

What Does the Egyptian Entrepreneurial Ecosystem Look Like

Outline

- A. Most Famous Descriptions of an Entrepreneurial Ecosystem
- B. Classification of the Organizations Supporting Entrepreneurship in Egypt
- C. Main Strengths and Weaknesses of the Egyptian Entrepreneurial Ecosystem
- D. Key Observations that Reflect the Quality of the Ecosystem

A. Most Famous Descriptions of an Entrepreneurial Ecosystem by GEM and WEF

| | GEM | WEF |
|---|---|--|
| 1 | Financing | Raising funds and access to financing |
| 2 | Government Policy | Regulatory framework and infrastructure |
| | a. Support and Relevance b. Taxes and Bureaucracy | |
| 3 | Government Programs | |
| 4 | Education and Training | Education and training |
| | a. Entrepreneurship Education at School Stage b. Entrepreneurship Education at Post-School Stage | |
| 5 | R&D Transfer | |
| 6 | Commercial and Legal Infrastructure | |
| 7 | Market Openness | Accessible Markets |
| | a. Internal Market Dynamics b. Internal Market Burdens or Entry Regulations | |
| 8 | Physical Infrastructure | |
| 9 | Cultural and Social Norms | Culture |
| | | Human and Workforce Availability |

GEM covers more detailed components than those indicated by WEF

B. Classification of the Organizations Supporting Entrepreneurship in Egypt

| Organization | Examples |
|--|---|
| Government entities | <ul style="list-style-type: none"> - Technology Innovation and Entrepreneurship Center (TIEC) and ITIDA (Ministry of Communications and Information Technology) - FALAK (Ministry of Investment) - Micro, Small & Medium Enterprise Development Agency (MSME) (Ministry of Trade and Industry) |
| Private sector (For-profit organizations) | <ul style="list-style-type: none"> - Flat6labs - Endeavour - Cairo Angels |
| Universities | <ul style="list-style-type: none"> - FEPS Business Incubator - Hemma Incubator (Assiut University) - Heliopolis University for Sustainable Development |
| NGOs Source: Authors, based on interviews | <ul style="list-style-type: none"> - Nahdet el Mahrousa - Gesr Misr El-Kheir |

C. Main Strengths And Weaknesses Of The Egyptian Entrepreneurial Ecosystem

The Change of the Three Top Areas of Strength and Weakness of the Egyptian Ecosystem Over the Years 2010, 2012, 2015 and 2016

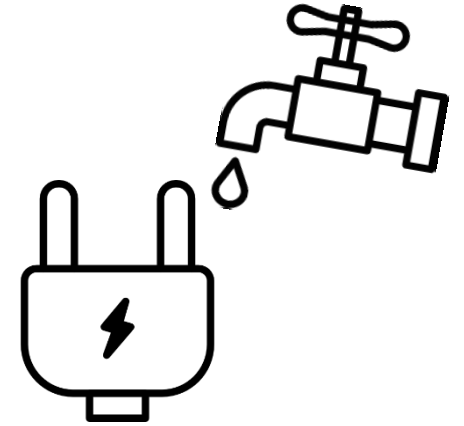
| Area of Strength | Year | | | | Area of Weakness | Year | | | |
|---------------------------|------|------|------|------|--|------|------|------|------|
| | 2010 | 2012 | 2015 | 2016 | | 2010 | 2012 | 2015 | 2016 |
| Physical Infrastructure | 6.2 | 6.3 | 6.3 | 6.5 | Entrepreneurship Education at the School Stage | 2.4 | 1.6 | 1.6 | 1.7 |
| Internal Market Dynamics | 5.8 | 5.6 | 5.1 | 5.1 | R&D Transfer | 2.7 | 2.6 | 2.9 | 2.8 |
| Cultural and Social Norms | 3.2 | 3.3 | 3.8 | 4.1 | Government Policies: Taxes and Bureaucracy | - | - | 3 | 3.1 |

* The available published yearly data
Source: GEM National Egypt Report 2016/2017

- **Overall, the average scores of nine areas of Egypt's entrepreneurial system are below the global averages in the GEM rating, except for two areas: internal market dynamics and physical infrastructure.**
- **Comparing Egypt's scores from 2010 to 2016, there is an improvement in all the areas mentioned above, with the exception of two areas: entrepreneurship education at the school stage and internal market dynamics.**

Factors of Strength

1. **Physical infrastructure:** access to utilities such as water and electricity is available and affordable for new or growing firms.
2. **Internal Market Dynamics:** there are rather good opportunities for new and growing firms created from expanding markets for goods and services, although they witness a downward pattern.
3. **Cultural and social norms:** represented in many factors, of which risk-taking, individual initiative, creativity, and innovation lead to a better entrepreneurial environment with new business opportunities. The latter achieved the greatest improvement compared to the other areas; it jumps from 3.2 in 2010 to 4.1 in 2016.



Factors of Weakness

1. **Entrepreneurship education at the school stage:** recorded the lowest score due to the low quality of education necessary to acquire entrepreneurship skills, such as creativity, risk-taking, and dealing with failure, as well this education is almost absent for vocational education.
2. **Research and development transfer:** as new and growing companies do not have the same access to new technology as big firms, and they do not receive the adequate governmental subsidies to afford the latest technology.
3. **Government Policies:** Entrepreneurs face numerous obstacles related to bureaucracy and taxes imposed on startups, as well as in issuing licenses, which push many entrepreneurs to stay in the informal sector.



D. Key Observations that reflect the quality of the Ecosystem

- **Term “Entrepreneurship” is confused with the concept of Small and Medium Enterprises (SMEs),** and the two terms are often used interchangeably.
- Hence, **most of the government initiatives and programs are SMEs-oriented,** even though they were designed to target entrepreneurs.
For example,
 - CBE initiative
 - The transformation of the Social Fund for Development (SFD) into another agency (Micro, Small & Medium Enterprise Development Agency)

- The phase of mentorship and support for ideation is crucial for entrepreneurs and is mostly provided by private sector players only
- Venture capital in Egypt does not exceed 50 million USD.
- It is far less than what a country like Egypt needs, as youth represent 60% of its population.

Egypt needs a lot more to have an enhancing entrepreneurial ecosystem.