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Innovation, Equity and Investment in the MENA Region

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- According to The World Business/INSEAD Global Innovation Index 2007, the UAE ranks as the 14th most innovative country in the world. The UAE was the only country in the Top 15 that wasn't European, Asian or North American.
- Unquestionably, there are innovators in the UAE. The development of Dubai, under the leadership of HH Sheikh Mohammed bin Rashid Al Maktoum, into the globally recognized city that it is today is a prime example of innovation.
- Even more closer to home, here in Dubai we have
 - the world's largest real estate developer, Emaar
 - the 3rd largest global port operator, DP World
 - while the Dubai International Airport and Emirates Airlines were both ranked in the World's top ten last year
 - Tatweer one of the region's largest investment holdings company
- We need to see investors taking the innovations of the Middle East's private sector seriously. After 10 years of innovation, most notably in embracing the Internet-based model, online media leader AMEInfo was bought by the UK's EMAP for \$29 million.
- From the financial markets, the most prominent innovation is in Islamic Banking services, being copied by western financial institutions, and local institutions such as Dubai Islamic Bank exporting their knowledge and listing on the London Stock Exchange.
 - And of course, Tejari, the Middle East's largest B2B online marketplace
- Of course we consider Tejari to be a pioneer in this field - we have harnessed the e-business model to innovate and create a vast range of services that go beyond our online marketplace, and this is a model that has successfully been exported to markets all over the MENA region

Tejari was founded six years ago to be a pioneer in promoting e-procurement and e-commerce in the region. And I can assure you the future looks more promising than ever:

- Last year we had more than **\$1.3 billion worth** of business transacted through Tejari, marking a **33% rise** in trading volume
- Growth in our core **trading partner base** grew by approximately **40%**
- We are now in **twelve nations** across the Middle East, South Asia, and North Africa

- We have crossed an important milestone with more than **\$4 billion** in total trading to date comprising more than **77,000 deals conducted online**
- We now have over **80,000 companies** as members of Tejari embracing electronic showrooms and trade leads

I would like to share with you our Innovation Strategy at Tejari as many of the issues we are facing are endemic to the entire Middle East. We have 3 key planks to our strategy and pursuit of innovation

1. We made a purposeful decision to bundle our Intellectual Property and export it to other countries in the region

- We used a franchising business model to make this happen. In fact this is how we were able to quickly expand to 12 countries across the region.
- It takes quite an investment to create salable IP ... even the basic requirements are tough from comprehensive disclosure statements, 7x24 support lines, operations manuals, ISO Quality certification, standard back office systems, and much more.
- Trust me it is a lot easier to buy! And this is exactly what is happening. We are currently the only Middle East franchisor registered with the IFA, yet the Middle East is the most active franchising sector in the World, as there is an abundance of capital established franchise licenses are being snapped up left and right.
- It is easier to buy than to build

2. We created our own "New Ventures" division within our company to identify opportunities in the market and then incubate and launch new business with innovative e-commerce offerings. In fact, creating the Idealab equivalent for the Middle East

- Last year we launched our first, an online real estate portal by the name of Simsari where investors and consumers can find, finance, and buy Middle East properties over the Internet
- We have 3 more projects planned for this year
- However, as we solicit investors, we are fighting a mentality and investment decision of low risk/quick returns vs. high risk/long term returns ... people are far more interested in making a quick buck in real estate vs. patient capital to watch a company grow into a global brand.

3. We are shifting our compensation model away from traditional cash & benefits to a long term incentive program based on equity through the likes of stock grants and stock options.

- To illustrate how limited this practice is in the Middle East, none of the five to ten companies we sourced to develop our Equity Program could list a Middle East reference, all their experience is outside of the region.
- We believe that the opportunity for wealth building drives the desire to innovate beyond the competition and the market to create growth and higher rates of returns
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So that is our view

1. Purposeful development of IP for export
2. Venture mentality and capital available with incubation environment
3. Long-term incentives based on equity

If the private sector aggressively adopts these principles, we will see much greater levels of innovation in the Middle East

- But with the exception of the above, there are very few global brands that have originated within the Middle East, very few purely commercial ventures without some sort of government backing, and very few multinational ventures that are driven primarily by Arabs.
- So why are there so few Arabic global brands?
- The UAE is not lacking in potential investors - the liquidity of the market is immense; with many wealthy investors in the Gulf. But for a region with such high financial liquidity, there should be much more innovation.
- The regulatory climate, at least in the UAE, is not the problem - otherwise why would individuals and organizations be rushing to set up commercial entities in the region? If anything, governments in the region need to put more rules in place to ensure responsible, accountable growth.
- I think the answer to the question of 'where are the Arabic brands?' is simple - it is about risk and return.
- Businesses in the Middle East have done an excellent job of importing franchises - we are inundated with Starbucks, KFC, McDonald', Harvey Nichols and all of the other global brands, yet there are only a handful of Arab entrepreneurs creating their own brands.
- Yet I don't believe that the MENA region is short on ideas or entrepreneurs with vision. But they must have the chance to shine. You cannot teach creativity, but you can nurture talent, you can support young business leaders, you can give women equal opportunities to develop their businesses, and you can create global standards of regulation and communication to give new ventures the best possible chance of success on a world stage.
- Programmes and recognition schemes for private sector innovation has been established - the Mohammed Bin Rashid Establishment for Young Business Leaders is such a vehicle which rewards UAE nationals for their entrepreneurship.
- At Tejari we aspire to be a global operator. Tejari was established to provide e-procurement for the Dubai government. We could have been content to simply fill that role, but we were not. Sheikha Lubna, our previous CEO, saw the potential for the expertise we have to take Tejari worldwide - to reach out to other emerging markets, and to create a global network of marketplaces.
- Our strength today is not purely in our technology platform, although we wouldn't have customers if we didn't have a good offering. Our strength comes from the vision

and commitment to doing something different, of finding a unique proposition for our services, and of being able to then export that to the wider region and the world.

- New ventures need to be encouraged with seed money, with mentorship, with the support of the regional media - there should be a corporate framework that encourages new ideas and then shepherds them from conception to delivery.