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MENA TECH 2024

USING INSIGHTS TO GAIN ADVANTAGE

EARLY STAGE INVESTOR BEST PRACTICES

DECIDING ON INVESTMENT THESIS IN 2024 MARKET

How the tech investment market looks like in 2024 MENA

19 charts, 17 insights for your thesis and fund's strategy
12 are published for the first time in MENA

<https://clear.world/common>



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This guidebook belongs
to the **“Early Stage
Investor Best Practices”**
collection

MENA TECH 2024

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EARLY STAGE INVESTOR BEST PRACTICES | DECIDING ON INVESTMENT THESIS IN 2024 MARKET

WHERE TO USE THIS GUIDEBOOK IN THE FUND'S LIFECYCLE

Design

Thesis

Analyze the MENA venture market to develop fund thesis

Stages, geolocation, sectors, what other investors do in MENA

Fund Terms

Use benchmarks to set fund parameters and LP expectations

Expected fund size, hurdle, carry, risk-free rate, returns, etc.

Portfolio Construction

Model the portfolio based on dealflow risk in MENA

Target equity ownership, allocation, ticket ranges, follow on reserves, etc.

Deploy

Estimate expected dealflow operations based on current market in MENA

Dealflow by stage, expected deal quality, deal sources, etc.

Portfolio Management

Benchmarks to anticipate portfolio company lifecycle in MENA

Holding period, IRR and MOIC in MENA, parallel funds, etc.

Exit / Follow

Benchmarks to anticipate liquidity events and distribution

Success/failure rates in MENA, exit paths, next stage dilution, fund recycling, etc.

You are here

Execution

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CONTENTS NAVIGATOR AND TOPICS COVERED

08

How the Tech Investment Market Works in MENA

What is the actual MENA market, what is the role each country plays, who invests besides VCs; market sizing; investment firms, tech companies and market cap

17

The Context That Is Shaping Market Forces Behavior Today

What makes MENA tech ventures attractive today, how Saudi SWFs capital injection impacted the market cycle, how investors behavior adapted to it; analysis of investor portfolios in MENA

27

Common thesis composition

Putting together market conditions and constraints, what is a safe/common early stage investment thesis, and what do other funds do to turn it into action

30

Information and Ending Notes

Methodology, who is Clearworld, what is the Common Intelligence initiative, what's next in the Best Practices series, how to support this effort, final remarks from the editor

※ **Full Release** This version of the guidebook is the final version. Charts and insights are finalized. Methodology remarks are mentioned in the footnote section of each page and detailed in the methodology section. This guidebook is part of Clearworld's *Common Intelligence Initiative*, the first and only private-sector economic development initiative in MENA built to push tech innovation in MENA to evolve into systemic industrialization by empowering guided economic activity through publicly accessible highest quality market insights.

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**If you are familiar with the MENA regional markets,
skip to page 14.**

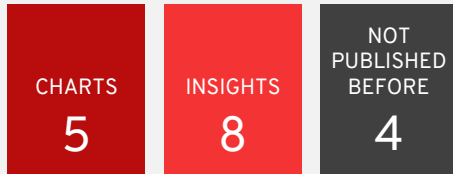
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HOW THE TECH INVESTMENT MARKET WORKS IN MENA

- What is the actual MENA market
- What is the role each country plays
- Who invests besides VCs
- Market sizing: investment firms, tech companies and market cap



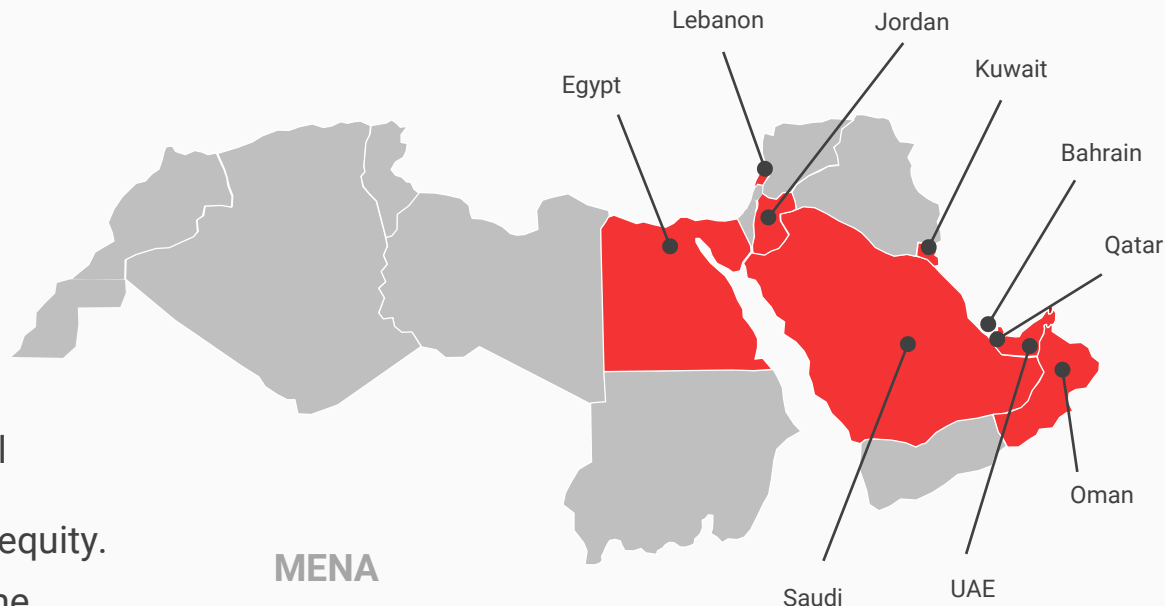
Not all MENA is MENA

The MENA tech venture space extends from Egypt to Oman, and from Lebanon to Saudi.

Everywhere else is case-by-case exceptions.

The reason is simple: local financial systems friendliness to the startup structure and ownership of foreign equity.

Roles are stabilized: tech deals come from any of these 9 countries, while capital and big business deals are in GCC.



5 talent hubs supply MENA with tech engineers

Egypt, India, Jordan, Pakistan, and increasingly Eastern Europe, are the main source of tech talent in MENA.

North-West African tech talent powerhouses such as Tunisia prefer Europe.



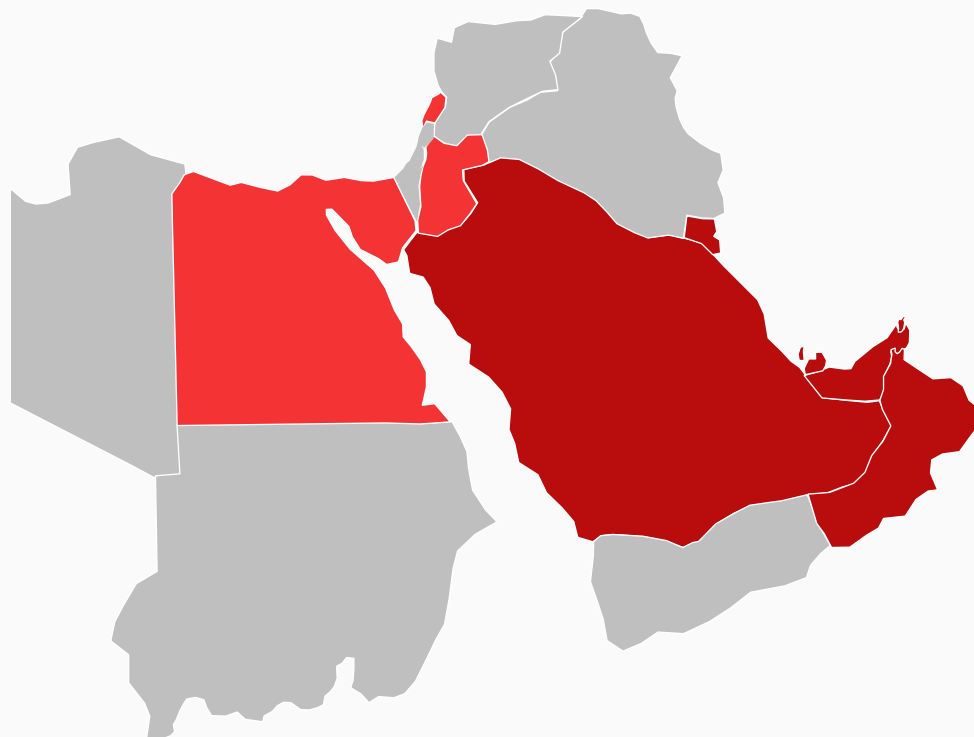
Dealflow is geolocation- prescribed

GCC SWFs are the main LP
in MENA early stage tech funds.

These SWFs have a geolocation
requirement for investment target
companies to be operational in MENA.

Domiciling the company is the only way
to qualify for venture dealflow in MENA.

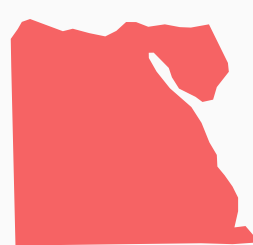
This gave rise to significant business
setup incentive packages in GCC.



3 countries account for almost everything

Egypt, Saudi and UAE
are the main hubs
of tech activity in MENA.

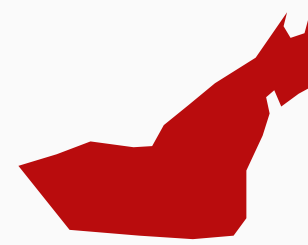
Since 2010s, market
forces adapted to each
country's drivers and set
informal understanding
of using each country.



EGYPT



SAUDI



UAE

Current Role
How market
forces use each
country by 2024

Tech talent pool
Homogenous consumer market
M&A target companies pool
Africa expansion base

Capital
Homogenous consumer market
M&A acquirers pool
IPO market

Infrastructure & business environment
Living conditions attract global talent
Diverse population base
Access to capital
GCC expansion base
Arbitrage

Tech Valuation

Lower to Average

Average

Higher

Economic Value
How the venture
market is valued
for policy drivers

Unemployment

Unemployment
Corporate re-domiciling
Corporate tax
Develop capital markets
Country branding
Create local champions

Business attraction:
licenses, visas, real-estate

Venture market in MENA is **one borderless market**

Fund's legal structure and chosen jurisdictions follow a common design.

Funds have similar LPs table, often identical.

New fund managers are former employees of other regional funds, they carry over connections and playbook.

Deals originate for all investors from similar channels, often identical.

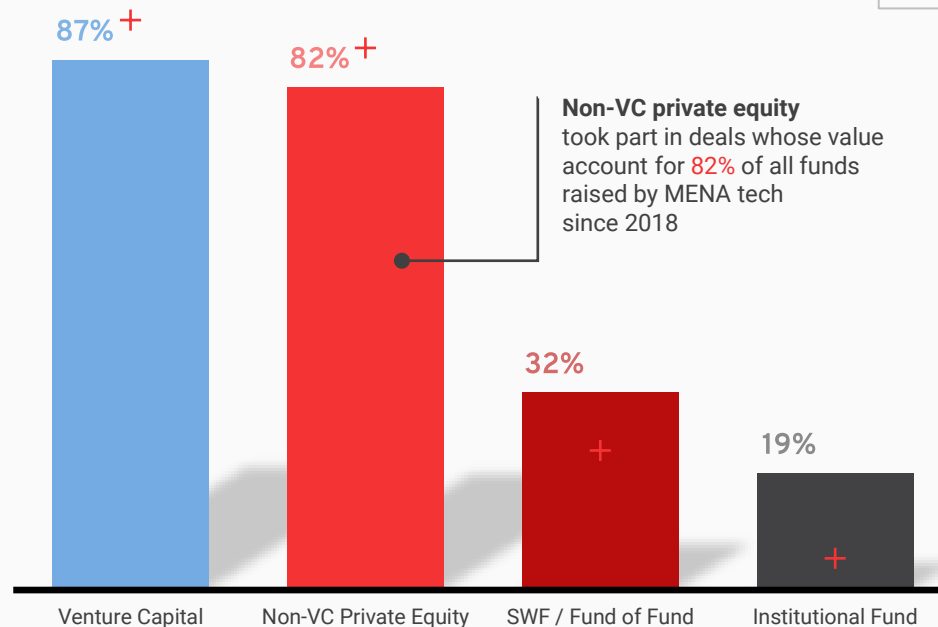


+ 2023

MENA tech is not exclusive to venture capital

Non-VC private capital has contributed to MENA tech ventures just as much as VCs, despite working in near total media silence.

When it comes to growth stage and late stage, non-VC private capital is the more consistent buyer of MENA tech equity.

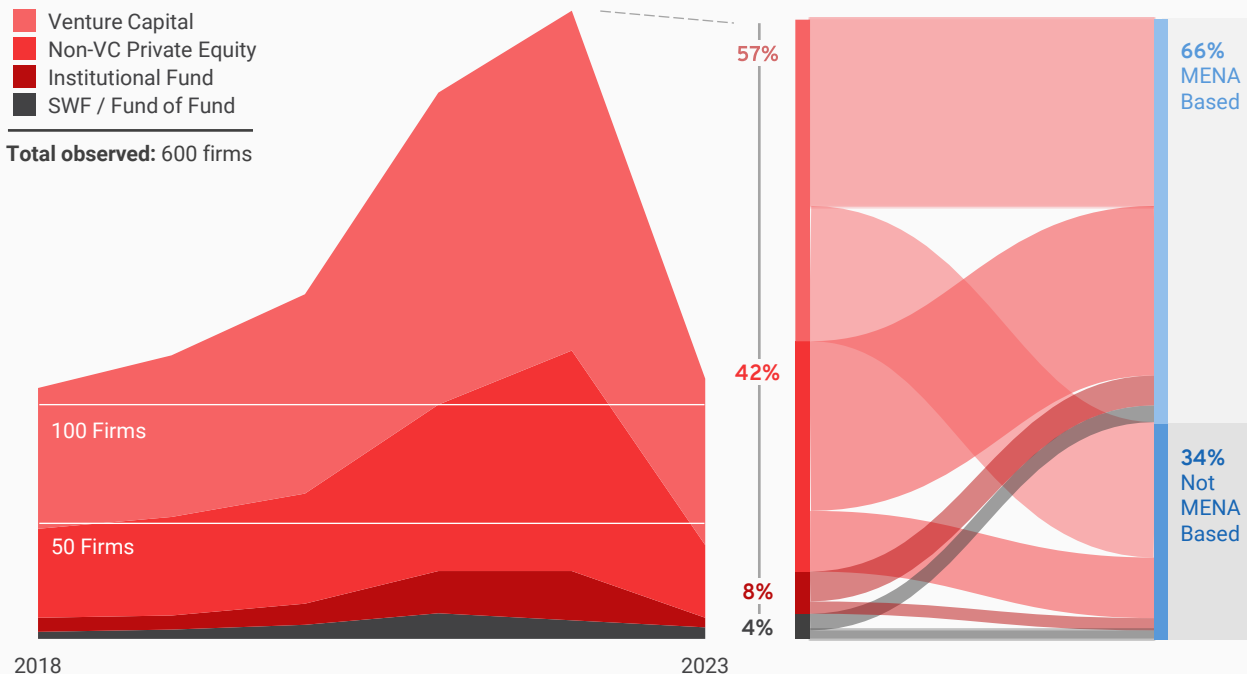


Private Equity Footprint In Tech Investments in MENA 2018-2023

Collective size of funding rounds where a specific investor type participated, out of total tech venture investments in MENA since 2018-2022 and 2023 YTD; 100% = \$7.26B

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Total observed: 600 firms



Active Firms Investing In MENA Tech 2018-2023

Composition By Type and Domicile Region

34% of the market is foreign investors

VC and PE firms make up over 90% of market players since 2018.

2022 recorded the highest number of active investors in tech.

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Two worlds of MENA tech

There is around 3900 active tech ventures in MENA, valued at \$11.4 billion.

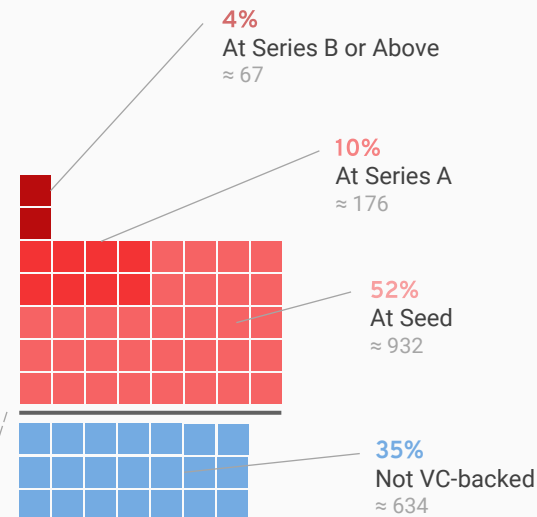
Early stage tech who get funded by non-VC sources tend not to get VC backing afterwards, creating two worlds for tech at early stage.

The two worlds meld again at growth stage and exits.



\$11.4 Billion

Estimated Market Capitalization of VC-backed Tech in MENA Premoney, end of 2023



■ = 30 ■ ≈ 1175 Unfunded ≈ 2093

Distribution of active companies by stage
Volume, end of 2023

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THE CONTEXT THAT IS SHAPING MARKET FORCES BEHAVIOR TODAY

What makes MENA tech ventures attractive today
How Saudi SWFs capital injection impacted the market cycle
How investors behavior adapted to it: co-investing, basic strategy
Investor preference for sectors in MENA
Market sentiment: growth stock or quick exit?
Total size of illiquid asset in MENA tech
Common exit paths in MENA PE

CHARTS

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INSIGHTS

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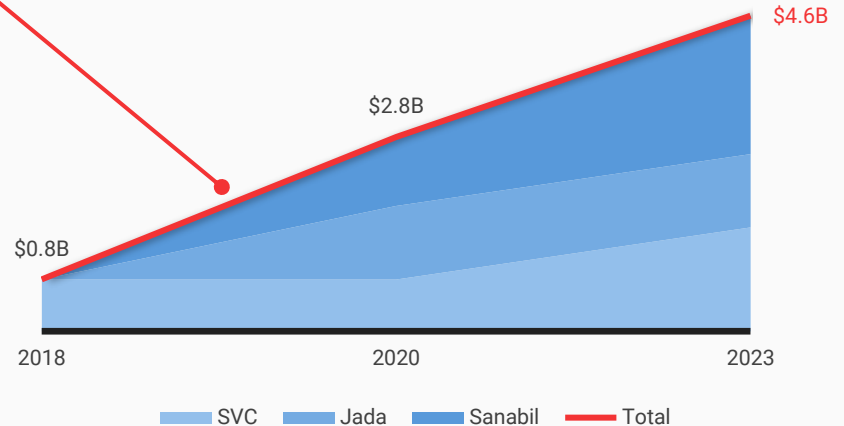
Saudi demand shock is what makes MENA attractive today

Since 2017, Saudi SWFs allocated significant funds towards creating unicorns in Saudi using the region's pipeline.

This demand for tech venture equity makes MENA the only place in the world today that does not suffer a real capital crunch for tech.

Several unicorn announcements are expected in 2024, with IPO on Tadawul as their exit. **This would fuel more demand for tech venture equity.**

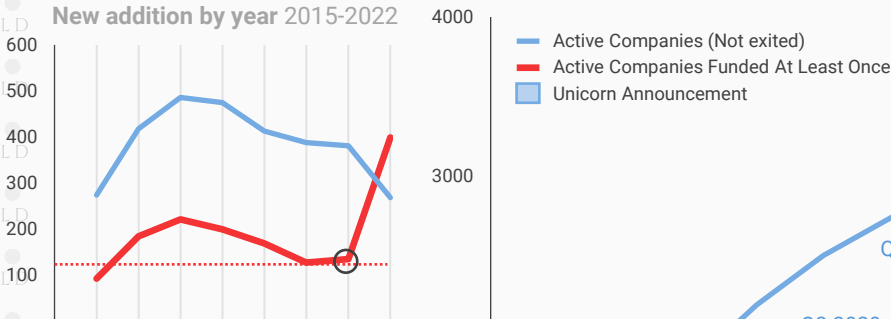
Saudi SWFs created a demand shock for startups, overloading capital supply in MENA since 2018
 Announced capital allocation for startups from only three funds owned by Saudi NDF and PIF 2018-2023*



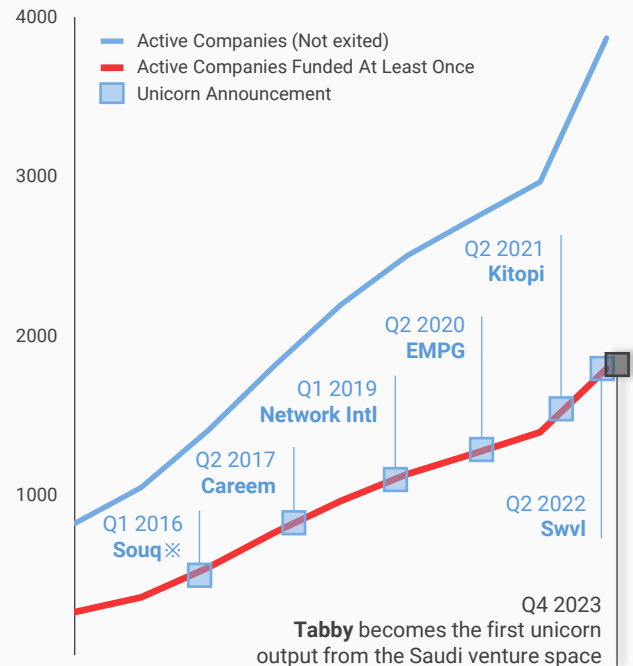
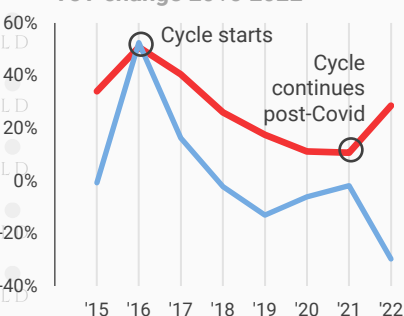
* Official figures announced by SVC, Jada and Sanabil Investments

Funding momentum is recovering by bringing in older tech companies to the venture space
Volume and growth momentum of MENA tech 2015-2022

New addition by year 2015-2022



YoY change 2015-2022



* In Q3 2017, Souq was acquired by Amazon in a \$580 million deal

Clearworld Model: Analysis of tech ventures in MENA 2014-2022; size N=4104, CI margin of error ±1.5%

The 2016 market cycle is not done yet

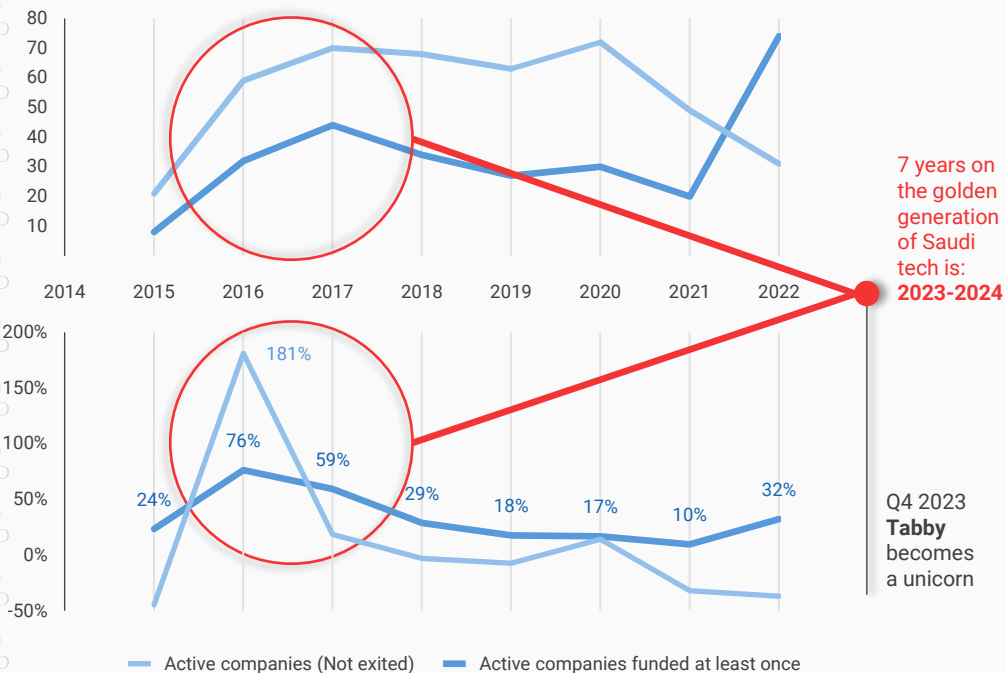
The cycle started with capital supply from Saudi to make 40 unicorns. It should last until that is at least partially achieved.

Funding resumed its momentum, bringing more active tech to the venture space.

Startup creation rate slowed down, but it is expected to recover as new unicorns are announced, reviving the interest in startups.

The golden generation of Saudi tech of 2016-2017 is due to realize any time now

Volume and YoY growth of Saudi tech 2015-2022



The 2016 cycle is well-timed in Saudi

2016-2017 saw the peak of Saudi's tech investment drive, coinciding with the first injection of SWF capital into tech startups.

7 years later, right on the clock of a standard fund lifecycle, Saudi has an influx of series B+ deals, as well as the first unicorn output of its venture space.

It is unlikely that the Saudi effort won't hit at least part of its target.

Note: 6-7 years is also the median time for Saudi ventures to reach series B. We used this confluence to predict the time window of the first Saudi unicorn that results from the venture space.

We [published our prediction in July 2023](#), three months before the Tabby announcement. Clearworld Model: Analysis of tech ventures in Saudi 2014-2022; size N=514, CI margin of error -5.8%/+6.4%

Co-investing shift

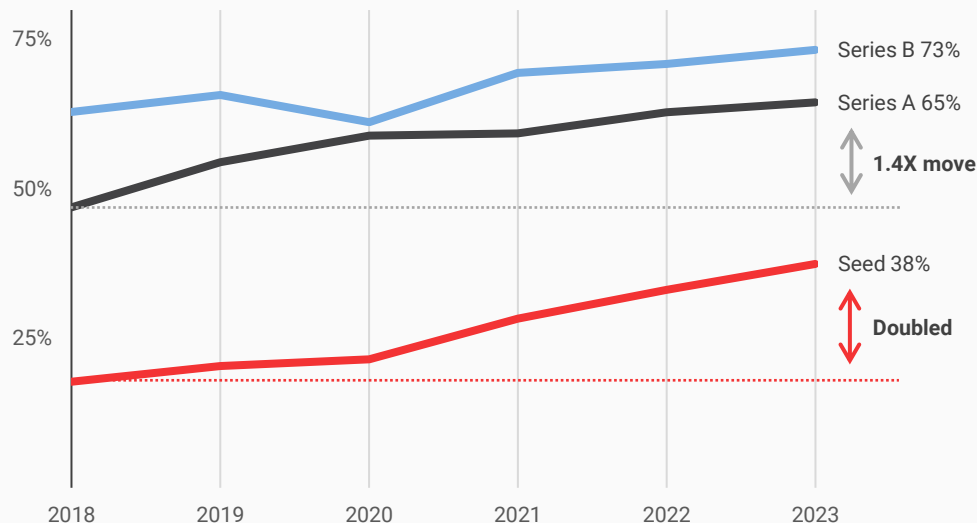
Demand for quality deals and the high valuations due to the demand shock from Saudi caused investors to adopt co-investing as main strategy.

New funds with no network in MENA are less likely to participate in quality deals.

Anchoring remains the best option for foreign funds.

Funds may try a contrarian approach by bringing new LPs, corporate buyers, or bridges to global markets to attract the more ambitious ventures.

Consistent increase in co-investing in MENA tech, with a spike in 2021
Percentage of venture deals with more than one investment firm in MENA 2018-2023



Investors lean to **sector-agnostic** investment

In practice, it is uncommon to see larger firms with a specific industry focus in the region, even if some firms publicly announce that they are.

Among the 10 most active MENA firms who account for 25% of MENA-based activity since 2018, only two firms run concentrated portfolios.

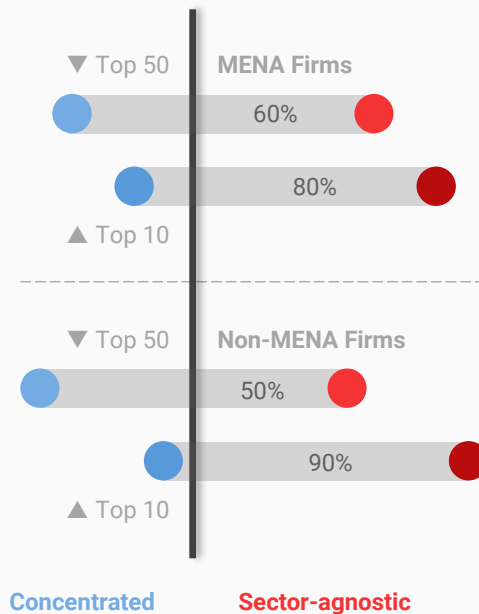
For the 10 most active non-MENA firms, only one firm does the same.

Top 10 Active MENA Firms Concentrated Portfolio

VentureSouq - Dubai	No
Vision Ventures - Dammam	No
Shoroq Partners - Abu Dhabi	No
Global Ventures - Dubai	No
BECO Capital - Dubai	No
Wamda Capital - Dubai	No
Raed Ventures - Riyadh	No
Impact46 - Riyadh	Commerce and Shopping
MEVP - Dubai	Financial Services
STV - Riyadh	No

Top 10 Active Non-MENA Firms Concentrated Portfolio

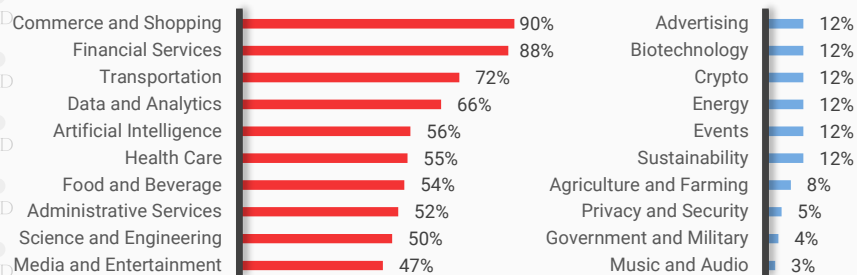
Y Combinator - Mountain View	No
Global Founders Capital - Berlin	Financial Services
Endeavor Catalyst - New York	No
4DX Ventures - Brooklyn	No
B&Y Venture Partners - St. Heller	No
FJ Labs - New York	No
Bossanova Investimentos - São Paulo	No
Soma Capital - San Francisco	No
SoftBank Vision Fund - London	No
Tiger Global Management - New York	No



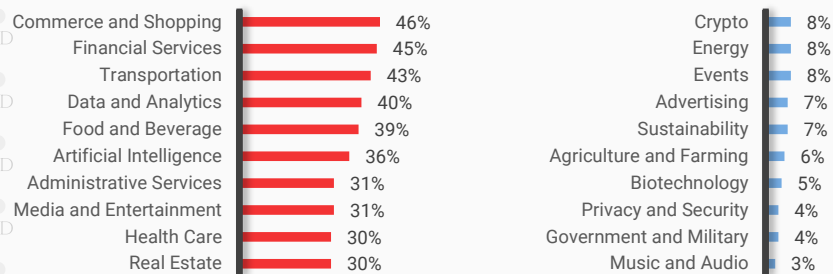
Distribution of firms investing in MENA tech by allocation footprint
Announced deals 2018-2023

Which sectors appear the most and least on MENA's 100 most active firms' portfolios

Sector prevalence: percentage of firms who invested in this sector, MENA 2018-2023



Sector prevalence in the 50 most active firms



Sector opportunity in MENA tech

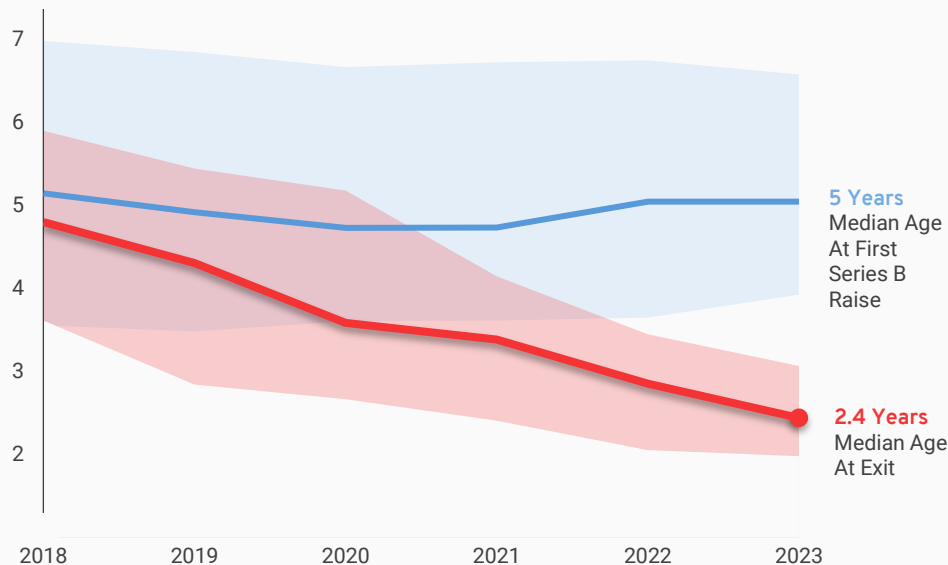
The popular sectors and industry flavors for investors in MENA tech show how **the tech in demand still tackles the first wave of digital transformation:** commerce, fintech, mobility, data, health, FNB. AI is the only exceptional entry.

While some of MENA's traditional key spaces such as real estate make their way into the top 50 firm portfolios, other traditional spaces such as energy, agriculture and tourism are largely absent, indicating a limited market opportunity for startups in these spaces.

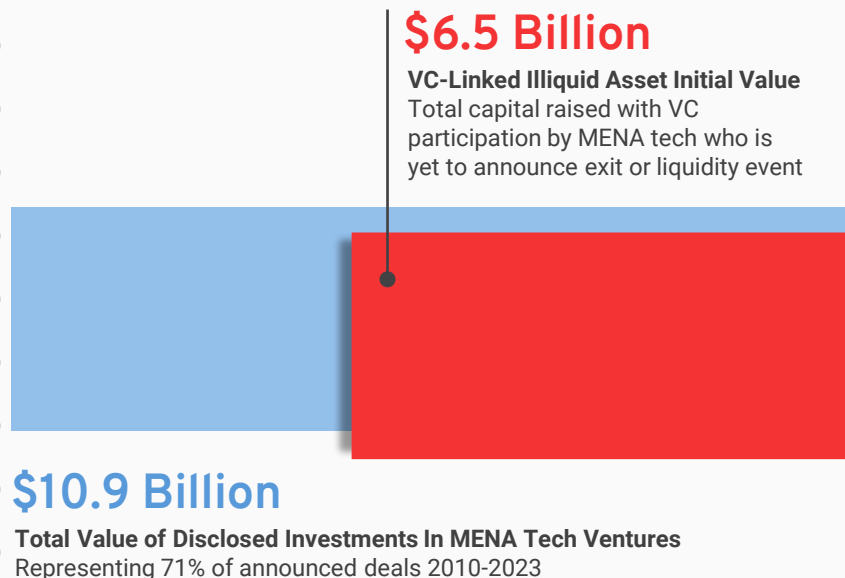
Early stage in MENA ends in exit, not conversion

Tech in MENA is increasingly impatient.
Fewer companies make it to series B,
rarely using MENA VC funding afterwards.
This overheated trend makes funds who
bring growth stock know-how and growth
paths attractive for a group of ventures
who seek a different investor profile.

Age of exited tech is shortening in a **significant momentum**,
with more companies opting for exit or are exited before reaching Series B
Company age at first Series B raise vs age at exit as 5-year rolling median and IQR
MENA 2018-2023



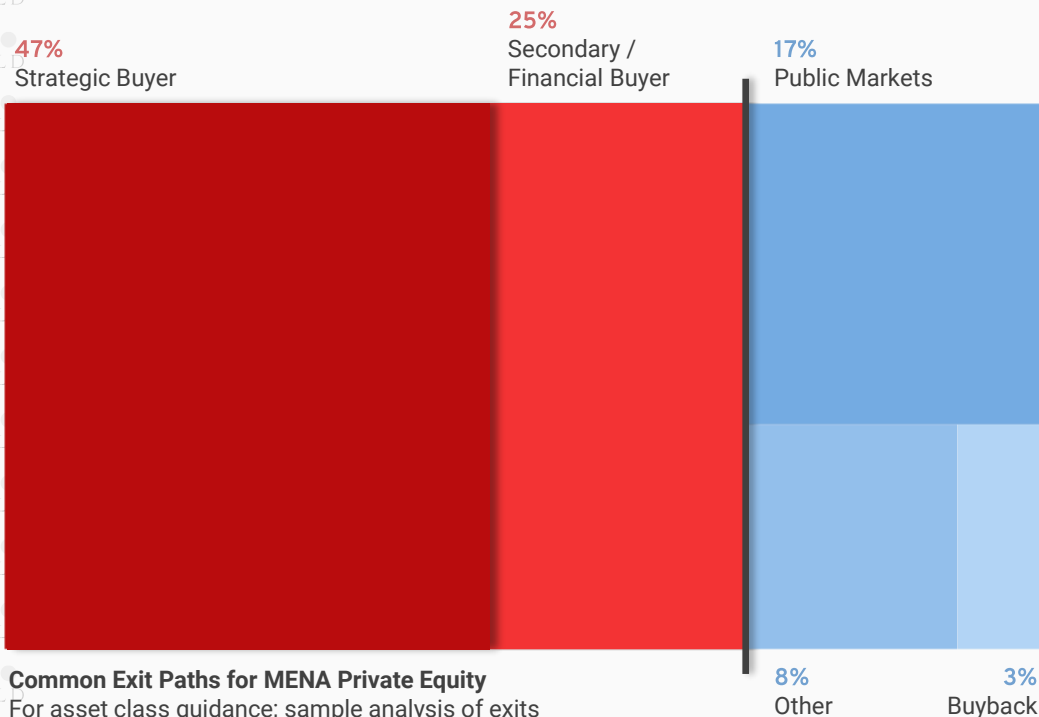
Clearworld Model: L-estimators on 5-yr moving basis of age of company at lifecycle events 2010-2023 YTD, dataset size $N^*=1769$; age at first series B raise size $N_B=77$, age at exit size $N_{Exit}=86$, 95% CI margin of error $-1.3\%/+1.6\%$. Year 2023: observations $o_B=54$, $o_{Exit}=18$; median absolute deviation $MAD_B=1.65$, $MAD_{Exit}=0.98$; $\hat{\sigma}_B=1.12$, $\hat{\sigma}_{Exit}=0.66$



Time function is most important in MENA

While tech exits extremely fast at age 2.4, most of the known venture investment position remains unrealized.

Time function in MENA not only affects IRR, but also decides the success and failure of each tech company in an overheating environment with impatience building up.



Common Exit Paths for MENA Private Equity
For asset class guidance; sample analysis of exits
by type announced in MENA PE 2018-2022

B2B M&A and secondaries are most common exit

Deepening the capital markets is a priority file for policymakers in UAE and Saudi.

Today, there is a serious push for MENA IPO as an exit path for tech. Several growth/late stage companies announced starting the procedure for this scenario.

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COMMON INVESTMENT THESIS COMPOSITION

Putting everything together:
What is the common investment thesis and strategy in MENA tech
What is the common approaches funds use to action it in MENA

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THESIS

This is also the common strategy in MENA tech funds, given market situation and constraints

GEOLOCATION

Capture dealflow in UAE, Saudi and Egypt. Bring interesting deals from around the world to relocate to UAE or Saudi for dealflow consideration. 60% of Saudi LP capital to be deployed in technically-Saudi deals.

Signal to gain insight Country share of deal volume and value in MENA

Signal trackers Clearworld **Best Practices** or **Data Handbook**, most platforms can track it

SECTOR

Generalist, opportunistic when there is investor traction for a deal, with preference for commerce, fintech, transportation and AI.

Signal to gain insight Sector prevalence by investment firm in MENA

Signal trackers Clearworld **Best Practices**

STAGE

Seed, Series A. Follow on: Series A. Series B+ follow on only for a few winners, otherwise expect exit before series B.

Signal to gain insight For series B follow on: Median age at exit vs first series B raise in MENA

Signal trackers Clearworld **Best Practices**

COMPETITION

Collaborate with regional investment firms.

Signal to gain insight Co-investment trends in early stage deals in MENA

Signal trackers Clearworld **Best Practices** or **Data Handbook**

THESIS

...and this is
the common
tactical approach,
again given
market situation
and constraints

● GEOLOCATION

Capture dealflow in UAE, Saudi and Egypt. Bring interesting deals from around the world to relocate to UAE or Saudi for dealflow consideration. 60% of Saudi LP capital to be deployed in technically-Saudi deals.

Common approach Develop ties with business attraction entity, official FDI, economic zone operator, and/or business setup service provider.

● SECTOR

Generalist, opportunistic when there is investor traction for a deal, with preference for commerce, fintech, transportation and AI.

Common approach Develop network with regional VC firms, fund of funds, syndications, VC/PE associations, and/or official anchoring service.

● STAGE

Seed, Series A. Follow on: Series A. Series B follow on only for a few winners, otherwise expect exit before series B.

Common approach Develop network with strategic buyers for B2B M&A, and PE firms for secondaries.

● COMPETITION

Collaborate with regional investment firms.

Common approach Attract a professionals from an active investment firm to partner on your fund, on good terms with former employer.

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INFORMATION ABOUT THIS EFFORT AND ENDING NOTES

Methodology

Who is Clearworld

What is the Common Intelligence initiative

What's next in the Best Practices series

How to support this effort

Final remarks from the editor

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METHODOLOGY AND DATASET INFORMATION

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COMPANIES
11,895

4,123 Tech ventures
7,772 Control group

INVESTORS
1,828

834 MENA based
994 Non-MENA based
active in MENA

DEALS
6,305

4,061 By MENA ventures
2,224 Non-MENA ventures
with MENA investors

METHODOLOGY: CLEARWORLD MODEL

Clearworld Model is our proprietary data enrichment model that can take input from any database. It is heavily researched and developed since 2019 to treat extreme noise in markets that have low volume, low cap and limited data due to a tendency among market forces not to disclose full details.

The Model uses 240 ETL operations and 160 enriched features to make statistically-sound scientific research into such markets possible and reliable. It is a generalized model with MENA venture market being a special case.

Clearworld Model successfully predicted the valuation spiral (2019-2022), the slowdown (2022-2023), the identity of 50% of series B deals and exits (2022-2023) and the time of Saudi's next unicorn (2023) at least three months ahead of time, despite contrary mainstream narratives.

Clearworld used the Clearworld Model in its work with **Dubai Future Foundation, Dubai Economy and Tourism, Dubai Chamber of Digital Economy, and Dubai Centre for Artificial Intelligence.**



مؤسسة دبي للمستقبل
DUBAI FUTURE FOUNDATION



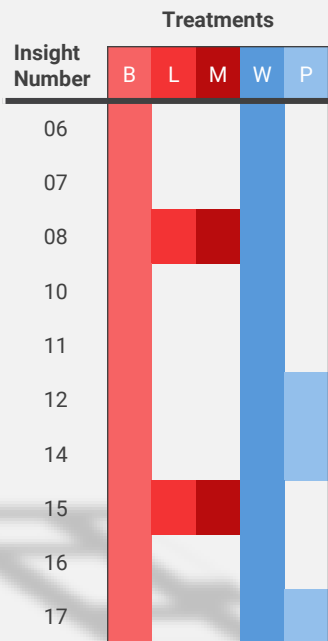
غرفة دبي
DUBAI CHAMBER
DIGITAL الرقمية

مركز دبي لاستخدامات
الذكاء الاصطناعي
Dubai Centre for
Artificial Intelligence

To ensure public accessibility of the underlying datasets, public works published by Clearworld take input from Crunchbase Pro and has proven confluence with Magnitt. Raw data is accessible on the data provider's platform. Clearworld do not sell, re-sell nor own rights to the raw data.

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METHODOLOGY: INSIGHT BY INSIGHT



- B** Binomial population proportion difference and Newcombe difference of differences
- L** L-statistics and non-parametric treatments
- M** Median absolute deviation and variance estimator
- W** Wilson score confidence interval
- P** Propagation of Wilson score confidence intervals

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Newcombe, R. G. (1998). Interval estimation for the difference between independent proportions: comparison of eleven methods. *Statistics in medicine*, 17: 873-890. [doi:10.1002/\(SICI\)1097-0258\(19980430\)17:8<873::AID-SIM779>3.0.CO;2-I](https://doi.org/10.1002/(SICI)1097-0258(19980430)17:8<873::AID-SIM779>3.0.CO;2-I)

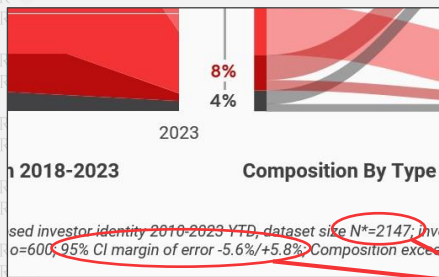
Newcombe, R. G. (2001). Estimating the difference between differences: measurement of additive scale interaction for proportions. *Statistics in medicine*, 20: 2885-2893. [doi:10.1002/sim.925](https://doi.org/10.1002/sim.925)

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MENA TECH 2024 USING INSIGHTS TO GAIN ADVANTAGE

METHODOLOGY: HOW TO INVALIDATE IT



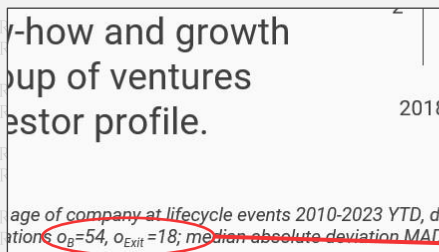
For Population Proportions

Analysis of the 95% confidence interval margin of error is sufficient to establish comparison of alternative findings.

A visual method to set the level where our insight is invalidated is to identify a separate dataset completely at random, calculate its estimator's 95% CI margin of error, and check the overlap area between the two margins. If they do not overlap and the distance is significant between the two, then it provides a different story than ours. If your sample size is larger, or you find more samples corroborating the direction and distance, that would be the invalidation signal.

Given the asymmetry in most data in MENA, the best method to compare is Newcombe difference of differences.

We make sure to include the sample size (N) and 95% CI margin of error in the technical footnote on every insight.



For Nonparametric Treatments

Where L-estimators are used, interquartile range (IQR) is sufficiently able to contain all observations from the population from which the sample is drawn.

A quick method to set the level where the insight is invalidated is to identify a separate dataset completely at random, its size is larger than 50% the number of observations in our sample, and all its members show values outside of our reported IQR.

We make sure to include the number of observations (o) in the technical footnote on every insight.

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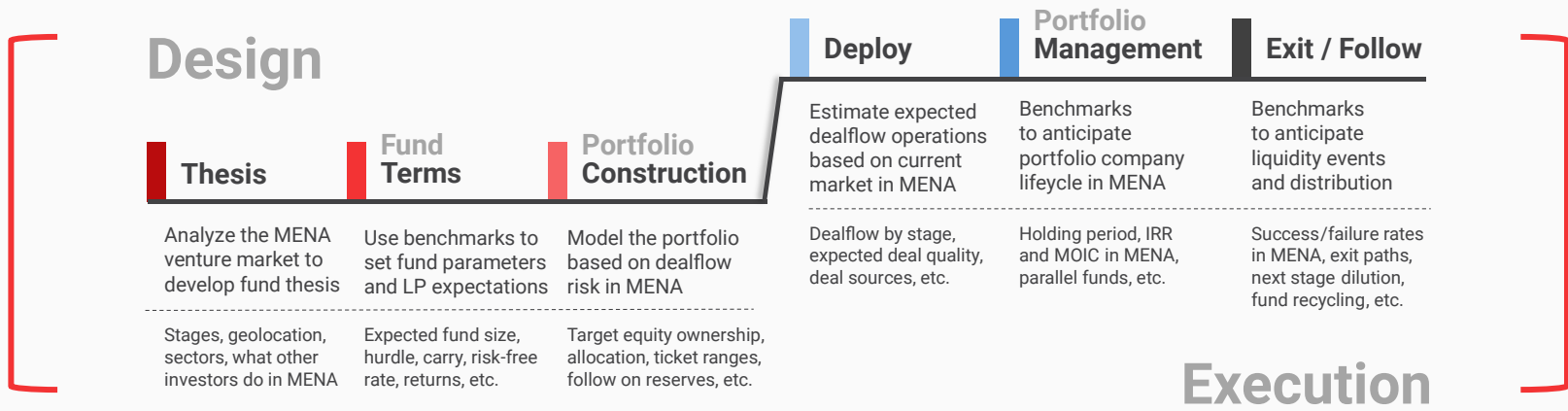
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<https://clear.world/common>

COMMON INTELLIGENCE TO EXPEDITE THE EVOLUTION OF TECH INNOVATION IN MENA

We develop what can push tech innovation in MENA to become a systemic industry.
We make it accessible publicly for policymakers, investors and tech founders.



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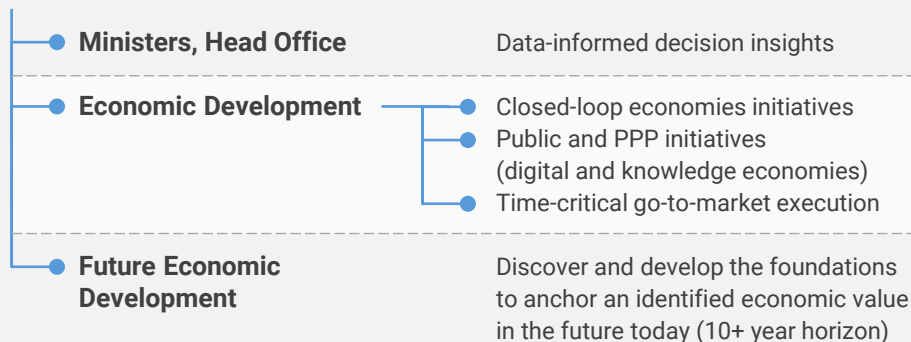
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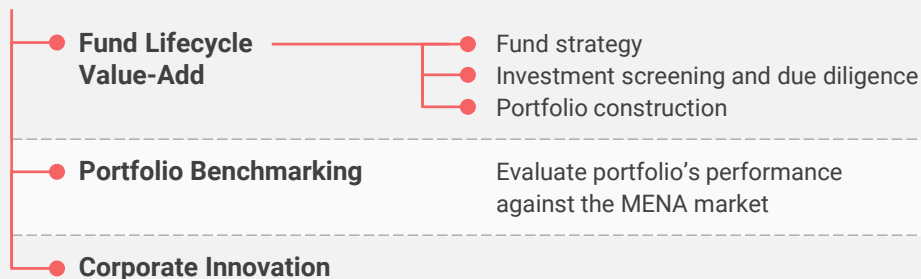
We use scientific and statistical models to create quantifiable clarity, then feed it into real-world execution models.

We specialize in orphaned strategy situations: when an idea or a strategic intent exists and no clue on what to do next and no data to help. **We help.**

GOVERNMENT



TECH INNOVATION AND INVESTMENT



INSIGHT REPORTING



Eden Rabbie

Partner - Director of Data
Science and Business
Insight at Clearworld

December 2023

The Best Practices series
is part of Clearworld's
Common Intelligence Initiative
<https://clear.world/common>

We had a gold rush in MENA ventures in 2016-2021. Just like all the world did.

And we missed out on bringing home true tech innovation. Like any gold rush, ours was driven by myopic greed. And for a good reason: lack of market need. Back then, our markets were just entering the digital turn, and the only need across all businesses was for basic digital transformation. On the other hand, “tech innovation” as seen in US and China was limited in MENA to apps and marketplaces that cater to consumer convenience rather than developing infrastructure.

By the time the era of free money came to an end in 2022, disruption globally was practically dead. The Amazons and Googles have become the incumbents, and all of them have “the startup way” ingrained in their DNA. They had even disrupted the traditional R&D path, leaving little room for others to develop groundbreaking technology without them taking the lead or simply buying it out.

By 2022, the very notion of “disruption” became questionable: is there room left for it anymore?

Until generative AI happened. LLM is not new; it was just in 2007 when I was building CompLing models and “training data” was being ported from printed sheets in tens of shoeboxes to build large language material or “corpora” for statistical models to process. That was 2 years before Numpy.

16 years later, we finally live it. Not because of cumulative CompLing effort, but because Google came to ‘re-discover’ it in 2018. What we see today is practically five years’ worth of progress.

The good news in 2024 MENA is AI is open for all, we have good infrastructure compared to 2016, **AND** we got a new gold rush in ventures. **It’s our second chance to bring home true tech innovation.**

Yes, short-term greed will remain the main driver among all participants. **But we can do our best to guide market activity to manifest an intersection between greed and real, long-term value.**

This series is us at Clearworld doing our part.

This Guidebook is available online in PDF format at



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