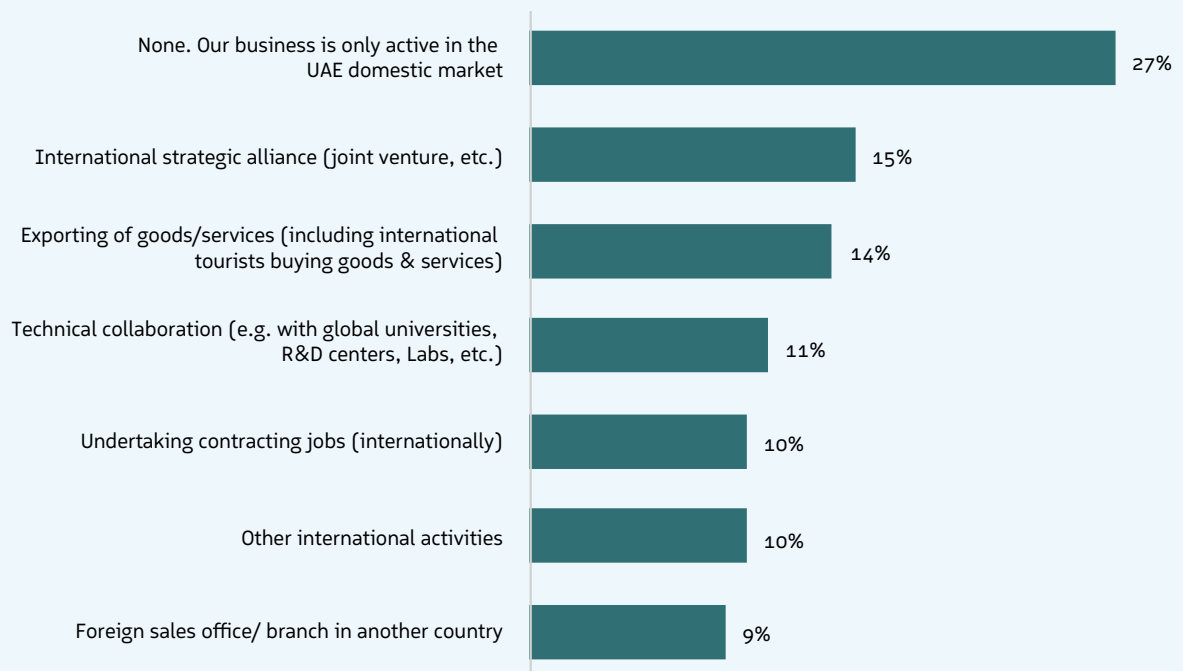


Figure 28 – Types of activities in international markets, across respondents

The relationship between these activities and strong export sale volumes remains open to further study.

The main export markets remain the GCC, with 40% of the total UAE export market, and the Middle East (excluding GCC and including North Africa and Turkey), with 19% of the export market.

The dominance of the GCC export market could lead to more significant regional consolidation and collaboration initiatives, or an increased emphasis on international linkages as a route towards greater economic diversification and globalisation.

# Intellectual Property & R&D

Across developed economies, the number of registered patents and trademarks is a proxy indicator of an economy's R&D activity and scientific output. R&D activity is taking place in the UAE, but this activity is not reflected in IP protection and registration applications.

7 out of 10

respondents have never registered an IP or Trademark in the UAE

1/2

suggesting it 'was not applicable to their business'.

Of those with no IP registration in the UAE, 22%

noted that the registration process was 'too expensive'.

Of those who have registered an IP in the UAE, 44%

rate the process as '1' or '2' out of 5, with 5 being a positive or satisfactory service.

Did your company ever register any IP/Patent/Copyright/Trademark?

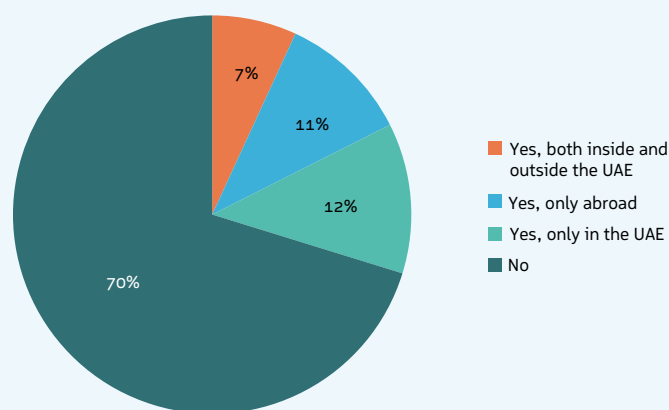
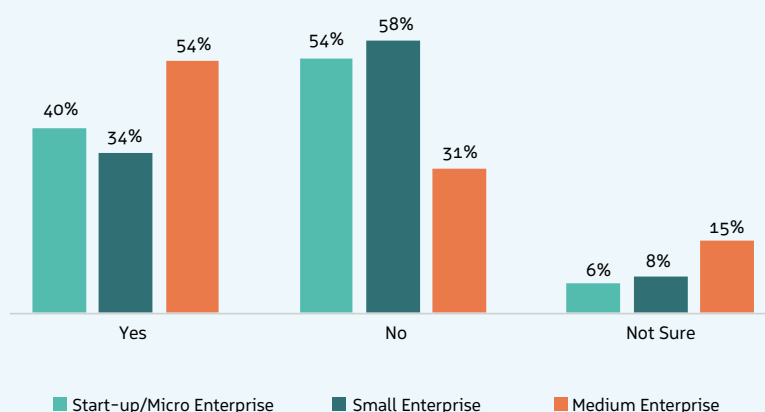


Figure 29 - IP/Trademark registration amongst respondents

Does your company conduct any Research & Development activities (e.g.fundamental research, applied research or experimental product development)?



A total of 39% of the responding companies reported conducting R&D activities. Of those conducting R&D activities, 4 out of 10 respondents classify themselves as start-ups, and 91% have human resources dedicated to R&D activities.

Figure 30 - Does your company conduct any Research & Development activities?

Perhaps to out-innovate against larger rivals, it is often smaller SMEs with modest cash flow that invest their resources in R&D. A cross-tabulation discovered that those conducting R&D have an annual revenue of at most 200,000 AED. The fact that SMEs invest more time and relative effort in R&D activities than much larger and better-resourced companies is counter-intuitive and may require further research and enquiry.

**Did your company receive any support for its R&D activities from any of the following entities?**

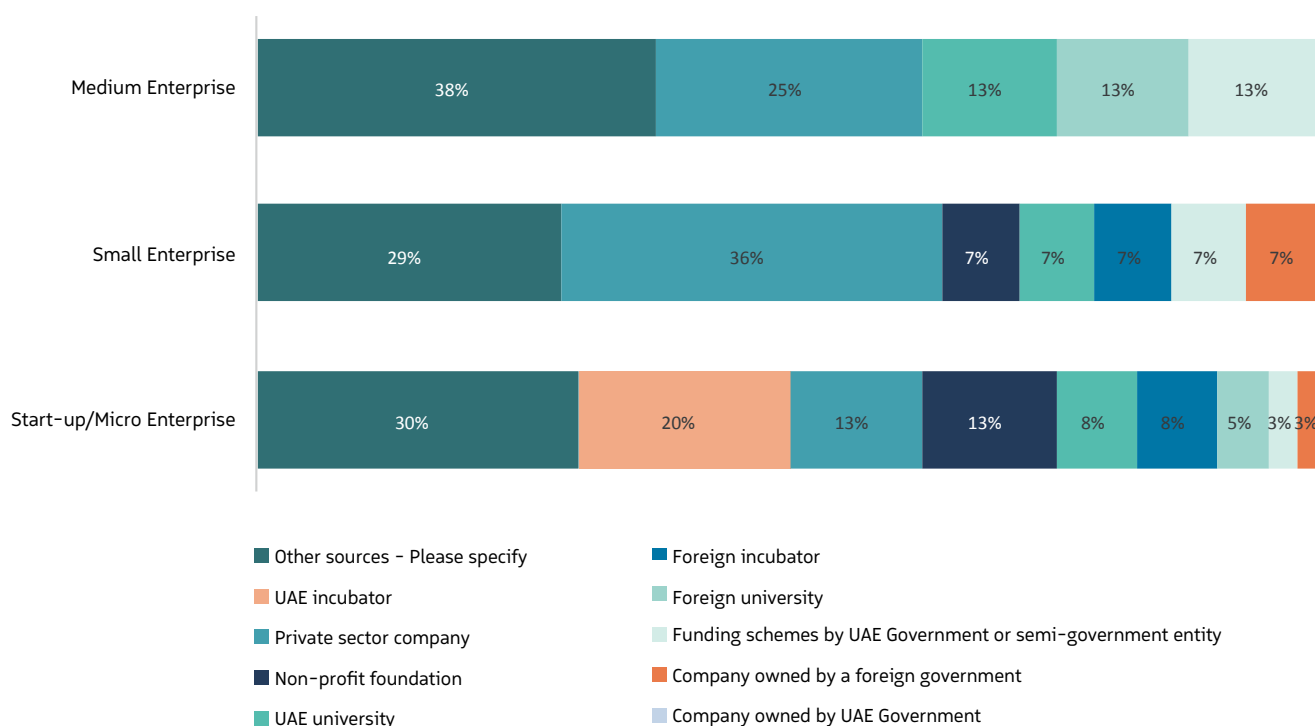


Figure 31 – Source of support received by UAE companies to conduct R&D activities, by size

Of those companies which do conduct R&D activities in the UAE,

**1 in 5** have received some form of support from the private sector, while

**13%** have received support from UAE incubators.

The role of local and foreign universities in conducting R&D activities with UAE-based medium-sized SMEs is also of note.

#### Did your company ever register any IP/Patent/Copyright/Trademark?

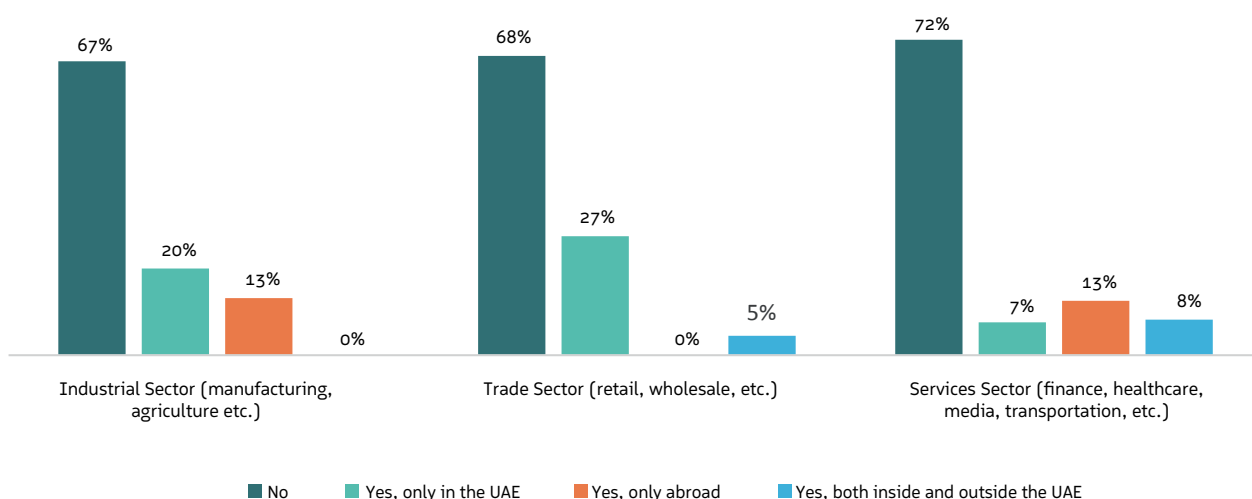


Figure 32 – IP Trademark Registration by Sector

A lack of a correlation between IP or trademark registration, and commercial R&D activities, is surprising. Of those who conduct R&D activities in the country,

**56%** have not registered any IP (in the UAE or abroad), and only

**15%** have registered IP in the UAE.

Both the services and industrial sectors also demonstrate a preference for IP/Trademark registration overseas.

This could be because a first-to-market approach is preferred or because of onerous application procedures.

More generally, the wider economic context in which patents, trademarks and copyrights can convert into clear economic opportunities within the UAE, may remain unclear to business leaders and start-ups.

During a crisis, investment in long-term processes such as R&D or IP registration are likely to erode.

Counter-intuitively, a strong R&D and IP culture can create the economic context for greater resilience across sectors.

**64%**

of respondents are **“open to partnering with other companies to start conducting R&D activities”**.

This includes

**7 out of 10** start-ups,

**1/2** of the small companies

**8 out of 10** medium-sized companies.

**54%**

of SMEs **not conducting R&D, would be willing to allocate budget to R&D if the government subsidised this**.

This includes

**6 out of 10** start-ups,

**1/5** of the small companies

**1/4** of medium-sized entities.

**In order to conduct R&D activities, would your company consider partnering with other companies on R&D?**

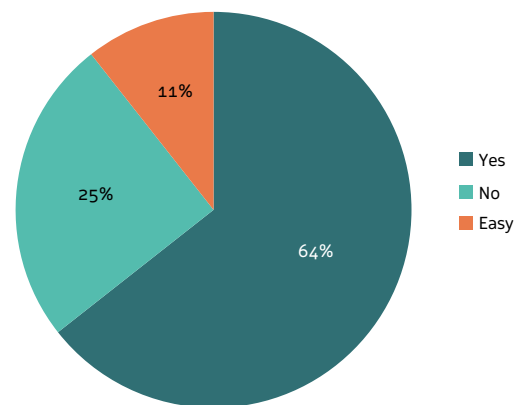


Figure 33 – 'Would your company consider partnering with other companies on R&D?'

An anonymous respondent commented **“the cost of conducting R&D is [the] biggest inhibitor for companies to venture and the industry and government should share challenges that they are willing to buy or invest in so that we can have more people exploring this avenue”**.

# Scaling-up

What pain points do SMEs and start-ups face in scaling up in the UAE? A significant proportion of respondents either strongly disagreed (36%) or 'somewhat disagreed' with the statement 'I was able to seek government support to scale up my business.'





### Do you agree with the following statements relating to business setting and scaling?

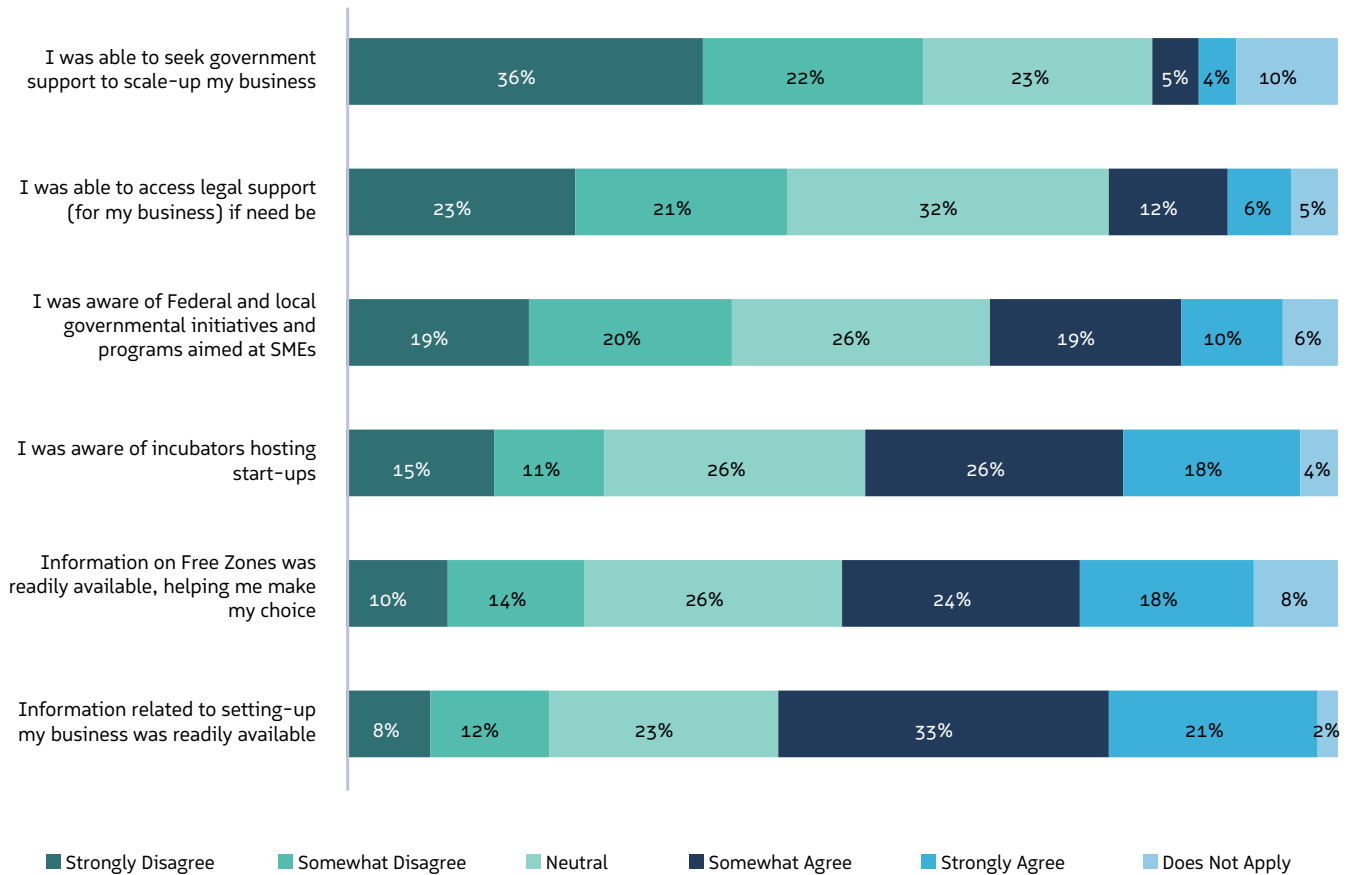


Figure 34 – Business Setting & Scaling

A total of

**44%**

of respondents also disagreed with the statement “I was able to access legal support for my business if needed” (fig 34).

Previous MBRSG field research has suggested an array of reasons for this, with the high costs of legal work the most significant barrier.

## Chapter 4

---

# Tracking SME Adaptation During COVID-19



SMEs across the UAE demonstrated business adaptation to COVID-19. These efforts were assisted and at times frustrated by existing policies.

# Digital Transformation & Adaptation

As consumers purchased online and key components of the workforce began working from home, businesses in the UAE were forced to adapt.

A total of **44%** of the respondents “considered ways to convert their online or offline audience into paying customers,” with the majority of start-ups and small enterprises successfully doing so.

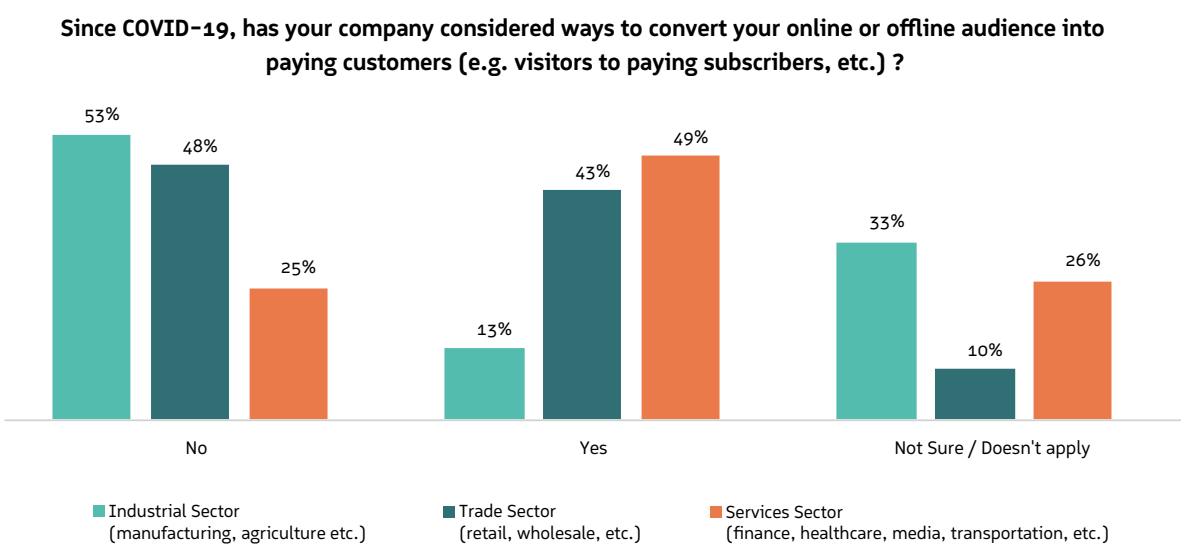


Figure 35 – Has Your Company Considered Ways to Convert Offline Audience

Notably, the majority of medium enterprises (45%) did not make a significant shift to digital, perhaps indicating that larger companies retained cash flow, had products or services which were not digital compatible, or enjoyed diversified forms of revenue creation.

The deepest shift toward digital took place in the services sector, with 79% of companies reporting the phasing in of digital payment ramps during the pandemic.

These statistics reflect broader global trends, in which providing customers with online payment options and access to delivery services became critical to the survival of SMEs.

At the same time, banking laws in the GCC and across Middle Eastern markets often make establishing online payment rails extremely challenging for SMEs<sup>7</sup>. In the years previous to the pandemic, UAE-based SMEs at times faced challenges deploying online payment systems.

By contrast,

**56%** of respondents said it was 'easy' or 'very easy' to provide customers with such options in the UAE during COVID-19.

---

<sup>7</sup> Nabila, R., "Inside the banking struggles of UAE's start-ups," Jan 2022. Available online: <https://www.arabianbusiness.com/Start-up/inside-the-banking-struggles-of-uaes-start-ups>

More broadly, the pandemic appears to have accelerated technology adoption into emerging areas of the digital economy, such as cloud computing, artificial intelligence, 3D printing and extended reality.

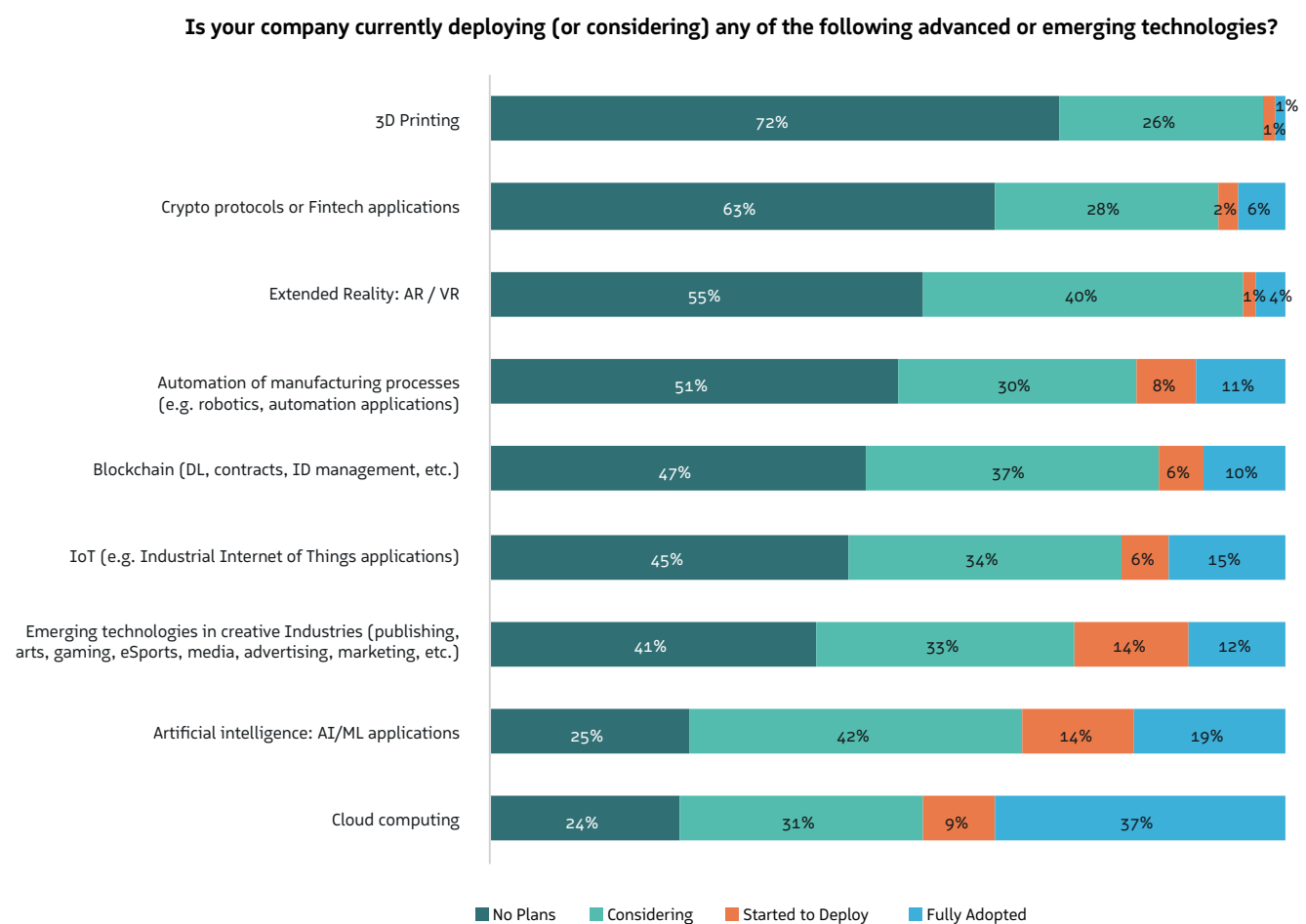


Figure 36 – Adoption of new technologies by SMEs, across industries and Company Size

While more research is required into use cases and specific industry applications, it is reasonable to extrapolate that cloud computing became more important as teams began to work over remote servers (fig 39).

It is also possible to hypothesise that a withdrawal from the physical economy led SMEs into experimentation with technologies such as crypto, blockchain and extended reality in an attempt to integrate new solutions or identify potential future opportunities.

Which forms of financing (or finance products) would help your company adopt advanced technologies?

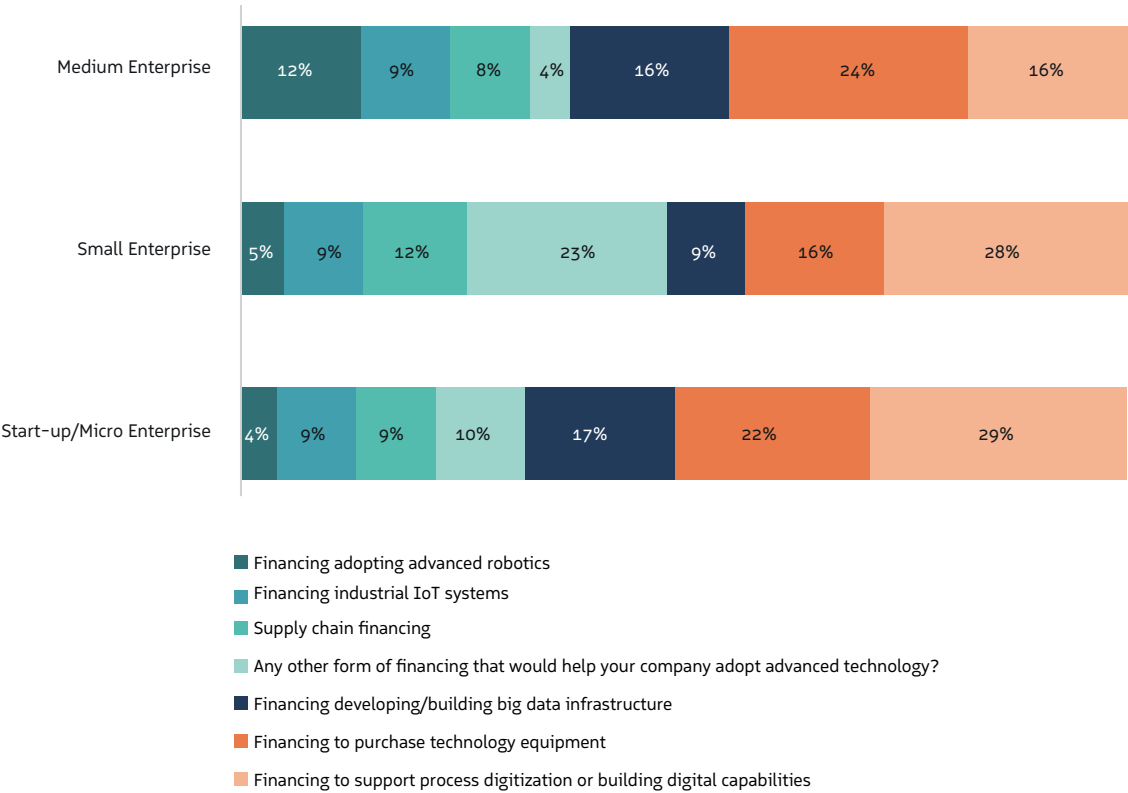


Figure 37 - Which Forms of Financing are most helpful in the adoption of new technologies?

In terms of the adoption of advanced technologies, **most SMEs are considering a suite of emerging technologies, with AI and data analytics the most fully adopted technologies.**

Respondents ranked blockchain, extended reality (AR/VR), Internet of Things (IoT) and Crypto as top-of-mind of the technologies being considered for future adoption.



# Recovery and Adaptation of UAE SMEs

Beyond business sentiment, there is compelling evidence of real adaptation.

A total of

## 38%

of respondents reported having shifted their production towards new products and services during COVID-19.

This includes

**53%** of respondents categorising their company as 'medium enterprises' which shifted towards 'new products and/or services' in response to the pandemic.

Have you shifted production towards new products/services as a response to the COVID-19 outbreak?

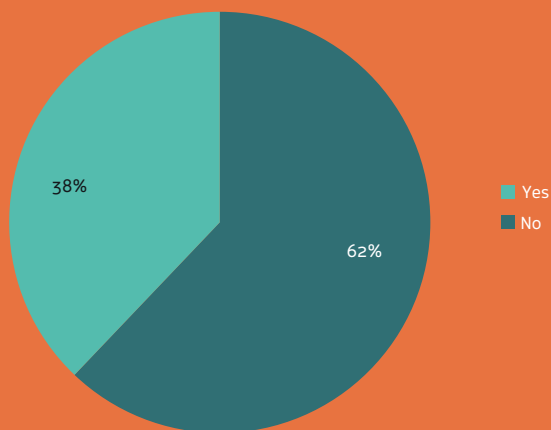


Figure 38 – Shift Towards new products/services by company size



It is unlikely that medium-sized companies would have disrupted their supply chains, products and organisational processes in this manner and at this speed, had the pandemic not forced them to do so.

Pivoting a medium-sized enterprise is technically and financially more challenging than adapting for a start-up or micro-enterprise, which are often still working to establish their product-market-fit.

#### What changes in demand for your products and/or services have you experienced due to the pandemic?

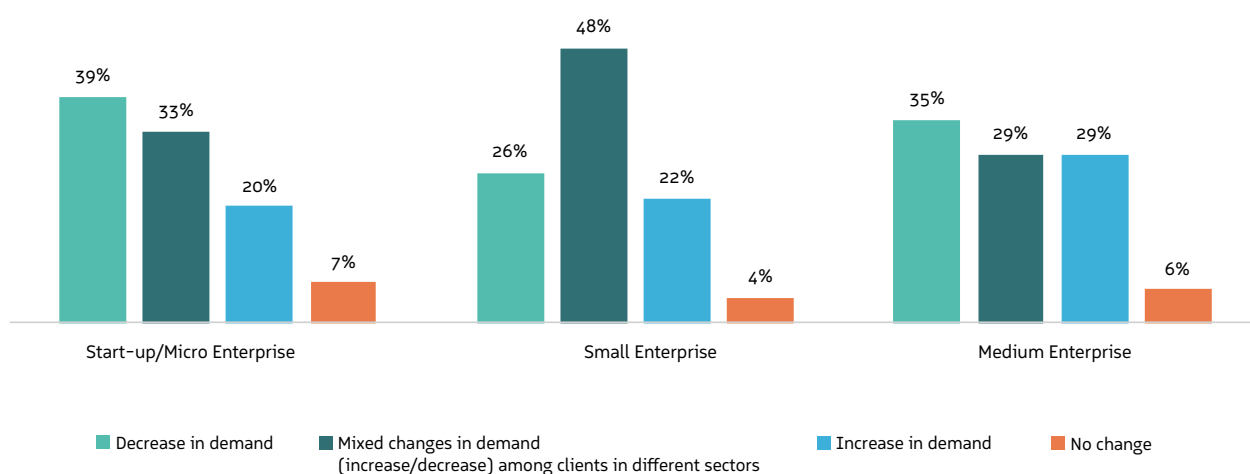


Figure 39 - COVID-19 Driven Changes in Company Product

This does not imply that start-ups or micro-enterprises were not affected by changes in customer demand. Respondents who identify as a 'small company' experienced 'mixed changes in demand'.

For micro-Start-ups, 2 out of 5 respondents experienced a 'decrease in demand' against 1 in 5 who reported an increase in demand.

Because smaller entities are likely to have smaller cash reserves, the disruption of COVID-19 may have not only made adaptation necessary, but also meant that these companies had a smaller time window and less capacity to absorb a depletion in sales than larger entities.

# COVID-19 and Remote Working Practices

A total of

## 27%

of business founders reported having to offer higher wages to offset a perceived high cost of living as a significant burden on talent acquisition and retention. Well before the pandemic, UAE-based digital industries were hiring development and programming talent based in foreign markets to avoid these high costs.

COVID-19 expanded this practice beyond the technology industry, creating a convention for remote working in adjacent and emerging markets, such as research and consultancy.

Outsourcing jobs abroad also allowed businesses to avoid the financial burden of hiring talent, and the possible legal implications of terminating employment before a contract completion date. Changes to employment law within the UAE on remote working and initiatives such as the 'National Program for Coders' represent creative ways to leverage the UAE as an attractive destination for talent and, particularly, freelance employment.





## Chapter 5

---

# Policy Considerations



Ease of Doing Business, strategic financing, prepping for export and the long-term centrality of R&D are critical to the future dynamism of the UAE's SME ecosystem.

**Public sector players are well aware of this.** Many initiatives aimed at supporting local SMEs to enable them to develop in different verticals and to attract international SMEs to set up in the Emirates are emerging, initiated by the government.

To ensure that the research project's findings are shared with a broad spectrum of stakeholders to form a solid foundation for future policy directions, the MBRSG organised a "Policy Council" to share the project findings on identified pain points, challenges, and opportunities for SMEs in the UAE.<sup>8</sup>

---

<sup>8</sup> The "policy council" was conducted by MBRSG in early September 2022 and included a diverse representative group of executives and founders of SMEs and start-ups operating in different jurisdictions in the UAE.

Over the past few years, the Policy Research team at MBRSG, in collaboration with several Federal and Local government entities, has led research projects where the SMEs and start-ups sector were key stakeholders and beneficiaries, ultimately contributing to wide-ranging public policy initiatives and interventions. These projects highlighted these entities' critical role as a driver of innovation and engines of economic growth. The results of these research and advisory projects have generated a deep understanding of the challenges and pain points experienced by founders of start-ups and SMEs throughout their entrepreneurial journeys. In this project, the Policy Research team at MBRSG collected updated data on challenges faced by SMEs and start-ups across the UAE economy.

The findings uncover new post-pandemic pain points and highlight emerging challenges in contrast with the pre-pandemic state. Ultimately, the analysis of the findings aims to inform policy options, directions, and recommendations.





**Based on your experience during the COVID-19 crisis, please rate the importance of the following potential government policies and initiatives for creating a better environment to support SMEs and entrepreneurs.**

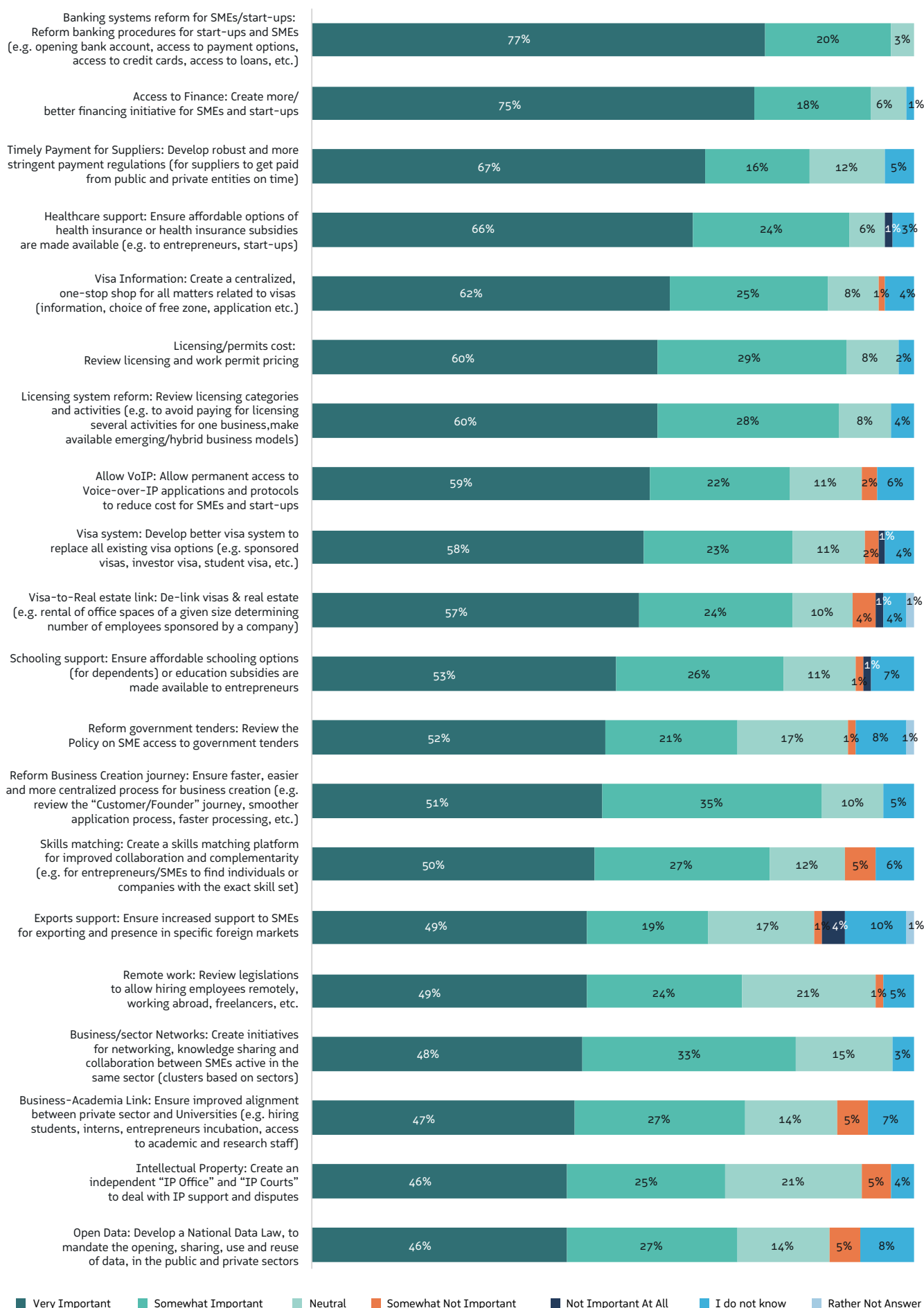


Figure 40 - The importance of potential government policies and initiatives

A spectrum of potential policy interventions is necessary. Ensuring the seamless growth and well-being of the start-ups and SMEs ecosystem involves numerous critical components that involve weaving together a complex set of government policies, regulatory systems, and potential initiatives. According to the findings, the priority policy areas for consideration in the UAE can be categorised into financial, administrative, operational, and environmental.

The various priority areas identified through which policy intervention can have the strongest impact in the UAE are those directly related to banking systems, finance and payments. This finding corroborates earlier research findings carried out by the MBRSG Policy Research department exploring the challenges facing the innovation ecosystem in the UAE over the past few years. According to the sample of start-ups and SMEs probed in our survey, banking system reforms, specifically considering SMEs and start-ups to

**facilitate procedures for opening and managing bank accounts more seamlessly were seen as the most important by an overwhelming**



This was followed by access to finance in general (75% rated this as a Very Important area of intervention), which can facilitate more and/or better-targeted financing initiatives available to start-ups and SMEs in the country.

Another chronic pain point according to previous research is related to existing payment regulations and practices that create major operational, cash flow and financial barriers for start-ups and SMEs in the country. According to numerous research projects exploring SMEs and start-ups in different sectors, existing practices create a disincentive for SMEs to be able to bid for or tackle projects with Government agencies, State Owned Enterprises (SOEs) and large Public Private Partnerships or mega projects that are run by or operating under government regulations. This reality was clear in our findings both through quantitative results and qualitative in-depth focus groups with different SMEs and Start-up sectors. For example, practices related to restrictive payment terms, deterring bank guarantees requirements, lengthy payment cycles and overly bureaucratic systems, among others, effectively penalise


SMEs and start-ups who may not be able to tolerate the financial overhead and pressure created by these practices, vis a vis larger corporation and MNCs who can easily tolerate and absorb such payment-related challenges. Responding companies ranked this among the top three priority areas for policy intervention. More responsive and agile payment practices and creating a seamless route for SMEs and start-ups to get paid optimally and timely by their service contractors are crucial operational requirements for a functioning SMEs ecosystem that can access large projects that can put innovative SMEs and start-ups on a rapid growth and scale-up route. Such a robust payment system that can offset the payment challenges for SMEs and start-ups can create a more dynamic ecosystem and reduce government costs in such projects by widening the surface of companies that can access and bid.

Other areas of priority identified by responding companies include providing a better healthcare support system, visa information, licensing reform and a more open approach towards technological tools (e.g., VoIP), among others.

The following section looks at the different legislative reforms taken during recent years, often due to the COVID-19 pandemic and examines the challenges identified through analysis of the results of the fieldwork.

Building on these findings and considering recent policy changes, policy considerations are explored based on the country's SMEs ecosystem analysis.





The policy considerations presented are organised according to 6 categories:

---

**1 Ease of Doing Business and Centralised Licensing**

Looking at the core aspects of conducting business: Licensing, Business Set-up & Closing Procedures

**2 Role of SMEs in ‘Research and Development Governance Policy’**

Issues linked to the UAE’s research strategical objectives, focusing on the support for research

**3 Finance Toolbox Mechanism for SMEs**

Financing-related challenges and available information

**4 Building an Export Economy**

Export support and attracting FDI in the country

**5 Government Payments and Tendering**

Ease of conducting B2G activities and procurement

**6 Accelerated Digital Economy Transformation**

Optimal use and integration of digital technologies and processes in activities



# Summary of UAE Legislative Reforms during COVID-19

Since the finalisation of the fieldwork of this research project, the UAE undertook far-reaching legislative reforms. Many of the legislative provisions have key applicability to SMEs or were specifically drafted to protect this vital sector of the economy.

Over the past two years, various studies such as Euromonitor<sup>9</sup>, FM Global Resilience<sup>10</sup>, and Bloomberg<sup>11</sup> ranked the UAE as one of the world's most COVID-19 resilient countries, while the United Nations also ranked the Emirate of Dubai as the world's most resilient city.<sup>12</sup>

An exhaustive examination of COVID-19 policymaking in the UAE is outside the scope of this report. Yet, several new laws are of material reference to this study and are referenced herein to provide important background context. For example, by 2022, significant amendments were drafted to the Commercial Companies Law, Commercial Register Law and Trademark law.<sup>13</sup> Earlier, foreign investors were allowed full ownership of companies.<sup>14</sup>

To attract and retain talent, various amendments were made to UAE visa laws, including a new 'golden residency' which "enables foreigners to live, work and study in the UAE without the need of a national sponsor and with 100 percent ownership of their business on the UAE's mainland".<sup>15</sup> Antecedent to this law, foreign individuals could only have 100 percent ownership in free zone-based companies.<sup>16</sup> New labour law provisions also instituted changes such as maximum working hours, flexible working modes, maternity leave, equal pay for women, and the abolishment of unlimited employment contracts.<sup>17</sup> A new personal data protection law was ratified, which came into force on 2nd January 2022.<sup>18</sup>

9 UAE among top 3 resilient economies, April 2020. Available online: <https://www.khaleejtimes.com/business/uae-among-top-3-resilient-economies>

10 Waheed Abbas, 'UAE economy proves mettle again, ranked most resilient in region', Khaleej Times, Available online: <https://www.khaleejtimes.com/uae/uae-economy-proves-mettle-again-ranked-most-resilient-in-region>

11 UAE tops Bloomberg's COVID-19 Resilience Ranking list, Gulf Insider, December 2021. Available online: <https://www.gulf-insider.com/uae-tops-bloombergs-covid-19-resilience-ranking-list/>

12 'Dubai named world's most resilient city by United Nations,' The National. Available online: <https://www.thenationalnews.com/uae/government/2021/09/23/dubai-named-worlds-most-resilient-city-by-united-nations/>

13 See U.ae 'Business Regulations'. Available online: <https://u.ae/en/information-and-services/business/business-regulations>

14 'UAE to allow investors full ownership of companies from June 1', Khaleej Times, May 2021. Available online: <https://www.khaleejtimes.com/news/uae-to-allow-investors-full-ownership-of-companies-from-june-1>

15 UAE Golden Visa Portal, Jan 2022: <https://u.ae/en/information-and-services/visa-and-emirates-id/residence-visa/long-term-residence-visas-in-the-uae>

16 Hassan Elhais, 'What you need to know about the new updates on business law in the UAE?', Lexology, December 2021. Available online: <https://www.lexology.com/library/detail.aspx?g=1fc6423e-8597-41f2-bdea-bf9e3f025718>

17 Ben Brown & David True, 'The New UAE Labor Law—What You Need to Know', December 2021. Available online: <https://www.shrm.org/resourcesandtools/hr-topics/global-hr/pages/new-uae-labor-law.aspx>

18 'The UAE is preparing for landmark new personal data legislation to come into force in a matter of weeks', Pinsent Masons, 2021. Available online: <https://www.pinsentmasons.com/out-law/news/uae-data-protection-law>





Many of these changes favour the SME sector and the wider economy. While, in many cases, full activation of some of these regulatory reforms still await additional fine-print and execution, in-depth evaluation and research will be required to assess the impact of these new provisions, it is clear that the UAE has taken decisive and targeted action with a speed that compares favourably to other countries.


In a follow-up workshop reflecting on the fieldwork findings<sup>19</sup>, SME and start-up founders and executives highlighted another pain point related to having to pay for someone's residency visa before their probation period is over, as this implies considerable costs with uncertainty about the employees' future within the company. As a solution, a suggestion was made to introduce new forms of flexible temporary visas such as "remote visas" that could be implemented before spending any expenses on bringing talent into the country without them proving themselves at work first. Another suggestion was to have a specific visa for a "trial period" before fully committing to a long-term (and more expensive) visa.

The Ministry of Economy has identified many challenges highlighted in this research. A potentially impactful initiative named "The Entrepreneurial Nation" was launched in November 2021 as part of the "Projects of the 50" by the UAE Ministry of Economy.<sup>20</sup> The global initiative included a comprehensive online portal to develop entrepreneurship and enhance the UAE's position as the most attractive destination for entrepreneurs and small- and medium-sized businesses. Public-private partnerships were built to support entrepreneurs establishing themselves in the UAE, growing their businesses, exporting their products, and leveraging online sales. Program partners included worldwide corporations such as Google, Meta, LinkedIn, Cisco, Huawei, and UPS, and local entities like Etihad and the Khalifa Fund for Enterprise Development.

<sup>19</sup> Based on the findings of a "policy council" conducted by MBRS in September 2022 of a diverse representative group of executives and founders of SMEs and start-ups operating in different jurisdictions in the UAE.

<sup>20</sup> The Entrepreneurial Nation <https://theentrepreneurialnation.com/?lang=en>





The Entrepreneurial Nation initiative also launched several training and business development programmes and rewarded numerous start-ups and SMEs with equity-free funding and support. The initiative consists of three categories:

### **The Skill-Up Academy**

aims to train participants with entrepreneurial skills and is designed for many participants, including students, recent graduates, employees, retirees, homemakers, and job seekers.

### **The Start-Up**

track offers incentives, products, and services to support the nation's start-ups and innovative businesses. This includes cooperation with Emirates Development Bank, which enables opening bank accounts within 48 hours.

### **The Scale-Up**

initiative assists existing UAE-based and international companies in rapidly expanding, revenue-generating businesses older than three years to flourish and eventually become unicorns.



Strategically, over the upcoming decade, the UAE aims to become home to

**20**  
unicorns or  
start-ups valued at over  
**\$1 billion** by 2031.

The country established a Dh1bn (\$272 million) private equity fund for lending to small and medium-sized enterprises (SMEs) based in the country and functioning in strategic industries.<sup>21</sup> The funds' distribution is set to continue for the next five years. For example, among the activities and competitions organised as part of the Entrepreneurial Nation initiative, the Start-up track organised a competition that primarily targeted regional and international entrepreneurs seeking to establish operations and expand in the UAE, attracting in its early stages more than 1,200 companies from 33 countries to compete for the incentive package offered to the winners.<sup>22</sup> The Entrepreneurial Nation case study is a valuable experiment where many of the identified policy challenges can be explored and eventually solved.

To an extent, the COVID-19 pandemic has already led to significant reforms which increase the ease of doing business and the dynamism of the SME sector.

Even as vast progress is made within a short time, additional recommendations can be made in light of the findings of this research.

---

<sup>21</sup> UAE aims for 20 \$1 bln Start-ups by 2031, says minister | Reuters

<sup>22</sup> Emirates News Agency - 1,200 Start-upstart ups from 33 countries participate in Entrepreneurial Nation's Start-up Leap competition <https://www.wam.ae/en/details/1395303042517>

# 1 Ease of Doing Business and Centralised Licensing

The UAE continues to put tremendous efforts into building a modern business-enabling environment. For example, the country enacted regulations that allow and accelerate the establishment of firms through electronic platforms and increased its appeal by amending the Companies Law. In 2019, the UAE ranked

**16th out of 190**

nations on the World Bank's Doing Business Index.<sup>23</sup>

In our survey of SMEs and start-ups, the task of accurately calculating total incorporation costs in the free zone and mainland jurisdictions remains challenging for entrepreneurs, with conflicting information available.

## This lack of transparency can affect investor confidence.

As cities compete for talent in emerging technologies, promising SMEs are likely to reward regulatory clarity over the expense of business setup.

The country also ranked

**1<sup>st</sup>** in terms of business efficiency,

**2<sup>nd</sup>** in government efficiency and

**7<sup>th</sup>** on the economic performance index.<sup>24</sup>

However, despite these efforts, few data points suggest that **starting a business in the UAE remains highly expensive**<sup>25</sup>, with true incorporation costs can reach up to \$7,443.51.

**Among the challenges related to starting and/or closing a business** encountered by business owners and entrepreneurs during COVID-19,

**financial restrictions** were the most cited impediment (62% of respondents).

**Administrative requirements** such as licensing came second (46%), followed by the lack of information available regarding setting up businesses,

**the lack of homogeneity** between Emirates, and regulatory uncertainty (37%).

We therefore note a considerable problem of asymmetry of information, clarity, and interoperability on business development matters within the UAE territory.

<sup>23</sup> Now discontinued.

<sup>24</sup> Economic Profile United Arab Emirates - <https://www.doingbusiness.org/content/dam/doingBusiness/country/u/united-arab-emirates/ARE.pdf>

<sup>25</sup> 'The Cost of Starting a Business in Every Country', Business Financing, 23rd July 2020. Available online: <https://businessfinancing.co.uk/cost-of-starting-a-business-in-every-country/>

**Since the COVID-19 pandemic, which of the following challenges has your company been dealing with?  
(with Starting & Closing a Business)**

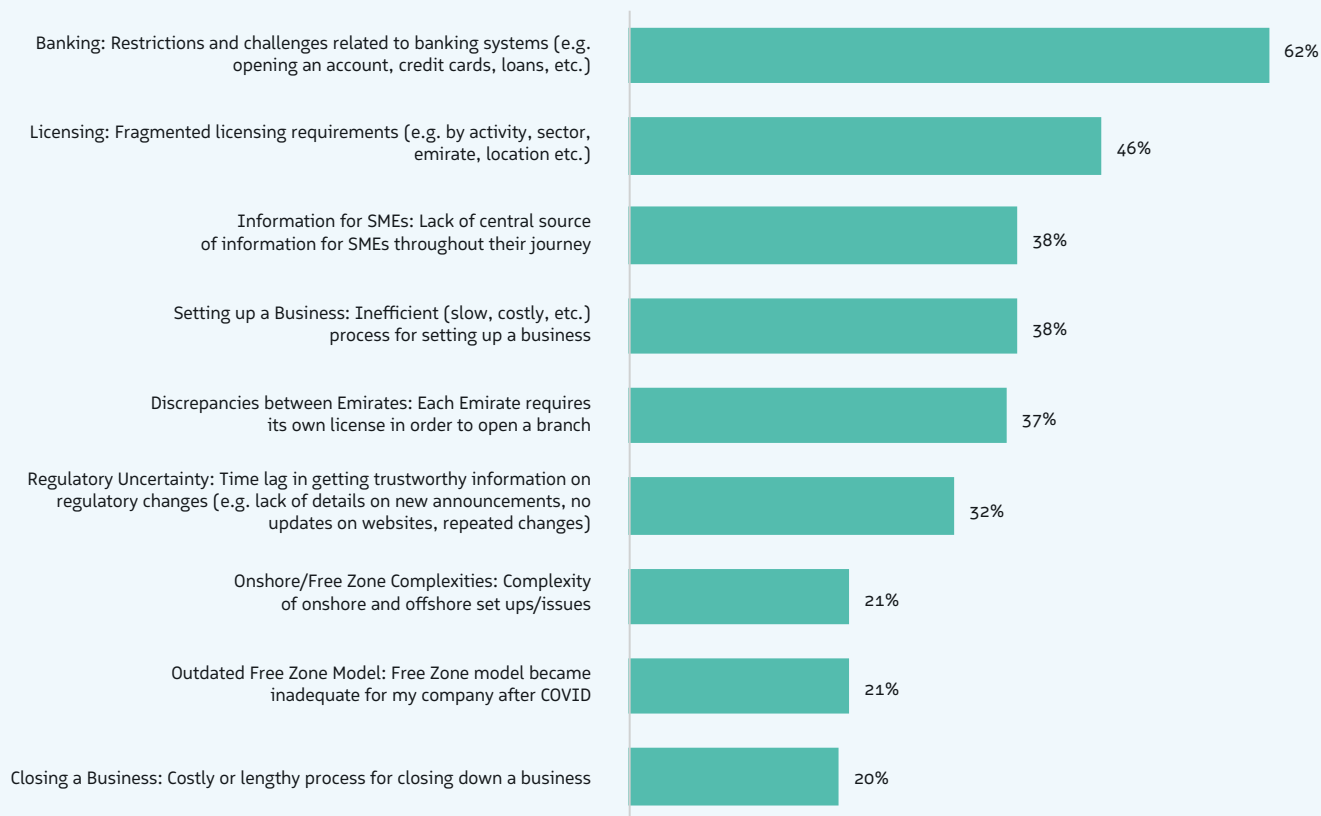


Figure 41 – Challenges During COVID-19 with Starting & Closing a Business

Tools and resources are available, but there are indicators that their multitude can get confusing. Qualitative findings in our research suggest that entrepreneurs and business owners sometimes find themselves at a loss and are pushed to appeal to external private service providers to support them with business development and licensing-related procedures.

However, the UAE already has existing mechanisms to provide services to establish and conduct business in the country. For example, BASHER is a government platform developed as one of the initiatives of the Proactive Services Department of the Ministry of Possibilities in the United Arab Emirates and operated by the Ministry of Economy in conjunction with other governmental entities (more than 60 at the federal and local level) that provides services to establish and conduct business.<sup>26</sup> The service provides an integrated package that enables any user to explore the market, register a business and get approvals and business documents for doing business in simple steps, allowing investors to begin running their business immediately. Nevertheless, the findings of our fieldwork among start-ups suggest that such tools should be promoted more to ensure the general public is aware of their existence and to encourage their use, easily obtain data on businesses and gather feedback on public service delivery through government-managed platforms.

**It is important to note that during COVID-19, the UAE government has taken significant steps to improve access to SME incorporation information.**

This includes, for example, launching centralised SME information portals for Dubai and Abu Dhabi emirates. However, the findings suggest that the policy instruments mentioned above with the wave of post-Covid19 recovery measures, including initiatives such as the Entrepreneurial Nation and the numerous Vision 2071 projects and endowments, are yet to pay off. Eventually, the many efforts put in place and the new financial support mechanisms should potentially decrease the cost of setting up a business in the UAE or at least facilitate funding opportunities related to the launch and deployment of a venture.

Overall, the challenges to doing business and licensing identified through fieldwork can be grouped into:

### **1. Structural operational restrictions for SMEs and Start-ups**

Restrictions and lack prioritisation for start-ups and SMEs. Restrictive barriers related to banking systems, payment delays, bidding for government tenders, a sense of unfair treatment for SMEs, restrictive procurement system, etc.

Most participants stressed that access to financing is challenging, especially in the early stages, even as a UAE National. Start-ups and SMEs have found it challenging to request credit cards or loans from banking institutions due to the current rules and regulations. The requirements are deemed unreasonable, and the long process is bureaucratic and unnecessary.

### **2. Insufficient Awareness**

There is a wide scale of efforts and initiatives developed by different government stakeholders, yet research indicates limited awareness and adoption by the targeted companies.

---

<sup>26</sup> Ministry of Possibilities -About Basher | One Stop shop for explore, register & manage business: <https://basher.gov.ae/invest/>



## Policy Areas for Consideration

### 1. Sectorial SME development incentives:

There is a need to streamline SMEs/Start-up classification systems across local and federal levels as a foundational basis for targeted policy interventions. For example, SMEs in priority industries such as digital sectors, AI, food security, AgriTech, sustainable energy, Green Tech, GovTech or advanced sciences could be short-listed for waivers, preference bidding conditions and grants, among others. This will also create opportunities for other forms of non-financial support, such as special access to data, endowments, partnerships, knowledge and capacity building, IP fast-tracking, commercialisation and export support, etc.

### 2. Fair playing field:

Several policy interventions can be explored to avoid a culture of competition between market innovators in the SME/start-up sectors and state-owned enterprises or government-owned profit-making businesses. For example, public data access, data interoperability, data anonymisation is one area that can provide SMEs in advanced digital areas with a fair playing field when developing services, products, and solutions, vis a vis government-owned or supported companies. More generally, other policy and regulatory interventions can be related to regulating antitrust and competition with SOEs, specifically in priority market sectors for SMEs growth.

### 3. Public service promotion and development:

Expand promotional efforts and incentivise using existing government platforms (e.g., Basher) that provide services to establish and conduct business and focus on their development instead of replicating mechanisms.

## 2

# Role of SMEs in the ‘Research and Development Governance Policy’

The findings demonstrated a nascent but growing interest in R&D among micro-sized and small SMEs. Additionally, qualified but significant interest was demonstrated in regard to SMEs partnering with UAE universities and government institutions on R&D projects.

Despite this, survey respondents listed several difficulties with registering Intellectual Property or validating trademarks at the country and local levels. Responding companies in advanced technology industries identified embarking on research and innovation projects in partnership with higher education institutions as a top challenge.

**Since the COVID-19 pandemic, which of the following challenges has your company been dealing with? (with Innovation)**

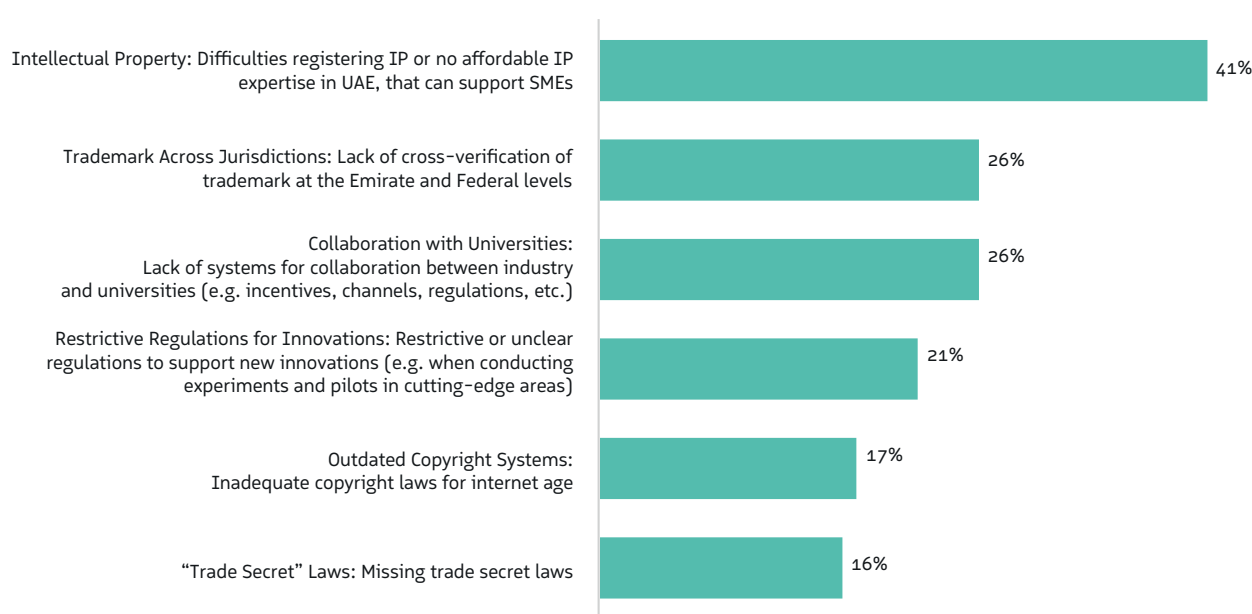


Figure 42 - Challenges During COVID-19 within the Innovation Ecosystem

The early Internet was funded by the US government under the Defense Advanced Research Agency (DARPA), a US Space program division.<sup>27</sup> The World Wide Web was invented at the European Organization for Nuclear Research (CERN), a European research institution.<sup>28</sup> The history of transformative technologies is often a triage

between the private sector, government, and academia. The linkages between R&D and higher learning institutions in the UAE require significant attention and development. The UAE's expenditure on R&D - in the public, academic, and private sectors - remains lower than required to keep pace with its competitors and be a driver of innovation (0.97% of GDP).<sup>29</sup>

<sup>27</sup> Lillywhite, J., 'The Return of Cyberspace: Towards a Digital Architecture for Internet Governance', Nov 2020, MA Thesis. Available online: [https://www.academia.edu/44467474/The\\_Return\\_of\\_Cyberspace\\_Towards\\_a\\_Digital\\_Architecture\\_for\\_Internet\\_Governance](https://www.academia.edu/44467474/The_Return_of_Cyberspace_Towards_a_Digital_Architecture_for_Internet_Governance)

<sup>28</sup> Ibid

<sup>29</sup> Ministry of Education/Federal Competition and Statistics Authority (2017)



In 2021, the UAE launched a 'Research and Development (R&D) Governance Policy' alongside a new 'Emirates Research and Development Council.' Both institutions aim to "strengthen the performance and effectiveness of the UAE's science and technology (S&T) sector and its efforts to achieve a knowledge-based economy<sup>30</sup>." The governance policy "encompasses regulations, principles, and standards of good practice to achieve and continuously improve the quality of research across all sectors<sup>31</sup>".

The council can play an essential role in systemising linkages across institutions, distributing incentives, and harmonising reporting requirements for all institutions involved. For example, in advanced sciences industries, governance systems could be reformed to allow employees to conduct research outside academic institutions or to receive 'No Objection' status on projects with key strategic or commercial benefits to the UAE.



## Policy Areas for Consideration

### 1. R&D Metadata:

Publicly accessible data on R&D funding opportunities and offerings across all UAE sectors could be a powerful tool to spur competition and growth in the start-up and SMEs sectors. Such information would include grants available, patents applied for or reserved, papers published, and commercially viable technologies brought to market. A funding portal connecting universities to private sector foundations, and R&D-driven corporations, could also reduce the burden on public sector financing.

### 2. Impact Assessment and Mapping of Incentives Systems

Documenting and assessing the outcomes of the different use cases that can emerge with the new policy rollout is necessary for extracting lessons and fine-tuning targeted future policy interventions. Mapping R&D incentives and developing cases on how they affect growth (or not) is critical to identify ways they can be incorporated into the UAE SME ecosystem plans, and the plausible long-term economic benefits of these programs.

<sup>30</sup> The Research and Development Governance Policy: <https://u.ae/en/about-the-uae/science-and-technology/the-research-and-development-governance-policy>

<sup>31</sup> Ibid



## Finance Toolbox Mechanism for SMEs

The COVID-19 pandemic exposed a clear vulnerability in SME funding, from micro-companies to medium-sized enterprises. A key finding of the survey was the extent to which a one size fits all approach does not work, making the task of structuring effective funding tools more challenging. This was a clear priority challenge identified by a majority of SMEs and start-ups in our research.

In 2022, the UAE Banks Federation (UBF), a trade group representing banks in the UAE, announced the beginning of a new program aimed at small and medium-sized businesses called the Nationwide SME Campaign.<sup>32</sup>

The UBF aims to:

- **Promote SMBs through business-friendly measures** based on innovation, digitalisation, financial planning, banking partnerships, and optimal governance in light of their considerable influence on the national economy. The initiative has a dedicated website<sup>33</sup> aiming at helping SME owners establish relationships with UBF banking partners, who will provide them with privileged access to individualised business banking services and solutions, financial products and financial planning services, and loan and funding programs.
- In addition, **UBF activities assist entrepreneurs in safeguarding, promoting, and controlling their enterprises** by implementing the proper strategic plans, business regulations, and governance frameworks.
- **Provide opportunities for mentorship and networking**, as well as a large scale of informational resources, and social marketing and digital technologies to help SMEs reach new business heights.

---

<sup>32</sup> UAE Banks Federation invites local SMEs to benefit from its Nationwide SME Campaign, March 2022. <https://www.adsmehub.ae/en/explore/post-details/uae-banks-federation-invites-local-smes-to-benefit-from-its-nationwide-sme-campaign>

<sup>33</sup> <http://www.uaebf.ae/SME>



## Policy Areas for Consideration

### **1. Engagement, Monitoring and Evaluation of SME-targeted programs:**

Recent programs such as The Entrepreneurial Nation and the Nationwide SME Campaign are recent favourable policy instruments for SMEs already in the country, or those interested in establishing a presence in the UAE. Going forward clear monitoring activities are needed to analyse outcomes and impact carefully. Importantly, one main finding of this research is that SMEs and start-ups are thirsty to be engaged in the policymaking and policy intervention cycles. Given the different jurisdictions (local, federal, mainland and free zones, etc.), the start-ups and SMEs terrain is a complex one in the UAE. There is a critical need (and widely shared willingness) among companies in different sectors and growth stages to be engaged and to provide feedback systematically. Having a participatory platform to support the policy implementation roadmap would allow an open and constructive dialogue with diverse SMEs and start-ups stakeholders on regulations, policies, and initiatives as they are developed, ensuring a more responsive approach. If such a channel is utilised effectively, it would also constitute an important measure for responsive interventions in times of crisis (such as the Covid-19 pandemic) and better rollout of—and, if necessary, pivots—the policy's initiatives.

### **2. A UAE Financing Mechanisms Toolbox:**

A toolbox of financing mechanisms aimed at SMEs at different stages can provide a possible policy instrument that can respond to existing identified challenges. This can include equity, debt-based tools, or technological solutions. It can also consist of private and co-investment-based opportunities such as access to angel investors, growth financing, micro-loans, loan insurance, incubation, and access to market schemes.

Another key finding of the survey was the difficulty accessing export opportunities for SMEs in the UAE. There is still no overarching or cross-sectoral strategy to support export into emerging or innovative industries. In recent years the UAE's economy has triggered numerous success stories of locally bred start-ups

in innovative fields that managed to grow globally or successfully targeted export markets. The UAE offers numerous incentives to attract companies, primarily as part of programs to draw more foreign direct investment but exporting capabilities specifically targeting SMEs and start-ups operating in the country in several sectors and industries are often limited.



### Policy Areas for Consideration

#### **1. SMEs' export-support strategy:**

A national strategy aimed at identifying and engaging with SMEs producing competitive products for export, and assisting these SMEs with foreign market access, is a low-investment and high-impact opportunity. This could involve customised support and expertise to the top 10 countries where UAE-based export is the highest. Legal advice on how to engage in international business relations, sector-specific information on key foreign industries, and specific contacts across the UAE public and private sector corporations' network would rapidly accelerate SMEs' potential to access overseas markets. Under such a strategy, local and federal efforts can be aligned, with policy instruments potentially extending to a partnership with diplomatic missions, access to export credit guarantees, international market research support, and information provision through a one-stop shop, among others.

#### **2. Partnerships with Private Global Leaders:**

Global private sector leaders can play a critical role in facilitating exports channels creation at the international level to promote the economic attractiveness of the UAE, and catapult creative start-ups and SMEs to global platforms and expose them to international business opportunities. Furthermore, bilateral chambers of commerce could play a role in helping UAE SMEs grow internationally.





## 5

## Role of SMEs in the ‘Research and Development Governance Policy’

Responding companies reported difficulties receiving and applying for government finance, managing government projects, and receiving payments from government entities in a timely manner.

A review of the procurement restrictions would allow an extensive range of SMEs to apply for government tenders.

Since the COVID-19 pandemic, which of the following challenges has your company been dealing with? (with Government Support)

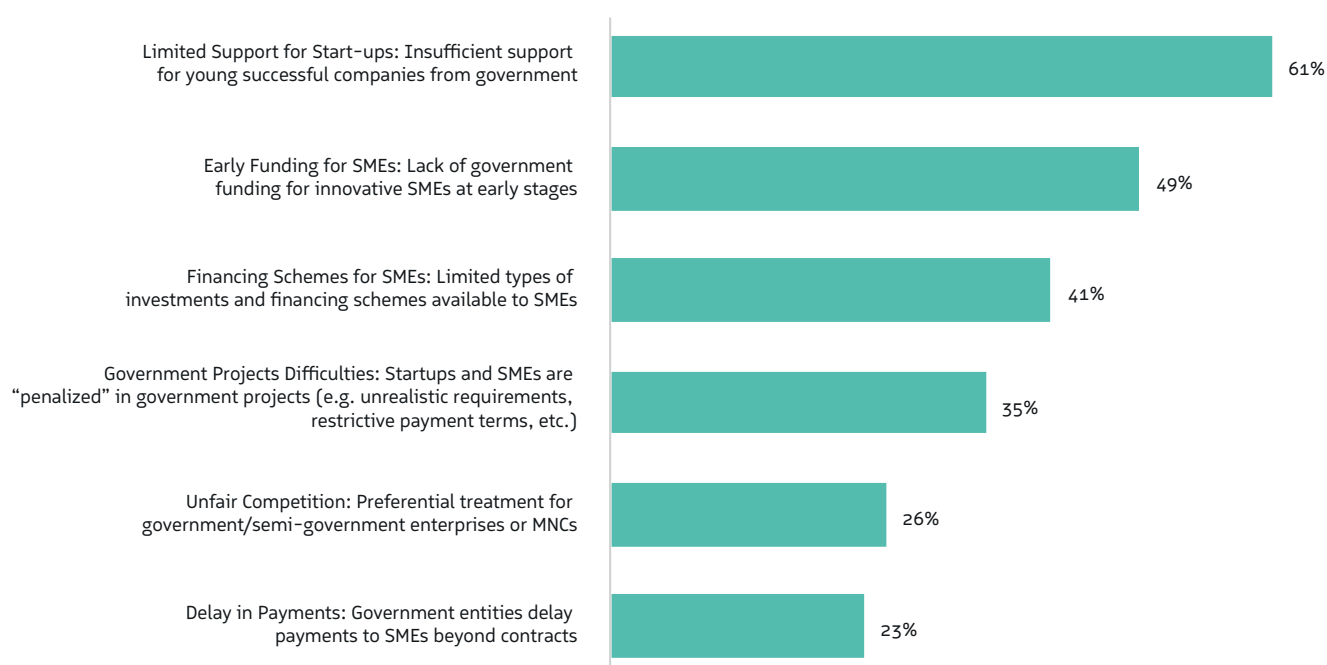


Figure 43 – Challenges During COVID-19 with Government Support

Data from the survey, and qualitative consultations, highlighted deep frustration with the government tendering process among start-ups and SMEs. Companies operating in the UAE who classify as start-ups or SMEs referred to the power-differential and their inability to leverage federal or local authorities for faster payment. During the COVID-19 pandemic, these frustrations took on an additional gravity.

Equally, the bidding of government tenders restricts locally owned free zone businesses in the UAE (legally considered foreign SMEs in many cases) from the e-procurement system.



## Policy Areas for Consideration

### **1. An SME-friendly government procurement/tendering framework:**

Despite official statements, practically, SMEs and start-ups signal a lack of consideration of local start-ups' conditions when interacting with government entities. Primarily, difficulties in releasing payments and meeting strict official conditions that effectively provide an incentive for larger corporations are seen as key barriers. A regulatory framework for federal and local government entities designed to improve payment terms to suppliers and service providers, facilitating on-time payment to SMEs, is necessary. This may include mechanisms to ensure that incentives for hiring SMEs and start-ups are effectively implemented, but equally important, systems that can penalise late payments for SMEs, which can resemble a devastating existential threat for small companies and start-ups.

### **2. Digital platform for payments and activities monitoring:**

As in other jurisdictions, a digital payment platform for procurement and transparent payment tracking could improve the quantity and quality of tenders. While such a system may exist for government tenders in the UAE, it does not necessarily have specific embedded workflows that support SMEs and start-ups. If made available, this would ultimately enable small service providers to manage their projects easily, have reliable forecasts and real-time monitoring of procedures and payments, as well as follow-ups on payment delays through proper channels.

## 6 Accelerated Digital Economy Transformation

Successful digitalisation strategies allowed the UAE to universally offer access to critical government and banking services during the pandemic.

Policies which allowed for first-mile delivery and online payment services helped households social distance and meant that SMEs could quickly pivot to charging customers online. These policies played a significant role in the UAE's economic resilience and were referenced as critical by survey respondents.

Today, UNCTAD estimates the size of the digital economy may range between

**4.5% and 15.5% of world GDP<sup>34</sup>**

It is estimated that by 2022,

**over 60%** of global GDP will be digitised and that over the next decade,

**70%** of new economic value will be generated by digitally enabled platforms.<sup>35</sup>

For example, the platform economy alone was estimated at US\$ 7 trillion today, and the IoT global market alone is estimated to reach US\$ 1.85 trillion by 2028.<sup>36</sup> Meanwhile, the Arab digital economy is at 4% of the GDP (50% of it being services) and has the potential to reach US\$3 trillion.<sup>37</sup> The UAE is well-positioned to take advantage of its digitally mature population, advanced digital infrastructure, mature market connections, well-developed institutions, and agile policy ecosystem in fields such as digital transformation, platforms economy, data economy and advanced applications such as AI and Blockchain, among others.<sup>38</sup> However, the ecosystem also has some challenges to overcome.

<sup>34</sup> UNCTAD (2019), 'Digital Economy Report'

<sup>35</sup> WEF (2020), 'Shaping the Future of Digital Economy and New Value Creation,' Available: <https://www.weforum.org/platforms/shaping-the-future-of-digital-economy-and-new-value-creation>

<sup>36</sup> UNCTAD (2021), 'Recent Trends in The Data-Driven Digital Economy'

<sup>37</sup> MBRS (2017). The Arab World Online 2017-2021: Digital Transformations and Societal Trends in the Age of the 4th Industrial Revolution. Retrieved from Dubai: <http://dx.doi.org/10.2139/ssrn.3059445>

<sup>38</sup> Salem, F., & Geray, O. (2021). From Electronic Government to Smart City: Dubai's Digital Transformation. In R. Beschel & T. Yousef (Eds.), Public Sector Reform in the Middle East and North Africa: Lessons of Experience for a Region in Transition (Vol. 1, pp. 119-138). Washington, D.C, Brookings Institution Press.





## Policy Areas for Consideration

### 1. Broadband, Cloud and Telecommunications Policies:

While the UAE leads globally in terms of availability and societal access to ICTs, SMEs in our survey have identified access to ICT tools as one of the key challenges for growth. Regulatory systems that would make such tools more accessible and effectively utilised throughout the ecosystem should increase economic productivity and viability for SMEs. For example, as highlighted repeatedly in our survey and qualitative fieldwork, technologies such as VoIP and VPN are a given in most settings globally as cost-cutting tools used widely by entrepreneurs, start-ups and SMEs. For data-heavy and digital economy SMEs, the telecommunication cost constitutes a high percentage of their overhead in the UAE. In a rapid response to the COVID-19 pandemic, the regulators in the UAE temporarily unrestricted access to a wide range of VoIP technologies. Making exceptions to existing restrictions would unlock cost restrictions for start-ups and SMEs, especially in heavy data and digital domains, where resources can be shifted to product development, capacity building, and talent attraction. Similarly, preferential broadband access for start-ups and SMEs operating in bandwidth-demanding fields (e.g. start-ups in data, AI/ML, blockchain, Fintech, VR/AR, gaming, multimedia and metaverse-related domains) is a similar necessity. These can occur through policy instruments such as subsidies or start-up packages designed for companies classified as SMEs across the telecommunication market. Furthermore, as economies of scale in digital fields shift towards more utilisation of cloud computing as a standard infrastructural need, cloud-first policies that facilitate access to—and reduce the cost and availability of—cloud solutions can further boost start-ups and SMEs in such digital domains.

### 2. Capacity Building for SMEs:

Developing a thriving innovation ecosystem, specifically for start-ups and SMEs in advanced digital and technology domains, heavily depends on developing local capacity across the ecosystem. This includes systematically advancing capacity for SMEs in advanced digital fields (e.g., data literacy, advanced digital skills, data science and analytics, open data use, data commercialisation, AI/ML capacity, etc.) Upskilling SMEs talent at scale in the country's strategic fields would require setting national strategies and putting together policy instruments that ensure SMEs stakeholders are guided towards and supported in developing capacity in strategic fields. The policy instruments would require investments not only in training, certification, and upskilling initiatives (e.g., data use, compliance, etc.) but also in connectivity, data infrastructure, data repositories and data commons (e.g., to enable AI/ML skills development).

### 3. Expand Sandboxing for SMEs and Start-ups in Emerging Innovative Fields:

The UAE Government has established numerous initiatives that facilitate experimentation and sandboxing of emerging business models and innovations that may require policy or regulatory interventions (e.g., the UAE Regulation Lab<sup>39</sup>). Building on institutionalising these experiments that may involve consortia of SMEs in advanced digital fields would assist in spurring more responsive policies, developing R&D tracks, defining local use-cases, allowing for talent attraction and development, and better engaging with stakeholders around shared business models and commercial vision, as well as align with economic strategies and plans.

<sup>39</sup> UAE Regulation Lab: <https://reglab.gov.ae/>

The background of the page is a semi-transparent aerial photograph of a city. In the upper half, several tall skyscrapers are visible against a light sky. In the lower half, a large marina is filled with numerous yachts and boats of various sizes, docked along a curved waterfront. The overall color palette is a muted teal or blue-green, which serves as a backdrop for the white text.

Building on a review of the evolving legislative and policy frameworks in the UAE, the areas of policy consideration explored here aim to contribute to the national agenda of economic resilience in the UAE. Collectively, the policy considerations discussed are driven directly by analysing SMEs' pain points across the ecosystem and throughout the different economic layers. **Together, the analysis and policy discussion provided in this report can contribute to building a future policy roadmap that not only can support the start-ups and SMEs sector in the country but also empower their central role in the national innovation ecosystem, ultimately expanding their contribution to economic growth and enhancing the competitiveness of the UAE economy.**





# Copyrights

The report was prepared by independent researchers at the MBRSG Policy Research Department. Views expressed, or results presented, in the report do not necessarily reflect the views of the MBRSG, its Board of Trustees, management or employees, nor those of Google.

Authors:

**Salma Refass**

Principal Researcher, MBRSG

**John Lillywhite**

Google Research Associate, MBRSG

**Fadi Salem**

Director of Policy Research, MBRSG

**Zina Akrouf**

Research Associate, MBRSG

**Sarah Shaer**

Non-Resident Researcher, MBRSG

**Engy Shibl**

Research Associate, MBRSG

## Copyright Information

Creative Commons Attribution-NonCommercial-ShareAlike. International License Readers are free to copy, re-distribute, transmit and adapt the work, on the following conditions: You must attribute ownership of the work to the Mohammed Bin Rashid School of Government; you must not use the work for commercial purposes; and, if you share, alter, transform or build upon the work, you must distribute the resulting work only under the same or similar conditions. These conditions may be waived if you obtain written permission from the Mohammed Bin Rashid School of Government. Where the work or any of its elements is in the public domain under applicable law, that status is in no way affected by the license. For further copyright information, please visit the website: [www.mbrsg.ac.ae](http://www.mbrsg.ac.ae) or contact the author For reprints or permissions regarding using any of the material included in the publication, please get in touch with MBRSG through: [permissions@mbrsg.ac.ae](mailto:permissions@mbrsg.ac.ae)



# Acknowledgments

The Authors would like to acknowledge the valuable contributions of the following entities and individuals to the development of this report:

**Rasha El Hallak, Google**  
**Selim Edde, Google**  
**Dr. Hassan AlSayegh, Ministry of Economy, UAE**  
**Meriem Menani, Google**  
**Martin Roeske, Google**  
**Raghad Aljughaiman, Ministry of Economy, UAE**  
**Adeeba Ibrahim, Ministry of Economy, UAE**  
**Jana Elkova, Ministry of Economy, UAE**  
**Dima Halwa, Ministry of Economy, UAE**

The development of the report has benefited from a generous grant from Google.

Special thanks to the following companies for their valuable input into the fieldwork of this research:

MAGNiTT, Wamda, SARSat Arabia, Hoick, Tenderd, Asafeer Education Technologies (3asafeer), Libra Project, Ziina, Cashew Payments, Sprout, Steppi, Soul Artists, DUBZ, Almentor, Fujtown, House of Monte Cristo, Those Guys Events, The Best Things, Foloosi, Primoris Laundry Dry Cleaning, Not a Space, DeliverAI, Virtuality Tech, Taka, EEDEMA, Nfinity8, Smart Crowd, Gorise, Craft, FH Modes LLC, HCMS.

## Appendix

# Survey Demographics

# A. SME Jurisdiction and Incorporation

In total, survey respondents were predominantly based in Dubai and Abu Dhabi (82%), with other emirates such as Ajman and Umm Al Quwain represented by companies in the industrial sector, in particular. While the survey was distributed evenly to institutions across the UAE in Arabic and English, the majority of respondents have their companies registered in Dubai.

Where is your company registered?

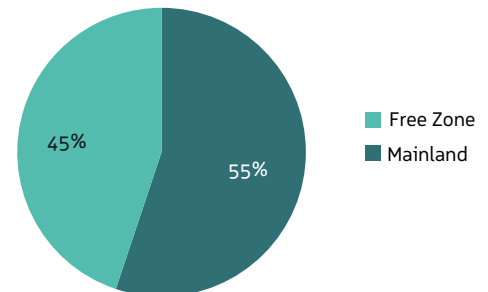


Figure 44 - Company Registration by Jurisdiction in the UAE

How many "activities" are included in your business license?

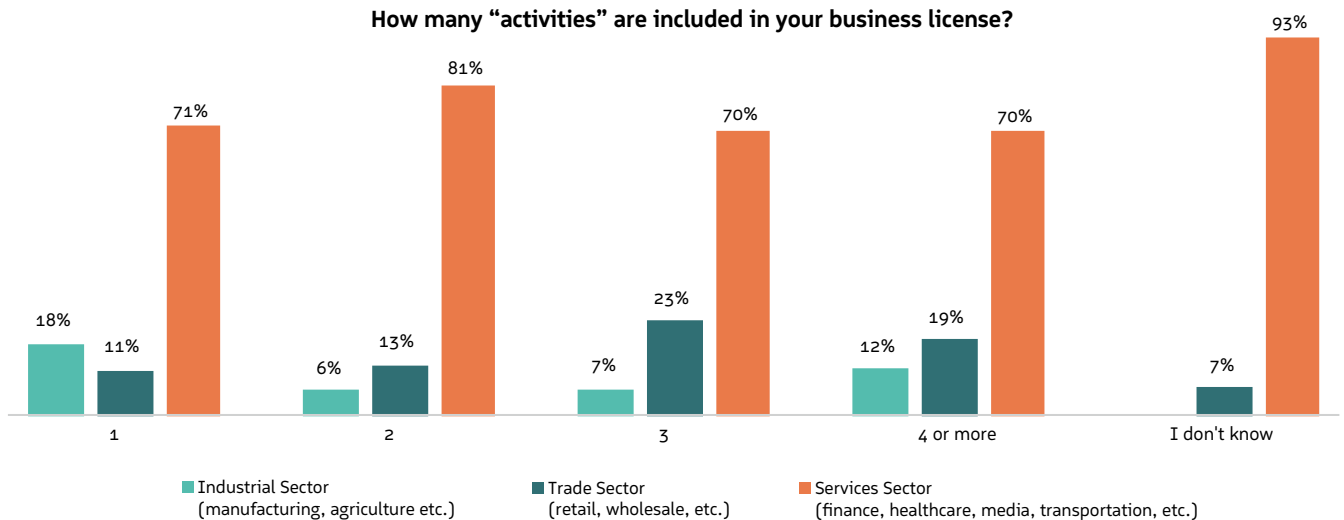


Figure 45 - Number of 'activities' included in a company's business license, by sector (%)

In which Emirate is your company registered (or in the process of being registered)?

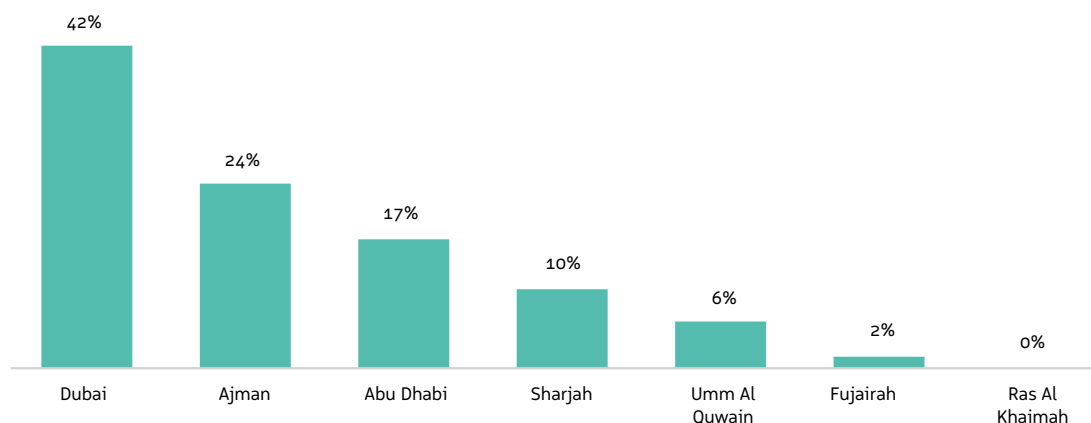


Figure 46 - Company registration by Emirate across FZs & Mainland



Of those that have registered a company in the UAE

55% +

of responding companies have registered in the mainland

95%

of overall industrial sector companies were predominantly based in the mainland while the services sector exhibited a near-parity between mainland and free zones.

Where is your company registered? (per sector)

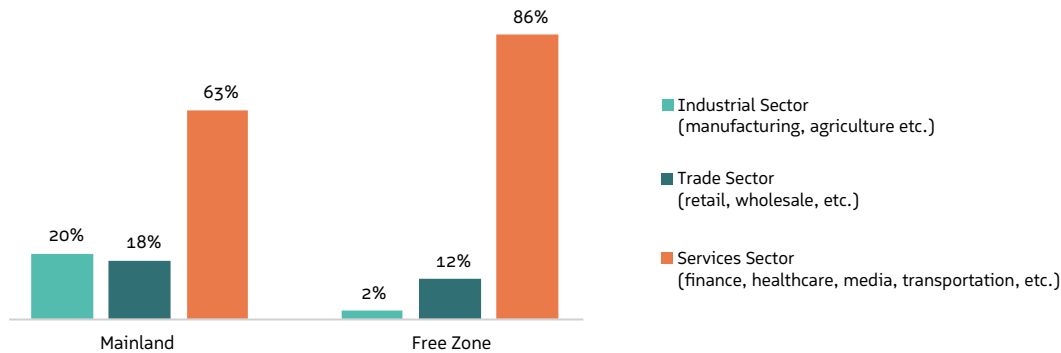


Figure 47 - Company Jurisdiction of registration in the UAE by Sector

In which Free Zone in your company registered?

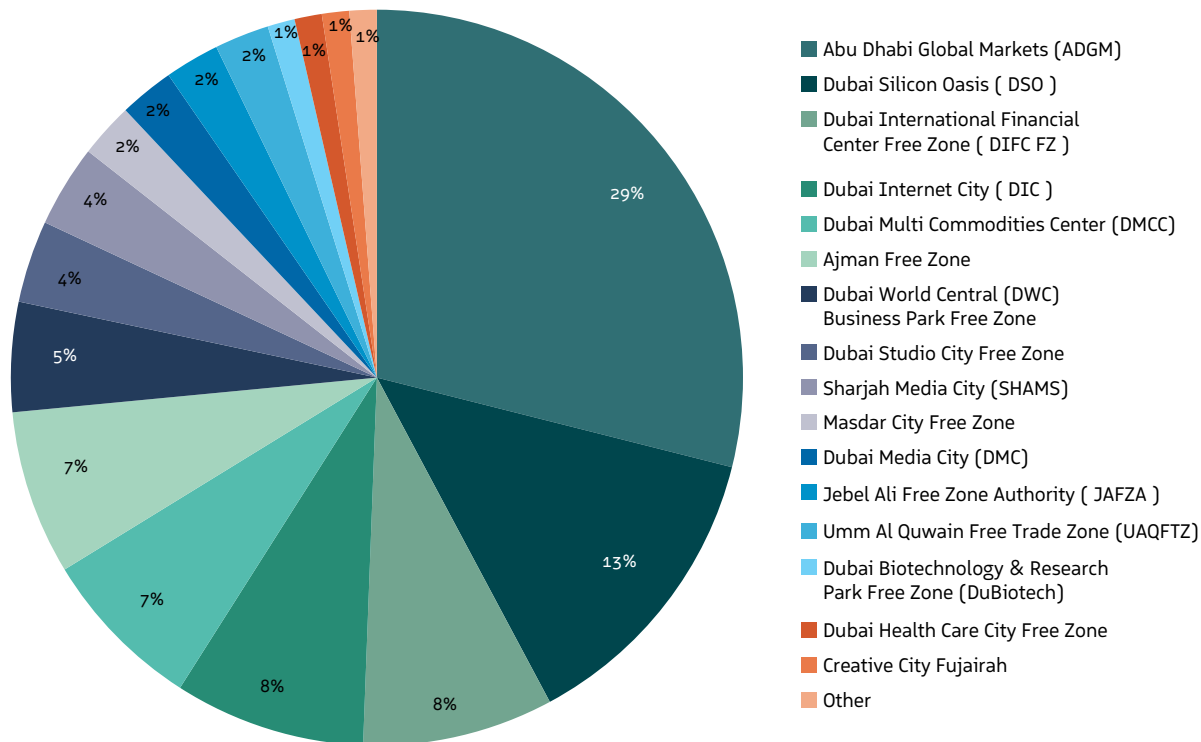


Figure 48 - Distribution of FZs represented in survey population by Emirate (%)

**In terms of company registration, the SMEs covered belonged to 10 free zones, with**

**29%** of responding companies are based in Abu Dhabi Global Market (ADGM) registration

**13%** in Dubai's Silicon Oasis

**8%** in Dubai International Financial Center

**8%** in Dubai Internet City

**7%** in Dubai Multi Commodities Center (DMCC).

Figure 48 shows further distribution data.

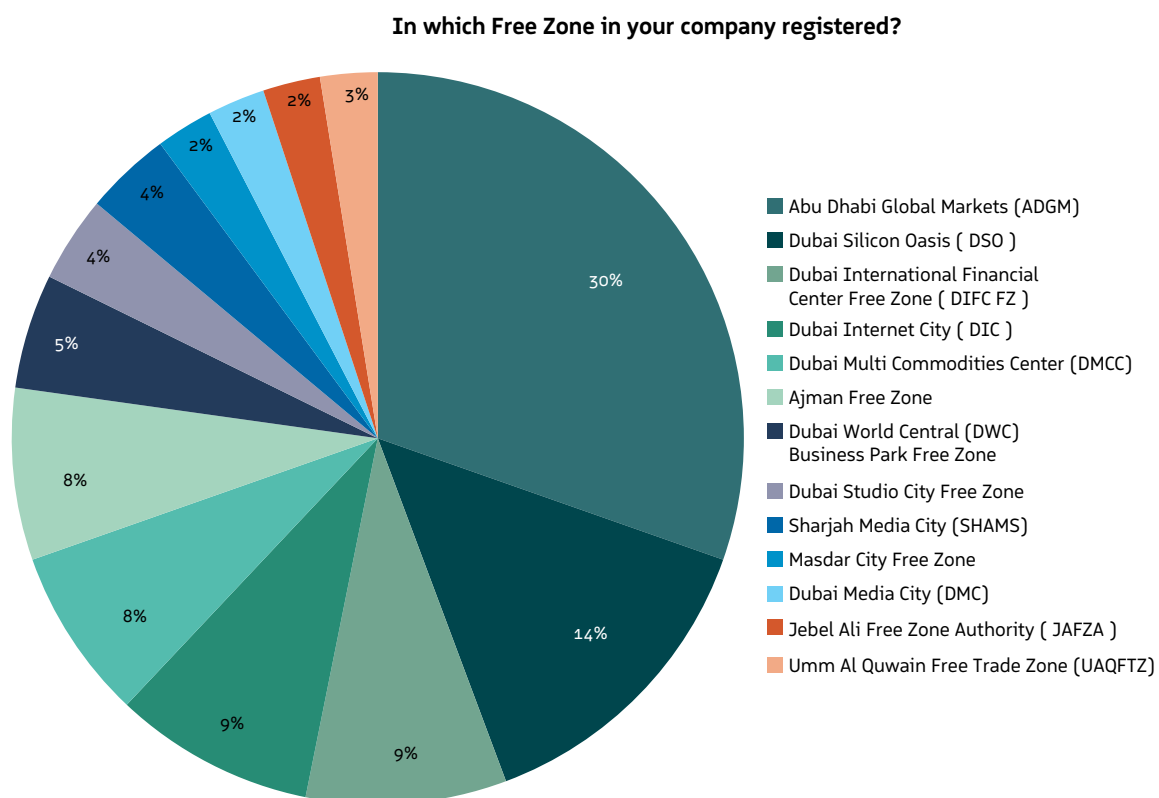


Figure 49 – Company Registration by free zone

The dataset achieved its purpose of canvassing across key emirates, segments, and incorporation zones of the UAE economy. Further research would be required for more granular studies of key emirates or specific industries.

# B. Years of Activity, Company Size and Number of Employees

The majority of companies in existence for 0-2 years reported an annual revenue of less than 100,000 AED.

This group comprises companies in existence for less than a year, and also 57% of companies that have existed between 1-2 years. As such, it confirms SMEs’ difficulty in scaling and increasing cash flow in the early stages.

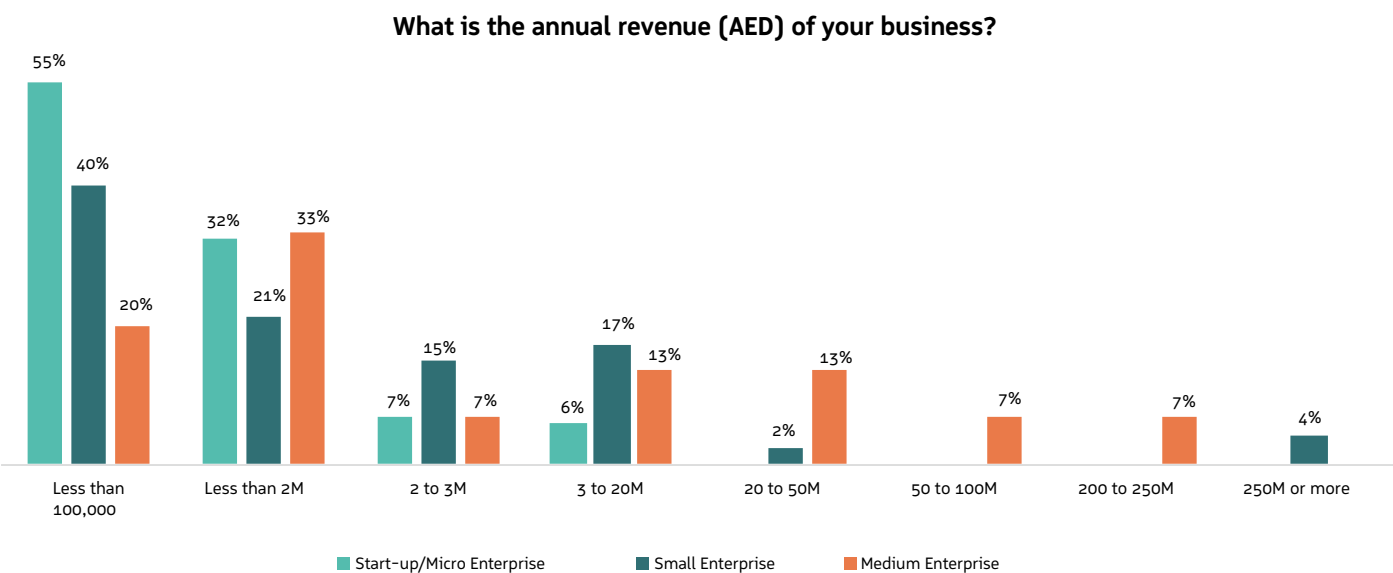


Figure 50 – Annual Revenue by Company Size

The majority of companies in existence for 0-2 years reported an annual revenue of less than 100,000 AED.

This group comprises companies in existence for less than a year, and also 57% of companies that have existed between 1-2 years. As such, it confirms SMEs' difficulty in scaling and increasing cash flow in the early stages.

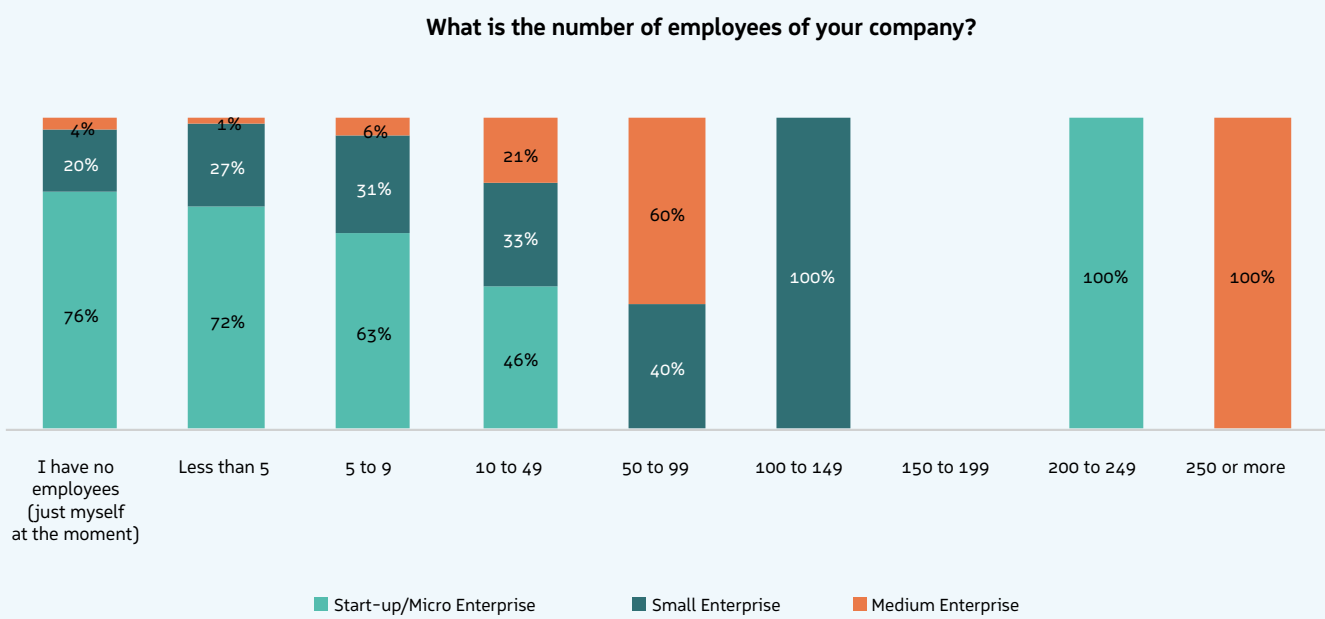


Figure 51 - Number of Employees in Surveyed Companies



Figure 52 - To which markets do you mainly export your goods/services?



# The Mohammed Bin Rashid School of Government

The Mohammed Bin Rashid School of Government (formerly Dubai School of Government) is a research and teaching institution focusing on public policy in the Arab world. Established in 2005 under the patronage of HH Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the United Arab Emirates and Ruler of Dubai, in cooperation with the Harvard Kennedy School, MBRSG aims to promote good governance through enhancing the region's capacity for effective public policy.

Toward this goal, the Mohammed Bin Rashid School of Government also collaborates with regional and global institutions in delivering its research and training programs. In addition, the School organizes policy forums and international conferences to facilitate the exchange of ideas and promote critical debate on public policy in the Arab world. The School is committed to the creation of knowledge, the dissemination of best practice and the training of policy makers in the Arab world. To achieve this mission, the School is developing strong capabilities to support research and teaching programs, including:

- applied research in public policy and management;
- master's degrees in public policy and public administration;
- executive education for senior officials and executives; and,
- knowledge forums for scholars and policy makers.

The MBRSG Research Department focuses on the following seven priority policy areas:

1. **Future Government and Innovation**
2. **Education Policy**
3. **Health Policy**
4. **Public Leadership**
5. **Social Policy, Wellbeing and Happiness**
6. **Sustainable Development Policy**
7. **Economic Policy**

For more information on research at the Mohammed Bin Rashid School of Government, please visit: <http://www.mbrsg.ae/home/research.aspx>

## Economic Policy

This research area focuses on the future of the economy in the region and the UAE, with a strong emphasis on policy analysis and economic foresight aimed at sustained long-term prosperity, growth and sustainable development. It explores the main economic challenges and structural shifts underway in the UAE and the region, including the economic consequences of innovation and emerging technology, the knowledge economy, the economic impact of the Fourth Industrial Revolution, the adequacy of existing employment and social policies and inclusive policymaking for greater economic inclusivity.

Furthermore, research in this area aims to create thought-leadership and advance the quality of government practice in the field of public economics in the region, analysing the economic aspects of the expansion and regulation of the public sector and its role in driving economic growth and equity.

Economic policy research at the MBRSG seeks to be intrinsically cross-sectoral, supporting and overlapping with most other research tracks led by the School. It strives to provide a holistic approach to economic policy research and policymaking in the region by addressing a wide variety of topics. Examples of such research topics include economic diversification, sharing and circular economy, the economics of the “new oil normal” and the economics of innovation.

Finally, policies directly and indirectly aimed at economic diversification are explored at length in this research area, with a focus on commodity-dependant economies in the GCC and beyond.











كلية محمد بن راشد  
للإدارة الحكومية  
MOHAMMED BIN RASHID  
SCHOOL OF GOVERNMENT

**Mohammed Bin Rashid School of Government**  
Convention Tower, Level 13, P.O. Box 72229, Dubai, UAE  
Tel: +971 4 329 3290 - Fax: +971 4 329 3291  
[www.mbrsg.ac](http://www.mbrsg.ac) - [info@mbrsg.ac](mailto:info@mbrsg.ac)



/mbrsg



/mbrsg



/company/mbrsg



/+mbrsgae



/mbrsgae



mbrsgae